

6 MAY 16 P4:03

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

RECEIVED BY: 

S.B. NO. 2246


Introduced by Senator ALFREDO S. LIM

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.


ALFREDO S. LIM
Senator

6 MAY 16 P4:01

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

RECEIVED BY: 

SENATE
S. B. No. 2240

Introduced by Senator ALFREDO S. LIM

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 the House of Representative of
the Philippines in Congress assembled:*

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

10 SECTION 2. *Loan/Financial Obligation Amortized Before End of*
11 *Term.* - Any provision of law to the contrary notwithstanding,
12 loans or other financial obligations contracted in behalf of

1 provinces, cities or municipalities by their respective governors
2 or mayors and approved by their respective legislative bodies
3 shall be amortized and paid in full not later than one month
4 before the end of the term of office of said governors or mayors
5 and members of the board or council who approved the
6 contracting of the said loan or of incurring the financial
7 obligation.

8 SECTION 3. *Undertaking of Governors and Mayors on Loans.* -

9 Banks, financing or lending institutions, local or foreign, lending
10 money to provinces and cities or underwriting any financial
11 obligation shall require the governor or mayor and the members
12 of the legislative bodies approving the contracting of such loans
13 or financial obligations to execute an undertaking that the
14 province or city they represent shall amortize and pay in full the
15 principal and interest including bank charges of the said loan or
16 financial obligation not later than one (1) month before the end
17 of the term of office of said governors, mayors and members of
18 the legislative bodies approving them.

19 SECTION 4. *Limitation on Amortization Deemed Stipulated.* -

20 All loan agreements and financial obligations between the
21 local governments and the lenders shall contain a stipulation that
22 the entire loan together with interest and bank charges shall be
23 amortized in full not later than one (1) month before the end of
24 the term of office of the mayor, governor and members of the

1 legislative bodies who approved to contract them: *Provided,*
2 However, that even without the incorporation of the stipulations
3 in the covering documents on said loan or financial agreement,
4 the same shall be deemed incorporated therein.

5 SECTION 5. *Effect of Non - Payment Upon Expiration of Term. -*

6 *If the loan and/or its increment including interests is not paid in*
7 *full before the end of the term of the office of the mayor or*
8 *governor and members of the local legislative bodies who*
9 *approved to contract the loan or incur the financial obligation,*
10 *the province or city in whose behalf the said obligation is*
11 *contracted shall be discharged from liability thereon and the*
12 *unpaid amortization, if any, shall become the solidary liability of*
13 *the said mayor or governor and members of the local legislative*
14 *bodies who approved the contracting of said loan or incurring the*
15 *financial obligation: Provided, However, that if the failure to*
16 *amortize is due to the fault or negligence of the personnel of the*
17 *mayor or governor or the local legislative bodies duty bound to*
18 *make the necessary remittance or payment, the said personnel*
19 *shall be solidarily liable with the said officials: Provided, Finally,*
20 *that the mayor or governor or members of the local legislative*
21 *bodies who approved the contracting of said loans who fail to*
22 *settle said obligation incurred during the term for which they*
23 *were elected shall not be eligible to run for any public office until*
24 *the financial obligation is fully paid.*

1 SECTION 6. *Loans Covered.* - This Act shall apply to all loans
2 contracted upon the effectivity hereof. Loans contracted prior to
3 the effectivity hereof shall remain the obligation of the province
4 or city but the governor or mayor shall strictly comply with the
5 amortization payment provided for in the loan agreement with
6 the lending bank, lending or financing institution.

7 SECTION 7. *Repealing Clause.* - All laws, decrees, executive
8 orders and Republic Acts inconsistent herewith are hereby
9 deemed repealed.

10 SECTION 8. *Effectivity.* - This Act shall take effect upon its
11 approval.

Approved,