

[EXECUTIVE ORDER NO. 41, November 20, 1998]

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.

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 LGUs 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: