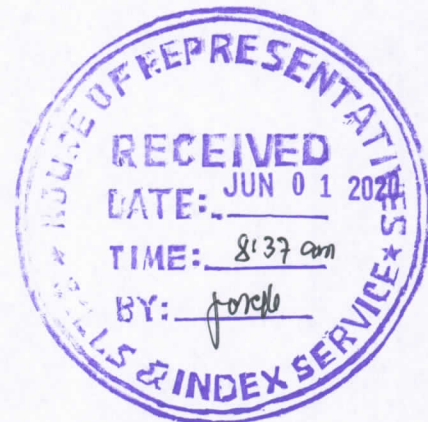


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6881



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

EXPLANATORY NOTE

As set forth in the 1987 Philippine Constitution and in the Local Government Code of 1991 (LGC), it is the State's policy to ensure that the territorial and political subdivisions of the State 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.¹

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 (LGUs) shall be given more powers, authority, responsibilities, and resources.²

And for LGUs to discharge these expanded fiscal, planning and regulatory powers and functions resulting from decentralization, there should be in every LGU an accountable, efficient, and dynamic organizational structure and operating mechanism that will meet the priority needs and service requirements of its communities.³

Public Financial Management (PFM) is an integral part of such organizational structure and operating mechanism as it provides the general framework for: (1) generating revenues; (2) allocating resources; and (3) managing expenditures, all of which are necessarily entailed in the fulfillment of the LGU's mandates.⁴

To enable implementation of this new organizational structure and operating mechanism among the LGUs, amendment of the Local Government Code of 1991, enacted almost thirty (30) years ago, must accordingly be made.

The proposed amendments integrate principles and policies of good governance and efficient public financial management as key benchmarks of decentralization. It mandates relevant government agencies to provide proper guidance to the LGUs in planning, investment programming, budgeting, revenue mobilization and administration, expenditure management, performance monitoring

¹ Public Financial Management Assessment Tool for Local Government Units (PFMAT for LGUs) by the Department of Budget and Management and the European Union, 2012

² Public Financial Management Assessment Tool for Local Government Units (PFMAT for LGUs) by the Department of Budget and Management and the European Union, 2012

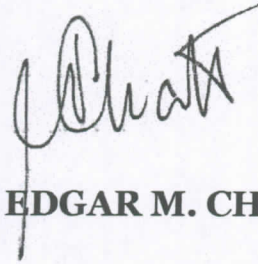
³ Ibid.

⁴ Ibid.

and management including the preparation not only of short-term but medium- and long-term public investment plans.

The amendments also emphasize the role of Regional Development Councils as well the provincial, city and municipal governments over their respective component LGUs in matters of public finance management. As an added feature, digitization of reports and posting on government portals ensure transparency and accountability.

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

A handwritten signature in black ink, appearing to read 'E. Chatto', with a long vertical line extending downwards from the bottom of the signature.

REP. EDGAR M. CHATTO

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

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6881

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

AN ACT
TO ENHANCE PUBLIC FINANCIAL MANAGEMENT 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 294 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 3. Operative Principles of Decentralization. - The formulation and implementation of policies and measures on local autonomy shall be guided by the following operative principles:

xxx

(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;**

xxx

(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;"**

SECTION 2. Section 25 (a) of the Code is hereby amended to read as follows:

“Section 25. National Supervision over Local Government Units. -

(a) Consistent with the basic policy on local autonomy, the President shall exercise general supervision over local government units to ensure that their acts are within the scope of their prescribed powers and functions **AND THE PRACTICE OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT. THE PRESIDENT SHALL INSTRUCT THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY TO FORMULATE GUIDELINES AND DESIGN AND DEVELOP PROCESSES AND SYSTEMS TO FACILITATE THIS SUPERVISION.**

The President shall exercise supervisory authority directly over provinces, highly urbanized cities, and independent component cities; through the province with respect to component cities and municipalities; and through the city and municipality with respect to barangays.

xxx”

SECTION 3. Section 29 of the Code is hereby amended to read as follows:

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

SECTION 4. Section 32 of the Code is hereby amended to read as follows:

“Section 32. City and Municipal Supervision over Their Respective Barangays. - The city or municipality, through the city or municipal mayor concerned, shall exercise general supervision over component barangays to ensure that said barangays act within the scope of their prescribed powers and functions **AND ADHERES TO THE PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT. FOR THIS**

PURPOSE, THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, AND THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY SHALL FORMULATE GUIDELINES AND DESIGN AND DEVELOP PROCESSES AND SYSTEMS TO SUPPORT THE EXERCISE OF THIS SUPERVISION BY THE CITY AND MUNICIPALITY OVER THE BARANGAYS."

SECTION 5. Section 108 of the Code is hereby amended to read as follows:

"Section 108. Representation of Non-governmental Organizations. - Within a period of sixty (60) days from the start of organization of local development councils, the non-governmental organizations shall choose from among themselves their representatives to said councils **WITHIN THE SAME SIXTY (60) DAYS PERIOD**, [F] the local sanggunian concerned shall accredit non-governmental organizations subject to such criteria as may be provided by law **AND GUIDELINES PREPARED BY THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT AND THE DEPARTMENT OF BUDGET AND MANAGEMENT. THE SELECTION PROCESS SHALL BE CONDUCTED ONE VERY THREE (3) YEARS TO ENSURE THAT THE NON-GOVERNMENTAL ORGANIZATIONS REPRESENTED IN THE LOCAL DEVELOPMENT COUNCIL ARE CURRENTLY ACTIVE AND TO EXPAND AND IMPROVE THE COVERAGE OF COMMUNITY ISSUES AND CONCERNS."**

SECTION 6. Section 109 of the Code is hereby amended to read as follows:

"Section 109. Functions of Local Development Councils. -

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

(1) Formulate **COMPREHENSIVE** long-term, medium-term, and annual socio-economic development plans and policies;

xxx

(3) Appraise and prioritize socio-economic [development] **MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT** programs and projects;

xxxx

(5) Coordinate, monitor, and evaluate the implementation of [development] **MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT** programs and projects; and

xxx

(C) THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, AND THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY SHALL ISSUE MANUALS AND RELATED ISSUANCES TO GUIDE THE LOCAL DEVELOPMENT COUNCILS OF THE PROVINCE, MUNICIPALITY, CITY AND BARANGAY IN THE PREPARATION OF THEIR MEDIUM-TERM COMPREHENSIVE LOCAL DEVELOPMENT PLANS AND MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT PROGRAMS."

SECTION 7. Section 110 of the Code is hereby amended to read as follows:

"Section 110. Meetings and Quorum. - The local development council shall meet at least once every six (6) months or as often as may be necessary. **WRITTEN NOTICE OF MEETING SHALL BE SENT TO THE MEMBERS OF THE LOCAL DEVELOPMENT COUNCIL AT LEAST TEN (10) DAYS PRIOR TO THE MEETING."**

SECTION 8. Section 113 of the Code is hereby amended to read as follows:

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

The secretariats of the provincial, city, and municipal development councils shall be headed by their respective planning and development coordinators **WITH THEIR RESPECTIVE TREASURERS, BUDGET OFFICERS AND ACCOUNTANT AS MEMBERS.** The secretariat of the barangay development council shall be headed by the barangay [secretary] **TREASURER** who shall be assisted by the **BARANGAY SECRETARY AND ADVISED BY THE** city or municipal planning and development coordinator concerned."

SECTION 9. Section 114 of the Code is hereby amended to read as follows:

Section 114. Relation of Local Development Councils to the Sanggunian and the Regional Development Council.-

(a) The policies, programs, and projects proposed by local development councils shall be submitted to the sanggunian concerned for appropriate action. The **COMPREHESIVE** local development plans approved by their respective sanggunian [may] **SHOULD** be

[integrated] **ALIGNED** with the development plans of the next higher level [of] local development council.

xxx”

SECTION 10. Section 316 of the Code is hereby amended to read as follows:

“Section 316. Local Finance Committee. - There is hereby created in every province, city or municipality a local finance committee to be composed of the local planning and development officer, the local budget officer, [and] the local treasurer **AND THE LOCAL ACCOUNTANT**. It shall exercise the following functions:

xxx”

SECTION 11. Section 319 of the Code is hereby amended to read as follows:

“Section 319. Legislative Authorization of the Budget. - On or before the end of the current fiscal year, the sanggunian concerned shall, through an ordinance, the annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive **AND THE APPROVED ANNUAL INVESTMENT PROGRAM WHICH IS THE ENSUING YEAR EQUIVALENT OF THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM.**”

SECTION 12. Section 324 of the Code is hereby amended to read as follows:

“Section 324. Budgetary Requirements. - The budgets of local government units for any fiscal year shall comply with the following requirements:

- (a) The aggregate amount appropriated shall not exceed the estimates of income **AND THE ANNUAL INVESTMENT PROGRAM WHICH IS THE ENSUING YEAR EQUIVALENT OF THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM;**

xxx”

SECTION 13. Section 352 of the Code is hereby amended to read as follows:

Section 352. Posting of the Summary of Income and Expenditures. - Local treasurers, accountants, budget officers, and other accountable officers shall, within thirty (30) days from the end of the fiscal year, post in at least three (3) publicly accessible and conspicuous places in the local government unit **OR THE OFFICIAL WEBSITE OF THE LOCAL GOVERNMENT UNIT, IF AVAILABLE, AND THE OFFICIAL WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT FINANCE OR THE DEPARTMENT OF**

FINANCE, OR AN OFFICIAL GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE FOR SUCH PURPOSE, a summary of all revenues collected and funds received including the appropriations and disbursements of such funds during the preceding fiscal year.”

SECTION 14. Section 513 of the Code is hereby amended to read as follows:
“Section 513. Failure to Post and Publish the Itemized Monthly Collections and Disbursements. - Failure by the local treasurer of the local chief accountant to post the itemized monthly collections and disbursements of the local government unit concerned within ten (10) days following the end of every month and for at least two (2) consecutive weeks at prominent places in the main office building of the local government unit concerned, its plaza and main street, and to publish said itemization in a newspaper of general circulation, where available, in the territorial jurisdiction of such unit **OR THE OFFICIAL WEBSITE OF THE LOCAL GOVERNMENT UNIT, IF AVAILABLE, AND THE OFFICIAL WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT FINANCE OR THE DEPARTMENT OF FINANCE, OR AN OFFICIAL GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE FOR SUCH PURPOSE,** shall be punished by a fine not exceeding Five hundred pesos (P500.00) or by imprisonment not exceeding one (1) month, or both such fine and imprisonment, at the discretion of the court.

SECTION 15. Section 395 (e) of the Code is hereby amended to read as follows:

“Section 395. Barangay Treasurer: Appointment, Qualification, Powers and Duties. –

xxx

(e) The barangay treasurer shall:

xxx

- (5) Render a written accounting report of all barangay funds and property under his custody **AND A SUMMARY OF ALL REVENUES COLLECTED AND FUNDS RECEIVED INCLUDING APPROPRIATIONS AND DISBURSEMENTS OF SUCH FUNDS** [at the end of each calendar year,] **WITHIN THIRTY (30) DAYS FROM THE END OF THE FISCAL YEAR,** [and] ensure that such report shall be made available to the members of the barangay assembly and other government agencies concerned, **AND POST IN AT LEAST THREE (3) PUBLICLY ACCESSIBLE AND CONSPICUOUS PLACES IN THE**

**BARANGAY OR THE OFFICIAL WEBSITE OF THE
BARANGAY, IF AVAILABLE;**

xxx”

SECTION 16. Implementing Rules and Regulations. – The Department of the Interior and Local Government, the Department of Budget and Management, the Department of Finance and the National Economic and Development Authority shall formulate and issue the necessary rules and regulations for the effective implementation of the provisions of this Act within sixty (60) days from its effectivity.

SECTION 17. 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 18. 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 19. 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.