



INVESTMENT COORDINATION COMMITTEE

MEMORANDUM

FOR : Heads of Departments/Agencies of the National Government

FROM : Secretary Cesar V. Purisima
Department of Finance and
Chair, ICC – Cabinet Committee

Secretary Arsenio M. Balisacan
National Economic and Development Authority
Co-Chair, ICC – Cabinet Committee

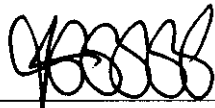
**SUBJECT : PROPOSED REVISIONS ON ICC
REVIEW/EVALUATION PROCEDURES AND
PARAMETERS (EVALUATING PROPOSALS SEPARATE
FROM SOURCE OF FINANCING)**

DATE : 18 February 2013

1. The Investment Coordination Committee - Cabinet Committee (ICC-CC), during its 02 August 2012 meeting, discussed and adopted the recommendation of the ICC-CC Chair, Finance Secretary Cesar V. Purisima, that the appraisal of project proposals of agencies shall be based on its technical merits and parameters, separate from the source of financing (i.e., without consideration to the possible lender/development partner).
2. In this regard, the following shall be effective immediately:
 - a. Proponent agencies are advised to justify projects on their technical and economic merits, and project's financial viability without bias to a particular financing source;
 - b. ICC Secretariat to apply financial evaluation for revenue-generating proposals, based on prevailing applicable government borrowing terms and conditions to be provided by the Department of Finance (DOF); and

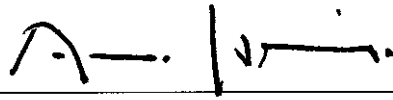
- c. Following the ICC/National Economic and Development Authority (NEDA) Board approval of National Government projects, the same shall be referred by NEDA to the DOF for appropriate financing.
3. Attached herewith are the general guidelines that shall govern the financing of ICC/NEDA Board approved National Government projects.
4. The DBM shall allocate funds for the conduct of feasibility studies/pre-investment studies for projects that eventually would require ICC approval. DBM shall release funds to applying agencies upon NEDA's endorsement of the agency proposals. DBM will also institute an indicative medium-term budget strategy to cover agency projects, as provided for under existing laws, rules, and regulations (e.g., General Appropriations Act, etc.). Allocation of budget for pre-investment studies will be based on the feasibility study/pre-investment study requirements indicated under the current Public Investment Program.

For information and guidance.



SEC. CESAR V. PURISIMA
Department of Finance

007178



SEC. ARSENIO M. BALISACAN
National Economic and Development
Authority

IMPLEMENTATION GUIDELINES FOR THE REVISED FRAMEWORK IN FINANCING NATIONAL GOVERNMENT PROJECTS¹

I. GENERAL POLICY GUIDELINES

The following general guidelines shall govern the financing of the Investment Coordination Committee (ICC)/National Economic and Development Authority (NEDA) Board approved National Government (NG) projects.

A. RATIONALE

The implementation of this guideline shall be guided by the following key rationale and objectives:

1. Optimize the use of Official Development Assistance (ODA) financing.
 - a. Harmonize domestic and external financing decisions with the Philippine Development Plan (PDP), Public Investment Program (PIP) and Development Budget Coordination Committee (DBCC) targets.
 - Maximize use of ODA financing for projects requiring considerable foreign content, expertise and/or technology.
 - Avoid supplier driven projects.
 - b. Synchronize both NG and Development partner approval, budgeting and financing processes/cycles.
2. Take advantage of NG's broader access to (i) foreign capital markets due to increased investor confidence and recent rating upgrades and (ii) cheaper domestic financing due to expanding domestic liquidity coupled with low interest rate regime.

B. POTENTIAL BENEFITS

The implementation of these guidelines aims to attain the following benefits:

1. Institutionalizes coordinated project planning, approval, budgeting and financing and enables timely implementation of projects through:
 - a. Financing decisions harmonized with PDP/PIP and DBCC targets
 - b. Coordination among line agencies, oversight agencies and development partners strengthened
 - c. Internal and development partner procedures streamlined and synchronized
 - d. Economic losses due to delayed implementation of projects reduced
 - e. Agencies focused on developing quality projects
 - f. Supplier driven projects avoided
2. Ensures guaranteed financing for projects:
 - a. Financing for projects made available when needed
 - b. Flexibility of NG in financing projects exercised
3. Generates cost savings:
 - a. Most appropriate financing/expertise/technology obtained
 - b. Additional costs/conditionalities related to ODA financing minimized



¹ As of 28 May 2013

C. COVERAGE

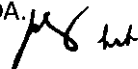
These Guidelines shall be implemented as follows:

1. Interim Phase. Includes ICC/NEDA Board approved projects for initial implementation by 2014.
2. Full Phase. Includes ICC/NEDA Board approved projects for implementation by 2015 and beyond.

D. CORRESPONDING ACTIONS BY GOVERNMENT AGENCIES

For the implementation of these Guidelines, the following general actions shall be undertaken by the following agencies:

1. **Department of Finance.** Shall conduct the following:
 - a. Approve financing source of all ICC/NEDA Board-approved projects of National Government Agencies (NGAs), which shall cover projects for approval of the ICC/NEDA Board and/or projects to be implemented beginning 2015.
 - b. Provide ICC/NEDA Secretariat with the prevailing applicable government borrowing terms and conditions, to be used for the validation of the financial viability of revenue-generating projects that will undergo ICC/NEDA Board review.
 - c. Continue to observe and perform its mandate to manage the financial resources of the Government as stipulated in E.O. 292, Administrative Code of 1987.
2. **National Economic and Development Authority.** Shall conduct the following:
 - a. Appraise project proposals of NGAs based on technical merits and parameters, separate from the source of financing.
 - b. Monitor and evaluate NG financed projects (whether ODA or non-ODA) which have undergone the ICC process, as well as projects not covered in the scope of the ICC process, but are identified in bilateral agreements.
 - c. Continue to observe and perform its mandate on ODA as stipulated in E.O. 230: Reorganizing the National Economic and Development Authority and R.A. 8182: ODA Act of 1996, as amended and its Implementing Rules and Regulations.
3. **Department of Budget and Management.** Shall conduct the following:
 - a. Modify budget documents/requirements to align with this financing framework.
 - b. Allocate funds for the conduct of feasibility study/pre-investment studies for projects eventually would require ICC approval based on agency proposal as endorsed by NEDA, subject to DBM review and approval process. During budget execution, the DBM shall release funds for feasibility study/pre-investment studies upon submission of agency request.
 - c. Institute an indicative medium-term budget strategy to determine sustainability of programs/projects over the medium-term.
4. **Government Proponent Agencies.**
 - a. Submit to NEDA and coordinate the prioritization of their respective strategic core investment projects and programs, with indicative implementation schedule and financial structure, budgetary implications, and investment targets.
 - b. Keep subsidiary ledgers per project for reference on the distinction/breakdown of the loan proceeds and GOP counterpart of the total project cost (in relation to item D.3.a), if project is funded by ODA.



II. SPECIFIC AND PROCEDURAL GUIDELINES

The financing of a national government project, i.e., either for pre-investment or project implementation may be facilitated in a single process.

In addition, the process of identifying project financing may take place simultaneously or prior to the ODA Programming and/or ICC/NEDA Board approval processes.

Furthermore, the arrangements/agreements defined in bilateral agreements/discussions shall be observed by NG in the financing of a rolling pipeline of projects, where a development partner has comparative advantage or clearly provides added value.

A. Specific Guidelines on Financing National Government Projects

1. **Identification of Priority Projects for Financing.** NEDA together with Proponent Agencies (PAs) shall identify the priority projects of NGAs that would require financing in the short term. The list of priority programs and projects of NGAs will be culled from the current PIP. Further supplementary documents would include Masterplans/Sectoral Road Maps covering NGA projects over the planning period.

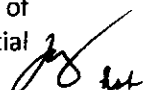
NEDA shall submit to DOF the list of priority programs and projects for financing.

2. **Technical Working Group Review and Validation of Financing Requirements.** A technical working group (TWG) composed of DOF (as Chair), NEDA, and DBM shall be established to identify appropriate financing for priority programs and projects based on the aforementioned list submitted by NEDA. The DOF - International Finance Group (DOF-IFG) shall act as the Secretariat of the TWG.

- a. PAs shall submit a financing request to DOF with requisite documents for their projects. PAs must include information on the required content/expertise/technology of each project, with further justifications if the same requirement is foreign.
- b. The TWG, in consultation with the PA, shall determine the appropriate source of financing based on the following parameters, among others, and where applicable:
 - Consistency of the project with PDP/PIP
 - Consistency/impact of the financing on DBCC targets
 - Required foreign content/expertise/technology
 - Project gestation/implementation period
 - Need for concessional financing
 - Budget sustainability
 - Financial viability
 - Source of financing of the project's F/S
 - Priorities and track record of potential development partners (i.e., sectoral priority, approval process)

The DOF shall issue formal advice to the PAs, copy furnished the TWG members, of the decision on the financing of projects (i.e., ODA or non-ODA).

3. **Exploratory Discussion with Development Partners.** Should ODA be the appropriate source of financing, exploratory discussions by DOF, NEDA, DBM and the PA with the potential



development partner having the required foreign expertise/technology, shall be conducted to present the project for possible financing consideration. Other considerations shall include the development partner's capacity to meet target implementation schedules, and the terms and conditions in financing the project, among others.

4. Should the development partner agree to finance the project, said project shall be included in the rolling list of pipeline projects for possible financing by the ODA partner.
5. **Processing of the Financing for Priority Projects.** Following the ICC/NEDA Board approval of a project, the following shall be observed in the processing of the financing for a project:
 - a. **Non-ODA Financing.** The PA, with endorsement from DOF, shall submit the project proposal to DBM for consideration in the budget
 - b. **ODA Financing.**
 - i. DOF shall submit/endorse the approved project to the identified development partner (or through diplomatic channels where appropriate) for approval. Parallel to the development partner approval process, DOF shall secure/obtain all necessary approvals to facilitate the conclusion of the loan agreement (i.e., Forward Obligational Authority, Monetary Board Approval-in-Principle, Special Presidential Authority and clearance from the Interagency Committee for the Review of Foreign Loan Documents, if applicable).
 - ii. Once the development partner approval is obtained, DOF shall then proceed to sign the loan agreement.
 - iii. DOF shall also secure all necessary approvals to facilitate the effectiveness of the loan agreement (i.e., Monetary Board Final Approval and DOJ Legal Opinion, if required)
6. If the identified development partner is constrained to meet the target schedule for the project implementation, and/or encounter delays in securing approval for the project, DOF in consultation with NEDA, DBM and the PA, shall (i) initially finance the project through other government sources while waiting for the completion of the processes of the development partner and/or (ii) shift completely the financing of the project to another source (i.e., to government own source of fund, or with other development partners').
7. The process from the determination of appropriate financing for a project², to project approval, up to loan processing (i.e., Steps 2 to 5.iii) shall, as much as possible, be undertaken within a period of eighteen (18) months to (i) align with the budget cycle of NG and (ii) ensure that the project can be implemented on time. Otherwise, if the project is not approved within 18 months, it should be re-submitted to the ICC Secretariat for revalidation of viability and priority.

B. Specific Guidelines on Financing Feasibility Studies for National Government Projects

1. **Submission of Projects with Feasibility Study Requirement.** PAs shall indicate in their submission to NEDA of their respective PIP their F/S financing requirements for projects. 

² Applies only to projects with feasibility studies.

NEDA shall submit to DOF the list of project with their F/S financing requirements.

2. PAs shall submit a financing request to DOF with requisite documents for their projects with F/S financing requirements. For projects that will require foreign content/expertise/technology, and entail the need to procure foreign consultants, PAs should include a justification of the said foreign need.
3. **Technical Working Group Review and Validation of Feasibility Studies Funding Requirements.** The TWG shall determine the source of funding/financing for the conduct of F/S based on (i) need for concessional financing (ODA vs. non-ODA), (ii) appropriateness of the proposed content/expertise/technology and its source, and (iii) potential development partner profile (sectoral priority, approval process).

DOF shall issue formal advice to the PAs, copy furnished the TWG members, of the decision on the financing of the F/S for the projects.

4. **Exploratory Discussion with Development Partners.** Should ODA be the appropriate source of financing, exploratory discussions by DOF, NEDA, DBM and the PA with the potential development partner having the required foreign expertise/technology, shall be conducted to present the F/S for possible financing consideration.
5. **Processing of the Financing for F/S.** The following shall be observed in the processing of the financing of F/S for projects:
 - a. **Non-ODA Financing.** Agency, with the endorsement from NEDA, shall submit the F/S to DBM for funding by the NG.
 - b. **ODA Financing.** Except for existing bilateral agreements where endorsing government authorities have already been identified, DOF shall officially submit the project document to the identified development partner, upon the NEDA Secretariat's review and endorsement, for approval of F/S funding. Once approved, DOF/NEDA/PA and the development partner shall execute finalization of the funding agreement for the F/S. The funding agreement may include provisions stating that the development partner's funding of the F/S for the project shall not tie the project's implementation to the financing of the development partner signatory to the agreement.

