

[LETTER OF INSTRUCTIONS NO. 592, September 05, 1977]

STRENGTHENING THE MECHANISM FOR THE EVALUATION, APPROVAL AND COUNTER-PARTING 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 Chairmen 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 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:

1.0 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
 - 1.1.5 Impact 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 ns members, the Secretary of Economic Planning, the Commissioner of the Budget flitd the Governor of tho 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 oil part time detail from the various Departments/Agencies represented oh 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 Office 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 Funds, 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 Monetary 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 corporation in order to achieve the purpose of integrated project identification and development and of full coordination on foreign-assisted projects.
- 3.5 The results of Committee evaluation and its recommendations