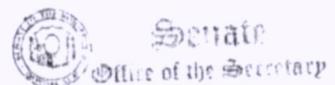


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



SENATE  
S. B. No. 846

19 JUL 31 P4:10

Introduced by Senator SONNY ANGARA RELEASER: [Signature]

**AN ACT  
TO RATIONALIZE THE FUNCTIONAL ASSIGNMENTS OF LOCAL  
GOVERNMENT UNITS BY AMENDING CERTAIN PROVISIONS IN REPUBLIC  
ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE  
OF 1991"**

**EXPLANATORY NOTE**

Republic Act No. 7160 or the Local Government Code of 1991 has devolved to all LGUs the administration of basic services, including agriculture, environmental protection, health, maintenance of public works and highways, social welfare, and tourism. The law was enacted to empower local government units (LGUs) with the end in view of improving the delivery of services to the public, thereby becoming effective instruments of both local and national development.

However, in the 28 years since the passage of the Local Government Code, studies have shown minimal improvement with regard to local services delivery, with the exception of some cities. LGUs have often complained that there is a mismatch between the devolved functions and the intergovernmental fiscal transfers and revenue raising powers provided to them under the Code.

This clear case of "finance not following function" has been a rallying cry of LGUs wishing to increase their share of the Internal Revenue Allotment (IRA). But, the problem is not simply solved by bridging the finance gap. All things being equal (e.g., capacity of LGUs to implement projects), there is an equally great mismatch in the functions of local public goods and services and the level of the LGUs. Many functions devolved to LGUs like the Barangay and Municipality have clear externality effects or benefits outside the boundaries of the LGUs. For example, health objectives and programs are more national than local although their implementation

can be local. Because of this, the devolved functions do not have the explicit or implicit incentives built in.

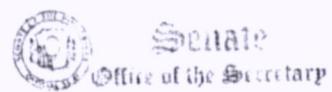
Consequently, there is a need to qualify what functions should be left to the national government, what should be shared, and what should be fully devolved, based on a clear understanding of who are included in the LGU's scope of beneficiaries so that they will have built in incentive mechanisms that will encourage the LGUs to make the investment or finance the function. The delineation of functions is not only between the LGUs and the National Government but equally important among LGUs at different levels.

In view of the foregoing, approval of this bill is earnestly requested.



SONNY ANGARA

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
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ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE  
OF 1991"**

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

1     Section 1. Section 3 (a) of Republic Act No. 7160, otherwise known as the Local  
2     Government Code of 1991, hereinafter referred to as the "Code", is hereby amended  
3     to read as follows:

4                 "Sec. 3. *Operative Principles of Decentralization.* – The formulation and  
5                 implementation of policies and measures on local autonomy shall be  
6                 guided by the following operative principles:

7                 (a) There shall be an effective allocation **BETWEEN THE NATIONAL  
8                 GOVERNMENT AND** among the different local government units of  
9                 their respective powers, functions, responsibilities, and resources  
10                 **INTO NATIONAL GOVERNMENT, FULLY-DEVOLVED, AND  
11                 SHARED FUNCTIONS BASED ON THE SCOPE OF BENEFITS,  
12                 EFFECTS OR IMPACTS EXTERNAL TO THE LOCAL  
13                 GOVERNMENT UNIT AND RESPONSIBILITY FOR THE SETTING  
14                 OF POLICIES AND STANDARD, PLANNING AND  
15                 PROGRAMMING, IMPLEMENTATION AND EXECUTION, AND  
16                 ORIGIN AND OWNERSHIP OF THE FUNDING SOURCE;**

1 (b) x x x

2 XXX."

3 Sec. 2. Section 17 of the Code is hereby amendment to read as follows:

4 "Sec. 17. *Basic Services and Facilities.* – (a) Local government units  
5 shall endeavor to be self-reliant and shall continue exercising the  
6 powers and discharging the duties and functions currently vested upon  
7 them. They shall also discharge the functions and responsibilities of  
8 national agencies and offices devolved to them pursuant to this Code.  
9 Local government units shall likewise exercise such other powers and  
10 discharge such other functions and responsibilities as are necessary,  
11 appropriate, or incidental to efficient and effective provisions of the  
12 basic services and facilities enumerated herein.

13 (b) Such basic services and facilities include, but are not limited to, the  
14 following:

15 (1) *For a Barangay:*

- 16 [(i) Agricultural support services which include planting  
17 materials distribution system and operation of farm produce  
18 collection and buying stations;  
19 (ii) Health and social welfare services which include  
20 maintenance of barangay health center and day care center;  
21 (iii)] (i) Services and facilities related to general hygiene and  
22 sanitation, beautification, and solid waste collection;  
23 [(iv)] (ii) Maintenance of katarungang pambarangay;  
24 [(v) Maintenance of barangay roads and bridges and water  
25 supply systems;]  
26 [(vi)] (iii) Infrastructure facilities such as multi-purpose hall,  
27 multipurpose pavement, plaza, sports center, and other similar  
28 facilities;  
29 [(vii)] (iv) Information and reading center; and  
30 [(viii)] (v) Satellite or public market, where viable;

**(2) For a Municipality:**

(i) Extension and on-site research services and facilities related to agriculture and fishery activities which include dispersal of livestock and poultry, fingerlings, and other seedling materials for aquaculture; palay, corn, and vegetable seed farms; medicinal plant gardens; fruit tree, coconut, and other kinds of seedling nurseries; demonstration farms; quality control of copra and improvement and development of local distribution channels, preferably through cooperatives; interbarangay irrigation system; water and soil resource utilization and conservation projects; and enforcement of fishery laws in municipal waters including the conservation of mangroves;

(ii) Pursuant to national policies and subject to supervision, control and review of the DENR, implementation of community-based forestry projects which include integrated social forestry programs and similar projects; management and control of communal forests with an area not exceeding fifty (50) square kilometers; establishment of tree parks, greenbelts, and similar forest development projects **WHOSE IMPLEMENTATION MAY BE SHARED WITH THE PROVINCE AND/OR A NATIONAL GOVERNMENT AGENCY;**

(iii) Subject to the provisions of Title Five, Book I of this Code, health services which include the implementation of programs and projects on primary health care, maternal and child care, and communicable and non-communicable disease control services, access to secondary and tertiary health services; purchase of medicines, medical supplies, and equipment needed to carry out the services herein enumerated **WHOSE IMPLEMENTATION MAY BE SHARED WITH THE PROVINCE AND/OR A NATIONAL GOVERNMENT AGENCY;**

- (iv) Social welfare services which include programs and projects on child and youth welfare, family and community welfare, women's welfare, welfare of the elderly and disabled persons; community-based rehabilitation programs for vagrants, beggars, street children, scavengers, juvenile delinquents, and victims of drug abuse; livelihood and other pro-poor projects; nutrition services; and family planning services;
- (v) Information services which include investments and job placement information systems, tax and marketing information systems, and maintenance of a public library;
- (vi) Solid waste disposal system or environmental management system and services or facilities related to general hygiene and sanitation **WHOSE IMPLEMENTATION MAY BE SHARED WITH THE PROVINCE OR THROUGH INTER-LGU COOPERATION;**
- (vii) Municipal buildings, cultural centers, public parks including freedom parks, playgrounds, and other sports facilities and equipment, and other similar facilities;
- (viii) Infrastructure facilities intended primarily to service the needs of the residents of the municipality and which are funded out of municipal funds including but not limited to, municipal roads and bridges; school buildings and other facilities for public elementary and secondary schools; clinics, health centers and other health facilities necessary to carry out health services; communal irrigation, small water impounding projects and other similar projects; fish ports; artesian wells, spring development, rainwater collectors and water supply systems; seawalls, dikes, drainage and sewerage, and flood control; traffic signals and road signs; and similar facilities;
- (ix) Public markets, slaughterhouses and other municipal enterprises;
- (x) Public cemetery;

- (xi) Tourism facilities and other tourist attractions, including the acquisition of equipment, regulation and supervision of business concessions, and security services for such facilities; [and]

(xii) Sites for police and fire stations and substations and municipal jail;

**(XIII) MAINTENANCE OF BARANGAY ROADS AND  
BRIDGES AND WATER SUPPLY SYSTEMS;**

**(XIV) HEALTH AND SOCIAL WELFARE SERVICES WHICH INCLUDE MAINTENANCE OF BARANGAY HEALTH CENTER AND DAY-CARE CENTER; AND**

(XV) AGRICULTURAL SUPPORT SERVICES WHICH INCLUDE PLANTING MATERIALS DISTRIBUTION SYSTEM AND OPERATION OF FARM PRODUCE COLLECTION AND BUYING STATIONS WHOSE IMPLEMENTATION MAY BE SHARED WITH THE BARANGAY.

### (3) For a Province:

(i) Agricultural extension and on-site research services and facilities which include the prevention and control of plant and animal pests and diseases; dairy farms, livestock markets, animal breeding stations, and artificial insemination centers; and assistance in the organization of farmers and fishermen's cooperatives, and other collective organizations, as well as the transfer of appropriate technology;

(ii) Industrial research and development services, as well as the transfer of appropriate technology;

(iii) Pursuant to national policies and subject to supervision, control and review of the DENR, enforcement of forestry laws limited to community-based forestry projects, pollution control law, small-scale mining law, and other laws on the protection of the environment; and mini-hydroelectric projects for local purposes;

- (iv) Subject to the provisions of Title Five, Book I of this Code, health services which include hospitals and other tertiary health services;
  - (v) Social welfare services which include programs and projects on rebel returnees and evacuees; relief operations; and population development services;
  - (vi) Provincial buildings, provincial jails, freedom parks and other public assembly areas and similar facilities;
  - (vii) Infrastructure facilities intended to service the needs of the residence of the province and which are funded out of provincial funds including, but not limited to, provincial roads and bridges; inter-municipal waterworks, drainage and sewerage, flood control, and irrigation systems; reclamation projects; and similar facilities;
  - (viii) Programs and projects for low-cost housing and other mass dwellings, except those funded by the Social Security System (SSS), Government Service Insurance System (GSIS), and the Home Development Mutual Fund (HDMF): *Provided*, That national funds for these programs and projects shall be equitably allocated among the regions in proportion to the ratio of the homeless to the population;
  - (ix) Investment support services, including access to credit financing;
  - (x) Upgrading and modernization of tax information and collection services through the use of computer hardware and software and other means;
  - (xi) Inter-municipal telecommunications services, subject to national policy guidelines; and
  - (xii) Tourism development and promotion programs;

#### (4) For a City:

All the services and facilities of the municipality and province, and in addition thereto, the following:

- (i) Adequate communication and transportation facilities;
  - (ii) Support for education, police and fire services and facilities;
  - (c) Notwithstanding the provisions of subsection (b) hereof, public works and infrastructure projects and other facilities, programs and services funded by the national government under the annual General Appropriations Act, other special laws, pertinent executive orders, and those wholly or partially funded from foreign sources, are not covered under this Section, except in those cases where the local government unit concerned is duly designated as the implementing agency for such projects, facilities, programs, and services.
  - (d) The designs, plans, specifications, testing of materials, and the procurement of equipment and materials at from both foreign and local sources necessary for the provision of the foregoing services and facilities shall be undertaken by the local government unit concerned, based on national policies, standards and guidelines.
  - (e) National agencies or offices concerned shall devolve to local government units the responsibility for the provision of basic services and facilities enumerated in this Section within six (6) months after the effectivity of this Code.

As used in this Code, the term "devolution" refers to the act by which the national government confers power and authority upon the various local government units to perform specific functions and responsibilities.

(f) The national government or the next higher level of local government unit may provide or augment the basic services and facilities assigned to a lower level of local government unit when such services or facilities are not made available or, if made available, are inadequate to meet the requirements of its inhabitants **BASED ON GUIDELINES ISSUED BY THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT.**

(g) The basic services and facilities hereinabove enumerated shall be funded from the share of local government units in the proceeds of

national taxes and other local revenues and funding support from the national government, its instrumentalities and government-owned or controlled corporations which are tasked by law to establish and maintain such services or facilities. Any fund or resource available for the use of local government units shall be first allocated for the provision of basic services or facilities enumerated in subsection (b) hereof before applying the same for other purposes, unless otherwise provided in this Code.

(h) Regional offices of national agencies or offices whose functions are devolved to local government units as provided herein shall be phased out within one (1) year from the approval of this Code. Said national agencies and offices may establish such field units as may be necessary for monitoring purposes and providing technical assistance to local government units. The properties, equipment, and other assets of these regional offices shall be distributed to the local government units in the region in accordance with the rules and regulations issued by the oversight committee created under this Code.

(i) The devolution contemplated in this Code shall include the transfer to local government units of the records, equipment, and other assets and personnel of national agencies and offices corresponding to the devolved powers, functions, and responsibilities.

Personnel of said national agencies or offices shall be absorbed by the local government units to which they belong or in whose areas they are assigned to the extent that it is administratively viable as determined by the said oversight committee: *Provided*, That the rights accorded to such personnel pursuant to civil service law, rules and regulations shall not be impaired: *Provided, further*, That regional directors who are career executive service officers and other officers of similar rank in the said regional offices who cannot be absorbed by the local government unit shall be retained by the national government, without any diminution of rank, salary or tenure.

(j) To ensure the active participation of the private sector in local governance, local government units may, by ordinance, sell, lease, encumber, or otherwise dispose of public economic enterprises owned by them in their proprietary capacity.

Costs may also be charged for the delivery of basic services or facilities enumerated in this Section."

7        Sec. 5. *Repealing Clause.* – All general and special laws, acts, city charters,  
8        executive orders, presidential proclamations, issuances, rules and regulations, or  
9        parts thereof which are contrary to or inconsistent with any of the provisions of this  
10      Act are hereby repealed, amended, or modified accordingly.

11            Sec. 6. *Separability Clause.* – If any portion or provision of this Act is  
12 subsequently declared invalid or unconstitutional, other provisions hereof which are  
13 not affected thereby shall remain in full force and effect.

14 Sec. 7. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its  
15 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,