

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1771



Introduced by **REP. PROSPERO A. PICHAY, JR.**

EXPLANATORY NOTE

This bill seeks to grant local government units greater fiscal autonomy by giving them the choice to select their depository banks.

Although the Local Government Code merely bestows preferential treatment to government-owned banks as official depositories, the pertinent provision has been interpreted by the Department of Budget and Management as an unbendable requirement that must be followed by all LGUs.

Fortunately, other government agencies have taken a more liberal interpretation of the provision of Section 311 of Republic Act No. 7160. The Commission on Audit, for one, had ruled that a rural bank may accept deposits of local governments, a ruling which had been hailed by LGUs in the countryside as one that is attuned to local conditions, and one that is sympathetic to their plight.

The truth is that notwithstanding the phenomenal growth of the Land Bank of the Philippines and the Development Bank of the Philippines, the combined network of these two government-owned banks can barely cover a third of the country's 1,500-plus municipalities.

Forced to transact with either the DBP or LBP only, officers of local governments have to waste precious time and resources, not to mention the risk, in going to and from the nearest branch of these banks for their banking needs. In areas with rough roads and few vehicles, the time consumed for a trip to the bank is oftentimes one whole day.

In choosing banks, size does not always matter. Convenience and proximity do, as in the case of rural banks. They may not have billion-peso assets, but their soundness as a depository is for the local government concerned to decide, which it will arrive at after a due diligence study on the prospective depository bank.

The approval of this bill is earnestly requested.


PROSPERO A. PICHAY, JR.



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AN ACT
PROVIDING FOR GREATER FISCAL AUTONOMY IN FAVOR OF LOCAL
GOVERNMENT UNITS (LGUs) IN THE CHOICE OF DEPOSITORY BANKS, AMENDING
SECTION 311 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION. 1. Section 311 of Republic Act No. 7160 is hereby amended to read as follows:

“SEC. 311. *Depository Accounts.* - Local treasurers shall maintain depository accounts in the name of their respective local government units with banks **DULY ACCREDITED AS SUCH BY THE BANGKO SENTRAL NG PILIPINAS** [preferably government-owned] located in or nearest their respective areas of jurisdiction **FOR CURRENT OPERATING EXPENDITURES, INCLUDING PERSONAL SERVICES SUBJECT TO THE CONCURRENCE OF THE LOCAL SANGGUNIAN CONCERNED: PROVIDED, THAT SPECIAL FUNDS CLASSIFIED UNDER SECTION 309 OF THIS ACT AND CAPITAL OUTLAYS, SHALL BE DEPOSITED PREFERABLY IN GOVERNMENT-OWNED BANKS.** Earnings of each depository account shall accrue exclusively thereto.

SEC. 2. All laws, executive orders, presidential decrees, rules and regulations or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 3. This Act shall take effect fifteen (15) days after its publication in at least two (2) daily newspapers of general circulation.

Approved,