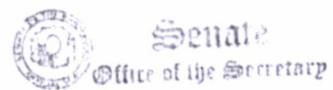


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. B. No. 838

19 JUL 31 P 4:02

RECEIVED BY [Signature]

Introduced by Senator SONNY ANGARA

**AN ACT
TO ENHANCE PUBLIC FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT
UNITS BY AMENDING CERTAIN PROVISIONS IN REPUBLIC ACT NO. 7160,
OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991"**

EXPLANATORY NOTE

Over the nearly three decades from the enactment and implementation of the Local Government Code (R.A. 7160), the importance of efficient and effective local public financial management has risen with the intensifying complexity of local governance and service delivery.

The local government units (LGUs) have realized that to significantly reduce local poverty and provide basic services in a sustained and sustainable manner, they can no longer rely simply on year-to-year planning and budgeting. There is a need to shift from short-term public financial management to medium and long-term public financial management, and to achieve this the LGUs will need guidance from national government agencies.

To improve public financial management at the local level, there is a need to provide oversight and guidance that is not only timely, relevant and effective but also respectful of the principles of local autonomy. There is also a need to harmonize and complement if not integrate local public investment with national public investment. Again, this only highlights the need to enhance the capacity of LGUs for public financial management includes but is not limited to planning, investment programming, budgeting, revenue mobilization and administration, expenditure management, performance monitoring and management.

With this in mind, this bill mandates oversight national agencies—the Department of Interior and Local Government (DILG), the Department of Budget

and Management (DBM), the Department of Finance (DOF) and the National Economic and Development Authority (NEDA) to provide guidance in matters regarding local public financial management (PFM). LGUs are then mandated to incorporate whatever guidance provided by said oversight national agencies with their PFM activities.

This bill likewise emphasizes the oversight role of the Regional Development Council and the Province, City and Municipal governments over their respective component LGUs in matters regarding PFM. Finally, this bill encourages harmonization and complementarity if not integration between local and national plans and investment programs.

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



SONNY ANGARA

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AN ACT

TO ENHANCE PUBLIC FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT UNITS BY AMENDING CERTAIN PROVISIONS IN REPUBLIC 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 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) x x x

8 x x x

9 (e) Provinces with respect to component cities and municipalities, and
10 cities and municipalities with respect to component barangays, shall
11 ensure that the acts of their component units are within the scope of
12 their prescribed powers and functions **AND ADHERE TO THE**
13 **PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND**
14 **EFFICIENT PUBLIC FINANCIAL MANAGEMENT;**

15 (f) x x x

16 x x x

(j) Effective mechanisms for ensuring the accountability of local government units to their respective constituents shall be strengthened in order to upgrade continually the quality of local leadership **AND ADVANCE THE PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT;**

(k) x x x

XXX."

Sec. 2. Section 25 (a) of the Code is hereby amendment to read as follows:

"Sec. 25. National Supervision over Local Government Units. –

(a) Consistent with the basic policy on local autonomy, the President shall exercise general supervision over local government units to ensure that their acts are within the scope of their prescribed powers and functions **AND THE PRACTICE OF GOOD GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL MANAGEMENT. THE PRESIDENT SHALL INSTRUCT THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY TO FORMULATE GUIDELINES AND DESIGN AND DEVELOP PROCESSES AND SYSTEMS TO FACILITATE THIS SUPERVISION.**

The President shall exercise supervisory authority directly over provinces, highly urbanized cities, and independent component cities; through the province with respect to component cities and municipalities; and through the city and municipality with respect to barangays.

(b) x x x

xxx,"

Sec. 3. Section 29 of the Code is hereby amended to read as follows:

"Sec. 29. Provincial Relations with Component Cities and Municipalities.

- The province, through the governor, shall ensure that every component city and municipality within its territorial jurisdiction acts within the scope of its prescribed powers and functions **AND**

1 **ADHERES TO THE PRINCIPLES AND POLICIES OF GOOD**
2 **GOVERNANCE AND EFFICIENT PUBLIC FINANCIAL**
3 **MANAGEMENT. FOR THIS PURPOSE, THE DEPARTMENT OF**
4 **INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF**
5 **FINANCE, THE DEPARTMENT OF BUDGET AND MANAGEMENT**
6 **AND THE NATIONAL ECONOMIC AND DEVELOPMENT**
7 **AUTHORITY SHALL FORMULATE GUIDELINES AND DESIGN**
8 **AND DEVELOP PROCESSES AND SYSTEMS TO SUPPORT THE**
9 **OVERSIGHT FUNCTION OF THE PROVINCE.** Highly urbanized
10 cities and independent component cities shall be independent of the
11 province."

12 Sec. 4. Section 32 of the Code is hereby amended to read as follows:

13 "Sec. 32. *City and Municipal Supervision over Their Respective*
14 *Barangays.* – The city or municipality, through the city or municipal
15 mayor concerned, shall exercise general supervision over component
16 barangays to ensure that said barangays act within the scope of their
17 prescribed powers and functions **AND ADHERES TO THE**
18 **PRINCIPLES AND POLICIES OF GOOD GOVERNANCE AND**
19 **EFFICIENT PUBLIC FINANCIAL MANAGEMENT. FOR THIS**
20 **PURPOSE, THE DEPARTMENT OF INTERIOR AND LOCAL**
21 **GOVERNMENT, THE DEPARTMENT OF FINANCE, THE**
22 **DEPARTMENT OF BUDGET AND MANAGEMENT AND THE**
23 **NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY**
24 **SHALL FORMULATE GUIDELINES AND DESIGN AND DEVELOP**
25 **PROCESSES AND SYSTEMS TO SUPPORT THE EXERCISE OF**
26 **THIS SUPERVISION BY THE CITY AND MUNICIPALITY OVER**
27 **THE BARANGAYS.**"

28 Sec. 5. Section 108 of the Code is hereby amended to read as follows:

29 "Sec. 108. *Representation of Non-governmental Organizations.* –
30 Within a period of sixty (60) days from the start of organization of local
31 development councils, the non-governmental organizations shall
32 choose from among themselves their representatives to said councils.

1 **WITHIN THE SAME SIXTY (60) DAY PERIOD, [T] the local**
2 **sanggunian concerned shall accredit non-governmental organizations**
3 **subject to such criteria as may be provided by law **AND GUIDELINES****
4 **PREPARED BY THE DEPARTMENT OF INTERIOR AND LOCAL**
5 **GOVERNMENT AND THE DEPARTMENT OF BUDGET AND**
6 **MANAGEMENT. THE SELECTION PROCESS SHALL BE**
7 **CONDUCTED ONCE EVERY THREE (3) YEARS TO ENSURE THAT**
8 **THE NON-GOVERNMENTAL ORGANIZATIONS REPRESENTED**
9 **IN THE LOCAL DEVELOPMENT COUNCIL ARE CURRENTLY**
10 **ACTIVE AND TO EXPAND AND IMPROVE THE COVERAGE OF**
11 **COMMUNITY ISSUES AND CONCERNS."**

12 Sec. 6. Section 109 of the Code is hereby amended to read as follows:

13 "Sec. 109. *Functions of Local Development Councils.* –

14 (a) The provincial, city, and municipal development councils shall
15 exercise the following functions:

- 16 (1) Formulate **COMPREHENSIVE** long-term, medium-term, and
17 annual socio-economic development plans and policies;
- 18 (2) Formulate the medium-term and annual public investment
19 programs;
- 20 (3) Appraise and prioritize socio-economic [development]
21 **MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT**
22 programs and projects;
- 23 (4) Formulate local investment incentives to promote the inflow
24 and direction of private investment capital;
- 25 (5) Coordinate, monitor, and evaluate the implementation of
26 [development] **MEDIUM-TERM AND ANNUAL PUBLIC**
27 **INVESTMENT** programs and projects; and
- 28 (6) Perform such other functions as may be provided by law or
29 component authority.

30 (b) The barangay development council shall exercise the following
31 functions:

- 32 (1) Mobilize people's participation in local development efforts;

- (2) Prepare barangay development plans based on local requirements;
 - (3) Monitor and evaluate the implementation of national or local programs and projects; and
 - (4) Perform such other functions as may be provided by law or competent authority.

(C) THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT, THE DEPARTMENT OF FINANCE, THE DEPARTMENT OF BUDGET AND MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY SHALL ISSUE MANUALS AND RELATED ISSUANCES TO GUIDE THE LOCAL DEVELOPMENT COUNCILS OF THE PROVINCE, MUNICIPALITY, CITY AND BARANGAY IN THE PREPARATION OF THEIR MEDIUM-TERM COMPREHENSIVE LOCAL DEVELOPMENT PLANS AND MEDIUM-TERM AND ANNUAL PUBLIC INVESTMENT PROGRAMS."

Sec. 7. Section 110 of the Code is hereby amended to read as follows:

*"Sec. 110. Meetings and Quorum. – The local development council shall meet at least once every six (6) months or as often as may be necessary. **WRITTEN NOTICE OF MEETING SHALL BE SENT TO THE MEMBERS OF THE LOCAL DEVELOPMENT COUNCIL AT LEAST TEN (10) DAYS PRIOR TO THE MEETING.**"*

Sec. 8. Section 113 of the Code is hereby amended to read as follows:

"Sec. 113. *Secretariat.* – There is hereby constituted for each local development council a secretariat which shall be responsible for providing technical support, documentation of proceedings, preparation of reports and such other assistance as may be required in the discharge of its functions. The local development council may avail of the services of any non-governmental organization or educational or research institution for this purpose.

The secretariats of the provincial, city, and municipal development councils shall be headed by their respective planning and development

coordinators **WITH THEIR RESPECTIVE TREASURERS, BUDGET OFFICERS AND ACCOUNTANTS AS MEMBERS.** The secretariat of the barangay development council shall be headed by the barangay [secretary] **TREASURER** who shall be assisted by the **BARANGAY SECRETARY AND ADVISED BY THE** city or municipal planning and development coordinator concerned."

Sec. 9. Section 114 of the Code is hereby amended to read as follows:

"Sec. 114. Relation of Local Development Councils to the Sanggunian and the Regional Development Council. –

(a) The policies, programs, and projects proposed by local development councils shall be submitted to the sanggunian concerned for appropriate action. The **COMPREHENSIVE** local development plans approved by their respective sanggunian [may] **SHOULD** be [integrated] **ALIGNED** with the development plans of the next higher level [of] local development council.

(b) $x \times x''$

Sec. 10. Section 316 of the Code is hereby amended to read as follows:

"Sec. 316. *Local Finance Committee.* – There is hereby created in every province, city or municipality a local finance committee to be composed of the local planning and development officer, the local budget officer, [and] the local treasurer, **AND THE LOCAL ACCOUNTANT**. It shall exercise the following functions:

(a) x x x

xxx."

Sec. 11. Section 319 of the Code is hereby amended to read as follows:

"Sec. 319. *Legislative Authorization of the Budget.* – On or before the end of the current fiscal year, the sanggunian concerned shall enact, through an ordinance, the annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive **AND THE APPROVED ANNUAL INVESTMENT PROGRAM WHICH IS THE**

ENSUING YEAR EQUIVALENT OF THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM."

Sec. 12. Section 324 of the Code is hereby amended to read as follows:

"Sec. 324. *Budgetary Requirements.* - The budgets of local government units for any fiscal year shall comply with the following requirements:

(a) The aggregate amount appropriated shall not exceed the estimates of income **AND THE ANNUAL INVESTMENT PROGRAM WHICH IS THE ENSUING YEAR EQUIVALENT OF THE MEDIUM-TERM PUBLIC INVESTMENT PROGRAM:**

(b) x x x

xxx."

Sec. 13. Section 352 of the Code is hereby amended to read as follows:

"Sec. 352. *Posting of the Summary of Income and Expenditures.* – Local treasurers, accountants, budget officers, and other accountable officers shall, within thirty (30) days from the end of the fiscal year, post in at least three (3) publicly accessible and conspicuous places in the local government unit **OR THE OFFICIAL WEBSITE OF THE LOCAL GOVERNMENT UNIT, IF AVAILABLE, AND THE OFFICIAL WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE, OR AN OFFICIAL GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE FOR SUCH PURPOSE** a summary of all revenues collected and funds received including the appropriations and disbursements of such funds during the preceding fiscal year."

Sec. 14. Section 513 of the Code is hereby amended to read as follows:

"Sec. 513. Failure to Post and Publish the Itemized Monthly Collections and Disbursements. – Failure by the local treasurer of the local chief accountant to post the itemized monthly collections and disbursements of the local government unit concerned within ten (10) days following the end of every month and for at least two (2) consecutive weeks at

1 prominent places in the main office building of the local government
2 unit concerned, its plaza and main street, and to publish said
3 itemization in a newspaper of general circulation, where available, in
4 the territorial jurisdiction of such unit **OR THE OFFICIAL WEBSITE**
5 **OF THE LOCAL GOVERNMENT UNIT, IF AVAILABLE, AND THE**
6 **OFFICIAL WEBSITE OF THE BUREAU OF LOCAL GOVERNMENT**
7 **FINANCE OF THE DEPARTMENT OF FINANCE, OR AN OFFICIAL**
8 **GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF**
9 **LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF**
10 **FINANCE FOR SUCH PURPOSE** shall be punished by a fine not
11 exceeding Five hundred pesos (P500.00) or by imprisonment not
12 exceeding one (1) month, or both such fine and imprisonment, at the
13 discretion of the court."

14 Sec. 15. Section 395 (e) (5) of the Code is hereby amended to read as
15 follows:

16 "Sec. 395. *Barangay Treasurer: Appointment, Qualifications, Powers*
17 *and Duties.* –

18 (a) x x x

19 x x x

20 (e) The barangay treasurer shall:

21 (1) x x x

22 x x x

23 (5) Render a written accounting report of all barangay funds and
24 property under his custody **AND A SUMMARY OF ALL**
25 **REVENUES COLLECTED AND FUNDS RECEIVED INCLUDING**
26 **APPROPRIATIONS AND DISBURSEMENTS OF SUCH FUNDS**
27 **[at the end of each calendar year] WITHIN THIRTY (30) DAYS**
28 **FROM THE END OF THE FISCAL YEAR,** [and] ensure that such
29 report shall be made available to the members of the barangay
30 assembly and other government agencies concerned, **AND POST**
31 **IN AT LEAST THREE (3) PUBLICLY ACCESSIBLE AND**

1 **CONSPICUOUS PLACES IN THE BARANGAY OR THE**
2 **OFFICIAL WEBSITE OF THE BARANGAY, IF AVAILABLE;**
3 (6) x x x

4 XXX."

5 Sec. 16. *Implementing Rules and Regulations.* – The Department of Interior
6 and Local Government, the Department of Budget and Management, the
7 Department of Finance and the National Economic and Development Authority shall
8 formulate and issue the necessary rules and regulations to implement the provisions
9 of this Act within sixty (60) days from its effectivity.

10 Sec. 17. *Repealing Clause.* – All general and special laws, acts, city charters,
11 executive orders, presidential proclamations, issuances, rules and regulations, or
12 parts thereof which are contrary to or inconsistent with any of the provisions of this
13 Act are hereby repealed, amended, or modified accordingly.

14 Sec. 18. *Separability Clause.* – If any portion or provision of this Act is
15 subsequently declared invalid or unconstitutional, other provisions hereof which are
16 not affected thereby shall remain in full force and effect.

17 Sec. 19. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after
18 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,