

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 742

**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 (CBRM) 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 (PWRP);

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 P900.0 Million was contributed by the Republic of the Philippines using a portion of the MDF-Second Generation Fund (SGF) and P100.0 Million by the LBP;



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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 EO 252;

WHEREAS, in order to effect such transfer, there is a need to dissolve and liquidate MFC's assets following the procedures on corporate dissolution and liquidation under the Corporation Code of the Philippines.

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. Liquidation and Dissolution of MFC – Pursuant to COA's ruling and recommendation to transfer the P900 Million MDF-SGF back to MDFO, including interest income earned therefrom, the DOF, through the MDFO and the LBP, is hereby directed to cause the dissolution and liquidation of the assets of MFC in accordance with the procedures on corporate dissolution and liquidation under the Corporation Code of the Philippines. MDFO shall continue to perform its functions pursuant to the mandate of PD 1914 and EO No. 41 and of this Executive Order.

SECTION 2. Enhancement of the Functions of MDFO Policy Governing Board – In addition to its functions under PD 1914 and EO 41, the Policy Governing Board of MDFO shall have the power and authority:

- a. to restructure the organization of MDFO for its effective operation and administration; and
- b. to adopt pertinent policies for the collection of fees and charges needed to defray the operation and administrative expenses of MDFO, which shall not accrue or form part of the MDF-Second Generation Funds. The rates of such fees and charges shall be approved by the Policy Governing Board, and may be adjusted as the need arises.

SECTION 3. Separability Clause – Any portion or provisions of this Executive Order that may be declared unconstitutional or illegal shall not have the effect of nullifying other portions or provisions thereof as long as such remaining provisions can still subsist and be given effect in their entirety.



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SECTION 4. Repealing Clause – EO 252 and 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.

SECTION 5. Effectivity – This Executive Order shall take effect fifteen (15) days after its publication in a national newspaper of general circulation.

DONE in the City of Manila, this 21ST day of JULY, in the year of Our Lord, Two Thousand and Eight.

Gloria M. Arroyo

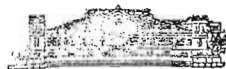


By the President:

Eduardo R. Ermita

EDUARDO R. ERMITA
Executive Secretary

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