

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

Eighteenth Congress
First Regular Session



House Bill No. 1053

Introduced by Honorable Dahlia A. Loyola

EXPLANATORY NOTE

The State recognizes the importance of budget reform measures for local government units (LGUs) to fully exercise their local autonomy in pursuit of robust development, sustained growth and good governance at the local level.

The State likewise underlines the policy for fiscal decentralization, as stated in Section 2(a), Chapter I, Title I of The Local Government Code, to wit:

"It is hereby declared the policy of the State that the territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals. Toward this end, the State shall provide for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units shall be given more powers, authority, responsibilities, and resources. The process of decentralization shall proceed from the national government to the local government units."

Thus, it is clear that the National Government shares its political-administrative authority with different local political subdivisions. Moreover, to emphasize the importance of LGUs' role in nation building, the National Government devolved some important governmental functions to the local level, i.e. environment, public health, infrastructure, among others.

While LGUs are equal partners of the National Government in promoting the welfare and well-being of the people, there are existing gaps that need to be addressed, among which is the measly sum of LGU share in the National Budget. For Fiscal Year 2018 General Appropriations Act (GAA) enacted through Republic Act 10964, LGU shares, through the Allocation to Local Government Units and Internal Revenue Allotment, amount to only P581.1 billion. This translates to a mere 15% of the P3.767 trillion national budget.

Noteworthy is the fact that some, if not all, of these National Government Agencies with huge annual appropriations have been remiss in their responsibilities of delivering basic services and contributing to national development due to massive underspending to the detriment of the Filipino people. From year 2010 to 2017, the annual average of unused appropriations is P343.8 billion pesos. In 2017 alone, unused appropriations amount to a staggering P388.4 billion, which translates to 10.5% of the P3.7 trillion Available Appropriations for Fiscal Year 2017.

Thus, it is the intention of this proposal to institutionalize rational and equitable budget distribution for LGU development for them to be active participants in nation building.

Under the proposal, the amount allocated to the LGUs will be referred to as the "Local Development Fund (LDF)", which will be divided among the different political subdivisions solely for developmental projects, activities and programs (PAPs) based on their approved Comprehensive Development Plans (CDPs).

The CDPs will be subject to annual review of a committee created for the purpose of determining if the LGUs' entitlements to the said fund will be reduced or retained based on their compliance with their respective plans.

It is also recognized that LGUs must have adequate capacity to carry out their mandate for the proper implementation of the LDFs. Capacity building will enhance local governance, improve delivery of public service, and strengthen accountability

among local governments. These are important in effectively carrying out devolved functions and ultimately, attaining local autonomy.

Hence, adequate funds shall be appropriated mandating the Local Government Academy (LGA) to provide the LGUs with the necessary tools in undertaking effective planning and proper implementation of their PAPs in accordance with their approved CDPs.

By giving the LGUs the necessary wherewithal to be active participants in the development of our country, we will end the culture of mendicancy and political patronage that viciously thrive in our system. Ultimately, this will help us realize the elusive inclusive growth that we all aspire for as a nation.

It is for this purpose that the approval of this bill is earnestly sought.



DR. DAHLIA A. LOYOLA
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House Bill No. 1053

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AN ACT
INSTITUTING BUDGET REFORM THAT WILL ENSURE THE EQUITABLE
DISTRIBUTION OF FUNDS FOR BOTH THE NATIONAL AND LOCAL
GOVERNMENT UNITS FOR THE PURPOSE OF PROMOTING VILLAGE
EMPOWERMENT, ENABLING THEM TO BE AN EFFECTIVE
INSTRUMENT IN ATTAINING INCLUSIVE GROWTH, APPROPRIATING
FUNDS THEREFOR AND FOR OTHER PURPOSES

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

1 **SECTION. 1. Short Title.** - This Act shall be known as the "**THE**
2 **BUDGET REFORM FOR VILLAGE EMPOWERMENT ACT OF 2019.**"

3
4 **SEC. 2. Declaration of Policy.** –

5 (a) It is a declared policy of the State that territorial and political
6 subdivisions shall enjoy genuine and meaningful local autonomy
7 to enable them to attain their fullest development as self-reliant
8 communities and make them more effective partners in the
9 attainment of national goals;

10
11 (b) It is also the policy of the State that meaningful local autonomy
12 can only be realized through the implementation of locally
13 crafted development plans that accurately acknowledge and
14 address perceived local needs;

(c) The State acknowledges that there exists a fiscal gap between the expenditure responsibilities of the Local Government Units (LGUs) and their fiscal capacity;

(d) It is likewise the policy of the State to ensure that sufficient financial resources for development are available to LGUs with corresponding accountability of improving public services;

(e) Therefore, the State recognizes that inclusive and sustainable growth can be truly achieved only by providing the LGUs with adequate resources and technical capacities that will promote meaningful development.

SEC. 3. Allotment for Development. - To achieve the policies declared in this Act, the National Government shall guarantee an annual fund sufficient to implement the three-year Comprehensive Development Plan (CDP) of each and every province, city, municipality, and barangay herein referred to as the "*Local Development Fund*" (LDF), to wit:

(a) Provinces – Five Hundred Million Pesos to One Billion Pesos (P500,000,000.00 to P1,000,000,000.00) per province per year;

(b) Cities – One Hundred Million Pesos to Two Hundred Million Pesos (P100,000,000.00 to P200,000,000.00) per city per year;

(c) Municipalities – Fifty Million Pesos to One Hundred Million Pesos (P50,000,000.00 to P100,000,000.00) per municipality per year; and,

(d) Barangays – Three Million Pesos to Five Million Pesos (P3,000,000.00 to P5,000,000.00) per barangay per year.

Provided that, the amount of LDF for each province, city or municipality shall be based on the following criteria:

- a) 50% of the prescribed amount for each 1st class LGU;
- b) 60% of the prescribed amount for each 2nd class LGU;
- c) 70% of the prescribed amount for each 3rd class LGU;
- d) 80% of the prescribed amount for each 4th class LGU;
- e) 90% of the prescribed amount for each 5th class LGU; and
- f) 100% of the prescribed amount for each 6th class LGU;

Provided, further, That each barangay shall, at all times, receive the full amount of LDF prescribed above.

In the allotment of the LDF, Fiscal capacity, expenditure responsibilities and poverty incidence shall be taken into consideration.

These funds shall be automatically and directly released to every LGU at the start of the fiscal year or on quarterly basis within five (5) days at the start of each quarter. No lien, holdback or any other imposition, of whatever nature, may be imposed by the National Government against the said fund.

SEC. 4. Purpose of Local Development Fund. – The fund shall be used solely by the LGUs to finance their respective development projects, activities and programs (PAPs) identified in their approved Comprehensive Local Development Plans (CDPs). ; *Provided, That no less than ten percent (10%) of the LDF shall be allotted to PAPs geared towards the enhancement and promotion of technical skills training of the citizens in the concerned LGU. The use of the said fund contrary to the stated purpose shall make the approving authority and all persons who allow such diversion liable for technical malversation as defined and penalized under Article 220 of Act No. 3815, otherwise known as the "Revised Penal Code".*

SEC. 5. Expenditures Not Covered. - No amount shall be paid out of the LDF to items that are not related to or connected with the development PAPs such as:

- (a) Administrative expenses such as cash gifts, bonuses, food allowance, medical assistance, uniforms, supplies, meetings, communication, water and light, petroleum products and the like;
- (b) Salaries, wages, emoluments, per diems or overtime pay;
- (c) Travelling expenses, whether domestic or foreign;
- (d) Registration or participation fees in trainings, seminars, conferences and conventions;
- (e) Construction, repair or refinishing of administrative offices;
- (f) Purchase of administrative office's furniture, fixtures, equipment or appliances;
- (g) Purchase, maintenance or repair of motor vehicles or motorcycles.

Likewise, the LDF shall not be used to finance PAPs that may duplicate or overlap with PAPs that are being implemented or funded by the National Government Agencies (NGAs). Also, no LDF shall be utilized as a counterpart fund to support NGAs' identified PAPs.

SEC. 6. Comprehensive Local Development Plan. – Consistent with Republic Act 7160, otherwise known as the "*Local Government Code of 1991*", every LGU shall formulate a three-year CDP that is reflective of and responsive to the developmental needs of their respective localities with corresponding periodic timelines. The approved CDPs shall be funded yearly by the National Government in accordance with Section 3 hereof. The projects funded shall be identified in the Annual General Appropriations Act.

The Local Development Councils shall conduct an annual review, and if necessary, update AND IMPROVE their respective CDPs. The CDPs shall be formulated and approved in accordance with the provisions of Republic Act 7160.

118 The approved CDPs of each LGU shall be the basis for the allocation
119 of the Local Development Fund. In the event that the CDP is updated and
120 funding has been re-adjusted, the affected development project should first be
121 approved before it may be funded and implemented.

122
123 Consultations with all stakeholders shall be done at all stages of the
124 formulation, review, updating, or improvement of the CDP.

125
126 **SEC. 7. *Performance-based Evaluation.*** – A performance-based
127 evaluation shall be conducted by the Oversight Evaluation Committee (OEC)
128 chaired by the Undersecretary for Local Government of the Department of
129 Interior and Local Government (DILG). Before the end of the fourth quarter of
130 the year, said committee shall conduct an annual performance review of the
131 LGUs' implementation of their development PAPs based on the indicators
132 identified in their CDPs. The results shall be published before the end of the
133 first quarter of the following year.

134
135 Unsatisfactory performance of an LGU shall result in the reduction of
136 its LDF by fifty percent (50%) in the following year after the said evaluation;
137 Provided however, That, when the LGU which was previously rated with poor
138 standing improves on its performance in the next evaluation period, full
139 funding shall be restored; Provided further, That, LDF shall be terminated in
140 case of two (2) consecutive unsatisfactory performance; Provided finally,
141 That, LGUs, whose LDF has been terminated, may reapply for funding of their
142 CDPs a year following its termination.

143
144 **SEC. 8. *Web-based Monitoring System.*** – In the spirit of
145 transparency and accountability, the OEC shall adopt a web-based
146 application to facilitate the monitoring and evaluation of all PAPs funded by
147 the LDF. The system shall allow tracking of expenditures and the status of
148 implementation of the PAPs. The status of the PAPs shall be updated monthly
149 by the LGUs or as frequently as maybe necessary. It is the responsibility of
150 the Chief Executive of the LGU to make sure that the reportorial requirements
151 are complied with. In case of non-reporting or failure to comply with the

reportorial requirements, the OEC shall advise the Department of Budget and Management (DBM) to suspend the release of funding to the delinquent LGU until such time that it complies with the requirements. The system shall be accessible to the general public and all information, including but not limited to funding/cost, location, contractor, progress status, number of beneficiaries, date of completion and responsible government official, of the PAPs shall be disclosed.

The amount of One Hundred Million Pesos (P100,000,000.00) is hereby appropriated to fund the establishment of a web-based monitoring system.

To enhance the monitoring of PAPs, the Strategic Action and Response (STAR) and the Office of Participatory Governance, both under the Office of the Cabinet Secretary, shall provide the following support:

- a. Promote active citizenship, inclusiveness, transparency and accountability; and,
- b. Conduct public awareness campaign on reform for the Governments' development PAPs in the localities.

SEC. 9. Oversight Evaluation Committee. - There is hereby created a Oversight Evaluation Committee in charge of the monitoring and evaluation of the implementation of development PAPs under the LDF based on the indicators provided under the CDPs, composed of the following:

1. The Undersecretary for Local Government of the DILG, as Chairman;
2. An Undersecretary from the Office of the Cabinet Secretary;
3. The Undersecretary for Regional of the National Economic and Development Authority (NEDA);

- 185 4. The Undersecretary for Local Government and Regional Operations
186 Group of the DBM;
187
- 188 5. The Executive Director of the Bureau of Local Government Finance
189 (BLGF) of the Department of Finance (DOF);
190
- 191 6. A representative from each of the various leagues of the different LGUs
192 concerned;
193
- 194 7. The Chairperson the National Commission on Indigenous Cultural
195 Communities/Indigenous Peoples (NCIP), if applicable; and,
196
- 197 8. Four representatives from accredited civil society groups and/or non-
198 government organizations in the locality where the CDP is to be
199 implemented.
200

201 The representatives from the accredited civil society groups and/or
202 non-government organizations shall be selected based on the criteria and
203 mechanisms to be determined for this purpose by the OEC. Civil Society
204 Groups and/or non-government organizations who has a member that is
205 related by sixth degree of consanguinity or affinity to any elected officials in
206 the locality shall not be accredited.
207

208 The various Regional Project Monitoring Committees (RPMC) shall
209 assist the OEC in its task of monitoring and evaluation and shall act as the
210 secretariat of the OEC with respect to their region.
211

212 The OEC may create a Technical and Support Unit under its direct
213 control and supervision but within the administrative structure of the DILG.
214

215 **SEC. 10. Capacity Building.** – The Local Government Academy
216 (LGA), in consortium and/or partnership with academic institutions of higher
217 learning and/or state university/ies with distinguished competencies in public
218 governance programs, shall establish a continuing capacity program for all

LGUs. Trainings or programs conducted by such academic institutions of higher learning and/or state university/ies may be considered for academic credits.

The LGA is mandated to ensure, within one (1) year after the effectivity of this Act, that all territorial and political subdivisions are capacitated to effectively plan and implement the development projects in their respective CDPs.

For this purpose, the amount of One Billion Pesos (P1,000,000,000.00) is hereby appropriated for capacity building of all LGUs.

The LGA shall provide options and/or lists of development PAPs to guide the LGUs.

No Local Development Fund shall be released without a certification from the LGA that the LGU is capacitated to plan and implement its CDP.

SEC. 11. Procurement. – Procurement for the purpose of implementing the CPDs must be consistent with the provisions of Republic Act 9184, otherwise known as “*Government Procurement Reform Act*”.

SEC. 12. Penal Provision –

a) It shall be unlawful for any person to withhold the release of the LDF to the LGUs within the period specified in Section 3 hereof. Any person violating the provision of this law shall suffer the penalty of imprisonment ranging from one year and one day to six years (1 year and 1 day to 6 years), and a fine of five hundred thousand pesos (P500,000.00), and temporary absolute disqualification from holding any public office or employment in the government, including any Government-Owned and/or Controlled Corporations (GOCCs), and their subsidiaries.

b) The Local Chief Executive shall be administratively liable, without prejudice to any civil or criminal liabilities he may have incurred under existing

laws, in case of failure to report the status of their development PAPs as required under Section 8 of this Act.

c) Any government official or employee who shall prevent the reporting or disclosure of any information or data pertaining to a funded development PAP as mandated by Section 8 of this Act, shall be held administratively liable without prejudice to any civil or criminal liability he may have incurred under existing laws.

SEC. 13. Oversight Committee. There is hereby created a Congressional Oversight Committee to monitor and oversee the implementation of the provisions of this Act. The Committee shall be composed of five (5) members from the Senate and five (5) members from the House of Representatives to be chaired by the Chairpersons of the Committee on Local Government from both the Senate and House of Representatives.

SEC. 14. Sunset Review. Five (5) years following the effectivity of this Act, or as the need arises; the Congress shall conduct a sunset review. For purposes of this Act, the term "sunset review" shall mean a systematic evaluation by Congress of the accomplishments and impact of this Act, as well as the performance of LGUs, for purposes of determining remedial legislation.

SEC. 15. Implementing Rules and Regulations. – For the effective implementation of this Act, the Secretary of the DILG, with the Secretaries of the DOF and the DBM and in consultation with the various leagues of the different LGUs, shall issue the necessary Implementing Rules and Regulations.

SEC. 16. Suppletory Application of Existing Laws. - The provisions of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991", and other laws consistent with this Act shall have suppletory effect.

286 **SEC. 17. *Repealing Clause.*** - All laws, presidential decrees, executive
287 orders, presidential proclamations, rules and regulations or parts thereof
288 contrary to or inconsistent with this Act are hereby repealed, superseded or
289 modified accordingly.

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291 **SEC. 18. *Separability Clause.*** - Any portion or provision of this Act
292 that may be declared unconstitutional or invalid shall not have the effect of
293 nullifying other portions or provisions hereof, as long as such remaining
294 portions or provisions can still subsist and be given effect in their entirety.

295

296 **SEC. 19. *Effectivity.*** - This Act shall take effect fifteen (15) days after
297 its complete publication in the Official Gazette or in at least two (2)
298 newspapers of general circulation.

Approved,