

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

Twentieth Congress

HOUSE BILL NO. 8069



Introduced by Representative **CARLOS A. LORIA**

AN ACT

**ESTABLISHING THE GOVERNANCE MATCHING GRANT (GMG) SYSTEM,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 11292, MANDATING
FISCAL RESILIENCY STANDARDS FOR LOCAL GOVERNMENT UNITS, AND
APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

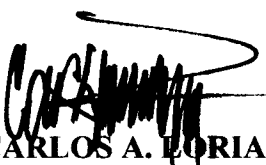
Local Government Units (LGUs) are the primary engines of grassroots development. However, the post-Mandanas-Garcia fiscal landscape has revealed a critical challenge: a growing "dependency syndrome" where many LGUs rely almost exclusively on the National Tax Allotment (NTA), failing to optimize their own local revenue bases.

While Republic Act No. 11292 institutionalized the Seal of Good Local Governance (SGLG), the incentive structure remains largely programmatic. High-performing LGUs receive recognition, but lack a predictable, statutory framework that links governance excellence to fiscal productivity. To safeguard the National Treasury and ensure sustainable development, national assistance must transition from "discretionary grants" to a Performance-Matched System.

This Act, the "LGU Fiscal Resilience and Governance Empowerment Act," institutionalizes a Governance-Linked Prioritization System that rewards LGUs not just for administrative compliance, but for fiscal resilience. By introducing the Governance Matching Grant (GMG), the National Government provides additional fiscal support matched to an LGU's success in increasing its locally-sourced revenues. This makes the bill Revenue-Positive: it incentivizes LGUs to grow the local tax base, thereby strengthening the national economy from the bottom up.

Furthermore, this bill ensures inclusivity through the "LGU Rescue and Reform Facility", providing structured support for underperforming LGUs to modernize their financial systems. By aligning national assistance with measurable revenue outcomes, this Act promotes meritocracy, incentivizes innovation, and ensures that public resources are allocated with maximum efficiency.

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



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

SECTION 1. Short Title. — This Act shall be known as the “**LGU Fiscal Resilience and Governance Empowerment Act.**”

SEC. 2. Declaration of Policy. — It is the policy of the State to promote local fiscal autonomy, meritocracy, and accountability. The State shall reward Local Government Units (LGUs) that demonstrate not only administrative excellence but also fiscal resilience by growing their local economies and maintaining high standards of public financial management.

SEC. 3. Governance-Linked Prioritization and the Matching Grant. —

a) **Institutionalization.** — A Governance-Linked Prioritization System is hereby established as the primary framework for the allocation of assistance under the Local Government Support Fund (LGSF).

b) **The Governance Matching Grant (GMG).** — Within this system, there is hereby established the GMG, a performance-based fiscal incentive for SGLG awardees.

c) **The Matching Principle.** — The GMG shall be calculated based on the LGU's year-on-year increase in locally-sourced revenues, including Real Property Tax, Business Taxes, and Fees.

d) **Tiered Reward.** — For every one percent (1%) increase in locally-sourced revenue, an SGLG-certified LGU shall be eligible for a corresponding "Success Bonus" from the LGSF, subject to the criteria and caps set by the Department of Budget and Management (DBM).

SEC. 4. Strengthening the SGLG "Fiscal Reliability" Pillar. — Section 7 of R.A. No. 11292 is hereby amended to incorporate "Fiscal Productivity" as a core requirement. To qualify for the Seal, an LGU must demonstrate:

1. An Unmodified or Qualified Opinion from the Commission on Audit (COA);
2. A verifiable increase in local tax collection efficiency;
3. Full compliance with the Electronic Business Permitting and Licensing System (eBPLS); and

4. Responsible debt and expenditure management.

SEC. 5. The "LGU Rescue and Reform" Facility. — To prevent a permanent governance divide, ten percent (10%) of the total GMG annual appropriation shall be diverted to the Governance Reform Facility. This fund is strictly for LGUs in the bottom quintile of performance to be used for:

- a) Hiring and training of professionalized Internal Audit units;
- b) Digitization of local treasury and assessment offices; and
- c) Capacity building for local revenue officers and investment promotion.

SEC. 6. Transparency and Anti-Corruption Safeguards. — All funds released under the GMG shall be tracked via a Real-Time Fiscal Dashboard maintained by the Department of Finance (DOF) and the DILG. LGUs shall be required to post "Citizen's Budgets" and utilize geo-tagged reporting to show exactly how the Matching Grant was spent on local social services or infrastructure.

SEC. 7. Appropriations. — The amount necessary for the initial implementation of this Act shall be included in the annual General Appropriations Act (GAA) as a distinct line item under the Local Government Support Fund. These funds shall be considered "Protected Appropriations" and shall not be subject to "For Later Release" (FLR) tags once an LGU has been certified as an SGLG awardee.

SEC. 8. Implementing Rules and Regulations (IRR). — Within ninety (90) days from the effectivity of this Act, the DILG, DBM, and DOF shall promulgate the IRR, with specific focus on the mathematical formula for the Revenue-Matching prioritization mechanism.

SEC. 9. Separability Clause. — If any part of this Act is held invalid, other provisions shall remain in force.

SEC. 10. Repealing Clause. — All laws, executive orders, or rules inconsistent with this Act, specifically those portions of RA 7160 and RA 11292 regarding fiscal support, are hereby amended or modified accordingly.

SEC. 11. Effectivity. — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,