

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

House Bill No. 580



---

Introduced by CIBAC Party-List Representatives  
Eduardo 'Bro. Eddie' C. Villanueva and Domingo C. Rivera

---

**AN ACT ENSURING THE EQUITABLE DISTRIBUTION OF FUNDS  
BETWEEN THE NATIONAL GOVERNMENT AND THE LOCAL  
GOVERNMENT UNITS, APPROPRIATING FUNDS THEREFOR  
AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

The Local Government Code of 1991 (LGC), or the Republic Act No. 7160, seeks to empower local government units (LGUs) by granting them the authority to formulate and implement projects and programs suitable for their respective communities. Furthermore, consistent with the national objective of creating effective and efficient LGUs, the LGC also allows provisions for LGUs to be able to fund said projects and programs. Thus, there has been mandated an increase in the share of LGUs from the national government's annual tax collection through the distribution of the Internal Revenue Allotment (IRA) and an authorization for LGUs to impose local fees and taxes to generate additional resources.

Despite the said provisions, however, many LGUs still continue to suffer from limited fiscal resources, resulting to their inability to provide quality services to their constituents, a stark contrast to what was initially envisioned when the LGC was enacted in 1991. To date, many LGUs still rely on direct provision from the national government, especially for programs and projects that contribute to their local development.

This bill, therefore, seeks to provide additional funding for LGUs by giving each barangay, municipality, city, and province a Local Development Fund (LDF). The LDF aims to supplement the funding of LGUs to ensure that their developmental programs and projects are adequately funded. Furthermore, in order to promote equity in terms of income distribution, this bill provides for higher funding to lower-income LGUs compared to their higher-income counterparts.

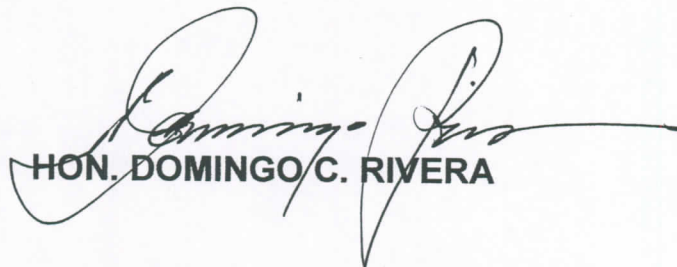
This bill also outlines various safeguards (such as, but not limited to, compliance with local development plan, local capacity-building, multi-sectoral monitoring and evaluation) to ensure that funds are used as intended.

Finally, this bill also mandates that at least 10% of the LDF be utilized for programs aimed towards the enhancement and promotion of technical skills training and education in the community.

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



**HON. EDUARDO "BRO. EDDIE" C. VILLANUEVA**



**HON. DOMINGO C. RIVERA**



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session

House Bill No. 580

---

Introduced by CIBAC Party-List Representatives  
Eduardo 'Bro. Eddie' C. Villanueva and Domingo C. Rivera

---

1       **AN ACT ENSURING THE EQUITABLE DISTRIBUTION OF FUNDS**  
2       **BETWEEN THE NATIONAL GOVERNMENT AND THE LOCAL**  
3       **GOVERNMENT UNITS, APPROPRIATING FUNDS THEREFOR**  
4       **AND FOR OTHER PURPOSES**

5  
6  
7       *Be it enacted by the Senate and House of Representatives of the Philippines in*  
8       *Congress assembled:*  
9

10  
11       **SECTION 1. Short Title.** – This Act shall be known as the "*Local Budgeting Reform*  
12       *Act.*"  
13

14       **SECTION 2. Declaration of Policy.** – The State and all its territorial and political  
15       subdivisions shall enjoy genuine and meaningful local autonomy to enable them to  
16       attain their fullest development as self-reliant communities and make them more  
17       effective partners in the attainment of national goals. For this purpose, the State  
18       recognizes that meaningful local autonomy can only be realized through the  
19       implementation of locally crafted development plans that accurately acknowledge and  
20       address perceived local needs, and that inclusive and sustainable growth can only be  
21       truly achieved by providing the local government units (LGUs) with adequate  
22       resources and technical capacities that will promote meaningful development.  
23

24       **SECTION 3. Allotment for Development.** – To achieve the policies declared in this  
25       Act, the National Government shall guarantee an annual fund sufficient to implement  
26       the three-year Comprehensive Development Plan (CDP) of each province, city,

municipality, and barangay, herein referred to as the "Local Development Fund" (LDF),  
to wit:

- a) *Provinces* – Fifty Million Pesos to One Hundred Million Pesos (P50,000,000.00 to P100,000,000.00) per province per year;
- b) *Cities* – Ten Million Pesos to Twenty Million Pesos (P10,000,000.00 to P20,000,000.00) per city per year;
- c) *Municipalities* – Five Million Pesos to Ten Million Pesos (P5,000,000.00 to P10,000,000.00) per municipality per year; and
- d) *Barangays* – One Million Pesos to Three Million Pesos (P1,000,000.00 to P3,000,000.00) 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 1<sup>st</sup> class LGU;
- b) 60% of the prescribed amount for each 2<sup>nd</sup> class LGU;
- c) 70% of the prescribed amount for each 3<sup>rd</sup> class LGU;
- d) 80% of the prescribed amount for each 4<sup>th</sup> class LGU;
- e) 90% of the prescribed amount for each 5<sup>th</sup> class LGU; and
- f) 100% of the prescribed amount for each 6<sup>th</sup> class LGU;

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

These funds shall be automatically and directly released to every LGU at the start of every 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 LDF.

**SECTION 4. Purpose of Local Development Fund.** – The LDF shall be used solely by the LGUs to finance their respective development projects, activities and programs (PAPs) identified in their approved 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 LDF 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."

**SECTION 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, except if such disbursement is for technical skills training as provided under Section 4 above;
- e) Construction, repair or refinishing of administrative offices;



- 1 f) Purchase of administrative office's furniture, fixtures, equipment or appliances;  
2 or  
3 g) Purchase, maintenance or repair of motor vehicles or motorcycles.  
4

5 The LDF shall not be used to finance PAPs that may duplicate or overlap with PAPs  
6 that are being implemented or funded by National Government Agencies (NGAs). No  
7 LDF shall also be utilized as a counterpart fund to support NGAs' identified PAPs.  
8

9 **SECTION 6. Comprehensive Local Development Plan.** – Consistent with Republic  
10 Act No. 7160, otherwise known as the "Local Government Code of 1991," every LGU  
11 shall formulate a three-year CDP that is reflective of and responsive to the  
12 developmental needs of their respective localities with corresponding periodic  
13 timelines. The approved CDPs shall be funded yearly by the National Government in  
14 accordance with Section 3 hereof.  
15

16 The Local Development Councils shall conduct an annual review of, and if necessary,  
17 update, their respective CDPs. The CDPs shall be formulated and approved in  
18 accordance with the provisions of the Local Government Code.  
19

20 The approved CDPs of each LGU shall be the basis for the allocation of the Local  
21 Development Fund. In the event that the CDP is updated and funding has been re-  
22 adjusted, the affected development project should first be approved before it may be  
23 funded and implemented.  
24

25 **SECTION 7. Performance-Based Evaluation.** – A performance-based evaluation  
26 shall be conducted by the Performance Evaluation Committee (PEC) chaired by the  
27 Undersecretary for Local Government of the Department of Interior and Local  
28 Government (DILG). Before the end of the fourth quarter of each year, the PEC shall  
29 conduct an annual performance review of the LGUs' implementation of their  
30 development PAPs based on the indicators identified in their CDPs. The results of the  
31 review shall be published and made available to the public, thru online or otherwise,  
32 on or before April 30 of each year.  
33

34 Unsatisfactory performance of an LGU shall result in the reduction of its LDF by fifty  
35 percent (50%) in the following year after the said evaluation; *Provided however*, That  
36 when the LGU which was previously rated with poor standing improves on its  
37 performance in the next evaluation period, full funding shall be restored; *Provided*  
38 *further*, That the distribution of the LDF to the LGU shall be terminated in case of two  
39 (2) consecutive unsatisfactory performance; *Provided finally*, That LGUs, whose LDF  
40 has been terminated, may reapply for funding of their CDPs one (1) year following its  
41 termination.  
42

43 **SECTION 8. Web-based Monitoring System.** – The PEC shall adopt a web-based  
44 application to facilitate the monitoring and evaluation of all PAPs funded by the LDF.  
45

46 The system shall allow tracking of expenditures and the status of implementation of  
47 the PAPs. The status of the PAPs shall be updated monthly by the LGUs or as  
48 frequently as may be necessary. The local chief executive of each LGU shall be  
49 responsible of ensuring the reportorial requirements are complied with.  
50



1 In case of non-reporting or failure to comply with the reportorial requirements, the PEC  
2 shall advise the Department of Budget and Management (DBM) to suspend the  
3 release of funding to the delinquent LGU until such time that it complies with the  
4 requirements.

5  
6 The system shall be accessible to the general public and all information, including, but  
7 not limited, to funding/cost, location, contractor, progress status, number of  
8 beneficiaries, date of completion and responsible government official, of the PAPs  
9 shall be disclosed.

10  
11 An amount, which shall not be less than Twenty Five Million Pesos (P25,000,000.00)  
12 is hereby appropriated to fund the establishment of a web-based monitoring system.

13  
14 **SECTION 9. Performance Evaluation Committee.** – There is hereby created a PEC  
15 in charge of the monitoring and evaluation of the implementation of development PAPs  
16 funded by the LDF based on the indicators provided under the CDPs. The PEC shall  
17 be composed of the following:

- 18 a) The Undersecretary for Local Government of the DILG, as Chairman;
- 19 b) The Assistant Director-General for Planning of the National Economic and  
20 Development Authority (NEDA);
- 21 c) The Assistant Secretary for Policy and Planning of the DBM;
- 22 d) The Executive Director of the Bureau of Local Government Finance (BLGF) of  
23 the Department of Finance (DOF);
- 24 e) A representative from each of the various leagues of the different LGUs  
25 concerned;
- 26 f) A representative from the National Commission on Indigenous Cultural  
27 Communities/Indigenous Peoples (NCIP), if applicable; and
- 28 g) Four (4) representatives from accredited civil society groups and/or non-  
29 government organizations in the locality where the CDP is to be implemented.

30  
31 The representatives from the accredited civil society groups and/or non-government  
32 organizations shall be selected based on the criteria and mechanisms to be  
33 determined for this purpose by the PEC.

34 The various Regional Project Monitoring Committees (RPMC) shall assist the PEC in  
35 its task and shall act as the secretariat of the PEC with respect to their region.

36  
37 **SECTION 10. Capacity Building.** – The Local Government Academy (LGA), in  
38 consultation with institutions of higher learning with distinguished competencies in  
39 public governance programs, is hereby mandated to ensure, within one (1) year after  
40 the effectivity of this Act, that all territorial and political subdivisions are capacitated to  
41 effectively plan and implement the development projects in their respective CDPs. For  
42 this purpose, an amount, which shall not be more than Fifty Million Pesos  
43 (P50,000,000.00) shall be appropriated for capacity building of all LGUs.

44  
45 No LDF shall be released without a certification from the LGA that the LGU is  
46 capacitated to plan and implement its CDP.

47  
48 **SECTION 11. Procurement.** – Procurement for the purpose of implementing the  
49 CDPs must be consistent with the provisions of Republic Act No. 9184, otherwise  
50 known as the "Government Procurement Reform Act".



**SECTION 12. Penal Provision.** – 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 Act shall suffer the penalty of imprisonment ranging from one (1) year and one (1) day to six (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.

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.

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/she may have incurred under existing laws.

**SECTION 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 jointly chaired by the Chairperson of the Committees on Local Government of the Senate and the House of Representatives.

**SECTION 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 the 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.

**SECTION 15. Coordination with Other Agencies.** – In adopting technical skills training program, each LGU shall closely coordinate with the Technical Education and Skills Development Authority (TESDA), and with other relevant government agencies in order to efficiently and effectively carry out their respective CDPs.

**SECTION 16. 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 and other relevant stakeholders, shall issue the necessary implementing rules and regulations of this Act within sixty (60) days from the effectivity of this Act.

**SECTION 17. Supplementary Application of Existing Laws.** – The provisions of the Local Government Code of 1991 and other laws consistent with this Act shall have supplementary effect.

**SECTION 18. Repealing Clause.** – All laws, presidential decrees, executive orders, presidential proclamations, rules and regulations or parts thereof contrary to or inconsistent with this Act are hereby repealed, superseded or modified accordingly.

1 **SECTION 19. Separability Clause.** – Any portion or provision of this Act that may be  
2 declared unconstitutional or invalid shall not have the effect of nullifying other portions  
3 or provisions hereof, as long as such remaining portions or provisions can still subsist  
4 and be given effect in their entirety.  
5

6 **SECTION 20. Effectivity.** – This Act shall take effect fifteen (15) days after its  
7 complete publication in the Official Gazette or in at least two (2) newspapers of general  
8 circulation.  
9

10  
11 Approved,