



Republic of the Philippines
Department of Finance
BUREAU OF LOCAL GOVERNMENT FINANCE

Certificate of Borrowing and Debt Service Capacities

One of the mandates of the BLGF is to develop plans and programs on Igu credit utilization. The Local Government Units (LGUs) as stipulated in Sec. 296(b) of the Local Government Code are authorized to avail of credit from government or private banks and other lending institutions for purposes of stabilizing their financial resources. In order to ensure effective implementation of the debt service limitation provided under Sec 324(b), the BLGF together with the DOF and BSP issued Local Finance Circular No. 1-2000 and BSP Circular Letter Series of 2002, respectively, requiring each Igu applying for loan from any lending institution to secure a Certificate of Borrowing and Debt Service Capacities from the Bureau.

The Certificate of Borrowing and Debt Service Capacities is one instrument that a lending institution may use to gauge how much an Igu can borrow. Sec. 324(b) of the Local Government Code provides up to 20% of the regular income for Igu debt servicing which shall be appropriated in their annual budget. Despite the provision many Igu have exceeded their debt service ceiling, prompting DOF and BSP through the BLGF to issue the above circulars for the purpose of tracking Igu borrowings and at the same time instilling fiscal discipline.

How to secure the Certificate of Borrowing and Debt Service Capacities.

1. Letter Request from the Mayor or Governor in case of the province
2. Submission of the following documents:
 - a. Statement of income and expenditure for the past **3 yrs.** certified by the accountant and/or treasurer including the following:
 - Trial Balance
 - Report of Revenue and Receipts
 - Statement of Appropriations Allotment and Obligations
 - Statement of Cash Flow
 - b. Current Annual Budget
 - c. Annual Investment Program (Current Year)
 - d. Certificate of Existing Loan/absence of loan/ duly certified by the Local Treasurer and/or lending institution with the following details:
 - Kinds of Loans & Other Obligations
 - Purpose of Loans & Other Obligations
 - Name of the Lending Institution
 - Date of Approval & Maturity
 - Terms & Conditions (Interest rate & No. of years to pay)
 - Latest Balance of Loans & Other Obligations
 - Annual Amortization Schedule (Segregate Principal and Interest)