

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 236

PRESCRIBING PROCEDURES FOR THE PLANNING OF DEVELOPMENT FINANCES,
THE ISSUANCE OF GOVERNMENT SECURITIES, AND THE DISBURSEMENT
OF PROCEEDS.

WHEREAS, it is necessary to establish responsibilities and define procedures for the coordinated planning of development finances, to prescribe measures and standards relative to the formulation of the public borrowing policy of the government, and to revise and clarify the procedures followed in the issuance of public securities and the expenditure of the proceeds thereof, and

WHEREAS, it is imperative that the following objectives be achieved:

- (1) to provide for more coordinated over-all programming and more effective consideration of the specific undertakings authorized by Republic Act No. 1000 and other statutes;
- (2) to assure that national development is financed within an environment of monetary stability;
- (3) to avoid the creation of inflationary pressures by careful planning of limitations on bond issues and expenditures in the light of pertinent economic and monetary indicators;
- (4) to expedite the process of development programming and implementation by shortening the time required for necessary clearances and approvals and by simplifying the fiscal operations incident to the issuance of bonds and the disbursement of the proceeds thereof;
- (5) to reduce interest costs on idle bond fund balances by pooling all bond resources under Republic Act No. 1000 and by maintaining the common fund at minimum levels sufficient only to cover current cash withdrawals; and
- (6) to improve the allotment and financial control procedures applying to bond funds by establishing both time and monetary limits on obligational authority

and related disbursements in order to provide an adequate basis for advance planning and the incurrence of contractual obligations while restricting cash availabilities to immediate and realistic liquidation needs;

NOW, THEREFORE, I, RAMON MAGSAYSAY, President of the Philippines, by virtue of the powers vested in me by law, and upon recommendation of the Secretary of Finance, the Commissioner of the Budget, the Governor of the Central Bank, the Chairman of the National Economic Council and the Auditor General, do hereby order and prescribe the following procedures for the planning of development finances, the issuance of government securities, and the disbursement of proceeds:

SECTION 1. Applicability.- The provisions of this order shall apply specifically to bonds issued pursuant to Republic Act No. 1000 and all other securities, other than short-term notes, which are guaranteed by the full faith and credit of the Philippine Government.

The provisions of this order shall likewise apply, to the fullest extent practicable, to all proceeds already acquired under authority of Republic Act No. 1000 for specific projects.

SECTION 2. Role of the Council of State.- The Council of State shall be consulted on all programs proposed to be financed by public borrowings pursuant to Republic Act No. 1000 or under the authority of the respective charters of the corporations and other entities concerned. Action by the Council shall be prerequisite to the inclusion of any program or proposal in the annual plan prepared or revised by the Budget Commission.

SEC. 3. Role of the Budget Commission.- The Budget Commission is responsible for formulating integrated plans of development finances involving the use of RA 1000 and similar funds for the government sector consistent with the overall national development program and policies of the Government. The Commission shall prepare and, if necessary, revise the annual program to be financed under Republic Act No. 1000 and other bond authorizations and shall provide for the coordinated review of all governmental activities proposed for bond financing.

The Commission shall, in addition, perform the following related functions:

(a) Serve as a general clearing house for the receipt and handling of all requests for the financing of programs or projects under Republic Act No. 1000 or other bond authorizations.

(b) Conduct budgetary, administrative, and fiscal reviews of all proposals for financing programs or pro-

jects from the proceeds of government securities.

(c) Assure the observance of the non-self-liquidating and debt service limitations stipulated by Republic Act No. 1000.

(d) Release allotments covering obligational authority and fix disbursement limits for bond funds in accordance with applicable law and regulations.

(e) Maintain complete and accurate records concerning the financial status of the public borrowing program.

(f) Prepare for the President the annual report required to be presented to the Congress under the terms of Republic Act No. 1000.

The Commission is authorized to prescribe the form and time of submitting requests for development financing by all entities, including government owned and/or controlled corporations, covering current financial status, economic justifications for proposed projects, proposed schedules for the payment of amortization and interest charges, estimates of new obligational authority required, and estimates of cash disbursements from the Treasury.

SEC. 4. Role of the Monetary Board and Central Bank.-
The Monetary Board shall, annually and at such other times as may be necessary, establish maximum limits governing aggregate disbursements from the proceeds of government securities which may be permitted in the ensuing fiscal year or other planning period. Such limits shall be fixed on the basis of the ability of the economy to absorb the proposed net additions to the money supply and shall be consistent with the maintenance of monetary stability. These permissible and feasible limits shall operate as a guide to program planning agencies and the Budget Commission in the formulation of fiscal plans.

The Monetary Board shall consider the annual program of development financing, as prepared and revised by the Budget Commission, in terms of its monetary feasibility. The Board shall formally advise the President as to the plan's potential effect on the money supply, price levels, international reserve and general monetary stability.

The Central Bank shall effect the sale of government securities at the request of the Secretary of Finance and shall act as the fiscal agent of the government in paying all interest charges on the public debt when due and in administering required sinking funds.

SEC. 5. Role of the National Economic Council.- The National Economic Council shall formulate national development plans and determine program priorities for the general guidance of all government entities.

In connection with the preparation and revision of the annual development finance program, the Council shall be consulted and shall advise the Budget Commission concerning the relationship of such financial plans to the basic objectives of national development, economic feasibility of the financing measures proposed, relative program urgency, and coordination with the private sector of the economy.

SEC. 6. Role of the Department of Finance. - The Secretary of Finance will transmit the formal request of the administration to the Central Bank for the sale of government securities upon notification by the Bureau of the Treasury as to the need for replenishing the common bond fund.

The Secretary of Finance is responsible, in consultation with the Monetary Board, for determining the form, terms, and other conditions of all proposed bond flotation measures, including the preparation of amortization and interest schedules, as required by statute.

The Secretary of Finance will determine amortization and interest schedules governing the repayment by government corporations and other entities of indebtedness to the Government incurred under Republic Act No. 1000.

The Department of Finance shall, with references to self-liquidating programs or projects in provinces, cities and municipalities certify as to whether the paying capacity of such entity is sufficient to meet amortization and interest payments.

SEC. 7. Role of the Bureau of the Treasury.- The Bureau of the Treasury shall establish a common fund for all proceeds emanating from the sale of Republic Act No. 1000 bonds. Such fund shall be entitled the "Public Works and Economic Development Bond Fund" (PWED) and shall be available for any and all projects the financing of which has been authorized by the President through the issuance and sale of Republic Act No. 1000 bonds.

With respect to its custody of the PWED Bond Fund and its cash management and forecasting functions in relation thereto, the Bureau of the Treasury shall:

- (a) Obtain periodically from the Budget Commission projected disbursement schedules, such information to be used for Treasury planning purposes and as a guide to the further sale of bonds.

(b) Pay warrants drawn by authorized agencies to liquidate obligations incurred, to advance cash to disbursing officers, to provide working funds, or for other lawful purposes.

(c) Periodically advise the Central Bank, through the Secretary of Finance, as to the status of the Fund and request the sale of such additional bonds as are necessary to meet scheduled withdrawals by the development agencies.

(d) Maintain an accurate record of all transactions affecting the PWED Bond Fund including approved schedules of debt amortization and interest and repayments of advances due the government.

(e) Prepare monthly statements of PWED Bond Fund accounts current for each entity drawing warrants against such account.

The Bureau of the Treasury shall be responsible for collecting repayments of all Treasury advances for debt amortization and interest charges from all corporations and other entities. It shall take effective steps to discharge this responsibility particularly with respect to those entities in arrears on such payments.

SEC. 8. Creation of a Fiscal Policy Council and a Technical Committee on Development Financing. - There is hereby created a Fiscal Policy Council consisting of the Secretary of Finance, the Governor of the Central Bank, the Chairman of the National Economic Council and the Budget Commissioner. The Fiscal Policy Council shall meet with the President at his call and shall serve in an advisory capacity to him for the purpose of achieving balanced and integrated fiscal, monetary and economic policies in the interest of sound and sustained national development.

To supplement and support the deliberations of the Fiscal Policy Council there is hereby created a Technical Committee on Development Financing consisting of the senior professional representatives of the members of said Council. The Presiding Officer of the Technical Committee shall be the representative of the Budget Commissioner. Said Commissioner may invite such additional representatives from other appropriate entities of government as he may designate. The Technical Committee on Development Financing will perform the following functions:

(a) Study the economic impact of proposed public borrowing magnitudes and make recommendations as to maximum limits.

(b) Recommend allocations of bond funds in the light of national development objectives and priorities.

(c) Conduct the integrated planning of peso expenditures in relation to reparations proceeds, foreign exchange resources and international loans.

(d) Keep the fiscal-economic situation under close technical scrutiny and advise the Fiscal Policy Council as to monetary or economic trends which require adjustments in fiscal policy.

(e) Perform such other special studies requiring coordinated consideration by the entities concerned as the Budget Commissioner may from time to time assign.

SEC. 9. Formulation of Annual Development Finance Program.- Concurrently and in connection with the preparation of the regular annual budget, the Budget Commission shall obtain from all entities concerned their projected programs and financial requirements, pursuant to Republic Act No. 1000 and other bond authorizations, supported by such detailed justification as the Commission may require. The proposals of all subordinate entities will be reviewed, coordinated, and approved by the departments or other supervisory agencies before submission to the Budget Commission.

All programs or proposals which entail financing by the sale of government securities and which have not already been considered by the National Economic Council and the Council of State shall, prior to their inclusion in any annual program, be submitted by the Budget Commission to the said bodies for such consultation as required by law.

In order to provide a sound economic base for the formulation of the annual fiscal plan of the government, the National Economic Council will, upon request, advise the Budget Commission as to projected estimates of gross national product and national income, the desirable and advisable magnitude of the government's development program in the ensuing year, the specific priorities which should guide over-all program formulation, the relationship of the public investment program to the private sector, and a forecast of the general economic climate in which the prospective budget expenditures will take place. Such broad policy guides will be used by the Commission to facilitate examination of specific budget estimates as well as the formulation of the development finance program.

During the process of formulating the development finance plan, the Budget Commission will also arrange for appropriate consultation with the National Economic Council on the composition of the substantive program to be financed with dev-

elopment funds and will be advised by the Council as to program balance, feasibility, and consistency with national development goals.

SEC. 10. Establishment of Public Borrowing Limits.-

During the period of fiscal plan formulation, the Budget Commissioner will arrange with the Technical Committee on Development Financing for study and recommendation concerning the maximum and desirable limits to be placed on disbursements from public borrowings in the budget year.

The factors of price levels, pressures on the international reserve, effect on the money supply, and other pertinent economic and monetary considerations will be taken into account by the Technical Committee in determining the estimated capacity of the economy to absorb the proposed money flow injections without impairing monetary stability. All such estimates shall be based on anticipated disbursements from the proceeds of bonds sales rather than on the basis of obligations or new floatations of government securities.

The technical recommendations emanating from the above deliberations and calculations concerning public borrowing magnitudes shall be imparted to the Monetary Board by the Budget Commissioner for its consideration and advice to the President. While in no way operating as a binding commitment by the Monetary Board, the projected and provisional net public borrowing capacity which the Board shall establish at this time shall be considered as being sufficiently firm to serve as an adequate basis for program planning purposes.

SEC. 11. Completion and Approval of Annual Plan.-

Guided by the advice and counsel obtained as above set forth, and in conformity with the policies of the President, the Budget Commission shall review and coordinate the several financial requests from the entities concerned, shaping them into an integrated annual program consistent with the long range national development plan and within the provisional borrowing limits fixed by the Monetary Board.

In the process of planning development finance for the public sector, the Budget Commission shall take into account all the resources available to the government including those resulting from reparations, as well as the needs for foreign exchange to finance specific development projects, and shall merge all such factors into a coordinated scheme of development financing.

The Budget Commissioner shall, not later than December 15 of each year, present the proposed development finance plan for consideration in all its aspects to the Fiscal Policy Council meeting with the President.

Following such consideration and approval by the President, the program shall then be incorporated in the President's annual budget as an integral part of the Fiscal Plan of the government to be submitted to the Congress.

SEC. 12. Revision of the Annual Program of Development Finance. - Subsequent to completion of congressional action on the annual budget, but prior to the beginning of the new fiscal year, the Budget Commission shall review and revise the annual plan of development financing and place it in form ready for implementation. The revision shall be effected in close collaboration at the staff level with the Central Bank, Department of Finance, and the National Economic Council through the Technical Committee on Development Financing.

Such revision shall take into account changes in economic and monetary trends apparent since initial preparation, the effect of legislation enacted subsequently, emerging or changed development needs, and financial consideration including the amount of unobliterated and unliquidated balances of prior authorizations. The revised plan shall be segregated as to self-liquidating and non-self-liquidating programs in order to assure compliance with statutory limitations applying thereto.

The Budget Commission shall arrange for formal consideration of the revised program by the National Economic Council in compliance with legal provisions requiring consultation with such entity, before final action by the President.

Concurrently, the limit of disbursements from the proceeds of bond sales proposed by the administration for the ensuing budget year shall be reexamined by the Monetary Board and a firm decision made in the light of the current economic and monetary situation. The Monetary Board shall advise the President of the maximum tolerable amount which in its judgment the economy can bear in the budget year and such amount will, unless later revised, serve as the controlling limit for all subsequent public borrowing operations.

The Monetary Board will express by resolution its intent to undertake the sale of the requisite bonds to finance the government's development program as funds are required in the current or succeeding years, up to the limit of the fixed net public borrowing capacity. Periodically thereafter, at such times as it deems necessary or as requested by the President, the Monetary Board will review the effect of actual and projected disbursements from bond proceeds on monetary stability and advise the President if price trends or the status of the International reserve require or permit any revision in the public borrowing policy.

The Budget Commission will arrange for review of proposed self-liquidating programs or projects in provinces, cities and municipalities by the Department of Finance for certification as to whether the paying capacity and estimates of income are sufficient to meet scheduled amortization and interest payments.

SEC. 13. Final Approval of the Revised Program. The program allocations and schedule of development financing finally evolved by the Budget Commission from the above process together with such other supporting detail as may be pertinent will be submitted to the Fiscal Policy Council, not later than June 15 of each year, for its final review and recommendation to the President.

The formalization of the annual program by the President will be considered as completing the participation by all planning, review, and consultative agencies except insofar as subsequent revisions, amendments or additions to the current program may require further reference and review. Requests for approval of individual projects or sub-projects within approved programs shall no longer be coursed through the consultative agencies.

SEC. 14. Allotment of Bond Funds. - The Budget Commission shall notify all entities concerned of the pertinent program approvals prior to the beginning of the new fiscal year, indicating limits on cash withdrawals from the PWED Bond Fund and the extent of new obligational authority planned to be released for the entire year. Such limits will be revised, when necessary, and formalized for financial control purposes each quarter or at other appropriate period in connection with the operation of the regular allotment system.

Allotments will be released by the Budget Commission by granting obligational authority in amounts sufficient to cover total commitments to be entered into by the entity concerned during the allotment period.

The Budget Commission will obtain periodic statements, not less often than quarterly, from all entities concerned, forecasting their disbursement requirements for such future periods as the Commission may require.

The Budget Commission is authorized to make such changes in allotment and related fiscal control procedures and to require the submission of such information concerning actual and projected obligations and disbursements as may be necessary for the effective implementation of this order.

The Commission shall furnish the Central Bank a quarterly summary of actual disbursements of bond funds based on such information.

SEC. 15. Treasury Operations.- Prior to the beginning of the fiscal year the Bureau of the Treasury will be advised by the Budget Commission of estimated disbursements from the PWED Bond Fund by quarters, or such other periods as may be mutually agreeable for the entire year. Subsequently during the course of the fiscal year the Budget Commission will advise the Treasury of its revised estimates of scheduled disbursements from the PWED Bond Fund for succeeding months.

The Bureau of the Treasury shall, on the basis of the annual disbursement schedule received from the Budget Commission, formulate an annual plan for new bond floatations, taking into account available cash balances in the Treasury. This plan shall be imparted through the Secretary of Finance to the Central Bank for its information and planning purposes.

Not less often than monthly, the Bureau of the Treasury, on the basis of information received from the Budget Commission and from its own accounts, will determine future bond sale requirements in order to assure the accomplishment of necessary cash withdrawals while maintaining a minimum cash balance in the PWED Bond Fund.

As warranted by the status of available balances in the PWED Bond Fund and the prospective rate of withdrawals, the Bureau of the Treasury will advise the Secretary of Finance of its need for additional funds and the desired schedule of bond sales. The Secretary of Finance will, upon review and approval, request the Central Bank to float the additional blocks of Republic Act No. 1000 securities.

Prior to the release of PWED Bond funds to government corporations or other entities for self-liquidating projects or other purposes requiring repayment to the government, the Bureau of the Treasury shall obtain from such entities evidence of the transaction in the form of a proper certificate of indebtedness. Such certificate shall state the terms of the loan or advance, the amount of interest and amortization payments and the dates due, all as specified or approved by the Secretary of Finance.

All amortization and interest payments due from corporations and other entities under the terms of Republic Act No. 1000 and related Acts shall be calculated as follows:

(a) for bond issues under the respective charters or enabling Acts of corporations or entities, as from the date of issuance thereof;

(b) for bond issues under Republic Act No. 1000, as from the date on which the quarterly allotment of cash disbursements is released by the Budget Commission.

SEC. 16. Sale of Bonds.-- The Central Bank will effect the sale of bonds at the request of the Secretary of Finance, consistent with the bond disbursement limits earlier approved by the Monetary Board, and will credit the demand deposit account of the Bureau of the Treasury with the proceeds. The Central Bank will advise the Secretary of Finance, the Budget Commissioner, and the Auditor General of such action.

Bonds which the Central Bank sells pursuant to Republic Act No. 1000 shall no longer indicate the specific entity or projects to which the proceeds are to be devoted but shall be considered in the nature of general bonds for development purposes. Each bond certificate will specify that not to exceed 20% of the proceeds of all PWED issues will be applied to non-self-liquidating projects without further identification as to purpose and the proceeds will then be merged in the common fund.

SEC. 17. Certification of Funds.-- The Budget Commission shall transmit to the Auditor General a copy of the revised annual program as approved by the President specifying both estimated disbursements and obligational authority to be released during the year. Subsequently, the Budget Commission shall transmit to the Auditor General copies of approved allotments and disbursement limitations.

The Monetary Board shall transmit to the Auditor General a copy of its formal resolution stating its intent to sell sufficient bonds to finance the approved program in the budget or succeeding years.

SEC. 18. This Order shall take effect immediately.

Done in the City of Manila, this 13th day of February, in the year of Our Lord, nineteen hundred and fifty-seven, and of the Independence of the Philippines, the eleventh.

(SGD.) RAMON MAGSAYSAY
President of the Philippines

By the President:

(SGD.) FORTUNATO DE LEON
Executive Secretary
Gg 2/15/57