

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



Senate
Office of the Secretary

'16 AUG 23 P6:12

SENATE

RECEIVED BY: 

S. B. No. 1065

Introduced by Senator JOEL "TESDAMAN" VILLANUEVA

**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 LOCAL GOVERNMENT
EMPOWERMENT IN ORDER TO ACHIEVE INCLUSIVE GROWTH,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

The Republic Act No. 7160 or the Local Government Code of 1991 (LGC) sought to empower local government units (LGUs) by giving them the authority to effectively formulate and implement their respective projects and programs. To ensure adequate resources are channeled to local governments, the LGC increased the share of LGUs from the annual revenues of the national government through higher Internal Revenue Allotment (IRA). In addition, the LGC also authorized LGUs to impose and collect local fees and taxes to generate additional resources. These reforms sought to empower LGUs and enable them to fund their respective programs – consistent with the national objective of creating effective and autonomous local governments units.

Nevertheless, despite the said reforms, many LGUs continue to suffer from limited fiscal resources. Consequently, many LGUs fail to effectively provide service and implement their respective programs, contrary to the outcomes envisioned when the LGC was enacted in 1991. To date, many LGUs continue to rely on direct provision from the national government, especially for programs and projects that contribute to local development.

To address the issue of scarce resources faced by many LGUs, this bill seeks to provide additional funding for local governments by allotting a Local Development Fund (LDF) to each barangay, municipality, city, and province. The LDF allotment seeks to supplement the resources currently available to local governments. This will ensure the availability of adequate funding for programs, project, and activities that will assist in development of LGUs. To ensure that resources for skills training are available, the bill mandates that at least 10% of the LDF shall be utilized for programs geared towards the enhancement and promotion of technical skills training and education.

Furthermore, to strengthen equitable distribution of resources across the country, the proposed measure provides to allot more funds to lower-income LGUs than their higher-income counterparts. In addition, the proposal also provides for various safeguards (e.g. compliance with local development plan, local capacity-building, multi-sectoral monitoring and evaluation, etc.) to ensure that resources are used consistent with their intended purpose.

The passage of this bill is earnestly sought to assist in the empowerment of LGUs, and to support development at all government levels across the country.

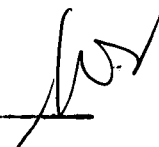

SENATOR JOEL VILLANUEVA

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



Senate
Office of the Secretary

'16 AUG 23 P6:12

RECEIVED BY: 

SENATE

S. B. No. 1065

Introduced by Senator JOEL "TESDAMAN" VILLANUEVA

**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 LOCAL GOVERNMENT
EMPOWERMENT IN ORDER TO ACHIEVE 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 **SEC. 1. Short Title.** – This Act shall be known as the "*Local Budgeting Reform Act of*
2 *2016.*"

3
4 **SEC. 2. Declaration of Policy.** – The State and all its territorial and political
5 subdivisions shall enjoy genuine and meaningful local autonomy to enable them to
6 attain their fullest development as self-reliant communities and make them more
7 effective partners in the attainment of national goals. For this purpose, the State
8 recognizes that meaningful local autonomy can only be realized through the
9 implementation of locally crafted development plans that accurately acknowledge and
10 address perceived local needs, and that inclusive and sustainable growth can only be
11 truly achieved by providing the local government units (LGUs) with adequate
12 resources and technical capacities that will promote meaningful development.

13
14 **SEC. 3. Allotment for Development.** – To achieve the policies declared in this Act,
15 the National Government shall guarantee an annual fund sufficient to implement the
16 three-year Comprehensive Development Plan (CDP) of each and every province, city,
17 municipality, and barangay herein referred to as the "Local Development Fund" (LDF),
18 to wit:

- 1
- 2 a) *Provinces* – Fifty Million Pesos to One Hundred Million Pesos (P50,000,000.00
- 3 to P100,000,000.00) per province per year;
- 4 b) *Cities* – Ten Million Pesos to Twenty Million Pesos (P10,000,000.00 to
- 5 P20,000,000.00) per city per year;
- 6 c) *Municipalities* – Five Million Pesos to Ten Million Pesos (P5,000,000.00 to
- 7 P10,000,000.00) per municipality per year; and
- 8 d) *Barangays* – One Million Pesos to Three Million Pesos (P1,000,000.00 to
- 9 P3,000,000.00) per barangay per year.

10 *Provided that*, the amount of LDF for each province, city or municipality shall be based

11 on the following criteria:

- 12 a) 50% of the prescribed amount for each 1st class LGU;
- 13 b) 60% of the prescribed amount for each 2nd class LGU;
- 14 c) 70% of the prescribed amount for each 3rd class LGU;
- 15 d) 80% of the prescribed amount for each 4th class LGU;
- 16 e) 90% of the prescribed amount for each 5th class LGU; and
- 17 f) 100% of the prescribed amount for each 6th class LGU;

18 *Provided, further*, That each barangay shall, at all times, receive the full amount of

19 LDF prescribed above.

20 These funds shall be automatically and directly released to every LGU at the start of

21 every fiscal year or on quarterly basis within five (5) days at the start of each quarter.

22 No lien, holdback or any other imposition, of whatever nature, may be imposed by the

23 National Government against the said fund.

24

25 **SEC. 4. Purpose of Local Development Fund.** – The LDF shall be used solely by

26 the LGUs to finance their respective development projects, activities and programs

27 (PAPs) identified in their approved CDPs; *Provided*, That no less than ten percent

28 (10%) of the LDF shall be allotted to PAPs geared towards the enhancement and

29 promotion of technical skills training of the citizens in the concerned LGU.

30

31 The use of the LDF contrary to the stated purpose shall make the approving authority

32 and all persons who allow such diversion liable for technical malversation as defined

33 and penalized under Article 220 of Act No. 3815, otherwise known as the “Revised

34 Penal Code”.

35

36 **SEC. 5. Expenditures Not Covered.** – No amount shall be paid out of the LDF to

37 items that are not related to or connected with the development PAPs such as:

- 38
- 39 a) Administrative expenses such as cash gifts, bonuses, food allowance, medical
- 40 assistance, uniforms, supplies, meetings, communication, water and light,
- 41 petroleum products and the like;

- 1 b) Salaries, wages, emoluments, per diems or overtime pay;
- 2 c) Travelling expenses, whether domestic or foreign;
- 3 d) Registration or participation fees in trainings, seminars, conferences and
- 4 conventions, except if such disbursement is for the purpose of technical skills
- 5 training as provided under Section 4 above;
- 6 e) Construction, repair or refinishing of administrative offices;
- 7 f) Purchase of administrative office's furniture, fixtures, equipment or appliances;
- 8 or
- 9 g) Purchase, maintenance or repair of motor vehicles or motorcycles.

10
11 The LDF shall not be used to finance PAPs that may duplicate or overlap with PAPs
12 that are being implemented or funded by the National Government Agencies (NGAs).
13 No LDF shall also be utilized as a counterpart fund to support NGAs' identified PAPs.

14
15 **SEC. 6. Comprehensive Local Development Plan.** – Consistent with Republic Act
16 No. 7160, otherwise known as the “Local Government Code of 1991”, every LGU shall
17 formulate a three-year CDP that is reflective of and responsive to the developmental
18 needs of their respective localities with corresponding periodic timelines. The
19 approved CDPs shall be funded yearly by the National Government in accordance
20 with Section 3 hereof.

21
22 The Local Development Councils shall conduct an annual review, and if necessary,
23 update their respective CDPs. The CDPs shall be formulated and approved in
24 accordance with the provisions of the Local Government Code.

25
26 The approved CDPs of each LGU shall be the basis for the allocation of the Local
27 Development Fund. In the event that the CDP is updated and funding has been re-
28 adjusted, the affected development project should first be approved before it may be
29 funded and implemented.

30
31 **SEC. 7. Performance-Based Evaluation.** – A performance-based evaluation shall
32 be conducted by the Performance Evaluation Committee (PEC) chaired by the
33 Undersecretary for Local Government of the Department of Interior and Local
34 Government (DILG). Before the end of the fourth quarter of the year, the said
35 committee shall conduct an annual performance review of the LGUs' implementation
36 of their development PAPs based on the indicators identified in their CDPs. The
37 results shall be published before the end of the first quarter of the following year.

38
39 Unsatisfactory performance of an LGU shall result in the reduction of its LDF by fifty
40 percent (50%) in the following year after the said evaluation; *Provided*, however, that
41 when the LGU which was previously rated with poor standing improves on its
42 performance in the next evaluation period, full funding shall be restored; *provided*
43 *further*, that LDF shall be terminated in case of two (2) consecutive unsatisfactory

1 performance; *provided finally*, that LGUs, whose LDF has been terminated, may
2 reapply for funding of their CDPs a year following its termination.

3
4 **SEC. 8. Web-based Monitoring System.** – The PEC shall adopt a web-based
5 application to facilitate the monitoring and evaluation of all PAPs funded by the LDF.

6
7 The system shall allow tracking of expenditures and the status of implementation of
8 the PAPs. The status of the PAPs shall be updated monthly by the LGUs or as
9 frequently as may be necessary. The local chief executive of each LGU shall be
10 responsible of ensuring the reportorial requirements are complied with.

11
12 In case of non-reporting or failure to comply with the reportorial requirements, the PEC
13 shall advise the Department of Budget and Management (DBM) to suspend the
14 release of funding to the delinquent LGU until such time that it complies with the
15 requirements.

16
17 The system shall be accessible to the general public and all information, including but
18 not limited to funding/cost, location, contractor, progress status, number of
19 beneficiaries, date of completion and responsible government official, of the PAPs
20 shall be disclosed.

21
22 An amount, which shall not be less than Twenty Five Million Pesos (P25,000,000.00)
23 is hereby appropriated to fund the establishment of a web-based monitoring system.

24
25 **SEC. 9. Performance Evaluation Committee.** – There is hereby created a PEC in
26 charge of the monitoring and evaluation of the implementation of development PAPs
27 under the LDF based on the indicators provided under the CDPs, composed of the
28 following:

- 29
30 a) The Undersecretary for Local Government of the DILG, as Chairman;
31 b) The Assistant Director-General for Planning of the National Economic and
32 Development Authority (NEDA);
33 c) The Assistant Secretary for Policy and Planning of the DBM;
34 d) The Executive Director of the Bureau of Local Government Finance (BLGF) of
35 the Department of Finance (DOF);
36 e) A representative from each of the various leagues of the different LGUs
37 concerned;
38 f) A representative from the National Commission on Indigenous Cultural
39 Communities/Indigenous Peoples (NCIP), if applicable; and
40 g) Four (4) representatives from accredited civil society groups and/or non-
41 government organizations in the locality where the CDP is to be implemented.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43

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.

SEC. 10. Capacity Building. – The Local Government Academy (LGA), in consultation 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, an amount, which shall not be more than Fifty Million Pesos (P50,000,000.00) shall be appropriated for capacity building of all LGUs.

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

SEC. 11. Procurement. – Procurement for the purpose of implementing the CDPs must be consistent with the provisions of Republic Act 9184, otherwise known as "Government Procurement Reform Act".

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

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

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

SEC. 13. Oversight Committee. – There is hereby created a Congressional Oversight Committee to monitor and oversee the implementation of the provisions of

1 this Act. The Committee shall be composed of five (5) members from the Senate and
2 five (5) members from the House of Representatives to be chaired by any one of the
3 Chairperson of the Committees on Local Government of the Senate and the House
4 of Representatives.

5
6 **SEC. 14. Sunset Review.** – Five (5) years following the effectivity of this Act, or as
7 the need arises, the Congress shall conduct a sunset review. For the purposes of this
8 Act, the term "sunset review" shall mean a systematic evaluation by Congress of the
9 accomplishments and impact of this Act, as well as the performance of LGUs, for
10 purposes of determining remedial legislation.

11
12 **SEC. 15. Coordination with Other Agencies.** – In adopting technical skills training
13 program, each LGU shall consider closely coordinating with the Technical Education
14 and Skills Development Authority (TESDA), and with other relevant government
15 agencies in order to efficiently and effectively carry out their respective CDPs.

16
17 **SEC. 16. Implementing Rules and Regulations.** – For the effective implementation
18 of this Act, the Secretary of the DILG, with the Secretaries of the DOF and the DBM
19 and in consultation with the various leagues of the different LGUs, shall issue the
20 necessary Implementing Rules and Regulations.

21
22 **SEC. 17. Suppletory Application of Existing Laws.** – The provisions of the Local
23 Government Code of 1991 and other laws consistent with this Act shall have
24 suppletory effect.

25
26 **SEC. 18. Repealing Clause.** – All laws, presidential decrees, executive orders,
27 presidential proclamations, rules and regulations or parts thereof contrary to or
28 inconsistent with this Act are hereby repealed, superseded or modified accordingly.

29
30 **SEC. 19. Separability Clause.** – Any portion or provision of this Act that may be
31 declared unconstitutional or invalid shall not have the effect of nullifying other portions
32 or provisions hereof, as long as such remaining portions or provisions can still subsist
33 and be given effect in their entirety.

34
35 **SEC. 20. Effectivity.** – This Act shall take effect fifteen (15) days after its complete
36 publication in the Official Gazette or in at least two (2) newspapers of general
37 circulation.

38
39 Approved,