



Republic of the Philippines

DEPARTMENT OF PUBLIC WORKS, TRANSPORTATION AND COMMUNICATIONS
NIA Building, E. de los Santos Ave., Quezon City

OFFICE of the SECRETARY

3 January 1978

DEPARTMENT ORDER) SUBJECT: FOREIGN CREDIT RECORDING SYSTEM
NO. 1)

TO : All Agencies under and Corporations attached
to the DPWTC

LOI No. 592 dated 5 September 1977 (copy attached), requires, among others, the Department to establish a recording system that will adequately monitor or anticipate the financial implication of all foreign-assisted projects.

In this connection, you are hereby directed to furnish this office with copies of project agreements and corresponding credit agreements, Promissory Notes and/or Letter of Credit evidencing availment of foreign credits on on-going projects. For every project presently under negotiation or proposed for foreign financing, you shall submit to this office a profile and/or project study, together with the terms and conditions of the proposed financing scheme, if any.

Effective this date, you shall course all foreign-assisted project proposals through this Office for review and evaluation before endorsement and recommendation to the NEDA Committee on Foreign-Assisted Projects (LOI 592).


ALFREDO L. JUINIO
Secretary

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LETTER OF INSTRUCTIONS NO. 592

STRENGTHENING THE MECHANISM FOR THE EVALUATION, APPROVAL AND
COUNTERPARTING OF PROJECTS PROPOSED FOR FOREIGN FINANCING

TO: The Secretary of Finance
The Secretary of Economic Planning
The Acting Commissioner of the Budget
The Governor, Central Bank of the Philippines
The Acting Chairman, Commission on Audit
✓ All Department Secretaries and other heads of
National Government agencies
All Chartered and Heads of Government Owned
or Controlled Corporations

WHEREAS, it is necessary to limit borrowings of government only to those projects of highest priority as established in the national development plan;

WHEREAS, an integrated approach to projects requiring foreign financing is called for, involving the agencies of government concerned with the international Balance of Payments, the rate of implementation of the development plan, the size and allocation of the government expenditure program, and domestic and foreign borrowing ceilings;

WHEREAS, R.A. No. 4860 as amended by P.D. No. 81 establishes the framework for the foreign borrowings of national government and its component agencies.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby issue the following instructions:

1.C Functions

1.1 A Permanent NEDA Committee on Foreign-Assisted Projects is hereby created, for purposes of evaluating and recommending on all projects of the national government, including government owned or controlled corporations, that require foreign financing assistance. The Committee's evaluation shall include the following aspects:

1.1.1 Priority rating of the project within the context of the national development plan;

1.1.2 Terms and conditions of the proposed financing;

1.1.3 Effect on the international Balance of Payments position;

1.1.4 Peso requirements of the project, in terms of the current and capital outlays needing peso support directly or indirectly from the national government; and

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1.1.5 act of the proposed project on foreign and domestic debt ceilings.

1.2 The Committee shall assume the functions of the Committee on Major National Projects created under LOI No. 451 and as such is directed to evaluate the fiscal, monetary and Balance of Payments implications of major national projects and to recommend to the NEDA Chairman on the timetable of implementation of these projects.

1.3 The Committee shall prepare a foreign borrowing program updated each year and covering the foreign exchange, budgetary, and other aspects of the foreign borrowing program.

1.4 A status report of the fiscal, monetary and Balance of Payments implications of foreign assisted projects, both ongoing and in process of development, shall be submitted to the President within sixty (60) days from date hereof.

2.0 Organization

2.1 The Committee shall be composed of the Secretary of Finance as Chairman and as members, the Secretary of Economic Planning, the Commissioner of the Budget and the Governor of the Central Bank. It shall be a sub-committee of the National Economic and Development Authority, reporting to the President as NEDA Chairman.

2.2 The Committee shall be assisted in its work by a Technical Board consisting of persons on part time detail from the various Departments/Agencies represented on the Committee, including representatives of the Office of the Secretary of Finance, the Management of External Debt and Investment Accounts Department (MEDIAD) and the Department of Economic Research of the Central Bank, the Programs and Projects Staff of NEDA, the Budget Technical Service and the Budget Operations Offices of the Budget Commission, and the Bureau of the Treasury. The Technical Board shall be headed by the representative of the Department of Finance.

2.3 The expenses of the Committee and its Technical Board shall be charged to the Feasibility Studies Fund, including reasonable allowances and/or honoraria in lieu of overtime compensation.

2.4 The Committee on Major National Projects is hereby abolished and its records, funds and other assets and liabilities shall be transferred to the Permanent Committee on Foreign Assisted Projects.

3.0 Operating Procedure

3.1 All foreign borrowing proposals of the government, government agencies and government owned or controlled corporations, including government financial institutions, shall be evaluated by the Committee. It shall require as basis for action, among others:

(a) Central Bank Secretary approval in principle as to purpose and credit terms among others, and (b) Budget Commission approval in principle as to availability of funds for capital and current operating expenditures associated with the project, including appropriations for loan proceeds.

3.2 No loan negotiation may be initiated without the evaluation and recommendation of the Committee and approval by the President.

3.3 The Committee is empowered to conduct hearings and otherwise evaluate project proposals of government departments and agencies and of government owned or controlled corporations.

3.4 All government agencies and corporations are directed to extend all possible assistance and cooperation in order to achieve the purposes of integrated project identification and development and of full coordination on foreign-assisted projects.

3.5 The results of Committee evaluation and its recommendations shall be submitted to the President, whose action shall constitute the basis for authority to (a) negotiate financing requirements and (b) make forward commitments on debt maturity, budget requirements pertaining to loan availments and peso costs, and other aspects of the project.

3.6 Actual negotiations for foreign credits and/or accommodations shall be conducted by the Secretary of Finance and/or the Central Bank Governor or their duly authorized representatives as chief or co-chief negotiators, together with the representatives of the government agencies and government financial institutions or entities concerned as may be approved by the President upon recommendation of the Committee.

3.7 The agencies concerned shall design and implement record systems that adequately monitor or anticipate the financial implications of all approved projects, including the following:

3.7.1 Bureau of the Treasury - loan proceeds and repayments

3.7.2 Central Bank - loan maturity schedules and foreign exchange requirements

3.7.3 Budget Commission - peso requirements for expenditures requiring budget support and appropriations.

4.0 Budgeting and Accounting of Loan Amounts

4.1 All proceeds of foreign loans, whether in cash or in kind, shall be provided for in the appropriations laws, accounted for and recorded in the books of the Bureau of the Treasury, and shall be the subject of release in accordance with existing auditing, accounting and budgeting rules and regulations.

All proceeds of foreign loans, whether in cash or in kind, that have already been availed of by the various recipient agencies concerned shall be duly recorded in the accounts of the Bureau of the Treasury.

4.2 The amounts authorized and needed to service the foreign loans incurred by bureaus, offices and agencies of the National Government, for and in the name of the Republic of the Philippines, shall be released to the Bureau of the Treasury.

4.3 The Commission on Audit shall assist the Committee in the development and promulgation of the necessary accounting rules and regulations for the proper handling and recording of the proceeds of foreign loans as well as the servicing thereof.

4.4 The Committee shall coordinate with the Heads of the various departments, bureaus, offices and/or instrumentalities of the National Government who are recipients of foreign loans, in gathering the data necessary for the handling and recording of such foreign loans.

5.0 Rules and Regulations

|| The Committee shall issue the implementing rules and regulations necessary to give effect to this Letter of Instructions.

6.0 Repealing Clause

The provisions of LOI No. 109, 158 and 451 and of all executive orders, Letters of Instructions, rules and regulations or parts thereof which are inconsistent with the provisions of these instructions are hereby superseded and/or modified accordingly.

Done in the City of Manila, this 5th day of September, in the year of Our Lord, nineteen hundred and seventy-seven.

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