NATIONAL ADMINISTRATIVE REGISTER · DECEMBER 29, 1995

GUIDELINES ON THE RELEASE AND UTILIZATION OF THE COUNTRYWIDE INDUSTRIALIZATION FUND APPROPRIATED IN THE GENERAL APPROPRIATIONS ACT

DBM DEPARTMENT OF BUDGET AND MANAGEMENT AND DEPARTMENT OF TRADE AND INDUSTRY JOINT CIRCULAR NO. 2-95, December 29, 1995

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1.0

Purpose

This Circular is issued to institute uniform guidelines/procedures on the release and utilization of funds appropriated under the Countrywide Industrialization Fund on the General Appropriations Act, pursuant to RA 7368.

2.0

Rationale

Republic Act No. 7368, also known as the Countrywide Industrialization Act (CIA) provides for the establishment of the Countrywide Industrialization Fund (CIF) to be the source of financial assistance to eligible projects, to be appropriated from the national budget and supplemented from bilateral and multilateral sources. The fund will be lent to qualified proponents, for projects that will accelerate countrywide industrialization through the establishment of manufacturing, processing, and related industries in every town and city not exceeding P30M and P40M, respectively. The fund is authorized to be appropriated for a period of five (5) years.

3.0

Definition of Terms

3.1 Countrywide Industrialization Fund (CIF) — Appropriations provided in the General Appropriations Act which shall be the source of financial assistance for countrywide industrialization projects.

3.2 Qualified Enterprise — These are enterprises involved in manufacturing, processing and related industries located in any municipality or city endorsed/approved by the Local Countrywide Industrialization Board (LCIB) of the respective municipality or city in accordance with the criteria and guidelines under Section 7 and 9 of the CIA and Countrywide Industrialization Office-Management Board Implementing Rules and Regulations.

3.3 Qualified Proponents — They are applicants/borrowers with enterprise satisfying the seven (7) eligibility requirements described under Section 3.2 of this Circular.

3.4 Conduit Bank — For purposes of implementation of the CIA, this shall be either the Land Bank of the Philippines, Development Bank of the Philippines or Philippine National Bank which shall be responsible, among others, for the release of the financial assistance to the qualified proponents as authorized by the Countrywide Industrialization Office (CIO).

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3.5 Value of Real Physical Assets — The assessed value of existing tangible assets of the project and those to be acquired/constructed out of the proposed financial assistance. These physical assets are land, building and improvements, and machineries and equipment.

4.0

General Guidelines

4.1 The CIF shall be used for any projects/enterprises engaged in the manufacturing , processing and related industries which add value to domestic resources, and farm products, create employment and livelihood opportunities, enhance the well being of the rural areas, hasten the formation and the integration of intra-provincial and regional trade and industry linkaged thus sustaining national economic growth.

4.2 Financial assistance shall be awarded to qualified enterprise in a total amount not exceeding eighty five percent (85%) of the value of the real physical assets of the project in the following maximum proportion to real physical assets of the project:

a. ten percent (10%) — grants (maximum) for pre-operating expenses, technical assistance, feasibility studies, post-production marketing assistance, training and institution-building.

b. twenty-percent (20%) — investment in equity by the CIF in the enterprise. This shall be subject to a stock purchase agreement within a ten-year period at book value, in which the project owners will be the priority buyers, the release of which shall be in accordance with the implementing rules and guidelines to be issued by DTI-CIO.

c. fifty five percent (55%) — soft or concessional loans.

The project sponsor must invest as equity at least fifteen percent (15%) of the real assets of the project.

4.3 Interest rate on soft or concessional loans shall not be more than eleven percent (11%) per annum or seven percent (7%) above the CIFs or the National Government’s actual borrowing rate from bilateral or multilateral lenders, whichever is lower.

4.4 Fund release to the DTI-CIO shall be based on the list of projects duly approved by LCIBs/DTI-CIO.

4.5 The funding assistance shall be released directly by the conduit bank to the qualified proponent after receiving written instruction from DTI-CIO.

4.6 The service fees shall be established at a uniform rate by DTI-CIO for all conduit banks and shall observe the following:

4.6.1 The proponent shall pay the application and processing fees to the conduit bank for the conduct of credit investigation, collateral appraisal and other related expenses.

4.6.2 Service fees and bank charges in relation to the release of loan to individual proponents shall be charged against the borrower.

4.6.3 Management fees in handling/managing the CIF, the rate of which shall be incorporated/stated in the MOA between DTI-CIO and the conduit bank, shall be charged against the regular budget of DTI. On a quarterly basis, the conduit bank shall furnish DTI-CO the bank debit memo for the service fees as basis for the replenishment of fund.

4.7 Loan repayments, including amortization of principal and interest due thereon shall be collected and remitted by the conduit bank to the National Treasury as income of the General Fund and shall not be available for

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relending.

4.8 Grant agreement and/or Loan contract shall be entered into by and between the beneficiary and the DTI-CIO for each approved project.

5.0

Procedural Guidelines

5.1 The LCIBs shall evaluate and approve or disapprove all project proposals for financial assistance from the CIF. If approved, the LCIB shall endorse same to the Management Board (MB) through the DTI-CIO for final approval and funding.

5.2 Based on the MB approved projects, DTI-CIO shall submit a Special Budget to the Department of Budget and Management in the format shown in Annex “A” [*]and pursuant to Section 35, Chapter V, Book VI, of Executive Order No. 292, the Administration Code of 1987.

5.3 DBM shall review the Special Budget request and issue the appropriate Special Allotment Release Order (SARO) to the DTI-CIO in accordance with existing budgeting laws, rules and regulations. Together with the initial issuance of the SARO for the year, Notice of Cash Allocation (NCA) equivalent to fifty percent (50%) of the SARO shall be released.

5.4 Succeeding requests for SARO releases shall be supported by new list of approved projects using Annex “A”. Replenishment of NCAs however shall be supported by Quarterly Report of Actual Availment using the format in Annex “B” [*] in addition to the Summary List of Checks Issued (SLCI) required under National Budget Circular No. 437 dated 437 dated January 02, 1995.

5.5 SARO releases shall be taken up in the books of DTI-Central Office (CO) under the General Fund 101, as follows:

5.5.1 For Loans — funds shall be obligated based on approved projects and liquidated by the DTI-CIO through the issuance of MDS checks for deposit in the conduit bank to the account or DTI-CIO.

5.5.2 For Grants — funds shall be obligated in accordance with the grant agreement between DTI-CIO and proponent, and liquidated through the issuance of MDS checks to the proponent.

5.5.3 The equity portion shall be released upon issuance of implementing rules and guidelines by the DTI-CIO. Corollary entries for loans and equity investment shall be taken up as long term investment by DTI-CO.

5.6 The DTI-CIO shall authorize the conduit bank to disburse from the CIF the amount of approved financial assistance to qualified proponent in accordance with the Memorandum of Agreement (MOA) entered into by and between the DTI and the conduit bank.

5.7 The conduit bank shall release the loan assistance to qualified proponents based on approved projects duly supported by pertinent documents.

5.8 The conduit bank shall collect loan amortization and interest due thereon which shall be treated as income of the General Fund. Collection received shall be deposited immediately to the National Treasury under the General Fund for the account of the DTI-CIO. Copies of the Official receipts and validated remittance advices shall be forwarded to DTI-CIO which shall be used as basis in recording same in the books of accounts of DTI-CIO.

5.9 The conduit bank shall be responsible, if warranted, for the sale of foreclosed assets as may be agreed upon in the memorandum of agreement. Proceeds from the sale of foreclosed assets shall be treated as income of the

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General Fund and shall be deposited in the Bureau of the Treasury following the procedure under 5.8 of this Circular. Accordingly, DTI-CIO shall take up/adjust its books of account to correspondingly reduce the investment account.

6.0

Accounting Entries

The Commission on Audit shall issue the accounting guidelines and procedures to implement the provisions of this Circular.

7.0

Penal Clause

Disbursement made against the CIF, which are not in accordance with Republic Act 7368 and the procedures herein prescribed shall be the personal liability of the officers/employees found to be directly responsible therefor.

8.0

Repealing Clause

Provisions of circulars, memoranda, and other issuances inconsistent with the provisions of the Circular as they relate to the CIF are hereby repealed and/or modified accordingly.

9.0

Effectivity

This Circular shall take effect immediately.

Adopted: 29 Dec. 1995

(SGD.) RIZALINO S. NAVARRO
Secretary, Department of Trade and Industry

(SGD.) SALVADOR M. ENRIQUEZ, JR.
Secretary, Department of Budget and Management

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[*] Not included here.

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