



Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

LOCAL FINANCE CIRCULAR NO. 01.2014
April 22, 2014

TO: All Central and Regional Directors, Bureau of Local Government Finance (BLGF); All Provincial, City and Municipal Treasurers and others concerned.

SUBJECT: Guidelines for the Issuance and Validity of Certificates of Maximum Borrowing and Debt Service Capacity of Provinces, Cities and Municipalities Affected by the Typhoon Yolanda

WHEREAS, the LGUs severely affected by the Typhoon Yolanda are faced with the enormous challenge of restoring fiscal stability and financing their respective comprehensive rehabilitation programs;

WHEREAS, access to credit is one the financing options of LGUs to augment funds for rehabilitation and reconstruction works;

WHEREAS, the DOF issued Local Finance Circular (LFC) No. 1-2012, dated April 16, 2012, providing for the revised *Guidelines for the Issuance of a Certificate of Maximum Borrowing and Debt Servicing Capacities of Provinces, Cities and Municipalities, and Local Finance Circular No. 2-2012*, dated October 5, 2012 providing validity of said Certificate;

WHEREAS, there is an urgent need to reduce the documentary requirements and extend the validity of certification to provide easier access to credit financing;

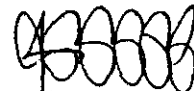
NOW, THEREFORE, the following guidelines are hereby issued strictly for affected LGUs declared by the National Disaster Risk Reduction and Management Council (NDRRMC):

1. **Documentary Requirements.** For evaluation by the BLGF, the following documents shall be required:
 - a. Letter-request from the Local Chief Executive (Governor/Mayor) indicating: (i) the selected lending institution; (ii) terms and conditions of the proposed loan (repayment period and interest rate); and, (iii) the specific purpose of the loan;
 - b. Certification on absence or existence of approved loans, with details as enumerated in the LFC No. 1-2012;
 - c. Authenticated copy of the Resolution/Ordinance authorizing the local chief executive to negotiate and contract a loan in behalf of the LGU; and
 - d. Certification from the lending institution that it shall not be requiring LGU deposits as compensating balance for the loan, if such lending institution is (i) not an authorized government depository bank, or (ii) an authorized government depository bank required to obtain the prior approval of the DOF per Department Order No. 27-05.

2. **Basis of computation of the Debt Service Ceiling/Net Borrowing Capacity.** For purposes of determining the Debt Service Ceiling/Net Debt Borrowing Capacity of LGUs covered by this Circular, the BLGF shall use the Actual/Realized Income from regular source during the preceding calendar year, as certified by the local accountant.
3. **Coverage.** The rules herein provided shall apply only to requesting LGUs severely affected by the typhoon Yolanda as declared by the National Disaster Risk Reduction and Management Council.
4. **Effectivity and Applicability.** Within fifteen (15) days from official publication, this LFC shall be effective up to one (1) year only, unless otherwise extended or revoked sooner.
5. **Validity of Certificates.** All Certificates of Maximum Borrowing and Debt Service Capacity issued by the BLGF to provinces, cities, and municipalities pursuant to this Circular shall be valid up to two (2) years from the date of issuance. For monitoring purposes, the local treasurer of LGUs covered by this Circular are instructed to report to the BLGF the details of the financing facility within ten (10) days from approval of such, pursuant to LFC No. 1-2012.

This LFC supersedes all other relevant issuances or parts thereof.

The BLGF Central and Regional Offices are instructed to immediately disseminate this Circular to all concerned.



CESAR V. PURISIMA
Secretary

020843

