



## INVESTMENT COORDINATION COMMITTEE

### MEMORANDUM

For : **Heads of Departments/Agencies of the National Government, Government-Owned and Controlled Corporations, Government Financial Institutions, Local Government Units and All Others Concerned**

From : Secretary Carlos G. Dominguez  
Department of Finance  
Chair, ICC - Cabinet Committee

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


Subject: **REVISIONS ON ICC GUIDELINES AND PROCEDURES  
(UPDATED SOCIAL DISCOUNT RATE FOR THE PHILIPPINES)**

Date: 30 September 2016

1. The NEDA Board, during its 14 September 2016 meeting, confirmed the Investment Coordination Committee's (ICC) approval of the updating of the Social Discount Rate (SDR) **from the current rate of 15% to a lower rate of 10%.**
2. SDR reflects the hurdle rate which the economic internal rate of return (EIRR) of a proposed project must equal or exceed for it to become an economically viable investment. Since the late 1980s, the ICC has maintained a rate of 15% for project evaluation; however, several empirical studies conducted thereafter have recommended a lower rate, i.e., Asian Development Bank (1997) at 11.5% and Jenkins and Kuo (1998) and NEDA Manual (1999) at 10%. More recently, a study conducted by Prof. Ruperto Alonzo in 2014 yielded an SDR range estimate from 7.4% to 10%. Further, the updated SDR is consistent with the 10 to 12% rates currently being used by multilaterals banks and reflects the current circumstances in light of the positive developments in the economy over the past few years.
3. All project proposals submitted for ICC review shall henceforth adopt the updated SDR.

For information and guidance.

  
SEC. CARLOS G. DOMINGUEZ  
Department of Finance *ef*

  
SEC. ERNESTO M. PERNIA *ep*  
National Economic and Development  
Authority

