



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

TWENTIETH CONGRESS
First Regular Session

House Bill No. **1933**



Introduced by Representative Midy N. Cua
Lone District, Quirino

**AN ACT EXPANDING THE POWER OF LOCAL GOVERNMENT UNITS TO CREATE
INDEBTEDNESS AND TO ENTER INTO CREDIT AND OTHER FINANCIAL
TRANSACTIONS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7160, AS
AMENDED, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991,"
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Title IV of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991," gives local government units (LGU) the power to create indebtedness and to enter into credit and other financial transactions. Under the law allows LGUs may finance local infrastructure and other socio-economic development projects using debt. However, the interpretation of the law has been limited to the financing of capital outlay expenditures. This has prevented LGUs from using debt to finance personnel services (PS) and maintenance and other operating expenses (MOOE) that are also integral to the implementation of socio-economic projects.

The proposed measure allows LGUs to secure credit financing to fund PS and MOOE for a limited period of time. The proposed credit window shall be triggered by a significant decrease in the internal revenue allotment (IRA) of LGUs as determined by the Development Budget Coordination Committee and the Union of Local Authorities of the Philippines.

In view of the foregoing, immediate approval of this bill is requested.


MIDY N. CUA
Representative
Lone District, Quirino



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

SECTION 1. Short Title. – This Act shall be known as the "Expanded LGU Credit Financing Act."

SEC. 2. Section 296 of Republic Act No. 7160, as amended is 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] **THEIR ANNUAL BUDGET** 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. 3. Section 297 of Republic Act No. 7160, as amended, is amended to read as follows:

"SEC. 297. *Loans, Credits, and Other Forms of Indebtedness of Local Government Units.* –

- (a) xxx
- (b) xxx
- (c) **FOR A LIMITED PERIOD OF TIME, A LOCAL GOVERNMENT UNIT MAY SECURE CREDIT FINANCING TO FUND PERSONNEL SERVICES AND MAINTENANCE AND OTHER OPERATING EXPENSES. PROVIDED, THAT THE AFOREMENTIONED WINDOW FOR CREDIT FINANCING SHALL BE TRIGGERED BY A SIGNIFICANT DECREASE IN THE INTERNAL REVENUE ALLOTMENT OF LOCAL GOVERNMENT UNITS AS DETERMINED BY THE DEVELOPMENT**

1 **BUDGET COORDINATION COMMITTEE AND THE UNION OF LOCAL**
2 **AUTHORITIES OF THE PHILIPPINES. PROVIDED, FURTHER, THAT**
3 **THE AFOREMENTIONED WINDOW SHALL REMAIN OPEN FOR A**
4 **PERIOD NOT EXCEEDING FIVE (5) YEARS.**

5
6 (d) xxx
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8 **SEC. 4. Implementing Rules and Regulations.** – The Development and Budget Coordination
9 Committee and the Union of Local Authorities of the Philippines shall issue the necessary rules and
10 regulations for the effective implementation of this Act within ninety (90) days from its effectivity.
11

12 **SEC. 5. Repealing Clause.** – All laws, decrees, orders, issuances, and rules and regulations or parts
13 thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.
14

15 **SEC. 6. Separability Clause.** – If any provision of this Act shall be held unconstitutional or invalid, the
16 other provisions not otherwise affected shall remain in full force and effect.
17

18 **SEC. 7. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the *Official*
19 *Gazette* or in a newspaper of general circulation.
20

21 Approved,