



Republic of the Philippines
DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

Local Finance Circular No. 1-2012
April 16, 2012

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

SUBJECT: Certificates of Maximum Borrowing and Debt Service Capacities of Local Government Units

WHEREAS, Section 403 of the Implementing Rules and Regulations of the Local Government Code allowed the Department of Finance (DOF) to render technical assistance to any local government unit (LGU) in the availment of credit facilities, flotation of bonds, contracting of loans and issue such guidelines as may be necessary for the purpose;

WHEREAS, Section 43(c) of Executive Order No. 127 specifically assigns to the Bureau of Local Government Finance (BLGF), among others, the responsibility of developing and promoting plans and programs for the improvement of credit utilization schemes at the local levels;

WHEREAS, Local Finance Circular 1-2000, which was issued on January 19, 2000 in furtherance of the foregoing functions of the DOF and BLGF, mandated the BLGF to issue Certificates of Maximum Borrowing and Debt Service Capacities upon compliance of the LGU concerned with the requirements prescribed thereunder;

WHEREAS, to ensure a more accurate and proper evaluation by the BLGF of the maximum borrowing and debt servicing capacities of LGUs, the list of supporting documents to be submitted by LGUs requesting for Certificates of Borrowing and Debt Service Capacities is hereby revised, as follows:

1. Letter-request from the Local Chief Executive indicating:
 - The selected lending institution;
 - Terms and conditions of the proposed loan (repayment period and interest rate); and
 - The specific purpose of the loan.
2. Statement of Receipts and Expenditures for the past three (3) years uploaded and approved by the BLGF Central Office;
3. Certification of absence of loan/s, when applicable;
4. Certification of existing and approved loans, when applicable, with the following details:

- Types of loans and other obligations contracted;
 - Purpose of the loans and other obligations contracted;
 - Names of lending institutions;
 - Dates of approval and maturity;
 - Terms and conditions (interest rate and number of years to pay);
 - Annual amortization schedules (segregating the principal from the interest) issued by the lending institution; and
 - Remaining balances of loans and other obligations.
5. Commission On Audit (COA) Annual Audit Certificate for the past three (3) fiscal years showing no adverse findings against the LGU, which is supported by the following year-end financial reports:
- Pre-closing trial balance (general fund);
 - Balance sheet (general fund); and
 - Statement of income and expenses (general fund).
6. Certification by the local accountant that the LGU has not incurred default in the payment of the amortization of an existing loan;
7. Certification from the secretary of the Sanggunian or the local legislative body that the proposed project to be financed by the loan is included in the Approved Annual Investment Plan for the current year;
8. Authenticated copy of the Resolution/Ordinance authorizing the local chief executive to negotiate and contract a loan in behalf of the LGU;
9. For loan applications in relation to foreign-assisted projects -
- Certified Statement of Income (see LBP Form No. 1)
 - Statement of Fund Operation (see LBP Form No. 8)
10. Certification issued by the lending institution stating that it shall not be requiring LGU deposits as compensating balance for the loan if such lending institution is (1) not an authorized government depository bank or (2) an authorized government depository bank required to obtain the prior approval of the Department of Finance as provided under DOF Department Order No. 27-05;
11. Department of Interior and Local Government (DILG) Seal of Good Housekeeping awarded to the LGU;

12. Proof of Compliance with the Full Disclosure Policy of the
DILG as embodied in DILG Memorandum Circular No. 2010-
83.

For monitoring purposes, the local treasurer should submit a report setting out the details of the loan as specified under item no. 4 above, within ten (10) days after the approval of the loan.

All BLGF Regional Directors and Treasurers of Metropolitan Manila are hereby instructed to disseminate this Circular to all Provincial, City and Municipal Treasurers and the Office of the Local Chief Executive within their respective jurisdictions.

All concerned are enjoined to comply strictly with the foregoing and be guided accordingly.

This Circular supersedes all other issuances on the same subject matter.

This Circular shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.



CESAR V. PURISIMA
Secretary

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