

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

15th Congress
First Regular Session

House Bill No. 1823

Introduced by Honorable Giorgidi B. Aggabao

EXPLANATORY NOTE

This bill seeks to put a stop on the practice of local government units of using their Internal Revenue Allotment (IRA) as collateral for loans.

The rationale for the IRA is to ensure that local government units have the means to support the expenditure responsibilities arising from the devolution mandated under R.A. 7160. Thus, IRA's have been computed at a level sufficient to cover the costs of devolved functions.

The practice of using the IRA as collateral for loan obligations effectively ties up a portion of the IRA thus negating the very purpose of the allotment. There results a mismatch in funds to support the costs of mandated functions, thereby resulting in delayed payment of salaries and wage, operating expenses, and accommodation of arrears.

This measure aims to avoid the above-described situation and ensure that IRA's are always adequate to cover the expenditure functions assigned to the LGU's under R.A. 7160.

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


GIORGIDI B. AGGABAO

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AN ACT
REGULATING THE USE OF LOCAL GOVERNMENT UNITS' INTERNAL
REVENUE ALLOTMENT (IRA), AMENDING FOR THE PURPOSE THE
"LOCAL GOVERNMENT CODE OF 1991", AS AMENDED.

Be it enacted by 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 unit may likewise secure from any government bank and lending institution short -, medium -, and long term loans and advances against security of 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 INTERNAL REVENUE ALLOTMENT IS PROHIBITED TO BE USED AS SECURITY THEREFOR.

x x x"

Section 2. This Act shall take effect upon approval.

Approved.