

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 252

TRANSFERRING THE ASSETS, FUNCTIONS, FUNDS, PERSONNEL AND RECORDS OF THE MUNICIPAL DEVELOPMENT FUND OFFICE TO AN AFFILIATE CORPORATION OF THE LAND BANK OF THE PHILIPPINES AND FOR OTHER PURPOSES

WHEREAS, it is the long-term goal of the National Government to develop a viable and sustainable financing system that will enable local government units to have greater access to financing their investment needs at competitive terms;

WHEREAS, an autonomous corporate entity imbued with capital structure participated in by local governments, the private sector and other stakeholders will serve the vast financing requirements of local government units;

WHEREAS, the Municipal Development Fund, a revolving fund created under Presidential Decree No. 1914 and capitalized and funded from proceeds of foreign loans, assistance or grants made available to local governments for specific purposes, project components and activities set forth in international agreement with foreign governments and international organizations was reorganized under Executive Order No. 41 as an Office under the Department of Finance (DOF) and renamed the Municipal Development Fund Office (MDFO), to finance lower income local governments and social and environmental projects that find great difficulty in getting financing from government and private banks;

WHEREAS, the 1991 Local Government Code represented a major step forward in a system of decentralization that created a need for local government units to have greater access to sources of funding for development projects;

WHEREAS, the increasing need for local government financing and a more effective management and implementation of the Municipal Development Fund can be met more effectively by a corporate entity serving as one of the principal sources of financing local government projects and programs; and

WHEREAS, this corporate entity can be efficiently affiliated to a government financial institution and in the process relieve the National Government from the burden of providing budgetary support and other financial commitments.



NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order and direct:

SECTION 1. The DOF, through the Policy Governing Board of the MDFO, to transfer functions, property and such personnel as may be found qualified, as well as the assets and undrawn portion of all loans from bilateral and multilateral foreign financial institutions that are for relending to local government units to the Municipal Finance Corporation (MFC), an affiliate to be organized by the Land Bank of the Philippines (LBP), as soon as MFC is fully organized and its Board of Directors have elected and have qualified.

SEC. 2. Loans to the National Government that were passed on as grants, either in the form of cash or technical assistance to local government units and to implementing agencies as of the transfer date, contemplated in Section 1, shall continue to be paid by the National Government.

SEC. 3. The Articles of Incorporation and By-Laws of the MFC shall provide, among others, that:

- (a) The Board of Directors shall consist of such members as will be stated therein; Provided, the Secretary of Finance is the Chairman, the Secretary of the Department of the Interior and Local Government as Vice-Chairman, the Director-General of the National Economic and Development Authority, the Secretary of the Department of Budget and Management, and the President of the Land Bank of the Philippines and the President of MFC, or their respective duly designated representatives as ex-officio members; and a representative from a local government unit to be appointed by the President of the Philippines;
- (b) The MFC shall issue shares of stock to the Republic of the Philippines corresponding to the net value of the assets and undrawn amount of relending facilities of all loans from bilateral and multilateral foreign financial institutions transferred to it from the Municipal Development Fund Office. The voting power of all shares of stocks subscribed or owned by the Republic of the Philippines shall be vested in the President of the Philippines, or in such ex-officio member of the Board of Directors;
- (c) The MFC, in its transactions with local government units, may provide grants to local government units only in combination with loans but not on a purely grant basis, unless otherwise approved by the Investment Coordination Committee (ICC).



SEC. 4. If any organizational change herein authorized is of such substance or materiality as to prejudice third parties with rights recognized by law and contract, that notice to, or comment of, creditors required to be made or obtained pursuant to any agreement entered into with any of such creditors, such notice or comment requirement shall be complied with prior to the implementation of such organizational change. For this purpose, the Secretary of Finance or such other official as may be conferred by the President of the Philippines with full powers, shall renegotiate the pertinent provisions of such loan and/or grant agreements with foreign lenders/providers, as may be required.

SEC. 5. Any portion or provisions of this Executive Order that may be declared unconstitutional shall not have the effect of nullifying other portions or provisions thereof as long as such remaining portions or provisions can still subsist and be given effect in their entirety.

SEC. 6. All rules and regulations, resolutions, or other issuances or parts thereof which are inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly.

SEC. 7. This Executive Order shall take effect fifteen (15) days after publication in a newspaper of general circulation.

DONE in the City of Manila, this 1st day of December, in the year of Our Lord, Two Thousand and Three.

Gloria Arroyo

By the President:

Alberto G. Romulo

ALBERTO G. ROMULO
Executive Secretary



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Date



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