



Republic of the Philippines
NATIONAL ELECTRIFICATION ADMINISTRATION
Quezon City

July 30, 2004

NEA MEMORANDUM No. 2004-011

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : EQUITY FINANCING SCHEME FOR THE ELECTRIC COOPERATIVES (EFSEC)

Please be informed that the NEA Board of Administrators, in its Resolution No. 79 dated June 25, 2004, approved the policy on Equity Financing Scheme for Electric Cooperatives (EFSEC) and its Implementing Guidelines (copies attached).

The highlights of the policy are as follows:

- a. The loan shall be used by the ECs to finance the actual equity requirement or up to 20% of the total purchase price of the distribution equipment or the total cost of the project to be implemented through financing, but not to exceed P8M.
- b. The individual loan of the concerned EC shall be submitted to the Administrator for approval, subject to the Board's confirmation. The repayment period of the loan is three to five years, with an interest rate of 12% per annum and a grace period of 6 months.
- c. The EC should meet certain criteria such as: must have a debt-service ratio of 1.2, and must show capability to pay the proposed loan on top of other existing obligations.
- d. Due to NEA's limited resources, priority shall be given to ECs with overloaded and loaded substations.

To avail of the Equity Financing loan, the interested EC shall be required to submit to the Accounts Management and Guarantee Department (AMGD) the following:

- a. Board Resolution requesting for loan
- b. Project Profile (Project Cost, Technical study, benefit/impact)
- c. 5 Year Projected Income Statement and Cash Flow including Schedules and Assumptions to projection
- d. Term Loan Summary/ Offer Sheet from the bank or other Financing Agreement
- e. Bidding results, evaluation and recommendation.

For your information and guidance.


EDITA S. BUENO
Administrator

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