

SEVENTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

HOUSE OF REPRESENTATIVES
H.B. No. **3185**

HOUSE OF REPRESENTATIVES	
RECEIVED	
DATE:	22 AUG 2016
TIME:	4:20 PM
BY:	per
REGISTRATION UNIT	
BILLS AND INDEX SERVICE	

Introduced by Representative H. Harry L. Roque Jr.

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

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 2014 General Appropriations Act (GAA) enacted through Republic Act 10633, LGU

shares, through the Allocation to Local Government Units, Internal Revenue Allotment and Bottom-Up Budgeting, amount to only P381.1 billion. This translates to a mere 16.8% of the P2.26 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 under spending to the detriment of the Filipino people. In 2014 alone, unused appropriations of all 34 national departments and agencies amount to a staggering P310,094,397. This is 26.15% of the total P1,186,029,690 regular budget for FY 2014.

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.¹



H. HARRY L. ROQUE JR.

¹ This bill was filed by Senator Panfilo M. Lacson during the Seventeenth Congress, First Regular Session.

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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 "THE BUDGET REFORM FOR VILLAGE EMPOWERMENT ACT OF 2016."

SECTION. 2. *Declaration of Policy.* -

- (a) It is a declared policy of the State that territorial and political subdivisions 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;
- (b) It is also the policy of the State that meaningful local autonomy can only be realized through the implementation of locally crafted development plans that accurately acknowledge and 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;

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

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

- 9 (a) Provinces – Five Hundred Million Pesos to One Billion Pesos
10 (P500,000,000.00 to P1,000,000,000.00) per province per year;
11 (b) Cities – One Hundred Million Pesos to Two Hundred Million Pesos
12 (P100,000,000.00to P200,000,000.00) per city per year;
13 (c) Municipalities –Fifty Million Pesos to One Hundred Million Pesos
14 (P50,000,000.00 to P100,000,000.00) per municipality per year; and,
15 (d) Barangays –Three Million Pesos to Five Million Pesos (P3,000,000.00 to
16 P5,000,000.00) per barangay per year.

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

21 **SECTION. 4. *Purpose of Local Development Fund.*** – The fund shall be used
22 solely by the LGUs to finance their respective development projects, activities and
23 programs (PAPs) identified in their approved Comprehensive Local Development Plans
24 (CDPs). The use of the said fund contrary to the stated purpose shall make the approving
25 authority and all persons who allow such diversion liable for technical malversation as
26 defined and penalized under *Article 220 of Act No. 3815*, otherwise known as the
27 "*Revised Penal Code*".

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

- 30 (a) Administrative expenses such as cash gifts, bonuses, food allowance, medical
31 assistance, uniforms, supplies, meetings, communication, water and light,
32 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.

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

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

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

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

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

SECTION. 9. *Performance Evaluation Committee.* - There is hereby created a Performance 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. The Assistant Director-General for Planning of the National Economic and Development Authority (NEDA);
3. The Assistant Secretary for Policy and Planning of the DBM;
4. The Executive Director of the Bureau of Local Government Finance (BLGF) of the Department of Finance (DOF);

1 5. A representative from each of the various leagues of the different LGUs
2 concerned;

3 6. A representative from the National Commission on Indigenous Cultural
4 Communities/Indigenous Peoples (NCIP), if applicable; and,

5 7. Four representatives from accredited civil society groups and/or non-government
6 organizations in the locality where the CDP is to be implemented.

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

10 The various Regional Project Monitoring Committees (RPMC) shall assist the
11 PEC in its task of monitoring and evaluation and shall act as the secretariat of the PEC
12 with respect to their region.

13 **SECTION. 10. Capacity Building.** – The Local Government Academy (LGA),
14 in consortium with institutions of higher learning with distinguished competencies in
15 public governance programs, is hereby mandated to ensure, within one (1) year after the
16 effectivity of this Act, that all territorial and political subdivisions are capacitated to
17 effectively plan and implement the development projects in their respective CDPs. For
18 this purpose, the amount of One Billion Pesos (P1,000,000,000.00) is hereby
19 appropriated for capacity building of all LGUs.

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

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

25 **SECTION. 12. Penal Provision –**

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

1 b) The Local Chief Executive shall be administratively liable, without prejudice
2 to any civil or criminal liabilities he may have incurred under existing laws, in case of
3 failure to report the status of their development PAPs as required under Section 8 of this
4 Act.

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

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

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

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

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

26 **SECTION. 17. *Repealing Clause.*** - All laws, presidential decrees, executive
27 orders, presidential proclamations, rules and regulations or parts thereof contrary to or
28 inconsistent with this Act are hereby repealed, superseded or modified accordingly.

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

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

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5 *Approved,*