

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6879



Introduced by **HON. EDGAR M. CHATTO**
First District, Bohol

EXPLANATORY NOTE

“For LGUs to become effective and efficient partners of the national government they should be provided with sufficient latitude and the opportunity to utilize their authority as public corporations.”

- National Tax Research Center¹

“The intent to pursue local development projects and improve basic services requires considerable amount of funding. To augment locally-sourced revenues, LGUs are encouraged to avail of non-traditional funding sources through credit financing. The LGC broadens financing options for LGUs to enable them to finance local infrastructure and socio-economic development projects in their jurisdiction. This will eventually lead to their attainment of their fullest development as self-reliant communities and partners in the attainment of national goals.”²

The current provisions of the Local Government Code of 1991 on credit financing and securing other sources of funding are very delimiting and prevent exploration of private capital markets.

The proposed measure seeks to amend the LGC to allow the LGUs to open depository accounts not only with government-owned banks and financial intermediaries but allows for ventures with private institutions as well subject to safeguards as may be put in place by the Bangko Sentral ng Pilipinas.

This will give the LGUs the needed flexibility and options in sourcing out needed funds for local development projects.

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

REP. EDGAR M. CHATTO

¹ Local Government Credit Financing, NRTC Tax Research Journal, Vol XXV.4, July – August 2013

² Local Government Credit Financing, NRTC Tax Research Journal, Vol XXV.4, July – August 2013

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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”

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

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

“Section 296. General Policy. -

(a) xxx

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

SECTION 2. – Section 311 of the Code is hereby amended to read as follows:

“Section 311. Depository Accounts. – Local treasurers shall maintain depository accounts in the name of their respective local government units with banks, ~~[preferably government-owned,]~~ located in or nearest to their respective areas of jurisdiction. Earnings of each depository account shall accrue exclusively thereto.”

SECTION 3. Repealing Clause. – All laws, presidential decrees, executive orders and rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

SECTION 5. Effectivity Clause. – This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved.