

CENTRAL BANK
OF THE
PHILIPPINES



BANGKO SENTRAL NG PILIPINAS



BSPBK0009513

Twenty-Third Annual Report
1971

Fi-Reference

1. *Journal of the American Medical Association*, 1998; 279: 1001-1005.

2. *Journal of the American Medical Association*, 1998; 279: 1006-1010.

3. *Journal of the American Medical Association*, 1998; 279: 1011-1015.

4. *Journal of the American Medical Association*, 1998; 279: 1016-1020.

5. *Journal of the American Medical Association*, 1998; 279: 1021-1025.

RESPONSIBILITIES AND OBJECTIVES OF THE CENTRAL BANK

“It shall be the responsibility of the Central Bank of the Philippines to administer the monetary and banking system of the Republic.

“It shall be the duty of the Central Bank to use the powers granted to it under this Act to achieve the following objectives:

“(a) To maintain monetary stability in the Philippines;

“(b) To preserve the international value of the peso and the convertibility of the peso into other freely convertible currencies; and

“(c) To promote a rising level of production, employment and real income in the Philippines.”

—Section 2, Article 1, Republic Act No. 265

CENTRAL BANK OF THE PHILIPPINES
M A N I L A

OFFICE OF THE GOVERNOR


March 28, 1972

His Excellency
The President of the Philippines
Malacañang, Manila

Dear Mr. President:

Pursuant to the provision of Section 37 of Republic Act 265 and the instructions of the Monetary Board, I have the honor to submit the Twenty-Third Annual Report (1971) of the Central Bank of the Philippines.

Very respectfully,



G. S. LICAS
Governor

CENTRAL BANK OF THE PHILIPPINES
M A N I L A

OFFICE OF THE GOVERNOR

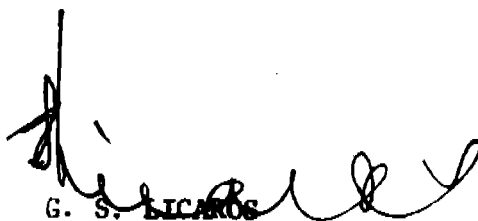
March 28, 1972

The Honorable
The President of the Senate
Congress of the Philippines
Manila

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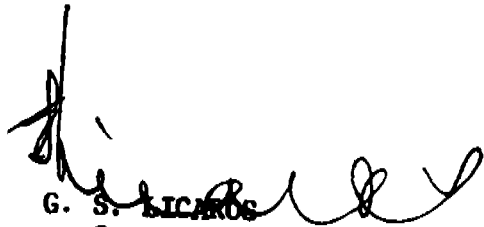
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SOURCES AND SYMBOLS

SOURCES.—Statistics are derived mainly from government bureaus and offices through direct communications with the entities concerned and from published statistical reports and bulletins.

Data on money and banking are derived from the reports of the former Bureau of Banking, Consolidated Statements of Condition of Other Banks (commercial banks, savings banks and rural banks) and other information supplied by other departments of the Central Bank.

UNITS.—The word “thousand” is used to mean 10 hundred units, “million”, 1,000 thousand units; and “billion”, 1,000 million units.

In conformity with the recommendations of the Statistical Office of the United Nations, index numbers are recomputed about every five years on an up-to-date base.

Gregorian calendar years and months are used. Data for fiscal years ending June 30 are properly noted whenever used.

SYMBOLS.—The following symbols are used to convey the information in each case.

Symbol	Information
..	Data not available.
...	Data not applicable or appropriate.
—	Nil or zero.
--	Data too small to be expressed.
p	(Set up as a superior index) Preliminary.
r	(Set up as a superior index) Revised.
e	(Set up as a superior index) Estimate.
n.e.s.	Not elsewhere specified.

ROUNDING OF FIGURES.—Any slight discrepancy that may be noticed between the sum of the constituent items and the total as shown in some tables may be attributed to the rounding of numbers.

I. OVER-ALL ECONOMIC REVIEW

The Philippine economy continued to recover and perform strongly during the early part of 1971 but ran into difficulties towards the latter part of the year when adverse external developments and other largely fortuitous domestic events set back stabilization and growth efforts unexpectedly. After responding encouragingly to the stabilization program implemented since February 1970 and the new development strategy which shifted policy emphasis to the promotion of new export industries and other foreign exchange earning projects, the economy suffered balance of payments reverses as hostile influences abroad developed. The international liquidity crisis which precipitated the realignment of major world currencies, the prolonged dock strikes in the United States and the protectionist posture of principal trading partner countries gave rise to external market uncertainties which weakened the country's external payments position. On the other hand, on the domestic front, monetary and fiscal developments reflected relatively successful efforts to contain the rise in liquidity as well as effect a pattern of credit and financial flows to desired areas and uses. Despite these developments, however, prices continued to rise as a result partly of inflation abroad and partly of domestic market deficiencies and imperfections. The combined effects of destructive typhoons, plant pests and diseases, social unrest, rising costs and financing difficulties slowed down production growth and limited the availability of market supplies. With the decline in purchasing power, real wages edged down although improvements in employment and money wage rates were registered.

After a splendid showing during the first three quarters of 1971, the country's external sector lost considerable ground in the fourth quarter as world market developments caused export demand to falter, the import bill to rise and the net terms of trade to deteriorate from 110.6 in 1970 to only 92.4 this year. Export earnings for the year expanded by only 6 per cent (despite a 15.4 per cent increase in volume) which compared poorly with the 24 per cent value growth rate of 1970. The export sector was weakened by the effects of the decline in world market prices particularly of copper concentrates (by 28 per cent), copra (7 per cent), and coconut oil (8 per cent). On the other hand, a discernible change in the composition of exports was noted as bananas broke into the top ten exports for the first time and such "new" exports as cement, shrimps and prawns, petroleum pitch and residue began to gain acceptance in the world markets.

In contrast, imports which declined in the past two years rose by \$95.8 million or 8.8 per cent over 1970. The expansion may be attributed partly to larger purchases of producer goods to sustain the country's industrial activities and partly to higher costs brought about by inflation abroad and increased oil prices under the OPEC agreement. Volume-wise, imports increased by less than 1 per cent.

Consequently, the trade deficit rose from \$7.3 million in 1970 to \$41.8 million. However, on the whole, total goods and services, official grants and capital movements resulted in a net outflow of only \$10.3 million. With the second allocation of SDR's amounting to \$16.6 million and drawings on the IMF and net short-term borrowings of the Central Bank which aggregated \$24.6 million, international reserves rose by \$30.9 million from \$213.2 million at the beginning of the year to \$244.1 million at the end.

In production, preliminary estimates suggested varied trends as manufacturing output which slumped in 1970 recovered during the year to post an improvement of 7.1 per cent, with all the increase coming from the non-durable goods category. A slower growth pace was exhibited by the major mineral products, except gold and iron ore which achieved higher expansion rates than in the previous year. Agricultural production manifested indications of stagnating by maintaining previous year levels in contrast with the 6.1 per cent increase attained in Crop Year 1970. Partly responsible for the improvement in production levels were the economy's greater capability to import material inputs and the stimulating effects of price differentials, tax concessions and other incentives provided by the government to preferred industries.

To prevent the excessive rise in liquidity in the face of supply deficiencies, monetary authorities were prompted to reinforce the cautious money policy adopted in 1970 with additional measures of restraint. A 15 per cent reserve on marginal deposits was imposed against letters of credit, and dollar-peso swap arrangements between the Central Bank and commercial banks were suspended. Hand in hand with the careful management of government finances, these monetary measures held down the growth of the banking system's domestic credits to only 8.7 per cent as against 10.7 per cent in 1970. Money supply rose by ₱520.0 million or 10.3 per cent to ₱5,567.4 million solely under the expansionary impact of the external sector. The pattern of credit flows also continued to shift in favor of the private sector as private credits expanded by ₱1,245.2 million while public credits contracted by ₱15.6 million. Moreover, commercial bank credits granted for production purposes increased from ₱8,822.9 million in 1970 to ₱11,410.7 million in 1971, or an expansion of 29.3 per cent. Efforts were also exerted to tap non-inflationary means of financing and to facilitate the flow of loanable funds from surplus urban areas to deficit rural areas through the issuance of Central Bank Certificates of Indebtedness (CBCI). As of December 31, 1971, the total CBCI's outstanding amounted to ₱421.7 million compared to ₱68.1 million at the end of 1970. The proceeds were intended to be loaned out to rural areas through the rural banking network.

In coordination with monetary measures, fiscal efforts to raise revenue and contain expenditure resulted in a cash deficit of ₱91

million which, though contrasting with the P100 million surplus of 1970, was still considerably smaller than the deficits incurred in any year since 1963. Moreover, the net supplementary financing which covered the deficit was kept at much lower levels, and greater reliance was placed on borrowing from the market via Treasury bills and other issues which are less destabilizing means of financing. Efforts to develop government securities market also allowed interest on government obligations to be paid at going market rates.

The strong upsurge of domestic prices was therefore attributable not so much to liquidity factors as to non-monetary ones. In addition to factors which limited domestic supply levels and impaired their market availability, external developments also hiked the cost of imports, limited their inflow and raised the operation costs of firms. Aside from real factors, speculative activities may have contributed to the prevailing price rise.

II. MONETARY DEVELOPMENTS

In the face of high domestic liquidity and rising prices which clouded an otherwise creditable performance of the Philippine economy, monetary authorities in 1971 found it necessary to reinforce the basic policy of restraint adopted in 1970 with additional credit measures, notably the imposition of a 30 per cent reserve on marginal deposits against letters of credit and the suspension, except for a few meritorious cases, of the dollar-peso swap arrangement between the Central Bank and commercial banks near the end of the year.

A. MONETARY POLICY

Among the more significant credit and banking measures taken in 1971 were: (1) the establishment of a ceiling on credit accommodations of banks, including Philippine branches of foreign banks, to their directors, officers or stockholders; (2) the imposition of a reserve requirement on all marginal deposits against letters of credit effective August 9, 1971. This was originally set at 15 per cent to be increased by 5 percentage points every month thereafter until it would have reached 30 per cent on November 8, 1971. However, upon petition of the banks, the initial 15 per cent requirement and the monthly increases of 5 per cent were reprogrammed to give banks sufficient time to meet the requirements; (3) the raising of the rediscount rates charged by the Central Bank on rural banks to 3 per cent for paper covering loans under the supervised credit system and to 6 per cent for other eligible papers; (4) the authority given private development banks to grant real estate mortgage loans with maturities of not more than 20 years for economic activities falling under Priority I of the Central Bank Credit Priority System; (5) the prohibition against lending banks requiring borrowers to leave behind or deposit back with them a portion of the loan proceeds in any form of deposits; (6) the approval by the Monetary Board of a memorandum to take effect on January 1, 1972 amending the policy on temporary overdrawings in current accounts in view of the phasing out of overdraft lines of all commercial banks. These lines were to be cancelled or converted into discounting lines or other forms of accommodation by December 31, 1971; (7) the establishment of specific qualifications on the declaration of dividends of banking institutions for purposes of the requirement of Section 84 of R.A. No. 337; and (8) the adoption of supplemental rules and regulations governing the grant of loans by rural banks to accelerate the implementation of the Agrarian Reform Program of the government.

The program of watchlisting (and barring from foreign exchange windows) of certain delinquent firms and individuals was continued in 1971 as more than 400 entities were entered into the list. In the same year, 71 were deleted from the watchlist.

B. MONEY MARKET RATES

Despite the tight credit situation in 1971, money rates were considered to have behaved normally during the year, although at higher levels, compared to the erratic movements the year before. Both interbank rates and intercompany rates remained relatively steady during the first three quarters, except in April when rates dropped sharply in response to a temporary excess liquidity arising from the collection of income tax payments by banks.

It was only in the last quarter (starting mid-October) that large fluctuations occurred when the banks felt the pinch of the escalation of reserve requirements on marginal deposits from 6 per cent to 30 per cent within a 3½ month period, the hedging by investors against a further depreciation of the U.S. dollar and government competition for private funds with new successful issues of CBCI's and Tax Anticipation bills. With the advent of the November elections, banks suffered heavy withdrawals, causing the interbank and intercompany rates to peak at 21.0 per cent and 19.5 per cent, respectively. These rates began falling as funds began to trickle back into the system only to rise again by mid-December as holiday spending accelerated and financial houses sought funds for the traditional window-dressing of their year-end portfolios.

C. MONEY SUPPLY

The over-all effect of the restraint measures was to hold down the growth of money supply to ₱520.0 million or 10.3 per cent higher than the 1970 year-end level. The credit pinch was reflected most visibly in the increase of ₱293.3 million in the level of money supply during the month of December. This increase was well below the ₱383 million gain registered in December, 1970 over November, 1970. It was also lower than the comparable increases obtained in December 1969 and December 1968.

The monetary expansion in 1971 was brought about solely by transactions in the external sector which injected an aggregate of ₱605.9 million into the monetary stream (see Table 2.1).

In the internal economy, the private sector was contractionary by ₱111.8 million on account of the large inflow of ₱732.6 million in quasi-money deposits into the commercial banking system and the ₱624.4 million increase in the capital accounts and other liabilities of private banks which more than offset the expansionary effect of the domestic credits of these banks amounting to ₱1,245.2 million. The public sector, on the other hand, was expansionary by ₱25.9 million in contrast to its substantial withdrawal of ₱337.3 million from the monetary stream during the previous year. Thus, on the over-all, the internal economy effected a net withdrawal of ₱85.9 million during 1971.

Table 2.1 — FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENTS
December 31, 1970 — December 31, 1971

(Million Pesos)

I t e m	December 31, 1971	December 31, 1970	Increase or Decrease (—)	Net Effect on Money Supply ¹
I. MONEY OF INTERNAL ORIGIN				
A. Public Sector²				
1. National Government				
a. Securities held by Central Bank	1,551.5	1,513.3	38.5	+ 38.5
b. Securities held by the commercial banking system (KBS) ³	911.2	900.3	10.9	+ 10.9
c. Central Bank loans	437.0	462.7	— 25.7	— 25.7
d. Loans of the commercial banking system	—	—	—	—
Less: e. Total National Government balances	613.4	561.0	52.4	+ 166.4 ^a
Cash in Treasury vaults	8.1	12.6	— 4.5	+ 4.5
Demand deposits with commercial banks	319.5	336.3	— 16.8	+ 16.8
Demand deposits with Central Bank	202.6	180.2	22.4	— 22.4
Trust funds with Central Bank	83.2	31.9	51.3	— 51.3 ^c
f. Total savings & time deposits	370.1	394.8	— 24.7	+ 24.7
Total	1,916.2	1,920.2	— 4.0	— 118.0
2. Local Gov't. & Semi-Government Entities				
a. Securities held by Central Bank	752.2	754.0	— 1.8	— 1.8
b. Securities held by the KBS	652.5	666.5	— 14.0	— 14.0
c. Central Bank loans	498.3	429.6	68.7	+ 68.7
d. Loans of the commercial banking system	819.2	911.4	— 92.2	— 92.2
Less: e. Savings & time deposits	388.7	280.7	108.0	— 108.0
f. Net Miscellaneous Accounts of Government banks	498.3	789.5	—291.2	— 291.2
Total	1,835.2	1,691.3	143.9	+ 143.9
Total Public Sector	3,751.4	3,611.5	139.9	+ 25.9

Table 2.1 — FACTORS RESPONSIBLE FOR MONEY SUPPLY MOVEMENTS (concluded)
December 31, 1970 — December 31, 1971

(Million Pesos)

Item	December 31, 1971	December 31, 1970	Increase or Decrease (—)	Net Effect on Money Supply ¹
B. Private Sector				
a. Loans, discounts, overdrafts ⁴ and customers' liability acceptances of the commercial banking system	9,714.6 ^b	8,430.1 ^b	1,284.5	+ 1,284.5
b. Securities held by KBS	1.0	40.3	— 39.3	— 39.3
Less: c. Savings, time & other deposits	5,932.1	5,199.5	732.6	— 732.6
d. Net Miscellaneous Accounts of the private banks of the KBS	1,794.4	1,169.7	624.4	— 624.4
Total Private Sector	1,989.4	2,101.2	— 111.8	— 111.8
C. Total Public & Private Sectors	5,740.8	5,712.7	28.1	— 85.9
II. MONEY OF EXTERNAL ORIGIN				
a. International Reserves	1,311.4	1,225.4	86.0	+ 200.0 ^a
b. Special Account — Foreign Exchange Differentials	351.8	148.1	203.7	+ 203.7
Less: c. Revaluation of International Reserve	257.3	260.5	— 3.2	+ 3.2
d. Compensatory borrowings abroad and IMF drawings	1,579.3	1,778.3	199.0	+ 199.0
Total Money of External Origin	— 173.4	665.3	491.9	+ 605.9
III. MONEY SUPPLY	5,567.4	5,047.4	520.0	+ 520.0

¹ Plus sign (+) indicates the magnitude of the increase and minus sign (—), the decrease in money supply.

² Consisting of the National Government, local governments and semi-government entities.

³ Net of CBCI held by commercial banks.

⁴ Including unused overdraft lines.

^a Adjusted to include National Government expenditures abroad, amounting to P114.0 million.

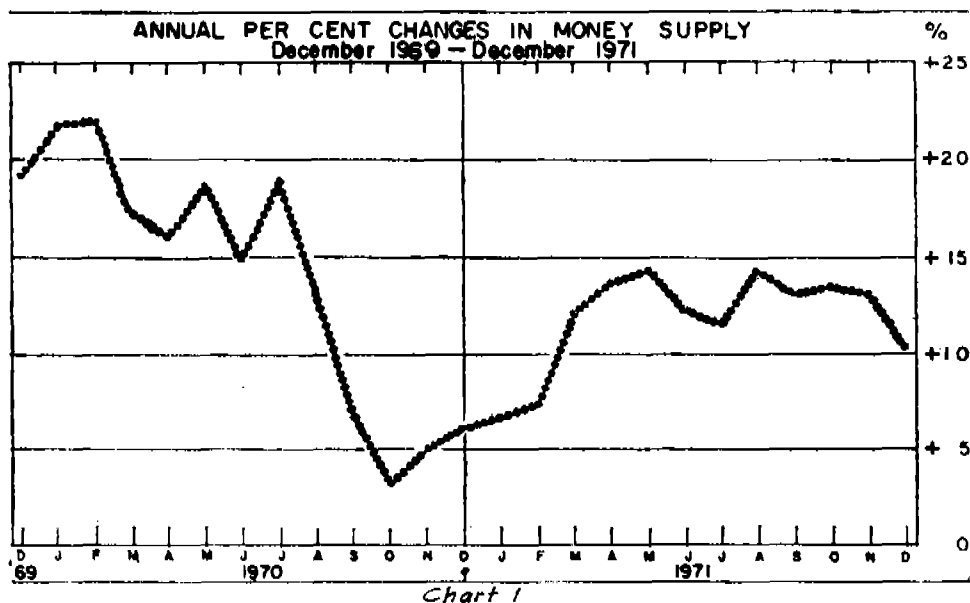
^b Including Central Bank emergency loans to savings banks.

4
Table 2.2 — MONEY SUPPLY: MONTHLY, ANNUAL CHANGES AND COMPOSITION
December 31, 1969-1971

(Amount in Million Pesos)

End of Period	Money Supply	Monthly Changes		Annual Changes		Currency in Circulation		Peso Demand Deposits	
		Amount	Per Cent	Amount	Per Cent	Amount	% of Money Supply	Amount	% of Money Supply
1969 — December	4,753.8	315.7	7.1	771.9	19.4	2,119.1	44.6	2,634.7	55.4
1970 — January	4,628.7	-125.1	2.6	833.1	21.9	1,917.8	41.4	2,710.9	58.6
February	4,598.8	- 29.9	- 0.6	830.4	22.0	1,931.0	42.0	2,667.8	58.0
March	4,551.3	- 47.5	- 1.0	675.1	17.4	1,954.2	42.9	2,597.1	57.1
April	4,543.4	- 7.9	- 0.2	625.1	16.0	2,026.8	44.6	2,516.6	55.4
May	4,564.2	20.8	- 0.5	723.5	18.8	2,026.7	44.4	2,537.5	55.6
June	4,631.3	67.1	1.5	602.0	14.9	2,033.7	43.9	2,597.7	56.1
July	4,516.6	-114.7	2.5	722.0	19.0	2,072.3	45.9	2,444.3	54.1
August	4,491.2	- 25.4	- 0.6	533.6	13.5	2,030.4	45.2	2,460.8	54.8
September	4,598.1	106.9	2.4	306.5	7.1	2,086.1	45.4	2,512.0	54.6
October	4,581.1	- 17.0	- 0.4	136.4	3.1	2,151.4	47.0	2,429.7	52.0
November	4,664.0	82.9	1.8	225.9	5.1	2,250.3	48.2	2,413.7	51.8
December	5,047.4	383.4	8.2	293.6	6.2	2,410.0	47.7	2,637.4	52.3
1971 — January	4,943.3	-104.1	-2.1	314.6	6.8	2,371.8	48.0	2,571.5	52.0
February	4,942.9	- 0.4	—	344.1	7.5	2,381.7	48.2	2,561.2	51.8
March	5,100.4	157.5	3.2	549.1	12.1	2,363.5	46.3	2,726.9	53.7
April	5,168.9	68.5	1.3	625.5	13.8	2,408.6	46.6	2,760.3	53.4
May	5,219.5	50.6	1.0	655.3	14.4	2,411.2	46.2	2,808.3	53.8
June	5,200.5	- 19.0	- 0.4	569.2	12.3	2,395.4	46.1	2,805.1	53.9
July	5,044.8	-155.7	-3.0	528.2	11.7	2,388.9	47.4	2,655.9	52.6
August	5,135.8	91.0	1.8	644.6	14.4	2,391.9	46.6	2,743.9	53.4
September	5,198.6	62.8	1.2	600.5	13.1	2,427.6	46.7	2,771.0	53.3
October	5,202.7	4.1	0.1	621.6	13.6	2,555.0	49.1	2,647.7	50.9
November	5,274.1	71.4	1.4	610.1	13.1	2,489.6	47.2	2,784.5	52.8
December	5,567.4	293.3	5.6	520.0	10.3	2,650.0	47.6	2,917.4	52.4

Of the ₱520.0 million monetary expansion in 1971, ₱240.0 million was in the form of currency while demand deposits accounted for the remaining ₱280.0 million. The ratios of currency and of demand deposits to total money supply as of the end of the year, therefore, stood at 47.6 per cent and 52.4 per cent, respectively, a slight shift of 0.1 point from currency to demand deposits compared to the distribution a year ago (see Table 2.2).



D. CREDIT OPERATIONS OF THE BANKING SYSTEM

Under the continuing policy of restraint, the growth of domestic credits of the monetary system decelerated further in 1971. Domestic credits rose by ₱1,229.6 million or 8.7 per cent as against the ₱1,392.9 million or 10.9 per cent gain recorded the previous year. The credit pattern also continued to shift in favor of the private sector as private credits expanded by ₱1,245.1 million while public credits dropped by ₱15.5 million. Of the total credits of ₱15,337.5 million outstanding as of the end of 1971, the Central Bank's share amounted to ₱3,266.5 million or 21.3 per cent while the commercial banking system held the balance of ₱12,071.0 million or 78.7 per cent.

DOMESTIC CREDITS OF THE MONETARY SYSTEM
December 31, 1969 — 1970

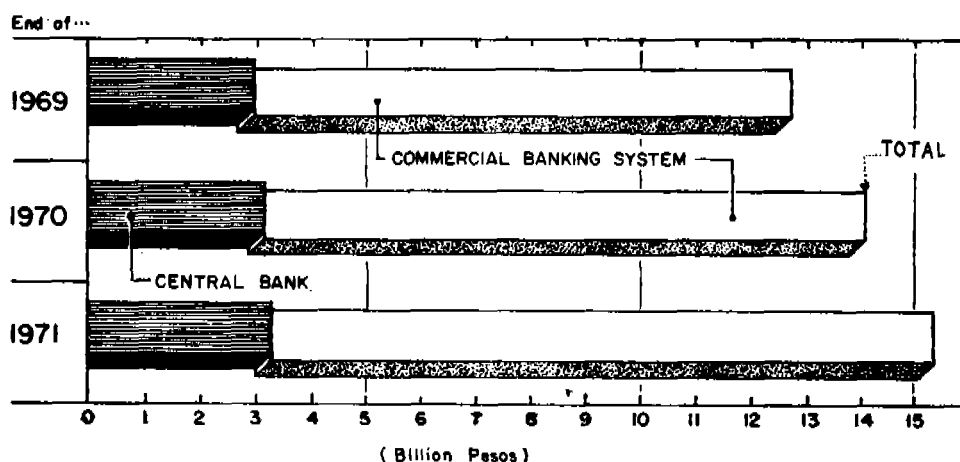


Chart 2

1. Central Bank Credits

Portfolio operations of the Central Bank continued to be contractionary as outstanding portfolio credits dropped by ₱41.0 million to ₱4,292.0 million as of the end of 1971. On this amount, ₱2,331.0 million represented government security holdings while ₱1,961.0 million were in loans and advances.

The decline, which was smaller compared to the drop of ₱62.2 million in 1970, originated wholly from a slack in the lending activities of the Central Bank as total repayments exceeded loans granted by ₱77.7 million. The biggest cut in loans and advances outstanding was sustained by commercial banks (₱144.0 million) followed by the National Government (₱25.7 million), local governments (₱5.9 million) and savings banks (₱0.8 million). Semi-government entities and rural banks, on the other hand, received net advances of ₱74.6 million and ₱24.1 million, respectively.

The net acquisition of ₱36.7 million in government securities consisted entirely of Treasury notes. All other types of security holdings either dropped or did not change at all.

The credit operations of the Central Bank in 1971 were actually far more contractionary than its portfolio operations would indicate because of its successful flotation program of its own certificates of indebtedness (CBCI's). Launched late in 1970, the CBCI operation was intended to siphon funds from highly liquid urban centers for rechanneling to credit-hungry rural areas. As of December 31, 1971, total CBCI's issued and outstanding aggregated ₱421.7 million (compared to ₱68.1 million at the end of 1970) which amount represents liquidity drained from the banking system and/or the public. To the extent that the proceeds from CBCI issues have not been transferred to and fully disposed of by the rural banks and other authorized rural credit outlets, the economy's monetary stream has been effectively reduced (see Table 2.3).

Table 2.3 — STATUS OF THE CENTRAL BANK CREDIT PORTFOLIO

As of December 31, 1970 and 1971

(Million Pesos)

I t e m	Outstand- ing as of Dec. 31, 1970 (1)	Total Purchases & Loans Granted (2)	Total Dispositions		Outstand- ing as of Dec. 31, 1971 (1+2-3-4) (5)	Increase or De- crease (—) (5-1) (6)
			Sales and Repay- ments (3)	Redemp- tions (4)		
T O T A L	4,333.0	3,287.4	2,804.4	524.0	4,292.0	— 41.0
I. GOVERNMENT SECURITIES..	2,267.0	1,141.6	580.9	524.0	2,303.7	36.7
A. National Government	1,513.0	1,075.5	574.0	463.0	1,551.5	38.5
1. PW & ED Bonds	221.0	258.3	276.9	—	202.4	— 18.6
2. Cert. of Indebtedness	15.0	—	—	—	15.0	—
3. Treasury Notes	1,104.0	805.1	285.2	457.2	1,166.7	62.7
4. Socio-Eco. Bonds	4.1	—	—	—	4.1	—
5. RP Ext. Loan Bonds	2.8	3.1	—	5.8	0.1	— 2.7
6. Treasury Bills	2.8	9.0	11.8	—	—	— 2.8
7. Replacement Bonds	160.1	—	0.1	—	160.0	— 0.1
8. NIA Bonds	3.2	—	—	—	3.2	—
B. Local Gov't (IPMG Bonds)	1.6	—	0.8	0.8	—	— 1.6
C. Semi-Gov't Entities	752.4	66.1	6.1	60.2	752.2	— 0.2
1. DBP Bonds	606.5	60.0	—	60.0	606.5	—
2. NAWASA Bonds	76.0	6.0	6.0	—	76.0	—
3. NPC Bonds	67.9	0.1	0.1	0.2	67.7	— 0.2
4. MWD Bonds	2.0	—	—	—	2.0	—
II. LOANS AND ADVANCES	2,038.7	2,145.8	2,223.5	—	1,961.0	— 77.7
A. National Government	435.4	326.0	351.7	—	409.7	— 25.7
1. Subs. Payment to IMF	107.3	—	0.1	—	107.2	— 0.1
2. " " " IBRD	2.1	—	—	—	2.1	—
3. " " " IDA	1.0	—	0.6	—	0.4	— 0.6
4. Budgetary Loans	325.0	326.0	351.0	—	300.0	— 25.0
B. Local Gov'ts (Budgetary Loans)	6.2	1.4	7.3	—	0.3	— 5.9
C. Semi-Gov't Entities	423.4	292.9	218.3	—	498.0	74.6
1. PVTA-ACA Special Loans	349.4	—	54.9	—	294.5	— 54.9
2. DBP Loans	74.0	292.9	163.4	—	203.5	129.5
D. Commercial Banks¹	997.6	1,294.2	1,438.2	—	853.6	—144.0
1. 6%	4.3	—	4.3	—	—	— 4.3
2. 7-3/4%	145.1	33.6	165.5	—	13.2	—131.9
3. 10%	10.3	74.0	76.6	—	7.7	— 2.6
4. Special Asst. Loans	596.0	246.8	242.9	—	599.9	3.9
5. Emergency Advances	66.6	4.9	12.6	—	58.9	— 7.7
6. Overdrafts	175.3	934.9	936.3	—	173.9	— 1.4
E. Savings Banks	28.3	—	0.8	—	27.5	— 0.8
F. Rural Banks	147.8	231.3	207.2	—	171.9	24.1
1. Regular Rediscount	131.4	224.3	203.7	—	152.0	20.6
2. I B R D	16.4	7.0	3.5	—	19.9	3.5
III. GOVERNMENT NOTES ON TREASURY CERTIFICATE ACCOUNT	27.3	—	—	—	27.3	—

¹ Including loans without 2% equalization charge.

CENTRAL BANK CREDIT PORTFOLIO
December 31, 1970 & 1971

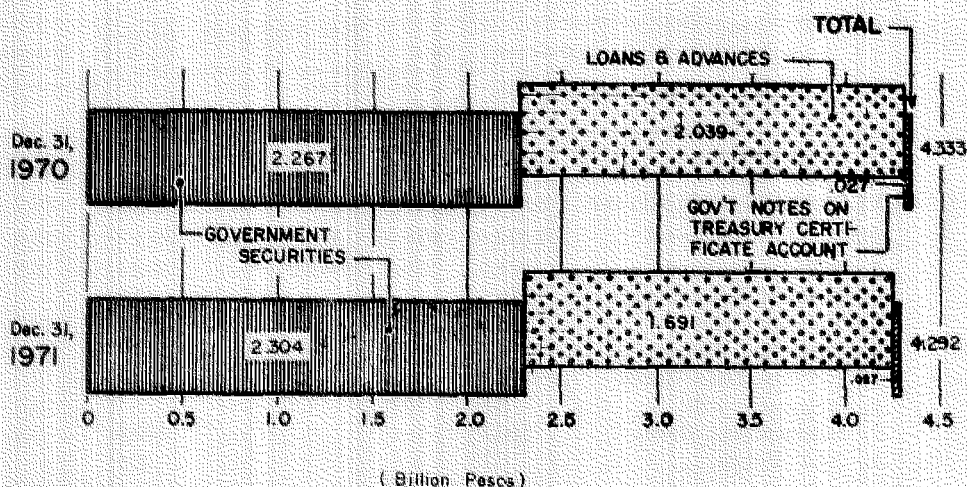


Chart 3

2. Commercial Banking System Credits

Domestic credits of the commercial banking system rose to the record level of P12,071.0 million as of the end of 1971, an increase of P1,150.7 million or 10.5 per cent, but slightly lower than the rate of growth recorded a year ago (P1,156.3 million or 11.8 per cent).

The entire increment accrued to the private sector as public credits fell by P95.3 million, bringing the share of private credits up to 80.3 per cent of the total as of December 31, 1971 compared to 77.3 per cent a year ago. Classified by type of credit, loans and discounts and customers' liability acceptances advanced by 30.2 per cent and 12.0 per cent, respectively, while overdrafts and domestic security holdings dropped by 57.7 per cent and 2.6 per cent, respectively.

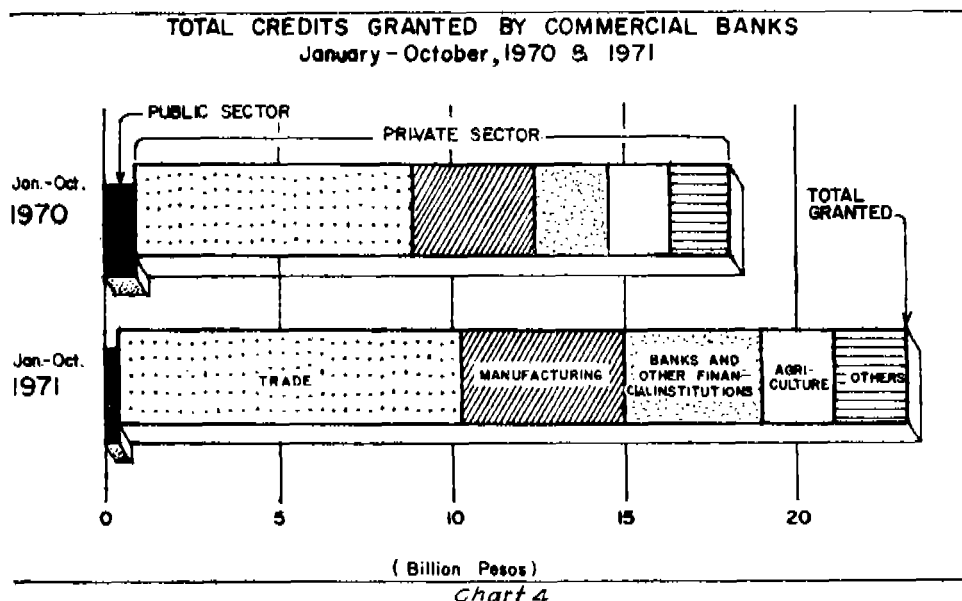
Total credits granted by commercial banks during the first ten months of 1971 aggregated P23,515.0 million distributed by industry (See Table 2.4).

Table 2.4 — TOTAL CREDITS¹ GRANTED BY COMMERCIAL BANKS
Classified by Industry, January-October, 1970 and 1971

(Amount in Million Pesos)

Industry	January-October		Increase or Decrease (—)	
	1971 ¹	1970	Amount	Per Cent
GRAND TOTAL (Public and Private Sectors)	23,515.0	18,071.4	5,443.6	30.1
TOTAL PRIVATE SECTOR	23,242.9	17,219.6	6,023.3	35.0
1. Agriculture, Fisheries and Forestry	1,970.7	1,765.0	205.7	11.6
2. Mining and Quarrying ..	241.9	79.0	162.9	206.2
3. Manufacturing	4,703.5	3,346.8	1,356.7	40.5
4. Construction	160.4	157.2	3.2	2.0
5. Public Utility	382.4	222.6	159.8	71.8
6. Services	398.4	310.3	88.1	28.4
7. Trade	9,896.6	8,089.2	1,807.4	22.3
8. Banks and other Financial Institutions	4,039.2	2,271.7	1,767.5	77.8
9. Real Estate	410.2	336.1	74.1	22.0
10. Consumption	1,039.6	641.7	397.9	62.0
TOTAL PUBLIC SECTOR	272.1	851.8	—579.7	—68.1

¹ Consisting of loans, advances, discounts, overdrafts, domestic bills, customers' liability acceptances and export bills.



3. Commercial Bank Structure and Resources

The establishment of 48 branches and agencies of commercial banks in 1971 brought the total number of commercial banking units in operation at the end of the year to 690 (40 head offices and 650 branches and agencies).

Total resources of commercial banks rose by ₱1,987.9 million during the year to ₱16,054.0 million at year's end, of which ₱12,497.6 million represented earning assets. Both total resources and earning assets advanced at a slightly slower pace than last year. Current liabilities, on the other hand, increased at a much higher rate (18.3 per cent versus 14.1 per cent in 1970) to reach ₱9,876.8 million at the end of 1971. The largest gains were posted by savings deposits, demand deposits and time deposits with ₱652.3 million, ₱457.0 million and ₱419.9 million, respectively.

Net worth of commercial banks increased by ₱199.2 million to ₱1,669.9 million during the year, approximately at the same rate as last year (see Table 2.5).

Table 2.5 — ASSETS AND LIABILITIES OF COMMERCIAL BANKS

December 31, 1969-1971

(Million Pesos)

I t e m	December 31,			Changes during	
	1971	1970	1969	1971	1970
TOTAL ASSETS	16,054.0	14,066.1	12,049.7	1,987.9	2,016.4
Liquid Assets	2,222.6	1,995.3	1,706.0	227.3	289.3
Cash	351.3	295.1	224.2	56.2	70.9
Checks and Other Cash Items ..	387.3	350.2	261.1	37.1	89.1
Due from the Central Bank	770.8	841.4	790.2	-- 70.6	51.2
Due from other banks	713.2	508.6	430.5	204.6	78.1
Earning Assets	12,497.6	10,968.0	9,463.6	1,529.6	1,504.4
Loans and Discounts	8,406.4	6,422.2	5,562.3	1,984.2	859.9
Overdrafts	490.8	1,161.6	1,251.0	—670.8	—89.4
CLA & Unmatured Export Bills	1,713.6	1,621.9	1,009.3	91.7	612.6
Investment in Stocks, Bonds and Other Securities	1,886.8	1,762.3	1,641.0	124.5	121.3
Other Assets	1,333.8	1,102.8	880.1	231.0	222.7
Banking House, Furniture & Fixtures	346.3	305.6	264.1	40.7	41.5
Other Real & Chattel Properties	255.6	215.0	188.1	40.6	26.9
Miscellaneous Assets	731.9	582.2	427.9	149.7	154.3

Table 2.5 — ASSETS AND LIABILITIES OF COMMERCIAL BANKS (*Concluded*)
December 31, 1969-1971

(Million Pesos)

I t e m	December 31,			Changes during	
	1971	1970	1969	1971	1970
TOTAL LIABILITIES & NET WORTH	16,054.0	14,066.1	12,049.7	1,987.9	2,016.4
Current liabilities	9,876.8	8,341.9	7,308.3	1,534.9	1,033.6
Demand Deposits	2,915.9	2,458.9	2,372.2	457.0	86.7
Savings Deposits	4,409.5	3,757.2	3,127.9	652.3	629.3
Time Deposits	1,889.5	1,469.6	1,258.7	419.9	210.9
Due to Banks	490.9	511.5	437.2	— 20.6	74.3
Cashiers' & Managers Checks	171.0	144.7	112.3	26.3	32.4
Other liabilities	4,507.3	4,253.5	3,447.2	253.8	806.3
Dividends Payable	—	—	—	—	—
Bills Payable	2,233.8	1,948.7	1,991.4	285.1	—42.7
Guarantee Accounts	1,010.1	801.7	555.0	208.4	246.7
Miscellaneous Liabilities	1,263.4	1,503.1	900.8	—239.7	602.3
Net Worth	1,669.9	1,470.7	1,294.2	199.2	176.5
Capital Stock Paid-in	948.4	867.9	733.8	80.5	134.1
Surplus	462.8	410.6	377.6	52.2	33.0
Reserves	73.2	71.6	62.4	1.6	9.2
Undivided Profits	93.6	42.2	62.9	51.4	—20.7
Valuation Reserve	91.9	78.4	57.5	13.5	20.9

4. *Reserve Position*

The reserve position of the commercial banking system which weakened in 1970 worsened in 1971. Available reserves dropped by ₱130.5 million while required reserves rose by ₱205.6 million. Hence, the excess reserves of ₱122.7 million at the start of the year turned to a reserve deficiency of ₱213.4 million as of the end of 1971. The first negative reserve position was noted in April (₱22.0 million) followed by mounting consecutive monthly deficiencies throughout the second half of the year (starting from ₱9.6 million in July to ₱213.4 million in December) due to the expansion of commercial bank credits and the imposition of the new reserve requirement against marginal deposits. Potential reserves also fell slightly by ₱1.6 million during the year.

E. OTHER FINANCIAL INSTITUTIONS

1. *Rural Banks*

Fifty-three new rural banks were established in 1971 bringing the rural banking system at the end of the year to a total of 539 banking units (63 of which were authorized to accept demand deposits), regionally distributed as follows: 375 in Luzon, 100 in the Visayas and 64 in Mindanao.

Resources of rural banks expanded during the first ten months of the year by ₱113.8 million to ₱768.8 million as of October 31, 1971 due largely to a net receipt of deposits (₱66.2 million), rise of net worth (₱25.8 million) and increase of Central Bank loans outstanding to rural banks (₱19.4 million) not to mention Central Bank releases to the Rural Bank Trust Fund and the availment by 115 rural banks of the facilities offered by the CB-IBRD Farm Mechanization Program under its second credit line.

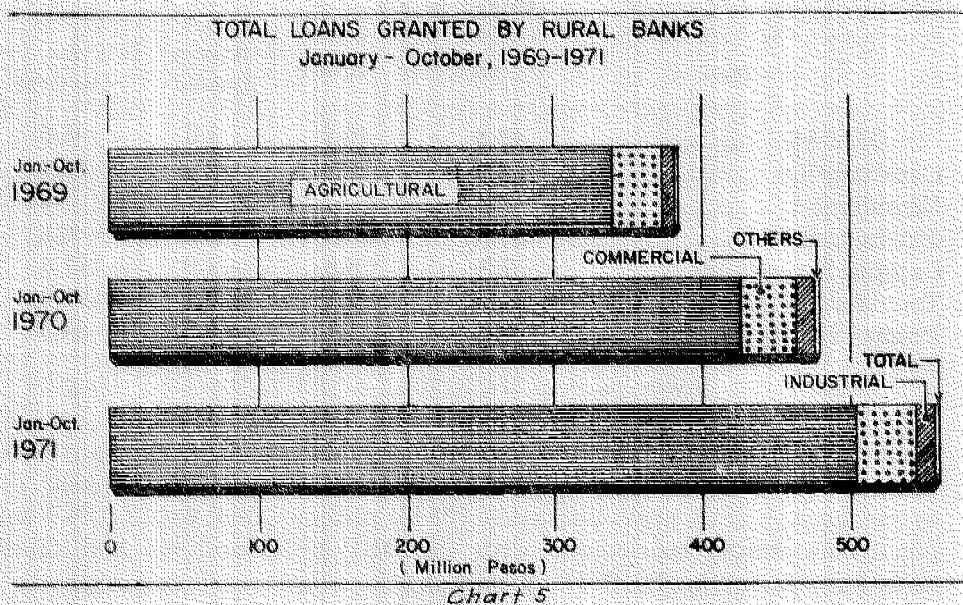
As a result, the rural banking system was able to grant loans totaling ₱560.5 million (mostly agricultural loans) during the first ten months of 1971, ₱83.5 million or 17.5 per cent more than the corresponding level in 1970. A total of 398,194 borrowers were serviced at an average of ₱1,408 per head compared to the previous year's average of ₱1,265 (See Table 2.6).

Table 2.6 — LOANS GRANTED BY RURAL BANKS, CLASSIFIED BY PURPOSE
January to October, 1969-1971

(Million Pesos)

Purpose	January to October			Increase or Decrease (—)			
				1971 over 1970		1970 over 1969	
	1971 ^a	1970	1969	Amount	%	Amount	%
TOTAL	560.5	477.0	384.6	83.5	17.5	92.4	24.0
Agricultural	504.0	425.0	339.2	79.0	18.6	85.8	25.3
Commercial	38.0	36.1	32.4	1.9	5.3	3.7	11.4
Industrial	14.6	13.3	11.4	1.3	9.8	1.9	16.7
Others	3.9	2.6	1.6	1.3	50.0	1.0	62.5

^a July to October, 1971^b.



2. Development Banks

The credit operations of development banks slackened in 1971 as aggregate loans granted dropped by 28.0 per cent. The downturn was entirely due to the fact that loans granted by the DBP fell from ₱115.7 million in 1970 to only ₱67.7 million during the year.

Table 2.7 — LOANS GRANTED BY THE DBP, CLASSIFIED BY PURPOSE
1970 and 1971

(Million Pesos)

Purpose	1971	1970	Increase or Decrease (—)	
			Amount	Per Cent
TOTAL	67.7	115.7	-48.0	-41.5
Agricultural	36.6	39.2	- 2.6	- 6.6
Industrial	4.0	68.3	-64.3	-94.1
Real Estate	20.6	7.8	12.8	164.1
Government	6.5	0.4	6.1	1,525.0

Private development banks (numbering 31, or 2 more than last year), on the other hand, stepped up their lending operations by 5.6 per cent to ₱48.8 million, mostly for productive purposes.

Table 2.8 — LOANS GRANTED BY PRIVATE
DEVELOPMENTS BANKS, CLASSIFIED BY PURPOSE
1970 and 1971

(Million Pesos)

Purpose	1971	1970	Increase or Decrease (—)	
			Amount	Per Cent
TOTAL	48.8	46.2	2.6	5.6
Consumption	4.9	2.9	2.0	69.0
Commercial	—	—	—	—
Production	35.5	33.3	2.2	6.6
Capital Investment	7.8	8.8	-1.0	- 11.4
Transfer of Assets	—	0.1	-0.1	-100.0
Public Utility	0.6	1.1	-0.5	- 45.5

Despite the slower pace of its lending activity, the DBP boosted its resources by ₱590.4 million or 19.0 per cent to a total of ₱3,697.3 million at the end of 1971. The resources of private development banks also increased by ₱23.1 million to ₱184.1 million at the end of the year due to the growth of deposit liabilities (₱14.2 million), net worth (₱4.4 million), outstanding rediscounts with the DBP (₱3.6 million) and capital assistance from the DBP (₱0.3 million).

3. Savings Banks and Other Thrift Institutions

Aggregate resources of the country's thrift institutions reached ₱1,050.8^a million, ₱154.7 million more than the 1970 year-end level. Of this amount, ₱856.5 million belonged to savings banks, ₱87.2 million to the Postal Savings Bank, ₱83.5 million to stock savings and loan associations and ₱23.6^a million to building and loan associations.

In keeping with the size of their resources, savings banks recorded the biggest volume of loans granted at ₱263.8 million, distributed to

^a As of the end of November, 1971.

real estate (P158.4 million), consumption (P104.3 million), production (P1.0 million) and trade (P0.1 million).

Next in line were the stock savings and loan associations with an aggregate of P83.6 million in loans granted for agricultural (P18.7 million), commercial (P34.3 million), real estate (P16.9 million), consumption (P7.0 million) and industrial (P3.8 million) purposes.

Mutual building and loan associations granted only P12.9 million in loans shared almost equally between real estate and consumption borrowers.

The Postal Savings Bank did not grant any loan, its fund having been entrusted with the DBP.

4. *Government Non-Bank Financial Institutions*

Total loans granted by government non-bank financial institutions during 1971 expanded by P175.4 million to P1,178.1 million. Institution-wise, the GSIS and the SSS generated the bulk of the credits with P748.3 million and P350.7 million, respectively, followed by ACA (P40.1 million) and NIDC (P39.0 million). Classified by purpose, the largest portion of P561.3 million accrued to consumption, followed by real estate, P417.1 million; agricultural, P40.1 million; industrial, P23.3 million; public utility, P15.7 million; commercial, P0.6 million; and others, P120.0 million.

5. *Private Non-Bank Financial Institutions*

Bancom and the Private Development Corporation of the Philippines granted loans totalling P208.0 million and P168.3 million, respectively, funneled to the industrial sector, P44.8 million; public utilities, P38.3 million; commerce, P257.7 million; and agriculture, P35.5 million.

F. CAPITAL INVESTMENTS

During 1971, a total of 12,588 new business organizations were registered with the Securities and Exchange Commission and the Bureau of Commerce (997 more than in 1970) of which 8,990 were single proprietorships, 2,387 corporations and 1,211 partnerships.

Capital paid-in by these firms aggregated P670.2 million (P232.2 million more than in 1970) contributed by Filipinos, P645.1 million; Chinese, P8.3 million; Americans, P0.8 million and others, P16.0 million. Classified by industry, paid-in capital was funneled to wholesale and retail trade, P206.9 million; manufacturing, P128.5 million; real estate, P103.6 million; community and business services, P45.8 million; recreation and personal services, P42.4 million; construction, P42.3 million; transportation, storage and communication, P28.6 million; banks and other financial institutions, P19.7 million; forestry, fishing and livestock, P19.2 million; non-metallic mining and quarrying P17.6 million; agriculture, P10.2 million; metal mining, P3.0 million; insurance, P1.3 million; and electricity, gas and water services, P1.1 million.

III. FISCAL DEVELOPMENTS

A. OVER-ALL REVIEW

Fiscal performance in 1971 was characterized by the government's determined efforts to raise further the level of its revenues while at the same time endeavoring to contain spending. On the whole, operational transactions of the National Government (exclusive of financial transactions) were at higher levels in 1971. While it succeeded in raising cash receipts by 21 per cent, activities related to the rehabilitation of typhoon-damaged public facilities as well as intensified infra-structure and social services spending resulted in a slightly faster pace in disbursements. A cash deficit was therefore reflected in the government's operational transactions, which while it constituted a reversal of the surplus in 1970, was considerably lower than the sizeable deficit of 1969. Moreover, the cash deficit was more than adequately covered by net supplementary financing which was significant on two points: first, net financing was at a much lower level in 1971, and second, greater reliance on borrowing from non-banking sources via Treasury bills and other issues signified the continued shift towards less destabilizing means of financing government expenditures.

Public borrowings, while at higher levels as of the end of 1971, did not rise unduly and noticeably had begun to veer towards longer-term maturities particularly as to those newly-approved in the case of external borrowings, and even in the case of internal issues. Further, stabilization measures of the Central Bank kept credits extended to the public sector at levels deemed manageable.

B. CASH OPERATIONS

Despite the National Government's diligent efforts to increase the level of revenue and husband its resources, cash operations (exclusive of financial transactions) resulted in a net deficit of ₱91 million in 1971. This was a reversal of last year's cash surplus of ₱143 million, but would compare favorably with the ₱934 million deficit in 1969.

On the whole, operational transactions were at higher levels in 1971. Cash receipts, totalling ₱5,869 million, exceeded last year's receipts by 21 per cent, while disbursements, including interest payments rose by 27 per cent to ₱5,960 million. The faster pace in the expansion of operating disbursements accounted for the National Government's operational deficit.

**Table 3.1 — AGGREGATE CASH TRANSACTIONS
OF THE NATIONAL GOVERNMENT, 1970 and 1971
(Million Pesos)**

I t e m	1971	1970 ^a
A. OPERATIONAL TRANSACTIONS		
1. Disbursements	5,960.0	4,706.7
Operating	5,738.6	4,499.6
Interest Payments	221.4	207.1
2. Receipts	5,869.4	4,849.8
3. Surplus (Deficit)	(90.6)	142.6
B. FINANCIAL TRANSACTIONS¹	128.7	243.3
1. Sinking Fund Payments	87.0	74.0
2. Borrowings from CBP	(25.0)	0.1
Availment	326.0	325.0
Repayment	351.0	324.9
3. Treasury Bills	57.9	227.6
Issue	1,568.8	1,393.0
Redemption	1,510.9	1,165.4
4. Treasury Notes	112.2	43.9
Issue	691.8	93.9
Redemption	579.6	50.0
5. IBRD and IMF Promissory Notes	2.9	(7.7)
Issue	2.9	4.8
Redemption	—	12.5
6. Bonds ²	92.9	100.4
Issue	92.9	100.4
Redemption	—	—
7. ADB Promissory Notes	(6.0)	—
Issue	—	—
Redemption	6.0	—
8. IBRD-IDA Demand Notes	28.6	—
Issue	28.6	—
Redemption	—	—
9. RP Extension Loan	(7.8)	(5.0)
Issue	—	—
Redemption	7.8	5.0
10. Export-Import (ICAX) Bank Loan	(2.2)	(0.8)
Issue	—	—
Redemption	2.2	0.8
11. Subscription to ADB	(4.6)	(7.6)
Issue	—	—
Redemption	4.6	7.6
12. DBP-RP Loan	—	(3.0)
Issue	—	—
Redemption	—	8.0
13. RP Certificate of Indebtedness	—	—
Issue	—	15.0
Redemption	—	15.0
14. US AID, PL480 (CCC)	—	(1.5)
Issue	—	—
Redemption	—	1.5
15. Others ³	(33.2)	(24.1)
Issue	—	—
Redemption	33.2	24.1
C. INCREASE (DECREASE) IN CASH BALANCE..	38.1	385.9

SOURCE OF BASIC DATA: Bureau of the Treasury

¹ Refer to net availment of additional resources: components need not check with corresponding items shown in the Internal Debt Statement of the Central Bank due to recording lags.

² Consist of MWSS, PW & ED, NPC and NIA bonds.

³ Amount includes expenditures for the redemption of T/bills (regular and GMIA series), Gold Assistance Trust Fund, and installment on U.P. loan from IBRD.

Transactions in the General Fund exhibited the most significant expansion, from the receipts side as well as disbursements-wise. Receipts increased by ₦1,104 million. An important new source of revenue in 1971 was the stabilization or export tax which was levied starting the second half of 1970 on all exports exceeding \$5 million. This tax alone grossed ₦549 million for the government in 1971, almost twice the amount collected last year. Parenthetically, it might be noted that despite fears as to the regressive effect of this tax on new exports, bananas rose nonetheless to tenth position in the country's ten highest ranking exports, thus becoming subject to the tax. Two other products, Portland cement and petroleum pitch, became subject to the export tax. Intensified tax collection efforts as well as economic growth and high money incomes which considerably broadened the tax base, were the principal factors imparting buoyancy to government revenues during the year.

Despite conscious efforts to exercise restraints in government expenditures, particularly for certain capital projects, operating disbursements increased by ₦1,239 million in 1971. The General Fund's disbursements alone increased by almost ₦1,300 million, although decreases in the disbursements of other fund accounts partly offset this increase. Similarly, payments for interest expanded by ₦14 million (see Table 3.2).

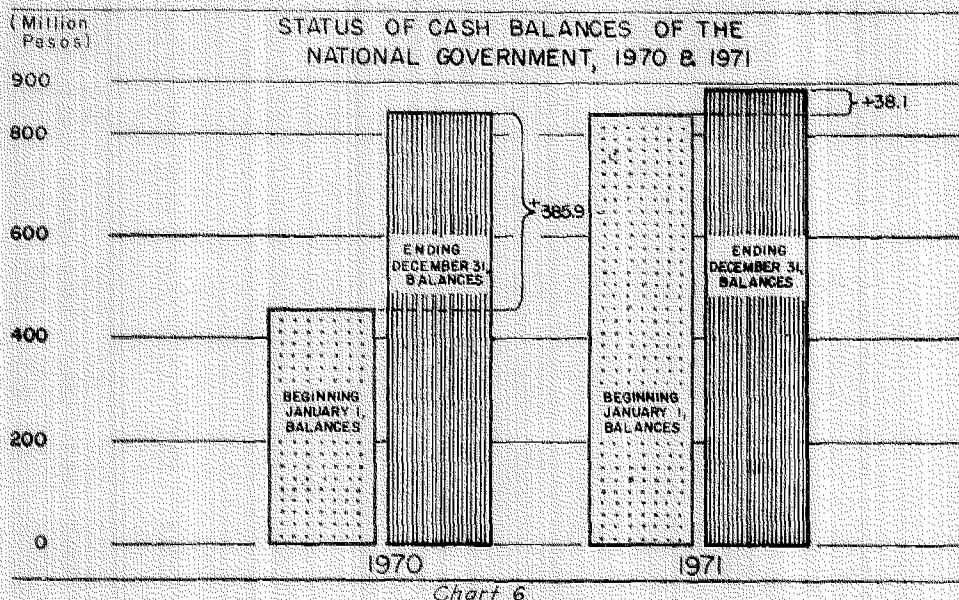
To support the heavier disbursements in 1971, the government resorted to public borrowings particularly during the second half of the year. Total public borrowings drawn against issues of long-term bonds, Treasury notes and particularly of Treasury bills were ₦774 million or 40 per cent higher than those for the previous year. Offset against these financial inflows were payments on Treasury notes, Treasury bills and notes payable falling due during the year as well as sinking fund repayments. Despite higher disbursements on financial transactions (₦893 million or 53 per cent more than in 1970) supplementary financing brought a net inflow of ₦129 million in 1971. This was considerably less than the net supplementary inflows in 1970, although the amount adequately covered the ₦91 million deficit in operations and even contributed ₦38 million towards the building up of government cash balances.

As of December 31, 1971, the total cash balances of the government amounted to ₦881 million, 5 per cent higher than the balances as of end-1970, distributed as follows: National Treasury, ₦8 million; deposits with the Central Bank, ₦228 million; with PNB, ₦343 million; with DBP, ₦41 million; other banks, ₦265 million; and with Treasury field cashiers, an overdraft of ₦5 million.

Table 3.2—CASH OPERATIONS OF THE NATIONAL GOVERNMENT BY FUND
CY 1970 and 1971

(Million Pesos)

I t e m	T o t a l		General Fund		Special Fund		Bond Fund		Fiduciary Fund		Other Funds	
	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970
A. CURRENT TRANSACTIONS												
Operating Receipts	5,869.4	4,849.3	4,308.7	3,204.9	723.3	917.5	0.7	0.6	53.7	21.4	783.0	704.9
Disbursements	5,960.0	4,706.7	4,342.5	3,053.4	719.6	658.2	90.0	96.5	38.1	58.5	769.8	840.1
Operating	5,738.6	4,499.6	4,190.5	2,891.0	651.0	619.0	89.9	91.7	38.1	58.5	769.1	839.4
Interest Payments	221.4	207.1	152.0	162.4	68.6	39.2	9.1	4.8	—	—	0.7	0.7
Surplus (Deficit)	(90.6)	142.6	(33.8)	151.5	3.7	259.3	(89.3)	(95.9)	15.6	(37.1)	13.2	(135.2)
B. FINANCIAL TRANSACTIONS	2,582.3	1,688.8	2,534.0	1,681.9	48.3	6.9	—	—	—	—	—	—
Sinking Fund Payments	87.0	74.0	49.9	67.1	37.1	6.9	—	—	—	—	—	—
Treasury Notes	579.6	50.0	579.6	50.0	—	—	—	—	—	—	—	—
Treasury Bills	1,510.9	1,165.4	1,510.9	1,165.4	—	—	—	—	—	—	—	—
Repayment of Notes Payable	53.8	74.5	42.6	74.5	11.2	—	—	—	—	—	—	—
Repayment of Overdraft, Central Bank	351.0	324.9	351.0	324.9	—	—	—	—	—	—	—	—
C. PUBLIC BORROWINGS	2,711.0	1,932.1	2,618.1	1,831.7	—	—	92.9	100.4	—	—	—	—
Treasury Notes	691.8	93.9	691.8	93.9	—	—	—	—	—	—	—	—
Treasury Bills	1,568.8	1,393.0	1,568.8	1,393.0	—	—	—	—	—	—	—	—
Long-term (Bonds) Borrowings ..	124.4	120.2	31.5	19.8	—	—	92.9	100.4	—	—	—	—
Central Bank Overdraft Line	326.0	325.0	326.0	325.0	—	—	—	—	—	—	—	—
D. ADJUSTMENT ACCOUNT (INTER FUND TRANSFER)	—	—	111.9	—	(111.9)	—	—	—	—	—	—	—
E. NET CASH TRANSACTIONS	38.1	385.9	162.2	301.3	(156.5)	252.4	3.6	4.5	15.6	(37.1)	13.2	(135.2)
F. STATUS OF CASH BALANCES												
Beginning January 1	843.0	457.1	75.0	(226.3)	604.7	352.3	23.1	18.6	110.7	147.8	29.5	164.7
Ending December 31	881.1	843.0	237.2	75.0	448.2	604.7	26.7	23.1	126.3	110.7	42.7	29.5
Change in Status	38.1	385.9	162.2	301.3	(156.5)	252.4	3.6	4.5	15.6	(37.1)	13.2	(135.2)



C. PUBLIC DEBT

1. Internal Debt

To support heavier disbursements in 1971, the government resorted to increased public borrowings. Outstanding internal public debt as of December 31, 1971, amounting to P6,313 million, represented an increase of P644 million or 10 per cent over outstanding balances a year ago. Compared to increases in the past, this increase was greater than the 8 per cent increase in the 1970 over 1969 period but significantly lower than the 28 per cent increase during the 1969 over 1968 period.

In 1971, additional borrowings totalled P3,560 million, or 4 per cent higher than new debts incurred in 1970. These inflows were in the main the result of Treasury bill and Treasury note issues by the National Government, increased indebtedness of government corporations, particularly of the DBP, and increased issues of Central Bank Certificates of Indebtedness. Offset against these inflows, repayments in 1971 amounted to P2,916 million, thus resulting in a net increase of P644 million in outstanding balances as of end-1971. Repayments also largely went to redeeming Treasury notes and Treasury bills which had fallen due as well as repayments on DBP bond issues and borrowings against the Central Bank (see Table 3.3).

The National Government comprised the largest borrower, as its outstanding borrowings constituted 59 per cent of total outstanding internal debt. It also accounted for 73 per cent of total additional borrowings and 84 per cent of total repayments in 1971. However, its contribution to the net change in outstanding debt in 1971 was only 26 per cent,

Table 3.3 — INTERNAL PUBLIC DEBT
December 31, 1970 and 1971

(In Million Pesos)

I t e m	December 31, 1970	Additional Borrowings	Repay- ments	December 31, 1971	Increase or Decrease (—)	
					1970	1971
TOTAL OUTSTANDING	6,313.1	3,560.0	2,916.4	6,956.7	474.7	643.6
I. NATIONAL GOVERNMENT	3,961.8	2,614.0	2,445.3	4,130.5	358.0	168.7
Provisional loans and advances	325.0	326.0	351.0	300.0	0.1	—25.0
PW & ED Bonds	1,001.1	7.8	—	1,008.9	18.0	7.8
Treasury Notes	1,307.9	695.7	582.9	1,420.7	44.1	112.8
Borrowings from CBP to finance subscriptions to						
International Financial Organizations	110.4	—	0.7	109.7	60.5	— 0.7
Negotiable Land Certificates	16.2	—	—	16.2	—	—
ITT-Philippines (Bureau of Telecommunications)	3.5	—	0.8	2.7	— 2.0	— 0.8
National Public Improvement Bonds	2.5	—	2.5	—	—	— 2.5
Certificates of Indebtedness	15.0	—	—	15.0	—	—
Socio-Economic Bonds	50.0	—	—	50.0	—	—
National Government Replacement Bonds	180.2	—	—	180.2	—	—
Loans to local Government Assumed by the						
National Government	0.9	—	—	0.9	—	—
Treasury Bills	581.3	1,547.2	1,505.2	623.3	202.2	42.0
Obligations to Pre-War Government Employees,						
Veterans and other Individuals arising						
from World War II	266.8	3.6	2.1	268.2	2.8	1.4
Obligations to Pre-War Government Employees	105.2	1.7	2.1	104.8	0.3	— 0.4
Obligations to Veterans of World War II	88.3	1.9	—	90.2	2.5	1.9
Pre-War obligations of the National Government	9.6	—	—	9.5	—	— 0.1
Certificate of Indebtedness to Holders of						
Emergency Currency Pre-and-Post surrender issues	63.7	—	—	63.7	—	—

Table 3.3 — INTERNAL PUBLIC DEBT (Concluded)
December 31, 1970 and 1971

(In Million Pesos)

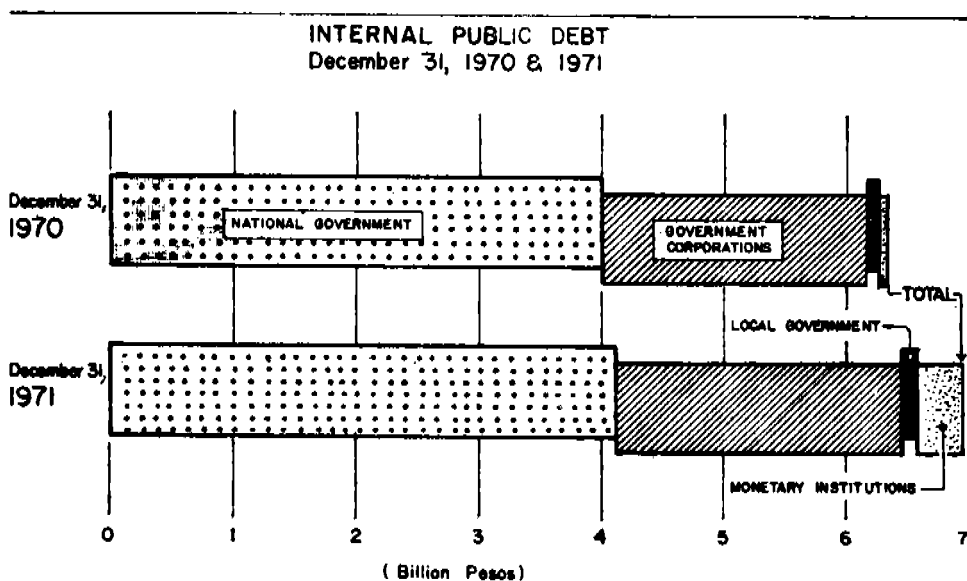
I t e m	December 31, 1970	Additional Borrowings	Repay- ments	December 31, 1971	Increase or Decrease (—)	
					1970	1971
Land Bank Capital Bonds	5.0	—	—	5.0	—	—
National Irrigations Administration Bonds	96.0	33.7	—	129.7	34.0	33.7
National Collateral Bonds	—	—	—	—	— 0.7	—
Metropolitan Water District Bonds	—	—	—	—	— 1.0	—
II. LOCAL GOVERNMENTS	107.2	12.8	16.2	103.7	—13.8	— 3.5
Provisional loans and advances	6.2	1.4	7.3	0.3	— 9.6	— 5.9
Backpay obligations to Pre-War Government Employees ..	15.1	0.2	0.3	15.1	—	—
Loans from GSIS	22.6	1.9	—	24.4	—	1.8
Loans from DBP	61.8	9.2	7.1	63.9	— 3.2	2.1
Manila Public Improvement Bonds	1.5	—	1.5	—	— 1.0	— 1.5
III. GOVERNMENT CORPORATIONS	2,176.1	579.1	454.4	2,300.8	62.5	124.7
NPC Bonds	265.3	31.2	2.5	294.0	17.0	28.7
NAWASA Bonds	250.0	25.7	—	275.7	26.0	25.7
Land Bank Bonds	6.1	8.2	1.0	13.3	3.2	7.2
DBP Bonds	735.7	85.9	91.7	729.8	8.1	— 5.9
DBP Progress Bonds	470.0	7.8	13.5	464.4	—28.4	— 5.6
Backpay obligations to Pre-War Government Employees ..	6.6	0.1	0.1	6.6	—	—
ACA (ACCFA) Notes	17.0	—	—	17.0	—	—
MWD Bonds	2.0	—	—	2.0	—	—
CBP loans to DBP	74.0	420.2	290.7	203.5	37.0	129.5
CBP loans to PVTA	231.3	—	54.5	176.8	—	—54.5
ACCFA Notes	118.1	—	0.4	117.7	— 0.4	— 0.4
IV. MONETARY INSTITUTIONS	68.0	354.1	0.5	421.7	68.0	353.7
	68.0	354.1	0.5	421.7	68.0	353.7

ranking the National Government second and next to monetary institutions with respect to the size of net contribution to the increase in public internal debt. This was due to the fact that large repayments served to offset the inflows in the accounts of the National Government, which was in marked contrast to the case of the monetary institutions whose repayments were almost negligible.

Local governments comprised only 2 per cent of total outstanding debt, and their transactions were likewise at minimal levels. Further, their repayments exceeding inflows, local governments actually served to reduce outstanding internal debt, although also at a minimal level.

Government corporations contributed 19 per cent to the total increase in internal debt, their outstanding borrowings as of end-1971 comprising 33 per cent of total outstanding debt. Borrowings of government corporations during the period represented 16 per cent of total inflows while the group's repayments also comprised 16 per cent of the total. Most of the transactions of this group represented DBP bond issues and borrowings from the Central Bank.

The Central Bank Certificate of Indebtedness (the sole issue responsible for the debt figure appearing under monetary institutions) was of singular importance as a source of supplementary financing in 1971. As a proportion of total outstanding debt as of the end of the year, it had already grown to 6 per cent as compared to 1 per cent in December 1970. Its net contribution to the total increase in outstanding debt was 60 per cent, making it the largest single source of the expansion of internal public debt in 1971. Inflows arising from issues of this new type of indebtedness amounted to ₱354 million or 10 per cent of total inflows in 1971, while repayments were almost negligible. Issues of CBCI were generally medium-term in nature, with repayments scheduled to start at around 1973.



2. *External Debt*

External borrowings of the public sector continued to increase in 1971. Outstanding balances totalling \$1,075 million as of December 31, 1971 reflected an increase of \$34 million or 3 per cent. By maturity, these balances were largely in the medium and long-term categories, reflecting the effects of the debt restructuring achieved in the previous year and the guidelines embodied in Central Bank Circular 315 of December 1, 1970.

In 1971, inflows arising from utilizations of newly approved borrowings and additional drawings on already existing lines amounted to \$238 million. Of this amount, 24 per cent or \$56 million were drawings against lines approved in 1971 under Circular 315. Against the total additional borrowings, repayments amounted to only \$204 million, thus resulting in the \$34 million increase in outstanding balances. By type of borrower, the increase in outstanding balances was the result of a combination of increases in the outstanding debts of the National Government and government corporations, partly offset by decreases in outstanding borrowings of monetary institutions (the Central Bank and PNB).

The National Government and monetary institutions were the major borrowers, the former's year-end balance corresponding to 36 per cent of total outstanding external debt and the latter's, to 44 per cent. Behind them followed government corporations (consisting of the National Power Corporation, Philippine Communications Satellite Corporation, Metropolitan Waterworks System, National Housing Corporation, Philippine National Railways, and the Development Bank of the Philippines) with a share of 20 per cent. Local government's debt was nearly negligible as it constituted only 1/10 of 1 per cent of total external debt. The corresponding shares of the various groups in 1971 were: monetary institutions, 51 per cent; National Government, 34 per cent; and government corporations, 16 per cent (see Table 3.4).

Table 3.4 — EXTERNAL PUBLIC DEBT

December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
TOTAL OUTSTANDING		1,041,248	237,803	203,636	1,075,415	34,167
NATIONAL GOVERNMENT		349,730	52,662	17,976	384,416	34,686
6-1/2%	External Bond Issue (RP)	11,400	—	1,200	10,200	(1,200)
5-3/4%	U.S. Export-Import Bank, L#1022N	8,295	6	983	7,318	(977)
5-3/4%	U.S. Export-Import Bank, L#1440	2,511	—	194	2,317	(194)
6%	U.S. Export-Import Bank, L#2545	3,291	260	—	3,551	260
5-3/4%	U.S. Export-Import Bank, IISMI	60,223	—	2,316	57,907	(2,316)
3-1/2%	U.S. Agency for International Development, L#492-A-005	1,535	—	754	781	(754)
3-1/2%	U.S. Agency for International Development, L#492-H-023	398	170	—	568	170
3-1/2%	U.S. Agency for International Development, L#492-H-024	4,307	212	—	4,519	212
4%	U.S. Government, NEC PL 480, Title IV, 1967-69 Del.	18,733	—	1,258	17,475	(1,258)
3-1/2%	Title I (Sales of Agricultural Commodities), NEC	7,000	—	161	6,839	(161)
5-3/4%	Morgan Trust Co. (Bu. of Telecom)	1,701	284	851	1,134	(567)
6-3/4%	Morgan Guaranty Trust Co.	1,879	—	564	1,315	(564)
6-1/2%	Various U.S. Suppliers (Private)	21,810	—	3,683	18,127	(3,683)
6-1/4%	Toyo Menka Keisha Ltd.	9,344	—	1,621	7,723	(1,621)
6%	Security Pacific Bank of L.A.	1,393	439	458	1,374	(19)
6-1/2%	Marubeni-Iida, America	452	—	101	351	(101)
6-1/2%	Raytheon Co., U.S.A.	1,275	—	—	1,275	—
5-3/4%	International Bank for Reconstruction and Development L#290PH	4,468	—	453	4,015	(453)
5-1/2%	International Bank for Reconstruction and Development, (U.P.)	5,143	333	—	5,476	333

Table 3.4 — EXTERNAL PUBLIC DEBT (Continued)
December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
7%	International Bank for Reconstruction and Development, (NIA)	637	9,048	—	9,685	8,969
3-1/2%	Asian Development Bank, L#19PHI	69	1,499	—	1,568	1,499
7-1/2%	Asian Development Bank, L#61PHI	—	85	—	85	85
7-1/4%	International Bank for Reconstruction and Development, L#731PH	—	750	—	750	750
7-1/2%	Rice Loan from the Royal Government of Thailand, May & June, 1971	—	3,660	—	3,660	3,660
7-1/2%	Rice Loan from the Royal Government of Thailand, August, 1971	—	8,700	—	8,700	8,700
7-1/2%	Rice Loan from the Republic of China, May, 1971	—	6,538	—	6,538	6,538
7-1/4%	International Bank for Reconstruction and Development, L#720PH	—	61	—	61	61
3/4%	U.S. Export-Import Bank, ICAX-92-1	9,421	—	126	9,295	(126)
3/4%	U.S. Export-Import Bank, ICAX-92-2	8,436	—	201	8,235	(201)
3/4%	U.S. Export-Import Bank, ICAX-92-3	3,956	15	284	3,687	(269)
3/4%	U.S. Agency for International Development, NEC492-G-013, PI480	2,379	6	92	2,293	(86)
3/4%	U.S. Agency for International Development, NEC492-G-014, PI480	2,764	—	112	2,652	(112)
4-1/4%	U.S. Agency for International Development, NEC492-G-022, PI480	2,809	—	108	2,701	(108)
5-3/4%	Standard Electric Lorenz	618	43	525	136	(482)
5-3/4%	Bell Telephone Co.	715	—	239	476	(239)
5-3/4%	Standard Telephone & Cable Pty.	653	1	252	402	(251)
5-1/8%	Export-Import Bank of Japan	16,766	2,339	—	19,105	2,339
6%	Bank of Netherlands	1,191	5,180	—	6,371	5,180

Table 3.4 — EXTERNAL PUBLIC DEBT (Continued)
December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
3%	Belgian Loan, RP (CAA)	—	1,000	—	1,000	1,000
	Non-interest Bearing — IBRD Subscriptions	1,557	8,236	—	9,793	8,236
	Non-interest Bearing — IMF Subscriptions	124,281	—	—	124,281	—
	Non-interest Bearing — IDA	2,070	3,797	—	5,867	3,797
	Non-interest Bearing — ADB	6,250	—	1,440	4,810	(1,440)
LOCAL GOVERNMENTS		1,223	23	421	825	(398)
10%	Sumitomo Shoji Kaisha, Ltd.-Prov. of Leyte	53	14	28	39	(14)
10%	Ford Motor Co. — Prov. of Cebu	365	—	101	264	(101)
10%	Lorrain Int'l. Division Koehring Overseas — Prov. of Cebu	65	9	44	30	(35)
10%	Baldwin Lima, Province of Cebu	264	—	72	192	(72)
10%	General Motors Overseas — Prov. of Cebu	414	—	114	300	(114)
10%	Continental Ore Corp. — Cebu City	22	—	22	—	(22)
10%	Continental Ore Corp. — Cebu City	40	—	40	—	(40)
GOVERNMENT CORPORATIONS		164,111	71,771	23,476	212,406	48,295
National Power Corporations		59,113	3,791	3,601	59,303	190
4%	U.S. Export-Import Bank, Ambuklao Project	4,554	—	1,016	3,538	(1,016)
6%	International Bank for Reconstruction & Development, L#183 PH	12,374	—	773	11,601	(773)
5-3/4%	International Bank for Reconstruction & Development, L#297	27,953	—	1,104	26,849	(1,104)
5-1/2%	International Bank for Reconstruction & Development, L#225	2,448	—	188	2,260	(188)
6%	International Bank for Reconstruction & Development, L#491	7,784	3,791	200	11,355	3,571
6%	Morgan Int'l. Finance Corp. (ESSO)	4,000	—	300	3,700	(300)

Table 3.4 — EXTERNAL PUBLIC DEBT (Continued)
December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
Philippines Communication Satellite Corp.						
6%	U.S. Export-Import Bank	—	3,693	—	3,698	3,693
Metropolitan Waterworks System						
5%	International Bank for Reconstruction and Development	18,812	—	883	17,929	(883)
National Housing Corporation						
6-3/4%	Hildrebran thru Vereinsbank	11,238	—	1,354	9,884	(1,354)
Philippine National Railways		9,075	—	1,425	7,650	(1,425)
6%	C. Itoh & Co., New York	408	—	58	350	(58)
6%	Mitsui & Co., Ltd.	406	—	59	347	(59)
6%	General Electric Co.	371	—	148	223	(148)
6%	Mitsui & Co.	1,963	—	280	1,683	(280)
6%	C. Itoh & Co. Thru Marubeni-Iida Ltd.	1,956	—	279	1,677	(279)
6%	C. Itoh & Co., Japan	1,313	—	188	1,125	(188)
6%	Mitsui & Co., Japan	1,279	—	183	1,096	(183)
6%	Alsthom of France	1,379	—	230	1,149	(230)
Development Bank of the Philippines		65,873	64,287	16,213	119,947	48,074
6%	Various US Commercial Banks	2,150	—	2,150	—	(2,150)
7-1/2%	Various US Commercial Banks	5,000	1,000	2,000	4,000	(1,000)
5-3/4%	Kredistanstalt Fur Wiederraufbau	10,929	—	668	10,261	(668)
4-1/2%	U.S. Agency for International Development	4,407	—	190	4,217	(190)
8%	General Telephone & Electronics Int'l.	4,000	—	1,350	2,650	(1,350)
3-1/2%	U.S. Agency for International Developments (Moresco)	43	953	—	996	953
3-1/2%	U.S. Agency for International Development Manapia-Victorias Elect.	45	1,702	—	1,747	1,702

Table 3.4 — EXTERNAL PUBLIC DEBT (Continued)
December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
6%	U.S. Export-Import Bank	—	2,368	94	2,274	2,274
8%	Singer Sewing Machine, USA	1,333	—	666	667	(666)
9-3/4%	Deutsche Bank	3,142	—	—	3,142	—
9-3/4%	Banque de Paris et des Pays-Bas	1,600	—	—	1,600	—
10-1/2%	Dresdner Bank (GMTFM)	1,913	—	—	1,913	—
11-1/2%	Vereinsbank (GMTFM)	427	933	—	1,360	933
7-8%	Commodity Credit Corporation	29,866	31,592	8,795	52,663	22,797
11%	American Express Bank	331	719	3	1,047	716
12%	Skandinaviska Bankem	546	—	—	546	—
12%	Union Bank of Switzerland	—	156	156	—	—
6-3/8%	Canadian Wheat Board	—	14,592	—	14,592	14,592
3%	U.S. Commodity Credit Corporation, PL 480	—	10,272	—	10,272	10,272
4-1/2%	Banque de Paris et des Pays-Bas	141	—	141	—	(141)
MONETARY INSTITUTIONS		526,184	113,347	161,763	477,768	(48,416)
Central Bank of the Philippines		457,840	70,002	117,656	410,186	(47,654)
5-1/2%	International Bank for Reconstruction & Development, L#432	3,928	1	232	3,697	(231)
6-1/2%	International Bank for Reconstruction & Development, L#607	441	1,127	5	1,563	1,122
Refunding and Consolidation Loan						
Agreement, Oct. 8, 1970		136,260	—	10,000	126,260	(10,000)
Veterans Repayment Loan, October 8, 1970		64,400	—	—	64,400	—
IMF Drawings — Non-interest Bearing		107,500	35,000	14,000	128,500	21,000
Special Drawing Rights-Foreign Exchange						
Liability		18,486	10,585	—	35,065	16,585
Loans Payable		40,000	—	40,000	—	(40,000)
Amsterdam-Rotterdam (L/P Spl.						
Advances Acct.)		1,727	—	692	1,035	(692)

Table 3.4 — EXTERNAL PUBLIC DEBT (Concluded)
December 31, 1970 and 1971

(Thousand U.S. Dollars)

I t e m		Outstanding Dec. 31, 1970	Availments in 1971	Repayments in 1971	Outstanding Dec. 31, 1971	Net Increase or (Decrease)
Consortium of Japanese Banks (L/P Spl. Advances Acct.)		50,000	15,000	45,000	20,000	(30,000)
Non-Consortium: Union Bank of Switzerland, Sw. Frs. 40.OM		12,822	2,289	5,867	9,244	(3,578)
Non-Consortium: Union Bank of Switzerland, Sw. Frs. 25.OM		5,783	—	—	5,783	—
Non-Consortium: Union Bank of Switzerland, Sw. Frs. 15.OM		3,499	—	—	3,499	—
Non-Consortium: Chartered Bank, London		6,500	—	930	5,570	(930)
Non-Consortium: Hongkong and Shanghai Banking Corporation, London		6,500	—	930	5,570	(930)
Philippine National Bank		68,344	43,345	44,107	67,582	(762)
5-1/2% Special \$ — P Swap — Sugar Financing		35,281	30,005	38,286	27,000	(8,281)
5-1/2% International Bank for Reconstruction and Development, L#331PH		8,803	1	2,468	6,336	(2,467)
6-1/2% International Bank for Reconstruction and Development, L#63OPH		2,316	9,882	301	11,897	9,581
5% International Bank for Reconstruction and Development, L#467PH		20,566	2,573	2,990	20,149	(417)
6-7/8% Asian Development Bank, L#PHI		1,378	844	62	2,200	822

Inflows of new borrowings and drawings on existing lines went mainly to monetary institutions (48 per cent of total availments amounting to \$113 million). However, a major portion of repayments (79 per cent) were also made by this group, in particular the Central Bank, which repaid \$118 million in 1971. The most important of these repayments were made towards the Refunding & Consolidated Loan Agreement, loans from U.S. commercial banks, advances from the consortium of Japanese banks and non-interest bearing drawings on the IMF. Major availments likewise came from the IMF and the Japanese consortium. In addition, the third and last distribution of SDR's, which was made in January 1971 and which amounted to \$16.6 million, constituted an increase in foreign liabilities.

Government corporations received \$72 million which constituted 30 per cent of the total availments. The bulk of these receipts went to the DBP. Repayments, however, amounted to only \$23 million or 12 per cent of the total, thus resulting in a net increase of \$48 million in the outstanding borrowings of government corporations, or an increase of 29 per cent over last year's outstanding balances.

The National Government had a net inflow of \$35 million, reflecting a 10 per cent increase in its outstanding borrowings over its balance as of end 1970. Availments, which constituted 22 per cent, totalled \$53 million, the major inflows coming from the IBRD, IDA, the Bank of Netherlands, and the Governments of Thailand and the Republic of China (the last two being "rice loans"). Repayments of \$18 million constituted 9 per cent of the total, of which the most important were those made to the U.S. Export-Import Bank, to the ADB, a Japanese firm and various private U.S. suppliers.

EXTERNAL PUBLIC DEBT

December 31, 1970 & 1971

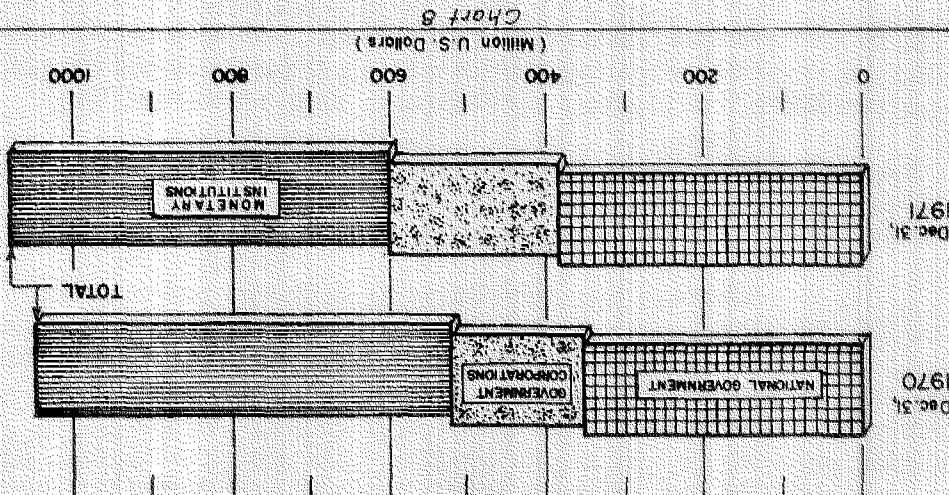


Chart 8

(Million U.S. Dollars)

D. TREASURY BILL MARKET

Treasury bills continued to assume an important role in the government's financing program during the year. Total outstanding issues as of the end of 1971 amounted to ₱623 million, ₱42 million higher than the level a year ago. Of this amount, ₱570 million were outstanding amounts of the regular Treasury bill series, ₱4 million Gold Mining Industry Assistance (GMIA) series, and ₱50 million pertained to Tax Anticipation Bills.

Despite lower average annual yields on Treasury bills, Treasury bill awards in 1971, totalling ₱1,419 million, were 20 per cent higher than in the previous year. Treasury bill issues of the 91-day, 147-day and 182-day series were highest volume-wise, with monthly awards amounting to ₱20-25 million each. Treasury bills floated on these terms amounted to ₱260 million each for the whole year. 91-day bills awarded were 6 per cent higher this year; 147-day bills, 57 per cent higher; however, 182-day bills were 12 per cent lower. Average annual yields for these issues were 11.948 per cent, 12.304 per cent, and 12.810 per cent, respectively. Close behind were the 49-day and 63-day bills with monthly awards of between ₱16 and ₱20 million. Treasury bills floated on these terms totalled ₱208 million each for the whole year. Increases between 1970 and 1971 for the 49-day bills and 63-day bills reached 28 per cent and 29 per cent, respectively. Interest yields on these terms averaged 10.943 per cent and 11.567 per cent, respectively. The largest increase posted however pertained to 273-day bills, which increased by more than 2/3 of the total awarded for 1970, and amounted to ₱154 million in 1971. Average annual yield for this term was 12.810 per cent. 364-day bills also rose by 13 per cent and amounted to ₱69 million in 1971, the average yield being 12.837 per cent.

The auction of Treasury bills in 1971 did not change markedly from the patterns of previous years. Dealers still got the bulk of the awards — 51 per cent, or ₱727 million out of the total auction of ₱1,419 million although this was lower, proportion-wise, than the 67 per cent the dealers got in 1970. This was matched by a slight increase in the share of commercial banks which got 24 per cent or ₱347 million. The rest went to rural banks, insurance companies, private corporations and all others including individual awardees.

Special issues of Treasury bills (as distinguished from the regular Treasury bills) amounted to ₱63 million, the bulk of which were 364-day bills. These bills were not eligible for trading in the secondary market.

Tax Anticipation Bills issued in 1971 consisted of 161-day and 191-day bills and amounted to ₱30 million and ₱50 million, respectively. Outstanding amounts as of the end of 1971 however referred only to 161-day bills and totalled ₱50 million.

With respect to the GMIA series, total authorized flotations in 1971 amounted ₱6 million, although only about ₱4 million were sold during the year. These were 360-day bills and remained outstanding at the end of 1971.

E. TRANSACTIONS IN GOVERNMENT SECURITIES

In 1971, total transactions in government securities reached ₱8,762 million, having increased by 42 per cent over the level of transactions in 1970. Well in excess over the 4 per cent increase during the 1970/1969 period, this increase was however lower than the record growth of 76 per cent during the 1969 over 1968 period. Of these transactions, those traded for the National Government comprised 55 per cent, while those for the Central Bank, 45 per cent.

Central Bank sales of original issues for the National Government amounted to ₱2,709 million representing 62 per cent of total Central Bank sales, while redemptions of its outstanding issues amounted to ₱2,109 million or 56 per cent of total Central Bank purchases. Central Bank open-market repurchases in 1971 being exactly equal to its sales of non-original issues of government securities, the net increase this year of ₱600 million (15 per cent over last year) was entirely the result of the difference between Central Bank sales of original issues and redemptions of maturing securities.

Continuing the pattern set in the previous year wherein the greater part of the increase in government security holdings was absorbed by non-Central Bank holders, in 1971 this group accounted for ₱450 million or 75 per cent of the increase and only ₱150 million or 25 per cent was underwritten by Central Bank resources. Investors registering increases in their holdings were banking institutions which increased holdings by ₱313 million; the DBP, by ₱1 million; SSS, by ₱7 million; private insurance companies, by ₱43 million; local and semi-government entities, by ₱4 million; other private entities and individuals, by ₱73 million; and undistributed bills and bonds which rose by ₱52 million. The only institutions which registered decreases in their investments in government securities were the PNB which reflected a decline of ₱33 million, and the GSIS which reduced its security holdings by ₱11 million. The value of securities held by non-Central Bank holders as of December 31, 1971 amounted to ₱2,103 million.

Through open market operations and interfund transfers, government securities held by the Central Bank as of end-1971 reflected a 6 per cent increase over its holdings in the previous year and stood at ₱2,474 million. Reflecting the new pattern where investors outside the Central Bank have begun to account for a greater portion of transactions in government securities, holdings of the Central Bank as of December 31, 1971 accounted for 54 per cent of the total holdings this year, already lower

than the proportion (58 per cent) it had held last year. The ₱150 million increase in the Central Bank's security holdings in 1971 was accounted for by an increase of ₱99 million in the bond sinking fund, a ₱42 million increase in the Central Bank portfolio, and a ₱9 million increase in the Securities Stabilization Fund (see Tables 3.5 and 3.6).

Table 3.5 — TRANSACTIONS IN GOVERNMENT SECURITIES

1 9 7 1

(Millon Pesos)

I t e m	Nat'l	Government	Central Bank	
	Sales	Purchases	Sales	Purchases
ALL TRANSACTIONS	2,708.8	2,108.9	2,159.4	1,784.6
NON-CENTRAL BANK	2,610.3	1,635.6	571.9	1,096.8
Banks Other Than Central Bank ...	913.8	111.0	550.1	1,072.5
Philippine National Bank	569.8	35.7	1.9	568.6
Other Banks	344.0	75.3	548.2	503.9
Financial Institutions	0.4	0.4	1.2	—
Insurance Companies	46.2	0.1	5.3	12.2
G.S.I.S.	1.6	—	—	12.1
S.S.S.	1.6	0.1	5.3	—
Private	43.0	—	—	0.1
Local & Semi-Government Entities ..	0.2	0.3	3.9	—
Other Private Entities and				
Individuals	75.0	1.2	2.4	3.1
Undistributed	1,574.7	1,522.6	9.0	9.0
CENTRAL BANK	98.5	473.3	1,114.2	589.3
Central Bank Portfolio	—	459.5	1,081.7	580.3
Bond Sinking Fund	98.5	0.6	0.9	—
Securities Stabilization Fund	—	13.2	31.6	9.0
Industrial Guarantee and Loan Fund ..	—	—	—	—
NATIONAL GOVERNMENT	—	—	473.3	98.5

Table 3.6 — CENTRAL BANK TRANSACTIONS IN GOVERNMENT SECURITIES

1 9 7 1

(Million Pesos)

I t e m	Value of Securities Held on Jan. 1, '71	Central Bank Sales			Central Bank Purchases			Value of Securities Held on Dec. 31, '71	Increase or Decrease (—)
		Original Issues	Non- Original Issues	Total	Redemp- tion	Non- Redemp- tion	Total		
T O T A L	3,977.2	2,708.8	1,686.1	4,394.9	2,108.9	1,686.1	3,795.0	4,577.1	599.9
I. Outside of the Central Bank	1,653.0	2,610.3	571.9	3,182.2	1,635.6	1,096.8	2,732.4	2,102.8	449.8
A. Bank other than the Central Bank ...	869.3	913.8	550.1	1,463.9	111.0	1,072.5	1,183.5	1,149.7	280.4
1. Philippine National Bank	196.8	569.8	1.9	571.7	35.7	568.6	604.3	164.2	—32.6
2. Other Banks	672.5	344.0	548.2	892.2	75.3	503.9	579.2	985.5	313.0
B. Financial Institutions	4.6	0.4	1.2	1.6	0.4	—	0.4	5.8	1.2
1. Development Bank of the Philippines	4.6	0.4	1.2	1.6	0.4	—	0.4	5.8	1.2
C. Insurance Companies	144.3	46.2	5.3	51.5	0.1	12.2	12.3	183.5	39.2
1. G. S. I. S.	29.6	1.6	—	1.6	—	12.1	12.1	19.1	—10.5
2. S. S. S.	105.2	1.6	5.3	6.9	0.1	—	0.1	112.0	6.8
3. Private	9.5	43.0	—	43.0	—	0.1	0.1	52.4	42.9
D. Local & Semi-Gov't Entities	1.7	0.2	3.9	4.1	0.3	—	0.3	5.5	3.8
E. Other Private Entities & Individuals..	51.0	75.0	2.4	77.4	1.2	3.1	4.3	124.1	73.1
F. Undistributed (T-Bills & Bearer Bonds)	582.1	1,574.7	9.0	1,583.6	1,522.6	9.0	1,531.6	634.2	52.1

Table 3.6 — CENTRAL BANK TRANSACTIONS IN GOVERNMENT SECURITIES (Concluded)

1 9 7 1

(Million Pesos)

I t e m	Value of Securities Held on Jan. 1, '71	Central Bank Sales			Central Bank Purchases			Value of Securities Held on Dec. 31, '71	Increase or Decrease (—)
		Original Issues	Non- Original Issues	Total	Redemp- tion	Non- Redemp- tion	Total		
II. Central Bank Open Market Operations and Interfund Transfers	2,324.2	98.5	1,114.2	1,212.2	473.3	589.3	1,062.6	2,474.3	150.1
1. Open Market Operations	—	98.5	1,091.3	1,189.8	473.3	566.4	1,039.7	—	—
2. Interfund Transfers	—	—	22.9	22.9	—	22.9	22.9	—	—
A. Central Bank Portfolio	1,772.9	—	1,081.7	1,081.7	459.5	580.3	1,039.8	1,814.8	41.9
1. Open Market Operations	—	—	1,072.7	1,072.7	459.5	566.4	1,025.9	—	—
2. Interfund Transfers	—	—	9.0	9.0	—	13.9	13.9	—	—
B. Bond Sinking Fund	460.4	98.5	0.9	99.4	0.6	—	0.6	559.2	98.8
1. Open Market Operations	—	98.5	0.9	99.4	0.6	—	0.6	—	—
2. Interfund Transfers	—	—	—	—	—	—	—	—	—
C. Securities Stabilization Fund	84.7	—	31.6	31.6	13.2	9.0	22.2	94.1	9.4
1. Open Market Operations	—	—	17.7	17.7	13.2	—	13.2	—	—
2. Interfund Transfers	—	—	13.9	13.9	—	9.0	9.0	—	—
D. Industrial Guarantee & Loan	6.2	—	—	—	—	—	—	6.2	—
1. Open Market Operations	—	—	—	—	—	—	—	—	—
2. Interfund Transfers	—	—	—	—	—	—	—	—	—

F. FISCAL OPERATIONS, FY 1970-1971

The full effects of the stabilization measures adopted in early 1970 were felt during the fiscal year, July 1970 to June 1971, so that government operations ended with a considerably reduced deficit of P184 million. At this level, the deficit was trimmed down by 82 per cent from the sizable deficit incurred during FY 1969-1970, and was also 73 per cent smaller than the deficit incurred during FY 1968-1969.

Government revenues arising from taxes and other sources rose to P4,297 million, reflecting a 38 per cent increase over resources during the preceding fiscal year. A sizable proportion of this increase was the result of intensified tax collection efforts as well as new tax measures, the most important of which was the Stabilization Tax whose collections alone between July 1970 and June 1971 amounted to P577 million. The increase in tax revenues during FY 1970-1971 amounted to P1,104 million, a 41 per cent gain over tax collections during FY 1969-1970. Income taxes and license and business taxes respectively accounted for P297 million or 27 per cent and P175 million or 16 per cent of the growth in tax revenues. Excise taxes accounted for an additional P80 million or 7 per cent of the increase while import duties accounted for P249 million or 23 per cent. Other taxes accounted for the remaining 27 per cent of the increase in tax revenues during FY 1970-1971. Revenues from non-tax sources likewise increased by P83 million.

Efforts to contain government spending during FY 1970-1971 were not without success. Government expenditures increased by only P373 million or 9 per cent. This increase was accounted for solely by National Government expenditures on goods and services as well as transfer payments by the National Government. Current expenditures, including expenditures for developmental services, accounted for all of the increase in expenditures for goods and services during the last fiscal year, as expenditures for capital formation suffered a cutback. Transfer payments were likewise at higher levels, with increases noted in current and capital transfers as well as for debt interest and direct lending. Subsidies experienced a cutback. The increase in the expenditures of the National Government was slightly offset by a slowing down in the acquisition of government corporate securities during the fiscal year ending June 30, 1971 (see Table 3.7).

Table 3.7 — RESOURCES AND EXPENDITURES OF THE
NATIONAL GOVERNMENT
Fiscal Years 1969-1971

(Million Pesos)

I t e m	1969	1970	1971
I. EXPENDITURES	<u>3,678.3</u>	<u>4,107.6</u>	<u>4,480.6</u>
A. National Government	<u>3,611.0</u>	<u>4,053.5</u>	<u>4,429.0</u>
Acquisition of Goods & Services	<u>2,895.3</u>	<u>3,276.5</u>	<u>3,522.7</u>
Current Expenditures	<u>1,416.0</u>	<u>2,220.1</u>	<u>2,979.1</u>
Developmental Services	<u>1,070.2</u>	<u>417.0</u>	<u>a</u>
Gross Capital Formation	<u>409.1</u>	<u>639.4</u>	<u>543.6</u>
Transfers	<u>715.7</u>	<u>776.9</u>	<u>906.3</u>
Current	<u>113.2</u>	<u>393.4</u>	<u>405.5</u>
Capital	<u>182.9</u>	<u>95.0</u>	<u>144.5</u>
Subsidies	<u>170.0</u>	<u>56.8</u>	<u>16.4</u>
Debt Interest	<u>103.5</u>	<u>148.7</u>	<u>212.7</u>
Direct Lending	<u>146.1</u>	<u>83.0</u>	<u>127.2</u>
B. Government Corporate Securities	<u>67.3</u>	<u>54.1</u>	<u>51.6</u>
Power Projects (NPC Bonds)	<u>7.9</u>	<u>27.7</u>	<u>15.6</u>
Waterworks (NAWASA Bonds)	<u>59.4</u>	<u>23.0</u>	<u>30.0</u>
Landed Estates (NLC)	<u>—</u>	<u>b</u>	<u>—</u>
Land Reform (Land Bank Bonds)	<u>c</u>	<u>3.4</u>	<u>6.0</u>
Irrigation Projects (NIA)	<u>d</u>	<u>d</u>	<u>d</u>
II. RESOURCES	<u>2,862.3</u>	<u>3,109.9</u>	<u>4,296.8</u>
Tax Revenue	<u>2,475.1</u>	<u>2,725.1</u>	<u>3,829.3</u>
Non-Tax Revenue	<u>387.2</u>	<u>384.8</u>	<u>467.5</u>
Operating and Service Income	<u>266.7</u>	<u>298.4</u>	<u>363.1</u>
Miscellaneous Income	<u>78.8</u>	<u>74.9</u>	<u>80.4</u>
Repayment of Advances	<u>1.1</u>	<u>2.6</u>	<u>10.9</u>
Others	<u>40.4</u>	<u>8.8</u>	<u>13.1</u>
III. NET EXPENDITURES	<u>816.0</u>	<u>997.7</u>	<u>183.8</u>

^a Included under current expenditures.

^b Proceeds of the Negotiable Land Certificates amounting to ₱3.4 million included under National Government expenditures.

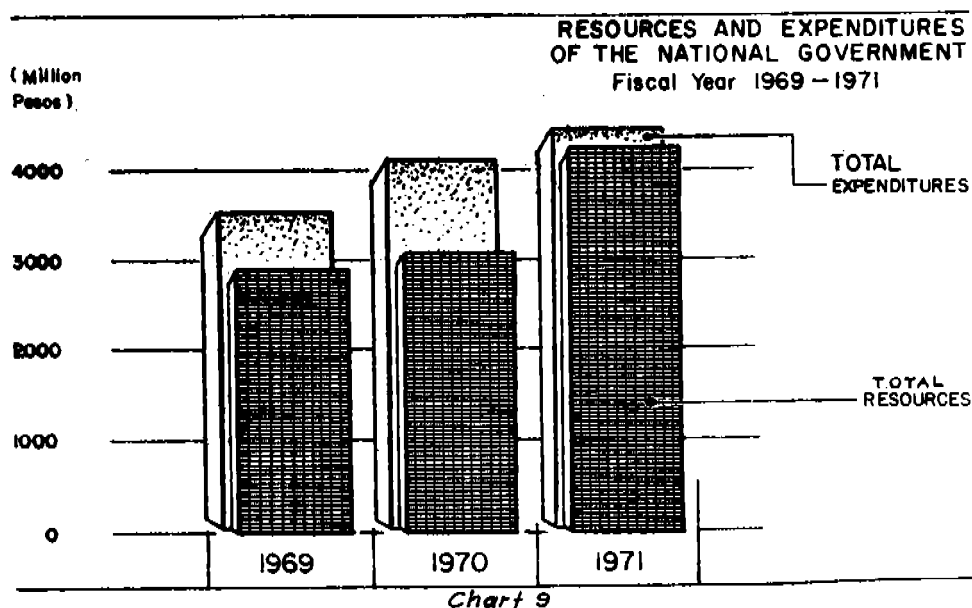
^c Proceeds of Land Bank Bonds amounting to ₱1.8 million included under National Government expenditures.

^d Proceeds of NIA bonds already included under National Government expenditures as follows:

FY 1968/69 — ₱23.0 million;

FY 1969/70 — 20.0 million; and

FY 1970/71 — 32.5 million.



G. OPERATIONS OF THE CENTRAL BANK AS FISCAL AGENT OF THE GOVERNMENT

As fiscal agent of the government, the Central Bank operates through three of its departments — the Foreign Exchange Department which services the foreign exchange transactions of the Philippine government, its political subdivisions and instrumentalities, the Department of Loans and Credit, which extend loans to the national and local governments as well as extends financial assistance to small and medium-sized industries, and the Securities Market Department which handles the government portfolio.

As fiscal agent of the various offices and bureaus of the government, the Central Bank through its Foreign Exchange Department provides the external funds required for (a) the replenishment of working funds of diplomatic offices abroad, (b) the servicing of external obligations, (c) the importation of equipment, and (d) the travel and operating expenses of military missions and other government functionaries abroad. In 1971, total foreign exchange serviced and charged against authorized funds by the Central Bank for the Government aggregated \$37 million, \$3 million or 9 per cent higher than fiscal agency servicing in 1970. About 84 per cent of the authorized foreign exchange were for invisible transactions and 16 per cent for imports.

In line with the general policy of monetary and credit restraint, the Central Bank, through the Department of Loans and Credit, reduced the amount of budgetary loans extended to the national and local governments. Loans extended aggregated ₱327 million, of which ₱326 million was given to the National Government and a little over ₱1 million was obtained by local governments. Total loans granted in 1971 were ₱77 million lower than the amounts extended last year. As of the end of 1971, outstanding

budgetary loans amounted to ₱410 million, ₱32 million lower than end-1970 level due to substantial repayments during the year. Except for ₱0.3 million of past-due accounts from local governments, all of the outstanding loans were due from the National Government, budgetary borrowings authorized under Republic Acts 265, 2686 and 2687.

Under the Philippine Virginia Tobacco Administration — Agricultural Credit Administration (PVTA-ACA) Special Loan Account, outstanding borrowings as of the end of 1971 amounted to ₱368 million, of which ₱74 million were accrued interests. Repayments during the year amounted to ₱65 million, of which ₱11 million went to interest, and ₱55 million was applied towards reducing the principal amount to ₱295 million on December 31, 1971 from a balance of ₱349 million. In previous years, hardly any payments had been made on the PVTA-ACA loan account.

Through the Department of Loans and Credit, the Central Bank also operated the Industrial Guarantee and Loan Fund (IGLF) program, the purpose of which was the extension of financial assistance to small and medium-sized industries. This was achieved through the utilization of Central Bank special time deposits with commercial banks. As of December 31, 1971, a total of 230 special time deposit loans involving ₱150 million had been extended to eligible borrowers, of which ₱5 million were releases in 1971 out of an approved amount of ₱7.5 million during the year. Resources of the IGLF as of end-1971 amounted to ₱54 million. Of this amount, ₱13 million consisted of Treasury bills and bond investments administered by the Securities Market Department.

Active support of the government securities market was carried on through the Central Bank's Securities Market Department, using the Securities Stabilization Fund. As of the end of the year, total resources of the Securities Stabilization Fund amounted to ₱173 million, having increased by ₱10 million from its level a year ago. Investments of the Fund in government securities amounted to ₱170 million, reflecting an increase of ₱8 million. Earnings of these security holdings, largely arising from Treasury bills transactions, amounted to ₱10 million, ₱1.5 million better than last year.

Another fund administered by the Department is the Bond Sinking Fund, whose investments in government securities grew by ₱99 million during the year to reach ₱559 million as of the end of 1971. Most of the security acquisitions of this Fund consisted of long-term obligations of the National Government and of the government corporations and instrumentalities.

Due to the unrealistic yields of government bonds purchased under the Payroll Savings Plan, membership over the past years had been declining. Sales and advertising campaigns to promote the marketing of bonds through the Plan had been temporarily suspended. The instrument is to be re-designed in such a manner so that it will evoke a broader response from the investing public so as to truly accomplish a wider ownership of the public debt.

IV. BALANCE OF PAYMENTS AND THE INTERNATIONAL RESERVE

A. OVER-ALL REVIEW

Divergent movements characterized the country's external transactions during 1971 in the face of a variety of developments here and abroad. The first three quarters of the year featured a substantial expansion of exports and net inflows of capital which were of sufficient magnitudes to counterbalance rising payments for imports and non-merchandise transactions. After mid-71, however, conditions in the international economy became unsettled, culminating in drastic reforms in the international monetary system by the end of the year. These developments resulted in a marked deterioration in the country's external payments position in the fourth quarter, all but wiping out improvements of the preceding quarters.

For the whole year, however, total goods and services registered a surplus of \$2.0 million, compared to last year's deficit of \$55.9 million. The improvement was largely due to heavier receipts and substantial cutbacks in disbursements for non-merchandise trade transactions as the deficit in the merchandise trade account rose from \$7.3 million in 1970 to \$41.8 million (see Table 4.1).

Table 4.1 — BALANCE OF PAYMENTS OF THE PHILIPPINES¹
1970 and 1971

(Million U.S. Dollars)

I t e m	1971 ^a	1970 ^a
A. GOODS AND SERVICES:		
Exports, f.o.b.	1,144.13	1,082.78
of which non-monetary gold	22.35	21.08
Imports, f.o.b.	-1,185.96	-1,090.12
Trade balance	- 41.83	- 7.34
Transportation and merchandise insurance	- 76.98	- 91.24
Travel	37.63	67.48
Investment income	- 97.27	-129.73
Services rendered to U.S. military	36.06	30.60
Pensions from the U.S. government	68.96	63.75
Private transfers	34.22	29.19
Others	41.23	- 18.63
Total A	2.02	- 55.92

Table 4.1 — BALANCE OF PAYMENTS OF THE PHILIPPINES¹ (*Concluded*)

1970 and 1971

(Million U.S. Dollars)

I t e m	1971 ^a	1970 ^a
B. OFFICIAL GRANTS AND LONG-TERM CAPITAL		
Reparations from Japan	26.44	13.10
Other grants	4.16	13.38
Private loans	— 32.77	89.52
Official loans	69.80	41.36
Other private capital	— 3.88	— 24.30
Other official capital	—	— 1.75
Total B	<u>63.75</u>	<u>131.31</u>
C. PRIVATE SHORT-TERM CAPITAL AND NET ERRORS AND OMISSIONS		
Private short-term capital	89.07	75.88
Net errors and omissions	—165.13	—147.18
Total C	<u>— 76.06</u>	<u>— 71.30</u>
D. ALLOCATION OF SPECIAL DRAWING RIGHTS	16.59	18.48
E. OVER-ALL POSITION (A through D)	6.30	22.57
F. MONETARY MOVEMENTS		
Net IMF accounts	21.00	13.75
Commercial Banks' liabilities	116.79	31.77
Central Bank liabilities	3.58	58.50
Commercial Banks' assets (increase —) ..	— 23.22	3.71
Central Bank foreign exchange assets (increase —)	—113.76	—118.97
Central Bank monetary gold	— 10.69	— 11.33
TOTAL F	<u>— 6.30</u>	<u>— 22.57</u>

¹ No sign indicates credit; a minus sign, debit.

Exports (exclusive of non-monetary gold) rose to a new high — \$1,122 million from \$1,062 million last year, due to a 15.4 per cent expansion in volume, offsetting the deterioration in world market prices for some of the country's major export products. This was brought about by comparatively higher levels of domestic production during the latter part of 1971 due to more favorable weather conditions and government policies which tended to favor the export sector, and the continued growth in exports of new products, particularly bananas which landed a berth in the list of the country's ten leading exports for the first time. Bananas dislodged abaca, a consistent top ten foreign exchange earner, as the tenth ranking export for the year.

Imports, which experienced cut-backs for the past two years, amounted to \$1,186 million or an increase of 8.8 per cent over the 1970 level, in spite of the continued implementation of cautious monetary and exchange policies. Volumewise, however, imports increased only by 0.8 per cent. To a certain extent, this was brought about by developments in the external sector such as the realignment of the world's major currencies and the resurgence of world-wide inflation, all of which contributed to price increases in most of the country's imports. At the same time, the build-up in domestic and industrial activity and the importation of rice to cope with the shortage in supply pushed imports to higher than last year's levels.

In the context of weakened export prices and rapidly increasing import prices, net terms of trade slid down to 92.4 (1965 = 100.0) from 110.6 in the previous year. Similarly, the purchasing power of exports which had increased by 22 per cent last year registered a 4 per cent drop for 1971.

Non-merchandise trade transactions registered a net inflow of \$43.9 million in contrast to a net outflow of \$48.6 million in 1970. This reversal occurred as payments were reduced by some \$75.4 million while receipts rose substantially, which was in the main due to greatly increased inflows from transfer payments.

Official grants and long-term capital movements showed a net inflow of only \$63.8 million as compared to \$131.3 million last year. The reduction was mainly due to a drop in net availments on public and private credits from \$130.9 million in 1970 to \$37.0 million in 1971. Short-term capital movements (including net errors and omissions) reflected an outflow of \$76.1 million compared to \$71.3 million for 1970.

On the whole, total goods and services, official grants and capital movements showed a net outflow of \$10.3 million. This was offset by the allocation of SDR's amounting to \$16.6 million for the year, thus boosting the country's foreign exchange resources by \$6.3 million. In addition, drawings on the IMF and net short-term borrowings of the Central Bank aggregated \$24.6 million. As a result, the international reserve

as of the end of 1971 rose to \$244.1 million from \$213.2 million at the beginning of the year.

The foreign exchange market which had stabilized somewhat during the past year exhibited slight flurries during the last five months of 1971 largely as a result of developments in the international foreign exchange market. The interbank rate, which had remained at ₱6.435 to US\$1.00 since October 1970 dropped to ₱6.424 and ₱6.412 per US\$1.00 during August and September 1971. However, it returned to the ₱6.435 level by the end of the year. Significantly, after more than a year of non-intervention in the foreign exchange market, the Central Bank, in order to prevent erratic movements in the rate and to help ease the pressures in the foreign exchange market, sold \$23.5 million through authorized agent banks.

B. EXTERNAL TRADE

The country's external trade continued its growth as total trade rose to \$2,307.8 million or \$156 million more than the previous year's figure of \$2,151.8 million. While both exports and imports surpassed 1970 levels, imports expanded relatively faster than exports, pushing up the deficit from \$28.4 million to \$64.2 million this year. Actually an over-all trade surplus was registered during the first seven months of 1971, but this was totally offset by the over-all deficit of \$69.5 million for the succeeding months.

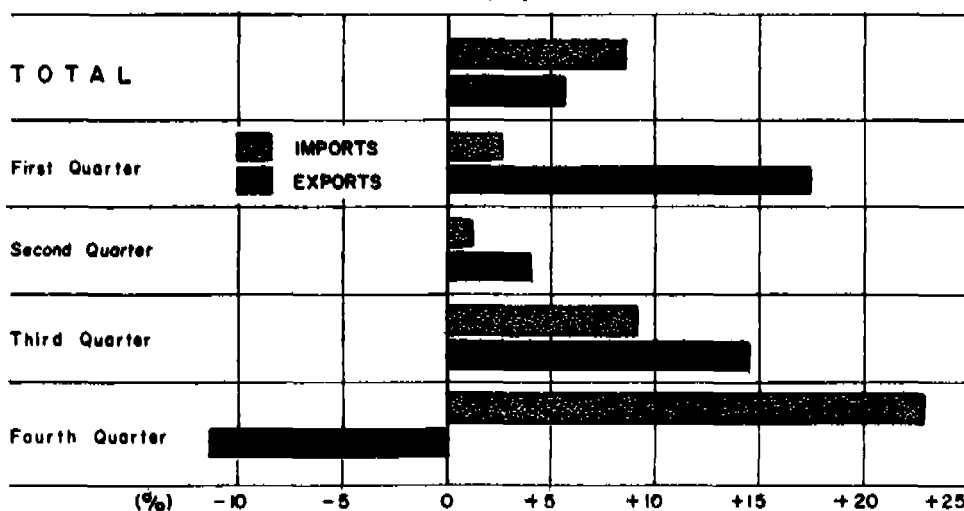
Highlights of this year's external trade transactions were: the sharp changes in economic conditions and policies in the major industrialized countries which pulled down export prices and at the same time effected upswings in import prices; the maintenance by Japan of its position as the country's principal trading partner as its share in the Philippines' total trade of 32.6 per cent was slightly above the U.S. share of 32.2 per cent; and a deterioration in the net terms of trade and purchasing power of exports, after a remarkable improvement in 1970 (see Table 4.2).

Table 4.2 — EXTERNAL TRADE
1970 and 1971

(F.O.B. Value in Million U.S. Dollars)

P e r i o d	I m p o r t s		E x p o r t s		Balance of Trade		P e r C e n t C h a n g e	
	1971	1970	1971	1970	1971	1970	Imports	Exports
T O T A L	1,186.0	1,090.1	1,121.8	1,061.7	-64.2	-28.4	+ 8.7	+ 5.7
1st quarter	264.2	257.4	267.3	227.7	+ 3.1	-29.7	+ 2.6	+17.4
2nd quarter	284.3	281.0	291.8	280.5	+ 7.5	- .5	+ 1.2	+ 4.0
3rd quarter	323.6	296.5	316.2	275.8	- 7.4	-20.7	+ 9.1	+14.6
4th quarter	313.9	255.2	246.5	277.7	-67.4	+22.5	+23.0	-11.2

**PER CENT CHANGES IN THE VALUE OF EXPORTS AND IMPORTS
1971 over 1970, By Quarter**



1. Exports

From \$1,061.7 million, exports rose to a new peak of \$1,121.8 million in 1971, indicating an increase of almost 6 per cent. The expansion could have been more impressive as the volume of shipments went up by 15.4 per cent, but an over-all deterioration of 8.6 per cent in prices slowed down the over-all growth in exports for the period.

Reflecting an increase of \$51 million over last year's value of \$878 million, the ten principal exports maintained their share in the export market at 83 per cent. Increases in earnings were registered by the following major products: copra, \$34 million; sugar, \$25 million; bananas, \$10 million; coconut oil, \$8 million; copra meal or cake, \$3 million; desiccated coconut, \$2 million and copper concentrates, \$1 million. On the other hand, decreases were noted in the earnings of logs and lumber, \$24 million; canned pineapple, \$1 million and plywood, \$4 million (see Table 4.3).

Table 4.3 — TEN PRINCIPAL EXPORTS
1970 and 1971

(F.O.B. Value in Million U.S. Dollars)
(Quantity in Million Kilograms)

I t e m	1 9 7 1		1 9 7 0	
	Quantity	Value	Quantity	Value
TOTAL EXPORTS	—	<u>1,121.8</u>	—	<u>1,061.7</u>
Total Ten Principal Exports	—	<u>928.2</u>	—	<u>877.7</u>
Logs and lumber ¹	3,644.8	225.9	4,018.8	249.8
Sugar ²	1,344.7	212.3	1,227.6	187.6
Copper concentrates	884.4	185.9	631.7	185.2
Copra	692.5	114.0	445.1	80.1
Coconut oil	397.4	103.4	338.8	95.6
Desiccated coconut	72.7	20.7	67.4	19.4
Pineapple, canned	100.5	19.7	100.0	21.4
Plywood ¹	71.7	16.4	85.5	19.7
Copra meal or cake	288.0	16.2	231.4	13.9
Bananas	244.7	13.5	82.0	5.0

¹ Quantity in million board feet.

² Includes refined sugar.

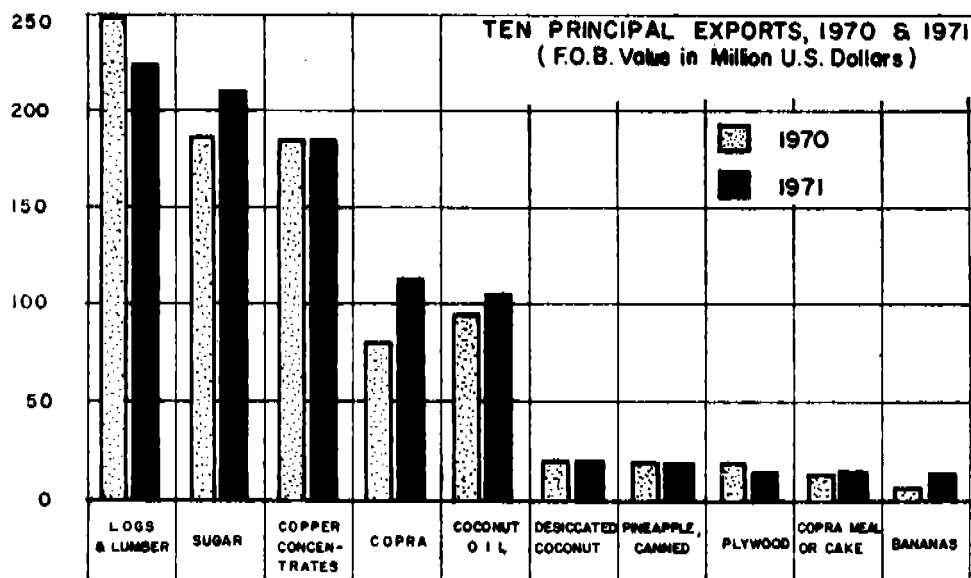


Chart 11

The first three places in the list of the country's ten principal exports were still occupied by logs and lumber, sugar, and copper concentrates. Copra and coconut oil switched positions for the fourth and fifth places, with the former apparently negating the tax advantage of the latter. In the previous year, this advantage put coconut oil in fourth position in place of copra. Desiccated coconut went up two notches from last year to take the sixth berth, pushing down canned pineapple to seventh place. Plywood fell to 8th place, followed by copra meal or cake in 9th and bananas in 10th (from 14th place last year).

Exports of logs and lumber suffered declines of 9.3 per cent and 9.6 per cent in volume and value, respectively. From \$249.8 million in 1970, the value of logs and lumber dropped to \$225.9 million, as a slack in demand and competition from low-priced Indonesian logs cut down exports to Japan by \$18 million, to Korea and China, by \$3 million and \$2 million, respectively.

Sugar exports for 1971 amounted to \$212.3 million, with an increase of 13.2 per cent in value and 10 per cent in terms of volume. This favorable development stemmed mainly from increased domestic production which enabled the country to fill up its increased sugar quota allocation, and from the 3.3 per cent increase in the world market price of sugar. Following the usual pattern, the United States absorbed 100 per cent of total sugar exports for the year.

Copper concentrates registered an increase in volume of shipments of 40 per cent but with world prices at depressed levels, the over-all increase in value amounted to only \$0.7 million. Japan, the principal market for copper concentrates, accounted for 78.5 per cent of the total value copper exports, down from 84.3 per cent last year, although the volume of shipments rose by 36 per cent. The United States maintained its purchases of copper concentrates at last year's levels in value but volume-wise, effected an increase of 20 per cent.

As a commodity group, exports of coconut products aggregated \$254 million during the year under review, only \$7 million below the \$261 million contributed by wood products, the ranking commodity group export since the mid-fifties. As a whole, the remarkable expansion in the volume of shipments of coconut products was achieved during the second half of 1971 apparently as a result of an improvement in domestic production. This expansion was more than sufficient to offset the deterioration in world market prices.

Export earnings from copra registered an increase from \$80.1 million to \$114.0 million resulting from a sharp rise of 55.6 per cent in the volume of shipments as prices decreased by about 7 per cent. Value-wise, copra exports to the United States amounted to \$34 million, representing 30.0 per cent of total copra exports, down from 31 per cent in 1970, as the prolonged dock strike in the West Coast area slowed down

shipments during the year. The Netherlands' share of copra exports was maintained at 37 per cent or \$43 million, exceeding the U.S. share by almost \$10 million. A remarkable shift in the market for copra exports was also noted this year, as Germany increased its purchases by almost thrice the amount last year (from \$3.4 million to \$11.3 million) to account for 10 per cent of the total value of copra exports. Similarly, Italy and the Scandinavian countries upped their purchases of copra for 1971.

The exports of all processed coconut products indicated substantial increases in both volume and value. Coconut oil, although prices (based on export entries) were below 1970 levels by about 8 per cent, increased in value by 8.2 per cent on account of a 17.3 per cent increase in volume. For the year, the earnings from coconut oil exports amounted to \$103.4 million, up from \$95.6 million last year. Although the bulk of coconut oil shipments went to the United States, the value decreased from \$83.6 million to \$76.8 million or by 2.3 per cent. Export to Germany dropped by 36 per cent in value, but this was offset by increased value of shipments to Italy and the Netherlands, which upped their purchases by 433 per cent and 263 per cent, respectively. Desiccated coconut and copra meal or cake, similarly registered increases in both volume and value of shipments during the year. Copra meal or cake posted increases of 24.5 per cent in volume and 16.7 per cent in value, with the Netherlands and Germany accounting for 59.5 per cent and 40.2 per cent of the total exports of this commodity. Desiccated coconut shipments were mostly to the United States, accounting for 67.1 per cent of the total, despite a drop in both volume and value of shipments.

Canned pineapple exports were maintained at last year's volume but value-wise showed an 8.0 per cent drop from \$21.4 million to \$20 million as prices declined by 8 per cent. Plywood suffered reductions of 16 per cent each in volume and value. The fastest growing export for the year was bananas which increased by 172.6 per cent over the previous year's level and contributed \$13.5 million from only \$5 million in 1970 to total foreign exchange earnings, with all but 1.3 per cent of the total exports going to Japan. Exports of minor commodities posted a \$10 million increase during 1971, with cement, petroleum pitch and residue, shrimps and prawns gaining more acceptance in the world market. Cement and petroleum pitch also exceeded the \$5 million mark and became subject to the export tax (see Table 4.4).

Table 4.4 — EXPORTS BY COMMODITY GROUP

1969 and 1971

(F.O.B. Value in Million U.S. Dollars)

I t e m	1969		1970		1971	
	Value	% Distri- bution	Value	% Distri- bution	Value	% Distri- bution
T O T A L	855	100.0	1,062	100.0	1,122	100.0
Forest Products	259	30.0	295	27.0	261	23.3
Logs	215	25.0	237	22.0	215	19.0
Lumber	11	1.0	13	1.0	11	1.0
Plywood	19	2.0	20	2.0	16	1.5
Others	14	2.0	25	2.0	19	1.8
Coconut Products	163	19.0	209	20.0	254	23.0
Copra	87	10.0	80	7.5	114	10.2
Coconut oil	51	6.0	96	9.2	103	9.0
Desiccated coconut	16	2.0	19	1.8	21	1.8
Copra meal or cake	9	1.0	14	1.3	16	1.4
Sugar	158	18.0	196	19.0	220	20.0
Centrifugal & refined ...	149	17.0	188	17.7	212	18.9
Molasses	7	1.0	8	1.0	8	1.0
Others	2	—	—	—	—	—
Mineral Products	160	19.0	224	21.0	217	19.0
Copper concentrates	133	16.0	185	17.4	186	16.6
Iron ore	2	—	3	—	2	—
Chromite ore	5	1.0	9	—	6	—
Iron concentrates	9	1.0	10	1.0	11	1.0
Others	11	1.0	17	2.6	12	1.4
Fruits & Vegetables	20	2.0	34	3.0	41	4.0
Pineapple (canned)	17	2.0	21	2.0	20	1.8
Pineapple (juice)	1	—	1	—	1	—
Bananas	1	—	5	0.4	14	1.5
Others	1	—	7	0.6	6	0.7
Abaca & Manufactures	16	2.0	17	2.0	15	1.0
Unmanufactured	14	2.0	15	2.0	13	1.0
Abaca rope	2	—	2	—	2	—
Tobacco	17	2.0	15	1.0	15	1.0
Raw	16	2.0	14	1.0	14	1.0
Cigars and others	1	—	1	—	1	—
All Other Export	62	8.0	72	7.0	99	8.2

2. Imports

The downturn in imports during the past two years in response to changes in the exchange rate system and the continued implementation of monetary and fiscal restraints was reversed in 1971 as total imports rose to a new high of \$1,186.0 million. This was \$96.0 million or 8.8 per cent more than the \$1,090.1 million level for 1970 as imports of consumer goods and producer goods increased by 42.6 per cent and 6.3 per cent, respectively. Contributory factors to the expansionary pressures in the import sector were: world price hikes for most of the country's import requirements, particularly oil which constituted approximately 11 per cent of total imports; heavier purchases from abroad of basic commodities like milk and rice due to insufficient domestic supply; the pick-up in industrial activity (as evidenced by a 7 per cent increase in the manufacturing index) after a period of adjustment to the current peso-dollar rate, and the lifting of the \$50,000 per calendar-month ceiling per imports for the importation of machinery and equipment.

Classified by end-use, imports of producer goods went up to \$1,079.5 million or an increase of \$64 million over the 1970 level. The increase was brought about by heavier imports of unprocessed raw materials (18.5 per cent), semi-processed raw materials (5.6 per cent) and supplies (7.0 per cent) to meet the requirements of manufacturing industries. Offsetting this was a drop in the value of machinery and equipment imports from \$205.2 million to \$202.9 million this year. Consumer goods likewise moved up sharply, aggregating \$106.4 million or \$32 million more, in spite of a 27.7 per cent decline in consumer durable goods (see Table 4.5).

Table 4.5 — IMPORTS CLASSIFIED ACCORDING TO END-USE

1970 and 1971

(F.O.B. Value in Million U.S. Dollars)

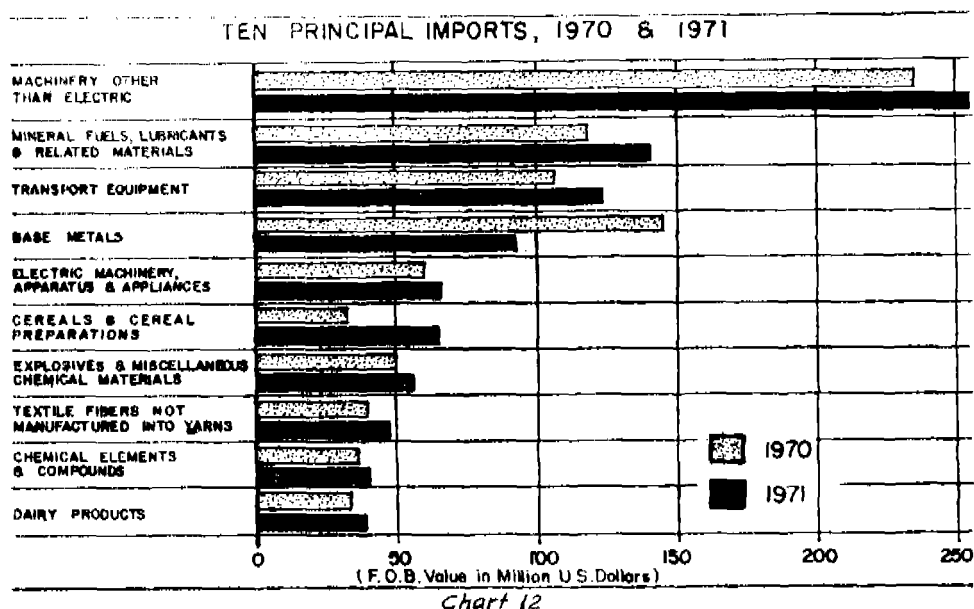
I t e m	1971		1970		Per Cent Change
	Value	Percent-age Dis-tribution	Value	Percent-age Dis-tribution	
TOTAL	<u>1,186.0</u>	<u>100.0</u>	<u>1,090.1</u>	<u>100.0</u>	+ 8.8
Producer Goods	<u>1,079.5</u>	<u>91.0</u>	<u>1,015.5</u>	<u>93.2</u>	+ 6.3
Machinery and equipment	202.9	17.1	205.2	18.8	- 1.1
Unprocessed raw materials ..	187.2	15.8	158.0	14.5	+18.5
Semi-processed raw materials	628.5	53.0	595.4	54.6	+ 5.6
Supplies	60.9	5.1	56.9	5.2	+ 7.0
Consumer Goods	<u>106.4</u>	<u>9.0</u>	<u>74.6</u>	<u>6.8</u>	+42.6
Durable goods	4.8	0.4	6.5	0.6	-26.6
Non-durable goods	101.6	8.6	68.1	6.2	+49.2

The value of the ten principal imports increased to \$924.2 million up by 8 per cent, but maintaining their share at 78 per cent of total imports for the year. Machinery other than electric, aggregating \$255.1 million, comprised 22 per cent of total imports and retained its position as the country's top import for 1971. Switching of positions was evident this year. Mineral fuels, lubricants and related materials, which ranked third in 1970, displaced base metals as the second largest import, as it increased by 18.7 per cent in value. In third place was transport equipment, up from fourth with an increase in value of 15.2 per cent. Base metals imports fell by two notches as their value dropped by 37.2 per cent from the previous year's level. Electric machinery remained in fifth place, followed by cereals and cereal preparations which rose from ninth place. From sixth place last year, explosives and miscellaneous chemical materials went down to seventh place, pushing down textile fibers not manufactured into yarns into eighth place. In ninth and tenth places were chemical elements and compounds and dairy products, respectively (see Table 4.6).

Table 4.6 — TEN PRINCIPAL IMPORTS
1970 and 1971

(F.O.B. Value in Million U.S. Dollars)

I t e m	1971	1970
TOTAL IMPORTS	<u>1,186.0</u>	<u>1,090.1</u>
Total Ten Principal Imports	924.2	855.4
Machinery other than electric	255.1	235.2
Mineral fuels, lubricants & related materials	141.2	118.9
Transport equipment	122.2	106.0
Base metals	90.7	144.1
Electric machinery, apparatus & appliances	66.2	59.2
Cereals & cereal preparations	65.1	32.5
Explosives & miscellaneous chemical materials	56.1	49.8
Textile fibers not manufactured into yarns	48.8	40.2
Chemical elements & compounds	39.9	36.7
Dairy products	38.5	32.1



3. *Direction of Trade*

a. *Trade with the United States and Japan*

For 1971, the United States and Japan remained as the Philippines' principal trading partners — the United States as the major market for exports and Japan as the main source of imports. Of the country's total trade, however, Japan accounted for 32.6 per cent or slightly above 32.2 per cent for the United States. Exports to both countries exceeded the purchases from them and the combined trade surplus amounted to \$193.8 million. This surplus however was totally offset by the deficits with other countries.

The United States purchased \$452.7 million of Philippine commodities representing 40.4 per cent of the total exports and an increase of \$12.5 million from the 1970 level. The increase was brought about mainly by heavier sugar shipments, coupled with more favorable prices. Sugar shipments to the United States amounted to \$212.3 million in 1971, compared to \$187.7 million for the previous year. Offsetting this was a combined decrease in exports of coconut products of \$10.5 million as both volume and value of shipments declined, while other exports were maintained at approximately last year's levels. Imports from the United States amounted to \$291.2 million or 24.6 per cent of the total imports for 1971. Compared to 1970, this represented a decrease of \$23.9 million as substantial cutbacks in imports of base metals, cereals and cereal preparations, and chemical elements and compounds offset the increases in transport equipment, dairy products, and textile fibers not manufactured into

yarns. The three leading imports from the United States were machinery and equipment other than electric, transport equipment, and electrical machinery which accounted for 29.6 per cent, 30.0 per cent and 36.9 per cent, respectively of total purchase during the year.

From \$75.9 million in 1970, the Philippines' favorable balance of trade with Japan narrowed down to \$32.3 million this year. Exports fell to \$391.4 million or 7 per cent below the \$420.8 million level of last year while imports went up by 4.1 per cent to \$359.1 million from \$344.9 million. The drop in exports was brought about by unfavorable prices for logs and lumber and copper concentrates. Japan was the principal market for copper concentrates, logs and lumber and bananas absorbing 78.5 per cent, 77.4 per cent and 98.4 per cent, respectively, of the total exportations of these products. As a supplier, Japan was able to exceed the United States share of the Philippines' imports of machinery other than electric, chemical elements and compounds, electric machinery, apparatus and appliances for 1971 compared to 1970.

b. Trade with Other Countries

Trade with all other countries (other than Japan and the United States) registered a deficit of \$258.0 million during 1971 compared to \$229.4 million for the previous year. This developed even as exports rose by 38.3 per cent, while the increase in imports was 24.5 per cent. The leading markets for exports were the Netherlands which accounted for 6.9 per cent of the total export; followed by Germany, 2.9 per cent; and Korea, 2.5 per cent; and Hong Kong, 1.3 per cent. On the other hand, the major sources of the country's imports were: Germany, 7.4 per cent; United Kingdom, 5.6 per cent; Australia, 4.0 per cent; and Canada, 2.6 per cent.

c. Trade with Regional Groupings

Total trade with the European Common Market (including new member countries) amounted to \$352.9 million during 1971, indicating an increase of \$88.1 million or 33.3 per cent over the 1970 level. Exports rose by \$54.9 million or by 63.9 per cent, outpacing the 18.5 per cent increase in imports. Thus, the trade deficit with these countries narrowed down to \$71.3 million from \$93.1 million. The principal buyers of Philippine commodities among the European Common Market countries were the Netherlands and Germany which absorbed 38 per cent of the total exports of coconut products. On the other hand, imports were mostly from Germany and the United Kingdom in the form of machinery other than electric, transport equipment and electric machinery, apparatus and appliances.

During the year, the ECAFE region supplied \$545.6 million worth of goods to the Philippines or 46 per cent of total imports. This was \$57.2 million more than last year as imports from Japan alone increased by \$14.2 million. Other significant increases were reflected by the Republic of China which almost doubled its sales from the 1970 level of \$13.7 million, and Thailand, which increased from only \$0.4 million to \$15.4 million due to rice importations which were mostly on a deferred payments basis. Excluding Japan, which accounted for 65.8 per cent of imports from the ECAFE region or \$359.1 million during 1971, Australia was the biggest exporter to the Philippines accounting for 4 per cent of total imports, mostly composed of dairy products and cereals and cereal preparations, while the Republic of China, Indonesia, Malaysia accounted for only from 2.2 to 2.5 per cent each of total imports. Exports to ECAFE countries aggregated \$488.9 million or a drop of \$15.8 million from 1970 which was solely brought about by lower shipments to Japan. South Korea accounted for the biggest share in Philippine exports (outside of Japan) with its purchases totalling \$28.3 million mostly in the form of logs and lumber. Exports to South Korea accounted for 2.5 per cent of total exports, or slightly below its share of 3 per cent last year, with a value of \$31.4 million. Other leading buyers of Philippine products among the ECAFE countries were the Republic of China, Singapore and Hong Kong with corresponding shares in Philippine export trade of 1.7 per cent, 1.4 per cent and 1.3 per cent. The main products exported to the ECAFE region (exclusive of Japan) were logs and lumber, petroleum products and cement and other minor export products.

As a group (ASEAN), Indonesia, Singapore, Thailand and Malaysia's trade with the Philippines aggregated \$105.0 million, an increase of \$35.2 million from 1970. Imports amounted to \$82.3 million, up from \$57.0 million, mostly because of rice imports from Thailand during the year. Exports, similarly were higher at \$22.7 million as against \$12.8 million last year, with all countries showing increases. The biggest increase (\$9 million) was in exports to Singapore, composed of petroleum products and other minor commodities. On the whole, the Philippines' unfavorable trade balance increased to \$59.5 million from \$44.2 million last year (see Table 4.7).

Table 4.7 — DIRECTION OF TRADE
1970 and 1971

(F.O.B. Value in Thousand U.S. Dollars)

Region or Country	I m p o r t s				E x p o r t s				Balance of Trade		Per Cent Change	
	1971	%	1970	%	1971	%	1970	%	1971	1970	Imports	Exports
T O T A L	1,185,959	100.0	1,090,120	100.0	1,121,821	100.0	1,061,702	100.0	- 64,138	- 28,418	+ 8.8	+ 5.7
UNITED STATES	291,184	24.6	315,083	28.9	452,741	40.4	440,172	41.5	+161,557	+125,089	- 7.6	+ 2.9
JAPAN	359,100	30.3	344,879	31.6	391,408	34.9	420,753	39.6	+ 32,308	+ 75,874	- 4.1	+ 7.0
EUROPEAN COMMON MARKET	212,056	17.9	178,964	16.4	140,773	12.5	85,869	8.1	- 71,283	- 93,095	- 18.5	+ 63.9
Belgium	11,058	0.9	7,562	0.7	941	0.1	1,685	0.2	- 10,117	- 5,877	+ 46.2	- 44.2
Denmark	3,227	0.3	3,379	0.3	2,861	0.3	2,478	0.2	- 366	- 901	- 4.5	+ 15.5
France	10,213	0.9	17,881	1.6	2,887	0.3	2,861	0.3	- 7,330	- 15,020	- 42.9	+ 0.9
Germany	87,657	7.4	63,889	5.9	32,192	2.9	19,841	1.9	- 55,465	- 44,048	+ 37.2	- 62.2
Ireland	329	—	720	0.1	110	—	73	—	- 219	- 647	- 54.3	+ 50.7
Luxemborg	9	—	44	—	—	—	48	—	- 9	+ 4	- 79.5	—
Netherlands	20,686	1.7	21,529	2.0	76,935	6.9	43,569	4.1	+ 56,249	+ 22,040	- 3.9	+ 76.6
Norway	982	0.1	2,087	0.2	3,730	0.3	1,150	0.1	+ 2,748	- 937	- 52.9	+ 224.3
United Kingdom	66,847	5.6	46,825	4.3	13,863	1.2	10,749	1.0	- 52,984	- 36,076	+ 42.8	+ 29.0
Italy	11,048	0.9	15,048	1.4	7,254	0.6	3,415	0.3	- 3,794	- 11,633	- 26.6	+ 112.4
ECAFE COUNTRIES (Excluding Japan)	186,470	15.7	143,540	13.2	97,519	8.6	83,982	7.9	- 88,951	- 59,612	- 29.9	+ 16.2
a) Asean Countries	82,272	6.9	57,035	5.2	22,737	2.1	12,804	1.2	- 59,535	- 44,231	- 44.2	+ 77.6
Indonesia	29,333	2.5	26,016	2.4	3,468	0.3	1,726	0.2	- 25,865	- 24,290	+ 12.7	+ 100.9
Singapore	8,604	0.7	4,149	0.4	16,124	1.4	7,286	0.7	+ 7,520	+ 3,137	+107.4	+ 121.3
Thailand	15,410	1.3	390	—	1,941	0.2	3,224	0.3	- 13,469	+ 2,834	+851.3	- 39.8
Malaysia	28,925	2.4	26,480	2.4	1,204	0.1	568	0.1	- 27,721	- 25,912	+ 9.2	+112.0
Sarawak	25,011	2.1	22,837	2.1	14	—	1	—	- 24,997	- 22,836	+ 9.5	+1,300.00
Sabah	2,192	0.2	324	—	—	—	—	—	- 2,192	- 324	+576.5	—
Malaya	1,722	0.1	3,319	0.3	1,190	0.1	567	0.1	- 532	- 2,752	- 48.1	- 109.9

Table 4.7 — DIRECTION OF TRADE (Concluded)
1970 and 1971

(F.O.B. Value in Thousand U.S. Dollars)

	I M P O R T S				E X P O R T S				Balance of Trade		Per Cent Change	
	1971	%	1970	%	1971	%	1970	%	1971	1970	Imports	Exports
b) Other ECAFE Countries	104,198	7.8	86,505	7.9	74,782	6.5	71,124	6.8	— 29,416	— 15,381	÷ 20.4	+ 5.1
Australia	47,069	4.0	50,138	4.6	4,818	0.4	4,443	0.4	— 42,251	— 45,695	— 6.1	+ 8.4
Brunei	40	—	7	—	1,852	0.2	—	—	+ 1,812	— 7	+471.4	—
Burma	2,222	0.2	—	—	3	—	17	—	+ 2,219	÷ 17	—	— 82.4
Cambodia	—	—	4	—	76	—	12	—	÷ 76	÷ 8	—	+533.3
Ceylon	123	—	16	—	38	—	38	—	— 85	— 22	+668.8	—
China	26,182	2.2	13,696	1.3	19,051	1.7	19,540	1.8	— 7,131	+ 5,842	+ 91.1	— 2.5
Hongkong	13,075	1.1	11,702	1.1	15,038	1.3	11,402	1.1	+ 1,963	— 300	+ 11.7	+ 31.9
India	1,613	0.1	2,617	0.2	248	—	828	0.1	— 1,365	— 1,789	— 38.4	— 70.0
Korea	1,708	0.1	959	0.1	28,301	2.5	31,355	3.0	+ 26,593	+ 30,396	+ 78.1	— 9.7
Pakistan	56	—	280	—	321	—	563	0.1	+ 265	+ 283	— 80.0	— 43.0
South Vietnam	524	0.1	255	—	4,601	0.4	2,655	0.3	+ 4,077	+ 2,400	+105.5	+ 73.3
New Zealand	11,586	1.0	6,831	0.6	435	—	271	—	— 11,151	— 6,560	+ 69.6	+ 60.5
OTHERS	137,149	11.5	107,654	9.9	39,380	3.5	30,980	2.9	— 97,769	— 76,674	+ 27.4	÷ 27.1

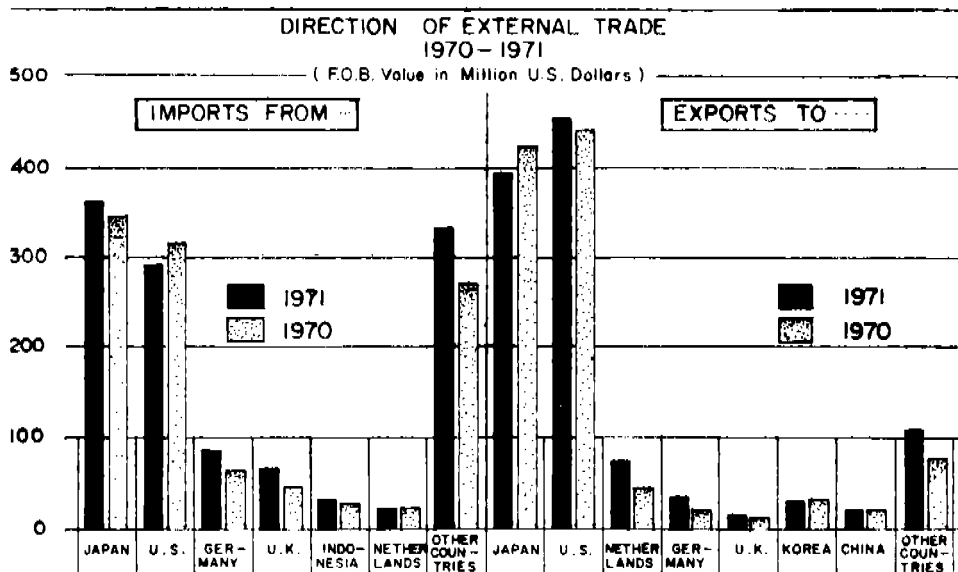


Chart 13

C. NON-TRADE TRANSACTIONS

Total non-trade transactions during 1971 registered a net inflow of \$43.9 million, a shift from the net outflow of \$48.6 million for the previous year. Much of the improvement was due to a substantial reduction in total disbursements (\$75.4 million) as measures of financial restraints taken during 1970 were continued in 1971, discouraging further outflows. Total receipts, though improved by \$17.1 million largely reflected heavier U.S. government disbursements in the Philippines, as over-all inflows from non-official sources were below last year's levels. On the whole, however, exclusive of inflows from official sources, non-trade transactions still showed an improvement, with the deficit narrowing down to \$107.0 million from \$178.2 million.

Transportation and merchandise insurance for 1971 showed a net disbursement of \$77.0 million, a drop from \$91.2 million in the previous year. Receipts at \$43.7 million were \$6.3 million more than last year's, as port expenditures rose by more than \$15 million offsetting declines of \$9.1 million in freight receipts and \$2.4 million in passenger fares. The sharp rise in port expenditures was due to the increase in the number of international sea-borne vessels which entered the country through the port of Manila. Freight paid to local companies was lower than the amount received in 1970, possibly due to a shift to foreign registry vessels in shipping Philippine goods. Disbursements, on the other hand, showed a drop of \$8.0 million, with cutbacks in freight payments to non-resident carriers of \$6.2 million, and \$5.7 million in other transportation. This was offset by heavier disbursements for passenger fares amounting to \$18.0 million from \$14.2 million in 1970.

The biggest change in non-trade transactions during this year occurred in travel as net receipts fell sharply to \$37.6 million or by almost \$30 million from \$67.5 million in 1970. Tourist expenditures in the Philippines, which reached a high of \$94.7 million in 1970, dropped to only \$65.9 million this year, despite a slight increase in the number of visitors disembarking at various Philippine ports. According to Board of Travel and Tourist Industry sources, 1970 was an exceptionally good year for Philippine tourism as several extraordinary factors boosted the inflow of travellers into the country. These were the introduction of the floating rate system, the initiation of the open skies policy, and the overflow of Expo '70 visitors from Japan. On the other hand, tourist expenditures abroad of Philippine residents rose by only \$1.0 million over 1970, as limitations on travel funds continued to be enforced.

Outward remittances for earnings, profits and dividends, interest and other investment registered a net outflow of \$97.3 million compared to \$129.7 million for the previous year. Receipts were up by \$4.2 million as interest earned on time deposits of the Central Bank rose from \$7.1 million to \$12.4 million (as total time deposits of the Central Bank for 1971 were at higher levels compared to 1970) partly offset by a \$1.6 million cut in earnings, profits and dividends received by residents from non-resident firms. Interest payments on external obligations amounted to \$80.7 million from \$94.7 million as average interest rates on outstanding loans were generally reduced from an average of 11 per cent for the previous years to 9 per cent in 1971. An increase of \$1.7 million was also registered in disbursements for earnings, profits and dividends while other outward investment remittances showed a decrease of \$16 million.

U. S. government expenditures in the Philippines aggregated \$150.8 million in 1971, \$21.2 million more than the amount disbursed in 1970. All accounts registered increases as military expenditures increased by \$5.5 million despite the phasing out of U. S. activities in South Vietnam, while U. S. Veterans Administration pension payments rose by \$5.2 million as a result of a legislation passed by the U.S. Congress increasing the benefits of U.S. Veterans. Similarly, services rendered by residents to U.S. government agencies registered an increase of \$10.5 million, almost fifty per cent of the total increase in U.S. government expenditures in the Philippines.

Inward remittances of private individuals and institutions, as well as voluntary relief agencies aggregated \$37.6 million against donations of resident individuals and institutions of \$3.4 million. Personal remittances of Filipinos abroad to their families here amounted to \$19.5 million, 52 per cent of total inward remittances. Voluntary relief agencies provided the country with additional goods and services in the amount of \$7.4 million

compared to \$11.6 million last year, as the distribution of goods by CARE (Cooperative for American Relief Everywhere) lagged by \$1.3 million while donations of religious groups showed a combined increase of \$2.6 million from last year.

D. OFFICIAL GRANTS AND LONG-TERM CAPITAL

The net inflow of official grants and long-term capital registered a marked decline from \$131.3 million in 1970 to only \$63.8 million this year. This development was largely the result of a drop in the net availments on private and official long-term loans from \$130.9 million last year to only \$37.0 million this year.

Official grants provided the country with additional goods and services in the amount of \$37.4 million, an increase of \$8.4 million from the amount received in 1970. Reparation goods from Japan at \$26.4 million were double those of last year, wholly due to heavier inflows of capital goods for the government sector, as the private sector's share was maintained at the same level in 1970. Grants from the U.S. AID registered a decrease of \$2.1 million, reflecting the cutbacks in U.S. foreign aid during the year. Similarly United Nations agencies contributed a smaller amount — \$2.8 million as against \$5.9 million in 1970. Contributions of the Philippine government to international organizations amounted to \$6.8 million.

Other long-term capital movements (direct investments) reflected a net outflow of \$3.9 million, down by \$20.4 million from last year's figures which included substantial sales of American holdings to Filipino nationals.

Allocations of Special Drawing Rights for the year amounted to \$16.6 million, bringing total allocations to the Philippines to \$35.0 million since 1970.

E. PRIVATE SHORT-TERM CAPITAL

Short-term capital net inflows for 1971 amounted to \$89.1 million, an increase of \$13.2 million over 1970, as receipts rose by \$171.3 million or by 61 per cent, outpacing the \$158.1 million or 78 per cent increase in disbursements. The bulk of short-term capital movements consisted of trade credits mostly for financing the importation of raw materials needed to sustain industrial activity. Availments on trade credits amounted to \$364.1 million, up from \$252.8 million last year. Bigger payments on trade credits were, however, made during the current year, indicating a smaller net availment of \$53.0 million as against \$85.6 million in 1970.

F. INTERNATIONAL RESERVE

From \$213.2 million at the beginning of the year, the international reserve rose to \$244.1 million by the end of 1971. A deceleration in the growth of the international reserve was, however, noted during 1971, as the level increased by only \$30.9 million compared to \$94.8 million for the previous year. This developed even as the goods and services account showed a surplus of \$2.0 million compared to last year's deficit of \$55.9 million. On the other hand, the net inflow of official grants and long-term capital was drastically reduced by almost fifty per cent due to smaller availments on private and official long-term loans. Moreover, net availments on foreign loans by the Central Bank including drawings from the IMF amounted to only \$25.3 million compared to \$83.6 million last year.

The international reserve movement during 1971 was characterized by mixed trends, closely reflecting developments in foreign exchange transactions (exclusive of Central Bank foreign loan transactions) and in availments and payments on Central Bank foreign loan transactions) and in availments and payments on Central Bank foreign borrowings. For the first three months of the year, the reserve dropped to \$197.7 million (the lowest registered during the year) in spite of an over-all surplus of \$13.9 million in foreign exchange transactions as net payments of \$29.4 million were made on Central Bank foreign loans. The reserve then rose to \$220.8 million by the end of the second quarter or an increase of \$23.1 million from the end of March level. This was brought about by an over-all surplus of \$11.4 million in foreign exchange transactions due solely to the favorable trade balance of \$11.0 million as invisible receipts evened out disbursements, and to net availments of \$11.7 million on foreign loans by the Central Bank. Developments in the international economy during the third quarter had a depressing effect particularly on export earnings, as a result of which, foreign exchange transactions showed an over-all deficit of \$16.5 million. To finance this deficit, the Central Bank availed itself of \$16.9 million in foreign borrowings, thereby increasing the reserve by a slight \$0.4 million to \$221.2 million as of the end of September. The deterioration in foreign exchange transactions continued through the fourth quarter with the deficit however narrowing down to \$3.2 million. Central Bank net availments on foreign loans amounted to \$26.1 million for the period, thus boosting the international reserve by \$23.0 million to \$244.2 million as of December 31, 1971.

The Central Bank reserve which was \$251.0 million as of the end of 1970, increased sharply to \$375.5 million by the end of 1971. Except for accrued interest on time deposits, all holdings of the Central Bank were at comparatively higher levels than in the previous year. Gold holdings of the Central Bank increased by \$10.6 million as purchases of newly-mined gold were up by the same amount. Deposits with U.S. depositories rose to \$169.4 million or by \$26.6 million and those with other foreign depositories, by \$84.6 million. These increases were large-

ly due to the foreign currency deposits of commercial banks held in trust with the Central Bank of \$63.9 million which were started in April 1971. Foreign currency holdings amounted to \$5.4 million, up from \$1.1 million last year.

Offsetting the improvement in the Central Bank reserve was the negative net foreign exchange position of commercial banks which increased to \$131.3 million as of end-1971 from \$37.7 million at the beginning of the year. Gross foreign exchange holdings of commercial banks which were \$125.3 million as of December 31, 1970 rose to \$148.5 million. This was however completely negated by the increased in commercial banks' foreign liabilities of \$116.8 million to \$279.8 million as of the end of 1971, reflecting the increased utilization of dollar-peso swap transactions with the Central Bank during the year (see Tables 4.8 and 4.9).

Table 4.8 — INTERNATIONAL RESERVE
December 31, 1949-1971

(Million U.S. Dollars)

End of Period	International Reserve of the Central Bank	Net Foreign Exchange Hold- ings of Commer- cial Banks	T o t a l
1949	230.70	29.39	260.09
1950	295.61	60.30	355.91
1951	244.42	59.45	303.87
1952	236.06	69.82	305.88
1953	240.38	55.60	295.98
1954	207.49	65.20	272.69
1955	154.91	54.30	209.21
1956	161.01	63.68	224.69
1957	70.86	69.17	140.03
1958	91.60	53.70	145.30
1959	89.99	72.91	162.90
1960	120.05	72.01	192.06
1961	44.07	59.27	103.34
1962	75.00	65.84	140.84
1963	109.46	38.00	147.46
1964	123.28	(84.84)	38.44
1965	188.50	(96.88)	91.62
1966r	166.09	(21.27)	144.82
1967r	179.77	34.21	213.98
1968r	161.40	26.17	187.57
1969r	120.66	(2.26)	118.40
1970r	250.96	(37.74)	213.22
1971	357.45	(131.31)	244.14

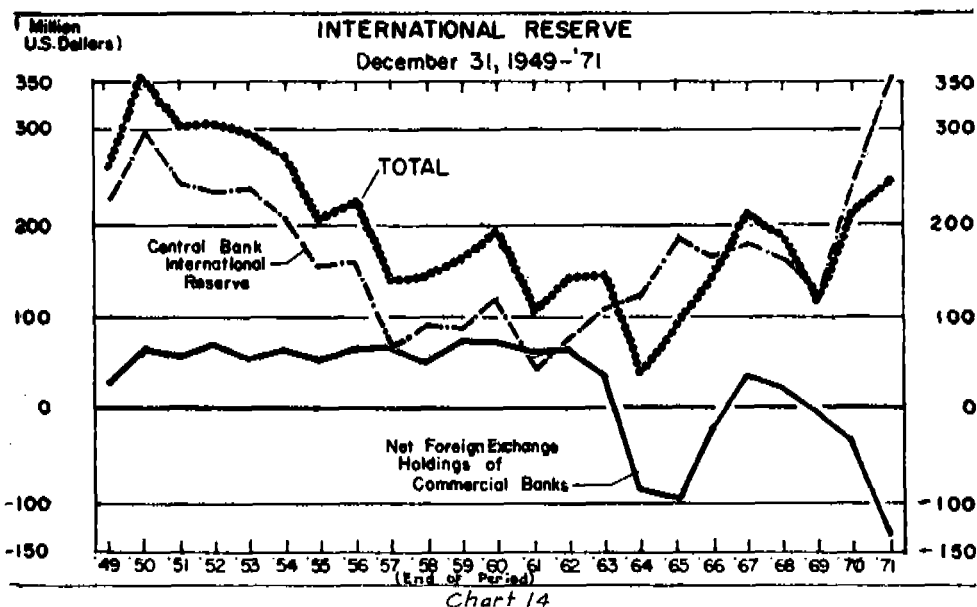


Table 4.9 — FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS, 1970 and 1971

(Million U.S. Dollars)

I t e m	1971	1970
Merchandise Trade		
Exports	1,118.2	1,049.9
Imports	-1,153.5	-1,032.1
Trade Balance	- 35.3	17.8
Invisible Transactions¹		
Receipts ²	682.3	579.0
Disbursements	-643.7	-583.8
Invisible Balance	+ 38.6	- 4.8
Errors and Omissions	+ 2.3	- 1.8
Surplus (Deficit)	+ 5.6	11.2
Central Bank Foreign Loans	+ 25.3	83.6
Availments	253.2	207.5
Payments	227.9	123.9
Increase in International Reserve	30.9	94.8

¹ Excluding transactions pertaining to Central Bank foreign loans.

² Includes gold and U.S. Government Expenditures.

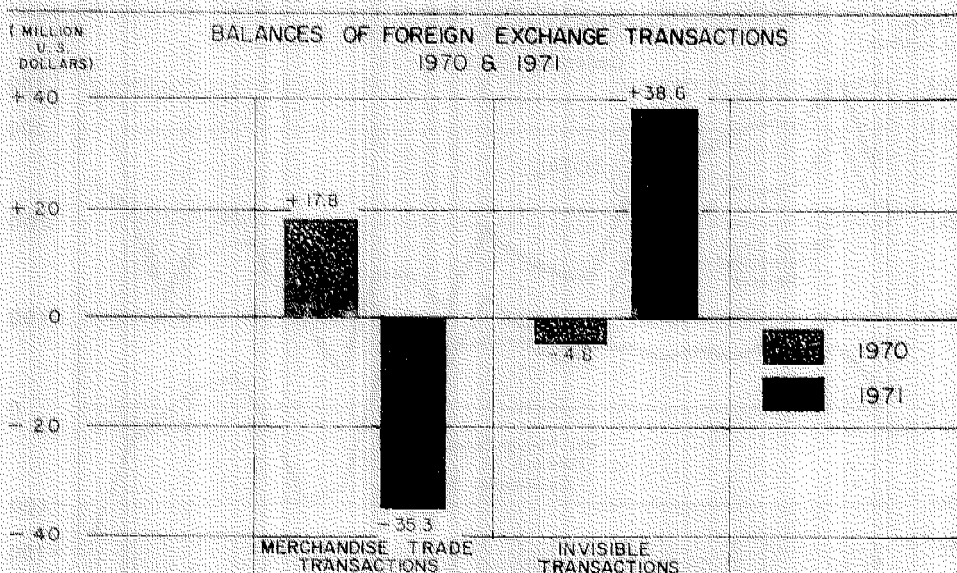


Chart 15

G. FOREIGN EXCHANGE MARKET

1. *Exchange Rate System*

The par value of the peso is at 0.227864 grams of fine gold per Philippine peso or at ₱3.90 per U.S. \$1.00, with official limits set by the Central Bank, at ₱3.8805 buying and ₱3.9195 selling per U.S. \$1.00, in its dealings with authorized agent banks.

Since February 21, 1970, however, with the issuance of Circular No. 289 of the Central Bank, the peso was allowed to seek its own level in the foreign exchange market. All foreign exchange transactions were conducted on the basis of the free market rate since May 1, 1970 when the export tax (R.A. 6125) was approved to replace the 80 per cent surrender requirement for proceeds of leading export products at the official par value under Circular No. 289.

The "guiding" rate is based on the rate of the last transaction in the foreign exchange trading floor. In spot transactions, commercial banks are required by the Bankers' Association of the Philippines to observe certain margins. The maximum and minimum spot buying rates are one-half and one per cent below the guiding rate, respectively. The minimum and maximum spot selling rates are three quarters of one and one quarter per cent above the guiding rate, respectively. The Central Bank's purchases and sales are made within a spread of one per cent below and one per cent above the guiding rate, respectively.

Exchange rates for other authorized currencies (Canadian dollar, pound sterling, Swiss franc, West Germany's Deutsche mark, Italian lira, Netherlands guilder, French franc and Japanese yen) are based on the spot buying and selling rates in New York for the currency concerned at the close of the day prior to the actual purchase in Manila or on the Central Bank's current spot buying and selling rates for the U.S. dollar.

Exchange regulations are administered by the Central Bank which issues circulars and memoranda to authorized agent banks on the basis of policy decisions adopted by the Monetary Board.

2. Peso Exchange Rates at Home and Abroad

a. Spot rates in Manila

The exchange rate of the peso vis-a-vis the U.S. dollar, which had remained stable at ₱6.435 (interbank), ₱6.402 (buying) and ₱6.484 (selling) since October 1970 to July 1971, exhibited slight fluctuations during the latter part of 1971. These changes reflected the uncertainties in the international money market brought about by the weakening of the U.S. dollar in relation to other major currencies.

The interbank rate dropped to ₱6.424 in August and slid further to ₱6.412 in September. For October and November, however, it staged a recovery rising to ₱6.433 and returned to ₱6.435 by the end of the year. Similarly, buying and selling rates fell to ₱6.391 and ₱6.473, respectively, for August and for September, to ₱6.379 and ₱6.460, respectively. Recoveries were likewise registered for October and November with the buying rate up at ₱6.400 and the selling rate at ₱6.482, rising further to ₱6.402 and ₱6.484, respectively, by December 1971.

On the whole, in spite of these movements, the buying rate still remained ₱0.03 below the interbank rate while the selling rate which had been ₱0.049 above the interbank rate from October 1970 to August dropped to ₱0.048 in September but rose back to ₱0.049 for the rest of the year.

b. The Peso in the Hong Kong Market

The peso in the Hong Kong market which had exhibited erratic movements during the previous year experienced even more pronounced fluctuations for 1971, reflecting not only developments in the foreign exchange market in Manila, but also the effects on the peso of uncertainties in the international money market.

The telegraphic transfer and note cross-rates of the Philippines and the U.S. dollar which averaged ₱6.557 and ₱6.519, respectively, in 1970 rose to an average of ₱6.974 and ₱6.957 for 1971. From January

to June 1971, the T&T rate averaged ₱7.063, but fell steadily hitting a low of ₱6.875 by September. A mild recovery boosted the rate to ₱6.879 in October and ₱6.887 for November, but by December plunged to a new low of ₱6.836. Similarly, the note cross-rates averaged ₱7.047 for the first six months of the year, dropped to ₱6.934 in July and to ₱6.870 and ₱6.850 for August and September. By October, the rate rose to ₱6.861 and ₱6.870 in November, but dropped to ₱6.808 by December.

From an average of ₱.928 for HK \$1.00 in 1970, the peso deteriorated further in 1971 to an average of ₱.854 registering a high of ₱.869 for August and a low of ₱.842 in December.

c. Interbank Foreign Exchange Transactions

The Foreign Exchange Trading Floor (FOREX) which had been inactive since September of 1970, with interbank trading taking place directly between banks, was reactivated in late July 1971. As such, the Central Bank, which had refrained from intervention in the foreign exchange market since October 1970, resumed its operations through authorized agent banks in August of this year. Total sales of the Central Bank from August to December 1971 aggregated \$23.5 million. Generally, the Central Bank (or an agent bank acting on its behalf) stood ready to provide exchange at the current rate to maintain the stability of the exchange rate.

V. PRODUCTION

A. OVER-ALL REVIEW

In 1971, the performance of the major sectors of production varied widely with agriculture generally showing signs of stagnation, mining output continuing to grow but at a slower pace and manufacturing considerably improving its 1970 growth record. According to the index of the physical volume of production (1955 = 100), agricultural output remained unchanged at 178.7, while in crop year 1969-70 agricultural output expanded by 6.1 per cent. Mining output, which rose by 11.8 per cent in 1971, lagged behind the 16.6 per cent growth rate of 1970. The production of manufactures moved ahead with a 7.1 per cent expansion after rising by only 0.1 per cent in 1970.

The factors which contributed to the downtrend in some production sectors in 1971 included the extensive crop damage caused by destructive typhoons and plant infestations, social unrest in certain areas, rising costs, tight credit and uncertainties in the external markets emanating from the prolonged dock strikes in the U.S. coasts and the realignment of major world currencies. On the other hand, the general improvement in the country's capability to import input requirements and the positive response of industries to the changing price structure, tax concessions and other government incentives boosted production in certain areas particularly in non-durable manufactures.

Keeping pace with industrial activity, the production and sales of electric power went up although construction activity remained essentially depressed. Real estate transactions showed signs of arresting the downtrend in sales while international shipping movements continued to be sluggish (see Table 5.1).

Table 5.1 — INDEX OF THE PHYSICAL VOLUME OF PRODUCTION

Crop Years 1969-1971

(1955 = 100)

I t e m	1969	1970	1971 ^p	Per Cent Change	
				1970	1971
Agriculture ¹	168.4	178.7	178.7	6.1	0.0
Food crops	160.2	172.4	174.9	7.6	1.4
Export crops	188.5	194.2	187.9	3.0	— 3.2
Mining ²	233.4	272.2	304.4	16.6	11.8
Gold	136.3	143.8	152.4	5.5	6.0
Base metals	309.8	373.1	423.9	20.4	13.6
Manufacturing ²	257.3 ^a	257.6 ^a	275.8 ^a	0.1	7.1
Non-durables	246.9	251.0	275.5	1.7	9.8
Durables	307.4	289.1	276.8	— 5.9	4.3

SOURCES OF BASIC DATA: Cooperating government agencies & private firms.

¹ Crop year (July 1-June 30).² Calendar year.^a January to September.PER CENT CHANGES IN THE PHYSICAL
VOLUME OF PRODUCTION

1971 over 1970

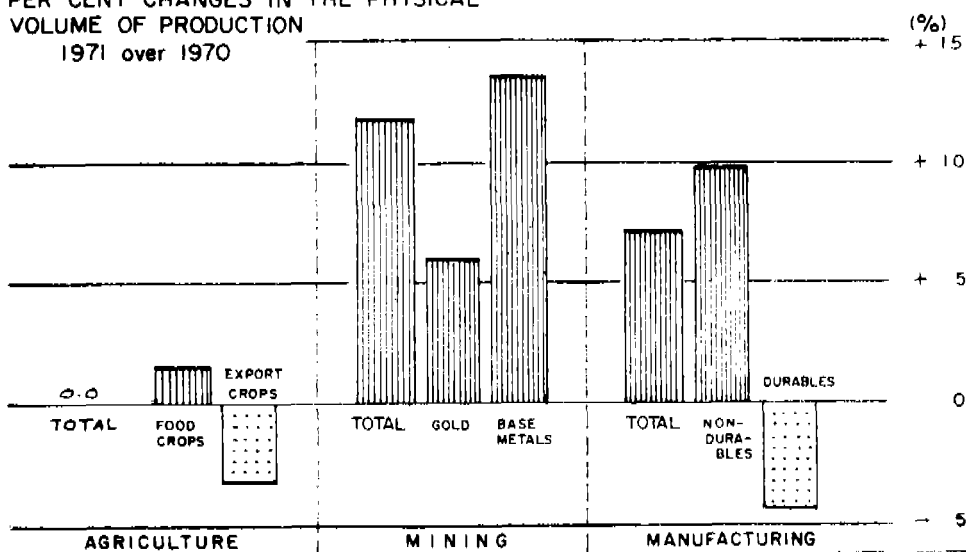


Chart 16

B. AGRICULTURE

The performance of this sector during the crop year ending June, 1971 fell below expectations as domestic food crops rose by only 1.4 per cent and export crop harvests dropped by 3.2 per cent. In crop year 1969-70, both food crop and export crop output expanded by 7.6 per cent and 3.0 per cent, respectively.

1. *Domestic food crops*

In spite of the use of modern techniques of planting and seeds of high-yielding varieties, rice production increased by a mere 2.1 per cent during crop year 1970-71, as compared to the 17.7 per cent growth experienced in crop year 1969-70. The failure to cope with the deadly "tungro" palay plant disease and the inability of farmers in some parts of the country to cultivate their farms due to poor peace and order conditions contributed to their inability to maintain the previous year's rate of growth in rice production. Corn, beans and vegetables, coffee, cacao and root crops suffered a slump in output. However, this year's production of fruits, nuts and peanuts increased though at lower rates than in the previous crop year.

The Philippines broke the million metric ton mark in its fish catch during 1971, making her the 14th largest fish-producing country in the world and the 4th largest in Asia, behind Japan, India and Indonesia¹. The increase from last year's catch of almost 10 per cent was the result of extensive development of inland fishing and cultivation of rivers, lakes, fishponds and other fresh water bodies as well as the technical assistance and advisory services rendered by the Philippine Fisheries Commission.

Low harvests of rice resulted in less rice bran, a by-product used as feed for pigs and poultry. Unable to procure high-priced imported feeds, hog and poultry raisers could not also expand production. Meat and poultry products registered the same production level as in the previous year.

¹ SOURCE: Philippine Fisheries Commission.

Table 5.2 — PRODUCTION OF FOOD CROPS
Crop Years¹ 1969-1971

(Thousand Metric Tons)

Product	1969	1970	1971 ²	% Change	
				1970	1971
Rice (rough)	4,444.7	5,233.4	5,342.9	17.7	2.1
Corn (Shelled)	1,732.8	2,008.2	2,005.0	15.9	-2.1
Beans and vegetables	269.2	328.8	323.5	22.1	-1.6
Coffee and cacao	48.6	53.3	53.1	9.7	-0.4
Fruits and nuts	1,447.9	1,640.2	1,725.9	13.3	5.2
Peanuts (unshelled)	14.9	17.4	18.9	16.8	8.6
Root crops	1,338.1	1,316.3	1,220.8	-1.6	-7.3
Meat and poultry products ²	276.5	246.6	246.6	-10.8	0.0
Fish ²	940.8	988.9	1,085.9	5.1	9.8

SOURCES OF BASIC DATA: Bureau of Agricultural Economics; Philippine Fisheries Commission.

¹ Crop Year (July 1-June 30).

² Calendar year.

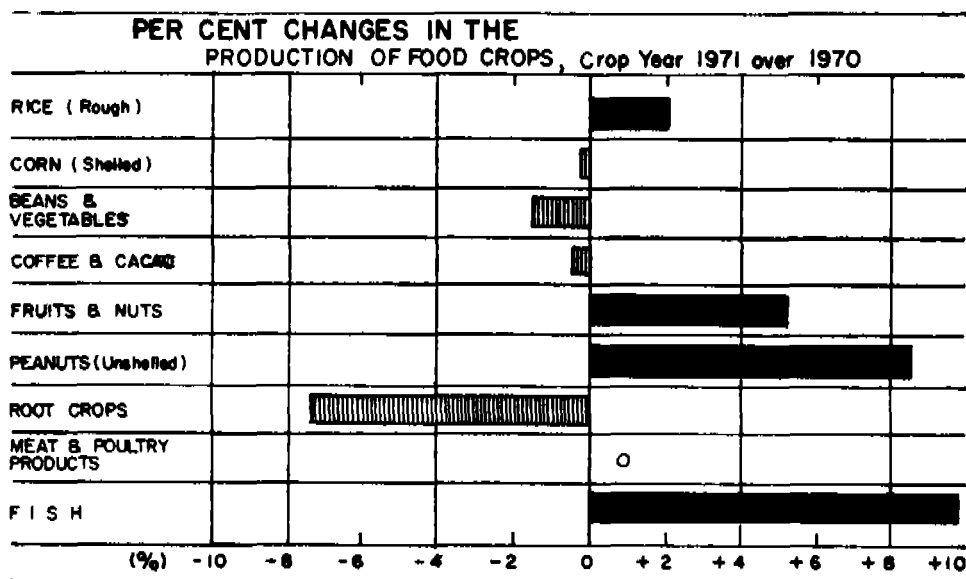


Chart 17

2. Major Export Crops

Unlike crop year 1969-70 when only logs and lumber production declined, the period under review saw output in almost all major traditional export crops fall below their 1970 levels. Only centrifugal sugar production increased by 6.4 per cent which was still below the 20.7 per cent expansion of the previous year. Although copra production slackened for the most part of crop year 1970-71 to register a 5.0 per cent reduction for the period, the industry showed signs of picking up during the latter part of 1971, allowing export shipments to expand considerably.¹ Unmanufactured abaca dropped by 14.5 per cent and leaf tobacco by 8.8 per cent. Logs and lumber production sank further by 3.0 per cent and 38.6 per cent, respectively, with the continued implementation of restrictive regulations on logs exports, the declining log market in Japan and the emergence of Indonesia as a major log producer-exporter country.

With the operation of two new sugar centrals in the Visayas, and increased acreage planted to sugar cane in 1971, production exceeded the 2 million metric ton mark, thus achieving a 6.4 per cent increase over last year's production.

The 1971 production of abaca fell back by 14.5 per cent, thus approximating its 1969 level. Leaf tobacco production likewise declined by 8.8 per cent after improving by 7.7 per cent in 1969-70 (see Table 5.3).

¹ Based on PHILCOA figures, copra production increased by roughly 31.6 per cent in calendar year 1971 over 1970.

Table 5.3 — PRODUCTION OF MAJOR EXPORT CROPS
Crop Years¹ 1969-1971

Product	1969	1970	1971 ^a	% Change	
				1970	1971
Copra	1,515.5	1,656.2	1,574.1	9.3	-- 5.0
Sugar, centrifugal	1,596.1	1,926.6	2,050.8	20.7	6.4
Abaca, unmanufactured	105.9	122.4	104.6	15.6	-14.5
Tobacco, leaf	56.8	61.2	55.8	7.7	- 8.8
Logs (million bd. ft.).....	4,911.5	4,665.9	4,528.1	- 5.0	- 3.0
Lumber (million bd. ft.) ..	621.0	568.4	348.9	- 8.5	-38.6

SOURCES OF BASIC DATA: Bureau of Agricultural Economics; Bureau of Forestry; Philippine Coconut Administration and Sugar Quota Administration.

¹ Crop year (July 1-June 30).

PER CENT CHANGES IN THE PRODUCTION OF
MAJOR EXPORT CROPS, 1970 & 1971

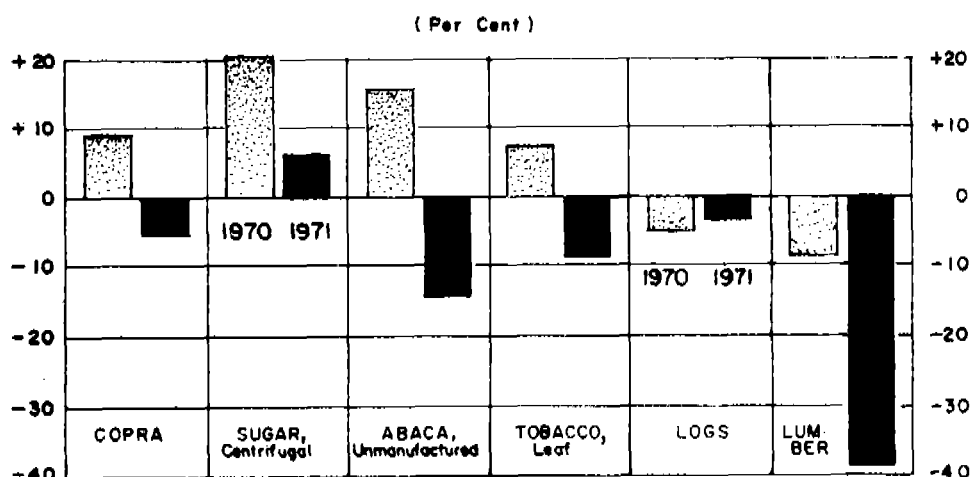


Chart 18

C. MANUFACTURING

The 7.1 per cent growth of manufacturing output in 1971 (first nine months) resulted solely from the 9.8 per cent expansion in non-durable manufactures which in 1970 advanced by only 1.7 per cent. The manufacture of durable goods on the other hand which contracted by 5.9 per cent in 1970 slumped further by 4.3 per cent in 1971.

In the non-durable goods category, comprising 83 per cent of the index, six commodity groups exhibited a reversal of the downtrend they showed last year. These industries were textiles, 18.2 per cent; food products, 11.4 per cent; rubber products, 11.8 per cent; tobacco products, 1.9 per cent; and miscellaneous manufactures which included, among others, the manufacture of ice, kapok and sporting goods, 30.4 per cent. Showing an acceleration in growth were beverages from 7.5 per cent to 14.0 per cent and chemicals from 8.5 per cent to 14.4 per cent. Continuing growth at a decelerated pace were miscellaneous petroleum and coal products, from 6.6 per cent to 3.8 per cent and footwear and wearing apparel from 34.8 per cent to 0.8 per cent. On the other end, industries which declined after expanding last year were printing, publishing and allied industries from 33.8 per cent to minus 18.4 per cent and leather products from 22.4 per cent to minus 7.2 per cent. Paper products manufacture continued to decline further by 8.3 per cent after the 9.4 per cent contraction of the previous year.

In the durable manufactures category, only the manufacture of non-electrical machinery and of metal products succeeded in reversing the downtrend set in the previous year. With rising costs of production,

credit restrictions, keener competition, consumer resistance and other market uncertainties, the others failed to top their 1970 output levels. Specifically, the wood and cork industries declined by 17.0 per cent, furniture and fixtures by 4.5 per cent, non-metallic products by 5.6 per cent and electrical machinery by 4.1 per cent. Continued limitation of imported raw materials for car assembly plants was reflected in the further decline in the manufacture of transport equipment by 19.9 per cent. In contrast, non-electrical machinery which had taken a downward trend since 1968, made a marked improvement and registered a 77.6 per cent increase in production in 1971. The metal products group, likewise, increased production by almost 10 per cent in 1971 after suffering a 16.3 per cent slump in 1970 (see Table 5.4).

Table 5.4 — INDEX OF THE PHYSICAL
VOLUME OF MANUFACTURING PRODUCTION
January-September, 1969-1971

I t e m	(1955 = 100)				
	January-September			% Change	
	1969	1970	1971 ^b	1970	1971
MANUFACTURES	257.3	257.6	275.8	0.1	7.1
Non-Durable Manufactures	246.9	251.0	275.5	1.7	9.8
Food products, except beverages	239.6	230.9	257.2	- 3.6	11.4
Beverages	335.6	360.9	411.4	7.5	14.0
Tobacco products	197.9	184.9	188.4	- 6.6	1.9
Textiles ¹	339.4	332.4	392.9	- 2.1	18.2
Footwear and wearing apparel	47.1	63.1	63.6	34.8	0.8
Paper products	232.9	211.0	193.4	- 9.4	8.3
Printing publishing and allied industries	70.8	94.7	77.3	33.8	-18.4
Leather products, except footwear	126.2	154.5	143.3	22.4	- 7.2
Rubber products ²	421.6	383.1	428.4	- 9.1	11.8
Chemicals ³	205.3	222.8	254.9	8.5	14.4
Miscellaneous petroleum and coal products	326.2	347.8	361.0	6.6	3.8
Miscellaneous non-durable manufactures	124.9	84.0	109.5	-32.7	30.4
Durable Manufactures	307.4	289.1	276.8	- 5.9	- 4.3
Wood and cork, except furniture and fixtures	244.7	249.8	207.3	2.3	-17.0
Furniture and fixtures	119.4	68.3	65.2	42.8	- 4.5
Non-metallic products	335.2	335.0	316.4	- 0.1	- 5.6
Metal products except machinery	356.8	298.6	328.2	-16.3	9.9
Machinery except electrical	91.9	87.9	156.1	- 4.4	77.6
Electrical machinery, apparatus, ap- pliances and supplies	497.7	587.6	563.5	18.1	- 4.1
Transport equipment	242.7	195.2	156.4	-19.6	-19.9
Miscellaneous durable manufactures	78.6	99.2	99.6	26.2	0.4

SOURCES OF BASIC DATA:Cooperating government agencies and private firms.

¹ Includes floor coverings.

² Includes rubber shoes.

³ Includes fertilizers.

D. MINING

Mineral production for 1971 surpassed that of 1970 by 11.8 per cent, with all metals, except chromite ore, registering increases. Gold improved by 6.0 per cent and silver, by 12.2 per cent. In the base metal group, iron ore increased by 10.5 per cent; copper (metal), 17.6 per cent; manganese ore, 4.7 per cent; zinc (metal), 21.4 per cent and quicksilver, 8.0 per cent. The 24.2 per cent decline in chromite ore production may be attributed partly to the labor strikes in the United States which affected ports of entry for Philippine chromite exports and partly in the case of European exports, by the difficulty of transit through the Suez Canal due to the undecided Middle East situation.

Lead was not produced at all during 1971 due to the temporary suspension of operations of the only lead-producing company in July 1970.

On the other hand, all groups in the non-metallic category reported increased output, with coal and salt production increasing by 10 per cent and 8 per cent, respectively. Both the sand and gravel and silica groups raised output by 5 per cent each (see Table 5.5)

Table 5.5 — MINING PRODUCTION

1969-1971

I t e m	Unit of Measure	1969	1970	1971 ^a	% Change	
					1970	1971
Gold	Fine ounce	571,145	602,715	638,580	5.5	6.0
Silver	" "	1,561,312	1,701,899	1,909,540	9.0	12.2
Base Metals						
Iron ore	Metric ton	1,561,466	1,869,877	2,066,840	19.8	10.5
Chromite ore	" "	469,431	566,443	429,470	20.7	-24.2
Copper (metal) ...	" "	131,426	160,296	188,520	22.0	17.6
Manganese ore ..	" "	20,002	4,901	5,133	-75.5	4.7
Lead (metal)	" "	67	14	—	-79.1	—
Zinc (metal)	" "	3,286	3,191	3,875	-2.9	21.4
Quicksilver (metal)	Flask	3,478	4,647	5,021	33.6	8.0
Non-metallics						
Coal	Metric ton	53,341	42,401	46,641	-20.5	10.0
Sand & gravel	Cubic meter	4,307,832	4,619,123	4,850,079	7.2	5.0
Salt	Cavan	4,623,740	4,206,120	4,542,600	-9.0	8.0
Silica	Metric ton	637,816	684,614	718,845	7.3	5.0

SOURCE OF BASIC DATA: Bureau of Mines

E. CONSTRUCTION

With rising costs and financing difficulties still dogging the industry, private construction activity in Manila, its suburbs and other chartered cities registered a general decline of 6.4 per cent in the number of new units but a 5.5 per cent rise in their value. The increase in the value of new units which may be attributable partly to higher material costs was traceable mostly to construction activity in the suburbs of Manila which rose 23.6 per cent while decreases of 18.6 per cent and 7.5 per cent were registered in Manila itself and other chartered cities, respectively. Residential construction in Manila and suburbs accounted for the increase which was partly offset by the decline in non-residential construction and additions, alterations and repairs.

According to data on permit valuations of private building construction in Manila, the 18.6 per cent decline was due to the 29.4 per cent contraction in non-residential construction particularly of commercial and industrial ones and to the 42.0 per cent drop in additions, alterations and repairs. On the other hand, residential construction rose by 41.4 per cent as well as institutional (8.1 per cent) and other buildings (23.8 per cent) (see Tables 5.6 and 5.7).

F. REAL ESTATE

In 1971, real estate transactions in the cities and suburbs registered over-all increases, which contrasted with the slump in 1970. The improvement may be attributed to both higher real estate values and increased selling activity. The values of sale and mortgage transactions for 1971 in Manila which amounted to ₱458 million and ₱655 million, respectively, were 23.3 per cent and 18.1 per cent higher than the corresponding figures in 1970. The number of sale transactions increased by 5.4 per cent while mortgage deals registered a decline of 2.5 per cent. Real estate transactions in the suburbs of Manila registered a 20.2 per cent increase in sales and a decline of 7.5 per cent in mortgage deals with the number of transactions for both categories down (see Table 5.8).

Table 5.6 -- NEW PRIVATE CONSTRUCTION ACTIVITIES IN MANILA, MANILA SUBURBS
AND CHARTERED CITIES IN THE PHILIPPINES,

1969-1971

(Value in Million Pesos)

Location	T O T A L						Per Cent Change			
	1 9 6 9		1 9 7 0		1 9 7 1		1 9 7 0		1 9 7 1	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
T O T A L	18,255	472.7	15,663	421.3	14,658	444.4	— 14.2	— 10.9	— 6.4	5.5
M a n i l a	2,780	98.9	2,492	85.5	2,123	69.6	— 10.4	— 13.5	— 14.8	— 18.6
Manila Suburbs ¹	6,077	223.2	5,171	206.2	5,075	254.9	— 14.9	— 7.6	— 1.9	23.6
Other Chartered Cities ²	9,398	150.6	8,000	129.6	7,460	119.9	— 14.9	— 13.9	— 6.8	— 7.5

Location	R E S I D E N T I A L						Per Cent Change			
	1 9 6 9		1 9 7 0		1 9 7 1		1 9 7 0		1 9 7 1	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
T O T A L	10,739	223.1	8,939	189.3	8,905	225.8	— 16.8	— 15.2	— 0.4	19.3
M a n i l a	735	25.3	505	16.2	562	22.9	— 31.3	— 36.0	11.3	41.4
Manila Suburbs ¹	3,854	122.2	3,376	113.0	3,458	133.7	— 12.4	— 7.5	2.4	22.7
Other Chartered Cities ²	6,150	75.6	5,058	60.1	4,885	64.2	— 17.8	— 20.5	— 3.4	6.8

Table 5.6 — NEW PRIVATE CONSTRUCTION ACTIVITIES IN MANILA, MANILA SUBURBS
AND CHARTERED CITIES IN THE PHILIPPINES, (Concluded)

1969-1971

(Value in Million Pesos)

Location	NON-RESIDENTIAL						Per Cent Change			
	1969		1970		1971		1970		1971	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
T O T A L	2,520	211.4	2,023	186.5	1,862	179.8	— 19.7	— 11.8	— 8.0	— 4.0
M a n i l a	331	59.9	334	51.7	181	36.5	0.9	— 13.7	— 45.8	— 29.4
Manila Suburbs ¹	553	83.2	409	72.8	503	93.8	— 26.0	— 12.5	23.0	28.8
Other Chartered Cities ²	1,636	68.3	1,280	62.0	1,178	49.5	— 21.8	— 9.2	— 8.0	— 20.2

Location	ADDITION, ALTERATION AND REPAIR						Per Cent Change			
	1969		1970		1971		1970		1971	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
T O T A L	4,996	38.2	4,701	45.4	3,891	38.8	— 5.9	18.8	— 17.2	— 14.5
M a n i l a	1,714	13.7	1,653	17.6	1,380	10.2	— 3.6	28.5	— 16.5	— 42.0
Manila Suburbs ¹	1,670	17.8	1,386	20.4	1,114	22.5	— 17.0	14.6	— 19.6	9.8
Other Chartered Cities ²	1,612	6.7	1,662	7.4	1,397	6.2	3.1	10.4	— 15.9	— 16.2

SOURCES OF BASIC DATA: Bureau of the Census and Statistics and Department of Engineering and Public Works, City Engineer's Office, Manila.

¹ Composed of the cities of Caloocan, Quezon and Pasay and the municipalities of Makati, Mandaluyong, San Juan and Parañaque.

² Composed of 32 selected cities located throughout the country.

Table 5.7 — PERMIT VALUATION OF PRIVATE BUILDING CONSTRUCTION
BY TYPE OF CONSTRUCTION IN THE CITY OF MANILA

1969-1971

(Value in Million Pesos)

Type of Construction	1 9 6 9		1 9 7 0		1 9 7 1		Per Cent Change			
							1 9 7 0		1 9 7 1	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
T O T A L	2,780	98.9	2,492	85.5	2,123	69.6	— 10.4	— 13.5	— 14.8	— 18.6
Residential	735	25.3	505	16.2	562	22.9	— 31.3	— 36.0	11.3	41.4
Non-Residential	331	59.9	334	51.7	181	36.5	0.9	— 13.7	— 45.8	— 29.4
Commercial	222	35.6	181	35.2	92	24.6	— 18.5	— 1.1	— 49.2	— 30.1
Industrial and Public Utility ¹	16	4.4	19	6.9	7	1.3	18.8	56.8	— 63.2	— 81.2
Institutional ²	26	16.4	23	7.4	17	8.0	— 11.5	— 54.9	— 26.1	8.1
Others ³	67	3.5	111	2.1	65	2.6	65.7	— 40.0	— 41.4	23.8
Addition, Alteration and Repair	1,714	13.7	1,653	17.6	1,380	10.2	— 3.6	28.5	— 16.5	— 42.0

SOURCE OF BASIC DATA: Department of Engineering and Public Works, City Engineer's Office, Manila.

¹ Inclusive of factories, warehouses and plants.

² Inclusive of recreational, social, educational, charitable, religious, medical and other similar institutions.

³ Inclusive of buildings not classified elsewhere.

Table 5.8 — REAL ESTATE SALES AND MORTGAGES IN MANILA, OTHER CITIES AND SUBURBS

1969 - 1971

(Value in Million Pesos)

	1969				1970				1971			
	Sales		Mortgages		Sales		Mortgages		Sales		Mortgages	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
TOTAL	<u>8,718</u>	<u>378.7</u>	<u>9,236</u>	<u>955.0</u>	<u>8,612</u>	<u>371.4</u>	<u>7,873</u>	<u>555.1</u>	<u>9,081</u>	<u>457.9</u>	<u>7,673</u>	<u>655.4</u>
Cities	<u>7,591</u>	<u>288.6</u>	<u>7,633</u>	<u>697.5</u>	<u>7,177</u>	<u>252.1</u>	<u>6,512</u>	<u>435.5</u>	<u>7,920</u>	<u>314.5</u>	<u>6,744</u>	<u>544.8</u>
Manila	2,204	86.6	2,344	390.9	1,976	82.6	1,955	114.0	2,410	106.2	1,899	145.0
Other Cities ¹	5,387	202.0	5,287	306.6	5,201	169.5	4,557	321.5	5,510	208.3	4,845	399.8
Suburbs ²	<u>1,127</u>	<u>90.1</u>	<u>1,603</u>	<u>237.5</u>	<u>1,435</u>	<u>119.3</u>	<u>1,361</u>	<u>119.6</u>	<u>1,161</u>	<u>143.4</u>	<u>929</u>	<u>110.6</u>

Table 5.8 — REAL ESTATE SALES AND MORTGAGES IN MANILA, OTHER CITIES AND SUBURBS (Concluded)

1 9 6 9 - 1 9 7 1

(Value in Million Pesos)

I t e m	P E R C E N T C H A N G E							
	1 9 7 0				1 9 7 1			
	S a l e s		M o r t g a g e s		S a l e s		M o r t g a g e s	
	Number	Value	Number	Value	Number	Value	Number	Value
TOTAL	— 1.2	— 1.9	—14.8	—41.9	5.4	23.3	— 2.5	18.1
Cities	— 5.4	—12.6	—14.7	—37.6	10.4	24.8	3.6	25.1
Manila	—10.3	— 4.6	—16.6	—70.8	22.0	28.6	— 2.9	27.2
Other Cities ¹	— 3.4	—16.1	—13.8	4.9	5.9	22.9	— 6.3	—24.4
Suburbs ²	27.3	32.4	—15.1	—53.6	—19.1	20.2	—31.7	— 7.5

SOURCE OF BASIC DATA: Manila Board of Realtors.

¹ Caloocan City, Pasay City and Quezon City.² Makati, Malabon-Navotas, Mandaluyong, Parañaque and San Juan

G. PUBLIC UTILITIES

1. *Electricity*

In 1971, electric power generated by the Manila Electric Company amounted to 5,289 million KWH, of which 4,834 million KWH were sold. Both power generation and sales rose at rates higher than those registered in 1970. The value of sales, however, which expanded by 26.5 per cent in 1970 mostly as a result of increased rates rose by only 20.0 per cent in 1971.

Both residential and non-residential users of electric power increased their purchases in 1971 with non-residential users accounting for roughly 91 per cent or 254 million KWH of the 279 million KWH increase in sales. Of the 254 million KWH increase in non-residential sales, 176 million KWH were accounted for by industrial users, 61 million KWH by commercial users and 24 million KWH by those reselling power. The number of kilowatt hours sold for public street lighting, on the other hand, dropped by 20.7 per cent (see Table 5.9).

2. *Transportation*

International shipping activity at the port of Manila in 1971 registered a drop in net tonnage but an increase in the number of vessels entered and cleared. Thirty-one more vessels were entered in 1971 while 87 more were cleared. The net tonnage of vessels entered, however, dropped by 3.3 per cent while those cleared declined by 2.1 per cent. The declines in net tonnages entered and cleared, however, were less than the 7.7 per cent and 5.8 per cent drops registered in 1970. The decline in net tonnages in 1971 was accounted for mostly by American and Swedish bottoms whose activities might have been affected by the prolonged dock strikes in the United States.

Table 5.9 — PRODUCTION AND SALES OF ELECTRICITY

1969-1971

(Value in Thousand Pesos)

I t e m	1 9 6 9		1 9 7 0		1 9 7 1		Per Cent Change			
							1 9 7 0		1 9 7 1	
	000 KWH	Value	000 KWH	Value	000 KWH	Value	KWH	Value	KWH	Value
Production	<u>4,787,032</u>		<u>5,006,113</u>		<u>5,289,029</u>		4.6		5.7	
Sales	<u>4,372,545</u>	<u>263,823</u>	<u>4,554,608</u>	<u>333,853</u>	<u>4,833,598</u>	<u>400,599</u>	4.2	26.5	6.1	20.0
Residential	<u>1,221,335</u>	<u>95,620</u>	<u>1,261,778</u>	<u>113,589</u>	<u>1,287,175</u>	<u>128,705</u>	3.3	18.8	2.0	13.3
Non-Residential ..	<u>3,151,210</u>	<u>168,203</u>	<u>3,292,830</u>	<u>220,264</u>	<u>3,546,423</u>	<u>271,894</u>	4.5	31.0	7.7	23.4
Commercial	1,299,418	85,235	1,371,482	100,647	1,432,765	132,250	5.5	29.8	4.5	19.8
Industrial	1,633,989	72,138	1,708,241	96,771	1,883,890	124,436	4.5	31.1	10.3	28.6
Public Streets ..	36,839	3,199	36,253	3,670	28,764	2,965	-1.6	-3.4	-29.7	-19.2
Sale for resale ..	180,964	7,031	176,854	9,176	201,004	11,973	-2.3	30.5	13.7	30.5

SOURCE OF BASIC DATA: Manila Electric Company.

Table 5.10 — INTERNATIONAL SHIPPING MOVEMENT
AT THE PORT OF MANILA

1969-1971

(Net Tonnage: In Thousand Metric Tons)

I t e m	1969	1970	1971	Per Cent Change	
				1970	1971
ENTERED:					
Number of vessel	2,364	2,224	2,255	—5.9	1.4
Net tonnage	9,259.4	8,549.9	8,267.2	—7.7	—3.3
CLEARED:					
Number of vessel	2,114	2,123	2,210	0.4	4.1
Net tonnage	8,254.0	7,777.7	7,616.7	—5.8	—2.1

SOURCE OF BASIC DATA: Bureau of Customs.

VI. PRICES

A. OVER-ALL DEVELOPMENTS

The continuing and more rapid rise in prices was perhaps the most unfavorable development in the Philippine economy in 1971, particularly as sharp price increases were heavily reflected in basic food items. In Manila, average consumer prices during the year moved up by a full 19 per cent, outpacing the record increase of 17.3 per cent in 1970 (see Table 6.1). In regions outside Manila, the consumer price index rose much more steeply by 24.5 per cent, greatly exceeding the comparable figure of 14.6 per cent in the previous year. Thus, the over-all rise in the cost of living for the whole country during 1971 became more excessive than the past year's: 23.1 per cent as against 15.3 per cent.

Table 6.1 — PHILIPPINES: PER CENT CHANGES
IN THE CONSUMER PRICE INDEX

1971 over 1970 Averages

Region	All Items	Food	Cloth- ing	Rent and Repair	Fuel, Light, & Water	Miscella- neous
Philippines	23.1	29.3	20.1	4.3	21.3	14.4
Manila	19.0	23.9	21.2	7.1	13.4	11.1
Regions Outside Manila	24.5	31.3	19.6	1.9	25.1	15.6
I. Ilocos	23.0	27.4	21.4	1.0	32.8	15.4
II. Cagayan	23.6	29.5	18.0	1.0	19.1	16.6
III. Central Luzon	21.6	25.1	14.6	0.4	15.0	18.5
IV. Southern Tagalog	24.4	32.2	16.9	3.4	11.9	14.8
V. Bicol	22.8	24.2	21.6	2.3	22.4	21.0
VI. Western Visayas	21.8	28.9	21.5	1.1	53.7	10.9
VII. Eastern Visayas	30.7	40.9	25.5	2.5	27.5	15.4
VIII. Southwestern Mindanao	29.0	41.0	20.5	4.2	15.9	14.4
IX. Northeastern Mindanao	31.5	43.2	20.7	0.9	7.7	17.6

The strong upsurge in consumer prices in 1971 resulted in large part from climatic factors and other natural calamities; partly from faulty distribution links; partly from autonomous influences such as inflationary tendencies abroad, monopolistic action by oil-producing countries, uncertainties in the international monetary scene; partly from economic measures adopted during the year and measures taken earlier; and partly from the myriad of individual and group price decisions of local producers and middlemen.

Without doubt, natural calamities suffered during 1970 and 1971 were a key factor in the sharp run-up, in food price. The "tungro" infestation of high-yielding rice crops in many agricultural areas in Central Luzon and the resurgence of the rat menace in some others significantly cut back the production of rice, the country's chief cereal. In addition, the unsettled conditions in Cotabato and Lanao also exacted their toll on the year's food harvest. The series of violent typhoons which hit the country likewise wrought severe damages, this time not only to plant crops but also to fish beds and transport link-ups to markets. These factors seriously hampered efforts to increase the supply of and enhance the availability of more goods in the market to dampen price movements.

The pressure on the goods market as a result of the low level of production was dramatized by the movement in the price of rice, a strategic price propagation factor. The price of rice soared to as high as ₱3.50 a ganta in Manila and ₱4.50 a ganta in the provinces from an average of ₱2.18 a ganta a year ago. The National Economic Council subsequently certified to shortage, and some 450,000 metric tons of rice were imported to augment supply during the second half of the year. This move succeeded in arresting the run-away movement of prices of commercial rice. Notwithstanding rice imports, however, the relative increase in the price of rice in Manila still amounted to 24.4 per cent at the wholesale level and 30.6 per cent at the final consumer stage when compared to their respective levels in the preceding year.

Another significant factor which served to lift prices up in 1971 was the increase in the landed cost of imports, not only in terms of pesos as a result of the floating of the Philippine peso in 1970 and the hike in tariff duties on certain commodities by virtue of Executive Order 279 promulgated on January 11, 1971, but also in terms of the original cost in foreign currency of the imported merchandise and related freight fees. This was a natural consequence of inflation abroad and the revaluation of currencies of key-country suppliers, the full impact of which would still be felt in future years.

For the year in review, the rise in the prices of imported commodities was a considerable 9.3 per cent over the level in 1970. Foodstuffs such as butterfat and powdered and skim milk rose in price by a minimum of 23 per cent at source. Raw materials and suppliers were similarly more expensive. The f.o.b. price of crude petroleum imports, for instance, went up by 27.3 per cent, due mainly to a settlement reached on February 14, 1971 in Teheran between the Organization of Petroleum Exporting Countries (OPEC) and a group of over twenty international oil companies assuring the uninterrupted supply of crude oil but at markedly higher prices.

On the home front, cost pressures such as the enactment of a new Minimum Wage Law, a hike of 30 per cent in freight rates granted local shipowners, the increase in the price of gasoline and other petroleum

products, the increase in the costs of borrowing, the rise in power rate and insurance premiums, led to compensatory and sometimes aggressive price adjustments.

Lastly, the state of uneasiness which existed during the pre-election campaign, the protracted conflict and disturbance in the South and even the expiration of the first Price Control Law on June 30, 1971 without an immediate substitute arrangement to take its place contributed to a general feeling of uncertainty and introduced unsettling effects in the demand and supply conditions in the market. Specifically, supply problems were aggravated by hoarding and artificial manipulation of stocks; while on the other hand, consumers especially those from the high and middle income groups heightened demand by purchasing considerably more than usual, thus, providing the opportunity to distributors to jack up prices further.

Though no longer among the primary causal factors, the continuing increase in liquidity especially when viewed on top of the previous years' increases, may have also played a supporting role in the inflationary process.

By mid-year, prices had risen to such high levels that Congress speedily worked on a new price control measure which was signed into law on July 27, 1971. With effect until June 30, 1973, the new Price Control Law (Republic Act 6361) increased the coverage of items subject to regulation¹ and decreed that the maximum prices of prime commodities should not be higher than the June 30, 1971 levels established by the old Price Council, unless modified by the new Council to be reconstituted under the Act. In this connection, the law specified that the new Price Control Council (PCC) should hold hearings and fix price ceilings for basic commodities if their prices have increased or threatened to increase by 20 per cent or more over their prices on March 1, 1970, or if formal petitions for price increases are filed with it by the different industrial sectors.

During the ensuing five months after it was revived, the Price Control Council set about to organize various hearing committees to determine the price ceilings for basic commodities. One of the first to conduct extensive hearings was the committee for milk which succeeded in stabilizing the price of imported evaporated milk till year-end. Rice, however, engaged the attention of the PCC for much of the period, although without much success. The price ceiling fixed for rice was considered "unrealistic" and rice stocks practically disappeared from the market. The maximum price set for rice was subsequently suspended, and the President imposed instead a minimum cost of ₱3 per ganta of rice.

¹ The following were added to the original seven categories: (See 1970 Central Bank Annual Report).

^a Animal and poultry feeds and veterinary supplies;

^b Motor vehicles and spare parts, tires, batteries, engines and other machinery;

^c Household utensils, appliances and other machinery;

^d Footwear, including all components.

House rentals were placed under control since June 17, 1970 when Republic Act 6126, the Rent Control Law, first went into effect. Upon its expiration about one year later Congress passed a rent control bill which was approved by the President into law. The law which would be in effect for two years, July 15, 1971 to July 15, 1973, provided that rental rates of ₱300 or less a month should not be increased during the first year of the effectivity of the Act, and that for the next year thereafter an increase of only ten (10) per cent on the rental would be allowed.

In the stock market, prices sank to new bottom levels since five years ago. This was due mainly to the price inflation in the goods market; partly to the dilution of demand as a result of the proliferation of stocks listed in the two exchanges; in part to the burden imposed by the stock transfer tax of two per cent on sales and also partly to the strong attraction held by high-yielding money-market instruments during the latter part of the year. There were also reports of withdrawal of funds by overseas investors, particularly the Chinese.

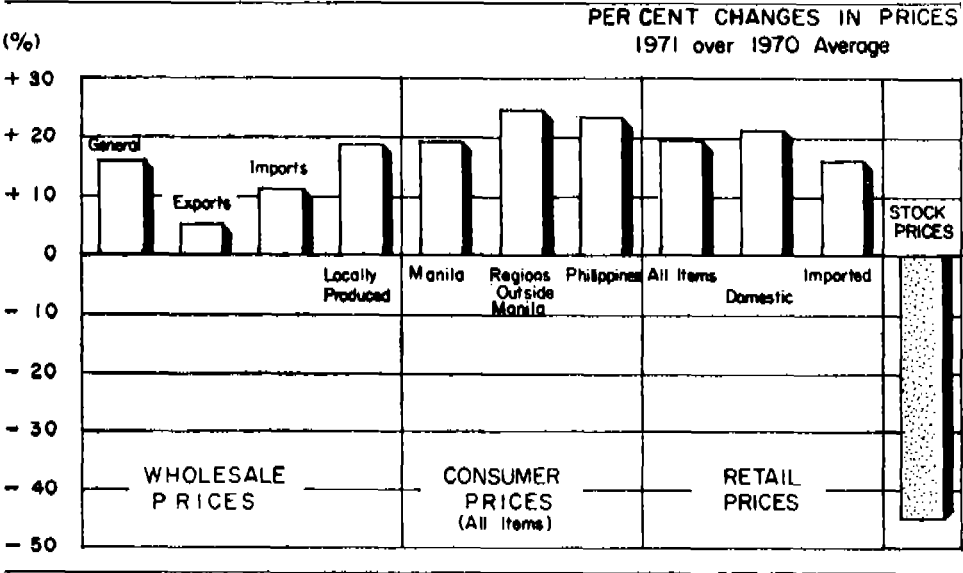


Chart 19

B. CONSUMER PRICES IN THE PHILIPPINES

The most prominent feature of this year's price inflation was the steep run-up in food prices. The CPI for Manila registered a nearly 24 per cent rise on the previous year while for regions outside Manila, the record was 31.3 per cent (see Table 6.2). All regions suffered severely, but most notably Northeastern and Southwestern Mindanao and the Eastern Visayas which posted more than 40 per cent advances in food prices. Leading price gainers were cereals, fish, vegetables and meat.

Table 6.2 — PHILIPPINES: PER CENT CHANGES IN THE CONSUMER
FOOD PRICE INDEX

1971 over 1970 Averages

Item	Philippines	Manila	Regions Outside Manila
ALL ITEMS	29.3	23.9	31.3
Cereals	33.9	27.8	35.5
Fish	33.9	31.3	35.4
Meat	29.9	28.4	30.6
Vegetables	28.6	22.2	39.7
Fruits	24.7	30.5	22.5
Eggs & Milk	18.6	13.5	21.4
Fats & Oil	10.0	9.7	9.5
Miscellaneous	16.9	9.0	30.2

Non-food items rose less sharply. In Manila, clothing was up by 21.2 per cent; fuel, light and water, by 13.4 per cent; rent, by 7.1 per cent and miscellaneous items, by 11.1 per cent. In regions outside Manila, the comparative rates of increase were 19.6 per cent for clothing, 25.1 per cent for fuel-light-water; 1.9 per cent for rent; and 15.6 per cent for miscellaneous items.

While the increase in consumer prices was mainly domestic in origin as indicated by the average rise of 19.0 per cent in locally produced goods (with a weight of 91.8 per cent in the total index), the contribution of imported items was also sizable: slightly more than 19.1 per cent.

C. RETAIL PRICES IN MANILA

The index of retail prices in Manila moved up by 19.6 per cent during the year due mainly to an average increase of 20.9 per cent in domestic items (see Table 6.3). Of these items, food, wearing apparel and construction materials recorded the largest average retail mark-ups, in the order of 20 to 26 per cent.

Table 6.3 — MANILA: PER CENT CHANGES IN THE RETAIL PRICE
INDEX OF SELECTED COMMODITIES

1971 over 1970 Averages

Item	Per Cent Change
ALL ITEMS	19.6
Food	23.9
Wearing apparel	20.6
Construction materials	17.5
Fuel	13.5
Drugs and medicine	4.7
School supplies	— 0.3
Beverages and tobacco	21.1
Household supplies & equipment	13.7
Domestic Items	20.9
Imported Items	15.6

Imported items, as a whole, were up by 15.6 per cent, accounted for the most part, by the 16.4 per cent advance in foodstuffs; 13.3 per cent in wearing apparel; 32.1 per cent in beverages and tobacco; 9.6 per cent in fuel and 18.7 per cent in household supplies and equipment.

D. WHOLESALE PRICES IN MANILA

In the wholesale market, prices were up by an average of 15.7 per cent, lower than last year's record of 19.5 per cent (see Table 6.4). Responsible for this year's rise was the jump in the wholesale price of domestically-produced items by 18.7 per cent over the average level obtaining in 1970. Chiefly, this consisted of the 26.7 per cent advance in foodstuffs, 23.3 per cent in machinery and transport equipment; 15.8 per cent in chemicals; and 10.1 per cent in crude materials.

Table 6.4 — MANILA: PER CENT CHANGES IN THE
WHOLESALE PRICE INDEX

1971 over 1970 Averages

Item	Home Consumption Goods			Export Goods	General
	Locally Produced Goods	Imported	All Goods		
ALL TIMES	18.7	11.2	17.4	5.4	15.7
Food	26.7	13.6	25.6	17.0	24.7
Beverages & tobacco	6.8	4.2	6.5	—13.8	6.2
Crude materials	10.1	7.4	10.1	— 0.7	4.5
Mineral fuels	9.7	18.7	14.0	—	14.0
Animal & vegetable oils & fats	—10.4	4.6	— 9.8	—10.4	—10.0
Chemicals	15.8	11.3	14.1	7.3	14.1
Manufactured goods	6.2	7.7	6.8	8.3	6.8
Machinery & transport equipment	23.3	14.0	17.4	—	17.4
Miscellaneous manu- factures, n.e.s.	8.1	0.4	7.2	0.5	7.2

The wholesale prices of imported commodities, on the other hand, moved up at a less rapid rate, 11.2 per cent. The more considerable advances were recorded for mineral fuels (18.7 per cent), food, chemicals and machinery and transport equipment (with upwards of 10 but less than 15 per cent increases).

With regard to the wholesale market for export goods, the price increase over the previous year was a modest 5.4 per cent. Overall price gains for centrifugal sugar, unmanufactured abaca, cordage and logs and lumber were significantly offset by price losses in coconut export products, leaf tobacco and pineapples.

E. STOCK PRICES

After a decline of 25.6 per cent in 1970, stock prices moved further down by 45.2 per cent in 1971 (see Table 6.5). Mining shares suffered the biggest losses with a nearly 48 per cent decline from last year's average prices. Commercial and industrial shares were down by only 13.9 per cent.

Table 6.5 — MANILA: PER CENT CHANGES IN THE
STOCK PRICE INDEX

1971 over 1970 Averages

Item	Per cent Change
ALL ESTABLISHMENTS	—45.2
Banks	2.5
Insurance	1.3
Commercial & Industrial	—13.9
Mining	—47.9
Sugar	—10.2

Sales volume likewise declined considerably. From a turnover of 40,693 million shares in 1970, stock transactions fell to 12,451 million shares, or by nearly 70 per cent. Thus, the gross value of transactions dropped to ₱352.7 million or only about a fourth of the previous year's record of ₱1,422.5 million.

VII. EMPLOYMENT AND WAGES

Selected labor force statistics, as obtained from household surveys undertaken by the Bureau of the Census and Statistics in May, 1969 and May, 1971 reveal that the Philippine labor force has grown from 12.0 million in 1969 to 13.2 million in 1971 (see Table 7.1). A greater proportion of the labor force (about 51.2 per cent) was employed in agriculture and the remaining 48.8 per cent in non-agricultural sectors. As of May 1971, about 95.3 per cent were considered employed and 4.7 per cent unemployed.

Table 7.1 — PERSONS IN THE LABOR FORCE, BY EMPLOYMENT STATUS
1969-1971

(Thousands)

Labor Force Status	May, 1969	May, 1970 Census ^a	May, 1971 ^b
LABOR FORCE	<u>12,046</u>	<u>12,207</u>	<u>13,211</u>
Employed	<u>11,235</u>	<u>11,274</u>	<u>12,587</u>
By Industry			
Agriculture	6,326	..	6,441
Non-Agriculture	4,909	..	6,146
Unemployed	<u>812</u>	<u>934</u>	<u>624</u>
AS PER CENT OF LABOR FORCE			
Employed	93.3	92.4	95.3
Unemployed	6.7	7.6	4.7

SOURCE: Bureau of the Census and Statistics.

LABOR FORCE, By Employment Status
(As Per Cent of Total)

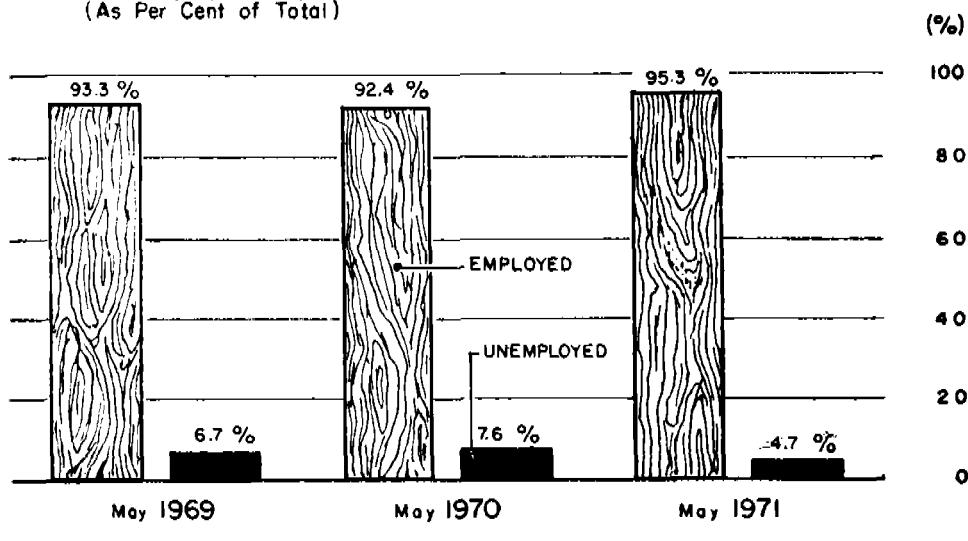


Chart 20

It should be noted, however, that the data collected by the Bureau of the Census and Statistics show the employment status of persons 10 years and over for only a definite and limited period of time and do not reflect the employment status of the population throughout the year. Seasonal labor force participation of students during vacation and of farm hands during the planting and harvesting seasons may have increased the estimate of the employed labor force.

Focusing attention on the non-agricultural sector of the labor force, Central Bank indices for 1971 reflect increases in employment, money wage rates and monthly earnings. However, steadily increasing consumer prices left real wage rates lagging far behind.

A. NON-AGRICULTURAL EMPLOYMENT

The over-all index of non-agricultural employment (1955 = 100.0), based on data submitted by 1,289 cooperating establishments, rose to 144.1 in 1971 or 1.3 per cent above the 1970 level of 142.3 (see Table 7.2). This increment may have been caused mainly by the 17.7 per cent increase in personnel in the electricity, gas and heat, water and sanitary services group, the index of which rose from 158.2 in 1970 to 186.2 in 1971.

Table 7.2 — INDEX OF NON-AGRICULTURAL EMPLOYMENT

1970 — 1971

(1955 = 100)

Industry Division	1971 ^a	1970	Per Cent Change
ALL ITEMS	144.1	142.3	+ 1.3
Mining & quarrying	81.5	83.8	- 2.7
Manufacturing	132.9	132.4	+ 0.4
Construction	193.0	191.8	+ 0.6
Electricity, gas & heat, water & sanitary services	186.2	158.2	+17.7
Commerce	142.4	140.1	+17.7
Transport & communication	161.4	157.8	+ 2.3
Services	169.4	168.0	+ 0.8
Recreation ¹	100.8	98.9	+ 1.9
Personal	131.1	142.2	- 7.8
Government ²	173.8	172.1	+ 1.0

SOURCE OF BASIC DATA: 1,289 cooperating establishments.

¹ Actors, actresses and other players in motion picture studios are not included.² Covering 74 bureaus and offices.

Except for mining and quarrying whose index dropped by 2.7 per cent from 83.8 to 81.5 and for the personal services sub-group whose index fell significantly by 7.8 per cent from 142.2 to 131.1, all other divisions registered modest increases.

The manufacturing, construction and recreation services group added more workers during the last quarter of the year to effect slight increases of 0.4 per cent, 0.6 per cent and 1.9 per cent in their respective indices. Other sectors which added more workers to their payrolls were: commerce, increasing by 1.6 per cent to an index of 142.4; transport and communications, whose index rose from 157.8 to 161.4 and services, whose over-all index rose by merely 0.8 per cent from 168.0 to 169.4 because increases in the government and recreation sub-groups were pulled down by a 7.8 per cent reduction in the personal services sub-group.

B. WAGE RATES

Money wage rates in 1971 continued their upward trend, although at lower rates than those experienced in 1970. On the average, skilled laborers in 1971 received daily wages which were 4.7 per cent higher than those paid in 1970 while unskilled laborers' daily wages were 6.4 per cent higher.

Table 7.3 — WAGE RATES INDEX FOR NON-AGRICULTURAL LABORERS
IN MANILA AND SUBURBS

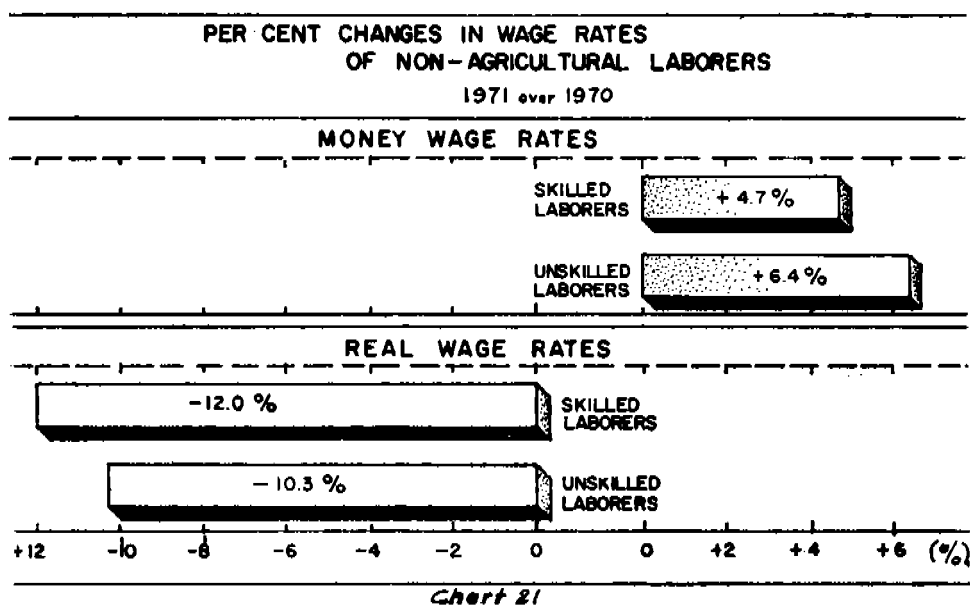
1970 — 1971

(1955 = 100)

Wage Rates	1971 ¹	1970	Per Cent Change
Money wage rates			
Skilled laborers	159.1	151.9	+ 4.7
Unskilled laborers	189.2	177.9	+ 6.4
Real wage rates¹			
Skilled laborers	71.2	80.9	-12.0
Unskilled laborers	84.8	94.5	-10.3

SOURCE OF BASIC DATA: Private firms.

¹ Money wage rate index deflated by the consumer price index (1955 = 100) in Manila.



These increases in wage rates, however, were not sufficient to cope with the unprecedented surge of consumer prices. As a result, real wage rates of skilled laborers dropped by 12 per cent from 80.9 in 1970 to 71.2 in 1971 and those of unskilled laborers, by 10.3 per cent from 94.5 in 1970 to 84.8 in 1971.

C. EARNINGS

Based on reports submitted by 787 cooperating non-agricultural establishments, average monthly earnings (inclusive of overtime) in 1971 of salaried employees (including executives and supervisors) improved by 7.1 per cent while wage earners received 7.6 per cent more than they did in 1970. The over-all index of average monthly earnings (1955=100.0) was 178.9 for salaried employees and 188.3 for wage earners.

Table 7.4 — INDEX OF AVERAGE MONTHLY EARNINGS IN SELECTED
NON-AGRICULTURAL INDUSTRIES IN THE PHILIPPINES
1970 — 1971

(1955 = 100)

Industry Division	1971 ^a	1970	Per Cent Change
ALL WORKERS			
Salaried employees ¹	178.9	167.0	+ 7.1
Wage earners	188.3	175.0	+ 7.6
Mining & quarrying			
Salaried employees	163.8	149.8	+ 9.3
Wage earners	246.3	218.4	+12.8
Manufacturing			
Salaried employees	200.1	181.8	+10.1
Wage earners	199.5	176.2	+13.2
Electricity, gas & heat, water & sanitary services			
Salaried employees	168.5	166.6	+ 1.1
Wage earners	189.6	184.2	+ 2.9
Commerce			
Salaried employees	186.8	173.2	+ 7.9
Wage earners	170.2	156.9	+ 8.5
Transport & communications			
Salaried employees	183.8	171.5	+ 7.2
Wage earners	152.3	147.6	+ 3.2

SOURCE OF BASIC DATA: 787 cooperating establishments.

¹ Salaried employees include executives and supervisors.

Going through the different industry divisions, it should be noted that with the exception of transport and communication where salaried employees enjoyed higher increases in earnings than wage earners, all the other divisions (mining and quarrying, manufacturing, electricity, gas and heat, water and sanitary services, and commerce) exhibited higher increases in earnings for wage earners than for salaried employees.

The manufacturing sector registered the largest increases for both salaried employees and wage earners, with the index for the former rising from 181.8 to 200.1 and the index for the latter increasing from 176.2 to 199.5.

Employees in the mining and quarrying sector ranked second in point of increases in average monthly earnings. The index of monthly earnings for salaried employees rose from 149.8 in 1970 to 163.8 in 1971 while that for wage earners went up from 218.4 in 1970 to 246.3 in 1971.

The commercial sector followed closely, giving its salaried employees and wage earners increases of 7.9 per cent and 8.5 per cent, respectively. The corresponding indices stood at 186.8 and 170.2.

In the field of transport and communications, salaried employees, whose index of average monthly earnings was 183.8, secured pay increases of about 7.2 per cent while wage earners, whose index was 152.3, received increases of only 3.2 per cent.

The least gain in point of average monthly earnings was experienced by employees in the electricity, gas and heat, water and sanitary services. Salaried employees in this sector received an increase in earnings of 1.1 per cent with the average monthly earnings index at 168.5 while wage earners got an increase in earnings of 2.9 per cent with the average monthly earnings index at 189.6. The minimal increases in earnings of employees in this sector were as expected, considering the substantial increase in the number of its employees during the year. As mentioned earlier, this sector expanded its employment index by 17.7 per cent from 158.2 in 1970 to 186.2 in 1971.

XIII. GROSS SALES¹

The over-all index of gross sales for 1971 (1965=100.0) increased by 13.7 per cent from the previous year's level of 225.7 to 256.6. This expansion may be attributed to increases experienced by all industry divisions. The biggest increment was experienced by the service industry whose sales index rose by 35.3 per cent from 150.7 in 1970 to 203.9 in 1971. This was a substantial gain considering that during the previous year, this industry registered a slight decrease of 0.1 per cent.

Table 8.1 — GROSS SALES AND/OR RECEIPTS INDEX BY INDUSTRY DIVISION
1969-1971

(1955 = 100)

Industry	1971	1970	1969	Per Cent Change	
				1971	1970
ALL ITEMS	256.6	225.7	180.6	13.7	25.0
Manufacturing	317.8	282.1	212.9	12.7	32.5
Electricity, Gas & Water	219.0	186.8	159.4	17.2	17.2
Commerce	224.6	194.1	155.1	15.7	25.1
Transport, Storage & Communication	153.6	144.3	142.8	6.4	1.1
Services	203.9	150.7	150.8	35.3	— 0.1

SOURCES OF BASIC DATA: 408 corporations.

Ranking second in point of increase in sales was the electricity, gas and water division whose index maintained an annual rate of increase of 17.2 per cent for the second consecutive year. The sales index for this group rose from 186.8 in 1970 to 219.0 in 1971.

Commerce, which ranked second in 1970 in point of sales increase came in third in 1971 with a 15.7 per cent increase in the sales index from 194.1 in 1970 to 224.6 in 1971.

The indices for the manufacturing and transport, storage and communication industries rose by 12.7 per cent and 6.4 per cent, respectively. The gross sales index for manufacturing stood at 317.8 in 1971 while that for transport, storage and communication stood at 153.6.

¹ Data for this section of the annual report were taken from a survey of 408 firms undertaken by the Department of Economic Research using an updated sampling frame with 1965 as the base year.

IX. FINANCIAL CONDITION OF THE CENTRAL BANK AND RESULTS OF OPERATIONS

A. FINANCIAL CONDITION

Despite a slack in the lending operations of the Central Bank, its total resources expanded by ₱909.3 million or 15.1 per cent in 1971 (as against 17.4 per cent in 1970) to reach ₱6,912.6 million at year's end. The bulk of incremental assets arose from the ₱599.6 million increase in international reserves. The expansion of outstanding investments in government securities accounted for another ₱36.8 million. Outstanding loans and advances, on the other hand, declined by ₱77.6 million.

The largest contributors to the ₱889.2 million growth in total liabilities were demand deposits with ₱415.2 million, followed by CBCI's, ₱353.7 million; currency issue, ₱294.5 million; and obligations to the IMF, ₱81.9 million. On the other hand, foreign notes and loans payable and IBRD loans dropped by ₱265.5 million and ₱19.7 million, respectively.

Undivided profits increased by ₱19.5 million boosting — with the help of the surplus account — total net worth by ₱20.1 million as of the end of 1971, in contrast with the decline of ₱2.6 million a year ago (see Tables 9.1, 9.2 and 9.3).

Table 9.1 — COMPARATIVE STATEMENT OF CONDITION OF THE
CENTRAL BANK

December 31, 1970 and 1971

(In Pesos)

Item	December 31, 1971	December 31, 1970	Increase or (Decrease)
ASSETS			
1. International Reserves	1,780,606,158.33	1,180,962,976.47	599,643,181.86
2. Due from U.S. Banks-Special Deposit Account	—	—	—
3. Domestic Securities	2,303,698,811.71	2,266,941,607.80	36,757,203.91
4. Loans and Advances	1,961,009,418.64	2,038,657,332.98	(77,647,914.34)
5. Account to Secure Coinage ..	34,460,717.59	34,460,717.59	—
6. Bank Premises, Furn. Equip's	71,818,657.08	41,146,702.95	30,671,954.13
7. Other Assets ¹	760,978,453.29	441,062,785.19	319,915,673.10
Total Assets	<u>6,912,572,221.64</u>	<u>6,003,232,122.98</u>	<u>909,340,098.66</u>

**Table 9.1 — COMPARATIVE STATEMENT OF CONDITION OF THE
CENTRAL BANK (Concluded)**

December 31, 1970 and 1971

(In Pesos)

I t e m	December 31, 1971	December 31, 1970	Increase or (Decrease)
LIABILITIES			
8. Currency Issue	3,015,392,017.25	2,720,859,776.76	294,532,240.49
9. Demand Deposits	1,203,316,668.78	788,078,711.72	415,237,957.06
10. International Monetary Fund ..	505,441,571.56	423,535,356.68	81,906,214.88
11. International Bank for Recon- struction & Development ..	4,207,710.87	23,875,023.99	(19,667,313.12)
12. Asian Development Bank — Account F	900,900.00	—	900,900.00
13. Notes & Loans Payable-Foreign	1,101,860,011.85	1,367,358,830.38	(265,498,818.53)
14. Revaluation of International Reserves	257,347,483.88	260,539,163.02	(3,191,679.14)
15. Central Bank Certificates of Indebtedness	421,720,000.00	68,060,000.00	353,660,000.00
16. Other Liabilities	110,592,586.71	79,270,762.15	31,321,824.56
Total Liabilities	<u>6,620,778,950.90</u>	<u>5,731,577,624.70</u>	<u>889,201,326.20</u>
NET WORTH			
17. Capital	10,000,000.00	10,000,000.00	—
18. Surplus	257,401,065.62	256,949,541.82	451,523.80
19. Reserve for Currency Insurance	2,769,015.46	2,551,110.41	217,905.05
20. Reserve for Refund of Margin Fee	280,809.23	347,750.86	(66,941.63)
21. Undivided Profits	21,342,380.43	1,806,095.19	19,536,285.24
Total Net Worth	<u>291,793,270.74</u>	<u>271,654,498.28</u>	<u>20,138,772.46</u>
Total Liabilities & Net Worth	<u>6,912,572,221.64</u>	<u>6,003,232,122.98</u>	<u>909,340,098.66</u>

¹ This includes the Special Account — Foreign Exchange Differentials which represent losses incurred by the Central Bank in servicing forward exchange contracts at the par value rate.

FINANCIAL CONDITION OF THE CENTRAL BANK, 1970 & 1971

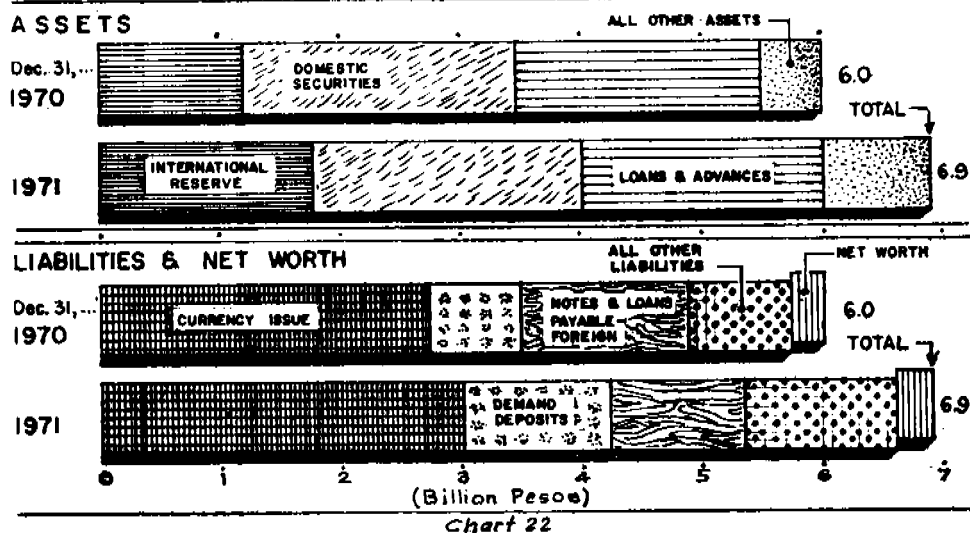


Table 9.2 — COMPOSITION OF THE INTERNATIONAL RESERVES
OF THE CENTRAL BANK OF THE PHILIPPINES
December 31, 1970 and 1971

(Amount in Million Pesos)

Item	December 31, 1971	December 31, 1970	Increase or Decrease (—)	
			Amount	Per cent
T O T A L	1,780.6	1,181.0	599.6	50.8
Gold	317.1	248.3	68.8	27.7
Due from Foreign Banks	1,436.8	862.7	574.1	66.5
Foreign Government Securities	1.6	—	1.6	100.0
Foreign Currencies	25.1	5.6	19.5	348.2
Special Time Deposit—Local	—	64.4	— 64.4	—

Table 9.3 -- COMPARATIVE STATEMENT OF DEPOSIT LIABILITIES
OF THE CENTRAL BANK OF THE PHILIPPINES

December 31, 1969 to 1971

(Amount in Million Pesos)

Depositors	1969	1970	1971	Increase or Decrease (--) During	
				1971	1970
Commercial Banks	600.7	557.5 ^a	907.1 ^a	349.6	— 43.2
Rural Banks	4.9	8.8	9.4	0.6	3.9
Savings & Loan Associations	0.7	1.1	1.0	—0.1	0.4
Treasurer of the Philippines	78.7	180.2	202.6	22.4	101.5
Government Trust Fund	<u>39.9</u>	<u>31.8</u>	<u>83.2</u>	<u>51.4</u>	<u>— 8.1</u>
T o t a l	<u>724.9</u>	<u>779.4</u>	<u>1,203.3</u>	<u>423.9</u>	<u>54.5</u>

^a Including foreign currency deposits of commercial banks.

B. RESULTS OF OPERATIONS

Central Bank operations in 1971 resulted in a net income of ₱21.3 million (compared to the ₱1.7 million net gain in 1970) as gross income expanded by 20.9 per cent while total expenses advanced by only 1.8 per cent.

Gross income rose by ₱40.5 million to ₱234.5 million largely due to incomes from foreign investments, domestic loans and advances and foreign exchange transactions which increased by ₱21.1 million, ₱10.7 million and ₱7.0 million, respectively.

Total expenses advanced by only ₱3.8 million in 1971 compared to the growth of ₱52.1 million in 1970, attributable mainly to a substantial drop in foreign interest and commitment expenses (see Tables 9.4 and 9.5).

Table 9.4 — COMPARATIVE STATEMENT OF INCOME AND EXPENSES

For 1970 and 1971

Item	1 9 7 1	1 9 7 0	Increase or Decrease (—)	
			A m o u n t	Per Cent
GROSS INCOME	<u>P234,476,219.74</u>	<u>P193,984,566.75</u>	<u>P40,547,652.99</u>	20.9
Income from Foreign Exchange Transactions	17,290,442.52	10,324,258.38	6,966,184.14	68.0
Income from Foreign Investments	48,765,222.88	27,671,368.21	21,093,854.67	76.2
Income from Domestic Loans and Advances	83,944,098.93	73,201,768.07	10,742,330.86	14.6
Income from Domestic Investments	72,494,068.57	69,948,497.38	2,545,571.19	3.6
Miscellaneous Income	11,982,386.84	12,782,674.71	— 800,287.87	— 6.3
TOTAL EXPENSES	<u>P213,275,252.55</u>	<u>P209,458,968.28</u>	<u>P 3,816,284.27</u>	1.8
Operating Expenditures	63,177,911.52	54,697,461.95	8,480,449.57	15.5
Non-Operating Expenditures	5,196,573.92	3,158,904.70	1,037,669.22	31.3
Capital Expenditures	2,256,495.15	863,730.23	1,392,764.92	155.6
Miscellaneous Expenditures	2,800,665.40	4,357,863.84	— 1,557,198.44	— 36.4
General Expenditures	140,843,606.56	146,381,007.56	— 5,537,401.00	— 3.8
of which: Interest and Commitment Expenses (Foreign)....	117,198,380.59	134,952,036.34	—17,753,655.75	— 13.2
Net Income (Loss) from Operations	<u>P 21,200,967.19</u>	<u>P 15,530,401.53</u>	<u>P36,731,368.72</u>	236.8
Add: Non-Operating Income	<u>P 141,413.24</u>	<u>P 17,183,206.16</u>	<u>P17,041,792.92</u>	— 98.8
Income from Sale of Silver Coins	—	17,183,206.16	—17,183,206.16	— 98.8
Collections on Margin Fee on Sale of Foreign Exchange	141,413.24	—	141,413.24	100.0
NET INCOME	<u>P 21,342,380.43</u>	<u>P 1,652,804.63</u>	<u>P19,689,575.80</u>	1,158.8

Table 9.5 — DISTRIBUTION OF ANNUAL NET PROFIT FROM OPERATIONS
OF THE CENTRAL BANK FOR 1971

To Surplus (25% of the Net Profit)	P 5,335,595.10
To Increase the Resources of the Securities Stabilization Fund	500,000.00
To Reduce the Monetary Adjustment Account	13,243,490.00
To be Paid to the General Fund of the National Government	<u>2,263,295.33</u>
Total Net Profit	<u><u>P21,342,380.43</u></u>

APPENDIX

MAJOR LEGAL AND ADMINISTRATIVE MEASURES OF ECONOMIC SIGNIFICANCE ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING 1971

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 283

CREATING THE PRESIDENTIAL OIL COMMISSION.

WHEREAS, there is a growing need to determine, in the most definitive and authoritative way, the true economic prices of gasoline, lubricants, and other products in the petroleum range, as well as the profits of the several oil companies operating in the Philippines.

WHEREAS, the Congress of the Philippines, which has seen fit to discuss, in recent sessions, various means of regulating the oil industry, has yet to be convened in regular session; and

WHEREAS, recent events have impressed upon both the public and the government the urgency of establishing an agency to review these matters, pending the passage of corresponding legislation;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby create the Presidential Oil Commission to be composed of the following:

The Secretary of Finance, or his representative	Chairman
The Secretary of Commerce and Industry or his representative	Member
The Auditor General, or his representative	Member
The Chairman of the Board of Investments, or his representative	Member
A representative of Consumers	Member

The Commission shall study the economic prices of gasoline, lubricants, and other petroleum products, the profits of the oil companies operating in the country, and complementarily, the income of bus,

jeepney and other public transport operators and drivers, as well as retail and wholesale dealers involved with the oil industry, and shall recommend appropriate measures thereupon, to the end that protection shall be provided both the consumers of petroleum products and the oil industry.

The Commission is hereby empowered to call on any department, bureau, office and other instrumentality of the government for such assistance as it may need in the discharge of its functions.

The Commission shall submit its report within sixty days from the date hereof.

Done in the City of Manila, this 13th day of January, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACANANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 285

AUTHORIZING THE NATIONAL FOOD AND AGRICULTURE
COUNCIL TO INCLUDE NUTRITION COORDINATION IN ITS
FOOD PRODUCTION PROGRAM.

WHEREAS, by virtue of Executive Order 183 dated May 6, 1969, the National Food and Agriculture Council was vested with the sole authority and responsibility to coordinate, supervise and integrate all programs of all agencies of the national government concerning the production, stabilization, distribution and marketing of rice and corn and other prime food commodities; and

WHEREAS, it is greatly felt that national concern should not only be in production of food but also in its nutritive utilization so that the traditional deficiencies in the average diet of our people may be remedied;

Now, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby authorize the National Food and Agriculture Council to include, in addition to its present functions, coordination of national nutrition programs. The National Coordinating Council on Food and Nutrition represented by the Research Director of the Food and Nutrition Research Center, is designated as member of the National Food and Agriculture Council (NFAC). The Budget Commission and all other agencies involved in said programs are hereby directed to cooperate with the Council in the effective planning and implementation of such programs.

The National Food and Agriculture Council shall submit to the President regularly a summary of the programs, activities and accomplishments relative to this new program.

Done in the City of Manila, this 21st day of January, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 290

AMENDING EXECUTIVE ORDER NO. 243, DATED JULY 7, 1970,
CREATING THE NATIONAL COMMITTEE FOR MINERAL EX-
PLORATION AND SURVEY OPERATIONS.

By virtue of the powers vested in me by law, I, FERDINAND E. MARCOS, President of the Philippines, do hereby amend Executive Or-

der No. 243, dated July 7, 1970, creating the National Committee for Mineral Exploration and Survey Operations, by including a representative of the Central Bank as a member of said committee.

Done in the City of Manila, this 10th day of February, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 292

AMENDING EXECUTIVE ORDER NO. 180, SERIES OF 1969, RE-
CONSTITUTING THE COMMITTEE ON WOOD INDUSTRIES
DEVELOPMENT UNDER THE OFFICE OF THE PRESIDENT.

Realizing the need for the accelerated development of the Philippine wood industry as a vital factor in the economic program of the country;

Appreciating the need for the government to provide a stable environment in which the wood industry will operate, in return for a fair share to the government of the proceeds of forest products and services; and

In view of the rapid and expansive growth that the wood industry is capable of attaining;

I, FERDINAND E. MARCOS, President of the Philippines, pursuant to the authority conferred upon me by law, do hereby amend Executive Order No. 180, series of 1969, reconstituting the Committee on Wood Industries Development under the Office of the President, as follows:

1. The Committee shall have the following functions and responsibilities:

a) To study, discuss and arrive at action recommendations to solve current problems confronting the wood industry;

b) To study, review and discuss present policies embodied in existing laws, rules and regulations affecting the wood industry with a view to evolving new policies and reforms as may be found necessary to boost the expansive growth of the industry, while at the same time placing more responsibility for the management, development and protection of forest resources with the proper government agency.

c) To study, review and arrive at recommendations on an equitable sharing of proceeds between the industry and the government from the sale of forest products.

d) To undertake research and market development programs designed to accomplish the objectives of growth in the wood industry; and

e) To harness available potential resources from both the government and the private sectors for the development of the industry.

2. The Committee shall be composed of the following:

Secretary of Agriculture and Natural Resources	Chairman
Secretary of Finance	Co-Chairman
President, Philippine Chamber of Wood Industries, (PCWI)	Member
President, Philippine Association for Permanent Forests, Inc. (PERMAFOR).....	Member
President, Philippine Lumber Producers Association (PLPA)	Member
President, Plywood Manufacturers Association of the Philippines (PMAP)	Member
President, Society of Filipino Foresters, Inc. (SFF)	Member
Director-General, Presidential Economic Staff (PES)	Member
Chairman, Board of Investments (BOI)	Member
Director of Forestry	Member
Director, Parks & Wildlife Office (PWO)	Member
Commissioner, Forest Products Research and Industries Development Commission (FORPRIDECOM)	Member

The private sector representatives shall elect one among themselves who shall act as Committee Vice-Chairman.

The Committee may call on any department, bureau, office, agency or instrumentality of the national government, including government-owned or controlled corporations, for such assistance as it may need in connection with the performance of its functions, and such assistance shall be extended whenever the same is sought by the committee or any of its members.

Executive Order No. 180 dated April 15, 1969 is modified accordingly.

Done in the City of Manila, this 17th day of February, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—————oOo—————

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 295

FURTHER AMENDING EXECUTIVE ORDER NO. 237 DATED JUNE 16, 1970, WHICH CREATED THE NATIONAL COUNCIL FOR SMALL AND MEDIUM INDUSTRIES.

The fifth paragraph of Executive Order No. 237 dated June 16, 1970, is hereby further amended by including the Chairman of the Board of Investments as member of the National Council for Small and Medium Industries to read as follows:

“NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby create a National Council for Small and Medium Industries which shall be composed of the following:

Chairman of the National Economic Council	Chairman
Director, U.P. Institute for Small Scale and Medium Industries	Action Officer
Secretary of Commerce and Industry	Member
Chairman, Board of Investments	Member

Chairman, Board of Governors, Development Bank of the Philippines	Member
President, Philippine National Bank	Member
General Manager, Government Service Insurance System	Member
Administrator, Social Security System	Member
Representative, Philippine Chamber of Small Business and Industries	Member
Representative, Philippine Chamber of Industries	Member
Representative, Philippine Chamber of Commerce	Member

Done in the City of Manila, this 2nd day of March, in the year
of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 296

AMENDING EXECUTIVE ORDER NO. 277, DATED DECEMBER 8,
1970, ENTITLED "CREATING THE PRESIDENTIAL ADVISO-
RY COMMITTEE ON THE COPPER INDUSTRY."

The composition of the Presidential Advisory Committee on the
Copper Industry created under Executive Order No. 277, dated Decem-
ber 8, 1970, is hereby amended to read as follows:

"From the Government:

1. Chairman, Board of Investments
2. Secretary of Finance or his representative
3. Secretary of Commerce & Industry or his representative
4. Director, Bureau of Mines

"From the Private Sector:

The Chief executives of the copper producing
companies or their authorized representatives."

Done in the City of Manila, this 2nd day of March, in the year of
Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 302

AMENDING EXECUTIVE ORDER NO. 115, DATED 26 JANUARY
1968, CREATING THE NATIONAL EXPORT COORDINATING
CENTER.

WHEREAS, there is an urgent need to locate, in one government
agency, full responsibility and authority for the promotion of Philippine
export trade;

WHEREAS, pursuant to present plans of the Commission of Re-
organization, the Department of Commerce and Industry is being de-
signated the agency charged with this responsibility;

WHEREAS, there is an evident need to effect these changes by
administrative processes, pending legislative action on the Reorganiza-
tion Plan;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of
the Philippines, by virtue of the powers vested in me by law, do hereby
amend Executive Order No. 115 dated 26 January 1968 creating the
National Export Coordinating Center by transferring that agency from
the Office of the President to the Department of Commerce and Indus-
try, and designating the Undersecretary of Industry as the Export Co-
ordinator *ex officio*.

In addition, the NECC is directed to reduce further the procedural
steps involved in export licensing and documentation; to provide the re-

quired guidelines and standards for the shipment of samples of Philippine products for the export market; and to provide standards, in cooperation with the Bureau of Customs to limit the discretion of examiners in appraising materials imported into the country as samples.

Done in the City of Manila, this 16th day of March, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 335

DESIGNATING THE BUREAU OF CUSTOMS AS CERTIFYING AUTHORITY FOR CERTIFICATES OF ORIGIN COVERING PHILIPPINE EXPORTS UNDER THE GENERALIZED SCHEME OF PREFERENCES (GSP) OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT.

WHEREAS, the United Nations Conference on Trade and Development (UNCTAD) has embarked on a program to liberalize world trade, and particularly to promote and expand the export trade of developing countries through a scheme of preferences by which developed countries agree to reduce or eliminate tariff and other barrier to trade;

WHEREAS, the preference-giving developed countries have indicated their willingness to implement their respective schemes of general preferences;

WHEREAS, it will be beneficial for the Philippines to participate and take advantage of the trade opportunities under the generalized scheme of preferences; and

WHEREAS, in accordance with the rules of implementation adopted by the UNCTAD, there is a need to designate a national certifying agency authorized to issue certificates of origin for products exported under the generalized scheme of preferences;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby designate the Bureau of Customs as the certifying agency of the Government of the Philippines authorized to issue certificates of origin products exported under the UNCTAD Generalized Scheme of Preferences.

Done in the City of Manila, this 30th day of August, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—oOo—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 338

CREATING THE PERMANENT COMMITTEE FOR THE IMPLEMENTATION OF THE PHILIPPINE-INDONESIAN AGREEMENTS ON ECONOMIC AND TECHNICAL COOPERATION, AND DEFINING ITS POWERS AND FUNCTIONS.

By virtue of the powers vested in me by law, I, FERDINAND E. MARCOS, President of the Philippines, upon recommendation of the Philippines, upon recommendation of the Philippine Panel which participated in the Philippine-Indonesian Joint Commission on Economic and Technical Cooperation held in Manila from July 27-29, 1971, do hereby create an inter-agency committee, to be known as the Permanent Committee for the Implementation of the Philippine-Indonesian Agreements on Economic and Technical Cooperation, composed of the following:

Undersecretary of Commerce — Chairman
A Governor of the Board of Investments — Vice Chairman
Director of the Bureau of Forestry — Member
Commissioner of the Fisheries Commission — Member
A representative of the Department of Finance — Member
A representative of the Department of Foreign Affairs — Member
A representative of the Central Bank — Member

A representative of the Department of Agriculture and Natural Resources — Member

A representative of the Bureau of Customs — Member

A representative of the Philippine Coconut Administration — Member

A representative of the Philippine Navy — Member

A representative of the Tariff Commission — Member

A representative of the Presidential Economic Staff — Member

A representative of the National Economic Council — Member

The Committee shall have the following functions:

(a) To implement the Basic Agreement on Economic and Technical Cooperation between the Government of the Republic of the Philippines and the Government of the Republic of Indonesia signed on May 30, 1969, as well as the specific agreements and arrangements entered into between the two countries on July 29, 1971;

(b) To formulate specific policies and/or action programs to facilitate and expedite the implementation of the Agreements with Indonesia and on all matters affecting Indonesia requiring government action as well as to recommend, whenever necessary, on matters requiring policy decision by the President or requiring legislative action by Congress;

(c) To synchronize, coordinate, and make more effective the exchange of technical information, feasibility studies and commercial intelligence needed by both countries on the specific subjects treated in the agreements;

(d) To review the implementation of, and to prepare possible amendments to, the afore-mentioned agreements;

(e) To discuss and formulate proposals and guidelines for future agreements and joint measures to expand trade and promote closer economic cooperation between the Philippines and Indonesia.

(f) To study and explore the feasibility of establishing a free trade area between the Philippines and Indonesia in consonance with the Border Trade Agreement of July 29, 1971; and

(g) To recommend the holding of regular and/or special Joint Commission meetings with Indonesia as circumstances warrant.

In order to carry out its functions, the Committee is hereby granted the authority to constitute technical committees whenever it may deem necessary. It is also authorized to call directly upon any Department, bureau, or office in the executive branch of the government or upon any government-owned or controlled entity or agency for such assistance as the Committee may need and to request for, utilize and make use of, the services of their personnel. It may also request the services of members of the private sector for advice and consultation.

Done in the City of Manila, this 9th day of September, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

—o0o—

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 339

AMENDING EXECUTIVE ORDER NO. 206 OF JANUARY 9, 1970, SO AS TO DIRECT THE CENTRAL BANK OF THE PHILIPPINES TO RECEIVE PAYMENT THROUGH THE BANKING SYSTEM OF OTHER NATIONAL INTERNAL REVENUE TAXES.

The Central Bank of the Philippines is hereby directed to receive payment through its authorized agent banks of such other national internal revenue taxes, in addition to the four (4) categories of taxes enumerated under Executive Order No. 206 of January 9, 1970, as may be determined by the Secretary of Finance, after consultation with the Monetary Board, to be appropriate and feasible for payment through the banking system. The pertinent provisions of the said executive order shall be applicable to the receipt of such other internal revenue taxes by the Central Bank of the Philippines through its authorized agent banks.

Done in the City of Manila, this 9th day of September, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 357

FURTHER AMENDING EXECUTIVE ORDER NO. 8 DATED FEBRUARY 1, 1966, ENTITLED "CREATING THE PRESIDENTIAL ECONOMIC STAFF."

WHEREAS, the Presidential Economic Staff (PES) intends to vigorously pursue the proposed regional planning and monitoring and integrated development planning; and

WHEREAS, to carry out this purpose there is a need to expand and redefine the functions and responsibilities of the PES.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby further amend Executive Order No. 8 dated February 1, 1966, by assigning the following additional functions and responsibilities to the PES:

- (a) Formulate plans and recommend policies and guidelines on regional and local development;
- (b) Coordinate, integrate and monitor development plans and programs of national government with those of regional and local levels insofar as regional and local development projects are concerned;
- (c) Maintain and update economic data and statistics for each region province, city and municipality for use of different planning bodies;
- (d) Undertake research and studies including training programs and pilot projects to improve the present approaches to local economic development efforts.
- (e) Duly inform the local governments concerned through the Assistant Executive Secretary for Local Government Affairs, Office of the President, of all changes in policy guidelines and updating of development plans, and provide them as well with the updated data and statistics, and the results of researches and studies pertaining to the said local governments.

For purposes of carrying out the foregoing additional functions, the Presidential Economic Staff (PES) is hereby directed to establish a Regional Development Monitoring and Planning unit to be attached to the Office of the Director for Administration and Economic Operations.

Furthermore the Presidential Advisory Council on Public Works and Community Development (PACPWCD), the Local Government Center and the Institute of Planning of the University of the Philippines are hereby directed to coordinate with the Presidential Economic Staff (PES) on all matters relating to regional and local development and planning, and to lend its resources and facilities to the PES in its regional development and planning efforts.

All executive orders, administrative orders and rules and regulations inconsistent herewith are hereby amended and/or revoked accordingly.

Done in the City of Manila, this 10th day of December, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

PROCLAMATION NO. 842-A

ANNOUNCING THE APPROVAL AND EFFECTIVITY OF THE
FOURTH INVESTMENTS PRIORITIES PLAN UNDER THE IN-
VESTMENT INCENTIVES ACT AND THE SECOND EXPORT
PRIORITIES PLAN UNDER THE EXPORT INCENTIVES ACT.

WHEREAS, pursuant to the provisions of Republic Act No. 5186, otherwise known as the Investment Incentives Act, and Republic Act No. 6135 otherwise known as the Export Incentives Act, the Board of Investments has prepared the Fourth Investment Priorities Plan and the Second Export Priorities Plan and the same have been submitted to me for approval through, and with the favorable recommendation of the National Economic Council; and

WHEREAS, after a careful study of the Plans and their supporting data, I have found the Plans to be feasible and in conformity with law and accordingly approved them;

NOW, THEREFORE, pursuant to Section 18 of Republic Act No. 5186 and Section 4 of Republic Act No. 6135, I, FERDINAND E. MAR-

COS, President of the Republic of the Philippines, do hereby declare and proclaim in effect the Fourth Investment Priorities Plan and the Second Export Priorities Plan, here to attached, beginning May 3, 1971.

It shall be understood that the measured capacities for projects approved under the Third Investment Priorities Plan during the interim period between the submission of the proposed Fourth Investment Priorities Plan and the date of its effectivity hereof shall be subtracted from the measured capacities as indicated in the approved Fourth Investment Priorities Plan.

It is hereby further announced that the Board of Investments shall start accepting applications under the Fourth Investment Priorities Plan and the Second Export Priorities Plan on May 3, 1971.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 25th day of April, in the year of Our Lord, nineteen hundred and seventy-one.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

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[REPUBLIC ACT NO. 6142]

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

Be it enacted by the Senate and House of Representatives 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:

“SECTION 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 services 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, interests 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 Investments 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 Depart-

ment 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 or indebtedness under this paragraph shall not be re-loaned to any cooperative, private corporation or association, the account of which 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."

SEC. 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 interests and other normal banking charges which shall not be in 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 that 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."

SEC. 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 the 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 re-lending 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 Bank 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 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 officers and members of the cooperative, corporation or association, the amount of loan, credit or indebtedness contracted and the project to be financed.”

SEC. 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 interests and penalties, plus an additional special penalty of two *per centum* of the total amount due for every month or fraction thereof that the violation of the capital ownership requirement continues to subsist."

SEC. 5. A new section to be known as Section four-A is hereby inserted into the same Act to read as follows:

"SEC. 4-A. In the contracting of any loan, credit or indebtedness under this Act, the President of the Philippines may, when necessary, agree to modify the application of any law granting preferences or imposing restrictions on international competitive bidding, including, among others, Act Numbered Four thousand two hundred thirty-nine, Commonwealth Act Numbered One hundred thirty-eight, the provisions of Commonwealth Act Numbered Five hundred forty-one, insofar as such provisions do not pertain to constructions primarily for national defense purposes, Republic Act Numbered Nine hundred twelve, and Republic Act Numbered Five thousand one hundred eighty-three: *Provided, however,* That any privilege granted to any foreign bidder shall, likewise, be granted to the domestic bidder in order to put them on equal terms with foreign bidders: *Provided, further,* That in case where international competitive bidding shall be conducted, preference shall be granted in favor of articles, materials, equipment or supplies of the growth, production of the Philippines, or manufactured in the Philippines substantially from articles, materials, or supplies of the growth, production or manufacture of the Philippines when offered by bidders who are citizens of the Philippines or corporations, partnerships, associations or firms duly organized and registered under the laws of the Philippines at least sixty *per centum* of the capital of which is owned and held by citizens of the Philippines: *Provided, however,* That in no case shall the President of the Philippines reduce the minimum preference below fifteen *per centum*: *Provided, further,* That in comparing the bids: (A) customs duties and any other taxes otherwise due on, or in respect of, imported articles, materials, equipment or supplies and any national and local sales taxes thereon due on the sale to the buyer shall, if included in the bid price of a bidder not entitled to preference under this section, be deducted therefrom, the resulting bid price shall then be increased by the rate of preference provided for in this section; (B) customs duties due on the imported component of the articles, materials, equipment or supplies

and the national and local taxes due on the sale to the buyer of articles, materials, equipment or supplies shall, if included in the bid price of a bidder entitled to preference under this section, be deducted therefrom."

SEC. 6. Section five of the same Act is hereby amended to read as follows:

"SEC. 5. It shall be the duty of the President, within thirty days after the opening of every regular session, to submit a separate report to Congress on the amount of loans, credits and indebtedness contracted and in the process of negotiation and of the bonds, debentures, securities, or other evidences of indebtedness sold in international markets and proposed to be sold, as well as the guarantees extended, their respective terms and conditions, and the purposes and projects for which the loans, credits or indebtedness were incurred and for which the bonds, debentures, securities or other evidences of indebtedness were floated, and the guarantees extended, as well as of such loans which may be reloaned or have been reloaned to cooperatives or to Filipino-owned or controlled or private corporations or associations, and similar purposes as authorized in this Act."

SEC. 7. Section six of the same Act is hereby amended to read as follows:

"SEC. 6. Any provision of law to the contrary notwithstanding, and in order to enable the Republic of the Philippines to pay the principal, interest, taxes and other normal banking charges on the loans, credits or indebtedness, or on the bonds, debentures, securities or other evidences of indebtedness sold in international markets under the authority of this Act, all the revenue realized from the projects financed by such loans, credits or indebtedness, or on the bonds, debentures, securities or other evidences of indebtedness, shall be turned over in full, after deducting actual and necessary expenses for the operation and maintenance of said projects, to the National Treasury by the government office, agency or instrumentality, or government-owned or controlled corporation concerned, which is hereby appropriated for the purpose as and when they shall become due. In case the revenue realized is insufficient to cover the principal, interest and other charges, such portion of the budgetary savings as may be necessary to cover the balance or deficiency shall be set aside exclusively for the purpose by the government office, agency or instrumentality, or government-owned or controlled corporation concerned; *Provided*, That, if there still remains a deficiency, 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: *Provided, further*, That the Monetary Board shall make provisions out of current foreign exchange receipts for the foreign exchange requirements to service the external debt."

SEC. 8. A new section to be known as Section six-A is hereby inserted into the same Act to read as follows:

5. Bicol River Control and Irrigation Project	30.0	10.0
6. Albay Third District River Control and Irrigation Projects	20.0	10.0
7. Bito Irrigation Project, Leyte	3.0	1.5
8. Villaba-Matagob Irrigation Project, Leyte	3.0	1.5
Sub-total	411.5	94.8
B. Water Supply and Sewerages		
1. Manila and Suburbs Waterworks, First Phase of the Second stage long-range improvement program	257.9	36.4
2. Sanitary Sewerage Project for the Manila Metropolitan Area	137.6	22.4
3. Cebu City and Suburban Cities and Municipalities Waterworks	100.0	25.0
4. Leyte, First and Second Districts	4.0	2.5
5. Leyte, Third District	4.0	2.5
Sub-Total	503.5	88.8
C. Flood Control and Sewerage		
1. Manila and Suburbs Flood Control and Drainage Project	137.0	23.0
TOTAL FOR WATER RESOURCES DEVELOPMENT	1,052.0	206.6

III. TRANSPORTATION

A. Highways

1. Manila and Suburbs Flood Control Road	17.6	4.6
2. Improvement of major trunk roads in Luzon (see attached List 1)	163.416	17.903
3. Improvement of major highway networks in Luzon (see attached List 2)	164.431	19.726
4. Improvement of major trunk roads in Mindanao and the Visayas (see attached List 3)	131.187	23.642
5. Improvement of major highways networks in Mindanao		

and the Visayas (see attached List 4)	310.306	42.657
6. Bangkal-Mao-Buhangin Air- port Pasakan	33.0	0.42
7. Manila South Road	56.629	6.781
Sub-Total	876.569	115.729

B. Railroads

1. Modernization and improve- ment of the Philippine Na- tional Railway	69.8	22.7
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C. Airports and Air Navigation Facilities

1. Improvement of 22 National Airports as follows:

a. Mactan airport	9.5	1.2
b. Zamboanga airport	5.2	0.8
c. Davao airport	6.6	0.8
d. Cagayan de Oro airport	4.6	0.8
e. Bacolod airport	8.0	0.8
f. Iloilo airport	7.5	0.8
g. Cotabato airport	6.2	0.8
h. Tacloban airport	6.5	0.8
i. Laoag airport	6.6	0.7
j. San Fernando (L.U.) air- port	5.0	0.6
k. Buayan airport	7.4	1.0
l. Bancasi airport	9.2	1.0
m. Roxas airport	9.4	1.0
n. Legazpi airport	5.1	0.7
o. Dumaguete airport	6.1	0.8
p. Puerto Princesa airport	5.3	0.8
q. Daet airport	5.1	0.7
r. Sorsogon airport	5.1	0.7
s. Masbate airport	5.1	0.7
t. Bagabag airport	5.0	0.7
u. Ormoc airport	3.0	1.5
v. Villaba airport	4.0	2.5

2. Air navigation facilities	5.0	12.0
Sub-Total	140.8	32.2

D. Ports

1. Batangas	4.7	1.2
2. Tabaco	1.8	0.5
3. Cagayan de Oro	4.6	1.3

LIST 1

IMPROVEMENT OF MAJOR TRUNK ROADS
IN LUZON

Road Section	Length (kms.)	Estimated Cost	
		Dollar Component (In Million US\$)	Peso Component (In Million P)
MANILA NORTH ROAD			
Obando-Tabang	21.50	0.175	1.405
Tabang-San Fernando	31.10	2.327	27.356
San Fernando (Pampanga)- Tarlac	56.50	3.607	38.132
Tarlac-Sto. Tomas	48.40	0.502	4.287
Sto. Tomas-Urdaneta	10.55	0.026	0.247
Rosario-Damortis	11.85	0.101	0.860
Damortis-Bauang	33.70	0.425	3.692
Bauang-San Fernando (L.U.)	10.30	0.041	0.378
San Fernando (L.U.)-Narvacan	98.10	0.913	7.898
Narvacan-Vigan	28.90	0.307	2.553
Vigan-Laoag	75.45	0.834	7.090
TOTAL	426.35	9.258	93.898
MANILA EAST ROAD			
Pasig-Binangonan	23.80	0.369	2.837
Binangonan-Sta. Cruz	71.65	1.471	12.088
TOTAL	95.45	1.840	14.925
SAN FERNANDO, PAMPANGA- DINALUPIHAN-OLONGAPO ROAD			
San Fernando, Pampanga ... Dinalupihan	32.80	0.328	2.699
Dinalupihan-Olongapo	26.70	0.113	0.941
Olongapo-Castillejos	19.90	0.175	1.451
TOTAL	79.40	0.616	5.091
ROSARIO BAGUIO-BAUANG ROAD			
Rosario-Baguio	33.85	0.695	5.816
Baguio-Bauang	35.80	0.405	3.379
TOTAL	69.65	1.100	9.195
STO. TOMAS-BATANGAS- TAGAYTAY-BACOR-LAS PIÑAS LOOP ROAD			
Sto. Tomas Jct.-Lipa	41.00	0.420	3.218
Lipa-Batangas	3.70	0.358	0.303

Batangas-Tagaytay	92.50	1.618	13.378
Tagaytay-Bacoor	41.45	0.399	3.168
Bacoor-Cavite	12.60	0.110	1.021
Bacoor-Las Piñas	3.00	0.009	0.077
TOTAL	194.25	2.914	21.165
TARLAC-STA. ROSA AND GAPAN- SAN FERNANDO ROAD			
Tarlac-Sta. Rosa	40.60	0.615	5.301
Gapan-San Fernando, (Pam- panga)	47.30	0.715	5.784
TOTAL	87.90	1.330	11.085
BUGALLON-DAGUPAN-DAMORTIS ROAD			
Bugallon-Dagupan	22.05	0.277	2.273
Dagupan-Damortis	28.55	0.568	5.784
TOTAL	50.60	0.845	8.057
GRAND TOTAL	1003.60	17.903	163.416

LIST 2

IMPROVEMENT OF MAJOR HIGHWAY NETWORKS IN LUZON

Road Section	Length (kms.)	Estimated Cost	
		Dollar Component (In Million US\$)	Peso Component (In Million P)
Sto. Tomas-Sta. Fe	58.40	1.493	14.956
Dagupan-Urdaneta	26.55	0.213	1.972
Tarlac-Bugallon	75.00	1.531	14.002
TOTAL	159.95	3.237	30.930
Aparri-Alilinao	8.58	0.127	0.952
Alilinao-Tuguegarao	95.42	1.779	14.736
TOTAL	104.00	1.906	15.688
Dinalupihan-Pilar	25.90	0.392	3.200
Pilar-Limay	13.30	0.377	2.967
Castillejos-Sta. Cruz	128.60	1.962	19.418
TOTAL	167.80	2.731	25.585
Tabaco-Legazpi	25.00	0.259	1.914
Tabaco-Ligao-Pioduran	70.00	1.000	5.000
Albay Westcoast	50.00	1.000	5.000

Ayungon-Guihulngan	43.10	0.622	4.906
Pamplona-Sta. Catalina		0.5	3.0
Bayawan-Basay including bridge		0.5	3.0
TOTAL	43.10	2.122	13.906
CEBU NORTH ROAD			
Carmen-San Remigio	60.00	2.454	5.672
Bogo-Daan Bantayan-Maya	31.00	1.200	2.800
Danao-Asturias	25.00	7.50	1.750
TOTAL	116.00	4.404	10.222
CEBU SOUTH ROAD			
Santander-Alegria	45.00	1.350	3.150
Cebu-Sibonga	25.00	.750	1.750
TOTAL	70.00	2.100	4.900
OZAMIS-PAGADIAN-ZAMBOANGA			
CITY ROAD			
Ozamis-Aurora	23.65	1.443	13.190
Aurora-Pagadian	39.40	0.667	5.278
Pagadian-Ipil	134.50	1.798	14.572
TOTAL	197.55	3.908	33.040
ILOILO NETWORK			
Iloilo-San Joaquin	55.50	0.895	7.760
Iloilo-Ivisan	116.70	1.571	13.256
Ivisan-Ibajay	103.60	1.932	16.374
Iloilo-Sara	19.50	1.151	10.054
TOTAL	295.30	5.549	47.444
DAVAO SURIGAO ROAD			
Tagum-Lupon	74.75	1.586	13.164
Placer-Sta. Ana	43.05	1.070	9.102
TOTAL	117.80	2.656	22.266
NEGROS OR. AND NEGROS OCC.			
NETWORK			
New Sagay-San Carlos	60.00	0.848	6.842
San Carlos-Vallehermoso	21.40	0.445	3.864
San Enrique-La Castellana	24.36	0.260	1.971
TOTAL	105.76	1.553	12.677
ILIGAN-LINAMON ZAMBOANGA			
ROAD			
Iligan-Linamon	4.95	0.055	0.671
Linamon-Kapatagan	75.10	0.923	8.210
Kapatagan-Aurora	23.40	0.631	5.538
TOTAL	103.45	1.609	14.319

BOHOL NETWORK			
Tagbilaran-Laoy	17.70	0.206	1.533
LEYTE NETWORK			
Bato-Bontoc Road	29.00	0.535	4.760
Maasin-Bontoc Road	69.50	0.698	6.729
McArthur-Bato Road	104.45	1.418	13.027
TOTAL	202.95	2.651	24.516
COTABATO-LANAO ROAD			
Nuling-Parang	16.50	0.258	2.702
SAMAR NETWORK			
Calbayog-San Jose	93.00	0.976	9.047
CAGAYAN DE ORO-TALAKAG-			
MARAMAG SECTION	115.00	3.000	18.00
DANGCAGAN-CALINAN-DAVAO			
CITY SECTION	90.00	3.000	17.500
MARAWI-MALABANG-COTABATO			
ROAD	80.00	1.300	13.500
GRAND TOTAL	2,087.51	42.657	310.306

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[REPUBLIC ACT NO. 6173]

AN ACT DECLARING A NATIONAL POLICY ON THE PETROLEUM INDUSTRY, REGULATING THE ACTIVITIES AND RELATIONS OF PERSONS AND ENTITIES ENGAGED THEREIN, ESTABLISHING AN OIL INDUSTRY COMMISSION TO EFFECTUATE THE SAME, AND DEFINING ITS FUNCTIONS, POWERS AND OBJECTIVES, AND FOR OTHER PURPOSES.

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

SECTION 1. *Title.* — This Act shall be known as the Oil Industry Commission Act.

SEC. 2. *Declaration of Policy and Purposes.* — Petroleum and its products being vital to national security, and their continued supply at reasonable prices being essential to the general welfare, it is hereby declared to be the policy of the State that act and business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing, and selling crude oil, gasoline, kerosene, gas and other refined petroleum products as well as the operations and

fidential, all positions in the Commission are subject to the provisions of the Civil Service Law and Rules, but are exempt from the regulations of the Wage and Position Classification Office.

SEC. 6. *Functions of the Commission.* — The Commission shall have supervision and jurisdiction over all persons, corporations, firms or entities engaged in the business of importing, exporting, re-exporting, shipping, transporting, processing or refining of indigenous and imported crude oil or other petroleum products, storing, marketing, distributing, or selling, both at wholesale and retail, gasoline, gas, oil, kerosene, and other crude or refined petroleum products, and shall regulate and supervise the operations and activities of said persons and entities including the following:

(a) To set conditions which would accomplish the purposes of this Act, under which persons, natural or juridical, can engage or continue engaging in the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing or selling crude oil, gasoline, kerosene, gas, and other refined petroleum products or by-products;

(b) To study the importation of crude oil into the Philippines and to determine its most economical sources transportation routes, and freight rates;

(c) To look into all available sources of supply of crude oil, draw up plans to cope with such contingencies as may arise should prevailing sources of supply become closed or inaccessible, and enter into such preliminary negotiations or arrangements with possible alternative sources as may be necessary to assure a stable, adequate and continuous supply of crude oil and refined petroleum products under the most economic as may be necessary to assure a stable, adequate and continuous supply and competitive terms possible;

(d) To encourage and assist in the organization of associations of Filipino oil and gasoline dealers and distributors throughout the Philippines, public utility operators, gasoline and oil consumers, and other similar groups, through the formation of cooperatives or through other group action;

(e) To recommend to the President that the State, thru such agency or agencies as the President may designate, acquire equity in any refinery now existing or that may be organized hereafter: *Provided, however,* That equity so acquired shall be made available to the public, giving priority to dealers of petroleum products and gasoline station owners or operators; and

(f) To do and perform any and all such acts as may be necessary and proper to carry out the purpose of this Act.

The jurisdiction of, and all functions exercised by, the Bureau of Mines over petroleum refineries are hereby transferred to the Commission.

SEC. 7. *Powers of the Commission Upon Notice and Hearing.* — The Commission shall have power, upon proper notice and hearing, in accordance with the provisions of this Act:

(a) To determine whether current market prices of petroleum products are reasonable and to set the prices of the same, providing for a fair and reasonable return. No changes in prices may thereafter be made by the Commission without prior public notice and hearing at which any consumer of petroleum products and other parties who may be affected may appear and participate. In setting prices or making changes, thereof, the Commission shall be guided by the following considerations:

(1) Whether claimed increases or decreases in costs, sales or profits are real or simulated;

(2) Whether expenses and costs which are claimed to have been incurred, or are being incurred, or are to be incurred are reasonable, and whether any increases therein may be offset by increased efficiency and reduction of excessive or unnecessary expenses;

(3) The impact of the proposed prices or change therein on the economy and on the consuming public, particularly low income groups and industries essential to the national welfare or security; and

(4) The cost and profit levels of the industry.

(b) To regulate the capacities of new refineries or additional capacities of existing refineries so as to accomplish the purposes and objectives of this Act;

(c) To license refineries that may be organized after the passage of this Act, under such terms and conditions as are consistent with the national interest;

(d) To regulate the operations and trade practices of the industry in order to encourage orderly competition, prevent monopolies and collusive practices within the industry, giving due regard to the ecological and environmental needs of the country.

(e) To review the cost at which crude oil had been imported into the Philippines within the preceding year, whether by private entities or by the Government, whenever the Commission has received a formal complaint or has reason to believe that prices or shipping costs at which crude oil has been or is being imported into the Philippines are unreasonable or out of line with trends in the international market, taking into consideration among other factors, the quality and security of supply, availability and location of crude oil, and freight rates prevailing at the time; and, if found to be unreasonable or out of line, to require the im-

porter or importers concerned to reimburse the excess of the foreign exchange involved to the Central Bank and to fix the maximum import cost, requiring that, before future importations be made at a cost in excess thereof, the approval of the Commission be first secured. Any order of the Commission in the exercise of this power shall be binding on the Central Bank, the Bureau of Customs and all other executive agencies of the government;

(f) To require that preference be given to Philippine vessels and bottoms for the purpose of transporting crude oil to and from the Philippines where said vessels can undertake said function on substantially the same basis as foreign-owned vessels;

(g) To take adequate steps to prevent monopolies and combinations in restraint of trade within the petroleum industry, or involving enterprises engaged in the petroleum industry;

(h) To recommend to the President that the State, through such agency as the President may designate, take over the operation of any refinery or other firm, corporation or entity engaged in the petroleum industry whenever the public welfare or national interest so requires or (1) such refinery, firm, corporation or entity ceases or threatens to cease or substantially reduces or threatens to reduce substantially its operations; and (2) its cessation or threatened cessation or reduction or threatened reduction of operations threatens the continued supply of petroleum products at reasonable prices to the general public or to industries dependent on petroleum products for sources of energy, or otherwise creates a clear and present danger to the national welfare or national security: *Provided, however,* That the operation by the State shall continue only for such period of time as the threat or danger persists: *Provided, further,* That just compensation shall be paid for the use of the property: And, *provided, finally,* That any unrecovered investment made by the State during the take-over shall be reimbursed by the refinery, firm, corporation or entity; and

(i) Whenever the Commission has received a formal complaint and has determined that the price of any petroleum product is unreasonable or out of line, or that there is a shortage of said product, it may, in addition to fixing prices as above provided, permit government agencies or private parties not engaged in refining petroleum products to import the same, until such times as prices shall have gone down to a reasonable level or the shortage has been relieved.

SEC. 8. *Powers of the Commission Without Hearing.*—The Commission shall have the power to do the following without hearing:

(a) Require importers of crude oil and petroleum products to file with the Commission data on their import and shipping costs as well as other material information relative thereto;

(b) Require all persons, corporations and other entities engaged in the petroleum industry and their associations or institutes, to furnish

it with such relevant information as it may need to discharge its duties under this Act, and to exercise its functions and powers under Sections six, seven and nine hereof;

(c) Require all dealership agreements to be filed and registered with the Commission as public documents;

(d) Issue *subpoena* and *subpoena duces tecum* in any inquiry, study, hearing, investigation, or proceedings which it may decide to undertake in the exercise of its functions, powers and duties under this Act;

(e) Promulgate rules and regulations relevant to procedures governing hearings before the Commission and enforce compliance with any rule, regulation, order, or other requirement of this Act or of the Commission: *Provided*, That said rules and regulations shall take effect fifteen days after publication in the Official Gazette; and

(f) Perform such other acts as may be necessary or conducive to the exercise of its functions and powers and the discharge of its duties under this Act.

SEC. 9. *Other Duties of the Commission.*—The Commission shall undertake a continuing study of the petroleum industry in its domestic and international aspects, gather and collate information and statistics bearing on the industry, submit an annual report to the members of Congress and to the President of the Philippines on its activities and the results of its studies, including therein such matters as it may deem appropriate subjects of legislation or executive action. The Commission shall likewise keep itself regularly and thoroughly informed of conditions in the industry in order to enable it to perform its functions, exercise its powers and discharge its duties effectively.

The annual report of the Commission shall include, among others, the following data on a company by company basis:

(a) Volume, weight, type, import price, and supplier of crude oil and petroleum products imported;

(b) Tonnage, type, nationality and ownership of vessels used in importing crude oil and petroleum products, as well as shipping costs;

(c) Audited financial statements of petroleum refineries and marketing companies;

(d) Data on exported products, price of same, country of destination, and vessel used;

(e) Listed wholesale price of gasoline on a monthly basis;

(f) Posted and market prices of crude oil at sources of importation and other known sources of crude oil supply; and

(g) Cost of refining petroleum products.

SEC. 10. *Commission Procedure*.—All inquiries, studies, hearings, investigations and proceedings conducted by the Commission shall be governed by rules adopted by the Commission, and in the conduct thereof the Commission shall not be bound by the technical rules of evidence: *Provided*, That the Commission may summarily punish for contempt by a fine not exceeding five hundred pesos or by imprisonment not exceeding thirty days or both, any person guilty of such misconduct in the presence of the Commission or so near thereto as to seriously interrupt any hearing or session or any proceedings before it, including cases in which a person wilfully fails or refuses, without just cause, to comply with a summons, *subpoena* or *subpoena duces tecum* legally issued by the Commission or, being present at a hearing, session or investigation, refuses to be sworn as a witness or to answer questions when lawfully required to do so, or to furnish information required by the Commission under this Act. The sheriff and other police agencies of the place where the hearing or investigation is conducted shall, upon the request of the Commission, assist it to enforce the provision of this Section.

SEC. 11. *Review of Commission's Order*.—A party adversely affected by any order of the Commission in the exercise of its powers subject to hearing may, within a period of thirty days from receipt of said order or fifteen days following denial of a motion for reconsideration filed within the period to appeal, petition the Supreme Court, by *certiorari* as a mode of appeal, to review and reverse, modify or amend the same, without prejudice to invoking other special civil remedies allowed under the Rules of Court. The order, ruling or decision shall become executory fifteen days after the expiration of the period to appeal. Unless the Supreme Court directs otherwise, appeal shall not stay the execution of the ruling, order or decision.

The Supreme Court shall prescribe the procedure to be followed for such appeals, but until it provides otherwise the procedure governing appeals from the Public Service Commission shall be followed.

SEC. 12. *Petroleum Dealers' or Distributors Association*.—For the purpose of this Act, a petroleum dealers' or distributors' association is an organization or association of petroleum dealers or distributors dealing in petroleum products duly registered with the Securities and Exchange Commission.

SEC. 13. *Requirements to Petroleum Dealers' and Distributors' Association*.—Every petroleum dealers' or distributors' association duly registered with the Securities and Exchange Commission, shall keep books and records containing a list of its members in alphabetical order and the minutes of its meetings, a list of its officers, and in general shall comply with all the rules and regulations of the Securities and Exchange Commission.

SEC. 14. *Appropriations*.—The sum of one million five hundred thousand pesos or so much thereof as may be necessary for the proper imple-

mentation of this Act for the fiscal years nineteen hundred seventy-one and nineteen hundred seventy-two is hereby appropriated out of any funds in the National Treasury not otherwise appropriated. Thereafter, the operational expenses of the Commission shall be drawn from fees and charges collected under the authority of Section fifteen of this Act. Any unobligated balances at the end of each fiscal year, starting with fiscal year nineteen hundred seventy-three, shall accrue to the general funds.

SEC. 15. *Additional Fee on Importations and Turn over of collections; Release to the Commission is Ministerial.*—Effective July one, nineteen hundred seventy-one, there shall be levied, assessed and collected, an additional fee of one-tenth of one per cent of the CIF value of crude oil and petroleum products imported into the Philippines. The fee imposed herein shall be collected at the same time, in the same manner and subject to the same penalties as the duties and taxes regularly imposed on such products. This fee shall not be a basis for any increase in the price of any petroleum product as of the date of the approval of this Act.

The Commissioner of Customs shall turn over the collections to the Treasurer of the Philippines monthly within the first ten days of the succeeding month. No portion of the collections may be transferred or diverted to the general or any other fund or used or expended for any purpose other than for the budgetary requirements of the Oil Industry Commission, the provision of any law to the contrary notwithstanding. It shall be the ministerial duty of the Commissioner of the Budget and the Treasurer of the Philippines, as well as the officers and employees under their supervision and control, to effect releases of said collections to the Commission upon order or authorization of the Chairman thereof.

SEC. 16. *Penalties.*—(a) Any person who give false or misleading data or information or wilfully or through gross negligence, conceals or falsifies a material fact, in any investigation, inquiry, study or other proceedings held pursuant to this Act, shall be punished with imprisonment of not less than two nor more than six months, and with a fine of not less than five hundred nor more than one thousand pesos: *Provided, however,* That if the false or misleading data or information shall have been given under oath, the maximum penalty for giving false testimony or perjury shall be imposed;

(b) Any person who violates any provision of this Act or any order, decision, ruling, or regulation of the Commission shall, upon conviction, be sentenced for a period of not less than six months and not more than five years and a fine of not less than five thousand pesos and not more than twenty-five thousand pesos. If the offender be a corporation, partnership or juridical person, the penalty shall be imposed on the officer or officers responsible for permitting or causing a violation by the corporation, partnership or juridical person of the provisions of this Act;

(c) If the offender be a government official or employee, the maximum penalty prescribed in paragraph (b) shall be imposed and the offender shall suffer the additional penalty of perpetual disqualification from public office without prejudice to any administrative action against him;

(d) If the offender be a member of the Oil Industry Commission, and the commission of the offense is attended by clear abuse of discretion on his part, or by any corrupt practice defined in Republic Act Numbered Three thousand nineteen, otherwise known as the Anti-Graft and Corrupt Practices Act, or other similar irregularity, the penalty imposed shall be a fine of fifty thousand pesos and imprisonment of not less than ten years. A like penalty shall be imposed upon any private person, whether in the government service or not, who induces, aids or abets the offender in the commission of the offense;

(e) It shall be an offense, penalized as provided in paragraph (c) or (d) above, whichever may be applicable, for any person serving in the Oil Industry Commission either as a Commissioner or as staff member to directly or indirectly be employed by, or to receive any compensation from, or to have any direct or indirect financial interest in, any firm engaged in importing, refining or marketing crude oil or any petroleum product;

(f) Any alien violating this Act shall, in addition to the penalty herein provided, be deported after service of sentence and shall not be permitted reentry into the Philippines.

SEC. 17. *Separability of Any Provision.*—If any provision of this Act shall be held invalid, the remainder of this Act shall not be affected thereby.

SEC. 18. *Repealing Clause.*—The provisions of Republic Act Numbered Sixty-one hundred and twenty-four, otherwise known as the Price Control Law, referring to petroleum products, and all Acts or parts of Acts inconsistent with this Act are hereby repealed but the repeal shall not affect judicial actions, prosecutions or proceedings begun while the same were in force.

SEC. 19. *Effective Date.* — This Act shall take effect upon its approval.

Approved, April 30, 1971.

[REPUBLIC ACT NO. 6237]

AN ACT FURTHER AMENDING REPUBLIC ACT NUMBERED SIX HUNDRED SEVENTY-NINE, AS AMENDED BY REPUBLIC ACT NUMBERED ELEVEN HUNDRED THIRTY-ONE (re Woman and Child Labor Law).

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

SECTION 1. Section one of Republic Act Numbered Six hundred seventy-nine is hereby amended to read as follows:

“SECTION 1. *Employment of children below twelve years of age.*— No child below twelve years of age shall be employed or permitted or suffered to work with or without compensation in any shop, factory, commercial, industrial, or agricultural establishment, in any kind of work, including domestic service and street trades; *Provided, however,* That this paragraph shall not apply to work performed outside school hours in the home or farm enterprise of the child's parent or guardian.

“(a) Children between twelve and fifteen years of age may only be employed to perform light work—

1. Which is not harmful to their health or normal development; and
2. Which is not such as to prejudice their attendance in school or to benefit from instructions there given.

“(b) No child between twelve and fifteen years of age shall be employed or permitted or suffered to work with or without compensation on school days in any shop, factory, commercial, industrial or agricultural establishment or any place of labor unless such child knows how to read and write.

“(c) This section shall not apply to work done in vocational, technical, or professional schools, which is essentially of an educative character and is not intended for commercial profit, provided such schools are duly authorized under the law.

“For the purpose of this section, the Secretary of Labor or his duly authorized representative shall specify what forms of employment may be considered light.”

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

“SEC. 2. *Employment of Children below sixteen years of age.* —

(a) No child under sixteen years of age shall be employed or permitted or suffered to work—

“(1) in any industrial undertaking or in any branch or division thereof, including—

- (aa) mines, quarries and other works for the extraction of minerals from the earth;

- (bb) undertakings in which articles are manufactured, transformed, altered, cleaned, repaired, ornamented, finished, adapted for sale, or broken up or demolished;
 - (cc) undertakings engaged in shipbuilding, or in the generation, transformation or transmission of electricity or motive power of any kind;
 - (dd) undertakings engaged in building and civil engineering works, including constructional repair, maintenance, alteration and demolition work; and
 - (ee) undertakings engaged in the transport of passengers or goods by road or sail or by inland waterways, or in the handling of goods at docks, quays, wharves, warehouses, or airports.
- “(2) in any shop, factory, industrial establishment or other place of labor—
- (aa) as operator of elevators, motorman, or fireman;
 - (bb) to operate or assist in operating or to clean machinery;
 - (cc) to work underground or with the use of ramps or scaffoldings; or
- “(3) in billiard rooms, cockpits, other place where games are played with stakes of money or things worth money, or in a bar, night club, dance hall, stadium or race track, in any kind of work.”

SEC. 3. Section five of the same Act is hereby amended to read as follows:

“SEC. 5. *Hours of work of children; night work.*—

(a) No child below sixteen years of age shall be employed or permitted to work in any shop, factory, commercial or industrial establishment or other place of labor—

- (1) for more than seven hours a day or forty-two hours weekly; and
- (2) between six o'clock in the afternoon and seven o'clock in the morning of the following day.

(b) No child who has attained the age of sixteen years but is below the age of eighteen years shall be employed or permitted or suffered to work in any shop, factory, commercial or industrial establishment or other place of work between six o'clock in the afternoon and seven o'clock in the morning of the following day.

“No exception for young persons of either sex to the prohibition of night work shall be allowed except under circumstances and subject to the conditions specified in the International Labor Convention No. 90 on Night Work of Young Persons (Industry) Revised (1948) (Ratified: 1953).”

SEC. 4. Section seven of the same Act, as amended, is further amended to read as follows:

“SEC. 7. *Employment of women.*—

(a) No women, regardless of age, shall be employed in any shop, factory, commercial or industrial establishment or other place of

labor to perform work which requires the employee to work always standing or which involves the lifting of heavy objects.

- (b) No woman, regardless of age, shall be employed or permitted or suffered to work, with or without compensation, in any industrial undertaking or branch thereof between ten o'clock at night and ten o'clock in the morning of the following day, except those who are immediate members of the family operating or owning the same. An employer may be exempted from the requirement of this subsection—

- “(1) in case of *force majeure* causing an interruption in the work which was not foreseen and which is not of a recurring character;
- (2) by the Secretary of Labor, if he finds, after proper investigation, that the work has to do with raw material or materials in the course of treatment which are subject to rapid deterioration and night work is necessary to preserve such materials from loss; and
- (3) by the President of the Philippines, with or without the recommendation of the Secretary of Labor, after consultation with employers and workers' organizations concerned in case of serious emergency where national interest demand the suspension of the night work prohibition for women in particular industry or industries. Such suspension shall be notified by the government to the Director General of the International Labor Office in its Annual Report on the Application of the Night Work Convention.
- “(c) No woman, regardless of age, shall be employed or permitted or suffered to work, with or without compensation, in any commercial or non-industrial undertaking or branch thereof, other than agricultural, between twelve o'clock midnight and seven o'clock in the morning of the following day, except those who are immediate members of the family owning or operating the same.
- “(d) No woman, regardless of age shall be employed or permitted or suffered to work in any agricultural undertaking at night without giving her a period of rest of not less than nine consecutive hours.

The prohibition against night work for women provided for in subsections (b), (c) and (d) hereof shall not apply to—

- (1) women holding responsible positions of a managerial or technical character; and
- (2) women employed in health and welfare services.
- “(e) In any shop, factory, commercial, industrial, non-industrial or agricultural establishment or other place of labor where men and women are employed, the employer shall not discriminate against any woman in respect to terms and conditions of employment on account of her sex, and shall pay equal remuneration for work of equal value for both men and women employees.

“(f) No woman, eighteen years or over, shall be allowed or permitted or suffered to work in any shop, factory, commercial or industrial establishment or in any place of labor without granting her a rest period of eleven consecutive hours of work between two working periods.”

SEC. 5. This Act shall take effect upon its approval.

Approved, June 19, 1971.

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[REPUBLIC ACT NO. 6258]

AN ACT AMENDING SECTIONS FOURTEEN AND TWENTY-TWO OF REPUBLIC ACT NUMBERED FIFTY-ONE HUNDRED AND EIGHTY-FIVE, OTHERWISE KNOWN AS THE “DECENTRALIZATION ACT OF 1967”.

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

SECTION 1. Section fourteen of Republic Act Numbered Fifty-one hundred and eighty-five is hereby amended to read as follows:

“SEC. 14. *Retention, Release and Adjustment of Regular and Special Internal Revenue Allotments and thirty percent share from excess income tax collections.*—Within five days after the end of each month, the treasury field cashiers to whom all collecting officers shall remit all their collections in each province shall retain from all their collections accruing to the national government and remit to the provincial treasurer an amount equivalent to one-twelfth of the pre-determined annual internal revenue regular and special allotments of the province and municipalities under it, and to the city treasurer an amount equivalent to one-twelfth of the pre-determined annual internal revenue regular and special allotments of the city: *Provided, That* in provinces where there are no treasury field cashiers, such personnel shall be appointed. In case collections are remitted directly to the national treasurer, as in Manila and suburbs, he shall remit the corresponding share to the city or provincial treasurer concerned within the same period. The allotment of municipalities within each province shall be distributed by the provincial treasurer concerned within five days after receipt thereof.

“Within ten days after the end of each month, the city or provincial treasurer shall render a report to the Commissioner of Internal Revenue showing the corresponding amount received by the city or the respective amounts retained by the province and released to the municipalities for the preceding month.

"In cases where the monthly collections are not sufficient to cover the regular and special allotments of a province, city or municipality, the corresponding balances shall be released by the Bureau of Internal Revenue within thirty days after the expiration of every month to the provincial treasurer concerned, in case of a province or municipality, and to the city treasurer, in case of a city. The corresponding balance for municipalities shall be released by the Provincial Treasurer concerned within five days after receipt thereof.

"With regards to the ten percent share of provinces, twenty percent share of municipalities and thirty percent share of chartered cities from excess income tax collections, the Commissioner of Internal Revenue shall determine the excess income tax collections of cities and municipalities as of June thirty of every fiscal year and fifty per cent of the corresponding shares of provinces, cities and municipalities shall be retained by the field cashiers from the collections of income tax in July and the remaining fifty percent from the collections in April, next following the fiscal year the same to be remitted to provincial and city treasurers within five days after the said months of July and April, together with the regular and special internal revenue allotments or the same months.

"The Secretary of Finance shall promulgate, the rules and regulations for the proper implementation of this section."

SEC. 2. Section twenty-two of Republic Act Numbered Fifty-one hundred and eighty-five is hereby amended to read as follows:

"SEC. 22. *Penalties.*—

(a) Any public officer committing any act or omission in violation of Sections four, six, eight, sixteen, seventeen and twenty-three of this Act shall be punished with imprisonment of not less than six months nor more than two thousand pesos or both at the discretion of the Court.

(b) Any public officer who fails or refuses to turn over the regular and special allotments and shares from excess income tax collections mentioned in section fourteen of this Act within the periods fixed therein, or who delays, obstructs or prevents the same; or who orders, causes or effects the transfer or diversion of the same or any part thereof, shall be punished with imprisonment of not less than one year and not more than six years or a fine of not less than two nor more than ten thousand pesos or both at the discretion of the court.

(c) In addition to the foregoing penalties, the public officer committing any of the offenses herein penalized shall be dismissed from the service with prejudice to reinstatement and with permanent disqualification for election or appointment to any public office.

(d) Any person who cooperates, induces, participates or conspires with the public officer in the commission of the same penalty of imprisonment or fine or both hereinabove provided."

SEC. 3. This Act shall take effect upon its approval.

Approved, June 19, 1971.

AN ACT INSTITUTING A COCONUT INVESTMENT FUND AND
CREATING A COCONUT INVESTMENT COMPANY FOR THE
ADMINISTRATION THEREOF.

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

SECTION 1. *Title.*—This Act shall be known as the Coconut Investment Act.

SEC. 2. *Declaration of Policy.*—It is hereby declared to be the national policy to accelerate the development of the coconut industry through the provision of adequate medium and long-term financing for capital investment in the industry, by instituting a Coconut Investment Fund capitalized and administered by coconut farmers through a Coconut Investment Company.

SEC. 3. *Name, domicile, and place of business.*—There is hereby created a corporation to be known as the “Coconut Investment Company” which shall administer the Coconut Investment Fund established in section 8 hereof and which shall be organized within six (6) months after the approval of this Act. It shall have its principal place of business in the Greater Manila area, which shall be its domicile, and such branches or agencies within or outside the Philippines as may be necessary for the proper conduct of its business.

SEC. 4. *Purposes and objectives.*—The Company shall have the following purposes and objectives:

(a) To fully tap the potential of the coconut planters in order to maximize their production and give them greater responsibility in directing and developing the coconut industry;

(b) To accelerate the growth of the coconut industry and other related coconut products from the raw material stage to the semi-finished and finally, the finished product stage;

(c) To improve, develop and expand the marketing system; and,

(d) To ensure stable and better incomes for coconut farmers.

SEC. 5. *Specific and general powers.*—In order to carry out the purposes mentioned in the preceding Section, the Company shall have the following powers:

(a) To grant medium and long term loans to Filipino citizens or enterprises, at least seventy percent (70%) of the capital stock of which is owned by Filipinos, for the purpose of financing the establishment, devel-

opment and expansion of new and/or existing coconut agricultural, industrial or other productive enterprises with proven profitability or great profit potential: *Provided*, That priority in the grant of loans shall be given to *bona-fide* coconut farmers or associations owned or controlled by such farmers: *Provided further*, That the loans granted shall be properly secured in accordance with existing banking laws: *Provided, finally*, That not less than sixty per cent (60%) of the total loanable funds to coconut farmers shall be allocated for loans to coconut farmers owning not more than ten hectares;

(b) To invest in shares of stock of corporations, at least seventy percent (79%) of the capital stock of which is owned by Filipinos for the purpose of financing the establishment, development and expansion of new and/or existing coconut industrial, financial and marketing enterprises with proven profitability or great profit potential;

(c) To organize subsidiaries for the purpose of constructing, establishing and operating coconut centrals or mills and other collateral and support enterprises which will enhance the development, integration and modernization of the coconut industry;

(d) To finance technical and economic research studies, promotional programs, scholarship grants and industrial manpower development projects for the coconut industry;

(e) To issue bonds and other certificates of indebtedness in an amount not exceeding one hundred million pesos (P100,000,000) the proceeds from the sale of which shall be used exclusively in its lending and investment operations, subject to the approval of the Monetary Board: *Provided*, That the bonds to be issued under this Act shall be exempted from taxation, attachment, execution and seizure; and

(f) To enter into contracts and execute such other acts and exercise such powers as may be necessary to carry out the purposes of this Act.

SEC. 6. *Capitalization*.—The company shall be capitalized at one hundred million pesos (P100,000,000), divided into ten million common shares, with a par value of ten pesos each. The said capital stock shall be subscribed by the Government of the Republic of the Philippines for and on behalf of the coconut farmers and shall be initially paid from the proceeds of the levy imposed in section eight of this Act.

SEC. 7. *Incorporation as a private entity under Act Numbered One thousand four hundred fifty-nine, as amended*.—Upon full payment of the authorized capital stock, as evidenced by receipts issued for levies paid, or upon termination of a ten-year period from the start of the collection of the levy as provided in section eight hereof, whichever comes first the shares of stocks held by the Philippine Government for and on behalf of the coconut farmers shall be transferred, in accordance with such rules, regulations and procedures as the Company shall prescribe and promulgate, to and in the name of the coconut farmers who shall then incorporate

as a private entity under Act Numbered One thousand four hundred fifty-nine, as amended: *Provided*, That all powers, privileges and rights initially endowed on the Company under this Act shall be transferred to the new corporation together with all outstanding assets and liabilities, except the right to levy which shall be terminated upon the issuance of the certification of registration by the Securities and Exchange Commission to the Coconut Investment Company as a private corporation.

SEC. 8. *The Coconut Investment Fund*.—There shall be levied on the coconut farmer a sum equivalent to fifty-five centavos (₱0.55) on the first domestic sale of every one hundred kilograms of copra, or its equivalent in terms of other coconut products, for which he shall be issued a receipt which shall be converted into shares of stock of the Company upon its incorporation as a private entity in accordance with Section seven hereof. For every fifty-five centavos (₱0.55) so collected, fifty centavos (₱0.50) shall be set aside to constitute a special fund, to be known as the Coconut Investment Fund, which shall be used exclusively to pay the subscription by the Philippine Government for and in behalf of the coconut farmers to the capital stock of said Company: *Provided*, That this levy shall be imposed until the one hundred million pesos authorized capital stock is fully paid, but collection of said levy shall not continue longer than ten years from the start thereof: *Provided, further*, That the Philippine Coconut Administration (PHILCOA) shall, in consultation with the recognized national association of coconut producers with the largest number of membership as determined by the Philippine Coconut Administration, prescribe and promulgate the necessary rules, regulations and procedures for the collection of such levy and issuance of the corresponding receipts: *Provided, still further*, That the receipts and/or certificates shall be non-transferable except to coconut farmers only and to the company: *Provided, furthermore*, That operational expenses of the Company shall be limited to and charged against the earnings and/or profits of the Fund: *Provided, finally*, That one-tenth of such earnings of the fund for each year shall be used to finance technical and economic research studies, promotional programs, scholarships grants and industrial manpower development programs for the coconut industry.

SEC. 9. *PHILCOA as Collection Agent and Trustee of the Fund*.—The PHILCOA shall collect the levy and immediately thereafter deposit the proceeds thereof in an interest-earning account with the Development Bank of the Philippines or any other government-owned or controlled banking institution to the credit of the Fund: *Provided*, That all deposits made by the PHILCOA to the credit of said Fund shall be transferred to the Company credit of said Fund shall be transferred to the Company immediately upon its establishment: *Provided, however*, That the legal and administrative structure for such collection and issuance of receipts shall, within six (6) months from the approval of this Act, be completely set up by the PHILCOA in consultation with the recognized national association of coconut producers with the largest number of membership as

determined by PHILCOA: *Provided, also,* That payments shall accrue from such time as the said structure shall function, as determined by PHILCOA. *Provided, further,* That three centavos (P0.03) out of every fifty-five centavos (P0.55) collected shall be set aside to be used exclusively to defray the expenses for: (a) the setting up and continued operation of the machinery for the collection and acknowledgment of payment, (b) the organization of municipal and provincial conventions of coconut planters, (c) the organization, supervision and conduct of regional coconut conventions and a national coconut congress, and (d) the production and dissemination of information: *Provided, finally,* That the remaining two centavos (P0.02) shall be placed at the disposition of the recognized national association of coconut producers with the largest number of membership as determined by the Philippine Coconut Administration for the maintenance and operation of its principal office which shall be responsible for continuing liaison with the different sectors of the industry, the government and its own mass base.

SEC. 10. *Composition, terms of office, compensation and manner of choosing the members of the Board.*—The corporate powers of the company shall be vested in a board of directors consisting of eleven (11) members to be composed, for the period that shares of stock held by Philippine Government for and in behalf of the coconut planters have not been transferred to and in the name of said farmers, as provided for in Section seven hereof, of the PHILCOA Board Chairman and the duly elected president of the recognized national association of coconut producers with the largest number of membership as determined by the PHILCOA, as *ex-officio* members, and nine (9) other members, all of whom shall be natural-born Filipino citizens, who shall, upon the recommendation of the National Coconut Congress be appointed by the President of the Philippines with the consent of the Commission on Appointments and who shall serve for a term of three years, except as hereinafter provided. The members of the Board shall each receive a *per diem* of one hundred pesos (P100.00) for Luzon, Visayas, and Mindanao, of delegations of coconut farmers elected through successive municipal and provincial conventions, for the purpose of deliberating on matters of regional interest and selecting delegates to a national coconut congress, and (b) the national congress of coconut farmers for the purpose of deliberating on matters of national interest and electing the officers of the National Coconut Congress and six members whose names shall be submitted to the President of the Philippines and from which list the President shall choose and appoint three representing the three regions as members of the Board within sixty (60) days from their election and nomination by the national coconut congress: *Provided,* That the first national coconut congress convened under this Act shall elect eighteen (18) instead of six members, from which number nine (9) shall be appointed members of the Board, as provided earlier in this Section, except that three shall be appointed for a term of one year, another three for two years, and the last three for three years: *Provided, further,* That all

terms of office shall be reckoned from the date the first board shall have been appointed and qualified: *Provided, furthermore,* That the PHILCOA shall, in consultation with the recognized national association of coconut producers with the largest number of membership as determined by the PHILCOA, formulate and establish the rules, regulations and procedures for the accreditation of delegations to, and the holding of, the said municipal, provincial and regional conventions and the national congress, in accordance with accepted principles of equal and just representation: *Provided, finally,* That in the election of delegates, from the municipal level to the provincial convention, any *bona fide* coconut land owner, coconut tenant operator or copra processor who is the holder of COCOFUND receipts and/or certificates shall each have one vote.

SEC. 11. *Powers of the Board.* — The Board of Directors shall have the following powers and duties:

(a) To elect a Chairman by a majority vote from among themselves, who shall serve for a term of one (1) year;

(b) To formulate policies necessary to carry out effectively the provisions of this Act and to adopt by laws, rules and regulations for the effective operations of the Company in conformity with this Act and existing law;

(c) To determine the organizational structure of the Company by creating such departments or offices as are essential for its efficient operation;

(d) To determine the number and fix the compensation of the officers and employees of the Company, including the general manager: *Provided,* That existing salary plans, laws, rules and regulations governing the civil service shall not apply in the fixing of the compensation and appointment of officer and employees;

(e) To approve the annual and/or supplemental budgets of the Company which may be submitted to it by the management from time to time; and

(f) To conduct and maintain an up-to-date census of the number of coconut trees owned by coconut farmers and such other data as may be deemed necessary.

SEC. 12. *Penal Provisions.* — No member of the Board, official or employee of the Company shall have any financial interest in or connection with enterprises invested in by the Company. Any person or persons who shall be found guilty of fraud, or intent or conspiracy to defraud, in connection with any transaction or agreement directly related to the operation or administration of the Company or the Fund, or who shall seek to circumvent the provisions, intent and purposes of this Act shall, in addition to penalties already prescribed under the

general laws, be punished by a fine of not less than one thousand pesos (P1,000.00), but not more than two thousand pesos (P2,000.00), or by imprisonment of not less than two months but not more than two (2) years, or both, at the discretion of the court.

SEC. 13. *Constitutionality.* — If any provision or provisions of this Act shall be held unconstitutional, its other provisions shall not be affected thereby.

SEC. 14. *Effectivity.* — This Act shall take effect upon its approval and shall be deemed and accepted, to all legal intents and purposes, as the statutory articles of incorporation of the Company, but not beyond its transformation into a private corporation in accordance with Section seven of this Act.

Approved, June 19, 1971.

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[REPUBLIC ACT NO. 6361]

AN ACT PROVIDING FOR THE FIXING OF THE MAXIMUM SELLING PRICE OF ESSENTIAL ARTICLES OR COMMODITIES, CREATING THE PRICE CONTROL COUNCIL, AND FOR OTHER PURPOSES.

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

SECTION 1. It is hereby declared to be the national policy to prevent monopoly, hoarding, injurious speculation, manipulation and profiteering with respect to the supply, distribution and marketing of the following articles or commodities, whether imported or locally produced or manufactured, and to fix the maximum prices, consistent with the policies of the State to increase production and productivity, of such of these commodities as are essential to the public interest:

- (1) Medicines, drugs, surgical, optical and dental supplies;
- (2) Essential food and foodstuffs including milk, soft drinks and other beverages;
- (3) Animal and poultry feeds and veterinary supplies;
- (4) Clothes, clothing, and sewing and weaving materials and supplies;
- (5) Fuels, lubricants, crude oil and petroleum products, without prejudice to any action which the Oil Industry Commission may hereafter take under the provisions of R.A. 6173.
- (6) Construction materials;

- (7) Educational and office supplies and equipment;
- (8) Fertilizers, insecticides, pesticides and other agricultural inputs;
- (9) Motor vehicles and spare parts, tires, batteries, engines and other machineries;
- (10) Household utensils, appliances and other household necessities;
- (11) Footwear including all the components thereof.

SEC. 2. To carry out the above policy, there is hereby created a Price Control Council (hereinafter referred to as the "Council"), which shall be composed of the Secretary of Commerce and Industry, the Secretary of Agriculture and Natural Resources, the Secretary of Health, the Chairman of the National Economic Council, and three representatives of consumers one of which shall be from qualified nominees of nationwide government employees' organization, the second from qualified nominees of the private labor sector and the third from qualified nominees of nationwide women's organization, who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments and who shall have the following qualifications: a natural-born Filipino citizen; at least thirty years of age; and not connected with the production, supply, distribution or marketing of any of the items mentioned in Section One: *Provided*, That the above-named government officials, except the Chairman, may authorize their respective under-secretaries to represent them in the meetings of the Council. A majority of the members shall constitute a *quorum* and four affirmative votes shall be necessary for any action or decision of the Council: *Provided, further*, That the representative of consumers shall receive as emolument or compensation for services rendered to the Council a *per diem* of ₱50.00 for every meeting attended: *Provided, finally*, That the total emolument or compensation that may be received by said representative of the consumers shall not exceed the amount of ₱1,000.00 a month. The Council shall elect the Chairman from among themselves. The Director of Commerce shall serve as the Executive Director of the Council and the Bureau of Commerce (hereinafter referred to as the "Bureau") shall provide staff support to the Council.

Within 10 days after the assumption of office of the Chairman or any member of the Council, the members thereof including the Executive Director of the Council shall submit a statement of their assets and/or liabilities and a full and fair disclosure of all their interests and professional connections as of the date of their assumption of office. A copy each of said statements shall be filed with the office of the Secretary of the Senate and with the Office of the Secretary of the House of Representatives.

In each province and chartered city, there shall be a local price council whose composition, functions and scope of authority shall be determined by the Price Control Council, and which shall be under its immediate control and supervision: *Provided*, That the government employees, the

private labor sector and the women's organization in the area are each represented therein.

SEC. 3. The maximum prices of any of the articles or commodities mentioned in section one hereof established by the Price Control Council under Republic Act No. 6124 and enforced as of June 30, 1971, shall become effective immediately upon approval of this Act, subject to such modifications as the Council may authorize under the provisions of Section 4 of this Act: *Provided*, That the Council shall, within thirty days after the filing of any petition for review, act on the same in accordance with the guidelines established in Section 4 hereof.

SEC. 4. Whenever the market price of any of the articles or commodities mentioned in Section One hereof has risen or threatens to rise 20% or more over its price on March 1, 1970, or whenever the Council deems that the prevailing price should be reduced because it has risen due to monopoly, hoarding, injurious speculation, manipulation and profiteering, the Council shall, after notice and hearing, establish or order such maximum price as shall be fair, just and reasonable: *Provided*, That the maximum price shall not exceed the production cost plus a mark-up of ten *per centum* thereof to the manufacturer or producer, five *per centum* of the net cost of acquisitions to the wholesaler and ten *per centum* to the retailer if the articles or commodities are locally manufactured, or the landed cost plus a mark-up of five *per centum* to importer or indenter, and ten *per centum* to the retailer, if the articles or commodities are imported.

The following factors shall be taken into consideration by the Price Control Council in the fixing of the maximum prices of articles, commodities or goods to be used by the producer or manufacturer:

1. In case machineries are used, if obtained through credit, the increase in the price brought about by the enforcement of the floating rate;
2. The increase in the interest for amortization purposes also brought about by the floating rate;
3. Increase in the price of ingredients or materials used as a result of the floating rate:
 - (a) The increase in the cost of labor brought about by the increase of the minimum wage;
 - (b) Cost of raw materials, imported or domestic, and in case of imported raw materials, the landed cost of the same, meaning the price paid, cost of transportation to the Philippines, customs and other government imposts, storage fees and transportation expenses to the site of the factory or plant;
 - (c) Increase in the cost of transportation and such other factors as may be brought about by the increase in the cost of production.

The prices fixed by the Council shall become effective ten days after publication in two newspapers of general circulation in the Philippines, one in English and one in the National Language.

Production cost shall include all ordinary and necessary expenses paid or incurred in manufacturing or producing the commodity, but shall not include marketing costs unless at least 70% of the total volume of sales are made directly by the manufacturer or producer. In no case shall the production or acquisition cost include any taxes which are passed on to consumers; and marketing costs shall in no case exceed the average marketing cost for the period from 1966 to 1970, inclusive, as allowed by the Bureau of Internal Revenue and certified by an independent certified public accountant.

SEC. 5. (a) Whenever any of the articles or commodities mentioned in Section One hereof is in short supply, the Council, after notice and hearing, shall certify to the needs of local producers or manufacturers thereof and recommend to the Monetary Board that the Central Bank make available the foreign exchange to import adequate raw materials and supplies which may be necessary to produce or manufacture said article or commodity in the quantity required to cover the shortage in supply.

(b) If said article or commodity in short supply is not locally produced or manufactured or if the local producers or manufacturers thereof can not fully cover the shortage in supply, the Council after notice and hearing shall certify to such shortage or to the deficiency which the local producers or manufacturers cannot cover, and recommend to the Monetary Board that the Central Bank make available to importers the necessary foreign exchange to import said article or commodity in the quantity required to cover the shortage in supply.

(c) If these measures should still fail to arrest the rise of the market prices of such article or commodity in short supply, the Council, after notice and hearing, may recommend, and the President may authorize, any agency of the government, including any government-owned or controlled corporation, except government financial institutions, to import directly the article or commodity in short supply for distribution in the local market through such channels as may be chosen for the purpose.

SEC. 6. The Council shall promulgate such rules and regulations as shall be deemed necessary for the effective implementation of the provisions of this Act subject to the approval of the President of the Philippines. The rules and regulations that may be promulgated by the Council shall take effect fifteen days after their publication once a week for two consecutive weeks in at least two newspapers, one in English and another in the National Language of general circulation in the Philippines. They shall be posted at the entrance of the City Hall or Municipal Building of each city, municipality or municipal district in English and in the local dialect.

In the exercise of its powers, the Council, by unanimous vote shall have the power to issue, under the signature and authority of the Chairman, *subpoenas* and *subpoenas duces tecum*, which shall be duly entered

in a record book indicating the facts attendant thereto, and, notwithstanding the provisions of section 81, 347 and 349 of the National Internal Revenue Code, to require the Bureau of Internal Revenue to submit any sales, income or other tax returns filed by any producer, manufacturer or retailer of products listed in section one hereof whenever relevant to any public hearing and any inquiry under this Act.

The Council shall submit a quarterly report to Congress of all its actuations under this Act beginning January 1, 1972 and every quarter thereafter.

SEC. 7. Imprisonment for a period of not less than six months nor more than five years or a fine of not less than two thousand pesos nor more than twenty thousand pesos, or both, shall be imposed upon any person who sells any commodity in excess of the maximum selling price established by the Council, or who violates any provision of this Act or any order, rule or regulation issued pursuant to the provisions of this Act. *Provided, however,* That in the case of aliens, in addition to the penalty herein provided, the offender shall, upon conviction, and after service of sentence, be immediately deported without any further proceedings.

Whenever any of the offenses described above is committed by a corporation or association, the president and each of the directors or managers of said corporation or association, or its agent or representative in the Philippines in case of a foreign corporation or association who shall have knowingly permitted or failed to prevent the commission of such offenses, shall be held liable as principals thereof.

Any government official or employee, who by neglect or connivance has in any manner aided or abetted in the violation or circumvention of the provisions of this Act, shall be held criminally liable as co-principal under this section and shall, in addition, suffer the penalty of perpetual absolute disqualification to hold public office. Any government official or employee who, being duly authorized by the Council to act its authorized agent, shall divulge to any person, or make known in any other manner than may be authorized by law, any information regarding the income, method of operation or other confidential information regarding the business of any person, association or corporation, knowledge of which was acquired by him in the course of the discharge of his official duties, shall be punished by both fine of not less than two thousand pesos nor more than twenty thousand pesos and imprisonment of not less than two years nor more than five years.

SEC. 8. If any provision of this Act or the applicability of such provision to any person or circumstance shall be held invalid, the validity of the other provisions of this Act and the applicability of such provisions to other persons or circumstances shall not be affected thereby.

SEC. 9. The President is hereby authorized to allot from the unprogrammed appropriations for the Executive Departments from the General

Fund under Republic Act No. 6130, the sum of Two hundred fifty thousand pesos for necessary operating expenses to carry out the provisions of this Act during the fiscal year ending June 30, 1972, and under the next General Appropriations Act, the sum of one million pesos for the same purpose during the fiscal year ending June 30, 1973: *Provided, That* not more than one hundred thousand pesos shall be spent for personal services for a full year.

The Council and the Bureau of Commerce may call upon any official, agent, employee, agency or instrumentality of the government for staff or any other assistance that they may deem necessary to carry out the purposes of this Act and said agency or instrumentality of the government shall, with the approval of the President, assign the official, agent, or employee and provide the assistance requested by the Council and the Bureau of Commerce.

SEC. 10. The decisions of the Council on questions of fact shall be final and executory while those involving questions of law shall be reviewable by the Supreme Court by *certiorari*.

SEC. 11. This Act takes effect upon its approval and shall continue in force up to June 30, 1973: *Provided, however, That* convictions rendered under this Act or under the duly promulgated orders, rules and regulations issued pursuant thereto shall remain valid and enforceable, and prosecutions of offenses committed during the effectivity thereof shall commence and shall not be barred until terminated by convictions or acquittal of the accused.

Approved, July 27, 1971.

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[REPUBLIC ACT NO. 6364]

AN ACT AMENDING REPUBLIC ACT NUMBERED THIRTY HUNDRED EIGHTY-NINE, AS AMENDED, ENTITLED "AN ACT TO PROVIDE FOR ASSISTANCE TO THE GOLD MINING INDUSTRY."

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

SECTION 1. Sections two, four, five and six of Republic Act Numbered Thirty hundred and eighty-nine, as amended, are hereby further amended to read as follows:

"SEC. 2. *Definition of terms.*—When used in this Act the following terms shall, unless the context otherwise indicates, have the following respective meanings:

(a) 'Gold producer' means any person, corporation, partnership or association, incorporated, organized and existing under Philippine laws, at least seventy percent of the capital of which is owned and held by Philippine citizens, which produces gold as a principal product by itself or through an operating agreement, on the date of the effectivity of this Act: *Provided, however,* That an existing gold producer at least seventy percent of the capital of which is not owned and held by Philippine citizens in order to qualify for assistance under this Act, (a) must present evidence to the Board, within six months from the effective date of this Act, that it is exerting efforts to comply with this requirement; (b) in no case must less than thirty-five percent of its capital be owned and held by Philippine citizens at the end of the second year after the effectivity of this Act; and (c) must have seventy percent Filipino capital by the end of the third year after the effective date of this Act.

(b) 'Government' means the Government of the Republic of the Philippines;

(c) 'Board' means the Gold Mining Industry Assistance Board created to carry out the provisions of this Act;

(d) 'Cost of production' of bullion from a mine means the cost incurred by the producer and properly attributable to the production of bullion under standardized procedure to be adopted by the Board and includes mining, milling, smelting, refining, production tax, transportation, administrative costs attributable to the production of bullion, depreciation and depletion as provided under Section 30(g) (1) (b) (1) of Commonwealth Act No. 466, as amended, otherwise known as the National Internal Revenue Code; amortization of rehabilitation expenses, interest on capital loans; and one-half of the discount rate on treasury bills paid to it as assistance but in no case exceeding ten percent;

(e) 'Newly-mined gold' means gold fresh from the mill or smelter, which has never been in trade or commerce actually produced by the gold producer, certified as such by the gold producer and confirmed by the Board.

(f) 'Free market' means domestic and foreign open market;

(g) 'Assistance' is the amount given by the Government to gold producers during the effectivity of this Act;

(h) 'Official Price' means the equivalent in Philippine pesos of the official world price of gold which is presently fixed at \$35.00 per ounce, based on the prevailing free market rate or any other rate that may subsequently be fixed by the Government;

(i) 'Ounce' means troy ounce which is one-twelfth part of a pound of five thousand seven hundred sixty grains, or four hundred eighty grains of 31.1035 grams;

(j) 'Refined gold' means gold that has been purified to the fineness acceptable to the Central Bank; and

(k) 'Mine producing gold as a principal product' refers to a mine where the receipt from whatever source from the sale of gold is more than fifty per cent of the total receipts.

"SEC. 4. *Gold producers qualified to receive assistance.*—To be entitled to the assistance provided in this Act, a gold producer must sell to the Central Bank, and the Central Bank is hereby directed to purchase, its entire production of newly mined gold at the official price defined in Section 2 (h) hereof, and in cases where the ore concentrates, bullion or matte are processed or refined abroad, the gold producer must have used the services of vessels of Philippine Registry and/or Philippine carriers to the ports of call or on routes served by them, if such services are available to such places where the concentrates, bullion or matte are to be processed or refined. Should a gold producer sell his gold in violation of this section at any time during a certain year, the entire production for that year shall not be entitled to assistance. Any assistance already given shall be refunded, and the manager or person in-charge of the mining corporation that sells its gold produce or part thereof in violation of this section shall, upon conviction, be punished by a fine of not more than P5,000 or an imprisonment of not more than two years or both in the discretion of the Court: *Provided, however,* That any gold producer which may hereafter invest more than twenty-five per cent of its paid-up capital and surplus abroad shall not be entitled to the benefits of this Act, unless such investments do not involve direct remittance of foreign exchange: *Provided, further,* That a gold producer that makes a profit in any calendar year of twelve per cent on the sale of its gold to the Central Bank exclusive of assistance shall not be entitled to assistance in that year. "Profit" as herein used shall mean the difference between the official price and the cost of production of the gold: *Provided, finally,* That any gold producer shall continue to receive assistance under this Act only if it presents evidence to the Board that it is diversifying or phasing out its operations so that it shall no longer require assistance after five years from the date of effectivity of this Act. The Central Bank shall issue a receipt for all gold purchased by it under this Act, which receipt shall show the number of ounces of gold purchased.

"SEC. 5. *Manner of payment under this Act.*—In addition to the official price defined in Section 2 (h), all gold producers shall receive assistance as follows:

"(a) Mines whose annual production of gold as principal product is one hundred thousand ounces or less — sixty pesos per ounce plus seventy per cent of the positive difference between the cost of production per ounce of gold and the official price: *Provided,* That this assistance and the official price shall not exceed three hundred fifty pesos per ounce: *Provided, further,* That the sum of (a) the official price and total assistance less (b) the cost of production shall in no case exceed P40.00 per ounce.

“(b) Mines whose annual production of gold as principal product is more than one hundred thousand ounces—fifty pesos per ounce plus sixty-five per cent of the positive difference between the cost of the production per ounce of gold and the official price: *Provided*, That this assistance and the official price shall not exceed three hundred ten pesos per ounce: *Provided, further*, That the sum of (a) the official price and total assistance less (b) the cost of production shall in no case exceed ₱30.00 per ounce.

“Every gold producer enjoying assistance shall give a bonus equivalent to ten per cent of the assistance received to its employees whose salaries do not exceed five hundred pesos per month: *Provided*, That both the basic and additional subsidy should be paid not later than one week after payment of the official price by the Central Bank: *Provided, further*, That if the applicable production cost per ounce is not available, the Gold Subsidy Board shall base its payment on the last available production per ounce, subject to final adjustment as soon as the correct production cost per ounce is determined.”

“SEC. 6. *Term*.—This direct assistance shall be effective only for a period of five years from the date of approval of this Act.

SEC. 2. A new section to be known as Sec. 13-A, is hereby inserted between Sections 13 and 14 of this Act, as amended, to read as follows:

“SEC. 13-A. *Sale of gold in the free market*. — Any gold producer that does not receive subsidy under the provisions of this Act is entitled to sell its gold production in the free market, domestic or foreign, under such rules as the Monetary Board shall adopt: *Provided, however*, That the Monetary Board may, when the national interest so demands, prevent the sale of gold in the free market, domestic or foreign.

SEC. 3. This Act shall take effect upon its approval.

Approved, August 5, 1971.

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[REPUBLIC ACT NO. 6365]

AN ACT ESTABLISHING A NATIONAL POLICY ON POPULATION,
CREATING THE COMMISSION ON POPULATION AND FOR
OTHER PURPOSES.

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

SECTION 1. This Act shall be known as the Population Act of the Philippines.

SEC. 2. *Declaration of Policy.*—The Congress of the Philippines hereby declares that for the purpose of furthering the national development, increasing the share of each Filipino in the fruits of economic progress and meeting the grave social and economic challenge of a high rate of population growth, a national program of family planning which respects the religious beliefs of the individuals involved shall be undertaken. The Congress of the Philippines further declares that the national population policy and program will include the following elements: quantitative goals will be established and adopted; a broad understanding of the effects of alternative rates of population growth on family and national welfare be promoted; family planning will be made part of a broad educational program; safe and effective means will be provided to couples desiring to space or limit family size; mortality and morbidity rates will be further reduced; policies and programs guiding and regulating labor force participation, internal migration, and spatial distribution of population will be adopted; and contact with international agencies and private organizations concerned with population problems will be established and maintained on a regular basis.

SEC. 3. *Commission on Population: Creation and Composition.*—To carry out the purposes and objectives of the Act, there is hereby created in the Office of the President a Commission on Population, hereinafter referred to as Commission, composed of the Secretary of Education, the Secretary of Health, the Secretary of Social Welfare, the Commissioner of National Integration, the Presidential Arm on Community Development, the Director of the University of the Philippines Population Institute, and in addition, the President shall appoint, with the consent of the Commission on Appointments, a representative from each of the following: Philippine Press Institute, National League of Puericulture Centers, Inc., Philippine Medical Association, Family Planning Organization of the Philippines, the Responsible Parenthood Council and the Institute of Maternal and Child Health, for a term of five years.

SEC. 4. *Functions and Duties.*—The Commission shall have the following functions and duties:

(a) To formulate and adopt coherent, integrated and comprehensive long-term plans, programs and recommendations on population as it relates to economic and social development consistent with and implementing the population policy, which shall be submitted to and approved by the President, upon recommendation of the National Economic Council: *Provided*, That the National Economic Council shall act on all such plans, programs and recommendations not later than sixty days from receipt thereof;

(b) To receive and approve project proposals and to coordinate and evaluate their implementation in accordance with approved plans and programs;

(c) To put up family planning clinics in cooperation with the Department of Health;

(d) To undertake, such action projects as are necessary;

(e) To undertake, promote, and publish studies and investigations on Philippine population in all its aspects;

(f) To assemble and disseminate technical and scientific information relating to medical, social, economic and cultural phenomena as these affect or are affected by population;

(g) To submit an annual report to the President and to Congress on plans, programs, and progress of population activities. For this purpose, the Commission may require all agencies concerned to provide information necessary in the preparation of said report;

(h) To adopt rules of procedures for its government;

(i) To receive and accept from sources within and without the Philippines for its own use and not for sale, grants or donations of equipment, materials or services. Such grants or donations shall be exempt from gift taxes and deductible from the net taxable income of the grantor or donor and the donee, upon certification of the Commission: *Provided, however,* That any grant or donation received in accordance with this paragraph shall be disclosed to Congress through the annual report; and

(j) To perform such duties as proper authorities may from time to time direct the Commission to undertake.

The Commission may call upon any department, bureau, office or agency or instrumentality for such assistance as it may require in the performance of its functions.

SEC. 5. *Chairman.* — The Commission shall elect its Chairman from among its members.

The Chairman of the Commission shall be responsible for calling and presiding over its meetings and shall for or in behalf of the Commission, receive gifts or donations, in whatever form and whatever source, and shall administer, obligate, and disburse the same, upon approval by a majority of the members of the Commission, and hire and maintain a staff to carry out the purposes and objectives of the Commission, in accordance with the terms of the donation, and in the absence thereof, in such manner as the Commission may in its discretion determine in conjunction with Section four, paragraph (i): *Provided,* That not more than fifteen percent of the funds of the Commission shall be utilized for administration expenses of the Commission.

SEC. 6. *Meetings.* — The Commission shall meet at least once in every four months and at other times at the call of the Chairman.

The Chairman of the Commission may constitute continuing or *ad hoc* committees, consisting of the members of the Commission or such other experts as are deemed necessary to conduct studies for the Commission, or to assist it in the discharge of its functions.

SEC. 7. *Executive Committee.*—The Commission shall have an Executive Committee which shall act for the Commission when the latter is not in session. The Executive Committee shall be composed of: the Chairman of the Commission as Chairman and as members, the Secretary of Health, the Secretary of Education, the Secretary of Social Welfare, the Commissioner of National Integration, the Presidential Arm on Community Development, the Responsible Parenthood Council, the Director of the University of the Philippines Population Institute, the representative of the Family Planning Organization of the Philippines, the Director of the Institute of Maternal and Child Health, and a representative from the National League of Puericulture Centers, Inc.

The Executive Committee shall meet at least once a month or at the call of the Chairman.

SEC. 8. *Staff.*—The Commission shall have an Executive Director who shall act as its action officer and shall serve as secretary of the Commission and the Executive Committee. The Executive Director shall be appointed by the Chairman with the consent of the Commission.

Subject to the direction and supervision of the Chairman, the Executive Director shall be responsible for the operation of the national population program, and for making decisions on a day-to-day basis. The Executive Director shall be responsible for preparing periodic reviews of program progress, for annual budget estimates, and for recommending policy to the Commission, and shall perform such other duties as are prescribed by the Commission.

The Commission shall have such other personnel as may be necessary and may be assisted by such personnel as may be assigned or detailed to it from departments, bureaus, offices, or instrumentalities of the Government and shall arrange for such services as the Chairman may deem necessary for the performance of the Commission's work.

SEC. 9. *Annual Report to Congress.*—Not later than thirty days after the opening of the regular session of Congress each year, the Commission shall submit to both Houses of Congress an annual report on the achievement of the Commission, stating its plans and projects and defining therein the problems encountered in the preceding year and the recommended solutions and actions or measures expected of Congress on account thereof, if any.

SEC. 10. *Appropriations.*—The sum of four and a half million pesos is hereby authorized to be appropriated, out of any funds in the National Treasury not otherwise appropriated, as operating funds for the Commission starting the fiscal year nineteen hundred seventy-two: *Provided*, That out of this sum shall be disbursed the equivalent of the amount of three hundred fifty thousand dollars as the contribution of the Republic of the Philippines to the United Nations Fund for Population Activities for the calendar year nineteen hundred seventy-two: *Provided, further*,

That at least seventy-five per cent of the said amount of three hundred fifty thousand dollars shall be used to finance population projects in the Philippines pursuant to this Act which are approved by the United Nations Fund for Population Activities: *And, provided, finally,* That said amount may be increased or decreased in the succeeding years by the Commission in accordance with its financial position. This appropriation shall hereafter be included in the annual General Appropriations Act.

SEC. 11. *Repeal*.—Any and all Acts, statutes, rules, regulations or parts thereof inconsistent herewith are hereby repealed.

SEC. 12. *Separability*.—If any reason, any part of this Act is declared unconstitutional or invalid, no other section or provision of this Act shall be affected thereby.

SEC. 13. *Effectivity*.—This Act shall take effect upon its approval.

Approved, August 16, 1971.

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[REPUBLIC ACT NO. 6366]

AN ACT TO PROVIDE FOR THE REHABILITATION AND MODERNIZATION OF THE PHILIPPINE NATIONAL RAILWAYS BY AMENDING SECTIONS ONE, THREE, FIVE, NINE, ELEVEN, TWELVE, FOURTEEN, AND SEVENTEEN, OF REPUBLIC ACT NUMBERED FORTY-ONE HUNDRED FIFTY-SIX, ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL RAILWAYS, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES, AND PROVIDING FOR THE NECESSARY FUNDS FOR ITS OPERATIONS.

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

SECTION 1. Section one of Republic Act Numbered Forty-one hundred fifty-six is hereby amended by inserting thereafter Section one-a which shall read as follows:

"SECTION 1-a. *Statement of Policy*.—The Philippine National Railways, being a factor for socio-economic development and growth, shall be a part of the infrastructure program of the government and as such shall remain in and under government ownership during its corporate existence. The Philippine National Railways must be administered with the view of serving the interests of the public by providing them the maximum of service and, while aiming at its greatest utility by the public, the economy of operation must be ensured so that service can be rendered at the minimum passenger and freight prices possible."

SEC. 2. Section three of the same Act is hereby amended to read as follows:

"SEC. 3. *Authorized Capital Stock of the Philippine National Railways.*—The authorized capital stock of the Philippine National Railways shall be six hundred fifty million pesos divided into three million one hundred thirteen thousand common shares and one hundred thirty-seven thousand preferred shares, both with par value of two hundred pesos each, which shall include the present capitalization of the Philippine National Railways: *Provided*, That the increase in the authorized capital shall be fully subscribed by the Government: *Provided, further*, That the existing long term obligations of the Manila Railroad Company to the Government of the Philippines including its agencies or instrumentalities, in the amount of ninety-two million six hundred thousand pesos shall be converted into capital stocks of the Philippine National Railways and made a part of the subscription: *Provided, still further*, That the Philippine National Railways shall aside from its authorized capital stock of six hundred fifty million pesos, receive from the Government of the Philippines the amounts allocated under Republic Acts Numbered Eighteen hundred sixty-seven, Sixteen hundred twenty-three, and Eighteen hundred one, for the construction of new railroad line to the Cagayan Valley, and to the Province of Sorsogon, and whenever economically and technically feasible, the rehabilitation of the Cabanatuan Line, respectively: *And, provided, finally*, That the additional amount of the one hundred twenty million pesos be set aside, and the entire amount or so much thereof as may be needed by the Philippine National Railways be made available to the Philippine National Railways at least one year before the completion of the Cagayan and/or Sorsogon construction projects, for the purchase of motive power, rolling stocks and other supplies for use in the new lines, and for the Manila-Bulacan-Pampanga-Tarlac-Pangasinan-La Union Line and the reactivation and reconstruction of the old La Union-Baguio Line, it being specified that at least fifty million pesos of the authorized capital of the Philippine National Railways shall be invested as soon as practicable but not later than two years from the approval of this Act, for the purchase of motive power and rolling stocks for the railway project in Mindanao and five million pesos or so much thereof for the survey, economic and technical feasibility studies of said railway project, which shall be undertaken within six months from the approval of this Act."

SEC. 3. Section three of the same Act is hereby further amended by inserting thereafter sections three-a, three-b, three-c and three-d which shall read as follows:

"SEC. 3-a. The unpaid subscription of the Government in the amount of ₱489,732,158.00 shall be paid as follows:

1. The following obligations of the Philippine National Railways to the Philippine Government as of

December 31, 1970, are hereby converted into common shares of stock to be held by the National Government:

“(a) R & D Bonds
4% loan — purchase in
1951 of ten (10) steam
locomotives:—

Due May 15, 1966	P 1,984,400.00	
Outstanding interest ..	1,038,082.24	P 3,022,482.24

“(b) Loan acquired under R.A. No. 1000 ..	P 300,000.00	
Outstanding interest ..	60,717.81	360,717.81

“(c) Promissory note of June 30, 1965, with 5% interest	P 3,300,000.00	
Outstanding interest	981,123.30	4,281,123.30

“(d) Franchise tax liability	P 3,404,712.05	P 11,069,035.40
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“2. The obligation of the Philippine National Railways to the Reparations Commission amounting to P15,712,029.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Special Economic Development Fund of the National Government P 15,712,029.74

“3. The obligation of the Philippine National Railways to the Central Bank of the Philippines amounting to P19,127,438.43 as of December 31, 1970 is hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation out of the profits of the Central Bank accruing to the General Fund, so much of which as may be necessary is hereby appropriated for the purpose P 19,127,438.43

“4. The following outstanding obligations of the Philippine National Railways under Indent Bid No. 17 are hereby converted into common shares of stock to be held by the National Government which shall assume payment of said obligation, and for this purpose so much as may be necessary is hereby appropriated from the 50% portion of the proceeds of the stabilization tax under Republic Act Numbered Sixty-one hundred and twenty-five, the provisions of paragraph (a) of Section four of said Act to the contrary notwithstanding:

	<i>In US Dollars</i>	<i>In Philippine Pesos Estimated at ₱6.50 To \$1</i>
FY 1972	\$ 1,789,000	P11,628,500
1973	1,726,000	11,219,000
1974	1,663,000	10,809,500
1975	1,600,000	10,400,000

1976	1,537,000	9,990,500	
1977	1,475,000	9,587,500	
1978	1,109,000	7,208,500	
	<u>\$10,899,000</u>	<u>P70,843,500</u>	P 70,843,500.00

"5. The obligation of the Philippine National Railways to the Philippine National Bank amounting to P19,999,256.39 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Philippine National Bank **P 19,999,256.39**

"6. The obligation of the Philippine National Railways to the Development Bank of the Philippines amounting to P18,925,405.74 as of December 31, 1970 is hereby converted into common shares of stock to be held by the Development Bank of the Philippines **P 18,925,405.74**

"7. The following obligations of the Philippine National Railways to the Government Service Insurance System as of December 31, 1970:

"(a) Life and retirement insurance premiums — employer's and employees' shares	P25,247,641.81
"(b) Salary loan installments deducted from employee-borrowers	P 1,421,138.14
"(c) Premiums for property insurance fund	731,220.20
	<u>P27,400,000.15</u>

are hereby converted into preferred shares of stock with guaranteed dividends of 6% *per annum*, cumulative and redeemable during a period of five years, and fully guaranteed by the National Government **P 27,400,000.15**

"8. To finance the foreign exchange costs of the rehabilitation and selective modernization program of the Philippine National Railways, the sum of P124,491,250 is hereby appropriated from the Special Economic Development Fund under Republic Act Numbered Seventeen hundred and eighty-nine, as amended, and applied to the payment of the government subscription to common stock, as follows:

FY 1972	P 46,800,000.00
1973	11,797,500.00
1974	26,763,750.00
1975	39,130,000.00
	<u>P124,491,250.00</u>

Provided, That this appropriation or any part thereof may be substituted by equivalent allocation of capital goods from the dollar component of reparations, as follows:

FY 1972	\$ 7,200,000.00
1973	1,815,000.00

1974	4,117,500.00	
1975	6,020,000.00	
	<u>\$ 19,152,500.00</u>	<u>P124,491,250.00</u>

"9. To finance the peso costs of the rehabilitation and selective modernization program of the Philippine National Railways; including working capital, the sum of P126,570,000 is hereby appropriated from the portions of the proceeds of the stabilization tax under paragraph (b) of Section four of Republic Act Numbered Sixty-one hundred and twenty-five, and applied to the payment of the government subscription to common stock, as follows:

<u>FY</u>	<u>Peso Cost</u>	<u>Working Capital</u>	<u>Total</u>
1972	P13,107,500	P10,000,000	P 23,107,500
1973	24,590,000	10,000,000	34,590,000
1974	24,502,500	10,000,000	34,502,500
1975	24,170,000	10,200,000	34,370,000
	<u>P86,370,000</u>	<u>P40,200,000</u>	<u>P126,570,000</u>

Provided, That any deficiency in the portions of the proceeds of the stabilization tax under paragraph (b) of Section four of Republic Act Numbered Sixty-one hundred and twenty-five is hereby appropriated from such funds in the National Treasury not otherwise appropriated, or from proceeds of bond issues, subject to the limitations and conditions as provided by existing law ... P126,570,000.00

"10. The remaining government subscription to common stock shall be paid as may hereafter be authorized by law	P 55,594,242.15
Total	<u>P489,732,158.00</u>

"SEC. 3-b. The funds for the rehabilitation and selective modernization program shall be used exclusively for the following purposes and never to pay for obligations already existing at the time of the approval of this amendatory Act:

"1. The purchase of additional motive power, motor cars, passenger cars, freight cars, baggage cars, cabooses, wrecking cranes and the necessary spare parts; and/or the rehabilitation of rolling stock;

"2. The improvement of work shops and line sheds such as passenger and freight car repair shops, storage yards, and sheds;

"3. The improvement of tracks and structures such as rail replacement, ties, tie plate installation and replacement, ballast replacement, and slide and washout protection, improvement of bridges and culverts, and station buildings and their premises;

"4. The acquisition of tools and equipment necessary for maintenance and electrical purposes;

"5. The improvement or replacement of signal, communication and electrical equipment;

"6. The procurement of goods handling equipment; and

"7. Working capital.

"Within forty-five days after the opening of the annual regular session of the Congress of the Philippines, the Philippine National Railways shall submit to both Houses of Congress a report of its activities of the past year and a program for its activities for the next succeeding year, with particular emphasis on, but not limited to, the use of its capital for the purposes required in the herein section, and the establishment and use of the cash depreciation reserve under Section three-d, as well as the management audit required under Section eleven, together with such other data which the proper committees of Congress may require.

"SEC. 3-c. The corporation shall operate and maintain the Luzon Bus Line and Benguet Auto Line and as soon as practicable extend the services of these firms to provinces adjacent to those that are traversed by these railroad lines. Provided that as soon as possible, the corporation shall sell such surplus assets and properties, including realty, of the Luzon Bus Line and the Benguet Auto Line as shall not be necessary to or convenient for the operation of the corporation. The determination of what reserve for depreciation of its equipment, which reserves shall assets are to be sold may be made only in a regular meeting of the Board of Directors at which all members shall be present, with proper notice, supported with proper recommendations of the technical staff, that sale of such assets shall be taken up during the meeting; and must be approved by the affirmative votes of at least eight members. A description of the assets to be sold, the appraised value thereof, and the names of the directors voting for or against such sale, or abstaining from voting, shall be published in at least two (2) newspapers of national circulation within two (2) weeks after the decision of the board has been reached. All sales of real property, and of equipment with an appraised value of fifty thousand pesos or more, shall be by public auction; and the Auditor General is hereby authorized to promulgate rules and regulations to govern such sale in order to prevent collusive and fraudulent practices and to insure that the best price will be obtained for assets or property sold. A report of all invitations to bid and the result thereof shall be submitted to Congress not later than thirty (30) days after the bids shall have been opened; and such report shall be public record.

"SEC. 3-d. The Philippine National Railways is hereby required to earmark no less than seven percent of its annual gross income as cash reserve for depreciation of its equipment, which reserves shall be in the nature of a trust fund to be deposited in a bank or banks owned, controlled or supervised by the Government and can be

used only for the purpose of replacement, additions and betterments, or major repair of said equipment, without prejudice to the use of any other kind of fund for any of the same purposes. The corporation is likewise required to earmark no less than one-half of one per cent of its annual gross income as cash reserve to be used for minor repair of its equipment, to be deposited as trust fund in any bank or banks owned or controlled by the Government, without prejudiced to the use of any other kind of funds for the same purpose. Equipment is hereby defined as the rolling stock devoted to rail transportation service and related services such as steam, electric or diesel locomotives and other forms of motive power, passenger-train car, freight-train cars, work equipment, floating equipment, and the necessary appurtenances, furniture, and fixtures thereof. Additions are hereby defined as additional equipment. Betterments are improvements of parts (minor items) of existing equipment through the substitution of superior parts for inferior parts replaced."

SEC. 4. Section five of the same Act is hereby amended to read as follows:

"SEC. 5. *Board of Directors, Composition and Appointment.* — The corporate powers of the corporation shall be vested in and exercised by a Board of Directors of eleven members consisting of a chairman, vice-chairman and other members, one of whom shall be recommended by the minority party, who shall be appointed by the President of Philippines with the consent of the Commission on Appointments, except that the General Manager shall be *ex-officio* vice-chairman. The members of the Board need not be stockholders of the corporation but shall possess technical competence in railroad management. The first members of the Board shall serve as designated by the President in their appointments for terms of one, two, and three years, respectively, from date they qualify and assume office, but their successors shall be appointed for terms of three years, except that any person chosen to fill a vacancy shall serve for the unexpired term of the member whom he succeeds: *Provided*, That the representative of the minority party shall hold office at the pleasure of the minority party. For actual attendance of meetings, the chairman and the regular members shall receive a *per diem* of one hundred pesos: *Provided*, That the traveling expenses, allowances, and other fringe benefits shall not exceed one thousand pesos a month for each regular director and two thousand pesos for the chairman."

SEC. 5. Section nine of the same Act is hereby amended to read as follows:

"SEC. 9. *Managing Head.*—The management of the corporation shall be vested in the General Manager, who shall possess technical competence in railroad management, hold office for a term of eight years without reappointment and who shall be removable for cause. He shall be appointed by the President of the Philippines with the consent of the Commission on Appointments. In the performance of his functions regarding transportation and marketing, engineering, finance, and administra-

tion, he shall be assisted respectively by four assistant general managers to be appointed by him as soon as the reorganization plan is approved by the President as provided in Section six hereof on the basis of merit from among the personnel of the corporation who have been employed therein for no less than five years prior to said appointment. Said assistant general managers shall be removable for cause."

SEC. 6. Section eleven of the same Act is hereby amended to read as follows:

"SEC. 11. *Appointment and Promotion.* — In the appointment and promotion of officers and employees, merit and efficiency shall serve as basis, and no political test or qualification shall be prescribed and considered for such appointments or promotions. Said officers and employees shall fall under the exempt class of the civil service. As soon as possible after the approval of the herein amendatory Act and periodically thereafter, the corporation shall conduct a management audit of all its personnel and shall dismiss such personnel who, under such audit and after due process, have been found to be inefficient, dishonest or unnecessary to the management of the corporation. The corporation is further empowered to hire technicians, Filipinos or otherwise, whose services are necessary in rehabilitating the corporation. Within one year after the approval of this Act the corporation shall submit to the President of the Philippines a reorganization plan to streamline the organizational structure of the corporation."

SEC. 7. Section twelve of the same Act is hereby amended to read as follows:

"SEC. 12. *Exemption from taxes, duties, and port charges or dues, customs bonds and port charges.* — The corporation is hereby exempt from payment of all taxes of every name and nature — municipal, city, provincial or national — upon its capital stock, franchises, right of way, earnings, and all other property owned or operated by it and all import duties on all railway materials, rolling stocks, spare parts, supplies and equipment imported in the Philippines for and/or by the said corporation, and this exemption shall extend to wharfage dues, storage charges, arrastre and shipside charges, and special duties on such importations, and other port charges upon the carrying vessels whose entire cargo consists of materials for the construction of its projects and rehabilitation of its lines, facilities and to such proportion of the prescribed port charges on other vessels as the tonnage of materials for such constructions or equipment may bear to the tonnage of the entire cargo of the vessel; and such exemption shall further extend to the filing of general importer's and general documentary bonds and warehouse bonds for the operation of its warehouses, whether general bonded warehouses or general order store."

SEC. 8. Section fourteen of the same Act is hereby amended to read as follows:

"SEC. 14. *Legal Department.* — Any provision of law of executive order to the contrary notwithstanding, the Philippine National Railways shall have its own legal department which shall assist and coordinate with the Office of the Government Corporate Counsel. The chief and members of the legal department shall be appointed by the General Manager with the approval of the Board of Directors."

SEC. 9. Section seventeen of the same Act is hereby amended to read as follows:

"SEC. 17. *Strikes during national emergency.* — The provisions of law to the contrary notwithstanding, in cases of national emergency, or when in the opinion of the President of the Philippines, the national security or interest is in imminent danger, employees and laborers of the corporation shall not strike for the purpose of securing changes or modification in their terms and conditions of employment during said period of emergency: *Provided, however,* That during the implementation of the PNR Rehabilitation and Modernization Program, management and labor should always strive to maintain industrial peace by availing of and exhausting all methods of resolving all labor disputes to ensure the continuous, effective and successful implementation of the Program: *Provided, further,* That the Philippine National Railways may enter into collective bargaining agreements, one for personnel of supervisory rank and the other for personnel of non-supervisory rank regardless of the number of recognized unions which may be or might have been organized therein."

SEC. 10. This Act shall take effect upon its approval.

Approved, August 16, 1971.

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[REPUBLIC ACT NO. 6389]

AN ACT AMENDING REPUBLIC ACT NUMBERED THIRTY EIGHT HUNDRED AND FORTY-FOUR, AS AMENDED, OTHERWISE KNOWN AS THE AGRICULTURAL LAND REFORM CODE, AND FOR OTHER PURPOSES.

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

SECTION 1. Sections 1, 2, 3 and 4 of Republic Act No. thirty eight hundred and forty-four, otherwise known as the Agricultural Land Reform Code, are hereby amended to read as follows:

"SECTION 1. *Title.*—This Act shall be known as the Code of Agrarian Reforms of the Philippines."

"SEC. 2. *Declaration of Policy.* — It is the policy of the State:

"(1) To establish cooperative-cultivatorship among those who live and work on the land as tillers, owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and as a consequence, divert landlord capital in agriculture to industrial development;

"(2) To achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices;

"(3) To create a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm income through a cooperative system of production, processing, marketing, distribution, credit, and services;

"(4) To apply all labor laws equally and without discrimination to both industrial and agricultural wage earners;

"(5) To provide a more vigorous and systematic land resettlement program and public land distribution;

"(6) To make the small farmers more independent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society.

"(7) To give first priority to measures for the adequate and timely financing of the Agrarian Reform Program pursuant to House Joint Resolution Numbered Two, otherwise known as the Magna Carta of Social Justice and Economic Freedom; existing laws; executive and administrative orders; and rules and regulations to the contrary notwithstanding;

"(8) To involve local governments in the implementation of the Agrarian Reform Program; and

"(9) To evolve a system of land use and classification."

"SEC. 3. *Composition of Code.*—In pursuance of the policy enunciated in Section two, the following are established under this Code:

"(1) An agricultural leasehold system to replace all existing share tenancy systems in agriculture;

"(2) A system of crediting rental as amortization payment on purchase price;

"(3) A declaration of rights for agricultural labor;

"(4) A machinery for the acquisition and equitable distribution of agricultural land;

"(5) An institution to finance the acquisition and distribution of agricultural land;

"(6) A machinery to extend credit and similar assistance to agricultural lessees, amortizing owners-cultivator, owners-cultivator, and cooperatives;

“(7) A machinery to provide marketing, management, and other technical assistance and/or services to agricultural lessees, amortizing owners-cultivator, owners-cultivator, and cooperatives;

“(8) A machinery for cooperative development;

“(9) A department for formulating and implementing projects of agrarian reform;

“(10) An expanded program of land capability survey, classification, and registration;

“(11) A judicial system to decide issues arising under this Code and other related laws and regulations; and

“(12) A machinery to provide legal assistance to agricultural lessees, amortizing owners-cultivator, and owners-cultivator.”

“SEC. 4. *Automatic Conversion to Agricultural Leasehold.*—Agricultural share tenancy throughout the country, as herein defined, is hereby declared contrary to public policy and shall be automatically converted to agricultural leasehold upon the effectivity of this section.

“The credit assistance traditionally extended by a landowner and a local lender to a tenant under the share tenancy systems in agriculture for production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock, feed and other similar items, and advances for the subsistence of a lessee and his family, may be continued by said landowner and local lender: *Provided*, That the total charges on these loans, including interest and service, inspection and issuance fees, shall not exceed fourteen *per cent* per calendar year and the principal thereof shall not be subject to upward adjustment even in case of extraordinary inflation and/or devaluation: *Provided, further*, That on all loans or advances other than money, the interest shall be computed on the basis of the current price of the goods at the time when the loans or advances were made.

“Any work animal and tillage equipment in the possession of a share tenant but owned by a landowner shall automatically be sold to said tenant on installment for a period not exceeding five years and at a price agreed upon by the parties: *Provided, however*, That the tenant shall pay in advance ten per cent of the price agreed upon.

“Existing share tenancy contracts may continue in force and effect in any region or locality, to be governed in the meantime by the pertinent provisions of Republic Act Numbered Eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the President of the Philippines shall have organized by executive order the Department of Agrarian Reform in accordance with the provisions of this amendatory Act, unless such contracts provide for a shorter period or the tenant sooner exercises his option to elect the leasehold system: *Provided*, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a

separate proclamation by the President upon recommendation of the department head that adequate provisions, such as the organization of co-operatives, marketing agreement, or other similar workable arrangements have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops.

"In case some agricultural share tenants do not want to become agricultural lessees of their respective landholding, they shall, with the assistance of the Bureau of Agrarian Legal Assistance, notify in writing the landowners concerned. In such a case, they shall have one agricultural year from the date of the notice to accept leasehold relationship, otherwise the landowner may proceed to their ejectment."

SEC. 2. Sections 11 and 12 of the same Code are hereby amended to read as follows:

"SEC. 11. *Lessee's Right of Pre-emption.*—In case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions: *Provided*, That the entire landholding offered for sale must be pre-empted by the Department of Agrarian Reform upon petition of the lessee of any of them: *Provided, further*, That where there are two or more agricultural lessees, each shall be entitled to said preferential right only to the extent of the area actually cultivated by him. The right of pre-emption under this Section may be exercised within one hundred eighty days from notice in writing, which shall be served by the owner on all lessees affected and the Department of Agrarian Reform.

"If the agricultural lessee agrees with the terms and conditions of the sale, he must give notice in writing to the agricultural lessor of his intention to exercise his right of pre-emption within the balance of one hundred eighty days period still available to him, but in any case not less than thirty days. He must either tender payment of, or present a certificate from the land bank that it shall make payment pursuant to section eighty of this Code on, the price of the landholding to the agricultural lessor. If the latter refuses to accept such tender or presentment, he may consign it with the court.

"Any dispute as to the reasonableness of the terms and conditions may be brought by the lessee or by the Department of Agrarian Reform to the proper Court of Agrarian Relations which shall decide the same within sixty days from the date of the filing thereof: *Provided*, That upon finality of the decision of the Court of Agrarian Relations, the Land Bank shall pay to the agricultural lessor the price fixed by the court within one hundred twenty days: *Provided, further*, That in case the Land Bank fails to pay within that period, the principal shall earn an equivalent to the prime bank rate existing at the time.

"Upon the filing of the corresponding petition or request with the department or corresponding case in court by the agricultural lessee or lessees, the said period of one hundred and eighty days shall cease to run.

"Any petition or request for pre-emption shall be resolved within sixty days from the filing thereof; otherwise, the said period shall start to run again."

"SEC. 12. *Lessee's right of Redemption.*—In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration: *Provided*, That where there are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him. The right of redemption under this Section may be exercised within one hundred eighty days from notice in writing which shall be served by the vendee on all lessees affected and the Department of Agrarian Reform upon the registration of the sale, and shall have priority over any other right of legal redemption. The redemption price shall be the reasonable price of the land at the time of the sale.

"Upon the filing of the corresponding petition or request with the department or corresponding case in court by the agricultural lessee or lessees, the said period of one hundred and eighty days shall cease to run.

"Any petition or request for redemption shall be resolved within sixty days from the filing thereof; otherwise, the said period shall start to run again.

"The Department of Agrarian Reform shall initiate, while the Land Bank shall finance, said redemption as in the case of pre-emption."

SEC. 3. Section fourteen of the same Code is hereby repealed.

SEC. 4. Section 32 of the same Code is hereby amended to read as follows:

"SEC. 32. *Cost of Irrigation System.* — The cost of construction of a permanent irrigation system, including distributory canals, may be borne exclusively by the agricultural lessor who shall be entitled to an increase in rental proportionate to the resultant increase in production: *Provided*, That if the agricultural lessor refuses to bear the expenses of construction the agricultural lessee/or lessees may shoulder the same, in which case the former shall not be entitled to an increase in rental and shall, upon the termination of the relationship, pay the lessee or his heir the reasonable value of the improvement at the time of the termination: *Provided, further*, That if the irrigation system constructed does not work, it shall not be considered as an improvement within the meaning of this Section: *Provided, furthermore*, That the lessees, either as individuals or as groups, shall undertake the management and control of irrigation systems within their respective jurisdiction. However, those constructed and operated by the government may be given to the lessees either as individuals or as groups at their option with the right to maintain, manage and operate such irrigation systems and to

collect and receive rentals therefrom: *Provided, still further*, That the lessees, either as individuals or as groups, shall allocate not more than twenty-five *per cent* of their collection for rentals to the government if the irrigation system has obligations to meet until paid, otherwise such irrigation system will be maintained, managed and operated solely by the lessees either as individuals or as groups, subject to such rules on water rights and water use promulgated by the National Irrigation Administration or such other government agencies authorized by law: *Provided, finally*, That if the irrigation system is installed and/or constructed at the expense of the landowner or agricultural lessor, the Department of Agrarian Reform shall initiate, while the Land Bank shall finance, the acquisition of such irrigation system at its current fair market value so that the ownership thereof may be vested in the lessees as individuals or groups."

SEC. 5. Section 34 of the same Code is hereby amended to read as follows:

"SEC. 34. *Consideration for the Lease of Riceland and Lands Devoted to Other Crops.*—The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five *per centum* of the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: *Provided*, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly cultivated lands, if that harvest is normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years.

"In the absence of any agreement between the parties as to the rental, the Court of Agrarian Relations shall summarily determine a provisional rental in pursuance of existing laws, rules and regulations and production records available in the different field units of the department, taking into account the extent of the development of the land at the time of the conversion into leasehold and the participation of the lessee in the development thereof. This provisional rental shall continue in force and effect until a fixed rental is finally determined. The court shall determine the fixed rental within thirty days after the petition is submitted for decision.

"If capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improve-

ments. In case of disagreement, the Court shall determine the reasonable increase in rental."

SEC. 6. A new section is hereby inserted after Section 34, to be designated as Section "34-A", which shall read as follows:

"SEC. 34-A. *Rental credited as amortization payment on purchase price.*—The rental paid under the preceding section after the approval of this amendatory Act shall be credited as amortization payment on the purchase price of the landholding tilled by the lessee in any of the following instances:

"(1) When the landholding is expropriated by the government for the lessee; and

"(2) When it is redeemed.

"The purchase price of the landholding shall be determined by the parties or the government agencies concerned on the same basis prescribed under section fifty-six of this Code: *Provided*, That whatever balance remains after crediting as amortization the rental paid, the same may be financed by the Land Bank in the same ratio and mode of payment as provided under section eighty of this Code.

"The provisions of Act Numbered Four hundred ninety-six, as amended, and other laws to the contrary notwithstanding, the Land Registration Commission is hereby authorized concurrently with the Bureau of Lands to approve-survey plans of lands intended for original registration and to issue transfer certificate of title in favor of the new amortizing-owner-beneficiaries under this section and the Registries of Deeds to register the same. For this purpose, the Land Registration Commissioner shall issue the necessary rules and regulations for the implementation of this provision.

"The Department and/or the Bank, in appropriate cases, shall facilitate the immediate issuance of the corresponding transfer certificate of title of the landholding to the new amortizing owner with the encumbrance thereof duly annotated.

"Provisions of existing laws, rules and regulations to the contrary notwithstanding, any amortizing owner may use this transfer certificate of title to obtain a loan from any public or private lending institution and he shall be entitled to borrow therefor an amount not less than sixty *per centum* of the fair market value of the property: *Provided*, That the proceeds of such loan shall be applied as follows: fifty *per centum* as partial payment of any unpaid balance on the landholding and the remaining fifty *per centum* for the capital improvement of the land and operating capital for farm operations of the amortizing owner.

"The payment of all loans obtained pursuant to the provisions of this section shall be guaranteed by the Land Bank and for this purpose, it shall

set aside a sinking fund in such amount as may be necessary to be determined by its Board of Trustees.

"In case of default in the payment of three consecutive installments on the loan, the lender shall immediately notify, among others, the Land Bank and the department of such default, and thereafter, these agencies shall take the appropriate steps either:

"(1) To answer for the default in case the reason therefor is due to fortuitous event, or

"(2) In any other case, to take over the ownership and administration of said property.

"In the latter case mentioned under the preceding paragraph, the government shall endeavor to substitute the defaulting amortizing owner with a new one who does not own any land and who shall be subrogated to the rights, and shall assume the obligations, of the former amortizing owner.

"The rules prescribed in the two immediately preceding paragraphs shall apply in case the lessee defaults in the payment of at least three consecutive rental amortizations, with the former landowner giving the required notice in proper cases.

"In all instances where default is due to fortuitous events the Land Bank shall be answerable for such default and the farmers shall be released from the obligations to pay such installment or installments due together with interest thereon."

SEC. 7. Section 36(1) of the same Code is hereby amended to read as follows:

"(1) The landholding is declared by the department head upon recommendation of the National Planning Commission to be suited for residential, commercial industrial or some other urban purposes: *Provided*, That the agricultural lessee shall be entitled to disturbance compensation equivalent to five times the average of the gross harvests on his landlording during the last five preceding calendar years;"

SEC. 8. Section 39(2) of the same Code is hereby amended to read as follows:

"(2) Right to engage in concerted activities as defined under Republic Act Numbered Eight hundred and seventy-five;"

SEC. 9. The Titles of Chapter III and Article I and Sections 49 and 50 of the same Code are hereby amended to read as follows:

"Chapter III.—Department of Agrarian Reform.

"Article I.—*Organization and Functions of the Department of Agrarian Reform.*

"SEC. 49. *Creation of the Department of Agrarian Reform.*—For the purpose of carrying out the policy of establishing owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and other policies enunciated in this Code, there is hereby created a Department of Agrarian Reform, hereinafter referred to as Department, which shall be directly under the control and supervision of the President of the Philippines. It shall have authority and responsibility for implementing the policies of the state on agrarian reforms as provided in this Code and such other existing laws as are pertinent thereto.

"The Department shall be headed by a Secretary who shall be appointed by the President with the consent of the Commission on Appointments.

"He shall be assisted by one Undersecretary who shall be appointed by the President with the consent of the Commission on Appointments.

"SEC. 50. *Qualifications and Compensations of Secretary and Undersecretary.*—No person shall be appointed Secretary or Undersecretary of the Department unless he is a natural-born citizen of the Philippines, with proven executive ability and adequate background and experience in land reform here and/or elsewhere for at least five (5) years, and at least thirty-five years of age: *Provided, however,* That the Undersecretary shall be a career administrator and, at the time of his appointment, shall not be more than fifty-seven (57) years of age, unless the President has determined that he possesses special qualifications and his services are needed.

"The Secretary and the Undersecretary shall have, among other qualifications, demonstrated interest in, and concern for, the needs and problems of the rural and farm populations and the solutions thereto: *Provided,* That no person who owns any farmholding shall be appointed as Secretary or Undersecretary unless such farmholding is under the leasehold system or the system of agricultural land ownership transfer direct to the tiller.

"The Secretary shall receive an annual compensation equivalent to any other executive department secretary; the Undersecretary shall receive an annual compensation equivalent to any other executive department undersecretary."

SEC. 10. The following new sections are hereby inserted after Section 50, to be designated as Sections "50-A to 50-I," which shall read as follows:

"SEC. 50-A. *Powers and functions of the Secretary.*—In addition to the powers and functions specified in this Code, the Secretary shall exercise such powers and perform such functions and duties as are required of any executive department secretary under existing laws."

"SEC. 50-B. *Powers and functions of the Undersecretary.*—In addition to the powers and functions specified in this Code, the Undersecretary

shall exercise such powers and perform such functions and duties as are required of any executive Department Undersecretary under existing laws."

"SEC. 50-C. *Vacancy in office or incapacity.*—In case of vacancy in the office of Secretary or inability of the Secretary to exercise his powers and perform his functions and duties due to his illness, absence or any other cause, the Undersecretary shall temporarily perform the functions of the said office."

"SEC. 50-D. *Office of the Secretary; Appointment of Personnel.*—The office of the Secretary shall be composed of the Secretary, the Undersecretary, the chiefs of the staff services or units directly under the department proper, together with the personnel thereof.

"All personnel of the department proper shall be appointed by the Secretary in accordance with applicable civil service law and rules."

"SEC. 50-E. *Creation of Staff Services; Functions.*—There shall be created in the department a planning service, a financial and management service, an administrative service, and such other staff services as the Secretary may deem necessary to establish in accordance with this section, each to be headed by a chief, which shall be organized and shall perform the functions as follows:

"(1) *Planning Service*

"The Planning Service shall be responsible for providing the department with economical, efficient, and effective services relating to planning, programming and project development.

"(2) *Financial and Management Service*

"The Financial and Management Service shall be responsible for providing the department with staff advice and assistance on budgetary, financial, and management improvement matters.

"(3) *Administrative Service*

"The Administrative Service shall be responsible for providing the department with economical, efficient, and effective services relating to personnel, legal assistance, information, records, supplies, equipment, collection, disbursements, security, and custodial work.

"SEC. 50-F. *Creation of Bureaus; Functions.*—There shall be under the department the following bureaus each to be headed by a Director who shall be assisted by an Assistant Director, charged with the direct implementation of the programs and policies of the Department:

"(1) The Bureau of Farm Management which shall be responsible for the development and implementation of programs on increased productivity, home improvement, and rural youth development;

“(2) The Bureau of Land Acquisition, distribution and development which shall be responsible for the distribution of lands to *bona fide* farmers, for conducting land capability survey and classification, and for the improvement of lands acquired by the Department;

“(3) The Bureau of Resettlement which shall be responsible for the resettlement of displaced farmers, landless families, and urban workers in the settlement projects of the Department, the construction of houses, roads and other facilities, and the taking of a census of all proclaimed and unproclaimed resettlements; and

“(4) The Bureau of Agrarian Legal Assistance which shall be responsible for extending legal assistance to farmers including those provided under Republic Act Numbered Forty-eight hundred and eighty-six, the execution of leasehold contracts and apprising the farmers with their rights and duties under the law.

“Each of these bureaus may establish such divisions as are necessary for the economical, efficient and effective performance of its functions.”

“SEC. 50-G. *Appointment, Qualifications and Compensations of Directors and Assistant Directors; Appointment of Personnel.*—The Director of a Bureau and his assistant shall each receive the equivalent compensation, and shall be appointed in the same manner as any director or assistant director of a bureau.

“No person shall be appointed director or assistant director of a bureau unless he is a natural-born citizen of the Philippines, with proven executive ability and adequate background and experience in land reform here and/or elsewhere for at least three (3) years, and at least twenty-five years of age: *Provided*, That the Director or Assistant Director shall be a career administrator and, at the time of his appointment, shall not be more than fifty-seven (57) year of age, unless the President has determined that he possesses special qualifications and his services are needed: *Provided, further*, That the Director or Assistant Director shall have among other qualifications, demonstrated interest in, and concern for, the needs and problems of the rural and farm population and the solutions thereto: *Provided, finally*, That no person who owns any farmholding shall be appointed as Director or Assistant Director unless such farmholding is under the leasehold system or the system of agricultural land ownership-transfer direct to the tiller.

“All personnel of the Bureaus shall be appointed by the Secretary, upon recommendation of their respective Director, in accordance with applicable civil service law and rules.”

“SEC. 50-H. *Functions of Director and Assistant Director.*—The Director or in his absence, the Assistant Director, shall exercise such powers and perform such functions and duties as are provided for under

existing laws in addition to the powers and functions provided for in this Code."

"SEC. 50-I. *Regional and Field Offices.*—The Department may have regional and other field offices, the number, location and organization of which shall be determined by the Department in conformity with the area pattern prescribed hereunder:

"(1) The Department, in the establishment of regional and other field offices, shall follow the field service area pattern authorized below. There are established ten regions, each with definite regional centers within the region as follows:

"a. Region No. 1 is called the Ilocos Region, and comprises the provinces of Batanes, Ilocos Norte, Ilocos Sur, Abra, La Union, Benguet, and Mountain Province and the cities of Baguio, and Laoag, with the regional center at San Fernando, La Union;

"b. Region No. 2 is called the Cagayan Valley Region, and comprises the provinces of Cagayan, Isabel, Nueva Vizcaya, Quirino (Sub-province), Ifugao, and Kalinga-Apayao, with the regional center at Tuguegarao, Cagayan;

"c. Region No. 3 is called the Central Luzon Region, and comprises the provinces of Pangasinan, Tarlac, Nueva Ecija, Pampanga, Zambales, Bulacan, Bataan, and the cities of Angeles, Cabanatuan, Dagupan, Olongapo, Palayan, San Carlos (Pangasinan) and San Jose (Nueva Ecija), with the regional center at San Fernando, Pampanga;

"d. Region No. 4 is called Southern Tagalog Region, and comprises the provinces of Rizal, Cavite, Laguna, Batangas, Quezon, Marinduque, Oriental Mindoro, Occidental Mindoro, Romblon, Aurora (Sub-province), and Palawan, and the cities of Batangas, Caloocan, Cavite, Lipa, Lucena, Manila, Pasay, Puerto Princesa, Quezon, San Pablo, Tagaytay, and Trece Martires with the regional center at greater Manila;

"e. Region No. 5 is called the Bicol Region and comprises the provinces of Camarines Norte, Camarines Sur, Albay, Catanduanes, Masbate, and Sorsogon, and the cities of Iriga, Legazpi and Naga, with the regional center at Legazpi City;

"f. Region No. 6 is called the Western Visayas Region, and comprises the provinces of Negros Occidental, Iloilo, Guimaras (Sub-province), Antique, Aklan, and Capiz, and the cities of Bacolod, Bago, Cadiz, Iloilo, La Carlota, Roxas, San Carlos (Negros Occidental) and Silay, with the regional center at Iloilo City;

"g. Region No. 7 is called the Central and Eastern Visayas Region, and comprises the provinces of Negros Oriental, Siquijor (Sub-province), Cebu, Bohol, Northern Samar, Eastern Samar, Western Samar, Leyte, Southern Leyte and Biliran (Sub-province) and the cities of Bais, Calbayog, Canlaon, Catbalogan, Cebu, Danao, Duma-

guete, Lapu-Lapu, Ormoc, Mandawe, Tacloban, Tagbilaran, and Toledo, with the regional center at Cebu City.

"h. Region No. 8 is called the Western Mindanao Region, and comprises the provinces of Misamis Occidental, Lanao del Norte, Lanao del Sur, Zamboanga del Norte, Zamboanga del Sur, and Sulu, and the cities of Basilan, Dapitan, Dipolog, Iligan, Marawi, Oroquieta, Ozamis, Pagadian, Tangub, and Zamboanga with the regional center at Zamboanga City;

"i. Region No. 9 is called the Central Mindanao Region, and comprises the provinces of Camiguin, Misamis Oriental, Bukidnon, Cotabato, and South Cotabato, and the cities of Cagayan de Oro, Cotabato, General Santos, and Gingoog, with the regional center at Cagayan de Oro City;

"j. Region No. 10 is called the Eastern Mindanao Region, and comprises the provinces of Surigao del Norte, Surigao del Sur, Agusan del Norte, Agusan del Sur, Davao del Norte, Davao Oriental, and Davao del Sur, and the cities of Butuan, Davao and Surigao, with the regional center at Davao City;

"(2) The Department shall organize an integrated and department-wide field services as the exigencies of the Agrarian Reform Program may require: *Provided*, That the Department shall establish in every regional or other field office organized, a consultative and coordinating body which shall include in its membership a tiller-lessee representing the agricultural lessees and a representative from the local governments of the area where said office is operating.

"(3) The regional office shall be headed by a Regional Director who may be assisted, whenever necessary, by an Assistant Regional Director. The Regional Director and Assistant Director, if any, shall be appointed by the Secretary in accordance with applicable civil service law and rules; *Provided, however*, That the Regional Director and Assistant Regional Director shall have the same qualifications as Bureau Director and Assistant Director, respectively.

"All personnel of the Regional and other offices shall be appointed by the Secretary upon recommendation of their respective regional director, in accordance with applicable civil service law and rules: *Provided*, That applicants from the region, who possess the required qualifications, shall be appointed to vacant positions in the said region, unless nobody among the said applicants is qualified; in which case, applicants from other regions may be considered.

"(4) The Regional Director shall be responsible in carrying out the policies and implementing the plans and programs of the Department in the regional area under his jurisdiction: *Provided, however*, That when the department's function or activity transcends regional boundaries and requires central and/or inter-regional action, said functions may be performed under the direct supervision and control of the department.

"(5) The Regional offices shall have units on agricultural extension, credit and legal assistance, as well as cooperative development; or personnel in which the functional areas of the department may be represented. There shall be in these regional units as much combination of related functions as possible.

"(6) The functions of a regional office shall be as follows:

- "a. Implement laws, policies, plans, programs, rules and regulations of the Department in the regional area,
- "b. Provide economical, efficient, and effective service to the people in the area;
- "c. Coordinate with regional offices of other departments, bureaus, agencies in the area;
- "d. Coordinate with local government units in the area; and
- "e Perform such related functions as may be provided by other existing laws."

SEC. 11. The Land Reform Project Administration and its governing body, the National Land Reform Council, under the Office of the President, are hereby abolished; and their functions are transferred to the Department, together with applicable appropriations, records, equipment, property and all the organic, contributed and/or assigned personnel to the Land Reform Project Administration pursuant to this Code, other existing laws and Executive Order Numbered Seventy-five, Series of Nineteen hundred and sixty-four, as well as such personnel as may be necessary from its governing body, the National Land Reform Council.

SEC. 12. The Land Authority under the Office of the President and a member-agency of the Land Reform Project Administration is hereby abolished; and its functions are transferred to the Department, together with applicable appropriations, records, equipment, property, and such personnel as may be necessary.

SEC. 13. The Secretary shall, in consultation with the Undersecretary and Bureau Directors, allocate by Department Order to the different bureaus, agencies and regional offices of the Department the functions of the agencies, offices and/or units abolished and not otherwise assigned by this Amendatory Act or by the organization plan of the Department to a particular agency or office.

SEC. 14. The Land Bank of the Philippines is hereby attached to the Department as its land financing arm and shall devote all of its resources to agrarian reforms.

The Agricultural Credit Administration under the Office of the President shall coordinate and cooperate with the Department as its credit arm and shall devote its resources to agrarian reforms.

The Land Bank of the Philippines and the Agricultural Credit Administration, in addition to the functions and duties assigned to them under existing laws, executive and administrative orders, and rules and regulations, shall be responsible for rendering staff advice and assistance to the Secretary of the Department. The regional offices or field units of these entities and/or instrumentalities shall likewise coordinate and cooperate with the regional office or field units of the Department, respectively.

SEC. 15. Within sixty (60) days from the approval of this Amendatory Act, the President by Executive Order shall, upon recommendation of the Special Technical Committee created under Special Order Numbered Eleven, Series of Nineteen hundred and seventy-one, of the Land Reform Project Administration, and the Commission on Reorganization created pursuant to Republic Act No. 5435, as amended, organize the said Department in accordance with the provisions of this Amendatory Act with the end in view of achieving economy and maximum efficiency and effectiveness and of strictly observing the merit system in the retention and promotion of the best qualified personnel: *Provided*, That the administrative machineries of the entities attached and/or required under this Code to coordinate and cooperate with the Department, as well as the agencies servicing the same, shall also be reorganized to enable them to align their activities with the requirements and objectives of this Code: *Provided, further*, That not more than ten per cent of the personnel of the Department and the bureaus, offices, agencies and/or entities under, coordinating or servicing it shall be stationed in the Central Office: *Provided, finally*, That not more than five per cent of the total personnel in the regional, team, resettlement agency or equivalent field offices shall be stationed in such offices.

SEC. 16. Section 51 of the same Code is hereby amended to read as follows:

"SEC. 51. *Powers and Functions*.—It shall be the responsibility of the Department:

"(1) to initiate and prosecute expropriation proceedings for the acquisition of private agricultural lands as defined in Section one hundred sixty-six of Chapter XI of this Code for the purpose of subdivision into economic family-size farm units and resale of said farm units to *bona fide* tenants, occupants and qualified farmers: *Provided*, That the powers herein granted shall apply only to private agricultural lands subject to the terms and conditions and order of priority hereinbelow specified.

"a. all idle or abandoned private agricultural lands, except those held or purchased within one year from the approval of this Code by private individuals or corporations for the purpose of resale and subdivision into economic family-

size farm units of not more than six (6) hectares each in accordance with the policies enunciated in this Code: *Provided*, That the subdivision and resale shall be substantially carried out within one year from the approval of this Code;

“b. all private agricultural lands suitable for subdivision into economic family-size farm units of not more than six (6) hectares owned by private individuals or corporation worked by lessees, no substantial portion of whose landholding in relation to the area sought to be expropriated, is planted to permanent crops under labor administration, in excess of twenty-four hectares except all private agricultural lands under labor administration: *Provided*, That private agricultural lands occupied and cultivated continuously for not less than ten years by tillers or their ascendants who are not farm laborers or lessees may be subject to expropriation under this Code: *Provided, further*, That any court action filed for the ejectment of the tiller shall not interrupt the running of the ten-year period unless such action is filed within three years from the date of occupancy: *Provided, finally*, That if the final decision rendered in the court action is favorable to the tiller, the ten-year period shall be considered as continuous and uninterrupted; and

“c in expropriating private agricultural lands declared by the Department of Agrarian Reform to be necessary for the implementation of the provisions of this Code, the following order of priority shall be considered:

1. idle or abandoned lands;
2. those whose area exceeds 1,024 hectares;
3. those whose area exceeds 500 hectares but is not more than 1,024 hectares;
4. those whose area exceeds 144 hectares but is not more than 500 hectares;
5. those whose area exceeds 75 hectares but is not more than 144 hectares; and
6. those whose area exceeds 24 hectares but is not more than 75 hectares.

“(2) To acquire private agricultural lands regardless of area through negotiated purchase subject to approval of the court as to price for distribution and sale at cost to their actual occupants who are tillers of the land in lots of not more than six hectares: *Provided*, That where there are several groups or individuals of such tillers petitioning for

the acquisition of their respective occupancy, priority shall be given to the group with a greater number of tillers who first filed the petition over a group with a lesser number of tillers, and the latter over individual tillers: *Provided, further*, That the group or individual who has continuously tilled the land longest have first priority;

“(3) To help *bona fide* farmers without lands or agricultural owner-cultivators of uneconomic size farms to acquire and own economic family-size farm units of not more than six hectares each;

“(4) To administer and dispose of agricultural lands of the public domain under the custody and administration of the National Resettlement and Rehabilitation Administration and the Economic Development Corps of the Armed Forces of the Philippines prior to the approval of this Amendatory Act and such other public agricultural lands as may hereafter be reserved by the President of the Philippines or by law for resettlement and sale, in accordance with such terms and conditions as are set forth under this chapter: *Provided*, That the exercise of the authority granted herein, as well as the preceding sub-paragraph, shall not contravene public policy on the permanency of forest reserves or other laws intended for the preservation and conservation of public national and municipal forests, parks and watersheds: *Provided, further*, That said authority shall not be construed to exclude the other modes of disposition of public agricultural lands under the public land Act or to contravene the authority granted by law to the Department of Agriculture and Natural Resources over all public agricultural lands not covered by the Agrarian Reform Program: *Provided, finally*, That the Secretary of the Department of Agriculture and Natural Resources shall within a period of ten years from the approval of this Amendatory Act, release to the Department of Agrarian Reform for resettlement and sale all lands of the public domain reserved for agricultural resettlement and sale except public agricultural lands which are reserved as settlements for the national cultural minorities under the administration of the Commission on National Integration;

“(4) To develop plans and initiate actions for the systematic opening of alienable and disposable lands of the public domain for speedy distribution to and development by deserving and qualified persons who do not own any land in sizes of not more than six hectares;

“(5) To recommend to the President, from time to time after previous consultation with the Secretary of Agriculture and Natural Resources, what portion of the alienable, or disposable public lands shall be reserved for resettlement or disposition under this Chapter;

“(6) To give economic family-size farms of not more than six hectares to landless citizens of the Philippines who need, deserve, and are capable of cultivating the land personally, through organized resettlement, under the terms and conditions the Department may prescribe, giving priority to qualified and deserving farmers in the province where such lands are located;

“(7) To reclaim swamps and marshes for agricultural purposes only, obtain titles thereto whenever feasible and subdivide them into economic family-size farms of not more than six hectares for distribution to deserving and qualified farmers;

“(8) To undertake measures which will insure the early issuance of titles to persons or corporations who have actually settled and cultivated disposable alienable lands of the public domain;

“(9) To survey, subdivide and set aside lands or areas of land-holdings under its custody and administration for economic family-size farms, large-scale farm operations, town sites, roads, parks, government centers and other civic improvements as circumstances may warrant: *Provided*, That the Bureau of Lands and the Land Registration Commission, as the case may be, shall verify the said surveys or subdivisions, and after such verifications, approve or disapprove the same; and issue, in case of approval of said surveys or subdivisions, the corresponding patents and titles thereto;

“(10) To inform the Agricultural Productivity Commission and the Department of Agriculture and Natural Resources of the problems of settlers and farmers on lands under its administration and in land reform areas: *Provided*, That it is mandatory for the said Commission and Department to provide field agricultural extension service to these areas upon being informed of the problems obtaining: *Provided, further*, That settlement projects and land reform areas, especially private agricultural lands acquired by the government, shall be given first priority in the diffusion of useful and practical information, knowledge and skills on agriculture, soil conservation, livestock, fisheries, forest conservation, public lands and natural resources laws, home economics and rural life, in order to encourage their application through field demonstration, lectures and conferences, publications and other means of imparting information, stimulation, promotion and organization of agricultural co-operatives and encouragement in the formation and growth of private associations, study clubs, committees and other groups of farmers and members of their family that will enhance their social and economic conditions;

“(11) To acquire for agricultural lessees exercising their right of pre-emption and redemption under Chapter I of this Code, any land-holdings mentioned thereunder;

“(12) To conduct land capability survey and classification of the entire country and print maps;

“(13) To make such arrangements with the Land Bank domain under its administration as will be necessary to carry out the objectives of this Code;

“(14) To expropriate home lots occupied by agricultural lessees outside their landholdings for resale at cost to said agricultural lessees;

"(15) To see to it that all agricultural lands, either public or private, distributed by the government to the beneficiaries of the Agrarian Reform Program shall be sold only by the said beneficiaries to the government; and

"(16) To submit to the President of the Philippines and to both Houses of Congress through their presiding officers, to the Secretary of Finance and to the Auditor General within sixty days of the close of the fiscal year, an annual report showing its Accomplishments during the year; the expropriation proceedings it has undertaken; the expenditures it has incurred and other financial transactions undertaken with respect thereto."

SEC. 17. Section 56 of the same Code is hereby amended to read as follows:

"SEC. 56. *Just Compensation.*—In determining the just compensation of the land to be expropriated pursuant to this Chapter, the Court shall consider as basis, the fair market value, without prejudice to considering the assessed value and other pertinent factors.

"The owner of the land expropriated shall be paid in accordance with Section eighty of this Code by the Land Bank and pursuant to an arrangement herein authorized."

SEC. 18. Section 71 of the same Code is hereby amended to read as follows:

"SEC. 71. *Power of the Department of Agrarian Reform to sell to Holders of Bonds Issued to Former Landowners whose Land have been Purchased for Redistribution.*—The Department of Agrarian Reform shall sell, for a price not less than the appraised value, any portion not exceeding one hundred forty-four hectares in the case of individuals of the public agricultural lands transferred to the Land Bank which is suitable for large-scale farm operations to any holder, who is qualified to acquire agricultural lands through purchase, of bonds issued to former landowners whose lands have been purchased for redistribution under this Code, subject to the condition that the purchaser shall, within two years after acquisition, place under cultivation at least thirty *per centum* of the entire area under plantation administration and the remaining seventy *per centum* within five years from the date of acquisition. The Secretary shall issue the title of said land upon showing that the purchaser has developed and cultivated at least one-fourth of his land plantation administration.

Any public agricultural land sold as hereinabove specified shall not be the object of any expropriation as long as the same is developed and cultivated for large-scale production under farm labor management: *Provided, however,* That after the capital invested therein for develop-

ment, plus a reasonable margin of profit shall have been fully recovered, or after the lapse of twenty-five years from the date of acquisition, whichever comes earlier, said land shall become expropriable.

The selling price of the portion of the public agricultural land sold under this Section shall be credited to the Land Bank. As payment for the land sold under this Section, the Land Bank shall accept as sole instruments of payment the bonds issued pursuant to Section seventy-six. Issued bonds accepted as payment for the land sold shall be cancelled to the extent of the amount paid.

All sales under this Code shall be subject to the rules and regulations which the Department of Agrarian Reform in consultation with the Land Bank, shall prescribe insofar as they are not inconsistent with the provisions of this Code.

SEC. 19. Section 76 of the same Code is hereby amended to read as follows:

"SEC. 76. *Issuance of Bonds.*—The Land Bank shall, upon recommendation by the Board of Trustees and approval of the Monetary Board of the Central Bank, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the Bank may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus. Such bonds and other obligations shall be secured by the assets of the Bank and shall be fully tax exempt both as to principal and income. Said income shall be paid to the bondholders every six (6) months from the date of issue. These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines and shall be redeemable at the option of the Bank at or prior to maturity, which in no case shall exceed twenty-five years. These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practice to government institutions, existing charters and/or laws to the contrary notwithstanding, not to exceed sixty *per centum* of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises. They are eligible as legal reserves against deposit liabilities of banks, subject to the terms and conditions which the Central Bank of the Philippines may impose. They shall also be accepted as payments for reparation equipment and materials, the provisions of Republic Act Numbered Seventeen hundred and eighty-nine, as amended, to the contrary notwithstanding.

The Board of Trustees shall have the power to prescribe rules and regulations for the registration of the bonds issued by the Bank at the request of the holders thereof."

SEC. 20. Section 80 of the same Code is hereby amended to read as follows:

"SEC. 80. *Making Payment to Owners of Landed Estates.*—The Land Bank shall make payments in the form herein prescribed to the owners of the land acquired by the Department of Agrarian Reform for division and resale under this Code. Such payment shall be made in the following manner: twenty *per centum* in cash and the remaining balance in six per cent, tax-free, redeemable bonds issued by the Bank in accordance with Section seventy-six, unless the landowner desires to be paid in shares of stock issued by the Land Bank in accordance with Section seventy-seven in an amount not exceeding thirty *per centum* of the purchase price.

"In the event there is an existing lien or encumbrance on the land in favor of any Government institution at the time of acquisition by the Land Bank, the bonds and/or shares, in that order, shall be accepted as substitute collaterals to secure the indebtedness, existing charters of these institutions to the contrary notwithstanding.

"The profits accruing from payment shall be exempt from the tax on capital gains."

SEC. 21. Section 85 of the same Code is hereby amended to read as follows:

"SEC. 85. *Use of Bonds.*—The bonds issued by the Land Bank may be used by the holder thereof and shall be accepted in the amount of their face value as any of the following:

"(1) Payment for agricultural lands or other real properties purchased from the Government;

"(2) Payment for the purchase of shares of stock of all or substantially all of the assets of the following Government owned or controlled corporations: The National Development Company; Philippine National Bank; Philippine National Railways; Cebu Portland Cement Company; National Shipyards and Steel Corporations; Manila Gas Corporation; and the Manila Hotel Company.

"Upon offer by the bondholder, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholder with respect to the price and other terms and conditions of the sale. In case there are various bondholders making the offer, the one willing to purchase under terms and conditions most favorable to the corporations shall be preferred. If no price is acceptable to the corporation, the same shall be determined by the Committee of Appraisers composed of three members, one to be appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the two members, so chosen. The expense of appraisal shall be borne equally by the corporation and the successful purchaser.

"Should the Government offer for sale to the public any or all of the shares of stock or the assets of any of the Government owned or controlled corporation enumerated herein, the bidder who offers to pay in

bonds of the Land Bank shall be preferred provided that the various bids be equal in every respect except in the medium of payment.

“(3) Surety, bail bonds for the provisional release of accused persons or performance bonds in all cases where the government may require or accept real property as bonds;

“(4) Payment for reparations goods, the provisions of Republic Act Numbered Seventeen hundred and eight-nine, as amended, to the contrary notwithstanding;

“(5) Security for loans applied with the Philippine National Bank, Development Bank of the Philippines, Government Service Insurance System, Social Security System, and other government financial institution, existing charters of these institutions to the contrary notwithstanding; and

“(6) Legal reserves against deposit liabilities of banks, subject to the terms and conditions which the Central Bank of the Philippines may impose pursuant to the General Banking Act.”

SEC. 22. Section 101 of the same Code is hereby amended to read as follows:

“SEC. 101. *Reorganization of ACA to align its activities.*—The administrative machinery of the Agricultural Credit Administration, shall be reorganized to enable it to align its activities with the requirements and objectives of this Code: *Provided, That* the Board of Governors established by Republic Act Numbered Eight hundred and twenty-one, as amended, shall be composed of a chairman and four (4) members, three (3) of whom shall be the Undersecretary of Agrarian Reform who shall be the Chairman *ex-officio*, the Administrator of the Agricultural Credit Administration who shall be the Vice-Chairman *ex-officio* and the Vice-President in charge of agricultural loans of the Philippine National Bank, who shall be *ex-officio* member thereof. The two other members shall be appointed by the President of the Philippines with the consent of the Commission on Appointments for a term of three years, one of whom shall represent the farmers-beneficiary of the Agrarian Reform Program and shall be appointed upon recommendation of either or both the farmers and/or cooperatives movement, federation or league existing at the time such recommendation is submitted, and the other to represent the political party receiving the second highest number of votes in the immediately preceding presidential elections: *Provided, however, That* the term of the farmers' representative shall *ipso facto* terminate when such member cease to be in the farmers and/or cooperatives movement, federation or league, and that of the minority party at the pleasure of the nominating political party.

“The Administrator shall be the Chief Executive of the Administration and shall serve for a term of six years unless he resigns or is removed for cause. The compensation of the Administrator shall be fixed

by the President but shall not be less than twenty-four thousand pesos *per annum*. The members of the Board shall receive *per diems* of not more than fifty pesos for each session of the Board that they attend: *Provided, however, That the total per diems, including all other remunerations, shall not exceed six hundred pesos a month.*

"No person shall be appointed as Administrator unless he is a natural-born citizen of the Philippines, with proven executive ability and experience in the field of agricultural cooperatives and/or banking and finance, adequate background and experience in land reform here and/or elsewhere for at least five (5) years, and at least thirty-five years of age: *Provided however, That he shall have, among other qualifications, demonstrated interest in, and concern for, the needs and problems of the rural population and/or peasantry and the solutions thereto: Provided, further, That no person who owns any farmholding shall be appointed as Administrator unless such farmholding is under the leasehold system or the system of agricultural land ownership-transfer direct to the tiller.*"

SEC. 23. Sections 105 and 106 of the same Code are hereby amended to read as follows:

"SEC. 105. *Loaning Activities.*—Loaning activities of the Agricultural Credit Administration shall be direct to stimulate the development and operation of farmers' cooperatives. The term "Farmers Cooperatives" shall be taken to include all cooperatives relating to the production and marketing of agricultural products and these formed to manage and/or own, on a cooperative basis, agricultural farmlands, services and facilities, such as irrigation and transport systems, established to support production and/or marketing of agricultural products.

"Under such rules and regulations in accordance with generally accepted banking practices and procedures as may be promulgated by the Agricultural Credit Administration, Rural Banks, Cooperative Banks, and Development Banks may, in their respective localities, be designated to act as agents of the Agricultural Credit Administration in regard to its loaning activities."

"SEC. 106. *Credit to Small Farmers and/or tillers of the land.*—Production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock, feed and other similar items, may be extended to small farmers as defined in Republic Act Numbered Eight hundred twenty-one and/or tillers of the land, based upon their paying capacity and such securities as they can provide, and under such terms and conditions as the Agricultural Credit Administration may impose, provided the amount thereof does not exceed two thousand pesos, or such amount as may be fixed by the President at any given agricultural year: *Provided, That his total outstanding obligations shall not exceed five thousand pesos, but in no case shall the amount of loan exceed eighty per centum of the value of the collateral pledged. In instance where credit is extended for items which are not consumed in their use,*

such items may be pledged as security therefor. The Agricultural Credit Administration shall promulgate such rules and regulations as may be necessary in the extension of the loans herein authorized so as to assure their repayment: *Provided*, That such rules and regulations shall follow and be in accordance with generally accepted financing practices and procedures."

SEC. 24. Section 108 of the same Code is hereby amended to read as follows:

"SEC. 108. *Loans to Cooperatives.*—The Agricultural Credit Administration is hereby authorized to extend such types of loans as it may deem necessary for the effective implementation of this Code to eligible farmers' cooperatives as herein defined, under such terms and conditions as it may impose and with such securities as it may require: *Provided*, That the said Administration is hereby authorized to extend production loans to cooperatives at not more than eight per cent interest per calendar year and directly to the farmers at not more than twelve per cent per calendar year: *Provided, further*, That cooperatives are hereby authorized to extend loans directly to their members at not more than twelve per cent per calendar year. A farmers' cooperative that has been registered with the Agricultural Credit Administration shall be eligible for loans if, in the judgment of the latter, its organization, management and business policies are of such character as will insure the safety and effective use of such loans."

SEC. 25. Section 110 of the same Code is hereby amended to read as follows:

"SEC. 110. *Total charges on Loans.*—The total charges including including interest, insurance fees and inspection, notarization and other service charges on all kinds of loans shall not be more than twelve *per centum* per calendar year: *Provided*, That if an impairment of the capitalization of the Agricultural Credit Administration is imminent by reason of the limitation of the interest herein provided, there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses of the Agricultural Credit Administration, but not exceeding six million pesos for any one year."

SEC. 26. Section 112 of the same Code is hereby amended to read as follows:

"SEC. 112. *Registration of and guidance to Cooperatives, Associations and Organizations.*—The Agricultural Credit Administration shall have the power to register, finance and supervise all agricultural cooperatives, including multi-purpose cooperatives, and farm associations or organizations; and provide credit guidance or assistance to all agricultural, irrigation, and other cooperative associations, multi-purpose cooperatives,

farm organizations or fund corporations: *Provided, That* all cooperatives, associations or organizations registered under this Section shall have juridical personality."

SEC. 27. Section 124 of the same Code is hereby amended to read as follows:

"SEC. 124. *Function of Extension Workers.*—In addition to their functions under Republic Act Numbered six hundred eighty, it shall be the duty of extension workers:

"(1) To reside in the locality where they are assigned, to disseminate technical information to farm families, and to demonstrate improved farm and home management practices and techniques;

"(2) To work with individual farmers in farm planning and budgeting, guide them in the proper conduct of farm business and work out schedules of re-payment of loans obtained by farmers;

"(3) To assist farmers in securing the services or assistance of other agencies, or their personnel, having to do with relevant activities and problems of farmers;

"(4) To visit newly-established independent farm operators either singly or collectively at least once a month;

"(5) To promote and stimulate the growth and development of the youth towards farm and home management practices and techniques, as well as the development of their skills for small-scale industries and the like;

"(6) To encourage the formation and growth of private associations, study clubs, committees and other organized groups of farmers, familiarize them with modern methods of farming and interest them to actively participate, collaborate or take the initiative in agricultural research, experimentation and implementation of projects in cooperation with the Agricultural Productivity Commission and other agencies; and

"(7) To promote, stimulate and assist in the organization of farmers' cooperatives, including multi-purpose cooperatives."

SEC. 28. Sections One hundred twenty-six and One hundred twenty-seven of the same Code are hereby repealed.

SEC. 29. A new section is hereby inserted after Sec. 128, to be designated herein as "Section 128-A," which shall read as follows:

"SEC. 128-A. *Participation of Local Governments.*—The Department of Agrarian Reform shall, in every way possible to insure the successful implementation of the Agrarian Reform Program, involve local governments and secure their participation in the various aspects of the program, such as the leasehold system, the acquisition and distribution of

private and public agricultural lands, the development of cooperatives and small scale industries and the like, and the other corollary operational activities that should be carried out through barrio, municipal, provincial and city governments.

"In pursuing this approach, however, the Department shall formulate the policies and programs necessary in the implementation of this Code.

"The Department shall also render technical assistance to local governments necessary to carry out the objective of agrarian reforms."

SEC. 30. Section 155 of the same Code is hereby amended to read as follows:

"SEC. 155. *Powers of the Court; Rules of Procedure.*—The Courts of Agrarian Relations shall have all the powers and prerogatives inherent in or belonging to the Court of First Instance.

"The Courts of Agrarian Relations shall be governed by the Rules of Court: *Provided*, That in the hearing, investigation and determination of any question or controversy pending before them, the Courts without impairing substantial rights, shall not be bound strictly by the technical rules of evidence and procedure, except in expropriation cases: *Provided, further*, That in case the persons referred to under Section one hundred sixty-three hereof, are not represented by a lawyer of their own choice, the duly authorized leaders of duly registered farmers organizations may enter their appearances as counsel for their respective member and/or organization before the Court of Agrarian Relations, if the Court is fully convinced that the said leader could competently protect the interest of his client subject to the basic duties and obligations as officers of the Court.

"The Court of Agrarian Relations is hereby authorized to conduct compulsory arbitration between agricultural labor and agricultural management, agricultural share tenants and agricultural landlords, and agricultural lessees and agricultural lessors in conflicts arising out of, and in connection with, their agrarian relations upon certification by the Secretary of Justice.

"The rights and duties of the parties to the proceedings, the functions and responsibilities of the Court, and the binding effect of awards, orders and processes of the Court shall be covered by Section six to twenty-four of Commonwealth Act Numbered One hundred three.

"Where the litigant is an agricultural tenant, tiller or lessee, he shall be entitled to the rights of a pauper litigant under the rules of Court and the privileges of an indigent litigant under Republic Act Numbered Sixty hundred and thirty-five, without proof thereof."

SEC. 31. Section 163 of the same Code, as amended by Republic Act No. 4886, is further amended to read as follows:

"SEC. 163. *Functions of the Office of the Agrarian Counsel.*—It shall be the responsibility of the Office of the Agrarian Counsel upon proper notification by the party concerned or by the association or organization to which he belongs, to represent tenants, agricultural lessees, agricultural farm workers and agricultural owner-cultivators or the members of their immediate farm household referred to in this Code who cannot engage the services of competent private counsel in cases before the Court of Agrarian Relations. This responsibility shall include representation before courts, including appellate, in cases civil or criminal, instituted by or against said tenant, agricultural lessees, farm workers or owners-cultivator or the members of their immediate farm household, where the cases arise from or are connected with, or results or the cases arise from or are connected with, or results or effects of an agrarian dispute. The decision of the Office of the Agrarian Counsel to provide legal assistance shall be final."

SEC. 32. Section 164 of the same Code is hereby amended to read as follows:

"SEC. 164. *Authority to Administer Oath and Acknowledgment.*—The Agrarian Counsel, the Deputy Agrarian Counsel and the Special Attorneys of the Office of the Agrarian Counsel are hereby authorized to administer oaths and acknowledgment free of charge."

SEC. 33. Section 167 of the same Code is hereby amended by adding after paragraph (5) thereof, the following two paragraphs which shall read as follows:

"(6) Any collusion between an agricultural lessee and an agricultural lessor and between a vendor and a vendee on installment sales to simulate agricultural contracts, agricultural loans, or any application for benefits under the Agrarian Reform Program shall be punishable by imprisonment of not more than five years and a fine not exceeding five thousand pesos.

"The period for filing the corresponding criminal action for any criminal violation falling under the foregoing provisions of this section shall cease to run, whenever a case is filed before the Court of Agrarian Relations for the determination of a prejudicial question in relation to the criminal action, until said determination has become final."

SEC. 34. To carry out the objectives of this Amendatory Act, and notwithstanding any provisions of existing laws, rules and regulations, whether public or private, shall set aside at least twenty-five per cent of their loanable funds and make it available for agricultural credit to agricultural lessees, owners-cultivator, amortizing owners, and co-operatives, including multi-purpose cooperatives and farm associations and organizations owned and operated by those who live and work on the land as tillers and registered with the Agricultural Credit Administration.

SEC. 35. Notwithstanding any provision of existing laws, rules and regulations to the contrary, the Department of Agrarian Reform is hereby authorized to segregate any area of three thousand hectares out of any of its reservations as demonstration farm or pilot project for the resettlement program of the Department on the *moshave*-type of communal agriculture.

SEC. 36. The personnel of the agencies, offices and/or units abolished, merged, renamed and/or reorganized under this Amendatory Act shall have the same rights and privileges afforded to the personnel of abolished or reorganized agencies under the Agricultural Land Reform Code and in pursuance of Section One hundred sixty-nine thereof.

To carry out the provisions of this Section, there is hereby appropriated the sum of One million pesos out of the unappropriated funds in the National Treasury: *Provided*, That ten percent of this appropriation or so much thereof as may be necessary is hereby set aside for the expenses of the organizing staff created under Section 15 hereof.

SEC. 37. Any reference to the Land Reform Project Administration, the National Land Reform Council and the Land Authority in the Agricultural Reform Code or under any other existing laws shall be understood to refer to the Department of Agrarian Reform.

SEC. 38. If, for any reason, any section or provisions of this Amendatory Act shall be held unconstitutional or invalid, no other section or provision of the same shall be affected thereby.

All laws or parts of any law inconsistent with the provisions of this Amendatory Act are hereby repealed and/or modified accordingly.

SEC. 39. This Act shall take effect upon its approval.

Approved, September 10, 1971.

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[REPUBLIC ACT NO. 6390]

AN ACT TO ACCELERATE THE IMPLEMENTATION OF THE AGRARIAN REFORM PROGRAM BY CREATING AN AGRARIAN REFORM SPECIAL ACCOUNT IN THE GENERAL FUND, PROVIDING THE NECESSARY FUNDS THEREFOR, AND FOR OTHER PURPOSES.

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

SECTION 1. *Purpose.* — It is hereby declared to be the purpose of this Act to accelerate the attainment of the objectives set forth in Republic Act Numbered Three thousand eight hundred and forty-four,

otherwise known as the Agricultural Land Reform Code, as amended, by providing an immediate source of funds to finance the Agrarian Reform Program of the government, transferring certain assets of the National Government to augment the capital base of the Land Bank, involving the active participation of rural banks in a program of supervised credit by creating an Agricultural Guarantee Fund, providing counterpart funds for existing and new rural banks and prescribing certain requirements and conditions to stimulate the continuous establishment of cooperatives among those who actually till and work upon the land.

SEC. 2. *Creation of Agrarian Reform Special Account in the General Fund.*—To carry out the purpose of this Act, there is hereby created in the General Fund an Agrarian Reform Special Account, hereinafter referred to as the Account, which shall be used exclusively to finance the Agrarian Reform Program of the government.

SEC. 3. *Financial source of the Account.*—The Account shall be constituted out of a portion of the proceeds of the stabilization tax collected under Republic Act Numbered Six thousand one hundred twenty-five, as amended in Section four of this Act.

SEC. 4. Section four of Republic Act Numbered Sixty-one hundred and twenty-five is hereby amended to read as follows:

“SEC. 4. The sum of fifty million pesos shall be taken annually of the proceeds of the levy under this Act which shall accrue to and form part of the Agrarian Reform Special Account in the General Fund: *Provided, however,* That the balance of such proceeds shall be used as follows:

“(a) Fifty *per centum* of the balance of the said collection shall be deposited with the Central Bank in a Special Account which shall be used exclusively for (1) servicing domestic and foreign debts of the National Government, (2) retiring the existing debts of the National Government held by the Central Bank which includes treasury notes, government bills or certificates, securities and bonds, and (3) amortizing the existing budgetary deficit under general fund: *Provided, however,* That no portion of this amount shall be applied to the payment of the subsequent overdraft of the National Government;

“(b) Twenty-five *per centum* of the same balance of the collection shall be deposited with the Central Bank in a Special Account which shall provide for (1) the counterpart requirements of projects financed by the Asian Development Bank, the International Bank of Reconstruction and Development and other United Nations agencies, and other projects financed by loans under bilateral agreements; and (2) the counterpart funds of the government in the setting up of rural banks and for expanding the capital base of established existing rural banks: *Provided,*

That the amount of ten million pesos annually shall be set aside to augment the government counterpart fund for the establishment of new rural banks and five million pesos to expand the capital base of established rural banks existing as of the date of effectivity of this Act: *Provided, further* That the Central Bank may, when necessary, authorize the establishment of more than one rural bank in any municipality or city; and

“(c) Twenty-four *per centum* of the same balance of the collection shall be deposited with the Development Bank of the Philippines in a Special Account for the purpose of granting loans to export industries and agricultural development projects in the private sector, which are directly affected by the levy, including financing of industries adversely affected by Central Bank Circular 289: *Provided, however*, That priority shall be given to loans for the production and processing of indigenous raw materials for export: *Provided, further*, That not more than fifty *per centum* of the proceeds accruing to this Special Account may be utilized as advances for foreign loans directly incurred or guaranteed by the Development Bank of the Philippines in favor of borrowers paying the stabilization tax. The Development Bank of the Philippines shall submit a quarterly report on the status and details of the loan stating among others the name and address of the borrower and the amount of the loan to the joint committee created under this Act and the Committee on Banks of Both Houses of Congress upon request, the provisions of the Charter of the Development Bank of the Philippines or any law to the contrary notwithstanding.

“(d) One *per centum* of the same balance, but not to exceed three million pesos annually, shall accrue to the Board of Investments to be expended in accordance with Section eleven of Republic Act Numbered Sixty-one hundred and thirty-five: *Provided*, That thirty *per centum* of the amount shall accrue to and be remitted directly by the Central Bank to the Joint Congressional Special Account Committee created in Section nineteen hereof. The balance, if any, shall accrue to and form part of the Special Account created under paragraph (c) hereof.”

SEC. 5. *Turnover of funds accruing to the Account; release of allotments and of funds, ministerial.* — The Central Bank of the Philippines shall turn over and deliver the amount accruing to the Account under Section four of this Act to the Treasurer of the Philippines within ten days of every succeeding month. It shall likewise turn over the amount accruing to the Committee created in Section nineteen of this Act within the same period.

The Treasurer of the Philippines shall credit the collections to the Account which shall not be debited except for withdrawals pursuant to appropriations made by law.

It shall be the ministerial duty of the Budget Commissioner to release simultaneously and proportionately the quarterly allotments from the appropriations of the agencies concerned at least ten days before each quarter as requested by their respective heads. It shall, likewise,

be the ministerial duty of the National Treasurer to honor all treasury warrants drawn by the said agencies against the said allotments provided that the Account has sufficient balance to cover the same.

SEC. 6. *Appropriations.*—The funds accruing to the Account for the fiscal year ending June 30, 1972, are hereby appropriated as follows:

(a) For additional lending operations of the Agricultural Credit Administration	P20,000,000
(b) For capital contribution of the government to the Land Bank	20,000,000
(c) For land development and resettlement, survey and subdivision and the issuance of titles by agrarian reform agencies	10,000,000
Total	<u>P50,000,000</u>

SEC. 7. *Allocation of proceeds.*—The funds accruing annually to the Account after June 30, 1972 shall be allocated as follows:

(a) For additional contribution to the Agricultural Guarantee Fund created under Section twelve hereof	P20,000,000
(b) For capital contribution of the government to the Land Bank	10,000,000
(c) For lending activities of the Agricultural Credit Administration	10,000,000
(d) For land development and resettlement, survey and subdivision and the issuance of titles by agrarian reform agencies	10,000,000
Total	<u>P50,000,000</u>

SEC. 8. *Conditions for expenditures of funds of the Account.*—The amounts provided in Sections six and seven shall be in addition to existing appropriations in annual Appropriations Act and shall be included in the respective budgets of the agencies concerned. They shall be spent solely for agrarian reform. No portion of the proceeds accruing to the Account shall be spent for administrative expenses, including salaries and wages.

The credit balance, if any, of the Account at the end of each fiscal year shall be available for appropriation only for activities of any of the government agencies implementing the agrarian reform program.

In the expenditure of these funds, the agencies concerned shall be guided by the requirements and conditions set forth in this Act.

The agencies receiving these funds shall render a detailed separate accounting of amounts received and the dispositions thereof each fiscal year to the Joint Committee created under this Act within thirty days after the opening of each regular session of Congress.

The Account or any part thereof shall not be subject to any provision of any appropriation Act or any other law which grants the President

of the Philippines authority to transfer funds from one branch, department, office or agency of the government to another, or from one item to another, or to suspend the appropriation of any item or utilize the savings thereof to cover the deficits in or augment the appropriations of any other item.

SEC. 9. *Transfer of certain assets of the National Government.*—The remaining undisposed properties listed in Schedule "A" of Republic Act Numbered Fifty-one hundred and sixty-nine are hereby transferred to the Land Bank which shall take steps to have them titled in the name of the Land Bank in accordance with existing laws. The provisions of Section four of Republic Act Numbered Fifty-one hundred and sixty-nine to the contrary notwithstanding, the assets so transferred shall be credited as payment of the government capital subscription to the Land Bank, based on the appraised market value of those properties determined in accordance with Section three of the same Act.

The shares of stocks of the National Government in the Lepanto Consolidated Mining Company, Inc., now being administered by the Board of Liquidators, are hereby transferred to the Agricultural Guarantee Fund created under Section twelve of this Act.

SEC. 10. *Turnover of assets to the Land Bank.*—It shall be the ministerial duty of the Bureau of Lands, and the Bureau of Buildings and Real Property Management to turn over to the Land Bank within six months after the approval of this Act, the undisposed valuable properties of the National Government listed in Schedule "A" of Republic Act Numbered Fifty-one hundred and sixty-nine.

SEC. 11. *Disposition of assets.*—The Land Bank shall, under the rules and regulations it shall promulgate, transfer, lease or otherwise dispose of the transferred real properties. In order to achieve the maximum utilization of these assets in the accomplishment of its objectives, the Land Bank may classify, develop, and subdivide the transferred real properties, dispose of them for cash or Land Bank bonds, or enter into joint ventures: *Provided*, That priority shall be given to the Government Service Insurance System, the Social Security System, and any other financially capable government corporations in the disposition of these properties. Valuations of government lands under bidding shall be subject to General Auditing Office rules and regulations. Within thirty days from the date of the opening of the regular session of Congress, the Land Bank shall submit an annual report to all the Members of Congress, through the Presiding Officers of both Houses, on the disposition of the assets herein acquired. All records in connection with such disposition shall be open to scrutiny upon request of the Joint Committee, the provision of any law, executive order, rule or regulation to the contrary notwithstanding.

SEC. 12. *Creation of Agricultural Guarantee Fund.* — There is hereby created an Agricultural Guarantee Fund to be administered by the Agricultural Guarantee Fund Board established under Section thirteen of this Act. The Fund shall guarantee seventy *per centum* of the losses

for production to be extended by the rural banks, with the remaining thirty *per centum* of such losses to be absorbed by the rural banking system. All amounts appropriated for the Agricultural Guarantee Fund must be kept intact and invested in safe and high-yielding securities and only the earnings thereof shall be used to absorb the guaranteed seventy *per centum* of the losses: *Provided, however,* That investments of the funds shall be such that there shall be a well-balanced portfolio between government and private securities. The shares of stocks of the National Government in the Lepanto Consolidated Mining Company, Inc., transferred in Section nine hereof shall not be sold, and only the earnings hereof shall be used to absorb guaranteed losses. All expenses for the administration and operation of this Fund shall be for the account of the Central Bank.

SEC. 13. *Creation of Agricultural Guarantee Fund Board.*—To administer the Agricultural Guarantee Fund, the President is hereby authorized to create within sixty days after the approval of this Act, an Agricultural Guarantee Fund Board to be composed of five members, namely: the Secretary of Finance as *ex-officio* chairman, the Secretary of Agriculture and Natural Resources, the Secretary of Agrarian Reforms, the Governor of the Central Bank, and the President of the Rural Bankers' Association, as members. In the event that the Chairman or any member of the Board cannot attend any meeting thereof, he shall designate the next ranking official of the office or agency concerned to represent him in the deliberations of the board. The President of the Rural Bankers' Association shall receive a *per diem* not exceeding fifty pesos for each day of meeting actually attended by him, but in no case shall his *per diem* exceed five hundred pesos a month.

SEC. 14. *Powers and duties of the Agricultural Guarantee Fund Board.*—The Agricultural Guarantee Fund Board shall lay down the policies governing the Agricultural Guarantee Fund and promulgate such rules and regulations as may be necessary to insure the effective and efficient implementation of such policies. The Board shall take steps to integrate the existing Agricultural Guarantee Loan Fund and shall submit proposed legislation to this effect, if necessary. Within thirty days from the opening of every session of Congress, it shall submit to the Joint Committee created under this Act an annual report on the status of the Fund, showing among others, the total amount of the Fund, the details of investment and returns on these investments, and amounts actually spent to pay off the guaranteed losses or uncollectible debts.

SEC. 15. *Requirements for rural bank loans.*—In order to avail of the guarantee provided in this Act, rural banks shall extend loans under the following conditions:

(a) Farmer must agree in writing that he will apply approved farm practices under a supervised credit program and abide by the approved farm plan and budget prepared by the farmer with the assistance of an agricultural extension worker;

(b) The farm plan and budget shall be the basis of the loan which shall depend on the size of the farm and the crop planted or to be planted;

(c) Farmer-borrower shall not be tilling more than six hectares;

(d) Priority must be given to: (1) cooperatives, (2) a farmer with a leasehold contract, and (3) a farmer who is a member of a cooperative or a "selda" or group and who is a beneficiary of agrarian reform;

(e) Loans shall be granted with any or a combination of the following collaterals, namely: (1) real estate property, if available; (2) chattel mortgage on standing crops and/or existing livestock or poultry; (3) stored crops in bonded warehouses; (4) two co-makers acceptable to the bank: *Provided*, That in case a farmer is a member of a group or "selda", the cooperative or "selda" may act as a co-maker: *Provided, further*, That in the case of multi-purpose cooperatives no co-maker shall be required.

SEC. 16. *Privileges and limitations of Rural Banks.*—No loan extended under the preceding section shall be in excess of five thousand pesos at any one time and at interest not exceeding twelve percent *per annum*, including service fees and other charges: *Provided*, That the maturity of the loan shall not be earlier than two months after harvest to provide sufficient time for marketing.

If a rural bank does not avail of the guarantee provided for in this Act, it shall, nevertheless, extend loans under the same terms and conditions set forth in the next preceding section to the beneficiaries of agrarian reform, to extent of at least the government contribution to its capital stock.

All existing agricultural loan papers of the rural banking system as of the date of effectivity of this Act and all those arising out of this program shall be discounted by the Central Bank at a preferential rate and at a percentage of the face value thereof to be determined by the Central Bank: *Provided, however*, That all the proceeds thereof shall be channelled only to the beneficiaries of agrarian reform.

SEC. 17. *Requirements for ACA loans.*—The loans shall be extended by the Agricultural Credit Administration under the same terms and conditions set forth in Section fifteen of this Act: *Provided, however*, That priority shall be given to areas where there are no rural banks, or where the rural banks therein do not avail of the guarantee provided in this Act.

SEC. 18. *Temporary utilization of the services of government agricultural extension workers to implement the supervised credit program.*—Such number of agricultural extension workers of the government, national and local, as may be necessary, shall immediately upon the effectivity of this Act but not longer than three years after such effectivity, and under rules and regulations to be promulgated by the Secretary of the Department of Agrarian Reforms in consultation with the head of the department or office of the National Government or the chief executive of the local government concerned, certify the necessary farm plans and budgets, supervise the application of the proceeds of the loans granted

under this Act, and render such other service as may be required under this Act to enable the rural banking system and the Agricultural Credit Administration to implement effectively the supervised credit program provided herein.

SEC. 19. *Joint Congressional Special Account Committee.*—There is hereby created a joint congressional committee to be known as the Joint Congressional Special Account Committee to be composed of the Chairman, the next ranking member and ranking minority member of both the Senate and House Committees on Ways and Means. It shall be the duty of the said committee to look into the status of the stabilization tax and its disposition, particularly the operations and effects of the Account, the utilization of the funds of the Account by the Land Bank, Agricultural Guarantee Fund Board and the other land reform agencies charged with the implementation of this Act, and to report, from time to time in its discretion, to the Senate and House of Representatives, through their respective Presiding Officers, its findings, together with such recommendations on necessary remedial legislation as it may deem advisable.

The Joint Committee shall elect a Chairman and Vice-Chairman from among its members. It shall be assisted by a technical staff the members of which may be named/appointed by the Chairman from the personnel of the Ways and Means technical staffs of both Houses of Congress, and it may avail by detail of the services of the personnel from other offices of the Government as he deems advisable. The provisions of existing laws to the contrary notwithstanding, and subject to the availability of funds, the Joint Committee may pay reasonable *honorarium* to such employees and officials as may be asked to work with the staff as well as commutable transportation and representation allowances to its members and its staff and consultants.

The Joint Committee may call upon any official or employee of the different government agencies involved in the implementation of this Act, to render such reports, services or assistance and to supply such studies, statistics, information, reports, and data as may be necessary to enable said Committee to perform its functions under this Act. Provisions of any law to the contrary notwithstanding, no such officer or employee may refuse to divulge the information requested or required by the Joint Committee.

SEC. 20. *Rules and Regulations.*—Within thirty days after the approval of this Act, the Governor of the Central Bank, the Secretary of Finance, upon recommendation of the National Treasurer; the Secretary, Department of Agrarian Reform, upon recommendation of the Agricultural Credit Administration and the Chairman of the Land Bank; and the Secretary of Agriculture and Natural Resources shall each promulgate such rules and regulations pertaining to their respective jurisdiction for the effective enforcement and implementation of the provisions of this Act and shall cause the same to be published once within fifteen days from promulgation, in any newspaper of general circulation in the Phil-

ippines and in the *Official Gazette*. Such rules and regulations shall take effect fifteen days after the publication in the *Official Gazette*.

SEC. 21. *Penal Provisions*.—Any person who fails to pay or refuses to turn over the collections of the taxes including surcharges and penalties, if any, and the properties and assets, mentioned in this Act within the period fixed in Sections four, nine and ten hereof, or who delays, obstructs, or prevents the same or who fails or refuses to effect the release from the Account within the period fixed in Section five hereof, or who delays, obstructs, or prevents the same, or who orders, causes, or effects the transfer or diversion of the collections or proceeds of this Account, or any portion thereof, or otherwise unreasonably delays, prevents, or obstructs the implementation of the objectives of this Act, shall be punished with a fine not exceeding ten thousand pesos or imprisonment not exceeding six years or both in the discretion of the Court.

If the offender is a government official or employee, he shall, in addition, be dismissed from the service with prejudice to reinstatement and with disqualification for election or appointment to any public office.

Any official who orders, causes, or effects the transfer or diversion of this Account or any portion thereof, or otherwise unreasonably delays, prevents or obstructs the implementation of the objectives of this Act, or who violates or neglects to comply with any circular, order or process issued relative to the implementation of this Act, shall, likewise, be liable to the penalties hereinabove imposed.

Any collusion in the extension of credit under this Act between the farmer-borrower on the one hand, and the rural bank on the other, prejudicial to the Agricultural Guarantee Fund, shall, after conviction, be punished by imprisonment of not less than ten years, and a fine of not less than ten thousand pesos: *Provided*, That in the case of a rural bank, the member of the Board of Directors or Trustees or executive officials thereof found responsible shall be held liable.

A collusion exists whenever the farmer-borrower and the rural bank official or officials enter into an agreement for a fraudulent purpose or whenever said parties conspire secretly to defraud the government.

SEC. 22. *Separability Clause*.—The provisions of this Act are hereby declared to be separable and, if any clause, sentence, provision or section of this Act or application thereof to any person or circumstance should for any reason be held invalid and unconstitutional, such invalidity or unconstitutionality shall not affect other provisions or application of this Act which can be given force and effect without the invalid or unconstitutional provisions or application of this Act.

SEC. 23. *Repealing Clause*.—All Acts, executive orders, rules and regulations, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 24. *Effectivity*.—This Act shall take effect upon its approval.

Approved, September 10, 1971.

CENTRAL BANK OF THE PHILIPPINES
FOREIGN EXCHANGE DEPARTMENT
M a n i l a

EXCHANGE RATES OF FOREIGN CURRENCIES
As of November 15, 1971

Country	Unit of Currency	Equiv. in US Currency	Equiv. in Phil. Currency at O. R.	Foreign Currency Per US\$
I. MEMBER-COUNTRIES OF THE INTERNATIONAL MONETARY FUND <i>(Currencies with Par Value)</i>				
1. Australia	Dollar	\$1.12000	P 4.36800	.89286
2. Austria (I)	Schilling	.04040	.15756	24.75000
3. Barbados	E. Caribbean Dollar	.50000	1.95000	2.00000
4. Belgium	Franc	.02000	.07800	50.00000
5. Botswana	S. Afr. Rand	1.40000	5.46000	.71429
6. Burma	Kyat	.21000	.81900	4.76190
7. Burundi	Franc	.01143	.04458	87.50000
8. Canada	Dollar	.92500	3.60750	1.08108
9. Ceylon	Rupee	.16800	.65520	5.95237
10. China	NT Dollar	.02500	.09750	40.00000
11. Congo, Democratic Republic of	Zaire	2.00000	7.80000	.50000
12. Costa Rica	Colon	.15094	.58867	6.62500
13. Cyprus	Pound	2.40000	9.36000	.41667
14. Denmark	Krone	.13333	.51999	7.50000
15. Dominican Republic	Peso	1.00000	3.90000	1.00000
16. Ecuador	Sucre	.04000	.15600	25.00000
17. El Salvador	Colon	.40000	1.56000	2.50000
18. Ethiopia	Dollar	.40000	1.56000	2.50000
19. Finland	Markka	.23310	.92859	4.19997
20. France (II)	Franc	.18004	.70216	5.55419
21. Gambia	The Dalasi	.48000	1.87200	2.08333
22. Germany (III)	Deutsche Mark	.27322	1.06556	3.66000
23. Ghana	New Cedi	.98000	3.82200	1.02041
24. Greece	Drachma	.03333	.12999	30.00000
25. Guatemala	Quetzal	1.00000	3.90000	1.00000
26. Guyana	Dollar	.50000	1.95000	2.00000
27. Haiti	Gourde	.20000	.78000	5.00000
28. Honduras	Lempira	.50000	1.95000	2.00000
29. Iceland	Krona	.01136	.04430	88.00000
30. India	Rupee	.13333	.51999	7.50000
31. Iran	Rial	.01320	.05148	75.75000
32. Iraq	Dinar	2.80000	10.92000	.35714
33. Ireland	Pound	2.40000	9.36000	.41667
34. Israel	Pound	.23809	.92855	4.20000
35. Italy	Lira	.00160	.00624	625.00000
36. Jamaica	Dollar	1.20000	4.68000	.83333
37. Japan (IV)	Yen	.00278	.01084	360.00000
38. Jordan	Dinar	2.80000	10.92000	.35714
39. Kenya	Shilling	.14000	.54600	7.14286

Country	Unit of Currency	Equiv. in US Currency	Equiv. in Phil. Currency at O. R.	Foreign Currency Per US\$
40. Kuwait	Dinar	\$2.80000	P10.92000	.35714
41. Lesotho	S. Afr. Rand	1.40000	5.46000	.71429
42. Liberia	Dollar	1.00000	3.90000	1.00000
43. Libyan Arab Rep.	Dinar	2.80000	10.92000	.35714
44. Luxembourg	Franc	.02000	.07800	50.00000
45. Malawi	Kwacha	1.20000	4.68000	.83333
46. Malaysia	Dollar	.32667	1.27401	3.06122
47. Malta	Pound	2.40000	9.36000	.41667
48. Mexico	Peso	.08000	.31200	12.50000
49. Morocco	Dirham	.19761	.77068	5.06049
50. Nepal	Rupee	.09877	.38520	10.12500
51. Netherlands (V)	Guilder	.27624	1.07734	3.62000
52. New Zealand	Dollar	1.12000	4.36800	.89286
53. Nicaragua	Cordoba	.14286	.55715	7.00000
54. Nigeria	Pound	2.80000	10.92000	.35714
55. Norway	Krone	.14000	.54600	7.14286
56. Pakistan	Rupee	.21000	.81900	4.76190
57. Panama	Balboa	1.00000	3.90000	1.00000
58. Philippines*	Peso	.25641	1.00000	3.90000
59. Portugal	Escudo	.03478	.13564	28.75000
60. Rwanda	Franc	.01000	.03900	100.00000
61. Saudi Arabia	Riyal	.22222	.86666	4.50000
62. Sierra Leone	Leone	1.20000	4.68000	.83333
63. Singapore	Dollar	.32667	1.27401	3.06122
64. Somalia	Shilling	.14000	.54600	7.14286
65. South Africa	Rand	1.40000	5.46000	.71429
66. Spain	Peseta	.01429	.05573	70.00000
67. Sudan	Pound	2.87156	11.19908	.34824
68. Swaziland	S. Afr. Rand	1.40000	5.46000	.71429
69. Sweden	Krona	.19330	.75387	5.17321
70. Tanzania	Shilling	.14000	.54600	7.14286
71. Thailand	Baht	.04808	.18751	20.80000
72. Trinidad & Tobago	Dollar	.50000	1.95000	2.00000
73. Tunisia	Dinar	1.90476	7.42856	.52500
74. Turkey	Lira	0.6667	.26001	15.00000
75. Uganda	Shilling	.14000	.54600	7.14286
76. United Kingdom (x)	Pound Sterling	2.40000	9.36000	.41667
77. United States	Dollar	1.00000	3.90000	1.00000
78. Yugoslavia	Dinar	.06667	.26001	15.00000
79. Zambia	Kwacha	1.40000	5.46000	.71429

II. MEMBER-COUNTRIES OF THE INTERNATIONAL MONETARY FUND

Currencies without Par Value

As of October 1971

1. Afghanistan	Afghani	.02222	.08666	45.00000
2. Algeria	Dinar	.20255	.78994	4.93700
3. Argentina	Peso	.20000	.78000	5.00000
4. Bolivia	Boliviano	.08418	.32830	11.88000
5. Brazil	Cruzeiro	.18163	.70843	5.50500
6. Cameroon	CFA Franc	.00360	.01404	277.71000
7. Central African Republic	CFA Franc	.00360	.01404	277.71000
8. Chad	CFA Franc	.00360	.01404	277.71000

Country	Unit of Currency	Equiv. in US Currency	Equiv. in Phil. Currency at O. R.	Foreign Currency Per US\$
9. Chile (Trade Rate)	Escudo	\$.08177	P .31890	12.23000
10. Columbia	Peso			
Principal				
Selling Rate		.04888	.19063	20.46000
11. Congo, People's & Republic of the	CFA Franc	.00360	.01404	277.71000
12. Dahomey	CFA Franc	.00360	.01404	277.71000
13. Egypt	Pound	.43478	1.69564	2.30000
14. Gabon	CFA Franc	.00360	.01404	277.71000
15. Indonesia	Rupiah	.00241	.00940	415.00000
Major Import Rate				
16. Ivory Coast	CFA Franc	.00360	.01404	277.71000
17. Korea	Won	.00270	.01053	370.00000
18. Lebanon	Pound	.31446	1.22639	3.18000
19. Malagasy Rep.	Malagasy Franc	.00360	.01404	277.71000
20. Mali	Mali Franc	.00180	.00702	555.42000
21. Mauritania	CFA Franc	.00360	.01404	277.71000
22. Niger	CFA Franc	.00360	.01404	277.71000
23. Paraguay	Guarani	.00794	.03097	126.00000
24. Peru	Sol	.02584	.10078	38.70000
25. Senegal	CFA Franc	.00360	.01404	277.71000
26. Syrian Arab Rep.	Pound	.26178	1.02094	3.82000
27. Togo	CFA Franc	.00360	.01404	277.71000
28. Upper Volta	CFA Franc	.00360	.01404	277.71000
29. Uruguay	Peso	.00400	.01560	250.00000
30. Venezuela	Bolivar			
Selling Rate		.22222	.86666	4.50000
Other Export Rate		.22321	.87052	4.48000
31. Vietnam	Piastre	.00847	.03303	118.00000
32. Yemen, People's Democratic Rep. of	Dinar	.41667	1.62501	2.40000

III. NON-METROPOLITAN AREAS OF MEMBER-COUNTRIES OF THE INTERNATIONAL MONETARY FUND

Currencies with Par Value
As of November 15, 1971

France:

1. Fr. Guiana)				
Guadeloupe) —	Franc	\$.18004	P .70216	5.55419
Martinique)				
2. Comoro Islands)				
Reunion)				
St. Pierre &) —	CFA Franc	.00360	.01404	277.71000
Miquelon)				
3. Fr. Polynesia)				
New Caledonia) —	CFP Franc	.00990	.03861	100.98500
Wallis &)				
Futuna Islands)				
4. New Hebrides	CFP Franc	.01114	.04345	39.76470
5. Afars & Isaas	Djibouti Franc	.00466	.01817	214.39200
<i>Netherlands</i>				
6. Antilles & Surinam	Guilder	.53026	2.06801	1.88585

Country	Unit of Currency	Equiv. in US Currency	Equiv. in Phil. Currency at O. R.	Foreign Currency Per US\$
<i>United Kingdom</i>				
7. Br. Honduras	Dollar	\$.60000	P 2.34000	1.66667
8. Antigua)				
Dominica)				
Montserrat)	East			
St. Christopher)	Caribbean	.50000	1.95000	2.00000
Nevis-Anguilla)	Dollar			
St. Lucia)				
St. Vincent)				
9. Bahama Islands	Dollar	1.00000	3.90000	1.00000
10. Bermuda	Dollar	1.00000	3.90000	1.00000
11. Falkland Islands)				
Gibraltar)	Pound	2.40000	9.36000	.41667
12. Rhodesia	Pound	2.80000	10.92000	.35714
13. Brunei	Dollar	.32667	1.27401	3.06122
14. Hongkong	Dollar	.16500	.64350	6.06061
15. Dubai	Riyal	.21000	.81900	4.76190
16. Seychelles	Rupee	.18000	.70200	5.55555

IV. NON-MEMBER COUNTRY OF THE INTERNATIONAL MONETARY FUND
Currency without Par Value
As of October 1971

Switzerland (VI)	Franc			
Spot Rate		\$.25069	P .97769	3.98900
Forward Rate		.25355	.98884	3.94400

SOURCE OF DATA: International Financial Statistics, December, 1971.

* Free exchange market was reintroduced on Feb. 21, 1970 per CB Circular 289.

(I) — Revalued effective May 9, 1971

(II) — Floating Rate effective August 23, 1971

(III) — Floating Rate effective May 9, 1971

(IV) — Floating Rate effective August 28, 1971

(V) — Floating Rate effective May 9, 1971

(VI) — New Parity effective May 9, 1971 — 4.08415 Francs per US\$1.00

(x) — Decimalized effective February 15, 1971

BANGKO SENTRAL NG PILIPINAS
(Central Bank of the Philippines)
Maynila, Pilipinas

CIRCULAR NO. 318

January 13, 1971

SUBJECT: *Regulations on Credit Accommodations of Banks' Directors,
Officers and Stockholders*

Pursuant to Monetary Board Resolution No. 23 dated January 12, 1971, the following regulations shall govern direct and indirect accommodations of banks to their directors, officers and stockholders:

I. GENERAL POLICY

As a matter of policy, banks shall restrict the outstanding credit accommodations to their directors, officers or stockholders. Dealings of a bank with any of its directors, officers or stockholders should be on the regular course of business and upon terms not less favorable to the bank than those offered to others.

II. DEFINITION OF TERMS

To implement the provisions of this circular, the following definitions shall apply:

1. DIRECTORS shall include directors duly elected during the annual meeting of the bank's stockholders and also those elected to fill vacancies in the board of directors.

2. OFFICERS shall be interpreted to include the President, Vice President, General Manager, Secretary, and others mentioned as officers of the bank, or whose duties as such are defined, in the by-laws, or are generally known to be the officers of the bank either thru announcement, representation, publication or any kind of communication made by the bank; including the manager or person in charge of a branch or office other than the head office, with authority to approve loan applications.

3. STOCKHOLDERS shall include any stockholders of record in the books of the bank; transferee of shares of stock, although such transfer has not yet been entered or recorded in the bank's or transfer agent's books; attorney-in-fact and/or executors, administrators or guardians of minors of incompetents and/or deceased stockholders; and any trustee designated by one or more stockholders pursuant to a voting trust agreement.

4. CREDIT ACCOMMODATIONS shall include the following:

(a) The grant of any loan, discount, credit or advance in any form whatsoever, and shall include—

- (1) Any advance by means an incidental or temporary overdraft, cash item, vale, or otherwise;
- (2) The establishment of a credit line (such as a regular overdraft or L/C-trust receipt line, or discounting line);
- (3) The opening of a letter of credit;
- (4) The acquisition by discount, purchase, exchange or otherwise of any note, draft, bill of exchange or other evidence of indebtedness upon which a director, officer or stockholder may be liable as a maker, drawer, indorser, guarantor or surety;
- (5) Any advance of unearned salary or other unearned compensation for periods in excess of 30 days;
- (6) Any other transactions as a result of which a director, officer or stockholder becomes obligated or may become obligated to the bank, directly or indirectly, by any means whatsoever to pay money or its equivalent.

(b) The increase of an existing indebtedness or credit line or letter of credit of the type referred to in (a)-(2) and (a)-(3) above.

(c) The renewal or extension of the basic loan, advance, credit line or letter of credit.

5. RELATED INTERESTS shall include the following:

(a) Wife, husband or minor children under the parental authority of a director, officer or stockholder;

(b) Partnership (or a partner for the account of the partnership) of which a director, officer or stockholder (or his wife/her husband) is a partner;

(c) Co-owner with the director, officer or stockholder (or with his wife/her husband) of the property mortgaged, pledged or assigned to secure the loans or credit accommodations; and

(d) Corporation, association or firm of which any or a group of directors, officers, and/or stockholders (except stockholders falling under III-2(a) of the lending bank holds/owns more than fifteen per cent (15%) of the equity of such corporation, association or firm; provided, however, that for purposes of this circular, the stockholdings of any relative within the first degree of such director, officer or stockholder shall be deemed to be owned by such director, officer or stockholder.

III. CEILING

1. *The total outstanding credit accommodations granted to all bank's directors, officers and stockholders as parties thereto, either directly or indirectly involved, for themselves or as representatives or agents of others, or acting in behalf or for the account or benefit of other parties as guarantors, co-makers, indorsers, sureties for credit accommodations from the bank (including the outstanding balances of the credit accommodations of their related interests) shall not exceed their total equity or paid-in capital contribution to the bank.*

2. The following credit accommodations shall be exempted from the ceiling provided herein:

(a) Loan account of a stockholder (who is not a director/officer of the lending bank) and whose aggregate stockholdings in the bank does not exceed two (2%) per cent of the total subscribed capital stock of the bank;

(b) Advances against accrued salary or other accrued compensation, or for the purpose of providing for the payment of authorized travel, legitimate expenses or other transactions entered or to be entered for the account of the bank;

(c) Any credit accommodation (or portions thereof) covered by a hold-out on deposits or covered by cash marginal deposits or secured by evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;

(d) The opening of cash letters of credit;

(e) The increase in the amount of outstanding credit accommodation as a result of the additional charges or advances made by the bank to protect its interests such as taxes, insurance, etc.; and

(f) The acquisition by a bank of any check or other cash items deposited in or delivered to the bank in the usual course of business unless it results in the granting of overdraft, withdrawals or drawings against uncollected deposits or improper carrying of cash items or checks to prevent overdraft.

IV. COMPLIANCE

1. Banks whose present level of aggregate outstanding credit accommodations to their directors, officers, and/or stockholders exceeds the maximum ceiling prescribed herein shall comply therewith *within a period of eighteen (18) months from the date of this circular*. Towards this end, banks are enjoined to make arrangement with the parties in-

volved, so that a definite plan of payment or reduction of their respective accounts can be made immediately to insure compliance with the provisions of this Circular.

For the purpose of this Circular, banks are required to institute appropriate measures, systems, procedures and records that will readily show all pertinent information, such as stockholdings, credit accommodations, related interests, business connections, etc. about their directors, officers and stockholders, so that the provisions of this Circular can be effectively implemented.

2. The Superintendent of Banks may require the banks to furnish such data or information as may be necessary for purposes of implementing the provisions of this Circular.

V. SANCTIONS

Strict observance of the provisions of this Circular is enjoined and any person or entity who refuses to comply with or willfully violates the same shall be subject to *any or all* of the following sanctions as may be recommended by the Superintendent of Banks:

1. Replacement or suspension of the directors and/or officers concerned;
2. Suspension of the granting of credit accommodations to any or all its directors, officers and stockholders and/or their related interests;
3. Suspension of the rediscounting privilege with the Central Bank;
4. Suspension of the bank's authority to engage in foreign exchange transactions; and/or
5. Other penal sanctions of Section 34 of Republic Act No. 265.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 318 (Revised)

April 30, 1971

SUBJECT: *Regulations on Credit Accommodations of Banks' Directors, Officers and Stockholders*

Pursuant to Monetary Board Resolution No. 642 dated April 27, 1971, the following regulations shall govern credit accommodations to bank directors, officers and stockholders and their related interests. This

circular supersedes the original Circular No. 318, dated November 13, 1970.

I. GENERAL POLICY

As a matter of policy, banks shall restrict the outstanding credit accommodations to their directors, officers or stockholders. Dealings of a bank with any of its directors, officers or stockholders should be in the regular course of business and upon terms not less favorable to the bank than those offered to others.

II. DEFINITION OF TERMS

As used in this Circular:

1. **DIRECTORS** shall include directors duly elected during the annual meeting of the bank's stockholders and also those elected to fill vacancies in the board of directors.

2. **OFFICERS** shall include the President, Vice President, General Manager, and such other officers of the bank involved in the granting of loans and credits.

3. **STOCKHOLDERS** shall include any stockholder of record in the books of the bank, attorney-in-fact acting for and in behalf of a stockholder of record, and/or executor, administrator or guardian of a minor, incompetent and/or deceased stockholder, and any trustee designated by one or more stockholders pursuant to a voting trust agreement, whose stockholdings in the Bank, individually and/or together with his related interests as defined in II-4-a, b and c, amount to two per cent (2%) or more of the total subscribed capital stock of the bank.

4. **RELATED INTERESTS** shall include the following:

(a) Wife, husband or minor children under the parental authority of a director, officer or stockholder;

(b) Partnership (or a partner for the account of the partnership) of which a director, officer or stockholder (or his wife/her husband) is a general partner;

(c) Co-owner with the director, officer or stockholder (or with his wife/her husband) of the property or interest or right mortgaged, pledged or assigned to secure the loans or credit accommodations; except when the mortgage, pledge or assignment covers only said co-owner's undivided interest; and

(d) Corporation, association or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their

wife, husband or minor children holds/owns more than fifteen per cent (15%) of the subscribed capital of such corporation, or of the equity of such association or firm.

5. CREDIT ACCOMMODATIONS shall include the following:

(a) The grant, renewal or extension of any loan, discount credit or advance in any form whatsoever, and shall include —

- (1) Any advance by means of an incidental or temporary overdraft, cash item, vale, etc.;
- (2) The establishment of a credit line (such as a regular draft line, trust receipt line, or discounting line);
- (3) The opening of a letter of credit for peso generation (except those permitted by Central Bank rules and regulations);
- (4) The acquisition by discount, purchase, exchange or otherwise of any note, draft, bill of exchange or other evidence of indebtedness upon which a director, officer or stockholder may be liable as a maker, drawer, acceptor, indorser, guarantor or surety;
- (5) Any advance of unearned salary or other unearned compensation for periods in excess of thirty (30) days; and
- (6) Any other transactions as a result of which a director, officer or stockholder becomes obligated or may become obligated to the bank, directly or indirectly, by any means whatsoever to pay money or its equivalent; and

(b) The increase of an existing indebtedness or credit line or letter of credit of the type referred to in (a)-(2) and (a)-(3) above.

III. CEILING

1. The total outstanding credit accommodations granted to the bank's directors, officers, stockholders and/or their related interests, for themselves or as representatives or agents of others shall not exceed such bank's total capital accounts net of valuation reserves as recommended by the Superintendent of Banks.

The ceiling for Philippine branches of foreign banks shall be —

(a) The total capital account, if any, representing funds definitely assigned to the branches by the head office, and

(b) The net amount due by such branches to the head office and branches outside of the Philippines.

2. The following credit accommodations shall be exempted from the ceiling provided therein:

(a) Advances against accrued compensation, or for the purpose of providing payment of authorized travel, legitimate expenses or other transactions entered or to be entered for the account of the bank, or for utilization of maternity and other leave credits;

(b) Any credit accommodation (or portions thereof) to the extent covered by a hold-out on deposits or covered by cash marginal deposits or secured by evidences of indebtedness of the Republic of the Philippines or of the Central Bank or by other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines or by the Central Bank;

(c) The increase in the amount of outstanding credit accommodation as a result of additional charges or advances made by the bank to protect its interest such as taxes, insurance, etc;

(d) The acquisition by a bank of any check or cash item deposited in or delivered to the bank in the usual course of business unless it results in improper carrying of cash items or checks to prevent overdraft;

(e) Crop loans secured by real estate and/or chattel mortgage on the crop, and/or assignment of the crop; unmatured export bills; and packing credit advances and/or overdrafts granted under/against letter of credit, *quedans* and/or storage declarations; and

(f) Housing loans, car-financing loans and other specific purpose loans in the nature fringe benefits to officers.

IV. COMPLIANCE

1. Banks whose present level of aggregate outstanding credit accommodations to their directors, officers, stockholders and/or their related interests exceed the maximum ceiling prescribed herein shall comply therewith *within* a period of eighteen (18) months from the date of this Circular.

However, outstanding loans granted prior to the effectivity of this Circular which will mature beyond the eighteen (18)-month period shall not be included in the credit accommodation subject to the ceiling, except such loans or portions thereof which become past due or are extended or renewed during the effectivity of this Circular.

2. The Superintendent of Banks may require the banks to furnish such data or information as may be necessary for purposes of implementing the provisions of this Circular.

V. SANCTIONS

The Superintendent of Banks may recommend to the Monetary Board for refusal to comply or willful violation of the provisions of this Circular any or a combination of the following:

1. Disqualification of the officers or directors concerned from participation in the granting of loans or credits to officers, directors and stockholders of the bank, *Provided, however,* That the disqualification shall be lifted by the Superintendent of Banks when the grounds for the disqualification shall have ceased to exist;

2. Suspension by the bank of the granting of credit accommodations to any or all its directors, officers and stockholders and/or their related interests; and

3. Other administrative and/or penal sanctions including sanctions under Section 34 of Republic Act No. 265.

VI. OTHER REGULATIONS

This Circular is separate and distinct from Circular No. 183 (as amended by Circular Nos. 196 and 199) implementing Section 83 of the General Banking Act. The provisions of other regulations inconsistent herewith are hereby repealed.

VII. EFFECTIVITY

The provisions of this Circular shall take effect immediately.

(SGD). G. S. LICAROS
Governor

—o0o—

CIRCULAR NO. 319

Amendments of Paragraphs 1(a) and 2(a)
of Central Bank Circular No. 287
January 26, 1971

Pursuant to Monetary Board Resolution No. 91 dated January 26, 1971, paragraphs 1(a) and 2(a) of Central Bank Circular No. 287 dated January 28, 1970 are hereby amended to read as follows:

xxx

xxx

xxx

"1. Owners or operators of Philippine flag vessels or of vessels of foreign registry owned by residents shall:

- a. Render a semestral report of their foreign exchange acquisitions and dispositions in the attached report form (FED No. 24) to the Central Bank of the Philippines within thirty (30) days following the end of every calendar semester;"

xxx

xxx

xxx

"2. Philippine resident agents handling vessels of foreign registry shall:

- a. Render a quarterly report of their receipts and disbursements for Philippine expenses of vessels of their foreign principals in the attached report form (FED No. 25) to the Central Bank of the Philippines within fifteen (15) days following the end of every calendar quarter;"

xxx

xxx

xxx

This circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 320

February 9, 1971

In implementation of Executive Order No. 286 of the President of the Philippines dated January 27, 1971, entitled "DIRECTING GOVERNMENT AGENCIES CONCERNED TO EXPEDITE THE FULL IMPLEMENTATION OF THE SIMPLIFIED EXPORT PROCEDURE FOR BOI REGISTERED ENTERPRISES UNDER REPUBLIC ACT NO. 6135, OR EXPORT INCENTIVES ACT," the following rules and regulations covering export shipments by exporters registered by BOI under the provisions of Republic Act No. 6135 of exportable products specified in the Certificate of Registration issued by the BOI to the said registered exporters under the same Republic Act, are hereby promulgated:

SECTION 1. (a) Authorized Agent Banks of the Central Bank may accept from exporters registered with the BOI under Republic Act No. 6135 Applications for Export Permit on CB:ED Form 102R for the exportation of exportable products which are also registered by the BOI and which are specified in the Certificate of Registration issued by the BOI to the registered exporter under the provisions of the same Republic Act.

(b) BOI registered exporters under the provisions of Republic Act No. 6135 exporting products registered with the BOI which are specified in the Certificate of Registration issued by the BOI to such registered exporter under the provisions of the same Republic Act are exempt from the requirement to submit Report of Foreign Sales on CB:ED Form 101 which is required of other exporters.

(c) Lists of BOI registered exporters under the provisions of Republic Act No. 6135 and of the exportable products specified in the Certificate of Registration issued by the BOI to the registered exporter under the same Republic Act will be furnished Authorized Agent Banks from time to time.

SECTION 2. The applications for Export Permit on CB:ED Form No. 102R shall be accomplished in every particular in seven (7) legible copies and shall be signed by the authorized officer of the applicant BOI registered exporter. The application shall be accompanied by two (2) signed or certified true copies of the pertinent contract of sale of the goods to be exported executed by and between the BOI registered exporter and the foreign buyer. In lieu of signed or certified true copies of the contract of sale, copies in duplicate of the relative purchase order or the cable offer and confirmation exchanged between the BOI registered exporter and the foreign buyer may be submitted.

SECTION 3. (a) The Authorized Agent Bank concerned may approve, on behalf of the Central Bank, applications for Export Permit on CB:ED Form No. 102R filed by BOI registered exporters under Republic Act No. 6135 covering the exportation of exportable products specified in the Certificate of Registration issued under the same Republic Act by the BOI to the BOI registered exporter applicant, provided the following conditions are present:

1. The Application for Export Permit on CB:ED Form No. 102R is accomplished in every particular and in the required number of copies, and is accompanied by the copies of the relative contract of sale or purchase order or cable offer and confirmation.

2. The prices, terms and conditions of sale declared in the Application for Export Permit are the same as those provided in the pertinent contract of sale, purchase order or cable offer and confirmation.

3. The method of payment for the export shipment declared in the Application for Export Permit provides for the repatriation of the foreign exchange proceeds in foreign currency acceptable to form part of the international reserve within thirty (30) days from date of shipment and otherwise conforms to the requirements of the Central Bank governing the payment methods and receipt of the foreign exchange proceeds from exports.

(b) Each Application for Export Permit under CB:ED Form No. 102R approved by an Authorized Agent Bank shall cover only one export shipment and shall be numbered consecutively starting with Number 0001 followed by letter "R" as No. 0001R for each Authorized Agent Bank. Such Export Permit shall have an expiry date which shall not be beyond the shipment date provided in the letter of credit, if any, or fifteen (15) days from date of approval of the Export Permit, whichever is earlier. For good reasons, the authorized agent bank concerned may, upon request of the exporter, extend the expiry date of the Export Permit for not more than fifteen (15) days but not beyond the shipment date stipulated in the covering letter of credit.

(c) Applications for Export Permits on CB:ED Form No. 102R which may not be approved by the Authorized Agent Bank under the foregoing authority shall be referred to the Export Department of the Central Bank for action.

SECTION 4. Upon approval by an Authorized Agent Bank of an Application for Export Permit on CB:ED Form 102R, the original and a copy of the Export Permit shall be forwarded by the Authorized Agent Bank concerned directly to the Export Coordinating Department of the Bureau of Customs. A copy thereof shall be given to the exporter, another copy to the shipping agent and a copy shall be retained by the Authorized Agent Bank for its file. The duplicate and triplicate copies of the approved Export Permit shall be forwarded to the Export Department of the Central Bank as provided in paragraphs (b) and (c) of Section 5 of this Circular.

SECTION 5. (a) BOI registered exporters exporting exportable products under the provisions of this Circular shall negotiate for the value of their export shipments with the Authorized Agent Bank concerned within seven (7) days from the date of shipment.

(b) The Authorized Agent Bank concerned shall submit to the Export Department of the Central Bank, not later than the next business day after date of negotiation, the duplicate of the pertinent Export Permit with a statement of the negotiation stamped at the back of such duplicate Export Permit and shall be signed by the authorized officer of the agent bank concerned. The duplicate Export Permit shall be accompanied by a copy of the pertinent contract of sale or of the purchase order or cable offer and confirmation, whichever was submitted by the BOI registered exporter to the Authorized Agent Bank under the provisions of Section 2 of this Circular, and by copies of the pertinent shipping documents.

(c) Not later than the next business day following the date of receipt of the foreign exchange proceeds of the shipment involved, the Authorized Agent Bank concerned shall submit to the Export Permit with an indorsement stamped on the reverse side of such triplicate that the foreign exchange proceeds in the amount and currency indicated

have been received by the authorized agent bank concerned. This indorsement shall be signed by an authorized officer of the said authorized agent bank.

SECTION 6. All other rules and regulations of the Central Bank governing exports not inconsistent with the provisions of this Circular shall apply with equal force and effect to export shipments of BOI registered exporters under Republic Act No. 6135 of BOI registered products specified in the Certificate of Registration issued by the BOI to the registered exporter under the provisions of the same Republic Act.

SECTION 7. Any violation of the provisions of this Circular shall be subject to the penal sanctions provided in Section 34 of the Central Bank Act.

SECTION 8. This Circular shall take effect on February 16, 1971.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 321
(Amendment to Central Bank Circular No. 141)

March 31, 1971

Pursuant to Res. No. 507 of the Monetary Board, adopted at its meeting held on March 30, 1971, paragraph 1 of Circular No. 141 dated April 10, 1962 is hereby amended to include the Japanese yen in the list of currencies prescribed by the Central Bank to form part of the Philippines' International Reserves and shall be accepted in the settlement of the country's international reserves accounts.

Please be guided accordingly.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 322

April 13, 1971

Pursuant to Monetary Board Resolution No. 580, dated April 13, 1971, the following regulations covering vessels belonging to citizens of the Philippines and to domestic companies, corporations or associations, as

well as alien individuals residing in the Philippines, which are engaged in carrying of passengers and/or cargo in overseas commerce or are otherwise employed abroad, are hereby promulgated:

1. No vessel registered in the Philippine registry may be transferred to foreign registry except as an incident of the sale of such vessel to a non-resident, whether individual or corporate in consideration of its full value in foreign exchange which shall have been remitted to the Philippines and surrendered to the banking system. If such vessel which is registered in the Philippines registry belongs to an alien resident, whether individual or corporate, the transfer of such vessel to foreign registry shall not be made except if upon application of the owner of such vessel filed with the Central Bank, it is shown that the vessel was acquired without the use of foreign exchange or other resources from the Philippines. For the purpose of this regulation, the term "other resources" shall include property, real or personal, as well as any letter of credit, guaranty or undertaking issued by any resident of the Philippines, whether individual or corporate.

2. No vessel purchased or acquired abroad by a citizen of the Philippines or by a domestic company, corporation or association from and after the date of this Circular shall be registered in a foreign registry without the prior approval of the Central Bank. Such vessel shall be registered in the Philippine registry within the period provided by law for such registration.

3. Citizens of the Philippines and domestic companies, corporations or associations, as well as alien individuals or firms residing or located in the Philippines, who or which own or operate any vessel of foreign registry shall, within sixty (60) days from the date of this Circular, submit to the Foreign Exchange Department of the Central Bank a report on such vessel which report shall include the following:

- a) Foreign country in which registered;
- b) Name of vessel;
- c) Material of hull;
- d) Rig of vessel;
- e) Principal dimensions;
- f) Gross and net tonnages;
- g) Place and year when built;
- h) Value in foreign exchange;
- i) Name/s, citizenship and residence's of owner/s;
- j) Date of acquisition by present owner/s; and

- k) The most recent insurance rating of the vessel, giving evidence of value thereof and other details. Thereafter, the insurance rating of the vessel shall be reported annually.

The violation of any provision of this Circular shall subject the offender to the penal sanctions provided in Section 34 of Rep. Act No. 265, otherwise known as the Central Bank Act; *Provided, That* if such violation is committed by any company, corporation or association, the manager and/or the President of such company, corporation or association shall be held responsible for such violation.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

—o0o—

CIRCULAR NO. 323

April 27, 1971

Pursuant to Monetary Board Resolution No. 613 dated April 20, 1971 the following regulations are hereby adopted for purposes of the requirements of section 84 of Republic Act No. 337, which reads:

“If losses have at any time been sustained by any banking institution equal to or exceeding the undivided profits on hand, no dividend shall be declared; and no dividend shall ever be declared by any such bank while it continues in banking operations to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any such bank on which interest is past due and unpaid for a period of six months, unless the same are well secured and in process of collection, shall be considered bad debts within the meaning of this section.”

1. Any debt on which interest is past due and unpaid for a period of six months shall be considered as a bad debt, unless it is *well secured and in process of collection*. Both qualification (*i.e., well secured and in process of collection*) must be present in order to take paper, which would otherwise be classed as bad debts, out of that category.

2. A debt shall be considered "well secured" if it is fully covered by collateral in the form of mortgage or pledge or of a lien on real or personal properties including securities having a loan value sufficient to discharge the debt in full, including accrued interest and other miscellaneous fees and expenses.

3. An account or a debt is "in process of collection" when the bank has taken direct steps by way of extrajudicial demand for payment thru collection letters, or endorsing it to its lawyers for drastic action (extrajudicial or judicial) ; provided that, if the debtor has not made a payment of at least 20% of the outstanding balance of the principal on his account within six months after date of the basic collection letter, the account or debt should be indorsed to the bank's lawyers for drastic action (extrajudicial or judicial) which action must be taken within six months thereafter in order to qualify the debt as "in process of collection;" and, provided further that, where judgment against the debtor had been obtained, the bank must be currently active in enforcing the judgment in order that a loan account may be eliminated from the "bad debt" classification.

4. The following specific cases (among others) shall be considered "bad debts":

- a) Past due clean loans and advances the interest of which is unpaid for a period of six (6) months;
- b) Past due well-secured loans and advances, not in process of collection, interest of which is unpaid for a period of six (6) months;
- c) Loans payable in installments where amortization(s) is past due for a period of six (6) months, unless the loan is well secured and in process of collection.

5. The report on dividends declared (see attached DSE Form No. 20, Revised April, 1971) shall be submitted pursuant to "Instructions" printed on the reverse isde of said form under signature of all directors approving the dividend declaration.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

Att.: As stated

REPORT ON DIVIDENDS DECLARED

(Reporting Bank)

1. Excerpt from Minutes No. _____ duly adopted at the regular/special meeting of the Board of Directors of the _____ held on _____
 "Res. No. _____"

2. Summary:

- a. Date of declaration on dividends _____
 b. Date of dividends are payable _____
 c. Form of dividends (cash, stock, etc.) _____
 d. Distribution of Dividends:

Class or Description	Shares Entitled to Dividends		Dividends Declared	
	No.	Amount P	Rate	Amonut P
	_____	_____	_____	_____
T o t a l	_____	P _____		P _____

3. We certify that pursuant to C. B. Circular No. 145 dated May 25, 1962 and Memorandum To All Banks-DSE dated October 14, 1970 interests on loans and/or investments due but not actually collected (except interest due on evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines) which amounted to a total of P. as of the date of declaration of dividends, were not considered as profits for purposes of dividend declaration.
4. We further certify that "bad debts" as defined under Section 84 of Republic Act No. 337 and Central Bank Circular No. 323 in the amount of P. (details attached) have been deducted from net profits.

 Signature Over Printed Name
 Director

 Signature Over Printed Name
 Director

 Signature Over Printed Name
 Director

 Signature Over Printed Name
 Director

 Signature Over Printed Name
 Director

 Signature Over Printed Name
 Director

<hr/> Signature Over Printed Name Director	<hr/> Signature Over Printed Name Director
<hr/> Signature Over Printed Name Director	<hr/> Signature Over Printed Name Director
<hr/> Signature Over Printed Name Director	<hr/> Signature Over Printed Name Director

Signature Over Printed Name
Director

Date

(Name of Bank)

BAD DEBTS

(As defined under Section 84 of Republic Act No. 337 and
Central Bank Circular No. 323, dated April 27, 1971

As of _____)

	No. of months interest is past	
Name of Borrower	Amount	due and unpaid
	P _____	

Certified Correct

Name and signature of authorized officer

a. Date of declaration of dividends _____

b. Date dividends are payable _____

c. Form of dividends (cash, stock, etc.) _____

d. Distribution of Dividends:

3. We certify that pursuant to C.B. Circular No. 145 dated May 25, 1962 and Memorandum To All Banks-DSE dated October 14, 1970, interests on loans and/or investments due but not actually collected (except interest due on evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines) which amounted to a total of ₱ _____ as of the date of declaration of dividends, were not considered as profits for purposes of dividend declaration.
4. We further certify that "bad debts" (details listed in accompanying schedule) as defined under Section 84 of Republic Act No. 337 and Central Bank Circular No. 323, as revised on October 29, 1971, have been deducted from the net profits to arrive at "Net Amount of Total allowable Dividends"
(see computation below):

Current Income	P _{xxx}	
Net Income for previous 2 years	xxx	P _{xxx}

Bad Debts (as listed in accompanying schedule)	PXXX	
Less: Reserve for Probable Loan Losses (Valuation Reserve)	XXX	XXX

[240]

iii. Dividends Declared During Year

This declaration	Pxxx	
Previously declared on _____		
_____	xxx	xxx

iv. Amount still Available for

Dividends (Item ii less Item iii)	Pxxx
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Signature Over Printed Name
President

Signature Over Printed Name
Corporate Secretary

Date

*See Item 6 of Circular No. 323

(Name of Bank)

B A D D E B T S

(As defined under Section 84 of Republic Act No. 337 and Central
Circular No. 323 dated April 27, 1971)

As of _____

Name of Borrower

Amount

No. of months interest
is past due and unpaid

Total P 0.0001

CERTIFIED CORRECT:

(Signature of Authorized Officer
Over Printed Name)

I N S T R U C T I O N S

1. Attach to each copy of the Report the following:
 - a) Consolidated Statement of Condition (CBP-DSE 5 or 5-A) as of date of dividend declaration;
 - b) Statement of Capital Required and Capital Accounts (CBP-DSE 7 or 7-A) as of date of dividend declaration;
 - c) Consolidated Report of Earnings, Expenses, etc. (CBP-DSE 4 or 4-B) for the period — January 1 of the current year to the last day of the month immediately precedng the date of dividend declaration;
 - d) Consolidated Report of Earnings, Expenses, etc. (CBP-DSE 4 or 4-B) for the immediately preceding two (2) calendar years.
2. This report must be accomplished by domestic commercial banks, savings and mortgage banks, development banks, cooperative banks, the NACINA Bank, and building and loan associations.
3. All copies of this report must be signed by the president and corporate secretary, and all copies of attachments must be certified to by an authorized officer of the bank.

CIRCULAR NO. 324

June 2, 1971

SUBJECT: *Amendment of Central Bank Circular No. 167 dated March 24, 1964*

Pursuant to Monetary Board Resolution No. 875 dated *June 2, 1971*, paragraph a) of Circular No. 167 dated March 24, 1964 is hereby amended so that it shall read as follows:

"a) It must not be offered more than once every quarter;"

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 325

June 8, 1971

For the purpose of Section 30 of Republic Act No. 337, the term "total assets" as used in said section shall exclude, in addition to the items enumerated in Circular No. 11 of February 23, 1949, the following:

- a. Loans fully secured by hold-out on deposits;
- b. Bank premises, depreciated; and
- c. Furniture and fixture, depreciated.

(SGD.) G. S. LICAROS
Governor

—o0o—

CIRCULAR NO. 326

July 7, 1971

For purposes of implementing Section 75 of Republic Act No. 337, as amended, which provides—

"SEC. 75. Banks shall grant loans only in the amount and for the periods of time essential for the effective completion of the operations to be financed."

banks shall, in no case, require borrowers to leave behind or deposit back with them (lending banks) a portion of the loan proceeds, whether in the form of demand, savings or time deposit. Where subsequent to the release of the loan proceeds the borrower opens a deposit account with the bank, no part of such deposit shall be covered by a stipulation prohibiting or limiting withdrawal while any portion of the loan is outstanding.

Violation of this Circular shall subject the bank concerned to the penal sanctions of Section 34 of Republic Act No. 265 and Section 87 of Republic Act No. 337, as amended.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

—o0o—

CIRCULAR NO. 327

July 13, 1971

SUBJECT: *Amendment to Circular No. 135 dated January 21, 1962 so as to allow Tourists' Shops to qualify as Authorized Foreign Exchange Dealers of the Central Bank of the Philippines*

As an additional facility for the convenience of tourists in the Philippines, the Monetary Board, in its Resolution No. 1090 dated July 13, 1971, promulgated the following regulations under which tourists' shops so designated and/or accredited as such by the Board of Travel and Tourist Industry may qualify as Authorized Foreign Exchange Dealers of the Central Bank. A written application may be filed with the Foreign Exchange Department of the Central Bank, supported by, among other things, the following documents:

- a) Financial statement for the preceding year
- b) Copy of Certificate of Registration with the Bureau of Commerce
- c) Incorporation papers duly authenticated by the Securities and Exchange Commission
- d) Copies of business license and permit
- e) Photographs (front and side views) of the business establishment
- f) Favorable endorsement of the Board of Travel and Tourists Industry

Tourists' Shops authorized by the Central Bank of the Philippines as foreign exchange dealers shall have the authority to:

- a) Accept as payment for sales and/or purchase for pesos from non-resident customers and tourists, US dollars, pounds sterling, Canadian dollars, Swiss francs, Deutschemarks, French francs, Italian liras, Netherlands guilders, and Japanese yen in the form of notes, coins, and traveller's checks at rates not lower than the prevailing minimum buying rate of an authorized agent bank during the day, less a service charge of not more than 1½%
- b) Use and issue Central Bank Official Receipts for the purchase of the above-mentioned currencies and/or sales of merchandise paid for in said currencies. In the case of sales of merchandise paid for in foreign currencies, the receipt should so state and should also indicate the corresponding number and date of the BIR-stamped sales invoice. The CBP official receipts shall be supplied by the Central Bank upon requisition by the Tourists' Shops concerned.

Tourists' Shops duly authorized as foreign exchange dealers of the Central Bank may avail themselves of the tax exemption privileges which the Bureau of Internal Revenue may grant on sales paid for in foreign currencies by tourists and non-resident customers under Section 188(e), of the National Internal Revenue Code, as amended, provided, however, that the gift and souvenir items are sold by Tourists' Shops which are owned and operated by the manufacturers of the said articles being sold.

Tourists' Shops authorized as foreign exchange dealers are required for this purpose to keep complete accounting records and render periodic reports of their foreign exchange transactions to the Foreign Exchange Department of the Central Bank, and to convert into pesos through the authorized agent banks all their foreign exchange acquisitions, subject to such rules & regulations as the Central Bank shall prescribe in the Certificate of Authority.

Any violation of the provisions of this Circular shall subject the offender to penal sanctions under Section 34 of Republic Act No. 265, otherwise known as the Central Bank Act; provided, that if such violation is committed by any company, corporation or association, the Manager and or President of said company, corporation or association shall be held responsible for such violation.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 328
Amendment to Circular No. 157

July 21, 1971

Pursuant to Monetary Board Resolution No. 1131 dated July 20, 1971, Paragraph (a) of Section 40 of Circular No. 157 dated September 23, 1963, is hereby amended as follows:

Section 40. *Fees and Other Charges*

“(a) For each loan application, a savings and loan association IS AUTHORIZED TO charge the following:

“(1) Handling and service fee in the minimum amount of FOUR PESOS (P4.00) up to a maximum of FOUR-TENTHS (4/10) of one per cent (1%) of the loan granted, in the case of stock associations, and a minimum of TWO PESOS (P2.00) up to a maximum of FOUR-TENTHS (4/10) of one per cent (1%) of the loan granted, but not to exceed FIFTEEN PESOS (P15.00), in the case of non-stock associations; and

“(2) Legal and documentation fee of TEN PESOS (P10.00), exclusive of the actual cost of documentary stamps used.”

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 329

July 22, 1971

Effective July 26, 1971 and until further notice, Circular No. 12 dated February 24, 1949 is hereby amended as follows:

For purposes of meeting the legal reserve requirement on deposit liabilities that must normally be deposited with the Central Bank, Philippine offices, branches and agencies of commercial banks, rural banks, private development banks and savings and mortgage banks operating in the Philippines, with the exception of those located within 50 kilometers of the City of Manila, may deposit cash with the local branches

(not agencies) of the Philippine National Bank not located within a radius of 50 kilometers of the City of Manila.

Accordingly, such PNB branches are authorized to act as agent of the Central Bank, receive cash from such other banks and hold the same in trust for the Central Bank under the terms and conditions stipulated in the letter agreement between the PNB and the Central Bank.

In order to meet local needs for cash, funds thus deposited with authorized branches of the Philippine National Bank may be withdrawn by check or by other means anctioned by acceptable banking practice.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 330

July 28, 1971

Pursuant to Monetary Board Resolution No. 1194 dated July 27, 1971, all imports shall henceforth be covered by letters of credit, and importations by means of documents against acceptance (D/A) and open account arrangements (O/A) shall be allowed only for the following:

1. Importations by firms with history of regular D/A and/or O/A arrangements as of February 21, 1970;
2. Importation previously allowed under abovesaid arrangements and which have already left their ports of origin as of the date of this Circular.

Provisions of existing Central Bank regulations inconsistent with the foregoing are hereby repealed, particularly the minimum 180-day period prescribed for D/A and O/A arrangements. However, any such transactions with periods exceeding 360 days shall continue to be referred to the Central Bank for approval.

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

CIRCULAR NO. 331

July 30, 1971

SUBJECT: *Further amendment to Circular No. 135 dated January 21, 1962, as amended by Circular No. 327 dated July 13, 1971, so as to allow Restaurants to qualify as Authorized Foreign Exchange Dealers of the Central Bank of the Philippines.*

Pursuant to Monetary Board Resolution No. 1163 dated July 27, 1971, Circular No. 135 dated January 21, 1962, as amended by Circular No. 327 dated July 13, 1971, is hereby further amended so as to allow Restaurants among the establishments which may qualify as Authorized Foreign Exchange Dealers of the Central Bank. An application for the purpose may be filed by those concerned with the Foreign Exchange Department of this Bank, supported by similar documents required of Hotels, Travel Agencies and Tourist's Shops.

Restaurants authorized as Foreign Exchange Dealers shall be governed by the same rules and regulations of the Central Bank which are applicable to authorized Hotels.

The Circular shall take effect immediately.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 332

August 4, 1971

Pursuant to Monetary Board Resolution No. 1242, dated August 3, 1971, all authorized agent banks shall maintain, effective August 9, 1971 a fifteen per cent (15%) reserve against all marginal deposits against letters of credit which thereafter shall be increased to:

Effective Dates

20%	September 9, 1971
25%	October 8, 1971
30%	November 8, 1971

This reserve requirement may be held in the form of deposit balances with the Central Bank, cash in banks' vault and/or Central Bank Certificate of Indebtedness (CBCI), a special issue of which shall be made for this purpose.

The reserves against marginal deposits must be met first before any of the available reserves can be utilized in complying with other reserve requirements.

Reports on the banks' compliance with this Circular shall be made in a form to be prescribed by the Department of Supervision and Examination.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 333

August 31, 1971

Pursuant to Monetary Board Resolution No. 1424 dated August 31, 1971, paragraphs Nos. 2 and 3 of Section 31 of Central Bank Circular No. 157 is hereby amended so as to read as follows:

"Whenever the reserve position of any Association, computed in the manner specified in the immediately preceding paragraph, is below the required minimum, the Association shall pay the Central Bank one-tenth of one per cent ($1/10$ of 1%) per day on the amount of the deficiency: Provided, however, That Associations shall ordinarily be permitted to offset any reserve deficiency occurring on one or more days of the week with any excess reserves which they may hold on other days of the same week and shall be required to pay the penalty only on the average daily deficiency during the week: Provided, further, that an Association shall be permitted to offset reserve deficiencies on Monday next following the week in question, provided that the reserve deficiency arises out of transactions on the Saturday of said week. In cases of abuse, the Monetary Board may deny any Association the privilege of offsetting reserve deficiencies in the aforesaid manner.

"Whenever an Association chronically has a reserve deficiency, the Monetary Board may limit or prohibit the making of new loans or investments by the Association and may require that part or all

of the net profits of the Association be assigned to surplus. For purposes of this section, an Association shall be considered chronically deficient in its reserves when it shall have incurred net reserve deficiencies for four (4) consecutive weeks."

This Circular shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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CIRCULAR NO. 334

October 7, 1971

Pursuant to Monetary Board Resolution No. 1679, dated October 5, 1971, the following Supplemental Rules and Regulations Governing Rural Banks in Granting Loans to Beneficiaries of Agrarian Reform are hereby adopted for the effective implementation of R.A. 6390, otherwise known as "An Act to Accelerate the Implementation of the Agrarian Reform Program by Creating an Agrarian Reform Special Account in the General Fund, Providing the Necessary Funds Therefor and for Other Purposes."

SECTION 1. *Preliminary Statement* — Rural Banks in declared land reform areas shall be required to actively participate in the Agrarian Program of the Government by granting loans under supervised credit to beneficiaries of agrarian reform, pursuant to Republic Act No. 6390, "An Act to Accelerate the Implementation of the Agrarian Reform Program by Creating an Agrarian Reform Special Account in the General Fund, Providing for the Necessary Funds Therefor, and For Other Purposes." For this purpose, the Agricultural Guarantee Fund was created and counterpart funds will be made available to new and existing rural banks. It shall also be policy to stimulate the continuous establishment of cooperatives among those who actively till and work upon the land under certain requirements and conditions.

SECTION 2. *The Agricultural Guarantee Fund* — The Agricultural Guarantee Fund shall guarantee seventy per centum of the losses for production loans to be extended by the rural banks, with the remaining thirty per centum of such losses to be absorbed by the Rural Banking System.

SECTION 3. *Requirements for Guarantee Coverage*—Rural Banks which avail of the guarantee shall grant loans according to the following terms and conditions:

- a) Supervised Credit — Loans for production purposes shall be granted under Supervised Credit wherein a farmer-borrower

must agree in writing that he will apply approved farm practices and abide by the approved farm plan and budget jointly prepared by the supervised credit technician and the borrower.

- b) Size of Loan — The amount or size of the loan shall depend on the credit requirements of the crop or project to be financed but in no case shall it exceed Five Thousand Pesos per borrower.
- c) Release — Release of the loan shall be made from time to time in accordance with the schedule based on the farm plan and budget.
- d) Loan Priority — Priority must be given to (1) cooperatives, (2) a farmer with a leasehold contract, and (3) a farmer who is a member of a cooperative or a "selda" or group and who is a beneficiary of agrarian reform, provided, however, that the farmer-borrower shall not be tilling more than six hectares.
- e) Interest and other Charges — Loans shall be granted with interest not exceeding twelve per cent (12%) per annum, including service fees and other charges.
- f) Maturity — Maturity of loans shall not be earlier than two (2) months after harvest to provide sufficient time for marketing.
- g) Security — Loans granted shall be secured by any or a combination of the following: a) real estate property, if available; b) chattel mortgage on standing crops and/or existing livestock or poultry; c) stored crops in bonded warehouses; d) two co-makers acceptable to the bank: Provided, That in case a farmer is a member of a group or "selda", the cooperative or "selda" may act as a co-maker; and provided, further, that in case of multi-purpose cooperatives, no co-maker shall be required.

SECTION 4. *Rural Banks not Availing of Guarantee* — Any rural bank which does not avail of the guarantee shall nevertheless grant loans to beneficiaries of agrarian reform subject to the same terms and conditions set forth in Section 3, to the extent of at least the government contribution to its capital stock.

SECTION 5. *Rediscounting* — All existing agricultural loan papers of rural banks as of the effectivity of R.A. 6390 and all loans granted under Section 3 and 4 of these rules and regulations are rediscountable with the Central Bank subject to the covering rediscounting guidelines for rural banks provided that the proceeds thereof shall be channeled only to the beneficiaries of agrarian reform.

SECTION 6. *Submission of Reports* — Rural Banks shall submit to the Central Bank a monthly list of loans granted to beneficiaries of agrarian reform.

SECTION 7. *Penal Provisions*

- 1) Rural banks in declared land reform areas which refuse to grant loans to beneficiaries of agrarian reform, either under guarantee

or to the extent of at least the government capital contribution shall be denied the privilege of further financial assistance or allowed to participate in any special financing program and engage in additional rural banking functions.

- 2) A punishment by imprisonment of not less than ten years, and a fine of not less than ten thousand pesos shall be imposed on a farmer-borrower and a rural bank which conspire and agree to use the loan granted under these regulations for a fraudulent purpose prejudicial to the Agricultural Guarantee Fund, provided, however, that in the case of a rural bank, the members of the Board of Directors or Trustees or executive officials or employees thereof found responsible shall be held liable.

This Circular shall take effect immediately.

(SGD.) AMADO R. BRINAS
Deputy Governor

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* MEMORANDUM CIRCULAR TO ALL RURAL BANKS

April 13, 1971

SUBJECT: *Amending further Memorandum Circular To All Rural Banks, dated May 7, 1969, as amended, specifically Sections 6, 8, 9 and 14 thereof.*

Pursuant to Monetary Board Resolution No. 604 dated April 13, 1971, Memorandum Circular To All Rural Banks, dated May 7, 1969 concerning Guidelines on Rural Banks' Rediscounting, as amended, is hereby further amended specifically Sections 6, 8, 9 and 14 thereof, to read as follows:

"SECTION 6— *Rediscount Rates*

The Central Bank shall charge rediscount or interest rates on rediscounting or advance as follows:

- (a) [For rural banks in operation for not more than two (2) years — two per cent (2%) per annum.] PAPERS COVERING LOANS UNDER A SUPERVISED CREDIT SYSTEM, INCLUDING THE PRODUCTION OF ESSENTIAL FOOD ITEMS, EXPORT ORIENTED INDUSTRIES AS WELL AS COTTAGE INDUSTRIES, AND EXPORTABLE MANUFACTURED PRODUCTS WHERE NO IMPORTED MATERIALS ARE USED IN THEIR COMPONENTS — 3% PER ANNUM.

- (b) [For rural banks in operation for more than two (2) years — three per cent (3%) per annum.]
OTHER ELIGIBLE PAPERS — 6% PER ANNUM.

- [(c) Rural Banks established in a city or municipality where a rural bank is already in existence shall be charged the same rediscount or interest rate applicable to the existing rural bank.]

[For purposes of rediscount or interest rates a rural bank shall be considered to have started operation on the date of the issuance of its Certificate of Authority (MB Res. No. 598, dated April 22, 1966).]

SECTION 8 — *Credit Limit*

The total obligation of a rural bank with the Central Bank arising from rediscounting authorized herein shall not exceed one hundred per cent (100%) of its Net Worth, plus fifty per cent (50%) of its monthly average savings deposit liabilities for the four (4) months' period immediately preceding its date of loan application, or one hundred fifty per cent (150%) of its net worth, OR FOR A RURAL BANK OPERATING UNDER THE SUPERVISED CREDIT PROGRAM, TWO HUNDRED PER CENT (200%) OF ITS NET WORTH, whichever is higher.

SECTION 9 — *Papers Not Acceptable for Rediscounting*

x x x x

- (b) Promisoy note/s drawn by a borrower with a loan or loans aggregating over ₱10,000.00 [₱5,000.00] if the total loans of over ₱10,000.00 [₱5,000.00] extended by the rural bank during the past four (4) months ending at the end of the month immediately preceding the date the rediscount or loan application is filed exceed forty per cent (40%) of the total loans granted during the same period. (DLC Circular No. 11 dated January 20, 1966.)

x x x x

SECTION 14 — *Procedures in Obtaining and Repaying a Rediscount or Loan with the Central Bank*

I. *Application to Rediscount*

A. *Paper Needed*

x x x x

- (6) Rediscount Schedule — For rural banks depositing with the Central Bank, original and three (3) copies.
For rural banks depositing collaterals with DESIG-

NATED DEPOSITORY COMMERCIAL BANKS, [Philippine National Bank, Branch or Agency], original and two (2) copies. This rediscount schedule should contain the acknowledgment and certification of the DESIGNATED DEPOSITORY COMMERCIAL BANK [PNB] duly signed by ITS [the PNB] representative. A pro-forma certification for this matter is embodied in Section 4 of Memorandum Circular to Rural Banks No. DLC-2.

B. Preparation of the Rediscount Schedule

x x x x

- (b) If rediscount notes are deposited with the DESIGNATED DEPOSITORY COMMERCIAL BANK [PNB]:

First three copies — To Central Bank

Fourth copy — to DESIGNATED DEPOSITORY COMMERCIAL BANK [PNB]

Fifth copy — For rural bank file

x x x x

II. Deposit of Collaterals

All rural banks applying for loans with the Central Bank shall endorse to the Central bank and deposit immediately to the Central Bank or DESIGNATED DEPOSITORY COMMERCIAL BANK [Philippine National Bank, Branch or Agency] all promissory notes (Original) and supporting documents to be used as collateral for the loan applied for. The DESIGNATED DEPOSITORY COMMERCIAL BANK [Philippine National Bank] representative shall acknowledge such deposit in accordance with Section 4 of Memorandum Circular To Rural Banks No. DLC-2 dated January 15, 1963.

x x x x

IV. Release of Loans

x x x x

- B. *Manner of Release* — All loan releases are made EITHER in checks which are either mailed or handed personally to its duly authorized representative OR BY CREDIT ADVICE IN ACCORDANCE WITH MEMORANDUM CIRCULAR TO ALL COMMERCIAL AND RURAL BANKS DATED MARCH 1, 1971.

x x x x

VI. *Repayments of Loans with the Central Bank and Releases of Promissory Notes Used as Collateral and Deposited with the Central Bank or the DESIGNATED DEPOSITORY COMMERCIAL BANK [the Philippine National Bank]*

X X X

C. In remitting payments to the Central Bank, the rural bank should enclose with such remittance a duly accomplished DLC Form No. 5 wherein the application of such payments is indicated and the promissory notes to be released are listed. DLC Form No. 5 should be accomplished in quadruplicate and distributed as follows:

- (1) Original and one copy — Central Bank
- (2) Third copy — DESIGNATED DEPOSITORY
COMMERCIAL BANK [PNB]
(If rural bank deposits its collateral with CB, this copy should also be sent to CB)
- (3) Fourth copy — Rural Bank

D. Remittance to the Central Bank covering payment of loans should [either] be in cash [or], bank drafts [preferably PNB drafts] OR BY AUTHORITY TO DEBIT THE CURRENT ACCOUNT OF THE RURAL BANK'S DESIGNATED DEPOSITORY COMMERCIAL BANK. [Commission charge for PNB drafts covering payment of loans with the Central Bank is 1/32 of 1% with a minimum of ₱1.00.]

B. EFFECTIVITY —

The rural bank shall be allowed a transition period of not more than one (1) year from the date supervised credit technicians shall have been made available to it, to shift to the supervised credit system. During that period, it shall be allowed to enjoy the preferential rediscounting rate of 3% provided that the rural bank shall commit in writing that the proceeds of rediscounting shall be used for supervised credit. However, after the transition period, only papers covering loans granted under supervised credit shall be charged the preferential rate of 3%."

This Memorandum Circular shall take effect on May 1, 1971.

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

CIRCULAR LETTER

August 5, 1971

To: All Authorized Agent Banks:

Further to our Memorandum to Authorize Agent Banks dated July 28, 1971 on importations of machinery and equipment, the following amendments are hereby made:

1. Nos. 1 and 2 of the first paragraph shall read as follows:

- "1. Agricultural machinery and implements falling under Section 7 of the Central Bank Statistical Classification of commodities; and
- "2. Machinery and plant equipment for the exclusive and direct end-use of BOI-registered firms."

2. The second paragraph to read as follows:

"Importations of spare parts and non-agricultural machinery in excess of \$50,000.00 need not be referred to the Central Bank and authorized agent banks may allow opening of letters of credit for such items upon presentation by the importer of a certification from the Board of Investments that the spare parts are not components for assembly into finished machinery and equipment; and in the case of machinery and equipment to be imported, that the industry concerned is not overcrowded."

(SGD.) G. S. LICAROS
Governor

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CIRCULAR LETTER

August 17, 1971

With reference to Circular No. 330 dated July 28, 1971 requiring all imports to be covered by letters of credit and allowing only certain importations by means of document against acceptance (D/A) and open account arrangements (O/A), the same is hereby amended to read as follows:

"Pursuant to Monetary Board Resolution No. 1194 dated July 27, 1971, all imports shall henceforth be covered by letters of credit, and importations by means of documents against ac-

ceptance (D/A) and open account arrangements (O/A) shall be allowed only for the following:

1. Importations made by firms with any history of importing under D/A and/or O/A arrangements prior to February 21, 1970 when Circular No. 289 took effect; and
2. Importations previously allowed under above-said arrangements which have left their ports of origin on July 28, 1971, or which upon presentation of adequate proof are shown to have been contracted for as of July 28, 1971 and/or those otherwise established to have existed as subsisting importations under D/A and/or O/A arrangements as of July 28, 1971.

"Provisions of existing Central Bank regulations inconsistent with the foregoing are hereby repealed, particularly the minimum 180-day period prescribed for D/A and O/A arrangements. However, any such transactions with periods exceeding 360 days shall continue to be referred to the Central Bank for approval.

"Transactions under the above-said arrangements shall continue to be coursed through authorized agent banks, which shall register all such imports and render weekly reports of such transactions to the Central Bank, through the Office of the Governor.

"It is understood, however, that importations valued at less than US\$100.00 are exempted from the letter of credit requirement, subject to existing Central Bank regulations governing such importations.

"This Circular shall take effect immediately."

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS *2/15/71*

January 5, 1971

Pursuant to Monetary Board Resolution No. 2009 dated December 15, 1970, Paragraph E (1) of MEMORANDUM TO AUTHORIZED AGENT BANKS dated February 21, 1970 (Regulations Governing the Sale of Foreign Exchange for Certain Current Invisible Payments) is hereby amended as follows:

"E. Royalties, Films and Other Rentals

1. Remittance of royalties or rentals on patents, trademarks and copyrights may be allowed up to 50 per cent of the royalties or rentals incurred during the year for which the remittance is being made, provided, that no royalty remittances should exceed 5 per cent of the wholesale price of the commodity which is manufactured locally under a royalty contract."

This memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS *957*

January 10, 1971

All Authorized Agent Banks are hereby informed that, in its Resolution No. 2111 dated December 29, 1970, the Monetary Board decided, among other things, that exports of embroidery products which are made of materials consigned to local embroidery companies under Republic Act No. 3137 shall not be subject to the stabilization tax imposed under Republic Act No. 6125.

All Authorized Agent Banks shall be guided accordingly.

(SGD.) AMADO R. BRINAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS *957*

January 10, 1971

Authorized Agent Banks are hereby advised of the following decisions of the Monetary Board in relation to "red clause" drawings made prior to February 21, 1970 for exportations negotiated after May 1, 1970:

- (1) In its Resolution No. 1514 dated September 22, 1970, the Monetary Board decided that in the cases of "red clause" advances obtained by exporters prior to February 21, 1970, no liquidation adjustments shall be made for such "red clause" advances upon presentation of the relative shipping documents for negotiation purposes after May 1, 1970.

- (2) In its Resolution No. 2061 dated December 22, 1970, the Monetary Board decided in relation to exports negotiated after May 1, 1970, for which "red clause" advances were obtained prior to February 21, 1970, that the stabilization tax imposed under Republic Act No. 6125 should be applied only to that portion of export receipts liquidated at the floating rate, and those portions of export values corresponding to "red clause" drawings prior to February 21, 1970, which were, in effect, liquidated not at the floating rate but at ₱3.90 to \$1.00 shall not be subject to the said stabilization tax.

All Authorized Agent Banks shall be guided accordingly.

(SGD.) AMADO R. BRINAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

January 11, 1971

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For purposes of relieving authorized agent banks of the possibility of making errors or omissions in the issuance of release certificates as well as in the collection of taxes and duties on shipments imported by clients of the Development Bank of the Philippines under its guarantee, and in order to expedite the release of said shipments from Customs' custody, the Development Bank of the Philippines is hereby authorized to issue its own release certificates to cover its clients' importations effected under the terms and conditions of the Bank's Guarantee such as those imported under the U.S. Commodity Credit Corporation Export Sales Program, Public Law 480, and contract with the Canadian Wheat Board, which importations are not covered by letters of credit, as well as to collect the corresponding taxes and duties that may be due thereon for remittance directly to the Central Bank, subject to the provisions of Circular 217 dated February 8, 1966.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

January 20, 1972 990

Effective immediately, all authorized agent banks are hereby required to refer to the External Debt Management Office of the Central Bank for prior approval any amendment to Letters of Credit or other covering documents for import agreements or contracts involving changes in the currency in which goods imported from abroad are to be paid.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

January 28, 1971 411

Effective immediately and upon the request of the Bankers Association of the Philippines, it is hereby advised that CB Official Receipt Forms No. BC-2, BIR-2 and Stabilization Tax-1 covering collections of customs duties, taxes and other levies, internal revenue taxes and stabilization tax, respectively, may be signed by either one or two authorized official/s of the bank, depending upon the system of internal control followed by the bank concerned.

Please be guided accordingly.

(SGD.) AMADO R. BRINAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

February 3, 1971 991

Effective immediately, prior Central Bank approval shall not be required for importations of machinery and equipment under either L/C, D/A, D/P or open account arrangement payable within 360 days by firms *duly certified as export-oriented by the Central Bank*; provided that:

- a. The machineries and equipment are for the exclusive use of the export-oriented firm; and
- b. The firm's application to open letters of credit and/or avail of foreign exchange resources is not required to be referred to the Central Bank under existing Memoranda to Authorized Agent Banks.

However, importations of said machineries and equipment under deferred payment terms with maturity periods longer than 360 days will continue to be subject to prior Central Bank approval pursuant to the provisions of Republic Act No. 6142.

For purposes of reporting, subject importations should be shown separately under Schedule 2 of CB-FED Form No. 1 (Revised January 6, 1971).

This amends Memorandum to Authorized Agent Banks dated November 13, 1970.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

February 15, 1971

Effective February 15, 1971, agent banks shall report via CB-FED Form No. 1 a summary of all their foreign exchange credit lines and direct borrowings abroad.

These credit lines shall include:

1. Bankers acceptance financing
2. Pre-export advances
3. Overdrafts and advances
4. Mail credit facility and other loan arrangements

In page 2 of the above form, this summary will be presented as No. 2 under Column D "Additional Information," and shall be indicated as follows:

"2. Direct Foreign Borrowings

Amount of existing credit lines extended by correspondent banks	\$ _____
Less: Amount utilized	_____
Unutilized balance outstanding as of close of business today	\$ _____

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

February 19, 1971

761 4 ^

Authorized Agent Banks in Manila may issue release certificates covering goods intended for release in Davao or Cebu even before the payment of the corresponding customs duties, taxes and other levies provided that said release certificates are properly stamped "Customs Duties, Taxes and Other Levies not yet paid."

(SGD.) AMADO R. BRINAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

February 23, 1971

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1. Pursuant to Monetary Board Resolution No. 244 dated February 23, 1971, effective immediately, the sale of forward exchange by the Central Bank of agent banks covering swaps of foreign currency for import and export transactions, as well as deposits under Circular 304, dated July 21, 1970, shall carry the following forward premia on a per annum basis above the spot buying rate of the Central Bank:

90 days —	3/8%
180 days —	3/4%
360 days —	1%
over 1 year —	1%

These premium rates may be revised by the Central Bank at any time. Extension or renewal of contracts may be permitted whenever warranted by circumstances, subject to the payment of additional premia on the same basis as indicated above.

2. Forward exchange in cover of swap transactions under Memorandum to Authorized Agent Banks dated May 8, 1970 (swap of spot cover for forward exchange sold) shall, until further notice, be sold by the Central Bank to agent banks at the same level of the current guiding rate.

3. Under the above swap arrangements, the Central Bank will buy spot exchange (US\$100,000.00 minimum TT) at the current interbank guiding rate posted for the day at the Foreign Exchange Trading Center of the Bankers Association of the Philippines and will resell such exchange forward to the agent banks at fixed terms of not less than 90 days.

4. Swaps of other authorized foreign currencies shall be effected on the same basis at the U.S. dollar.

5. With the exception of the swap arrangement covered by Paragraph 2 of this Memorandum, the Central Bank reserves the right to review each swap application for other above-mentioned categories of swap on a case-to-case basis.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO ALL BANKS

March 2, 1971

Pursuant to Monetary Board Resolution No. 203 dated February 16, 1971, all banks are required to report notes, bills and other commercial paper issued by private concerns acquired by them either directly from the issuing company or from other holders by subsequent discounting of the instrument, as part of the loan portfolio.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

March 9, 1971

Further to Memorandum to Authorized Agent Banks dated November 13, 1970, requiring prior Central Bank approval for imports of machinery and equipment by any single importer within a period of thirty (30) days, the values of which would add up to more \$50,000, importation of spare and replacement parts shall be excluded from the coverage of said MAAB, provided the importing firm shall submit to the agent/commercial bank concerned, duly notarized certification to the effect that the parts shall not be used for assembly of machinery and equipment.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

March 15, 1971

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Effective immediately, local publishers which have reprinting contracts with foreign publishers are hereby authorized to remit royalties on reprints of textbooks and reference books based on royalty rates under contracts existing as of February 21, 1970 *on retail sales during the year 1970.*

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

March 16, 1971

14/21

Pursuant to Monetary Board Resolution No. 388 dated March 16, 1971, local publishers which have reprinting contracts with foreign publishers, are authorized to remit royalties on reprints of textbooks approved and certified by the Department of Education, and of highly technical and scientific books currently or which may hereafter be classified as such in the Central Bank Statistical Classification of Commodities, provided that the remittance shall not exceed 50% of the royalties incurred during the year for which the remittance is being made, and provided further, that no royalty remittance shall exceed 15% of the wholesale price of such classified books reprinted locally under said reprinting contracts.

Copies of the reprinting contracts relative to the books mentioned above executed on or after January 1, 1971, and copies of reprinting contracts executed prior to January 1, 1971 which were subsequently amended in 1971, shall be forwarded to the Foreign Exchange Department of the Central Bank for verification in the light of existing regulations on royalty remittances.

This Memorandum shall take effect immediately and shall be made to apply to royalties incurred from January 1, 1971.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED SECURITY DEALERS

March 16, 1971

SUBJECT: *Transactions abroad in Philippine Securities*

Pursuant to the provisions of Monetary Board Resolution No. 424 dated March 16, 1971, the following regulations governing transactions abroad in Philippine securities are hereby promulgated:

1. Authorized security dealers are authorized to issue, for and on behalf of the Central Bank, licenses authorizing the sale and export to nonresidents abroad of Philippine securities belonging to residents, which securities are listed and traded in the Manila and Makati Stock Exchanges, and the reinvestment abroad of the proceeds of such sale in Philippine securities belonging to nonresidents, as well as the import into the Philippines of such Philippine securities, subject to the following conditions:

- a. The sale and export abroad to nonresidents of the Philippine securities and the purchase abroad of the Philippine securities from nonresidents for account of the Philippine resident concerned shall be effected only through the authorized security dealer licensing the transaction and the latter's correspondent broker abroad.
- b. The proceeds of the sale abroad of the Philippine securities shall be reinvested for account of the resident owner of such securities in Philippine securities belonging to nonresident which are listed and traded in stock exchanges in the United States or in Philippine securities purchased from nonresidents in over the counter transactions in the United States, provided such Philippines securities purchased in over the counter transactions are listed and traded in the Manila and Makati Stock Exchanges. Pending the reinvestment of the proceeds of sale of the Philippine securities, which shall not be later than fifteen (15) days from the date of the sale, such proceeds shall be held by the correspondent broker abroad of the authorized security dealer licensing the transactions, for the account of the said authorized security dealer, and shall not otherwise be disposed of.
- c. The sale abroad of the Philippines securities for the account of the resident owner shall be for not less than the fair market value of such securities on date of sale, and the purchase abroad of the Philippine securities from nonresidents shall be for not more than the fair market value of the Philippine securities on the date of purchase.

- d. The proceeds of sale abroad of Philippine securities belonging to residents or so much of such proceeds which are not reinvested abroad in Philippine securities belonging to non-residents within the period of fifteen (15) days mentioned in (b) above, shall be remitted in foreign exchange to the authorized security dealer concerned who shall sell the foreign exchange to an authorized agent of the Central Bank within the period provided by existing regulations and pay/credit the peso proceeds to the resident owner of the Philippine securities sold abroad.
- e. The Philippine securities purchased from nonresidents for account of residents in accordance with the foregoing shall be repatriated to the Philippines as soon as possible but not later than forty-five (45) days from the date of purchase and shall be transferred in the local registry in the name of the resident concerned.
- f. Authorized security dealers shall submit to the Foreign Exchange Department of the Central Bank quarterly reports of transactions in Philippine securities licensed and effected by them under the provisions of this memorandum in such form and detail as shall be prescribed by the said Department.

2. The provisions of existing circulars, memoranda, rules and regulations of the Central Bank governing securities transactions in conflict with the provisions of this memorandum are hereby amended accordingly: *Provided, That*, the authority of authorized security dealers to approve, on behalf of the Central Bank on the prescribed form the sale and transfer to nonresidents of foreign securities, Philippine foreign securities, and Philippine domestic securities owned by residents which are listed in a stock exchange in the Philippines, if payment of the fair market value of the securities is received immediately by the authorized security dealer from the nonresident purchaser in foreign exchange which are sold to an authorized agent of the Central Bank within the period prescribed by the Central Bank regulations, shall continue to be in full force or effect.

3. The responsibility for seeing to it that the foregoing provisions of this memorandum, particularly the requirement of repatriation of Philippine securities purchased abroad from nonresidents and their transfer to the resident concerned, and the remittance of the foreign exchange proceeds of the Philippine securities sold abroad and the conversion of such foreign exchange into pesos for account of the resident concerned, shall devolve on the authorized security dealer concerned.

4. Authorized security dealers or any other person or persons who violate any provision of this memorandum shall be subject to the penal

sanctions provided in the Central Bank Act, without prejudice, in the case of authorized security dealers to the cancellation of their authority as authorized security dealers of the Central Bank.

5. This memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

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6/1

MEMORANDUM TO AUTHORIZED AGENT BANKS

March 17, 1971

Effective immediately, Memorandum to Authorized Agent Banks dated August 27, 1970 requiring publishers of newspapers and periodicals to import only waterlined newsprint is hereby revoked. Accordingly, publishers may resume importing newsprint without waterline, provided, however, that the banks will require, as a condition to the opening of letters of credit and/or issuance of release certificates, the submission of quarterly reports on tax-free importations of newsprint of the publishers concerned, which reports shall indicate the disposition of such importations. The reports shall be accomplished in the attached form and shall be submitted by the banks to the Special Studies Unit, Office of the Governor, within twenty-four (24) hours after the submission of the same to the Bank.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

March 30, 1971

Effective immediately, all applications by watchlisted firms, their officers, principal stockholders and affiliate companies to open import letters of credit and/or avail of foreign exchange for whatever purpose and in whatever amounts (other than for the servicing of obligations duly registered with the Central Bank) shall be referred to the Central Bank for prior approval.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

May 14, 1971

Pursuant to Monetary Board Resolution No. 643 dated April 27, 1971, the following regulations governing foreign exchange remittances of export-oriented firms whose operations include logging have been promulgated:

- 1) If the proceeds of the firm's log exports represent not more than twenty per cent (20%) of its total export earnings, the firm shall be considered as fully export-oriented, in which case it shall be entitled to all the privileges appertaining to its qualification as an export-oriented firm; and
- 2) If the proceeds of its log exports represent more than twenty per cent (20%) of its total export earnings, the firm shall be considered as not fully export-oriented, in which case its net profits remittable under existing regulations shall be allowed to the extent of:
 - (a) One hundred per cent (100%) for nonresidents' share in the net profits pertaining to its non-logging operations, like veneer, plywood, or lumber; and
 - (b) Twenty five per cent (25%) for nonresidents' share in the net profits pertaining to its logging operation.

Prior certification of the Export Department of the Central Bank shall be obtained on whether the applicant-firm concerned would fall under paragraph 1 or 2, above. In either case, the certification shall state the corresponding percentage and value of the exports involved.

The foregoing regulations shall commence to apply to remittances of profits corresponding to the year 1970 or to dividends declared during this year or thereafter.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

May 17, 1971

To facilitate payment of internal revenue taxes, an authorized deputy of the Commissioner of Internal Revenue shall be stationed in all authorized agent banks and their branches situated in the Greater Manila Area every 19th and 20th of the month to issue Tax Payment Acceptance Orders (TPAO).

Accordingly, agent banks are enjoined to provide accommodations for these deputies on the 19th during office hours and on the 20th up to 5:00 P.M.

This will take effect on May 19, 1971

(SGD.) H. ATIENZA, JR.
Special Assistant to the Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

June 8, 1971

Effective immediately, all applications to purchase foreign exchange for remittance of profits, dividends, royalties on patents, trademarks and copyrights, and royalties/rentals/producers' shares on movie and TV films shall be accompanied by a Statement of the Unremitted Amounts of such profits/dividends/royalties, etc., as of the filing of the application.

The required statement shall be prepared/accomplished in the attached PA & ED Form No. 1 which must be submitted with the application together with other supporting documents.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

Name of Firm
Statement of Unremitted Royalties,
Rentals/Profits/Dividends

As of

[270]

Royalties/Rentals

Unremitted Amount (Net of Tax)	Period During Which Earned	Total Royalties/Rentals Due During the Same Period Gross	Net of Tax
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Dividends

Unremitted Amount (Net of Tax)	Due to Residents	TOTAL DIVIDENDS DECLARED Date Due to Non-Residents of Div. Gross	Net of Tax Declaration	Base Year	Net Profit for the Base Year
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MEMORANDUM TO AUTHORIZED AGENT BANKS

June 9, 1971

In further connection with M.B. Res. No. 443 dated March 23, 1971, under which agent banks were required "to surrender to the Central Bank, within 30 days from receipt of demand, their P3.90 to US\$1.00 foreign exchange holdings as of February 21, 1970, equivalent to their net asset position as of said date; and to advise such agent banks that upon failure to comply with this requirement, they shall consider themselves inhibited from engaging in any foreign exchange transaction," all authorized agents and agent banks of the Central Bank are hereby advised that, in view of the refusal of the Bank of Asia to abide by the said resolution, the Monetary Board, in its Res. No. 906 of June 8, 1971, suspended the foreign exchange operations of the Bank of Asia, as an authorized agent of the Central Bank.

For the guidance, therefore, of all authorized agents and agent banks of the Central Bank, the following rules implementing the said order of suspension, which had been served on the said bank today, June 9, 1971, are hereby reproduced.

"Accordingly, effective immediately, the Bank of Asia:

- "1) Shall not buy or sell spot or future exchange; provided that it may purchase from authorized agent banks foreign exchange in such amounts as the Foreign Exchange Department of the Central Bank may certify as necessary to service transactions entered into prior to the date of this letter; or conversely, it may sell to authorized agent banks or the Central Bank foreign exchange held by it as of the date of this letter, or acquired by it as an incident of foreign exchange transactions entered into prior to the date of this letter.
- "2) Shall not issue any letters of credit or any other form of commitment calling for payment of foreign exchange; nor handle any collection items, including D/A, D/P, or O/A items.
- "3) Shall not register any Report of Foreign Sales covering exports, nor issue the export permit, negotiate the corresponding export draft; except in respect to cases where the export letter of credit (under which the bank is the negotiating bank) was received by the Bank of Asia prior to the date of this letter; or in cases where the corresponding Report of Foreign Sales was registered by the Bank of Asia prior to the date of this letter.
- "4) Shall submit any questions relative to the application of the suspension order or of the foregoing provisions to the Foreign Exchange Department of the Central Bank for decision.

- "5) Shall henceforth not hold itself out as agent of the Central Bank of the Philippines to any of its correspondents or clients, in the Philippines or abroad."

FOR THE MONETARY BOARD:

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

June 10, 1971

Pursuant to Monetary Board Resolution No. 806 dated May 25, 1971, agent banks are hereby required to refer to the Special Studies Unit, Office of the Governor, for prior Central Bank approval, applications for the importation of Portland Cement (UP 661-02.01).

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

June 17, 1971

Effective immediately, for purposes of the published statements, reports of condition and other reports where the peso equivalents of the foreign currency deposits under CB Circular No. 304 are to be shown, said peso equivalents shall be computed by applying the guiding rate obtaining on the reporting date.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

June 30, 1971

Effective as soon as the revised CBP-FED 1 (Daily Summary of Foreign Exchange Transactions) is issued to agent banks, paragraphs 4 and 5 of Memorandum to Authorized Agent Banks dated May 8, 1970 are hereby amended so as to read as follows:

"4. For purposes of paragraph 1, the eligible free foreign exchange holdings and other real foreign currency assets at floating rate shall include the following:

"a. Due from foreign banks, head office or branches, net of:

(1) Pledged Deposits and/or Compensating Balances
Against Outstanding Loans

(2) Unsurrendered Stabilization Fund

(3) Cover for Deposits Under Circular 304

"b. Foreign Currency Investments net of investments not readily convertible into cash.

Agent banks shall submit to the Central Bank evidences of the arrangements or agreements with their correspondents regarding the compensating balances and pledged deposits.

"5. The above computation is incorporated in the revised CBP-FED 1 (Daily Summary of Foreign Exchange Transactions) Revised June, 1971, page 4, Item G."

All other provisions of the Memorandum remain unchanged.

Please be guided accordingly.

(SGD.) AMADO R. BRIÑAS
Deputy Governor

MEMORANDUM TO ALL BANKS

June 30, 1971

In Resolution No. 876 dated June 2, 1971, the Monetary Board decided that —

“For accounting and statement purposes, loans to other banks shall be considered as part of the loan portfolio of the lending banks. However, for purposes of determining compliance with Section 22 or Section 30 of Republic Act No. 337, said loans shall be considered as embraced in the term ‘amounts due from banks . . .’ as such term is used in said Sections 22 and 30 of Republic Act No. 337; x x x.”

It should be emphasized that since the Monetary Board ruled that “loans by banks to other banks shall be considered as part of the loan portfolio of the lending banks,” all pertinent laws, regulations, restrictions and/or limitations on the granting of such loans shall be strictly observed.

(SGD.) AMADO R. BRIÑAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

July 13, 1970

The provisions of Paragraph D(1) of Memorandum to Authorized Agent Banks dated February 21, 1970, entitled “Regulations Governing the Sale of Foreign Exchange for Certain Current Invisible Payments,” in so far as said provisions refer to Filipino controlled firms, are hereby clarified in the sense that Filipino controlled firms may be allowed to remit in full the shares of dividends and profits corresponding to the net profits realized, after taxes, during the year, due to their non-resident stockholders or non-resident partners abroad, notwithstanding that such Filipino controlled firms are engaged not in BOI-approved projects or in export-oriented industries as defined in Memorandum to Authorized Agent Banks dated February 12, 1970, entitled “Regulations Governing the Qualifications of Export-Oriented Firms,” or whether such Filipino controlled firms may have availed of domestic credit resources. The amounts of dividends and profits which may be remitted abroad by Filipino controlled firms in accordance with the foregoing shall be net of withholding taxes.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

July 14 1971

Re: Stand-by Letters of Credit Covering Foreign Credit Lines of Domestic Entities other than Commercial Banks

Pursuant to Monetary Board Resolution No. 1087 dated July 13, 1971, and by virtue of R.A. No. 6142, the following regulations on the treatment and/or servicing of stand-by letters of credit covering foreign credit lines of domestic entities other than commercial banks, are hereby promulgated for the guidance and compliance of all concerned:

1. Opening of stand-by letters of credit to cover credit lines shall be considered as new foreign borrowings subject to prior Central Bank approval.
2. Stand-by letters of credit to cover credit lines which provide for availments or utilizations to be repayable and/or renewable on periodic basis shorter than the stated maturity periods, including stand-by letters of credit providing for yearly confirmation and containing an acceleration clause, shall not be given due course. (This excludes deferred and stand-by letters of credit covering CB-approved loan contracts with fixed amortization schedules, which, under accepted international banking procedure, may be subject to yearly confirmation).
3. Renewal of utilized balance of credit lines covered by stand-by letters of credit opened and to the extent of the amount availed of under the credit line prior to effectivity of Circular No. 315 (December 1, 1970) may be given due course in accordance with the original terms and to the extent of the stated maturity period of the credit line.
4. Unutilized balances against credit lines covered by stand-by letters of credit opened prior to effectivity of Circular No. 315 shall be deemed automatically cancelled and the covering stand-by letter of credit amended accordingly.

Foreign borrowings of the above nature shall be periodically reported to the Central Bank under CBP-EDMO 1, as revised.

This memorandum shall take effect immediately.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

July 14, 1971 127

Effective immediately, all agent banks shall, in processing applications relating to the purchase of foreign exchange, opening of import letters of credit and/or foreign exchange remittances covering importations of Unmanufactured Tobacco originating from the states of Zambia, Malawi and Mozambique, require from their client-importers the submission of the following documents before giving due course to the said applications: a certificate issued either by the Tobacco Industry Board of Zambia or Malawi Tobacco Control Commission, as the case may be; fumigation certificates (often issued at the port of shipment), particularly in the case of Mozambique tobacco, which specify whether the tobacco was grown in the country where fumigation took place, and the appropriate certificate of origin issued in the country where the tobacco was grown. Copies of the approved foreign exchange applications shall be furnished the Special Studies Unit, Office of the Governor, within twenty-four (24) hours after approval of the same by the agent banks concerned.

In this connection, all agent banks are advised that our Circulars Nos. 246 and 262 dated July 17, 1967 and August 20, 1968, respectively, which had been issued in line with the foreign policy of the Philippines and the resolutions adopted by the United Nations Security Council on economic and other sanctions against the regimes of the Union of South Africa and Southern Rhodesia, prohibiting the selling of foreign exchange for import and/or remittance purposes to these countries, are still in force.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

July 22, 1971

Pursuant to Monetary Board Resolution No. 1135 dated July 20, 1971, the following regulations governing certain foreign exchange transactions of firms certified as not fully export-oriented have been promulgated:

1) Importation of machinery and equipment:

Firms certified as not fully export-oriented shall, on importations of machinery and equipment to be used exclusively in their operations for which they are certified as export-

oriented, be exempted from obtaining prior Central Bank approval for the importation of such machinery and equipment under either L/C, D/A, D/P or open account arrangement payable within 360 days, provided the firm's application to open letters of credit and/or avail themselves of foreign exchange resources is not required to be referred to the Central Bank under existing Memoranda to Authorized Agent Banks.

2) Purchase of travel funds:

Officials of firms which are certified as partially export-oriented who travel on business may be allowed a representation allowance of \$500.00 per person per trip, in addition to an allowance of \$25.00 per day up to a maximum period of 30 days.

3) Remittance of profits and dividends:

Firms certified as partially export-oriented may, if they are Filipino-controlled, be allowed to remit in full the nonresidents' share in profits out of current earnings, after taxes. Withholding taxes, if any, shall be deducted from remittable amounts.

Firms certified as partially export-oriented may, if they are controlled by aliens, and are not engaged in BOI-approved projects or have availed themselves of domestic credit resources, be allowed to remit 100% of nonresidents' share in current net profits after taxes pertaining to operations for which they are certified as export-oriented and 25% of nonresidents' share in current net profits after taxes pertaining to the other operations, and net of withholding taxes, if any, on the remittable amounts.

4) Repatriation of foreign investments:

Firms certified as partially export-oriented may be allowed to repatriate that portion of the nonresidents' investments in the capital devoted to the firms' operations for which they are certified as export-oriented, within the period and under the same conditions as the repatriation of foreign investments in firms which are fully export-oriented as provided in paragraph 5(a) of Memorandum to Authorized Agent Banks dated February 21, 1970, entitled "REGULATIONS GOVERNING FOREIGN BORROWINGS AND INVESTMENTS AND TRANSFER OF EMIGRANTS' ASSETS."

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

July 28, 1971

Effective immediately, prior Central Bank approval shall not be required for importations of the following machinery and equipment:

1. Agricultural machinery and equipment falling under Section 7 of the Central Bank Statistical Classification of Commodities; and
2. Machinery and equipment for the exclusive and direct end-use of BOI-registered firms.

Importations of spare parts and machinery in excess of \$50,000 need not be referred to the Central Bank and authorized agent banks may allow opening of letters of credit for such items upon presentation by the importer of a certification from the Board of Investments that the spare parts are not components for assembly into finished machinery and equipment; and in the case of machinery and equipment to be imported, that the industry concerned is not overcrowded.

However, importations of said machinery and equipment under deferred payment terms with maturity periods longer than 360 days will continue to be subject to prior Central Bank approval pursuant to the provisions of Republic Act No. 6142.

For purposes of reporting, subject importations should be shown separately under Schedule 2 of CB-FEB 1, as revised.

This further amends Memorandum to Authorized Agent Banks dated November 13, 1970.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

August 9, 1971

With reference to Memorandum to Authorized Agent Banks dated June 19, 1970 in connection with the submission, together with the application to open a letter of credit, of the relative firm offer; the second and third paragraphs of said MAAB are hereby amended to read as follows:

“Upon issuance of a Release Certificate, the Agent Banks concerned shall attached to the Bureau of Customs’ copy of the Release Certificate a copy of the relative firm offer on which shall be indicated the letter of credit number and the date of

opening, including amendments, if any, duly certified by the Agent Bank. Likewise, a copy of the packing list, where applicable and/or available, shall be attached to the said Release Certificate."

(SGD.) AMADO R. BRIÑAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

August 16, 1971

Authorized agent banks are requested to advise their exporter clients that pursuant to Monetary Board Resolution No. 1230 dated August 3, 1971, in all log exports the certification of the lumber inspectors of the Bureau of Forestry duly authorized to inspect the logs for shipment as to the grade and quality of the logs involved in accordance with the Bureau of Forestry Grading Rules shall be considered final for purposes of negotiation of shipping documents. Any provision in any letter of credit covering log exports requiring certification of buyer's agent or representative that said logs have been approved for shipment as a condition precedent to negotiation of shipping documents shall not be allowed.

If there should be a claim against any exporter for payment and/or reimbursement because of quality defects and the exporter agrees to the claim, the matter should be submitted to the Central Bank with full supporting documents for decision.

Effective immediately.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

August 18, 1971

Pursuant to Monetary Board Resolution No. 1252 dated August 10, 1971, the following rules implementing existing Central Bank regulations governing remittances of royalties on reprints of official textbooks, and highly technical and scientific books have been approved:

- 1) Royalties on retail sales in 1970, as well as the unremitted royalties for 1969 and prior years, shall be allowed full remit-

tance at the royalty rates called for in reprinting contracts entered into before, and subsisting as of, February 21, 1970;

- 2) Royalties incurred after 1970 on reprinting contracts that were existing as of February 21, 1970 and on those concluded thereafter shall be allowed full remittance only in those cases where the reprinting contracts confer upon the local reprinters concerned the right to market reprinted books in foreign countries, substantiated by documents of export shipments made; provided, however, that the remittances shall not exceed the net export proceeds of the reprinter concerned arising from the sale abroad of the reprinted books; and
- 3) Royalties incurred after 1970 on reprinting contracts that were existing as of February 21, 1970 and on those concluded thereafter, where such contracts restrict the marketing rights of the local reprinters concerned to the domestic market, shall be subject to the quantitative limitations prescribed under Memorandum to Authorized Agent Banks dated February 21, 1970 and Memorandum to Authorized Agent Banks dated March 16, 1971, the first paragraph of which latter memorandum is hereby amended to read as follows:

"x x x local publishers which have reprinting contracts with foreign publishers are authorized to remit royalties on reprints of official textbooks and highly technical and scientific books currently or which may hereafter be classified as such in the Central Bank Statistical Classification of Commodities; provided that the remittance shall not exceed 50% of the royalties incurred during the year for which the remittance is being made; and provided, further, that remittable royalties shall not exceed 15% of the wholesale price of such classified books reprinted locally under said reprinting contracts."

Please be guided accordingly.

(SGD). G. S. LICAROS
Governor

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MEMORANDUM TO ALL AUTHORIZED AGENT BANKS

August 31, 1971

In complying with the provisions of Circular No. 332 dated August 4, 1971, please be guided by the following modification thereof:

The scheduled increase from the present 15% to 20% in the required reserve against marginal deposits on letter of credit shall be effected as follows:

Effective dates

16.25%	September 10, 1971
17.50%	September 17, 1971
18.75%	September 24, 1971
20.00%	October 1, 1971

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

September 8, 1971

Effective immediately, the following revised regulations shall govern the importation of machinery, equipment and spare parts, amending all regulations on the same subject:

Prior Central Bank approval shall not be required for importations by *any* single importer, under cash basis or where payment is to be made within a period of 360 days, of the following machinery and equipment even if the aggregate value of which within a calendar month would add up to more than US\$50,000.00:

1. Agricultural machinery and implements (including spare parts) under Section 7 of the Central Bank Statistical Classification of Commodities; and
2. *Plant* machinery and equipment (including spare parts therefor) for the exclusive and direct end-use of (a) export-oriented firms that qualify as such under existing regulations of the Bank; and (b) the registered activity/ies of BOI registered firms.

However, in the case of the machinery and spare parts imports BOI-registered firms, a certification from the BOI to the effect that the items sought to be imported are for the exclusive and direct end-use of the appropriate registered activity of the applicant firm, shall have to be presented to authorized agent banks before the letter of credit is opened or release certificate is issued in the case of D/A and O/A shipments.

Likewise, prior Central Bank approval shall not be required for importations under the same arrangement of non-agricultural *plant* machinery and equipment including spare parts therefor, by any importer

not qualified as export-oriented or not registered with the BOI, the aggregate value of which, within a calendar month, would add up to more than US\$50,000.00, provided, however, that a certification from the BOI stating that:

1. In the case of non-agricultural *plant* machinery and equipment,
 - a) the industry to which the importing firm belongs is not over-crowded; or
 - b) if the industry is crowded, that such *plant* machinery and equipment would not add to, but merely maintain existing capacity.
2. In the case of spare parts,
 - a) they are not components for assembly into finished non-agricultural *plant* machinery and equipment; or
 - b) if they are such components, the resulting *plant* machinery and equipment will not contribute to industry over-crowding

is presented to authorized agent banks before the L/C is opened or the release certificate is issued in the case of D/A and/or O/A shipments. The same certification (either 1 or 2 as above stated) shall be required for imports of such items by BOI registered firms where machinery and spare parts importation are not for the exclusive and direct end — use of their registered activity.

The BOI certification shall also be required of watchlisted firms but their applications to import any of the above items/or for release certificates shall continue to be referred to the Central Bank.

All requests for certifications from the BOI shall be coursed through the BOI Special Unit and shall be accompanied, among others, by the list of the *plant* machinery, equipment and/or spare parts sought to be imported, preferably supported by pro forma invoices from the supplier/s. The request should also specify the applicant's activity for which the importation shall be used.

For purposes of reporting, subject importations should be shown separately under Schedule 2 of CB-FED 1, as revised.

Importations of agricultural machinery, implements, and spare parts, and non-agricultural *plant* machinery and equipment including spare parts therefor, regardless of value, under deferred payment arrangement with maturity periods longer than 360 days will continue to be subject to prior Central Bank approval pursuant to the provisions of Republic Act No. 6142.

It is understood that as provided for under Unnumbered MAABs dated October 12 and 30, 1967, and March 1, 1968, the required import letters of credit must be opened on or before the date of actual shipment; and that the D/A and O/A imports referred to above shall be in accordance with Circular 330 dated July 28, 1971, as amplified by Unnumbered MAAB dated August 17, 1971.

Please be guided accordingly.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

September 13, 1971

Memorandum to Authorized Agents dated October 20, 1970 is hereby amended so as to read as follows:

Pursuant to Section 6 of Central Circular No. 289 dated February 21, 1970, authorized agent banks shall service the remittance covering invisible payments by means of Telegraphic Transfer, Mail Transfer or Demand Draft, except that in the case of remittance by demand draft *the selling bank is required to mail the demand draft directly* to the beneficiary abroad.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

September 21, 1971

Quoted hereunder is the text of a letter dated September 10, 1971, of the Office of Economic Affairs, Department of Foreign Affairs, to the Governor of the Central Bank, which is self-explanatory:

"Manila, 10 September 1971

"S i r:

"Quoted hereunder for information are pertinent portions of the cablegrams dated 7 September 1971 and 8 September 1971 received from the Philippine Embassy, Washington, D.C.:

"1 '376 DEPTSTATE ALSO INFORMED EMBASSY TODAY THAT WHENEVER APPLICABLE ON ARTICLES OF PHILIPPINE ORIGIN, SURCHARGE WILL BE ASSESSED ONLY UP TO MAXIMUM OF EIGHT PERCENT. SURCHARGE WILL NOT BE ASSESSED ON COMMODITIES IMPORTED DUTY-FREE UNDER TARIFF QUOTAS SET OUT LL AGREEMENT. IMPORTS IN EXCESS OF SUCH QUOTAS WILL BE ASSESSED FULL SURCHARGE. IN THE CASE OF COCONUT OIL, HOWEVER, QUESTION OF FULL APPLICATION OF SURCHARGE ON OVER-QUOTA IMPORTS STILL UNRESOLVED. QUESTION OF EXEMPTION OF CORDAGE LIKEWISE UNRESOLVED. COPRA MEAL, HOWEVER, IS SUBJECT TO SURCHARGE.'

"2. '379 PLEASE INFORM PHILIPPINE EXPORTERS THAT CONTRARY TO WHAT THEIR U.S. PRINCIPALS HAVE LED THEM TO BELIEVE, BY DECISION OF COST OF LIVING COUNCIL, THE ADDITIONAL DOLLARS AND CENTS COST OF THE SURCHARGE OR SUPPLEMENTAL DUTY MAY BE PASSED ON TO IMPORTER'S CUSTOMERS. ADEQUATE RECORDS ARE REQUIRED TO BE MAINTAINED HOWEVER TO DEMONSTRATE THE ACTUAL INCREASED COST.'

"Very truly yours,

"For the Acting Secretary of Foreign Affairs:

(SGD.) OPHELIA A. GONZALES
Acting Officer-in-Charge

"The Honorable
The Governor
Central Bank of the Philippines
M a n i l a

Authorized Agent Banks are requested to transmit the contents of this Memorandum to all their exporter-clients.

(SGD.) AMADO R. BRIÑAS
Deputy Governor

MEMORANDUM TO AUTHORIZED AGENT BANKS

September 28, 1971

Quoted hereunder is the text of a letter dated September 20, 1971, of Acting Secretary of Foreign Affairs Jose D. Ingles to the Governor of the Central Bank, which is self-explanatory:

"Manila, 20 September 1971

"S i r:

"For your information, we quote hereunder the text of a cablegram received from Ambassador Eduardo Romualdez in Washington, D. C.:

'397 FOR PRESIDENT MARCOS: AYE HAVE BEEN INFORMED BY DEPTSTATE THAT U.S. GOVERNMENT HAS DECIDED TO EXEMPT COCONUT OIL FROM TEN PERCENT SURCHARGE. IN EFFECT COCONUT OIL IMPORTED INTO US BOTH UNDER THE QUOTA AND OVER THE QUOTA ARE EXEMPT.'

Very truly yours,

(SGD.) JOSE D. INGLES
Acting Secretary of Foreign Affairs

"The Honorable
The Governor
Central Bank of the Philippines
M a n i l a"

Authorized Agent Banks are requested to transmit the contents of this Memorandum to all their exporter-clients.

(SGD.) AMADO R. BRIÑAS
Deputy Governor

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MEMORANDUM TO ALL AUTHORIZED AGENT BANKS

September 29, 1971

In complying with the provisions of Circular No. 332 dated August 4, 1971, please be guided by the following further modification thereof:

The scheduled increase from 20% to 25% in the required reserve against marginal deposits on letters of credit shall be effected as follows:

	Effective date
21.25%	October 8, 1971
22.50%	October 15, 1971
23.75%	October 22, 1971
25.00%	October 29, 1971

(SGD.) AMADO R. BRIÑAS
Deputy Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

October 27, 1971

1. In connection with the \$65 million official assistance extended by the Government of Japan, Authorized Agent Banks are hereby required to submit to the Central Bank two copies and/or certified true copies of the following documents evidencing importation from Japan and payments thereof by the Agent Banks:

- a. covering transmittal letter or collection advice of the negotiating bank addressed to the Philippine commercial bank, containing the certification stated in paragraph 4 below, except in the case of imports under open account arrangements;
- b. commercial invoice;
- c. bill of lading; and
- d. combined consular invoice and certificate of origin

2. The above-listed documents are to be submitted for each import payment of at least \$5,000 or Y1,800,000 made after October 31, 1971.

3. Documents pertaining to payments for all importations from Japan, with the sole exception of amortization and interest charges on imports under deferred payment arrangement with an original maturity period of not shorter than 5 years, are to be submitted. However, documents covering down payments for such imports financed partly with suppliers credit are also to be submitted.

4. The payments for the importations are to be certified by the Manager of the bank's Foreign Department, or a responsible official specifically designated for this purpose, in the covering transmittal letter or collection advice of the Japanese negotiating bank (or in the commercial invoice in the case of imports under open account arrangements) in the following form:

"We hereby certify that the payment for this importation
was duly made or authorized on in
the amount of"

5. The required documents pertaining to import transactions for any given week are to be submitted to the External Debt Management Office, Central Bank, not later than Thursday of the succeeding week except that the combined consular invoice and certificate of origin may be submitted within 7 days of receipt thereof.

(SGD.) G. S. LICAROS
Governor

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MEMORANDUM TO AUTHORIZED AGENT BANKS

October 27, 1971

In complying with the provisions of (Circular No. 332) dated August 4, 1971, please be guided by the following further modification thereof:

The scheduled increase from 25% to 30% in the required reserve against marginal deposits on letters of credit shall be effected as follows:

	Effective date
26.25%	November 5, 1971
27.50%	November 12, 1971
28.75%	November 19, 1971
30.00%	November 26, 1971

(SGD.) G. S. LICAROS
Governor

