

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 4)

REORGANIZING THE ADMINISTRATIVE STRUCTURE OF THE MUNICIPAL  
DEVELOPMENT FUND, CONSOLIDATING ITS FUNCTIONS IN THE  
DEPARTMENT OF FINANCE AND FOR OTHER PURPOSES

WHEREAS, the Constitution declares it a policy of the State to ensure the autonomy of local governments;

WHEREAS, the 1991 Local Government Code provides for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units have been conferred more power, authority responsibilities, and resources;

WHEREAS, this system of decentralization has created a need for local government units to have greater access to sources of funding for development projects;

WHEREAS, the present administrative structure of the Municipal Development Fund could be improved to attain these ends;

NOW THEREFORE, I, JOSEPH EJERCITO ESTRADA, President of the Philippines, by virtue of the powers vested in me by law, do hereby order and direct:

SECTION 1. The Municipal Development Fund. As provided for in Presidential Decree No. 1914, the Municipal Development Fund, hereafter referred to as MDF, is:

- (a) a Revolving Fund which shall be made available to local governments (provinces, cities and municipalities) as loans which shall be treated as trust funds and amortized by local governments out of their general fund sources; and
- (b) capitalized and funded by proceeds of foreign loans, assistance or grants made available to local governments for specific purposes, project components and activities set forth in international agreements, including amortizations (principal and interests) paid by local governments.

SEC. 2. Reorganization. The MDF is hereby reorganized, functionally and structurally, in accordance with the Organization Chart incorporated herein as an Annex hereof, and pursuant to the provisions of this Executive Order.



A

The reorganized MDF will be an office under the Department of Finance and is hereby renamed Municipal Development Fund Office, hereafter referred to as MDFO. It will integrate the existing technical functions handled by the Central Projects Offices of the Department of Public Works and Highways and other implementing government agencies and the financial functions of the Municipal Development Fund under the Bureau of Local Government Finance-Department of Finance under one office. The expanded functions will entail additional personnel complement, resources and funding.

SEC. 3. Mandate. The MDFO shall continue to perform the following functions:

- (a) as a source of credit finance in support of the decentralization of services from the national to the local levels of government;
- (b) promote the acceptability of borrowing as a means of financing a wide range of local government investments;
- (c) promote and assist local governments in the selection of well-justified and high-quality investments in infrastructure projects and public facilities;
- (d) encourage a cost-recovery approach to the provision of suitable public services through the levy of appropriate levels of fees and users' charges.

In addition, the MDF shall:

- (e) perform loan and credit operations within the context of a financially-viable and stable credit institution;
- (f) provide credit finance and/or grants to LGUs for the development of sustainable socio-economic development projects.
- (g) provide technical assistance to LGUSs to enhance their capacity to conduct project identification and selection, loan proposal preparation, and project management and monitoring;
- (h) issue bond indebtedness and other forms of securities to help finance LGU projects; and
- (i) develop a system for monitoring LGU creditworthiness and graduating creditworthy LGUs to private sources of capital.



SEC. 4. The MDFO Policy Governing Board. The affairs and business of the MDFO shall be directed, its properties managed and preserved, and its power exercised by an MDFO Policy Governing Board to be composed of:

Secretary of Finance or his duly designated Undersecretary	Chairman
Deputy Director General, National Economic and Development Authority, or his representative	Member
Undersecretary of Public Works and Highways, or his representative	Member
Undersecretary of the Budget and Management, or his representative	Member
Undersecretary of the Interior and Local Governments, or his representative	Member

The representative of the Undersecretary members shall be of a rank not lower than Assistant Secretary level.

The MDFO Executive Director shall act as an *ex-officio* member of the MDFO Policy Governing Board.

SEC. 5. Powers, Duties and Authority. The Policy Governing Board shall have, among other powers, the following duties and authority:

- (a) to formulate policies necessary to effectively carry out the provisions of this Executive Order.
- (b) to adopt, amend or change, the rules and regulations as may be necessary for the effective operation of the MDFO in conformity with this Executive Order, existing laws, and international agreements.
- (c) to approve all MDFO loans, credits and grants and other credit accommodations and may delegate such approving authority within the MDFO;
- (d) to prescribe such terms and conditions to govern the granting of loans, credits and grants, and other credit accommodations consistent with the provisions of this Executive Order and international agreements;



- (f) to create and establish a "Provident Fund" which shall consist of contributions made by both the MDFO and its officers and employees to a common fund for the payment of benefits to such officers and employees;
- (g) to acquire and/or dispose supplies, property and equipment for the MDFO in accordance with existing rules and procedures on procurement and disposal of supplies, property and equipment; and
- (h) to perform such other functions and powers as the President of the Philippines or provisions of existing laws may require.

SEC. 6. The Board's Staff. The Board shall have a staff Secretariat, and an Executive Committee which shall meet upon the call of the Chairman or any two (2) of its members, whenever urgent matters requiring Board action have to be acted upon prior to the next scheduled meeting.

SEC. 7. The Executive Director. The Chief Operating Officer of the MDFO shall be the Executive Director who shall be appointed by the Policy Governing Board with the approval of the President of the Philippines.

The Executive Director shall be assisted by Consultants and Advisers hired for specific assignments.

The Board, by rules and regulations, shall determine the powers, functions and duties of the Secretariat and the composition of the Executive Director's staff.

SEC. 8. The Deputy Executive Directors. The Policy Governing Board shall appoint, upon the recommendation of the Executive Director, a Deputy Executive Director for Operations, and a Deputy Executive Director for Administration and Finance.

The Board, by rules and regulations, shall determine the powers, functions and duties of the Deputy Executive Directors and the Divisions, Sections, Offices and Units under their respective supervision.

SEC. 9. The Deputy Executive Director for Operations. The Deputy Executive Director for Operations shall have supervision over:

- (a) Account Management Division;
- (b) Technical Operations Division;
- (c) Evaluation and Appraisal Division;



A

(d) Financial Management Division.

SEC. 10. The Deputy Executive Director for Administrative and Finance. The Deputy Executive Director for Administration and Finance shall have supervision over:

- (a) Accounting Division;
- (b) Administration and Budget Division;
- (c) Corporate Planning and Management Information Services Division;
- (d) Financial Management Division.

SEC. 11. MDFO Field Offices. The field office for the MDFO will be established as the need arises and upon the recommendation of the Executive Director and approval of the Board.

Each Field Office shall be composed of:

- (a) Account Management Unit;
- (b) Technical Operations Unit;
- (c) Evaluation and Appraisal Unit;
- (d) Administrative and Finance Unit.

SEC. 12. Depository of the MDFO. The Land Bank of the Philippines, the Development Bank of the Philippines, the Bureau of the Treasury or any such other qualified financial institutions shall be the depository, disbursing and collecting agent of the MDFO, subject to the terms, conditions and guidelines, as may be prescribed by the Policy Governing Board and in accordance with the provisions of international and other implementing agency agreements.

SEC. 13. Transitory Provision. Until such time as the reorganization prescribed herein has been completed and regular positions in the MDFO re-incorporated in the General Appropriations Act, or in a Charter of the Municipal Development Fund:

- 1) The MDFO shall utilize the plantilla positions provided under the Second Municipal Development Project (MDP 11) Central Projects Office. The key positions in the MDFO, as determined by the Policy Governing Board shall be filled by consultants/contractuals funded by the Program Support Account (PSA) and by secondment or detail of personnel of other Government Departments, Bureaus, Offices and Agencies; Provided that all personnel with



money and/or property accountabilities, regardless of the nature of their appointments, shall be bonded as required by existing law.

- (2) Priority in the filling of positions shall be given to those functions which relate to sub-project evaluation and appraisal (which is currently under the Central Projects Offices); loan processing and releases (which is currently under the Bureau of Local Government Finance) and the provision of technical assistance.

SEC. 14. Notice or Consent Requirement. 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 consent of, creditors is required to be made or obtained pursuant to any agreement entered into with any of such creditors, such notice or consent requirement shall be complied with prior to the implementation of such organizational change.

SEC. 15. Funding of the MDFO. Funds needed to carry out the provisions of this Executive order shall be provided from funds made available to the Department of Finance and the Municipal Development Fund.

SEC. 16. Separately Clause. Any portion or provision of this Executive Order that may be declared unconstitutional shall not have the effect of nullifying other portions or provisions hereof as long as such remaining portions or provisions can still subsist and be given effect in their entirety.

SEC. 17. Repealing Clause. All rules and regulations, resolutions of the existing Policy Governing Board of the Municipal Development Fund, and other issuance or parts thereof, which are inconsistent with the provisions of this Executive Order, are hereby repealed or modified accordingly.

Done in the City of Manila, Philippines, this 20<sup>th</sup> day of NOV. , in the year of Our Lord, nineteen hundred ninety - eight.

By the President



RONALDO B. ZAMORA  
Executive Secretary

PMS LIBRARY

Received

NOV 27 1998

Date



PMS LIBRARY BCODE004186