

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session



House Bill No. 3120

Introduced by: **Honorable CARMEN L. CARI**

Explanatory Note

This bill seeks to allow valid and accredited contractors with receivables from the National Government to use the certificate of indebtedness as collateral when applying for loans and other credit accommodations in any government financial institution (GFI).

In the face of a looming fiscal crisis, the government is exhausting all possible means to improve the country's financial situation. Considering this, the promotion of investments and development is an primary concern relative to the modernization of the economy. The flow of funds and credit, particularly those involving government contracts, however, has been largely ignored, virtually disabling the industry on account of government's failure to pay its obligations to private contractors on time. The contractors are virtually paralyzed while the government agencies who owe them have not settled their obligation. As a consequence, contractors are unable to compete against industry giants and fail to secure other projects due to limited revolving funds. Their only recourse to obtain the funds is through loans and credit accommodations from banks and financial institutions. This recourse helps the contractors to stay afloat amidst the uncertainty of payment from the government.

On the other hand, bank and lending institutions are reluctant to grant these contractors the loanable amount as they must protect their interests. As an exercise of prudence, banks ascertain whether a debtor is capable of fulfilling his commitments to the bank before he is granted a loan or other credit accommodation. Hence, a bank demands from its credit applicant copies of statements of assets and liabilities and other financial documents to enable the bank to properly evaluate the credit application. Usually real estate, chattels and intangible properties, such as patents, trademarks, trade names and copyrights, are accepted as security loans and credit accommodation.

It is the intent of this bill to include the certificate of indebtedness issued by the government to the contractors as collateral for loans contracted with government financial institutions. This will give the contractors the opportunity to be more financially stable.

Hence, approval of this bill is earnestly sought.


CARMEN L. CARI

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AN ACT
ALLOWING CONTRACTORS WITH RECEIVABLES FROM
THE NATIONAL GOVERNMENT TO USE THE CERTIFICATE
OF INDEBTEDNESS AS COLLATERAL FOR LOANS AND
OTHER CREDIT ACCOMMODATIONS IN ANY
GOVERNMENT FINANCIAL INSTITUTION.

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

SECTION 1. All government financial institution shall accept as collateral for loans and other credit accommodations any duly executed certificate of indebtedness issued by any government agency to an eligible contractor, subject to the terms and conditions provided for under the New General Banking Act.

SEC. 2. As used in this Act, the term “contractor” shall mean any private entity who shall enter into a contract with any government agency, whether national or local, and must have complied with the following requirements:

- a) Payment of license as a contractor for the current year;
- b) Payment of tax to practice or engage in the contracting business for the current year; and
- c) Compliance with other existing pertinent laws, rules and regulations.

SEC. 3. The Governor of Bangko Sentral ng Pilipinas shall, within sixty (60) days after the approval of this Act, issue the rules and regulations necessary for the effective implementation of this Act.

SEC. 4. This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspaper of general circulation in the Philippines.

Approved,