

## **LOAN POLICY NO. 6-A**

### **GUIDELINES IN GRANTING LOAN ADVANCES AS EMERGENCY LOANS TO ELECTRIC COOPERATIVES (ECs)**

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#### **OBJECTIVE**

To prescribe criteria in granting loan advances as emergency loans to Electric Cooperatives.

#### **POLICY BACKGROUND:**

One of the specific loan classifications in NEA Loan Policy No. 6 is emergency loan that provides for the repair of facilities of ECs that have become victims of natural calamities such as typhoons, floods and earthquakes. Emergency loan of substantial magnitude, however, is treated only as “bridging loan” to cover for the immediate needs of the ECs until the appropriate RE loan that shall assume the emergency loan, has been approved.

In times of emergency, and when the occasion requires that the Administrator take decisive action, the latter is authorized by the Board of Administrators to approved emergency loans and immediate disbursement of the funding necessary to at least partially restore the ECs operations. Such loan approvals and disbursement are, however, subsequently submitted to the Board of Administrators for confirmation.

The NEA Board of Administrators per Board Resolution No. 16 dated January 22, 1986, as amended, had also authorized the Administrator to approve loan advances to ECs in an amount not to exceed twenty percent (20%) of the total existing loans, depending on the needs of the cooperatives, subject to the confirmation of the Board of Administrators.

On May 7, 2001, the NEA Board of Administrators passed Board Resolution No. 14-2001 withdrawing the authority of the Administrator to approve loan advances to ECs to cover for the needs in their usual operations; however, the same Resolution retained the authority of the Administrator to approve application for loan advances of the **ECs in emergency situations**, subject to their confirmation.

#### **I. GUIDING PRINCIPLE**

Pursuant to NEA Board Resolution O. 14-2001, the NEA Administrator shall continue to approve EC loan advances, subject to confirmation by the Board of Administrators. These advances, however, shall be applied only on emergency situations as defined in the scope of application.

#### **II. SCOPE OF APPLICATION**

This policy shall apply to all ECs that meet the qualifications in accordance with Performance Standards in Section VI, has no available loan balance, or low loan balance and any of the following conditions has occurred:

1. Major disruption of electric service as a result of substantial damage in the distribution facilities caused by calamities such as fire, earthquake, floods and typhoon.
2. Technical malfunctioning due to busted substations and other major facilities.

### III. LOAN CLASSIFICATION AND PAYMENT TERMS AND CONDITIONS

In view of the agency's thrust finding ways to improve its financial capacity, upgrade lending facility to meet its current maturing obligations and preparing for a competitive environment, the following terms of payment on emergency situation shall apply, depending on the source of funding and the type of loan availed by the EC;

Loan Classification	Subsidy from NG			Equity of NG			Equity of NG		
	INT. RATE	REPAYMENT	GRACE PD.	INT. RATE	REPAYMENT	GRACE PD.	INT. RATE	REPAYMENT	GRACE PD.
<b>1. CALAMITY LOAN</b> – granted due to major disruption of electric service as a result of natural calamities.	3% p.a.	5 yrs.	6 mos.	7% p.a.	5 yrs.	1 year	12% p.a.	5 yrs.	1 year
<b>2. REGULAR LOAN</b> – granted for technical malfunctioning due to busted substations and other major facilities.	12% p.a.	10 yrs..	None	12% p.a.	10 yrs.	1 year	12% p.a.	10 yrs.	1 year

#### IV. LIMITATIONS

1. Loans for rehabilitation of calamity-stricken distribution facilities shall be limited to 50% of the evaluated cost inclusive of equipment and material releases which shall be exclusively used for the purpose but not to exceed Php 5 M.
2. Reimbursement of rehabilitation cost is not allowed.

#### V. DOCUMENTATION REQUIREMENTS

All loan advances, whether in the form of materials or cash, shall be approved by the Administrator before any releases is made. Likewise, processing will only be made after the following requirements have been submitted:

<b>Documents</b>	<b>Calamity Loan</b>	<b>Regular Loan</b>
1. Inspection report from the EC Engineering Department citing the extent and cost of damage brought about by the calamity or technical problem	X	X
2. Technical evaluation by the NEA Regional Technical Manager	X	X
3. Bill of Materials	X	X
4. EC Board Resolution	X	X
5. Promissory Notes securing loan advances	X	X
6. Certification and endorsement by the NEA Regional Electrification Director	X	X
7. Duly accomplished Budget Request with supporting documents signed by the authorized EC officials	X	X

#### VI. GUIDELINES ON LOAN RELEASES

1. In case where there are several ECs who want to avail of the emergency loan, priority shall be given to ECs that meet the following standards:

<b>PERFORMANCE AREA</b>	<b>PERFORMANCE STANDARD</b>
Payment to Power Supplier	Current
System Loss	14% and below
Track Record of Loan Amortization Payment	100%
Collection Efficiency	98 – 100%
Debt Service Ratio	1.2 and above

2. :Loan advances in the form of cash shall be granted only when there are no available materials in any of the staging areas/NEA.
3. ECs that failed to meet above standards are required to submit an attainable five-year financial and technical projections and performance improvement program which shall form an integral part of the EC Loan Contract Agreement that will be executed by the parties. This will ensure the timely repayment of said advances on top of the current loan amortizations from NEA and other creditors.

## **VII. EFFECTIVITY**

This shall take effect upon approval