

**MALACANANG**  
Manila

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 494**

**RELEASE OF UNPROGRAMMED INTERNAL REVENUE ALLOTMENT (IRA)  
IN CYS 2000 AND 2001 AMOUNTING TO P17.5 BILLION**

**WHEREAS**, Section 6 of Article X of the Constitution guarantees that local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them;

**WHEREAS**, portions of the IRA appropriated for CYS 2000 and 2001 totaling P20 Billion were set apart and placed under Unprogrammed Fund;

**WHEREAS**, in the case of Alternative Center for Organizational Reforms, et. al. vs. Hon Ronaldo Zamora, et. al. (G.R. No. 144256), the Supreme Court held that setting apart portions of the IRA to form part of Unprogrammed Fund was unconstitutional;

**WHEREAS**, of the said P20 Billion IRA that was placed under Unprogrammed Fund, only P2.5 Billion has so far been released to local government units leaving an unreleased balance of P17.5 billion;

**WHEREAS**, the Secretary of Justice has issued Opinion No. 50, Series of 2005, clarifying that in view of the Supreme Court declaration of the unconstitutionality of the withholding of the IRA balance of P17.5 Billion, such funds should now be released to the local government units;

**WHEREAS**, in accordance with the constitutional mandate, the President has agreed to release to local government units the IRA balance of P17.5 Billion without disrupting the fiscal targets of the country to manage the budget deficit and maintain macroeconomic stability;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by the powers vested in me by law, do hereby order:

**SECTION 1. RELEASE OF THE 17.5 BILLION IRA IN CYS 2000 AND 2001.** The Department of Finance, Department of Budget and Management and Department of the Interior and Local Government shall take the necessary steps to ensure that the local government units get their respective shares from the P17.5 Billion Unprogrammed IRA in CY 2000 and CY



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2001 on installment basis for a period of seven (7) years starting CY 2007 up to CY 2013, or avail in advance their respective shares from the unreleased IRA through a monetization program.

**SECTION 2. IRA MONETIZATION PROGRAM** – The IRA Monetization Program, as initiated by the various Leagues, is a scheme which will give local government units the option to collect in advance from the trustee bank their respective shares from the unreleased IRA at a discounted value, net of interest and other charges from the trustee bank.

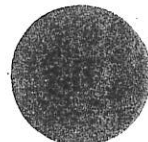
### **SECTION 3. RESPONSIBILITIES**

**A. Responsibilities of Budget and Management** – The DBM shall determine the share of each local government unit in the unpaid IRA on the basis of the formula prescribed in the Local Government Code and issue the corresponding Notice of Payment Schedule (NPS) to inform local government units of their share and the schedule of payment.

**B. Department of Finance.** The DOF shall, subject to existing laws and regulations:

- Provide the letter of confirmation of the National Government that the 17.5 billion constitutes an obligation of the Republic of the Philippines;
- Favorably endorse to the National Government agency concerned or to the Bangko Sentral ng Pilipinas, as the case may be, the Joint Issue Managers' application to secure the necessary financial features for the issuance of the investment certificates to improve the net proceeds to the beneficiaries;
- Make arrangement with the trustee bank on the requirements for the opening of a Special Trust Account; and
- Make available the facilities of the Bureau of Treasury, including but not limited to, the Registry of Scripless Securities (RoSS), the Automated Debt Auction Processing System (ADAPS), and such other facilities as may be required and necessary for the auctioning process and the implementation of the IRA Monetization Program.

**C. Department of the Interior and Local Government** – The DILG shall provide assistance to the local government units which will opt to monetize such as the dissemination, distribution, collection, and monitoring of the duly accomplished Subscription Agreements (SAs) accompanied by the corresponding Sangguniang Resolution from the concerned local government units. DILG shall also inform the DBM of LGUs which will avail of the monetization program.



**D. Government Financial Institutions** -- The government financial institutions (GFIs) shall serve as trustee banks for purposes of monetizing the IRA shares of LGUs. A Special Trust Account shall be established by the GFIs for the purpose. All transactions relative to the monetization program shall be undertaken in accordance with the existing accounting, auditing, and budgeting rules and regulations.

**E. Local Government Units** - Local government units which will enroll in the monetization scheme shall accomplish and submit the pertinent documents required in the monetization program.

**F. Commission on Audit** -- The COA shall provide guidelines in the recording of the obligation in the books of account of the National Government.

**SECTION 4. SEPARABILITY CLAUSE.** If any section or provisions of this Executive Order shall be declared unconstitutional or invalid, the other sections or provisions not affected thereby shall remain in full force and effect.

**SECTION 5. EFFECTIVITY.** This Executive Order shall take effect immediately.

**DONE** in the City of Manila, this 18<sup>th</sup> of January in the Year of our Lord, Two Thousand and Six.

*Gloria Arroyo*

By the President:

*Eduardo R. Ermita*  
**EDUARDO R. ERMITA**  
Executive Secretary

