



June 2, 2016

MEMORANDUM No. 2016-006

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Policy on Conversion of Calamity Loan into Calamity Grant/Subsidy

1. NEA is releasing calamity loans to the affected ECs in accordance with NEA Loan Policy No. 6E, as amended, which provides the guidelines in granting loan advances as emergency/calamity loans, and concessional/emergency calamity loans to ECs. As a matter of course, NEA is endorsing the requests of ECs for calamity grants to DOE/NDRRMC.
2. Considering the magnitude of calamity grant provided by the National Government (NG) to the ECs, the NEA Board of Administrators approved on 14 April 2016 the Policy authorizing the Administrator to approve the conversion of calamity loans into calamity grant/subsidy (copy attached), subject to confirmation/ratification by the NEA Board of Administrators.
3. Under the Policy, NEA shall convert calamity loans released to ECs into subsidy/grant upon receipt by NEA of calamity subsidy fund.
4. The amount of calamity loan converted to subsidy/grant is still considered as advances as provided for under the Memorandum of Agreement (MOA) and shall be subject to liquidation within 3 to 5 months from project completion and acceptance following COA rules and regulations.

For your information and guidance.

Edita S. Bueno

EDITA S. BUENO
 Administrator

AMGD-AMD 16-06-740

NATIONAL ELECTRIFICATION ADMINISTRATION
 Office of the Administrator



NFA-DA229024 *hl*

6/7/16

POLICY ON CONVERSION OF CALAMITY LOAN INTO CALAMITY GRANT/SUBSIDY

I. Objective:

To establish a policy for the conversion of ECs calamity loans into subsidy/grant.

II. Policy Background:

1. NEA is releasing calamity loans to the ECs funded by internally generated funds (IGF) for the rehabilitation of damaged distribution lines and immediate restoration of power in the coverage areas caused by typhoons, earthquakes, and other natural calamities in accordance with NEA Loan Policy No. 6E, as amended, which provides the guidelines in granting loan advances as emergency/calamity loans, and concessional/emergency calamity loans to ECs.
2. On 03 January 2014, the calamity subsidy fund of Php3.929B was received by NEA for the rehabilitation and reconstruction of the damaged distribution facilities of 33 ECs due to Typhoon "Yolanda".
3. On 06 January and 24 February 2014, NEA requested DBM for an additional calamity subsidy assistance and authority to realign the amount of P301.77M subsidy funds for sitio electrification projects to calamity grant for ECs affected by other typhoons/calamities. DBM in its letter dated 26 February 2014 interposed no objection to said request. However, it emphasized that this is not a realignment but rather a change in priority projects funded from the said release. Also, there was a verbal instruction from DBM Sec. Abad to accommodate as well, other calamity affected ECs chargeable to SEP funds.
4. Consequently, the following calamity loans were converted to calamity grant:

A. ECs calamity loan converted during payment of amortization of loan

Particular	Calamity Loan (P'000)	2% EAO (P'000)	Total Payments As of Conversion (P'000)		
			Principa l	Interes t	Total
Total Amount for 14 ECs (Annex A)	124,174 *	2,435	21,045	15,402	36,447

*Excluding capitalized interest of Php 8.579M

B. ECs calamity loan converted during grace period

Particular	Calamity Loan (P'000)	Capitalized Interest Up To Conversion (P'000)	2% EAO (P'000)
Total Amount for 30 ECs (Annex B)	766,711	23,483	15,302

5. On 12 November 2015, the Office of the President in its memorandum to Secretary Voltaire T. Gazmin approved the release of calamity assistance in the total amount of Php803.980M to NEA for the immediate rehabilitation/replacement of the distribution systems/lines and facilities of 14 ECs damaged by typhoon "Glenda" in July 2014. To date, NEA is still not in receipt of the funds.

III. POLICY STATEMENT

As a matter of course, NEA is endorsing the requests of ECs for calamity grants to DOE/NDRRMC. Considering the magnitude of calamity grant provided by the National Government (NG) to the ECs this policy shall govern the conversion of ECs' calamity loan to grant.

Upon receipt by NEA of calamity subsidy fund, NEA shall convert calamity loans released to ECs into subsidy/grant, as follows:

1. The amount to be converted into subsidy shall be the principal amount of calamity loan released but not to exceed the amount appropriated by the NG for the EC subject to final inspection/evaluation of NEA Engineering Dept.
2. No conversion shall be made on the capitalized interest during the grace period and other finance charges (interest/surcharges) incurred up to the date of receipt of calamity fund. Hence, these charges shall be settled accordingly.
3. In case of partial conversion, the remaining calamity loan shall be amortized over the remaining life with revised amortization schedule.
4. The subsidy/grant is subject to the prevailing engineering and administrative overhead (EAO) cost (presently at 2%).
5. After conversion of loan, NEA shall refund to the EC all excess principal payments after deducting EAO and other finance charges through the following order of application:
 - a) Loan arrearages
 - b) As advance payment of other existing loan
6. If the EC has no more outstanding loan, NEA shall refund to the EC the excess principal payments upon EC request through submission of board resolution.

7. The amount of calamity loan converted to subsidy/grant is still considered as advances as provided for under the Memorandum Of Agreement (MOA) and shall be subject to liquidation within 3 to 5 months from project completion and acceptance following COA rules and regulations.
8. In the event of any adjustment in the amount of conversion as a result of COA audit, the EC shall be bound to pay the corresponding differential.
9. Conversion of calamity loan to subsidy/grant shall be subject to approval by the Administrator and confirmation/ratification by the NEA Board of Administrators.

IV. RESPONSIBILITY OF THE EC

To prepare/submit the original copy of the following:

1. Board resolution requesting for conversion of calamity loan into subsidy/grant
2. Board resolution confirming the amount for conversion
3. Damage report, photos and bill of materials
4. Work program on the restoration/rehabilitation activity
5. Accounting of funds and its supporting documents
6. Certificate of Completion

V. EFFECTIVITY

This Policy shall be effective upon approval by the NEA Board of Administrators.

**Approved by the NEA Board of Administrators on April 14, 2016
per Board Resolution No. 40, series of 2016**