

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

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 3862



**Introduced by REP. KAKA BAG-AO, REP. TOMASITO VILLARIN,
REP. NANCY CATAMCO and REP. HENEDINA ABAD**

EXPLANATORY NOTE

Article II, Section 9 of the 1987 Constitution expresses the desire of the state to "promote a just and dynamic social order" that will ensure prosperity and free people from poverty through policies that provide adequate social services. Section 21 advocates for Rural Development while Section 23 mandates the state to encourage non-governmental, community-based, sectoral organizations that promote the welfare of the nation.

In line with the government's aim of transparency and inclusion on how public finances are made, the concept of *Bottom-up Budgeting* has been introduced. This is a more progressive approach as compared to the national government directly creating the budget proposals for all government agencies. Instead, inputs from the grassroots communities are taken as an essential element of the program. This makes the budgeting process more participatory through the genuine involvement of grassroots organizations and communities. It also seeks to increase citizens' access to local service delivery through a demand-driven budget planning process and to strengthen government accountability in local public service provision.

Through this practice, we would be able to empower our constituents from the grassroots level to participate in governance through the budget process, a manifestation of participatory reform geared towards the acceleration of rural development.

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



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AN ACT
INSTITUTIONALIZING PEOPLE'S PARTICIPATION IN THE BUDGET PROCESS,
PARTICULARLY IN PLANNING AND IDENTIFICATION OF PROGRAMS AND
PROJECTS, WITH THE END VIEW OF ACCELERATING RURAL DEVELOPMENT

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

SECTION 1. *Short Title.* – This Act shall be known and cited as the "*Participatory Reform for Rural Development (PRRD) Act of 2016.*"

SEC. 2. *Declaration of Policy.* – In pursuit of inclusive growth and poverty reduction, it is hereby declared the policy of the State to institutionalize transparency, accountability and citizen's participatory reform in governance, as a means of attaining rural development, pursuant to Sections 21 and 23, Article II of the 1987 Philippine Constitution.

The Bottom-up Budgeting (BUB) program aims to achieve community empowerment by encouraging citizens to take active roles in the community by articulating their needs to the government and determining what projects are responsive to their needs. The process will also stimulate partnership between local government and civil society organizations particularly in local development planning and budgeting. The result of the local planning and budgeting is

the convergence of plans and priorities by the local government units and the civil society. These local development plans are then harmonized at the pertinent national government agencies' programs and budgets for implementation.

SEC. 3. Definition of Terms. – As used in this Act, the following terms shall be defined as follows:

- a. *Basic Sectors* – refer to the disadvantaged sectors of Philippine society, namely: farmer-peasant, agrarian reform beneficiaries, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, differently-abled persons, senior citizens, victims of calamities and disasters, youth and students, children, and urban poor;
- b. *Bottom-up Budgeting (BuB)* – an approach to the preparation of agency budget proposals, taking into consideration the development needs of cities/municipalities as identified in their respective local poverty reduction action plans that shall be formulated with the strong participation of basic sector organizations and other civil society organizations;
- c. *Civil Society Organizations* – include non-government organizations (NGOs), People's Organizations (POs), basic sector organizations, cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous peoples movements, foundations, and other citizen's groups which are non-profit and are formed primarily for social and economic development to plan and monitor government programs and projects, engage in policy discussions, and actively participate in collaborative activities with the government;
- d. *Community-Based Monitoring Systems (CBMS)* – an organized process of data collection and processing at the local level and integration of data to local planning, program implementation and impact monitoring. It promotes evidence-based policymaking and program implementation while empowering communities to participate in the process.

- e. *Good Financial Housekeeping* – is conferred to local government units that obtained an unqualified or qualified Commission on Audit (COA) opinion and have complied with the Full Disclosure Policy. It is a component of the Seal of Good Local Governance;
- f. *Local Poverty Reduction Action Plan (LPRAP)* – the local government unit (LGU) plan which contains programs and projects collectively drawn through a participatory process by the LGU with civil society organizations (CSOs) and other stakeholders, and which will directly address the needs of the poor constituencies and the marginalized sectors in the city or municipality;
- g. *Parent Leaders – Pantawid Pamilyang Pilipino Program (4Ps)* grantees chosen by their co-grantees/fellow parents to lead a cluster of family-grantees. Their role and function is to ensure the compliance to the conditionalities of the 4Ps program of the grantees. They preside over meetings during community assemblies, disseminate information and updates, follow-up/monitor commitment and compliance to conditionalities on health and education. They also act as the bridge of the community in communicating to the municipal link assigned in the area and to other stakeholders in the municipality or city;
- h. *Poor* – refers to individuals and families whose income falls below the poverty threshold as defined by the National Statistical Coordination Board. These are those who cannot afford to provide for their minimum basic needs of food, health, education, housing and other essential amenities of life in a sustained manner;
- i. *Private Sector* – refer to organizations of business individuals or entities such as business chambers, and the like. It is considered a prime engine in the economy to promote development via investment and employment;
- j. *Public Financial Management Assessment* – refers to the diagnostic review of a local government unit's existing structure, policies, systems and procedures for generating and managing its financial resources. It is conducted to determine the extent to

which the LGU is able to establish and operationalize an open and orderly Public Financial Management (PFM) system in the LGU using as criteria the critical dimensions of an open and orderly PFM system provided under the PFM Assessment Tool for Local government Units (PFMAT for LGUs) developed by the Department of Budget and Management (DBM);

- k. *Public Financial Management Improvement Plan* – refers to the set of programs/projects/activities (PPAs) that will be undertaken by the LGU to address the areas in Public Financial Management (PFM) that need to be further improved and/or sustained based on the assessment by the LGU of the different critical dimensions of an open and orderly PFM system provided under the PFM Assessment Tool for LGUs;
- l. *Seal of Good Local Governance (SGLG)* – is the scaled up version of the Seal of Good Housekeeping. It is a recognition given to local governments for their good performance in the areas of a) transparency and accountability in the use of public funds; b) preparation for disasters; c) sensitivity to the needs of the vulnerable and marginalized sectors; d) attraction of investments and generation of employment; e) maintain security; and f) safeguarding the environment.

SEC. 4. Empowerment Process and Bottom-up Budgeting Procedure. – The following processes shall serve as the main components to implement the empowerment of LGUs and Bottom-up Budgeting approach:

- a. ***Social preparation.*** In preparation for poverty reduction planning, the City/Municipal Local Government Operations Officer (C/MGLOO), together with the CSOs, shall organize various capacity building activities to ensure that the communities in the LGUs will have a clear understanding of how they can provide inputs into policies and programs that affect their lives and for community members to meaningfully participate in the local governance.
- b. ***Collection of relevant economic and social data.*** The LGUs shall collect and collate all relevant information, statistics, and sex-disaggregated data for poverty

reduction planning. Data will be obtained from various sources such as the Community-Based Monitoring System (CBFMS), Field Health Service Information System (FHSIS), administrative records of National Government Agencies (NGAs), and the National Household Targeting System, among others.

- c. ***Conduct of LPRAP Workshop.*** The LGUs, through the LPRATs, shall conduct a workshop to formulate a Local Poverty Reduction Action Plan (LPRAP) based on relevant sex-disaggregated economic, social and climate change vulnerability data, as well as feedback from the members of the LPRAT. The active participation of CSOs, basic sector representatives and other non-government stakeholders must be ensured as they shall help validate data and analysis that will be presented by the LGU. In addition, the LGU shall invite concerned Agency Regional Offices (AROs) of the participating national agencies and government corporations to the workshop to provide information on the programs of their respective agencies and to provide technical assistance in the formulation of the LPRAP. The LPRAP shall identify the poverty reduction strategy to be undertaken by the LGU and other stakeholders, including the national agencies. Gender mainstreaming and climate change adaptation strategies shall also be incorporated in the planning process.
- d. ***Identification of priority poverty reduction projects.*** During the LPRAP Workshop, the LPRAT shall also identify gender-responsive, results-based priority poverty reduction projects to be funded by the LGUs and those which will be submitted to national agencies for consideration in the next General Appropriations Act. The identified priority projects which will be funded by the LGUs shall later be formalized and included in the LGU in its Annual Investment Program (AIP) and local budget.

In identifying projects to be funded by the national government, LGUs are encouraged to identify priority poverty reduction projects which are already being undertaken by these national government agencies as listed in the Menu of Programs determined by the DBM.

However, LGUs may still include projects outside of the Menu of Programs in their list of priority projects if these are more urgently needed by the LGUs, subject to further determination by the DBM that such projects can be accommodated by the national government.

- e. ***Endorsement of CSOs.*** The list of priority projects requires the endorsement of CSOs from the community before it can be considered by the national government for inclusion in the latter's budget. As representatives of the non-government members of the LPRAT, the NAPC identified basic sector representative or an NGA accredited/recognized CSO leader, a *Panatawid Pamilya* parent leader, or an LGU accredited CSO must sign and endorse the list of priority projects as proof of genuine participation in identifying the priority projects.
- f. ***Approval of Sanggunian.*** The *Sanggunian* must also approve the list of priority projects before it is submitted to the national government, through the issuance of a *Sanggunian* Resolution.
- g. ***Submission of the List of Priority Poverty Reduction Projects.*** The list of priority poverty reduction projects duly endorsed by the CSOs and approved by the *Sanggunian* shall be submitted to the RPRAT through the DILG Regional Office.
- h. ***Integration of the LGU projects in the budgets of participating NGAs.*** The DILG Regional Office shall consolidate all submitted LPRAPs and distribute copies to the RPRAT members. The RPRAT shall review all identified LGU projects that have been submitted to them for funding consideration. The RPRAT shall then submit the list of priority poverty reduction projects to the Central Offices (CO) of participating NGAs which are being requested to fund projects included in the priority list, National Anti-Poverty Commission (NAPC) and the regional offices of DBM, DILG, the Department of Social Welfare and Development (DSWD), and the offices of the concerned District Representatives. In cases where projects are not accepted by the RPRAT and have to be replaced, the RPRAT shall duly inform the authorized LPRAT representatives, including the three (3) CSO LPRAT signatories.

- i. ***Agency budget submission to DBM.*** The participating NGAs should submit their budget proposals, which incorporate the LGU identified priority projects, to DBM.
- j. ***Consolidation and review of all LGU identified priority projects.*** NAPC shall also consolidate and summarize the list of priority projects submitted by the cities and municipalities. This will then be compared with the lists submitted by each participating NGA to ensure that all projects submitted by LGUs have been considered by the concerned agency and that no LGU list of priority projects exceeds the set budget cap. Projects that have not been included in the agency ceilings shall be elevated to the NPRAT for consideration and action. The NPRAT must submit budgetary recommendations to DBM concerning projects that have not been included within the budget ceilings of participating agencies.
- k. ***Institutionalizing governance reforms.*** LGUs that have shown a good track record in their implementation of BuB shall be provided with performance incentives. To qualify for the performance incentives, an LGU must comply with the following conditions:
 - 1. Good Financial Management
 - i. Attain Good Financial Housekeeping;
 - ii. Implementation of the PFM improvement measures as contained in the duly PFM improvement plan.
 - 2. Timely Implementation of BuB Projects
 - i. Completed at least 80% of the previous year's BuB projects by September 30 of the current year;
 - ii. Completed at least 50% of the current year's BuB projects by September 30 of the current year;
 - iii. Computation of the percentage shall be based on number of projects and not the budgetary allocation;
 - 3. Participatory Governance
 - i. Have not been the subject of a complaint related to the participation of CSOs in the BuB process that has been validated by the RPRAT;
 - ii. Conducting regular LPRAT meetings.

Based on the criteria, the RPRAT shall determine by October each year, which LGUs will be eligible to receive incentives such as additional budgetary allocation on top of the initial proposed budget cap that the LPRAP may submit for the succeeding year, and additional projects which may not necessarily be included in the Menu of Programs provided that it must attain outcomes in any of the following national budget priority areas:

- a. Basic Education;
- b. Public Health;
- c. Social Protection;
- d. Disaster Risk Reduction and Management; and
- e. Job Generation and Livelihood.

SEC. 5. *Creation of the Local Poverty Reduction Action Team (LPRAT).* – The LPRAT is hereby created to spearhead the formulation and monitoring of the LPRAP. It shall be headed by the Local Chief Executive (LCE) of the city or municipality as Chairperson, and the CSO representative elected by the CSO Assembly, as the Co-Chairperson. It shall be composed of the following members:

- a. Representatives from Government:
 1. District Representatives;
 2. *Sanggunian Panlungsod/Bayan* Member which is the Chairperson of the Committee on Appropriation;
 3. *Liga ng Barangay* President;
 4. All local government department heads such as the Planning Officer, Budget Officer, Fishery and Aquaculture Officer, Social Welfare and Development Officer, Health Officer, Public Employment Service Office (PESO) Manager and Tourism Officer;
 5. Representatives of NGAs such as the DSWD municipal links/National Community Driven Program area coordinators, the DILG City/Municipal Local Government Operations Officer (C/MLGOO), the Schools District Supervisor, Agrarian Reform Officer, DTI Field Officer, City/Municipal Environment and Natural Resource

Management Officer (CENRO), PESO representatives of the Department of Labor and Employment (DOLE) and other NGA representatives.

- b. Representatives from CSOs, who must be residents of the city or municipality that can come from the following groups:
 - 1. *Pantawid Pamilya* Parent-Leaders recognized by DSWD;
 - 2. DOH organized Community Health Teams;
 - 3. Parent-Teacher Associations;
 - 4. CSOs accredited or recognized by any NGA;
 - 5. Women's group;
 - 6. Basic sector organization;
 - 7. Basic sector organization recognized by NAPC;
 - 8. Other community or grassroots organizations;
 - 9. In cities/municipalities where Indigenous peoples (IPs) comprise over twenty percent (20%) of the population, one of the elected representatives must come from the IP sector.
- c. Representative from a local business group or association.

The LPRAT shall always be composed of an equal number of government and CSO representatives. The members of the LPRAT should also be composed of at least 30% women. It shall identify priority projects through a consensus among its members. If consensus cannot be reached, the decision will be made through a majority vote.

Elected officials at the national and local levels, including the barangay, their immediate relatives up to the first degree of consanguinity or affinity, and LGU employees are ineligible to be elected as CSO representatives.

SEC. 6. *Roles and Responsibilities of the LPRAT.* – The LPRAT shall:

- a. Organize and facilitate the conduct of workshops for the formulation of the LPRAP;

- b. Identify poverty reduction strategies to be undertaken by the LGU and other stakeholders based on the results of the poverty situational analysis;
- c. Identify priority poverty reduction projects;
- d. Identify additional projects that could serve as replacement in case any of the submitted projects are not accepted during the RPRAT validation;
- e. Monitor the projects and programs that shall be funded by the annual National Budget;
- f. Adopt rules of procedures for the orderly and expeditious conduct of meetings and other business of the team;
- g. Perform such other acts and functions as may be necessary.

SEC. 7. *Creation of the Regional Poverty Reduction Action Team (RPRAT).* – The RPRAT is hereby created to provide support and guidance to LGUs throughout the BuB process and make decisions on implementation issues raised at the regional level. It shall be headed by the DILG Regional Director as Chairperson and the DBM Regional Director and NAPC Secretariat Representative as Vice-Chairpersons. It shall be composed of the following members:

- a. Regional Directors of BuB participating agencies;
- b. Designated representatives of participating agencies that do not have regional offices;
- c. All Provincial Planning and Development Coordinators (PPDCs) in the region;
- d. NAPC Sectoral representatives (SR) as identified by the NAPC Office of the Vice-Chair for the Basic Sectors who must be a resident of the region, and a Basic Sector Council member selected from among Basic Sector Council members in the region;
- e. All the NAPC Provincial Focal Persons (PFPs) and their alternates who are elected in the process facilitated by the NAPC and the alternate representative selected by the PFP. This does not refer to the elected members of the basic sectors of NAPC at the national level.

The DILG shall serve as the Secretariat of the RPRAT. The Secretariat shall be composed of the DILG BuB Focal Person, the Regional coordinator and other personnel as may be assigned by the RPRAT Chairperson.

SEC. 8. Roles and Responsibilities of the RPRAT. – The RPRAT shall:

- a. Conduct orientation workshops for the LPRAT on the bottom-up budgeting process;
- b. Take the lead in organizing workshops and monitoring the bottom-up process;
- c. Act as the resource person on the guidelines on bottom-up budgeting;
- d. Responsible in engaging the DSWD Municipal link and the *Pantawid Pamilya* family leaders especially in the formulation of multi-year work and financial plans for addressing supply side challenges;
- e. Monitor the activities of the LGUs and the progress of submission of project proposals and LPRAPs to DBM and DILG, among others;
- f. Ensure that the LGUs submit priority projects within their budget cap and inform the HDPRC and NAPC of cases of non-compliance;
- g. Inform the RDCs about the inclusion of programs and projects for the cities and municipalities in the budget proposals of the participating agencies.

SEC. 9. Creation of the National Poverty Reduction Action Team (NPRAT). – The NPRAT is hereby created composed of senior officials of the DILG, DBM, DSWD, DOLE, NAPC, Department of Agriculture (DA), Department of Education (DepEd), Department of Energy (DOE), Department of Environment and Natural Resources (DENR), Department of Health (DOH), Department of Trade and Industry (DTI), National Commission on Indigenous Peoples (NCIP), Technical Education and Skills Development Authority (TESDA), National Electrification Administration (NEA) and the Philippine Coconut Authority (PCA). The DILG shall serve as its Chairperson while the DBM and NAPC shall serve as Vice-Chairpersons. It shall serve as a coordinating body among the participating agencies where implementation issues can be discussed and addressed.

SEC. 10. Report and Feedback Mechanism. – The process involved including experiences and lessons learned and possible recommendations for improvement shall be properly documented. Further, mapping of the approved project of LGUs and communities shall be posted in the appropriate government websites and other public posting areas of the LGUs and all participating NGAs.

A Grievance and Redress Mechanism (GRM) shall be established to address complaints and concerns raised by any BuB stakeholder or concerned citizen relating to BuB planning and project identification or project implementation.

SEC. 11. *Implementing Rules and Regulations.* – Within ninety (90) days after the effectivity of this Act, the Department of Interior and Local Government (DILG), Department of Budget and Management (DBM), and the National Anti-Poverty Commission (NAPC), in consultation with the concerned agencies and CSOs, shall promulgate the rules and regulations necessary for the implementation of this Act.

SEC. 12. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

SEC. 13. *Repealing Clause.* – DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 7, s. 2015 is hereby repealed. All laws, decrees, orders, issuances, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,