

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8021



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

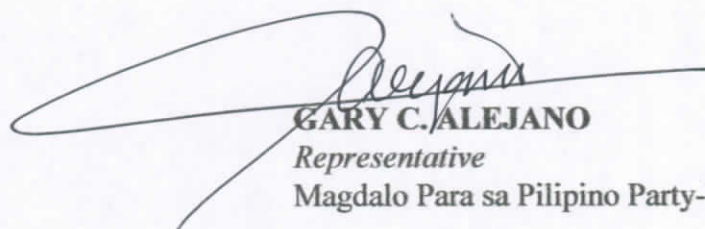
Local Government Units are tasked with the provision of basic services for their constituents such as health care, social welfare, and agricultural extension. Likewise, LGUs are tasked to provide or maintain infrastructure facilities to serve the need of their constituents and spur development. In order to support their expenses and stabilize local finances as well as to provide ample funds to finance local infrastructure and other socioeconomic development projects, the Local Government Code provided certain powers to LGUs to create indebtedness and enter into credit and other financial transactions.

LGUs may avail credit lines from the government or private banks and other lending institutions for purposes of providing interminable basic services for their constituents. While several LGUs were able to maximize alternative sources of financing others lagged behind and encountered significant hindrances in accessing them.

One significant hindrance to LGUs is the preference of the Local Government Code for government financial institutions to be a source of credit financing. Thus, this measure seeks to relax this provision to afford LGUs access to more abundant private capital markets.

There is also a need to ensure that LGUs do not abuse this right by using the increased access to private financing to finance shortfalls in regular expenditures. This will lead to a lack of discipline in public financial and budget management which could be a source of graft and corruption.

In view of the foregoing, and to further strengthen and empower LGUs, immediate approval of this measure is earnestly sought.


GARY C. ALEJANO
Representative
Magdalo Para sa Pilipino Party-List

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AN ACT
TO RATIONALIZE CREDIT FINANCING FOR LOCAL GOVERNMENT UNITS BY
AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT 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:

BOOK II – LOCAL TAXATION AND FISCAL MATTERS

SEC. 1. Section 296 of the Code is hereby amended to read as follows:

“SEC. 296. General Policy. - [(a)] It shall be the basic policy that any local government unit may 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.

[(b)] A local government unit may avail of credit lines from government or private banks and lending institutions for the purpose of stabilizing local finances.”

SEC. 2. Section 311 of the Code 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[, preferably government-owned,] located in or near to their respective areas of jurisdiction Earnings of each account shall accrue exclusively thereto.

SEC. 3. *Repealing Clause.* - All general and special laws, acts, city charters, decrees, executive orders, proclamations and administrative regulations, or part or parts thereof which are inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.

SEC. 4. *Separability Clause.* - If, for any reason or reasons, any part of provision of this Act shall be held unconstitutional or invalid, other parts or provisions hereof which not affected thereby shall continue to be in full force and effect.

SEC. 5. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) national newspapers of general circulation.

Approved,