

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session



HOUSE BILL NO. 4559

Introduced by Honorable Mark O. Go

EXPLANATORY NOTE

In recognizing the indispensable role of local government units in building our nation and in securing socio-economic development that benefits all sectors of the Philippine society, the State through the Constitution, adopted a policy of ensuring local autonomy. Towards this end, the fundamental law mandated the national legislature to enact a local government code that shall provide a more responsive and accountable local government structure instituted through a system of decentralization.

Throughout Philippine history, we sustained a long tradition of centralized governance, as demonstrated in the concentration of economic and political power in the "Imperial Manila" and in the isolated pockets of urbanization and development distributed across the archipelago, such as Baguio, Cebu, Iloilo, and Davao. The enactment of Republic Act No. 7160 or Local Government Code of 1991 sought to grant local government units meaningful autonomy by empowering them through decentralizing the governance and granting local government units increased powers, functions, and resources. The intention behind setting up this framework of governance, is to build the capacities and expand the responsibilities of local actors that they become significant partners of the national government in the development process. However, the uneven scale and pace of local growth among LGUs, continue to be manifest, and inequality in the regional level down to the level of the household continue to persist.

Since the implementation of an institutionalized framework of decentralization, many significant public service functions were devolved to the LGUs, which includes among others agricultural extension and on-site research, community-based forestry projects, field health and hospital services, public works and infrastructure, tourism promotion, investment support, and social welfare services. Likewise, regulatory powers with regards the enforcement of environmental laws, and compliance with regulations on food products, were among other powers, devolved. However, more than 25 years after the enactment of the landmark Local Government Code, the prospect for the many of these devolved functions leaves much room for improvement. In a 2017 ranking of 195 countries, the Philippines ranked 120th in terms of access to and quality of healthcare for the treatment of preventable diseases. Meanwhile, the state of agriculture in the country continues to falter. While the agriculture sector makes up for more than 24% of our country's total employment, the sector accounted for only 7.1% of the our total GDP in the second quarter of 2019. The system of empowering LGUs is aimed at bringing development to the nation as a whole, to spread growth and leave no sector, province, or community behind. However, regional disparities

continued to widen, and the poverty profile of the country has barely changed over the more than two decades of implementation of the law. According to a study conducted by the Philippine Institute for Development Studies, "effective decentralization has not been realized because devolved functions were not complemented by adequate revenue-raising powers, clear division of responsibilities, and bureaucratic capacity building." Therefore, LGUs continued to face various challenges in the exercise of their devolved service delivery functions because while the responsibilities were transferred to them, they lack the appropriate and adequate capabilities to dispose of these functions, particularly in the implementation of their development programs.

In order to strengthen our system of institutionalized decentralization, and facilitate actual growth and development across the country, it is the proposal of this measure to complement the increase functions and responsibilities of LGUs with a rational and equitable distribution of budget for LGU development.

Towards this end, this bill seeks to establish a Local Equitable Allocation Program (LEAP) and guarantee an equitable appropriation by the National Government of an annual fund sufficient to implement the LGUs' Comprehensive Development Plan (CDP). This fund shall be known as the Local Assistance Fund (LAF). The bill also mandates the Local Development Councils to conduct an annual review, and if necessary, update and improve their respective CDP. This CDP would be the basis for the allocation of the LAF. In addition, to ensure the proper utilization of the LAF, the Department of Interior and Local Government (DILG) shall conduct an annual performance review of the LGUs' implementation of their development programs and activities as identified in their CDPs. Unsatisfactory performance of the LGU shall result in the reduction of the LGU's LDF for the following year by 50%. Furthermore, to better monitor the impact of this measure on the development of LGUs, and to be able to respond adequately and effectively to the changing circumstances of the LGUs relevant to the implementation of this measure, it is proposed that five years from effectivity, the Congress shall conduct a systematic review of the measure.

The budgeting process is in actuality the process of translating the government's priorities into monetary form. It is high time that we truly prioritize local development and substantiate our policy of empowering LGUs by providing them the proper tools to become drivers of our national growth.

Hence, approval of this bill is earnestly requested.



MARK O. GO

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**AN ACT TO ESTABLISH THE LOCAL EQUITABLE ALLOCATION PROGRAM
AND FOR OTHER PURPOSES**

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

SECTION 1. *Short Title.* – This Act shall be known as the “Local Equitable Allocation Program (LEAP) Act of 2019.”

SEC. 2. *Declaration of Policy.* – It is declared as policy of the State to ensure meaningful autonomy for local government units that will enable them to attain the fullest development for their localities and become active partners for the attainment of national goals. The State shall likewise ensure that sufficient financial resources shall be extended to every local government unit that would augment their funds for the implementation of their comprehensive development plans.

SEC. 3. *Local Equitable Allocation Program (LEAP).* – There is hereby established a Local Equitable Allocation Program (LEAP) to be managed and administered by the Department of Budget and Management (DBM) and funded by the National Government through an annual fund to be known as the Local Assistance Fund (LAF) that shall be apportioned and allocated equitably to every province, city, municipality and barangay to ensure the implementation of their Comprehensive Development Plan (CDP), to wit:

- (a) Provinces – Five Hundred Million Pesos (P500,000,000.00) per province per year;
- (b) Cities - One Hundred Million Pesos (P100,000,000.00) per city per year;
- (c) Municipalities – Fifty Million Pesos (P50,000,000.00) per municipality per year;
- (d) Barangays – Three Million Pesos (P3,000,000.00) per barangay per year.

Provided that, the amount of LAF for each province, city, or municipality shall be based on the following criteria:

- a) 50% of the prescribed amount for each 1st class LGU;
- b) 60% of the prescribed amount for each 2nd class LGU;
- c) 70% of the prescribed amount for each 3rd class LGU;
- d) 80% of the prescribed amount for each 4th class LGU;

- e) 90% of the prescribed amount for each 5th class LGU;
- f) 100% of the prescribed amount for each 6th class LGU;

Provided, further, that each barangay shall, at all times, receive the full amount of LAF prescribed above.

The fund shall be used solely by the LGUs to finance their respective development projects, activities and programs identified in their approved Comprehensive Development Plans (CDP). In the allotment of the LDF, fiscal capacity, expenditure responsibilities and poverty incidence shall be taken into consideration.

These funds shall be automatically and directly released to every LGU at the start of the fiscal year or on quarterly basis within five (5) days at the start of each quarter.

SEC. 4. *Restrictions on Utilization of Fund.* – No amount shall be used for purposes not related with the development projects, activities and programs as provided under the CDP such as:

- a) Administrative expenses such as cash gifts, bonuses, food allowance, medical assistance, uniforms, supplies, communication, meetings, utilities, petroleum products and others.
- b) Salaries, wages, emoluments, per diems or overtime;
- c) Traveling expenses, whether domestic or foreign;
- d) Registration fees in trainings, seminars, conferences and conventions;
- e) Construction, renovation or repair of administrative offices;
- f) Purchase of office furnitures and fixtures;
- g) Purchase, maintenance or repair of motor vehicles; and
- h) Other analogous expenses.

SEC. 5. *Comprehensive Development Plan.* – Every local government unit shall formulate a 6-year comprehensive development plan (CDP) pursuant to the provisions of the Local Government Code and policy issuances of the Department of Interior and Local Government (DILG). The CDP shall contain development programs and projects that corresponds to the developmental needs of the constituency and locality of a particular LGU.

The approved CDP shall be funded annually by the National Government in accordance with Section 3 of this Act. Programs and projects listed under the approved CDP shall be included and identified in the General Appropriations Act.

The Local Development Councils shall conduct an annual review their respective CDP and may introduce and approve necessary amendments thereto.

SEC. 6. *Performance-based Evaluation.* – The DILG shall conduct an annual performance-based evaluation before the end of the fourth quarter of every year on the implementation of every LGU's development projects, activities and programs based on the indicators as provided in their CDP. The evaluation result shall be published before the end of the first quarter of the following year.

Unsatisfactory performance of an LGU shall result in the reduction of its LAF by fifty percent (50%) in the following year after the said evaluation. *Provided, that,* when the LGU which was previously rated with poor standing have improve on its performance in the next

evaluation period, its LAF shall be restored in full. Provided further, that, the LAF shall be terminated in case of two (2) consecutive unsatisfactory or poor performance.

SEC. 7. *Fund Monitoring System.* – For purposes of transparency and accountability, the DILG shall adopt an online system for monitoring and evaluation of all development projects, activities and programs funded by the LAF. The system shall allow tracking of expenditures and the status of implementation of development programs and projects.

SEC. 8. *Capability Building.* – The Local Government Academy (LGA), in partnership with higher educational institutions (HEIs) with distinguished competencies in public governance programs, shall establish a continuing capability program for all LGUs.

SEC. 9. *Sunset Review.* – The Congress shall conduct a review five (5) years after the effectivity of this Act or when it is deemed necessary.

For purposes of this Act, “sunset review” shall mean a systematic evaluation by Congress on the impact and outcome of this Act, as well as the performance of LGUs in the implementation of their comprehensive development plan.

SEC. 10. *Appropriations.* – The amount necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SEC. 11. *Implementing Rules and Regulations.* – The Department of Interior and Local Government in coordination with the Department of Budget and Management, NEDA, LGA and the various Leagues of LGUs shall promulgate the necessary implementing rules and regulations within ninety (90) days from the effectivity of this Act.

SEC. 12. *Separability Clause.* – Should any provision of this Act be declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SEC. 13. *Repealing Clause.* – All laws, presidential decrees, executive orders, proclamations or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,