

**[ EXECUTIVE ORDER NO. 742, July 21, 2008 ]**

**AMENDING EXECUTIVE ORDER NO. 252 DATED DECEMBER 1, 2003, 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**, Presidential Decree (PD) No. 1914 dated March 29, 1984 created the Municipal Development Fund (MDF), a revolving fund capitalized and funded from proceeds of foreign loans, assistance or grants made available to local government units (LGUs) for specific purposes, project components and activities set forth in international agreement with foreign government and international organizations;

**WHEREAS**, MDF was reorganized under Executive Order (EO) No. 41 dated November 20, 1998 as an office under the Department of Finance (DOF), and renamed the Municipal Development Fund Office (MDFO);

**WHEREAS**, pursuant to its mandate, MDFO has been continuously providing relevant financing services to assist LGUs in their delivery of basic services and other development projects through the implementation of the Local Government Finance and Development (LOGOFIND) and Community-Based Resource Management (BRM) Projects, and it has been embarking on a number of credit and financing programs such as, Program Lending (PROLEND), Millennium Development Goal Fund (MDGF) and Philippine Water Revolving Fund (PWRF);

**WHEREAS**, on December 1, 2003, EO 252 was issued creating the Municipal Finance Corporation (MFC) as an affiliate of the Land Bank of the Philippines (LBP), and directing the Policy Governing Board of MDFO to transfer to MFC the functions, property and such personnel as may be found qualified, as well as the assets and un-drawn portions of all loans from bilateral and foreign financial institutions that are for re-lending to LGUs, of MDFO;

**WHEREAS**, by virtue of EO 252, MFC was established and registered with the Securities and Exchange Commission (SEC) with a paid-up capital stock of P1.0 Billion, of which P900.00 Million was contributed by the Republic of the Philippines using a portion of the MDF-Section Generation Fund (SGF) and P100.0 Million by the LBP;

**WHEREAS**, since its incorporation, MFC has failed to organize and operate as a corporate entity as the intended transfer of the P900 Million MDF-SGF to MFC would violate PD 1914 per Audit Observation Memorandum No. 2005-04 dated January 25, 2007, of the Commission on Audit (COA);

**WHEREAS**, COA recommended to transfer the P900 Million MDF-SGF back to MDFO, including interest income earned therefrom, in compliance with PD 1914, EO 41 and