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REVISED POLICY AND GUIDELINES ON FOREIGN BORROWINGS PURSUANT TO REPUBLIC ACT NO. 6142, AS AMENDED

BSP CIRCULAR NO. 1232, March 07, 1990

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Pursuant to Republic Act No. 6142, as amended, and as approved by the Monetary Board in its Resolution No. 176 dated February 16, 1990, the policy guidelines and implementing rules of the Central Bank governing foreign borrowings are hereby revised as follows:

I
Prescribed Prior Central Bank Approval
All foreign loans of the government including government-owned and -controlled corporations as well as private firms shall require prior approval of the Central Bank, thru the Management of External Debt Department (MEDD).

II
Projects Eligible for Foreign Financing
1. In line with the national socio-economic development plan, projects considered priority for foreign financing shall include the following:

- Export-oriented projects;

- Projects listed in the Annual Investment Priorities Plan (IPP);

- Projects listed in the Medium-Term Public Investment Program (MTPIP); and

- Other projects specifically authorized by Congress for financing through foreign loans.

2. Prior approval of the Investment Coordination Committee (ICC) shall be required for loans which shall finance the following:

- Major national projects, i.e., those costing at least P300 million and resulting in new capital formation in the economy irrespective of source of financing.

- Public sector projects requiring foreign borrowings, with a total cost of at least $10 million. (Public Sector projects requiring foreign borrowings, with a total cost of less than $10 million, shall require the National Economic and Development Authority (NEDA) Board approval).

- Projects of the private sector that are supportive of agricultural development, small and medium-scale industries, development of rural infrastructure, as well as large-scale industries seeking concessional Official Development Assistance (ODA) financing under on-lending arrangements and/or National Government financing guarantees.

3. Foreign loans shall, in general, be used to finance foreign exchange costs of eligible projects.

III
Acceptable Terms of Loans

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1. Maturity/Interest Rate

Foreign loans shall have maturities and interest rates reflective of prevailing conditions in the international capital markets. Appropriate grace periods shall be imposed considering, among others, the project's gestation period and the foreign loan's impact on the statutory debt service ratio. Total approvals shall, however, be in accordance with limits for each maturity category to be set by the Monetary Board.

2. Commitment Fee

Maximum commitment fee of 1/2% based on the undrawn balance of the loan.

3. Front-end and Other Fees

A maximum of 1% for all front-end and fees and other similar financing charges such as management/syndication/participation/utilization fees.

IV
Policy on Prepayment
1. Prepayment of foreign loans shall be allowed only in the following cases:

- Where prepayment shall be funded from:

- Proceeds of another foreign credit with terms and other conditions more favorable than the loan to be prepaid; and

- Proceeds of foreign equity investments.

- Where prepayment is in line with the government's debt reduction schemes.

V
Procedures
1. All prospective borrowers of the private and public sectors with total foreign loan requirements of US$3 million and over during any year, shall be required to submit their respective borrowing programs for that year indicating the following:

- Amount of loan;

- Indicative terms of the loan, i.e., maturity, grace period and interest/spread;

- Project/purpose of the loan specifying the amount to be used for import requirements, for restructuring, for prepayment of existing foreign loans and/or for refinancing of maturing obligations, etc.;

- Schedule of drawdowns on the proposed loans, on a monthly basis for the year the financing shall be secured and semestrally thereafter;

- Prospective creditors;

- Target date of submission to the Central Bank of the individual loan application involved; and

- Schedule time of loan negotiations.

2. All borrowing plans shall be filed together with the complete feasibility studies of all projects included therein.

3. Foreign borrowing programs should be submitted for evaluation to the Central Bank, thru MEDD, not later than September 30 of the year prior to the target date of the loan negotiations.

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4. All applications for foreign borrowings shall be accomplished using the form prescribed for the purpose. (Annex A [*] for public sector borrowers and Annex B [*] for private sector borrowers).

This Circular supersedes Circular No. 848 dated February 1, 1982, as amended by Circular No. 947 dated Sept. 2, 1983.

Adopted: 07 Mar. 1990

(SGD.) GABRIEL C. SINGSON
Senior Deputy Governor

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[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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