



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 173

DIRECTING THE ABOLITION OF THE MUNICIPAL DEVELOPMENT FUND OFFICE, TRANSFERRING ITS ASSETS, LIABILITIES AND OBLIGATIONS TO THE DEPARTMENT OF FINANCE, AND FOR OTHER PURPOSES

WHEREAS, Presidential Decree (PD) No. 1914 (s. 1984) created a special revolving fund known as the Municipal Development Fund (MDF), which is capitalized and funded by proceeds of foreign loans, assistance or grants, to be made available to local government units (LGUs) as loans and treated as funds, and to be amortized by the LGUs out of their general fund sources;

WHEREAS, Executive Order (EO) No. 41 (s. 1998) re-organized the MDF into the Municipal Development Fund Office (MDFO) under the Department of Finance (DOF), which is tasked, among others, to provide technical assistance, credit finance and/or grants to LGUs for the development of sustainable socio-economic development projects;

WHEREAS, Section 4(ttt) of Republic Act (RA) No. 11494 or the "*Bayanihan to Recover as One Act*," directed that any unutilized or unreleased balance in the MDF, including investments and undrawn portions of all loans, shall be considered as to have their purpose abandoned; and all such unspent, unutilized, unreleased or undrawn money or fund shall be utilized and are automatically appropriated for LGU loans and borrowings from government financial institutions, including the provision of loan interest rate subsidy until 2022, and such measures to address the COVID-19 situation;

WHEREAS, the Implementing Guidelines of RA No. 11494 and Department of Finance Circular No. 006-2020 provides, among others, that unless otherwise instructed by the Secretary of Finance, the balances in the MDF, and all existing loan agreements between the MDFO and the LGUs shall be assigned to the Land Bank of the Philippines (LBP);

WHEREAS, Section 88 of the General Provisions of RA No. 11639 or the "General Appropriations Act for Fiscal Year 2022," provides that the Department of Budget and Management (DBM), in consultation with the agencies, shall determine the functions, programs, activities and projects that could be strengthened, scaled down, phased out or abolished, and recommend the corresponding structural, functional and operational adjustments to streamline the organization and operations of the agency and improve its performance and productivity, and make appropriate recommendations;

THE PRESIDENT OF THE PHILIPPINES

WHEREAS, there is a need to promote economy, efficiency and effectiveness in the delivery of public services across all executive departments and offices, including the rationalization of functions and activities carried out by the public sector; and

WHEREAS, Section 17, Article VII of the Constitution provides that the President shall have control of all the executive departments, bureaus and offices;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

Section 1. Abolition of the MDFO. The MDFO is hereby abolished. For this purpose, and within ninety (90) working days from effectivity of this Order, the Secretary of Finance shall fully implement the abolition, including the disposition or transfer of the MDFO's functions, personnel and assets, as necessary. The Secretary shall be assisted by a skeletal force, composed of the MDFO personnel, for the sole purpose of winding-up the MDFO operations and safekeeping of the resources of the MDFO.

Section 2. Transfer of Assets and Liabilities. All assets and liabilities of the MDFO shall be transferred to the DOF, including all funds still held in trust by the MDFO as fund administrator, in accordance with pertinent auditing laws, rules and regulations, except all other cash on hand and in bank accounts of the MDFO, which shall be directly remitted to the National Treasury.

Section 3. Transfer of Rights and Obligations as Fund Administrator. All rights and obligations of the MDFO as fund administrator of Official Development Assistance (ODA) projects, including specific undertakings executed in the MDFO's favor by beneficiary LGUs, shall be transferred to the DOF. For this purpose, the DOF is hereby authorized to perform all acts and execute all documents necessary to implement this provision.

Section 4. Absorption of Personnel, Separation and Retirement Benefits. The DOF shall, as needed, absorb the MDFO personnel, without diminution of their rank, salaries and other benefits. Positions of the MDFO personnel, who will be absorbed by the DOF, shall be treated as coterminous with the incumbent.

The MDFO personnel who are not absorbed shall be separated from service, and shall be allowed to receive the corresponding separation and retirement benefits under applicable laws and regulations.

The separation pay authorized herein shall be charged against the available funds of the MDFO, and such other funding sources that the Department of Budget and Management may identify, subject to existing budgeting, accounting and auditing laws, rules and regulations.

Section 5. Repeal. All other orders, rules and regulations, and issuances, or any part thereof inconsistent with the provisions of this Order are hereby repealed, amended or modified accordingly.


Section 6. Separability. If any part or provision of this Order directing the abolition of the MDFO is held unconstitutional or invalid, the other parts or provisions not affected thereby shall continue to be in full force and effect.

Section 7. Effectivity. This Order shall take effect immediately after its publication in the Official Gazette or in a newspaper of general circulation.

DONE, in the City of Manila, this 10th day of June, in the year of Our Lord, Two Thousand and Twenty-Two.

A handwritten signature in black ink is written over a circular official seal. The seal features a sunburst design in the center and text around the perimeter, though the text is not clearly legible.

By the President:


SALVADOR C. MEDIALDEA
Executive Secretary



Office of the President
MALACAÑANG RECORDS OFFICE
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ATTY. CONCEPCION E. FERROLINO-ENAD
DIRECTOR IV
Jun 6/14/22