



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Seventeenth Congress
First Regular Session

HOUSE BILL NO. **3989**

Introduced by **Representative Joel Mayo Z. Almario**

EXPLANATORY NOTE

The State recognizes the vital role of local government units (LGUs) in nation building. Rather than being regarded as inferior to the national government, LGUs are viewed as equal partners in promoting the well-being and welfare of the citizens. The autonomy of the LGU, as well as its political – administrative authority within their subdivisions, is greatly valued.

To guarantee the full execution of their functions, the State provides for a 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.”

Despite, however, all the State guarantees, and all the recognized functions of the LGUs in nation building, the LGUs enjoy a meager share of the National Budget.

As such, there is an urgent need to address this deficiency by implementing budget reform measures that will allow local government units

(LGUs) to exercise their full authority in pursuit of sustained growth, development and good governance at the local level.

It is the intention of this proposal to institutionalize a more equitable national budget distribution, allowing LGUs to become active participants in nation building.

Adequate funds shall also be appropriated, authorizing 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. This is to ensure that LGUs have adequate capacity to carry out their mandate for the proper implementation of the LDFs.

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. 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.

It is for this purpose that the approval of this bill is earnestly sought.



JOEL MAYO Z. ALMARIO
Representative
2nd District, Davao Oriental



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila
SEVENTEENTH CONGRESS
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House Bill No. **3989**

Introduced by **REPRESENTATIVE JOEL MAYO Z. ALMARIO**

AN ACT
INSTITUTING BUDGET REFORMS TO ENSURE THE EQUITABLE
DISTRIBUTION OF FUNDS TO LOCAL GOVERNMENT UNITS FOR
THE PURPOSE OF PROMOTING LOCAL EMPOWERMENT,
ENABLING THEM TO BE AN EFFECTIVE INSTRUMENT IN
ATTAINING INCLUSIVE GROWTH, APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSES

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

1 **SECTION. 1. *Short Title*-** This Act shall be known as “**THE BUDGET**
2 **REFORM ACT FOR VILLAGE EMPOWERMENT.**”

3
4 **SECTION. 2. *Declaration of Policy.* –**

5 (a) It is a declared policy of the State that territorial and political
6 subdivisions shall enjoy genuine and meaningful local autonomy
7 to enable them to attain their fullest development as self-reliant
8 communities and make them more effective partners in the
9 attainment of national goals;

10 (b) It is also the policy of the State that meaningful local autonomy
11 can only be realized through the implementation of locally crafted
12 development plans that accurately acknowledge and address
13 perceived local needs;

- (c) It is likewise the policy of the state to remedy the fiscal gap between the expenditure responsibilities of the Local Government Units (LGUs) and their fiscal capacity;
- (d) Moreover, it is the policy of the State to ensure that sufficient financial resources for development are available to LGUs with corresponding accountability of improving public services;
- (e) Therefore, the State recognizes that inclusive and sustainable growth can only be truly achieved by providing the LGUs with adequate resources and technical capacities that will promote meaningful development.

SECTION. 3. *Allotment for Development.* – An annual fund sufficient to implement the three-year Comprehensive Development Plan (CDP) of each province, city, municipality, and barangay, to be referred to as the “*Local Development Fund*,” is hereby established. The LDF shall be computed on a per capita basis with the following controls:

- (a) Provinces – Not less than Five Hundred Million Pesos, but not more than One Billion Pesos (P500,000,000.00 to P1,000,000,000.00) per province per year;
- (b) Cities – Not less than One Hundred Million Pesos, but not more than Two Hundred Million Pesos (P100,000,000.00 to P200,000,000.00) per city per year;
- (c) Municipalities – Not less than Fifty Million Pesos, but not more than One Hundred Million Pesos (P50,000,000.00 to P100,000,000.00) per municipality per year; and,
- (d) Barangays – Three Million Pesos to Five Million Pesos (P3,000,000.00 to P5,000,000.00) per barangay per year.

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

SECTION. 4. *Purpose of the Local Development Fund.* – The fund shall be used solely by the LGUs to finance their respective development projects, activities and programs (PAPs) identified in their approved Comprehensive Local Development Plans (CDPs). Allowable PAPs and allocations for such shall be as follows:

- (a) Education – Ten percent (10%) of total LDF;
- (b) Health – Ten percent (10%) of total LDF;
- (c) Inducement of investments and employment– Ten percent (10%) of total LDF;
- (d) Peace and order – Ten percent (10%) of total LDF;
- (e) Environment management – Ten percent (10%) of total LDF;
- (f) Disaster Preparedness – Five (5%) of total LDF;
- (g) Tourism – Five (5%) of total LDF; and
- (h) Infrastructure – Forty (40%) of total LDF.

Funds previously allocated, may not be realigned for a different purpose, unless specifically mentioned and approved in the CDP, as provided in Section 6 hereof.

The use of the said fund 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;

- (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.

The LDF shall not be used as a loan guarantee. 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). 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 may be 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);
5. A representative from each of the various leagues of the different LGUs concerned;
6. A representative from the National Commission on Indigenous Cultural Communities/Indigenous Peoples (NCIP), if applicable; and,
7. Four representatives from accredited civil society groups and/or non-government organizations in the locality where the CDP is to be implemented.

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

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

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

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

1 **SECTION. 11. *Procurement.*** – Procurement for the purpose of
2 implementing the CPDs must be consistent with the provisions of Republic Act
3 9184, otherwise known as “*Government Procurement Reform Act*”.

4
5 **SECTION. 12. *Penal Provision*** –

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

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

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

23
24 **SECTION. 13. *Oversight Committee.*** There is hereby created a
25 Congressional Oversight Committee to monitor and oversee the implementation
26 of the provisions of this Act. The Committee shall be composed of five (5)
27 members from the Senate and five (5) members from the House of
28 Representatives to be chaired by the Chairpersons of the Committee on Local
29 Government from both the Senate and House of Representatives.

1 **SECTION. 14. *Sunset Review.*** Five (5) years following the effectivity
2 of this Act, or as the need arises, the Congress shall conduct a sunset review.
3 For purposes of this Act, the term “sunset review” shall mean a systematic
4 evaluation by Congress of the accomplishments and impact of this Act, as well
5 as the performance of LGUs, for purposes of determining remedial legislation.
6

7 **SECTION. 15. *Implementing Rules and Regulations.*** – For the
8 effective implementation of this Act, the Secretary of the DILG, with the
9 Secretaries of the DOF and the DBM and in consultation with the various
10 leagues of the different LGUs, shall issue the necessary Implementing Rules and
11 Regulations.
12

13 **SECTION. 16. *Suppletory Application of Existing Laws.*** - The
14 provisions of Republic Act No. 7160, otherwise known as the "*Local*
15 *Government Code of 1991*", and other laws consistent with this Act shall have
16 suppletory effect.
17

18 **SECTION. 17. *Repealing Clause.*** - All laws, presidential decrees,
19 executive orders, presidential proclamations, rules and regulations or parts
20 thereof contrary to or inconsistent with this Act are hereby repealed, superseded
21 or modified accordingly.
22

23 **SECTION. 18. *Separability Clause.*** - Any portion or provision of this
24 Act that may be declared unconstitutional or invalid shall not have the effect of
25 nullifying other portions or provisions hereof, as long as such remaining
26 portions or provisions can still subsist and be given effect in their entirety.
27

28 **SECTION. 19. *Effectivity.*** - This Act shall take effect fifteen (15) days
29 after its complete publication in the Official Gazette or in at least two (2)
30 newspapers of general circulation.
31

32 *Approved,*