

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



Senate
Office of the Secretary

*22 JUL 25 P 2 :06

SENATE
S. No. 855

RECEIVED BY

Introduced by **SENATOR RAMON BONG REVILLA, JR.**

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

Article II, Section 25 of the 1987 Constitution ensures the autonomy of local governments. In line with this, the Local Government Code of 1991 emphasizes the importance of such autonomy for the achievement of the development of local government units (LGUs) as "self-reliant communities and make them more effective partners in the attainment of national goals." This is confirmed by the Supreme Court Ruling in G.R. No. 199802 promulgated on April 10, 2019, most commonly known as the Mandanas Ruling. It ruled that the LGUs are entitled to a just share on all national taxes collected, which they will be able to use for their various local projects and programs.

This bill proposes to ensure an annual fund that is sufficient to implement the three-year Comprehensive Development Plan (CDP) of the local government units through the Local Development Fund (LDF). To promote transparency and accountability in the utilization of the said funds, it seeks to establish a web-based monitoring system that will make accessible to the public the information on the status of expenditures and project implementation. Most importantly, it mandates

the Local Government Academy (LGA) to establish a continuing program that will capacitate the LGUs to effectively formulate and implement the development projects included in their CDPs.

Section 14 of the proposed measure provides for Sunset Review to evaluate the necessity of continuing implementation of the law or of introducing remedial legislation.

This measure was filed by Senator Panfilo M. Lacson in the 18th Congress.

In view of the foregoing, the immediate passage of this bill is highly recommended.


RAMON BONG REVILLA, JR.

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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 Budget Reform for*
2 *Village Empowerment Act of 2022*".
- 3 Sec. 2. *Declaration of Policy.* - It is a declared policy of the State that the
4 territorial and political subdivisions shall enjoy genuine and meaningful local autonomy
5 to enable them to attain their fullest development as self-reliant communities and
6 make them more effective partners in the attainment of national goals. It is also the
7 policy of the State that meaningful local autonomy can only be realized through the
8 implementation of locally-crafted development plans that accurately acknowledge and
9 address perceived local needs. The State acknowledges that there exists a fiscal gap
10 between the expenditure responsibilities of the Local Government Units (LGUs) and
11 their fiscal capacity. It is likewise the policy of the State to ensure that sufficient
12 financial resources for development are available to LGUs with corresponding
13 accountability of improving public services. Therefore, the State recognizes that
14 inclusive and sustainable growth can be truly achieved only by providing the LGUs

1 with adequate resources and technical capacities that will promote meaningful
2 development.

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

8 (a) Provinces – Five hundred million pesos (P500,000,000.00) to One billion
9 pesos (P1,000,000,000.00) per province per year;

10 (b) Cities – One hundred million pesos (P100,000,000.00) to Two hundred
11 million pesos (P200,000,000.00) per city per year;

12 (c) Municipalities – Fifty million pesos (P50,000,000.00) to One hundred million
13 pesos (P100,000,000.00) per municipality per year;

14 (d) Barangays – Three million pesos (P3,000,000.00) to Five million pesos
15 (P5,000,000.00) per barangay per year.

16 *Provided,* That the amount of LDF for each province, city, or municipality shall
17 be based on the following criteria:

18 (a) 50% of the prescribed amount for each 1st class LGU;

19 (b) 60% of the prescribed amount for each 2nd class LGU;

20 (c) 70% of the prescribed amount for each 3rd class LGU;

21 (d) 80% of the prescribed amount for each 4th class LGU;

22 (e) 90% of the prescribed amount for each 5th class LGU; and,

23 (f) 100% of the prescribed amount for each 6th class LGU;

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

26 In the allotment of the LDF, fiscal capacity, expenditure responsibilities and
27 poverty incidence shall be taken into consideration.

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

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

10 Sec. 5. *Expenditures Not Covered.* – No amount shall be paid out of the LDF
11 to items that are not related to or connected with the development PAPs such as:

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

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

27 Sec. 6. *Comprehensive Local Development Plan.* – Consistent with Republic
28 Act No. 7160, otherwise known as the “Local Government Code of 1991”, every LGU
29 shall formulate a three-year CDP that is reflective of and responsive to the
30 developmental needs of their respective localities with corresponding periodic
31 timelines. The approved CDPs shall be funded yearly by the National Government in

1 accordance with Section 3 hereof. The projects funded shall be identified in the Annual
2 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 formulated
5 and approved in accordance with the provisions of Republic Act No. 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 been
8 re-adjusted, the affected development project should first be approved before it may
9 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 *Sec. 7. Performance-based Evaluation.* – A performance-based evaluation shall
13 be conducted by the Oversight Evaluation Committee (OEC) chaired by the
14 Undersecretary for Local Government of the Department of the Interior and Local
15 Government (DILG). Before the end of the fourth quarter of the year, said committee
16 shall conduct an annual performance review of the LGUs' implementation of their
17 development PAPs based on the indicators identified in their CDPs. The results shall
18 be published before the end of the first quarter of the following year.

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

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

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

7 The amount of One hundred million pesos (P100,000,000.00) is hereby
8 appropriate to fund the establishment of a web-based monitoring system.

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

12 (a) Promote active citizenship, inclusiveness, transparency and accountability;
13 and,

14 (b) Conduct public awareness campaigns on reform for the governments'
15 development PAPs in the localities.

16 *Sec. 9. Oversight Evaluation Committee.* – There is hereby created an
17 Oversight Evaluation Committee in charge of the monitoring and evaluation of the
18 implementation of development PAPs under the LDF based on the indicators provided
19 under the CDPs, composed of the following:

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

1 (8) Four (4) 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 to
6 be determined for this purpose by the OEC. Civil Society Groups and/or non-
7 government organizations who have a member that is related by sixth (6th) degree of
8 consanguinity or affinity to any elected officials in the locality shall not be accredited.

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

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

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

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

23 For this purpose, the amount of One billion pesos (P1,000,000,000.00) is
24 hereby appropriated for capacity building of all LGUS.

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

27 No Local Development Fund shall be released without certification from the LGA
28 that the LGU is capacitated to plan and implement its CDP.

29 Sec. 11. *Procurement.* – Procurement for the purpose of implementing the
30 CDPs must be consistent with the provisions of Republic Act No. 9184, otherwise
31 known as the "Government Procurement Reform Act".

32 Sec. 12. *Penal Provision.* –

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

9 (b) The Local Chief Executive shall be administratively liable, without prejudice
10 to any civil or criminal liabilities he may have incurred under existing laws,
11 in case of failure to report the status of their development PAPs are 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
15 PAP as mandated by Section 8 of this Act, shall be held administratively
16 liable without prejudice to any civil or criminal liability he may have incurred
17 under existing laws.

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

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

29 Sec. 15. *Implementing Rules and Regulations.* – For the effective
30 implementation of this Act, the Secretary of the DILG, with the Secretaries of the DOF
31 and the DBM and in consultation with the various leagues of the different LGUs, shall
32 issue the necessary implementing rules and regulations.

1 Sec. 16. *Supplementary Application of Existing Laws.* – The provisions of Republic
2 Act No. 7160, otherwise known as the “Local Government Code of 1991”, and other
3 laws consistent with this Act shall have supplementary effect.

4 Sec. 17. *Separability Clause.* – If any provision or part hereof is held invalid or
5 unconstitutional, the remainder of the law or the provision or part not otherwise
6 affected shall remain valid and subsisting.

7 Sec. 18. *Repealing Clause.* – Any law, presidential decree or issuance,
8 executive order, letter of instruction, administrative order, rule, or regulation contrary
9 to or inconsistent with the provisions of this Act are hereby repealed, modified, or
10 amended accordingly.

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

Approved,