

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

8 MAR 13 2013

SENATE

RECEIVED BY: *[Signature]*

S. No **2123**

Introduced by Senator Antonio "Sonny" F. Trillanes IV

**EXPLANATORY NOTE**

Governors or mayors, with the approval of their local legislative bodies, in behalf of their localities, had been resorting to borrowings from banks or other lending institutions to finance certain projects with an amortization period for full payment extending even beyond their terms of office.

The practice makes their successors to office burdened with the obligation of paying the loans thereby already depriving the new elected officials of the needed funds to finance their own projects upon their assumption to office.

It is high time that we limit the amortization period of such loans to the term of office of the governor or mayor and approved by members of the local legislative bodies contracting them so that with this limitation, the borrowing chief executive and members of the board or council of the locality will be more concerned and obligated to pay the loan they contract during their term rather than pass on the obligation of paying it to their successors who in the first place should not be burdened with it.

**ANTONIO "SONNY" F. TRILLANES IV**  
Senator

FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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8 MAR 13 1973

S E N A T E

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S. No 2123

Introduced by Senator Antonio "Sonny" F. Trillanes IV

**AN ACT**  
**LIMITING THE PERIOD OF AMORTIZATION OF LOANS CONTRACTED BY**  
**LOCAL GOVERNMENTS TO THE TERM OF OFFICE OF THE LOCAL**  
**EXECUTIVES CONCERNED, AND FOR OTHER PURPOSES**

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

1           **SECTION 1. Declaration of Policy.** - It is the policy of the State to recognize  
2 certain needs of local governments to contract loan or incur financial obligation necessary  
3 for their development programs. It is equally the state's policy to ensure that the authority  
4 is exercised responsibly. Finally, it is the state's policy to provide the governors and  
5 mayors and their local legislative bodies the opportunity to fulfill their mandates with  
6 funds through fresh revenues undiminished by unpaid debt or financial obligation  
7 incurred by their predecessors.

8  
9           **SEC. 2. Loan/Financial Obligation Amortized Before End of Term.** - Any  
10 provision of law to the contrary notwithstanding, loans or other financial obligations  
11 contracted in behalf of provinces, cities or municipalities by their respective governors  
12 or mayors and approved by their respective legislative bodies shall be amortized and paid  
13 in full not later than one month before the end of the term of office of said governors or  
14 mayors and members of the board or council who approved the contracting of the said  
15 loan or of incurring the financial obligation.

1

2           **SEC. 3. *Undertaking of Governors and Mayors on Loans.*** - Banks, financing or  
3 lending institutions, local or foreign, lending money to provinces and cities or  
4 underwriting any financial obligation shall require the governor or mayor and the  
5 members of the legislative bodies approving the contracting of such loans or financial  
6 obligations to execute an undertaking that the province or city they represent shall  
7 amortize and pay in full the principal and interest including bank charges of the said loan  
8 or financial obligation not later than one (1) month before the end of the term of office of  
9 said governors, mayors and members of the legislative bodies approving them.

10

11           **SEC. 4. *Limitation on Amortization Deemed Stipulated.*** - All loan agreements  
12 and financial obligations between the local governments and the lenders shall contain a  
13 stipulation that the entire loan together with interest and bank charges shall be amortized  
14 in full not later than one (1) month before the end of 24 the term of office of the mayor,  
15 governor and members of the legislative bodies who approved to contract them:  
16 Provided, However, that even without the incorporation of the stipulations in the covering  
17 documents on said loan or financial agreement, the same shall be deemed incorporated  
18 therein.

19

20           **SEC.5. *Effect of Non - Payment Upon Expiration of Term.*** – If the loan and/or  
21 its increment including interests is not paid in full before the end of the term of the office  
22 of the mayor or governor and members of the local legislative bodies who approved to  
23 contract the loan or incur the financial obligation, the province or city in whose behalf the  
24 said obligation is contracted shall be discharged from liability thereon and the unpaid  
25 amortization, if any, shall become the solidary liability of the said mayor or governor and  
26 members of the local legislative bodies who approved the contracting of said loan or  
27 incurring the financial obligation: Provided, However, that if the failure to amortize *is*

1 due to the fault or negligence of the personnel of the mayor or governor or the local  
2 legislative bodies duty bound to make the necessary remittance or payment, the said  
3 personnel shall be solidarily liable with the said officials: provided, Finally, that the  
4 mayor or governor or members of the local legislative bodies who approved the  
5 contracting of said loans who fail to settle said obligation incurred during the term for  
6 which they were elected shall not be eligible to run for any public office until the  
7 financial obligation is fully paid.

8

9         **SEC 6. *Loans Covered.*** - This Act shall apply to all loans contracted upon the  
10 effectivity hereof. Loans contracted prior to the effectivity hereof shall remain the  
11 obligation of the province or city but the governor or mayor shall strictly comply with the  
12 amortization payment provided for in the loan agreement with the lending bank, lending  
13 or financing institution.

14

15         **SEC. 7. *Repealing Clause.*** - All laws, decrees, executive orders and Republic  
16 Acts inconsistent herewith are hereby deemed repealed.

17

18         **SEC. 8. *Effectivity.*** - This Act shall take effect upon its approval.

**Approved,**