

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

House Bill No. 8024



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

EXPLANATORY NOTE

Public financial management includes all components of a Local Government Unit's budget process—both upstream (including strategic planning, medium term expenditure framework, annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, monitoring and evaluation, audits and oversight.)

Good public financial management systems are important for democratic governance, macro-economic stability, effective use of resources available and poverty reduction. Good PFM systems can also help prevent corruption and foster aid effectiveness. A sound PFM is a precondition for making it possible to effectively channel resources to service delivery like basic education and health services. Ineffective public financial management systems, on the other hand, can hamper development and increase the risk of corruption.

It is in this sense that this measure is proposed. This measure mandates oversight national agencies: the Department of the Interior and Local Government (DILG), the Department of Finance (DOF), the Department of Budget and Management (DBM), and the National Economic Development Authority (NEDA) to provide guidance regarding local public financial management. LGUs are then directed to utilize whatever guidance provided by the aforementioned agencies.

Furthermore, this proposed measure highlights the oversight role of the Provincial, City, and Municipal governments, including the Regional Development Council. It also stimulates harmonization and complementarity between local and national development plans.

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


REP. GARY C. ALEJANO

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AN ACT
TO ENHANCE PUBLIC FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT
UNITS BY AMENDING CERTAIN PROVISIONS IN REPUBLIC ACT 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:

BOOK I – GENERAL PROVISIONS

SEC. 1. Section 3 of the Code is hereby amended to read as follows:

“SEC. 3. Operative Principles of Decentralization. - The formulation and implementation of policies and measures on local autonomy shall be guided by the following operative principles:

(a)

.....

(e) Provinces with respect to component cities and municipalities, and cities and municipalities with respect to component barangays, shall ensure that the acts of their component units are within the scope of their prescribed powers and functions **AND ADHERE TO THE PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT;**

(f)

.....

(j) Effective mechanisms for ensuring the accountability of local government units to their respective constituents shall be strengthened in order to upgrade continually the quality of local leadership **AND ADVANCE THE PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT;**

(k)”

1 **SEC. 2.** Section 25 (a) of the Code is hereby amendment to read as follows:
2

3 **“SEC. 25. National Supervision over Local Government Units. -** (a) Consistent
4 with the basic policy on local autonomy, the President shall exercise general
5 supervision over local government units to ensure that their acts are within the scope
6 of their prescribed powers and functions **AND THE PRACTICE OF GOOD**
7 **GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT. THE PRESIDENT SHALL INSTRUCT THE DEPARTMENT OF THE**
8 **INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF**
9 **FINANCE, THE DEPARTMENT OF BUDGET AND MANAGEMENT AND**
10 **THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY TO**
11 **FORMULATE GUIDELINES AND DESIGN AND DEVELOP PROCESSES**
12 **AND SYSTEMS TO FACILITATE THIS SUPERVISION.** The President shall
13 exercise supervisory authority directly over provinces, highly urbanized cities, and
14 independent component cities; through the province with respect to component cities
15 and municipalities; and through the city and municipality with respect to
16 barangays.
17

18
19 (a)
20 (b)”
21

22 **SEC. 3.** Section 29 of the Code is hereby amended to read as follows:
23

24 **“SEC. 29. Provincial Relations with Component Cities and Municipalities. -** The
25 province, through the governor, shall ensure that every component city and municipality
26 within its territorial jurisdiction acts within the scope of its prescribed powers and functions
27 **AND ADHERES TO THE PRINCIPLES AND POLICIES OF GOOD**
28 **GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT. THE**
29 **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE**
30 **DEPARTMENT OF FINANCE, THE DEPARTMENT OF BUDGET AND**
31 **MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT**
32 **AUTHORITY SHALL FORMULATE GUIDELINES AND DESIGN AND**
33 **DEVELOP PROCESSES AND SYSTEMS TO SUPPORT THE OVERSIGHT**
34 **FUNCTION OF THE PROVINCE.** Highly urbanized cities and independent component
35 cities shall be independent of the province.”
36

37 **SEC. 4.** Section 32 of the Code is hereby amended to read as follows:
38

39 **“SEC. 32. City and Municipal Supervision over their respective Barangays. -**
40 The city or municipality, through the city or municipal mayor concerned, shall exercise
41 general supervision over component barangays to ensure that said barangays act within the
42 scope of their prescribed powers and functions **AND ADHERES TO THE PRINCIPLES**
43 **AND POLICIES OF GOOD GOVERNANCE AND EFFICIENT PUBLIC**
44 **FINANCIAL MANAGEMENT. THE DEPARTMENT OF THE INTERIOR AND**
45 **LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, THE**
46 **DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL**
47 **ECONOMIC AND DEVELOPMENT AUTHORITY SHALL FORMULATE**
48 **GUIDELINES AND DESIGN AND DEVELOP PROCESSES AND SYSTEMS TO**
49 **SUPPORT THE EXERCISE OF THIS SUPERVISION BY THE CITY AND**
50 **MUNICIPALITY OVER THE BARANGAYS.”**

1 SEC. 5. Section 108 of the Code is hereby amended to read as follows:
2

3 **"SEC. 108. Representation of Non-governmental Organizations. -** Within a
4 period of sixty (60) days [from] **PRIOR TO** the start of organization of local development
5 councils, the non-governmental organizations shall choose from among themselves their
6 representatives to said councils. **WITHIN THE SAME SIXTY (60) DAY PERIOD, [T]**
7 the local sanggunian concerned shall accredit non-governmental organizations subject to
8 such criteria as may be provided by law **AND GUIDELINES PREPARED BY THE**
9 **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT AND THE**
10 **DEPARTMENT OF BUDGET AND MANAGEMENT. THE SELECTION PROCESS**
11 **SHALL BE CONDUCTED ONCE EVERY THREE (3) YEARS IN ORDER TO**
12 **ENSURE THAT THE NON-GOVERNMENTAL ORGANIZATIONS**
13 **REPRESENTED IN THE LOCAL DEVELOPMENT COUNCIL ARE CURRENTLY**
14 **ACTIVE AND TO EXPAND AND IMPROVE THE COVERAGE OF COMMUNITY**
15 **ISSUES AND CONCERNS."**
16

17 SEC. 6. Section 109 of the Code is hereby amended to read as follows:
18

19 **"SEC. 109. Functions of Local Development Councils. -**
20

21 (a) The provincial, city, and municipal development councils shall exercise the
22 following functions:
23

- 24 (1) Formulate **COMPREHENSIVE** long-term, medium-term, and annual socio-
25 economic development plans and policies;
- 26 (2) Formulate the medium-term and annual public investment programs;
- 27 (3) Appraise and prioritize socio-economic **MEDIUM-TERM AND ANNUAL**
28 **PUBLIC INVESTMENT** [development] programs and projects;
- 29 (4) Formulate local investment incentives to promote the inflow and direction of
30 private investment capital;
- 31 (5) Coordinate, monitor, and evaluate the implementation of [development]
32 **MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT** programs and
33 projects; and,
- 34 (6) Perform such other functions as may be provided by law or component authority.
35

36 (b) The barangay development council shall exercise the following functions:
37

- 38 (1) Mobilize people's participation in local development efforts;
- 39 (2) Prepare barangay development plans based on local requirements;
- 40 (3) Monitor and evaluate the implementation of national or local programs and
41 projects; and
- 42 (4) Perform such other functions as may be provided by law or competent
43 authority.
44

45 (c) **THE DEPARTMENT OF THE INTERIOR AND LOCAL**
46 **GOVERNMENT, THE DEPARTMENT OF FINANCE, THE DEPARTMENT OF**
47 **BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND**
48 **DEVELOPMENT AUTHORITY SHALL ISSUE MANUALS AND RELATED**
49 **ISSUANCES TO GUIDE THE LOCAL DEVELOPMENT COUNCILS OF THE**
50 **PROVINCE, MUNICIPALITY, CITY AND BARANGAY IN THE PREPARATION**
51 **OF THEIR MEDIUM-TERM COMPREHENSIVE LOCAL DEVELOPMENT**

1 **PLANS AND MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT**
2 **PROGRAMS.**

3
4 **SEC. 7.** Section 113 of the Code is hereby amended to read as follows:
5

6 **“SEC. 113. Secretariat.** - There is hereby constituted for each local development
7 council a secretariat which shall be responsible for providing technical support,
8 documentation of proceedings, preparation of reports and such other assistance as may be
9 required in the discharge of its functions. The local development council may avail of the
10 services of any non-governmental organization or educational or research institution for
11 this purpose.

12 The secretariats of the provincial, city, and municipal development councils shall be
13 headed by their respective planning and development coordinators **WITH THEIR**
14 **RESPECTIVE TREASURERS, BUDGET OFFICERS AND ACCOUNTANTS AS**
15 **MEMBERS.** The secretariat of the barangay development council shall be headed by the
16 barangay [secretary] **TREASURER** who shall be assisted by the **BARANGAY**
17 **SECRETARY AND ADVISED BY THE** city or municipal planning and development
18 coordinator concerned.”
19

20 **SEC. 8.** Section 114 of the Code is hereby amended to read as follows:
21

22 **“SEC. 114. Relation of Local Development Councils to the Sanggunian and the**
23 **Regional Development Council. -**
24

25 (a) The policies, programs, and projects proposed by local development councils
26 shall be submitted to the sanggunian concerned for appropriate action. The
27 **COMPREHENSIVE** local development plans approved by their respective sanggunian
28 [may] **SHOULD** be [integrated] **ALIGNED** with the development plans of the next higher
29 level of local development council.
30

31 (b) The approved development plans of provinces, highly-urbanized cities, and
32 independent component cities shall be submitted to the regional development council, which
33 shall be integrated into the regional development plan for submission to the National
34 Economic and Development Authority, in accordance with existing laws.”
35

36 **BOOK II – LOCAL TAXATION AND FISCAL MATTERS**
37

38 **SEC. 9.** Section 316 of the Code is hereby amended to read as follows:
39

40 **“SEC. 316. Local Finance Committee.** - There is hereby created in every province,
41 city or municipality a local finance committee to be composed of the local planning and
42 development officer, the local budget officer, [and] the local treasurer, **AND THE**
43 **LOCAL ACCOUNTANT.**
44

45 (a)”
46

47 **SEC. 10.** Section 319 of the Code is hereby amended to read as follows:
48

49 **“SEC. 319. Legislative Authorization of the Budget.** - On or before the end of the
50 current fiscal year, the sanggunian concerned shall, through an ordinance, the annual budget
51 of the local government unit for the ensuing fiscal year on the basis of the estimates of
52 income and expenditures submitted by the local chief executive **AND THE APPROVED**

1 ANNUAL INVESTMENT PROGRAM WHICH IS THE ENSUING YEAR SLICE OF
2 THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM.”
3

4 SEC. 11. Section 324 of the Code is hereby amended to read as follows:
5

6 “SEC. 324. **Budgetary Requirements.** - The budgets of local government units for
7 any fiscal year shall comply with the following requirements:
8

9 (a) The aggregate amount appropriated shall not exceed the estimates of income
10 AND THE ANNUAL INVESTMENT PROGRAM WHICH IS THE ENSUING
11 YEAR SLICE OF THE MEDIUM-TERM PUBLIC INVESTMENT
12 PROGRAM;
13

14 (b)

15 (c).....
16

17 SEC. 12. Section 352 of the Code is hereby amended to read as follows:
18

19 “SEC. 352. **Posting of the Summary of Income and Expenditures.** - Local
20 treasurers, accountants, budget officers, and other accountable officers shall, within thirty
21 (30) days from the end of the fiscal year, post in at least three (3) publicly accessible and
22 conspicuous places in the local government unit OR THE OFFICIAL WEBSITE OF
23 THE LOCAL GOVERNMENT UNIT, IF AVAILABLE, AND THE OFFICIAL
24 WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE
25 DEPARTMENT OF FINANCE, OR AN OFFICIAL GOVERNMENT WEBSITE
26 DESIGNATED BY THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE
27 DEPARTMENT OF FINANCE FOR SUCH PURPOSE a summary of all revenues
28 collected and funds received including the appropriations and disbursements of such funds
29 during the preceding fiscal year.”
30

31 **BOOK III – LOCAL GOVERNMENT UNITS**
32

33 SEC. 13. Section 513 of the Code is hereby amended to read as follows:
34

35 “SEC. 513. **Failure to Post and Publish the Itemized Monthly Collections and**
36 **Disbursements.** - Failure by the local treasurer of the local chief accountant to post the
37 itemized monthly collections and disbursements of the local government unit concerned
38 within ten (10) days following the end of every month and for at least two (2) consecutive
39 weeks at prominent places in the main office building of the local government unit
40 concerned, its plaza and main street, and to publish said itemization in a newspaper of
41 general circulation, where available, in the territorial jurisdiction of such unit OR THE
42 OFFICIAL WEBSITE OF THE LOCAL GOVERNMENT UNIT, IF AVAILABLE,
43 AND THE OFFICIAL WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT
44 FINANCE OF THE DEPARTMENT OF FINANCE, OR AN OFFICIAL
45 GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF LOCAL
46 GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE FOR SUCH
47 PURPOSE shall be punished by a fine not exceeding Five hundred pesos (P500.00) or by
48 imprisonment not exceeding one (1) month, or both such fine and imprisonment, at the
49 discretion of the court.
50

1 **SEC. 14. - *Repealing Clause.*** All general and special laws, acts, city charters, decrees,
2 executive orders, proclamations and administrative regulations, or part or parts thereof which are
3 inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly.
4

5 **SEC. 15. - *Separability Clause.*** If, for any reason or reasons, any part of provision of this
6 Act shall be held unconstitutional or invalid, other parts or provisions hereof which not affected
7 thereby shall continue to be in full force and effect.
8

9 **SEC. 16. *Effectivity Clause.*** This Act shall take effect after fifteen (15) days from its
10 publication in the Official Gazette or in two (2) newspaper of general circulation.

Approved,