



SENATE
Senate Bill No. 23

'19 JUL -1 A10 :49

Introduced by SENATOR LACSON

RECEIVED

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 VILLAGE EMPOWERMENT, ENABLING THEM TO BE
AN EFFECTIVE INSTRUMENT IN ATTAINING INCLUSIVE GROWTH,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The State recognizes the importance of budget reform measures for local government units (LGUs) to fully exercise their local autonomy in pursuit of robust development, sustained growth and good governance at the local level.

The State likewise underlines the policy for fiscal decentralization, as stated in Section 2(a), Chapter I, Title I of The Local Government Code, to wit:

“It is hereby declared the policy of the State that the territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals. Toward this end, the State shall provide for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units shall be given more powers, authority, responsibilities, and resources. The process of decentralization shall proceed from the national government to the local government units.”

Thus, it is clear that the National Government shares its political-administrative authority with different local political subdivisions. Moreover, to emphasize the importance of LGUs' role in nation building, the National Government devolved some important governmental functions to the local level, i.e. environment, public health, infrastructure, among others.

While LGUs are equal partners of the National Government in promoting the welfare and well-being of the people, there are existing gaps that need to be addressed, among which is the measly sum of LGU share in the National Budget. For Fiscal Year 2018 General Appropriations Act (GAA) enacted through Republic Act 10964, LGU shares, through the Allocation to Local Government Units and Internal Revenue Allotment, amount to only P581.1 billion. This translates to a mere 15% of the P3.767 trillion national budget.

Noteworthy is the fact that some, if not all, of these National Government Agencies with huge annual appropriations have been remiss in their responsibilities of delivering basic services and contributing to national development due to massive underspending to the detriment of the Filipino people. From year 2010 to 2017, the annual average of unused appropriations is P343.8 billion pesos. In 2017 alone, unused appropriations amount to a staggering P388.4 billion, which translates to 10.5% of the P3.7 trillion Available Appropriations for Fiscal Year 2017.

Thus, it is the intention of this proposal to institutionalize rational and equitable budget distribution for LGU development for them to be active participants in nation building.

Under the proposal, the amount allocated to the LGUs will be referred to as the "Local Development Fund (LDF)", which will be divided among the different political subdivisions solely for developmental projects, activities and programs (PAPs) based on their approved Comprehensive Development Plans (CDPs).

The CDPs will be subject to annual review of a committee created for the purpose of determining if the LGUs' entitlements to the said fund will be reduced or retained based on their compliance with their respective plans.

It is also recognized that LGUs must have adequate capacity to carry out their mandate for the proper implementation of the LDFs. Capacity building will enhance local governance, improve delivery of public service, and strengthen accountability among local governments. These are important in effectively carrying out devolved functions and ultimately, attaining local autonomy.

Hence, adequate funds shall be appropriated mandating the Local Government Academy (LGA) to provide the LGUs with the necessary tools in undertaking effective planning and proper implementation of their PAPs in accordance with their approved CDPs.

By giving the LGUs the necessary wherewithal to be active participants in the development of our country, we will end the culture of mendicancy and political patronage that viciously thrive in our system. Ultimately, this will help us realize the elusive inclusive growth that we all aspire for as a nation.

It is for this purpose that the approval of this bill is earnestly sought.


PANFILO M. LACSON
Senator



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

1 SECTION. 1. *Short Title.* - This Act shall be known as the "THE BUDGET
2 REFORM FOR VILLAGE EMPOWERMENT ACT OF 2019."
3

4 SECTION. 2. *Declaration of Policy.* -

5 (a) It is a declared policy of the State that territorial and political
6 subdivisions shall enjoy genuine and meaningful local autonomy to
7 enable them to attain their fullest development as self-reliant
8 communities and make them more effective partners in the
9 attainment of national goals;

10 (b) It is also the policy of the State that meaningful local autonomy can
11 only be realized through the implementation of locally crafted
12 development plans that accurately acknowledge and address
13 perceived local needs;

14 (c) The State acknowledges that there exists a fiscal gap between the
15 expenditure responsibilities of the Local Government Units (LGUs)
16 and their fiscal capacity;

17 (d) It is likewise the policy of the State to ensure that sufficient financial
18 resources for development are available to LGUs with corresponding
19 accountability of improving public services;

- 1 (e) Therefore, the State recognizes that inclusive and sustainable growth
2 can be truly achieved only by providing the LGUs with adequate
3 resources and technical capacities that will promote meaningful
4 development.
5

6 **SECTION. 3. Allotment for Development.** - To achieve the policies
7 declared in this Act, the National Government shall guarantee an annual fund
8 sufficient to implement the three-year Comprehensive Development Plan (CDP)
9 of each and every province, city, municipality, and barangay herein referred to as
10 the "*Local Development Fund*" (LDF), to wit:

- 11 (a) Provinces – Five Hundred Million Pesos to One Billion Pesos
12 (P500,000,000.00 to P1,000,000,000.00) per province per year;
13 (b) Cities – One Hundred Million Pesos to Two Hundred Million Pesos
14 (P100,000,000.00 to P200,000,000.00) per city per year;
15 (c) Municipalities – Fifty Million Pesos to One Hundred Million Pesos
16 (P50,000,000.00 to P100,000,000.00) per municipality per year; and,
17 (d) Barangays – Three Million Pesos to Five Million Pesos (P3,000,000.00
18 to P5,000,000.00) per barangay per year.

19 *Provided that*, the amount of LDF for each province, city or municipality
20 shall be based on the following criteria:

- 21
22 a) 50% of the prescribed amount for each 1st class LGU;
23 b) 60% of the prescribed amount for each 2nd class LGU;
24 c) 70% of the prescribed amount for each 3rd class LGU;
25 d) 80% of the prescribed amount for each 4th class LGU;
26 e) 90% of the prescribed amount for each 5th class LGU; and
27 f) 100% of the prescribed amount for each 6th class LGU;
28

29 *Provided, further*, That each barangay shall, at all times, receive the full
30 amount of LDF prescribed above.

31 In the allotment of the LDF, Fiscal capacity, expenditure responsibilities
32 and poverty incidence shall be taken into consideration.

33 These funds shall be automatically and directly released to every LGU at
34 the start of the fiscal year or on quarterly basis within five (5) days at the start of
35 each quarter. No lien, holdback or any other imposition, of whatever nature, may
36 be imposed by the National Government against the said fund.
37

1 **SECTION. 4. Purpose of Local Development Fund.** – The fund shall be
2 used solely by the LGUs to finance their respective development projects,
3 activities and programs (PAPs) identified in their approved Comprehensive Local
4 Development Plans (CDPs). ; *Provided*, That no less than ten percent (10%) of the
5 LDF shall be allotted to PAPs geared towards the enhancement and promotion of
6 technical skills training of the citizens in the concerned LGU. The use of the said
7 fund contrary to the stated purpose shall make the approving authority and all
8 persons who allow such diversion liable for technical malversation as defined and
9 penalized under *Article 220 of Act No. 3815*, otherwise known as the "*Revised*
10 *Penal Code*".

11
12 **SECTION. 5. Expenditures Not Covered.** - No amount shall be paid out
13 of the LDF to items that are not related to or connected with the development
14 PAPs such as:

- 15 (a) Administrative expenses such as cash gifts, bonuses, food allowance,
16 medical assistance, uniforms, supplies, meetings, communication, water
17 and light, petroleum products and the like;
18 (b) Salaries, wages, emoluments, per diems or overtime pay;
19 (c) Travelling expenses, whether domestic or foreign;
20 (d) Registration or participation fees in trainings, seminars, conferences and
21 conventions;
22 (e) Construction, repair or refinishing of administrative offices;
23 (f) Purchase of administrative office's furniture, fixtures, equipment or
24 appliances;
25 (g) Purchase, maintenance or repair of motor vehicles or motorcycles.

26 Likewise, the LDF shall not be used to finance PAPs that may duplicate or
27 overlap with PAPs that are being implemented or funded by the National
28 Government Agencies (NGAs). Also, no LDF shall be utilized as a counterpart
29 fund to support NGAs' identified PAPs.

30
31 **SECTION. 6. Comprehensive Local Development Plan.** – Consistent with
32 Republic Act 7160, otherwise known as the "*Local Government Code of 1991*",
33 every LGU shall formulate a three-year CDP that is reflective of and responsive to
34 the developmental needs of their respective localities with corresponding periodic
35 timelines. The approved CDPs shall be funded yearly by the National Government

1 in accordance with Section 3 hereof. The projects funded shall be identified in the
2 Annual General Appropriations Act.

3 The Local Development Councils shall conduct an annual review, and if
4 necessary, update AND IMPROVE their respective CDPs. The CDPs shall be
5 formulated and approved in accordance with the provisions of Republic Act 7160.

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

10 Consultations with all stakeholders shall be done at all stages of the
11 formulation, review, updating, or improvement of the CDP.

12

13 **SECTION. 7. *Performance-based Evaluation.*** – A performance-based
14 evaluation shall be conducted by the Oversight Evaluation Committee (OEC)
15 chaired by the Undersecretary for Local Government of the Department of Interior
16 and Local Government (DILG). Before the end of the fourth quarter of the year,
17 said committee shall conduct an annual performance review of the LGUs'
18 implementation of their development PAPs based on the indicators identified in
19 their CDPs. The results shall be published before the end of the first quarter of the
20 following year.

21 Unsatisfactory performance of an LGU shall result in the reduction of its
22 LDF by fifty percent (50%) in the following year after the said evaluation;
23 Provided however, That, when the LGU which was previously rated with poor
24 standing improves on its performance in the next evaluation period, full funding
25 shall be restored; Provided further, That, LDF shall be terminated in case of two
26 (2) consecutive unsatisfactory performance; Provided finally, That, LGUs, whose
27 LDF has been terminated, may reapply for funding of their CDPs a year following
28 its termination.

29

30 **SECTION. 8. *Web-based Monitoring System.*** – In the spirit of
31 transparency and accountability, the OEC shall adopt a web-based application to
32 facilitate the monitoring and evaluation of all PAPs funded by the LDF. The
33 system shall allow tracking of expenditures and the status of implementation of the
34 PAPs. The status of the PAPs shall be updated monthly by the LGUs or as
35 frequently as maybe necessary. It is the responsibility of the Chief Executive of
36 the LGU to make sure that the reportorial requirements are complied with. In case

1 of non-reporting or failure to comply with the reportorial requirements, the OEC
2 shall advise the Department of Budget and Management (DBM) to suspend the
3 release of funding to the delinquent LGU until such time that it complies with the
4 requirements. The system shall be accessible to the general public and all
5 information, including but not limited to funding/cost, location, contractor,
6 progress status, number of beneficiaries, date of completion and responsible
7 government official, of the PAPs shall be disclosed.

8

9 The amount of One Hundred Million Pesos (P100,000,000.00) is hereby
10 appropriated to fund the establishment of a web-based monitoring system.

11 To enhance the monitoring of PAPs, the Strategic Action and Response
12 (STAR) and the Office of Participatory Governance, both under the Office of the
13 Cabinet Secretary, shall provide the following support:

14 a. Promote active citizenship, inclusiveness, transparency and
15 accountability; and.

16 b. Conduct public awareness campaign on reform for the Governments'
17 development PAPs in the localities.

18

19 **SECTION. 9. Oversight Evaluation Committee.** - There is hereby created
20 a Oversight Evaluation Committee in charge of the monitoring and evaluation of
21 the implementation of development PAPs under the LDF based on the indicators
22 provided under the CDPs, composed of the following:

- 23 1. The Undersecretary for Local Government of the DILG, as Chairman;
- 24 2. An Undersecretary from the Office of the Cabinet Secretary;
- 25 3. The Undersecretary for Regional of the National Economic and
26 Development Authority (NEDA);
- 27 4. The Undersecretary for Local Government and Regional Operations Group
28 of the DBM;
- 29 5. The Executive Director of the Bureau of Local Government Finance
30 (BLGF) of the Department of Finance (DOF);
- 31 6. A representative from each of the various leagues of the different LGUs
32 concerned;
- 33 7. The Chairperson the National Commission on Indigenous Cultural
34 Communities/Indigenous Peoples (NCIP), if applicable; and,

1 8. Four representatives from accredited civil society groups and/or non-
2 government organizations in the locality where the CDP is to be
3 implemented.

4 The representatives from the accredited civil society groups and/or non-
5 government organizations shall be selected based on the criteria and mechanisms
6 to be determined for this purpose by the OEC. Civil Society Groups and/or non-
7 government organizations who has a member that is related by sixth degree of
8 consanguinity or affinity to any elected officials in the locality shall not be
9 accredited.

10 The various Regional Project Monitoring Committees (RPMC) shall assist
11 the OEC in its task of monitoring and evaluation and shall act as the secretariat of
12 the OEC with respect to their region.

13 The OEC may create a Technical and Support Unit under its direct control
14 and supervision but within the administrative structure of the DILG.
15

16 **SECTION. 10. Capacity Building.** – The Local Government Academy
17 (LGA), in consortium and/or partnership with academic institutions of higher
18 learning and/or state university/ies with distinguished competencies in public
19 governance programs, shall establish a continuing capacity program for all LGUs.
20 Trainings or programs conducted by such academic institutions of higher learning
21 and/or state university/ies may be considered for academic credits.

22 The LGA is mandated to ensure, within one (1) year after the effectivity of
23 this Act, that all territorial and political subdivisions are capacitated to effectively
24 plan and implement the development projects in their respective CDPs.

25 For this purpose, the amount of One Billion Pesos (P1,000,000,000.00) is
26 hereby appropriated for capacity building of all LGUs.

27 The LGA shall provide options and/or lists of development PAPs to guide
28 the LGUs.

29 No Local Development Fund shall be released without a certification from
30 the LGA that the LGU is capacitated to plan and implement its CDP.
31

32 **SECTION. 11. Procurement.** – Procurement for the purpose of
33 implementing the CPDs must be consistent with the provisions of Republic Act
34 9184, otherwise known as “*Government Procurement Reform Act*”.

35

36 **SECTION. 12. Penal Provision** –

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

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

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

18
19 **SECTION. 13. *Oversight Committee.*** There is hereby created a
20 Congressional Oversight Committee to monitor and oversee the implementation of
21 the provisions of this Act. The Committee shall be composed of five (5) members
22 from the Senate and five (5) members from the House of Representatives to be
23 chaired by the Chairpersons of the Committee on Local Government from both the
24 Senate and House of Representatives.

25
26 **SECTION. 14. *Sunset Review.*** Five (5) years following the effectivity of
27 this Act, or as the need arises; the Congress shall conduct a sunset review. For
28 purposes of this Act, the term "sunset review" shall mean a systematic evaluation
29 by Congress of the accomplishments and impact of this Act, as well as the
30 performance of LGUs, for purposes of determining remedial legislation.

31
32 **SECTION. 15. *Implementing Rules and Regulations.*** – For the effective
33 implementation of this Act, the Secretary of the DILG, with the Secretaries of the
34 DOF and the DBM and in consultation with the various leagues of the different
35 LGUs, shall issue the necessary Implementing Rules and Regulations.

1 **SECTION. 16. *Suppletory Application of Existing Laws.*** - The provisions
2 of Republic Act No. 7160, otherwise known as the "*Local Government Code of*
3 *1991*", and other laws consistent with this Act shall have suppletory effect.
4

5 **SECTION. 17. *Repealing Clause.*** - All laws, presidential decrees,
6 executive orders, presidential proclamations, rules and regulations or parts thereof
7 contrary to or inconsistent with this Act are hereby repealed, superseded or
8 modified accordingly.
9

10 **SECTION. 18. *Separability Clause.*** - Any portion or provision of this Act
11 that may be declared unconstitutional or invalid shall not have the effect of
12 nullifying other portions or provisions hereof, as long as such remaining portions
13 or provisions can still subsist and be given effect in their entirety.
14

15 **SECTION. 19. *Effectivity.*** - This Act shall take effect fifteen (15) days
16 after its complete publication in the Official Gazette or in at least two (2)
17 newspapers of general circulation.
18

19 Approved,