

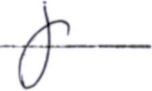
SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )



'18 APR 26 P3:39

SENATE

RECEIVED BY



S.B. No. 1786

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Introduced by Senator SONNY ANGARA

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AN ACT  
TO ENHANCE INTER-LGU COOPERATION BY AMENDING CERTAIN  
PROVISIONS IN BOOK I OF REPUBLIC ACT 7160, OTHERWISE KNOWN AS  
THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

A key feature of the Local Government Code (RA 7160) is the recognition that local issues and development often do not respect geographic and administrative boundaries. Environmental concerns cut across municipalities and sometimes even provinces and regions.

For instance, road infrastructure investments made in one province can improve the access of agricultural goods in an adjoining province by connecting both of them to a national artery. As a result, the benefit of thinking "outside the boundaries" for their mutual benefit has become apparent to many LGUs. Fortunately, the Local Government Code has foreseen this and encourages inter-LGU cooperation ventures.

However, what the Code has not foreseen was that a new vehicle is needed whenever memorandums of agreement are insufficient to maximize the potential of inter-LGU cooperation. Although LGUs can share their resources for a venture, because existing law does not allow them to formalize a legal personality for the venture, they cannot collectively contract credit financing for the venture. This is mainly because based on a Department of Justice opinion that although LGUs have a corporate personality they cannot form a corporation among themselves because the Corporation Code of the Philippines states that only natural persons can form corporation.

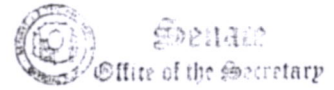
It is in this regard that an amendment of the Code is necessary for the creation of a mechanism by which LGUs that wish to organize themselves into a legal entity can access credit financing or other debt instruments, making their alliance more efficient and effective.

In view of the foregoing, approval of this bill is earnestly sought.



**SONNY ANGARA**

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

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

4       **"SEC. 3. Operative Principles of Decentralization.** – The formulation and  
5 implementation of policies and measures on local autonomy shall be guided  
6 by the following operative principles:

7       (a) x x x

8       x x x

9       (f) Local government units may group themselves, consolidate or coordinate  
10 their efforts, services, and resources for purposes commonly beneficial to  
11 them **THROUGH MUTUAL AGREEMENT OR THROUGH THE FORMATION**  
12 **OF AN ALLIANCE WITH A LEGAL PERSONALITY;**

13       (g) x x x

14       x x x "

15

1       **SEC. 2.** Section 33 of the Code is hereby amendment to read as follows:

2               **“SEC. 33. Cooperative Undertakings Among Local Government Units**  
3       **THROUGH MUTUAL AGREEMENT.** – Local government units may, through  
4       appropriate ordinances, group themselves, consolidate, or coordinate their  
5       efforts, services, and resources for purposes commonly beneficial to them  
6       **THROUGH MUTUAL AGREEMENT.** In support of such undertaking, the local  
7       government units involved may upon approval by the sanggunian concerned  
8       after a public hearing conducted for the purpose, contribute funds, real estate,  
9       equipment, and other kinds of property and appoint or assign personnel under  
10      such items and conditions as may be agreed upon by the participating local  
11      government units through Memoranda of Agreement.”

12      **SEC. 3.** A new Section 33-A in Book I of the Code is hereby inserted as follows:

13              **“SEC. 33-A. COOPERATIVE UNDERTAKINGS AMONG LOCAL**  
14      **GOVERNMENT UNIT THROUGH THE FORMATION OF AN ALLIANCE**  
15      **WITH LEGAL PERSONALITY.** – LOCAL GOVERNMENT UNITS MAY  
16      **GROUP THEMSELVES, CONSOLIDATE, OR COORDINATE THEIR**  
17      **EFFORTS, SERVICES, AND RESOURCES FOR PURPOSES COMMONLY**  
18      **BENEFICIAL TO THEM THROUGH THE FORMATION OF AN ALLIANCE**  
19      **WITH A LEGAL PERSONALITY. FOR THIS PURPOSE, A NATIONAL**  
20      **REGISTRY OF ALLIANCES (NRA) SHALL BE FORMED TO REGISTER**  
21      **THE ALLIANCE OF LGUS AND ESTABLISH THE LEGAL PERSONALITY**  
22      **AND ALL THE CONSEQUENT IMPLICATIONS OF THE SAME. THE NRA**  
23      **SHALL BE COMPOSED OF THE SECRETARY OF THE DEPARTMENT OF**  
24      **INTERIOR AND LOCAL GOVERNMENT AS CHAIR WITH THE**  
25      **PRESIDENTS OR CHAIRMEN OF THE LEAGUES OF PROVINCES,**  
26      **CITIES, AND MUNICIPALITIES AND THE LIGA NG MGA BARANGAYS AS**  
27      **BOARD MEMBERS. THE NRA BOARD SHALL FORMULATE THE**  
28      **REQUIREMENTS, GUIDELINES, AND PROCEDURES FOR THE**  
29      **APPLICATION, CREATION, REGISTRY, REGULATION AND MONITORING**  
30      **OF INTER-LGU ALLIANCES COVERED BY THE NRA. THE**

1           REGISTRYAND SECRETARIAT SHALL BE HOUSED AT THE  
2           DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT.”

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

7           **SEC. 5. *Separability Clause.*** – If, for any reason or reasons, any part of  
8           provision of this Act shall be held unconstitutional or invalid, other parts or provisions  
9           hereof which not affected thereby shall continue to be in full force and effect.

10          **SEC. 6. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its  
11          publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*