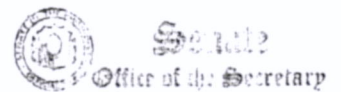


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



'18 APR -3 P 1 :56

SENATE

RECEIVED BY

S.B. No. 1773

Introduced by Senator SONNY ANGARA

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

EXPLANATORY NOTE

One of the key objectives of the Local Government Code (R.A. 7160) of 1991 was to provide LGUs greater access to financing in order to carry out their expanded responsibilities. These include credit financing, debt issuance and public private partnerships or PPPs, to name a few.

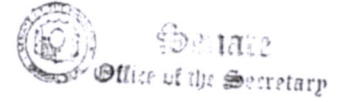
While several LGUs have benefited from these alternative sources financing to improve local service delivery, others have encountered significant hindrances in accessing them. In particular, the Code expresses a preference for government financial institutions to be a source of credit financing, effectively hindering LGU access to private financing. This preference must be relaxed 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.

These proposed amendments will strengthen and further empower LGUs. In view of the foregoing, approval of this bill is earnestly requested.

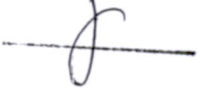
SONNY ANGARA

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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SENATE

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

1 **SECTION 1.** Section 296 of Republic Act No. 7160, otherwise known as the
2 Local Government Code of 1991, hereinafter referred to as the "Code", is hereby
3 amended to read as follows:

4 "**SEC. 296. General Policy.** – ~~[(a)]~~ It shall be the basic policy that any local
5 government unit may create indebtedness, and avail of credit facilities to
6 finance local infrastructure and other socio-economic development projects in
7 accordance with the approved local development plan and public investment
8 program.

9 ~~[(b) — A local government unit may avail of credit lines from government or~~
10 ~~private banks and lending institutions for the purpose of stabilizing local~~
11 ~~finances.]"~~

12 **SEC. 2.** Section 311 of the Code is hereby amended to read as follows:

13 "**SEC. 311. Depository Accounts.** – Local treasurers shall maintain
14 depository accounts in the name of their respective local government units

1 with banks[~~preferably government-owned,~~] located in or near to their
2 respective areas of jurisdiction. Earnings of each account shall accrue
3 exclusively thereto.”

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

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

11 **SEC. 5. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its
12 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,