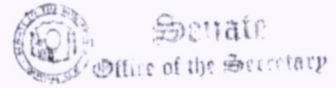


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. B. No. 846

'19 JUL 31 P4:10

Introduced by Senator SONNY ANGARA RECEIVED

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.

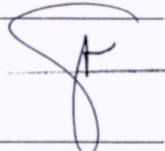


SONNY ANGARA

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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;

1 (2) *For a Municipality:*

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

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

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

1 (iv) Social welfare services which include programs and projects
2 on child and youth welfare, family and community welfare,
3 women's welfare, welfare of the elderly and disabled persons;
4 community-based rehabilitation programs for vagrants, beggars,
5 street children, scavengers, juvenile delinquents, and victims of
6 drug abuse; livelihood and other pro-poor projects; nutrition
7 services; and family planning services;

8 (v) Information services which include investments and job
9 placement information systems, tax and marketing information
10 systems, and maintenance of a public library;

11 (vi) Solid waste disposal system or environmental management
12 system and services or facilities related to general hygiene and
13 sanitation **WHOSE IMPLEMENTATION MAY BE SHARED**
14 **WITH THE PROVINCE OR THROUGH INTER-LGU**
15 **COOPERATION;**

16 (vii) Municipal buildings, cultural centers, public parks including
17 freedom parks, playgrounds, and other sports facilities and
18 equipment, and other similar facilities;

19 (viii) Infrastructure facilities intended primarily to service the
20 needs of the residents of the municipality and which are funded
21 out of municipal funds including but not limited to, municipal
22 roads and bridges; school buildings and other facilities for public
23 elementary and secondary schools; clinics, health centers and
24 other health facilities necessary to carry out health services;
25 communal irrigation, small water impounding projects and other
26 similar projects; fish ports; artesian wells, spring development,
27 rainwater collectors and water supply systems; seawalls, dikes,
28 drainage and sewerage, and flood control; traffic signals and
29 road signs; and similar facilities;

30 (ix) Public markets, slaughterhouses and other municipal
31 enterprises;

32 (x) Public cemetery;

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

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

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

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

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

17 (3) *For a Province:*

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

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

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

1 (iv) Subject to the provisions of Title Five, Book I of this Code,
2 health services which include hospitals and other tertiary health
3 services;

4 (v) Social welfare services which include programs and projects
5 on rebel returnees and evacuees; relief operations; and
6 population development services;

7 (vi) Provincial buildings, provincial jails, freedom parks and
8 other public assembly areas and similar facilities;

9 (vii) Infrastructure facilities intended to service the needs of the
10 residence of the province and which are funded out of provincial
11 funds including, but not limited to, provincial roads and bridges;
12 inter-municipal waterworks, drainage and sewerage, flood
13 control, and irrigation systems; reclamation projects; and similar
14 facilities;

15 (viii) Programs and projects for low-cost housing and other
16 mass dwellings, except those funded by the Social Security
17 System (SSS), Government Service Insurance System (GSIS),
18 and the Home Development Mutual Fund (HDMF): *Provided,*
19 That national funds for these programs and projects shall be
20 equitably allocated among the regions in proportion to the ratio
21 of the homeless to the population;

22 (ix) Investment support services, including access to credit
23 financing;

24 (x) Upgrading and modernization of tax information and
25 collection services through the use of computer hardware and
26 software and other means;

27 (xi) Inter-municipal telecommunications services, subject to
28 national policy guidelines; and

29 (xii) Tourism development and promotion programs;

30 (4) *For a City:*

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

1 (i) Adequate communication and transportation facilities;

2 (ii) Support for education, police and fire services and facilities;

3 (c) Notwithstanding the provisions of subsection (b) hereof, public
4 works and infrastructure projects and other facilities, programs and
5 services funded by the national government under the annual General
6 Appropriations Act, other special laws, pertinent executive orders, and
7 those wholly or partially funded from foreign sources, are not covered
8 under this Section, except in those cases where the local government
9 unit concerned is duly designated as the implementing agency for such
10 projects, facilities, programs, and services.

11 (d) The designs, plans, specifications, testing of materials, and the
12 procurement of equipment and materials at from both foreign and
13 local sources necessary for the provision of the foregoing services and
14 facilities shall be undertaken by the local government unit concerned,
15 based on national policies, standards and guidelines.

16 (e) National agencies or offices concerned shall devolve to local
17 government units the responsibility for the provision of basic services
18 and facilities enumerated in this Section within six (6) months after the
19 effectivity of this Code.

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

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

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

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

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

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

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

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

5 Costs may also be charged for the delivery of basic services or
6 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,