

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



**SENATE**  
**S. B. No. 841**

'19 JUL 31 P 4:06

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Introduced by Senator SONNY ANGARA

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RECEIVED BY: 

**AN ACT**  
**TO RATIONALIZE CREDIT FINANCING FOR LOCAL GOVERNMENT UNITS**  
**BY AMENDING CERTAIN PROVISIONS IN BOOK II OF REPUBLIC ACT NO.**  
**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 including but not limited to credit financing, debt issuance and public-private partnerships or PPPs.

While several LGUs have benefited from these alternative sources of financing to improve local service delivery, others have encountered significant hindrances in accessing them. In particular, the Code limits availment of credit lines solely for stabilizing local funds. The Code likewise expresses a preference for government-owned banks in opening depository accounts. These must be relaxed to afford LGUs access to more abundant private capital markets.

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 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  
5 local government unit may create indebtedness, and avail of credit  
6 facilities to finance local infrastructure and other socio-economic  
7 development projects in accordance with the approved local  
8 development plan and public investment program.

9 (b) [~~A local government unit may avail of credit lines from government~~  
10 ~~or private banks and lending institutions for the purpose of stabilizing~~  
11 ~~local finances~~]. **ANY LOCAL GOVERNMENT UNIT MAY AVAIL OF**  
12 **LOANS, CREDITS, AND OTHER FORMS OF INDEBTEDNESS**  
13 **FROM GOVERNMENT OR PRIVATE BANKS AND LENDING**  
14 **INSTITUTIONS, SUBJECT TO THE REQUIREMENTS SPECIFIED**  
15 **UNDER THIS CODE AND TO REGULATIONS THAT MAY BE**  
16 **PROMULGATED BY THE BANGKO SENTRAL NG PILIPINAS."**

1           Sec. 2. Section 311 of the Code is hereby amended to read as follows:

2           "Sec. 311. *Depository Accounts.* – Local treasurers shall maintain  
3           depository accounts in the name of their respective local government  
4           units with banks [~~, preferably government owned,~~] located in or  
5           nearest to their respective areas of jurisdiction. Earnings of each  
6           depository account shall accrue exclusively thereto."

7           Sec. 3. *Repealing Clause.* – All general and special laws, acts, city charters,  
8           executive orders, presidential proclamations, issuances, rules and regulations, or  
9           parts thereof which are contrary to or inconsistent with any of the provisions of this  
10          Act are hereby repealed, amended, or modified accordingly.

11          Sec. 4. *Separability Clause.* – If any portion or provision of this Act is  
12          subsequently declared invalid or unconstitutional, other provisions hereof which are  
13          not affected thereby shall remain in full force and effect.

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

          Approved,