

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 809

**IMPLEMENTING THE FINANCING POLICY FRAMEWORK FOR LOCAL
GOVERNMENT UNITS BY IDENTIFYING NEW SOURCES OF FUNDING
FOR FIRST TIER LOCAL GOVERNMENT UNITS UNDER REPUBLIC ACT
NO. 7160**

WHEREAS, in order to expand available credit financing sources for Local Government Units (LGUs) and free up limited financing sources to LGUs with the most need, the Department of Finance (DOF), pursuant to its mandate under the Philippine Development Forum (PDF), formulated in 2006, the LGU Financing Policy Framework of the Philippines (LGU Financing Framework) which declared as policy a segmented approach for the credit financing program of LGUs based on the varying levels of credit worthiness and credit need, thus qualifying the most creditworthy LGUs to avail not only of government but also non-government, commercial or other sources of capital;

WHEREAS, the LGU Financing Framework envisions lower income LGUs having greater access to Municipal Development Fund financing, with moderately credit worthy LGUs having greater access to Government Financial Institution financing, and with the most credit worthy LGUs (First Tier LGUs) having direct access to domestic or international commercial or other financing;

WHEREAS, Section 296 of Republic Act No. 7160, otherwise known as the Local Government Code, authorizes LGUs to create indebtedness and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with approved local development plans and public investment programs;

WHEREAS, Section 297 of the Local Government Code allows LGUs to source financing not only from government or domestic private banks but also from other lending institutions;

WHEREAS, Section 298 of the Local Government Code allows LGUs to acquire property, plant and equipment under a supplier's credit, deferred payment plan, or other financial schemes;



49175

WHEREAS, Section 299 of the Local Government Code allows LGUs to issue bonds, notes, and other evidences of indebtedness to finance self-liquidating, income producing development or livelihood projects;

WHEREAS, Section 300 of the Local Government Code allows LGUs to secure loans from other LGUs;

WHEREAS, Section 301 of the Local Government Code allows LGUs to source additional financing from loans secured by the National Government from foreign financial institutions or other international funding agencies pursuant to the power of the President to directly or indirectly relend such loans to LGUs;

WHEREAS, the loans and credits secured by LGUs under the aforesaid provisions of the Local Government Code are to accrue directly to the LGUs concerned;

WHEREAS, in light of the current global financial crisis, there is an urgent need to reallocate the resources of the National Government for its own priority projects and to thus, rationalize and revitalize the sources from which LGUs can fund their projects, pursuant to their powers under the Local Government Code and in accordance with the LGU Financing Framework.

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

SECTION 1. The Department of the Interior and Local Government (DILG) and the Department of Finance (DOF) are hereby directed to implement the LGU Financing Framework and shall, for this purpose, ensure that First Tier LGUs be allowed and assisted to directly contract loans not only with Government Financial Institutions (GFIs) and the Municipal Development Fund Office (MDFO) but also with multilateral financial institutions created by multilateral treaties or agreements to which the Philippines is a signatory (MFIs): Provided, that other agencies of the government, including the Department of Justice (DOJ), the Department of Education (DepEd), and the Department of Public Works and Highways (DPWH), are likewise directed to provide and extend full support to the DILG and DOF so as to allow the full and immediate implementation of the LGU Financing Framework; Provided further, that any such loan obtained by any such qualified First Tier LGU shall be on a stand-alone basis without any direct or indirect National Government guarantee; Provided further, that the DOF shall formulate the necessary Implementing Rules and Regulations to ensure prudent borrowing of these LGUs.



SECTION 2. All other rules, regulations, and issuances, or parts thereof, which are inconsistent with this Executive Order are hereby deemed repealed or modified accordingly.

SECTION 3. This Executive Order shall take effect immediately.

Done in the City of Manila, this 9th day of June, in the year of our Lord, Two Thousand and Nine.

Jose M. Arroyo

By the President:

Eduardo R. Ermita

EDUARDO R. ERMITA
Executive Secretary



PGMA Hologram # 49177