

THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUN 30 P10:32

**SENATE**  
**S. B. No. 1194**

RECEIVED BY: 

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Introduced by Senator Magsaysay, Jr.

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### EXPLANATORY NOTE

One of the hallmarks of the present Local Government Code for the country is its emphasis on the wisdom of autonomy. That is, making LGUs independent and allowing them to become effective partners in nation building. One of the provisions in the said statute that fully guarantees local autonomy and the dynamism of the LGUs as a political units is Section 521. The said mandate provides that Congress shall undertake a mandatory review of the code at least once every five years and as often as it may deem necessary, with the primary objective of providing a more responsive and accountable local government structure.

With that backdrop, the proposed bill is submitted seeking to further institutionalize local autonomy by strengthening the fiscal autonomy of local government units. (LGUs).

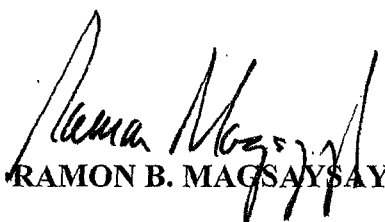
One of the means to accomplish this is by giving LGUs greater leeway in the choice of its depository bank.

National government agencies have interpreted differently the preference over government-owned banks as depository bank. The Department of Budget and Management has interpreted the provision to mean that a local government unit shall choose only one depository bank, whether the Land Bank of the Philippines or the Philippines, within its area of jurisdiction.

On the other hand, the Commission on Audit ruled that a rural bank may accept deposits of local government notwithstanding the presence of government-owned banks within the locality provided said bank is authorized by the Monetary Board of the Bangko Sentral ng Pilipinas and prior authority is given by the sanggunian and local chief executive concerned.

The review of this code is something which almost all local government units awaits and anticipated with great enthusiasm as it will pave the way for a more effective public fiscal.

In view of the foregoing, approval of this bill earnestly requested.

  
RAMON B. MAGSAYSAY, JR.

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**AN ACT**  
**PROVIDING FOR GREATER FISCAL AUTONOMY IN FAVOR OF LOCAL**  
**GOVERNMENT UNITS (LGUs) IN THE CHOICE OF DEPOSITORY BANKS,**  
**AMENDING SECTION 311 OF REPUBLIC ACT NO. 7160, OTHERWISE**  
**KNOWN AS THE LOCAL GOVERNMENT ACT OF 1991**

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

**SECTION 1.** Section 311 is hereby amended by adding a new paragraph 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 **DULY AUTHORIZED BY THE BANGKO SENTRAL NG PILIPINAS** [, preferably government-owned,] located in or nearest their respective areas of jurisdiction. Earnings of each depository account shall accrue exclusively thereto.

**SEC. 2.** All laws, executive orders, presidential decrees, rules and regulations or parts thereof of which are inconsistent with any of the provisions of this Act are hereby repealed.

**SEC. 3.** This Act shall take effect on the seventh day after its publication in at least two (2) daily newspapers of general circulation.

Approved,