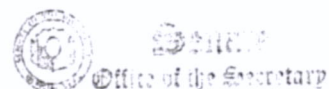


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



'18 APR -3 P1 :55

SENATE

RECEIVED BY _____



S.B. No. 1770

Introduced by Senator **SONNY ANGARA**

AN ACT
TO ENHANCE PUBLIC FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT
UNITS BY AMENDING CERTAIN PROVISIONS IN REPUBLIC ACT 7160,
OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

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

LGUs have realized that to significantly reduce local poverty and provide basic services to their communities 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 LGUs will clearly need guidance from the national government agencies to achieve this.

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. The latter is critical because as the country considers a shift to federalism at some future time, LGUs will have to play a much bigger role than they've previously held.

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.

With this in mind, this bill mandates oversight national agencies—the Department of the 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.

PFM includes but is not limited to planning, investment programming, budgeting, revenue mobilization and administration, expenditure management, performance monitoring and management.

This bill 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 plans and investment programs and national plans and investment programs.

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



SONNY ANGARA

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

6 (k) x x x

7 x x x "

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

9 **"SEC. 25. National Supervision over Local Government Units. – (a)**
10 Consistent with the basic policy on local autonomy, the President shall
11 exercise general supervision over local government units to ensure that their
12 acts are within the scope of their prescribed powers and functions **AND THE**
13 **PRACTICE OF GOOD GOVERNANCE AND EFFICIENT PUBLIC**
14 **FINANCIAL MANAGEMENT. THE PRESIDENT SHALL INSTRUCT THE**
15 **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, THE**
16 **DEPARTMENT OF FINANCE, THE DEPARTMENT OF BUDGET AND**
17 **MANAGEMENT AND THE NATIONAL ECONOMIC AND DEVELOPMENT**
18 **AUTHORITY TO FORMULATE GUIDELINES AND DESIGN AND DEVELOP**
19 **PROCESSES AND SYSTEMS TO FACILITATE THIS SUPERVISION.**

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

24 (b) x x x

25 x x x "

26 **SEC. 3.** Section 29 of the Code is hereby amended to read as follows:

27 **"SEC. 29. Provincial Relations with Component Cities and Municipalities.**
28 – The province, through the governor, shall ensure that every component city
29 and municipality within its territorial jurisdiction acts within the scope of its
30 prescribed powers and functions **AND ADHERES TO THE PRINCIPLES**

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

10 **SEC. 4.** Section 32 of the Code is hereby amended to read as follows:

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

24 **SEC. 5.** Section 108 of the Code is hereby amended to read as follows:

25 **“SEC. 108. *Representation of Non-governmental Organizations.*** – Within
26 a period of sixty (60) days [~~from~~] **PRIOR TO** the start of organization of local
27 development councils, the non-governmental organizations shall choose from
28 among themselves their representatives to said councils. **WITHIN THE SAME**
29 **SIXTY (60) DAY PERIOD,** [±] the local sanggunian concerned shall accredit
30 non-governmental organizations subject to such criteria as may be provided

1 by law AND GUIDELINES PREPARED BY THE DEPARTMENT OF THE
2 INTERIOR AND LOCAL GOVERNMENT AND THE DEPARTMENT OF
3 BUDGET AND MANAGEMENT. THE SELECTION PROCESS SHALL BE
4 CONDUCTED ONCE EVERY THREE (3) YEARS TO ENSURE THAT THE
5 NON-GOVERNMENTAL ORGANIZATIONS REPRESENTED IN THE
6 LOCAL DEVELOPMENT COUNCIL ARE CURRENTLY ACTIVE AND TO
7 EXPAND AND IMPROVE THE COVERAGE OF COMMUNITY ISSUES AND
8 CONCERNS.”

9 **SEC. 6.** Section 109 of the Code is hereby amended to read as follows:

10 **“SEC. 109. Functions of Local Development Councils. –**

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

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

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

- 26 (1) Mobilize people's participation in local development efforts;
- 27 (2) Prepare barangay development plans based on local requirements;
- 28 (3) Monitor and evaluate the implementation of national or local programs
29 and projects; and
- 30 (4) Perform such other functions as may be provided by law or competent
31 authority.

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

9 **SEC. 7.** Section 113 of the Code is hereby amended to read as follows:

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

17 The secretariats of the provincial, city, and municipal development
18 councils shall be headed by their respective planning and development
19 coordinators **WITH THEIR RESPECTIVE TREASURERS, BUDGET**
20 **OFFICERS AND ACCOUNTANTS AS MEMBERS.** The secretariat of the
21 barangay development council shall be headed by the barangay [secretary]
22 **TREASURER** who shall be assisted by the **BARANGAY SECRETARY AND**
23 **ADVISED BY THE** city or municipal planning and development coordinator
24 concerned."

25 **SEC. 8.** Section 114 of the Code is hereby amended to read as follows:

26 **"SEC. 114. Relation of Local Development Councils to the Sanggunian**
27 **and the Regional Development Council.** –

28 (a) The policies, programs, and projects proposed by local development
29 councils shall be submitted to the sanggunian concerned for appropriate

1 action. The **COMPREHENSIVE** local development plans approved by their
2 respective sanggunian [may] **SHOULD** be [integrated] **ALIGNED** with the
3 development plans of the next higher level of local development council.

4 (b) x x x "

5 **SEC. 9.** Section 316 of the Code is hereby amended to read as follows:

6 "**SEC. 316. *Local Finance Committee.*** – There is hereby created in every
7 province, city or municipality a local finance committee to be composed of the
8 local planning and development officer, the local budget officer, [~~and~~] the local
9 treasurer, **AND THE LOCAL ACCOUNTANT.**

10 x x x "

11 **SEC. 10.** Section 319 of the Code is hereby amended to read as follows:

12 "**SEC. 319. *Legislative Authorization of the Budget.*** – On or before the
13 end of the current fiscal year, the sanggunian concerned shall, through an
14 ordinance, the annual budget of the local government unit for the ensuing
15 fiscal year on the basis of the estimates of income and expenditures
16 submitted by the local chief executive **AND THE APPROVED ANNUAL**
17 **INVESTMENT PROGRAM WHICH IS THE ENSUING YEAR SLICE OF THE**
18 **MEDIUM-TERM PUBLIC INVESTMENT PROGRAM."**

19 **SEC. 11.** Section 324 of the Code is hereby amended to read as follows:

20 "**SEC. 324. *Budgetary Requirements.*** – The budgets of local government
21 units for any fiscal year shall comply with the following requirements:

22 (a) The aggregate amount appropriated shall not exceed the estimates of
23 income **AND THE ANNUAL INVESTMENT PROGRAM WHICH IS THE**
24 **ENSUING YEAR SLICE OF THE MEDIUM-TERM PUBLIC INVESTMENT**
25 **PROGRAM;**

26 (b) x x x

27 x x x "

1 **SEC. 12.** Section 352 of the Code is hereby amended to read as follows:

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

14 **SEC. 13.** Section 513 of the Code is hereby amended to read as follows:

15 **“SEC. 513. *Failure to Post and Publish the Itemized Monthly Collections***
16 ***and Disbursements.*** – Failure by the local treasurer of the local chief
17 accountant to post the itemized monthly collections and disbursements of the
18 local government unit concerned within ten (10) days following the end of
19 every month and for at least two (2) consecutive weeks at prominent places in
20 the main office building of the local government unit concerned, its plaza and
21 main street, and to publish said itemization in a newspaper of general
22 circulation, where available, in the territorial jurisdiction of such unit **OR THE**
23 **OFFICIAL WEBSITE OF THE LOCAL GOVERNMENT UNIT, IF**
24 **AVAILABLE, AND THE OFFICIAL WEBSITE OF THE BUREAU OF LOCAL**
25 **GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE, OR AN**
26 **OFFICIAL GOVERNMENT WEBSITE DESIGNATED BY THE BUREAU OF**
27 **LOCAL GOVERNMENT FINANCE OF THE DEPARTMENT OF FINANCE**
28 **FOR SUCH PURPOSE** shall be punished by a fine not exceeding Five

1 hundred pesos (P500.00) or by imprisonment not exceeding one (1) month, or
2 both such fine and imprisonment, at the discretion of the court.”

3 **SEC. 14. *Repealing Clause.*** – All general and special laws, acts, city charters,
4 decrees, executive orders, proclamations and administrative regulations, or part or
5 parts thereof which are inconsistent with any of the provisions of this Act are hereby
6 repealed or modified accordingly.

7 **SEC. 15. *Separability Clause.*** – If, for any reason or reasons, any part of
8 provision of this Act shall be held unconstitutional or invalid, other parts or provisions
9 hereof which not affected thereby shall continue to be in full force and effect.

10 **SEC. 16. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after
11 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,