

REGARDING THE FUNDING OF GOVERNMENT ACTIVITIES FROM FOREIGN OR DOMESTIC BORROWING SOURCES.

LETTER OF INSTRUCTIONS NO. 880, June 21, 1979

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TO:

The Minister of Finance
The Minister of the Budget
The Minister of Public Highways
The Minister of Public Works, Transportation and

Communications

The Governor of the Central Bank of the Philippines
The National Treasurer
The Chief of Staff, Armed Forces of the Philippines
All Heads of Ministries, Bureaus, Offices and Agencies

of the National Government

All Assistant Secretaries for Finance and Management

WHEREAS, Heads of Office sometimes initiates foreign or domestic borrowings in order to finance projects, activities, or importations;

WHEREAS, the Constitution and budget law state that no funds may be spent unless, these are covered by the necessary appropriations;

WHEREAS, it is necessary to ensure that agency borrowings are within approved budgetary levels and comply with Balance of Payments policy and regulations;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby Order and Instruct:

- Loans shall not be contracted by agencies of the National government, including state universities and colleges, unless the full amount of the loan is covered by "Obligational Authority" issued by the Ministry of the Budget within the regular budget program. Similarly, loan proceeds, whether in cash or in kind, shall be utilized only upon the issuance of a Cash Disbursement Ceiling or bivalent, which shall be within approved cash budget limits.

- Contracts for construction and other capital projects and for the purchase of equipment, material or other items shall into be entered into without the appropriate certification of funds availability, notwithstanding the fact that such contracts include arrangements for deferred financing.
- The full amount of contracts shall be covered by appropriations programmed and released to the agency in the form of obligational authority as defined under pertinent budget law.
- Cash Disbursement Ceilings or their equivalent shall be issued prior to the utilization of loan proceeds, whether in cash or in kind, and shall be issued in such amounts and at such times as may be consistent with drawdowns on the loans concerned.
- The payment of interest and principal on the loans shall be covered by appropriations in line with standard practice.
- This procedure shall apply to U.S. Foreign Military Sales (FMS) purchases of the Armed Forces of the Philippines, to Philippine Government importations funded from the Central Bank "Jumbo Loan" or other similar consolidated borrowing funds, to loans contracted by the national government in behalf of specific agencies or projects, and to national government agencies which are otherwise authorized by law to borrow directly.
- The instructions set forth in LOI 158 dated January 21, 1974 requiring, among others, the approval in principle by the Monetary Board of the Central Bank of the Philippines of the purpose and credit terms of all foreign borrowing proposals of the Government, government agencies and financial institutions, are hereby reiterated, and shall therefore, remain full in force and effect.

Done in the City of Manila, this 21st day of June, in the year of Our Lord, nineteen hundred and seventy-nine.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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