

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

15th Congress
First Regular Session

House Bill No. 1821

Introduced by Honorable Giorgidi B. Aggabao

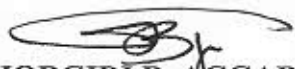
EXPLANATORY NOTE

This bill seeks to put a cap on the total accumulated indebtedness of local government units.

Under the Local Government Code of 1991, LGU's are allowed to create indebtedness and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program and for the purpose of stabilizing local finances.

However, it is necessary to put a limit on the extent of obligations that LGU's incur so as not to unduly burden its finances for debt repayments. Moreover, limiting the obligations of the LGU will ensure the fiscal sustainability of succeeding administrations, which otherwise would be weighed down by the fiscal irresponsibility of its predecessors.

In view of the foregoing, passage of this bill is recommended.


GIORGIDI B. AGGABAO

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AN ACT
IMPOSING A CAP ON THE LOAN OBLIGATIONS OF LOCAL
GOVERNMENT UNITS, AMENDING FOR THE PURPOSE THE "LOCAL
GOVERNMENT CODE OF 1991", AS AMENDED.

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

Section 1. Section 297 of R.A. 7160, as amended, is hereby amended to read as follows:

“Sec. 297. Loans, Credits, and other forms of indebtedness of
Local Government Units.

a. x x x

b. A local government units may likewise secure from any government bank and lending institution short, medium and long term loans and advances against security or real estate or other acceptable assets for the establishment, development, or expansion of agricultural, industrial, commercial, house financing and livelihood projects and other economic enterprises: PROVIDED THAT THE ACCUMULATED LOAN OBLIGATIONS OF THE LGU SHALL IN NO CASE EXCEED FIFTY (50%) PERCENT OF THE INTERNAL REVENUE ALLOTMENT OF THE PRECEDING YEAR.

x x x”

Section 2. This Act shall take effect upon approval.

Approved.