



DEPARTMENT OF BUDGET AND MANAGEMENT

IMPLEMENTATION OF THE SUPREME COURT DECISION ON THE MANDANAS-GARCIA CASE



DIRECTOR RYAN S. LITA

Local Government and Regional Coordination Bureau
Department of Budget and Management

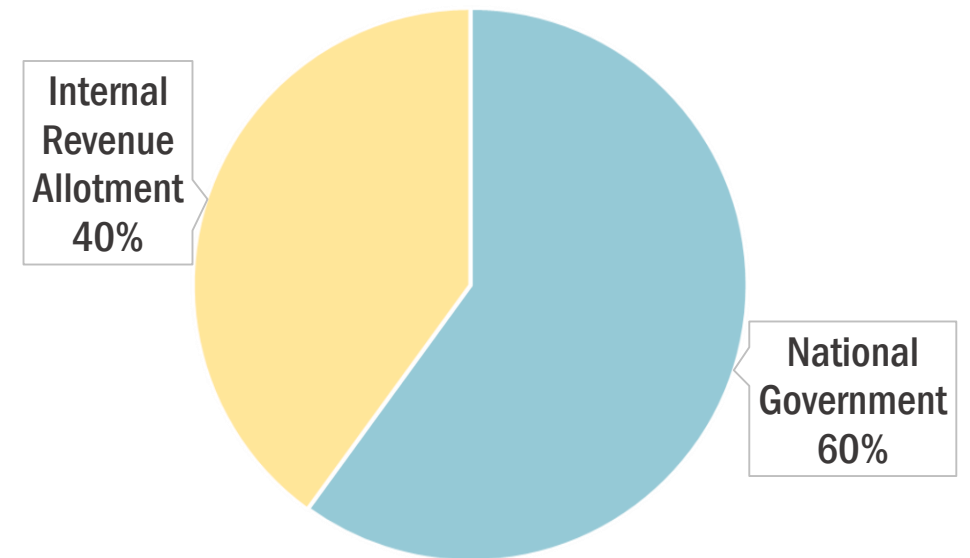


IRA/NTA AND THE SC RULING ON THE MANDANAS CASE

JUST SHARE OF LGUs

- LGUs shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.
- Forty percent (40%) of the share in the national internal revenue taxes (NIRT) based on the collection of the third fiscal year preceding the current fiscal year will be given to LGUs

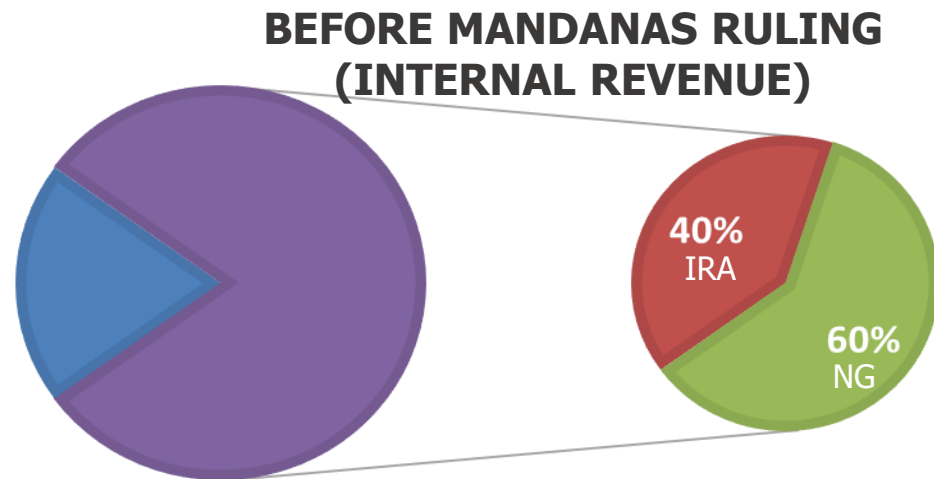
NATIONAL INTERNAL REVENUE TAXES



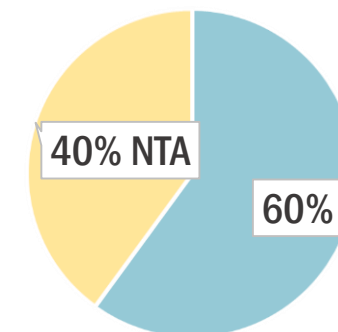
NTA AND THE SC RULING ON THE MANDANAS-GARCIA CASE

SUPREME COURT RULING ON THE MANDANAS-GARCIA CASE

- The Supreme Court ruled that the just share of LGUs from the national taxes is not limited to “national internal revenue taxes” collected by the Bureau of Internal Revenue but includes collections (customs duties) by the Bureau of Customs and other collecting agencies.



**AFTER MANDANAS RULING
(NATIONAL TAXES)**



NATIONAL TAXES

■ National Government ■ Internal Revenue Allotment

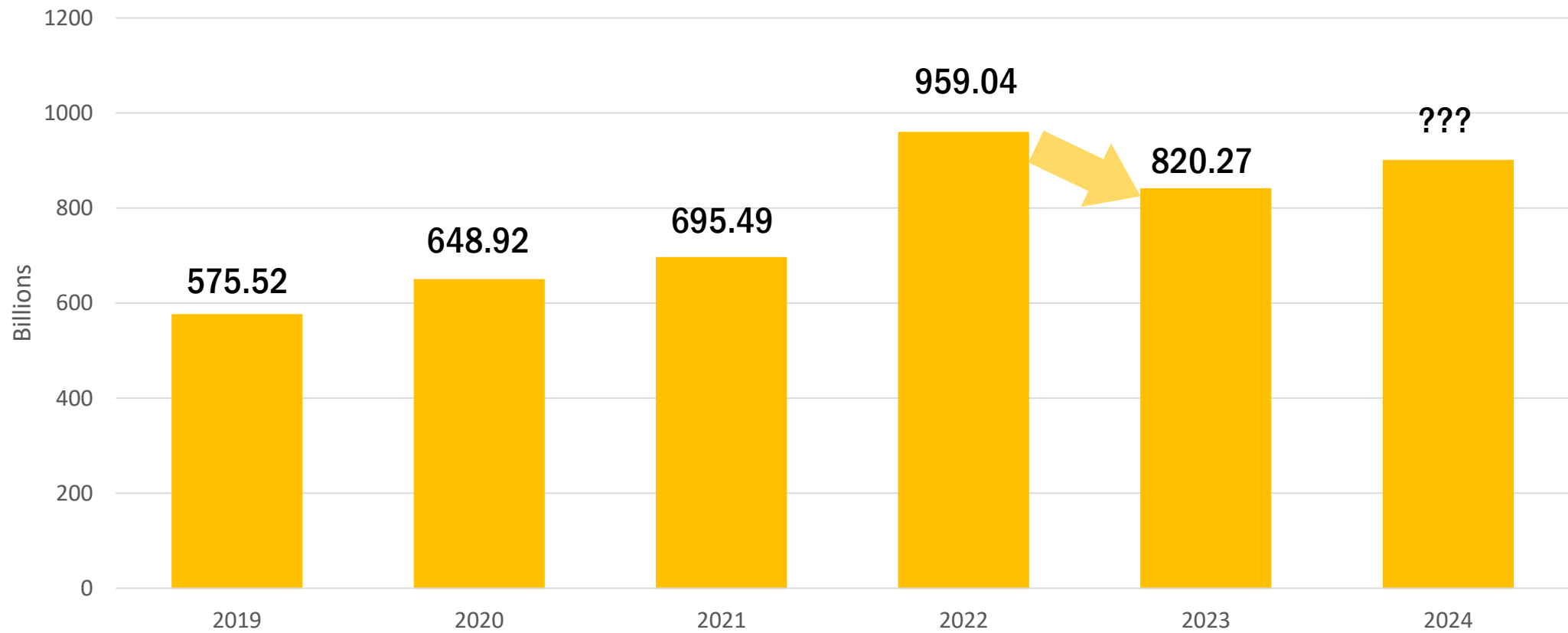
FISCAL IMPLICATION OF THE SC RULING ON THE MANDANAS-GARCIA CASE

(in Billion Pesos)

	FY 2021	FY 2022
Without the SC Ruling	695.49	773.87
With the SC Ruling	695.49	959.04
IMPACT		185.17
Increase year on year (FY 2021- FY 2022)		263.55

*Totals may not add up due to rounding

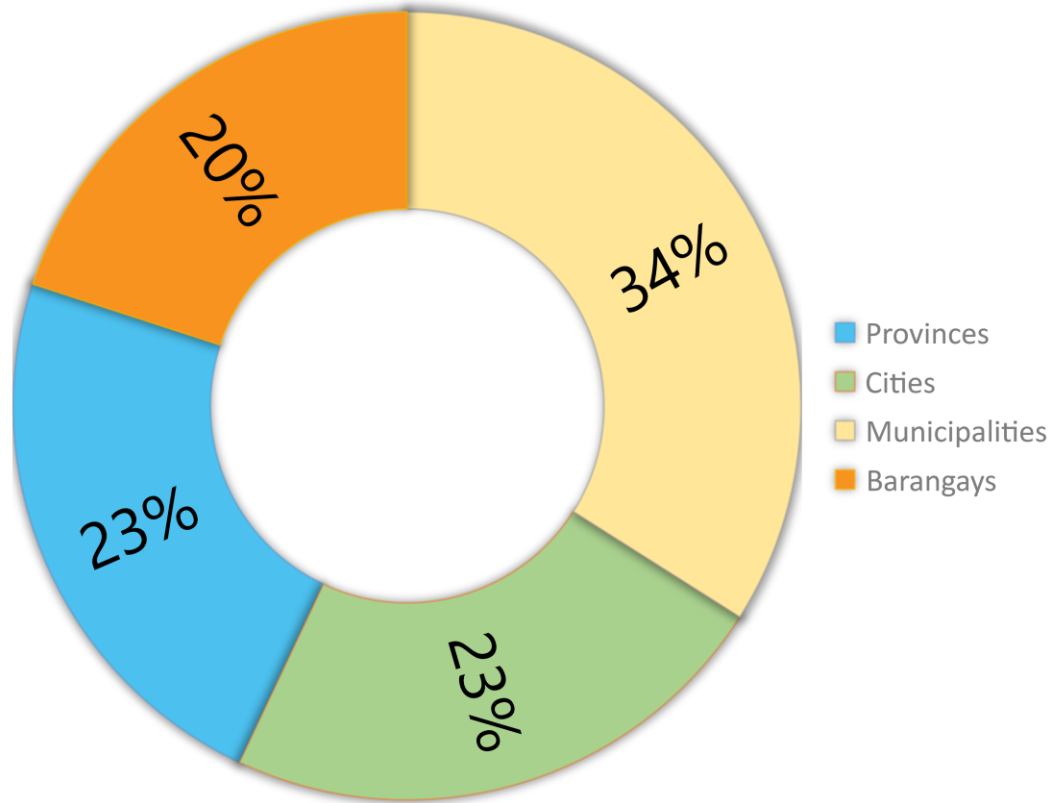
LOWER NTA IN FYs 2023 and 2024



FY 2023 NTA OF LGUs

Certification	Amount (Php)	
	FY 2022	FY 2023
Bureau of Internal Revenue	765,201,593,000	665,801,610,000
Bureau of Customs	193,738,592,000	154,434,736,000
Bureau of the Treasury	101,065,000	32,582,000
TOTAL	959,041,250,000	820,268,928,000

ALLOCATION OF THE NTA PER LGU LEVEL



NTA ALLOCATION PER LGU LEVEL

LEVEL OF LGU	NO. OF LGUs	TOTAL NTA SHARES
Provinces	82 ¹	188,661,853,440
Cities	146	188,661,853,440
Municipalities	1,488	278,891,435,520
Barangays	41,935 ²	164,053,785,600
Total	43,651	820,268,928,000

¹There are only 81 Provinces, but the Metro Manila Development Authority receives IRA like that of a Province pursuant to Section 10 (b) of RA No. 7924.

²Inclusion of Barangay Ladol, Alabel, Sarangani (RA No. 11599) and Barangay La Medalla, Pio Duran, Albay (RA No. 11671)



Implementation of the SC Ruling on the Mandanas-Garcia Petitions


- In view of the limited fiscal space of the National Government, the funding support for local projects shall be limited to LGUs belonging to the 5th and 6th income classes, the GIDAs, and LGUs with highest poverty incidences.
- The LGUs that may no longer be covered by the pertinent NGAs are expected to provide funds for the implementation and delivery of devolved functions and services Section 17 of the Local Government Code and other pertinent laws.
- The LGUs shall ensure that the implementation of the following are prioritized in their respective Annual Investment Programs and Annual Budgets:



LGU Devolution
Transition Plan



Capacity
Development
Agenda



Development of
Communications
Plan and Strategy



Implementation of the SC Ruling on the Mandanas-Garcia Petitions

To mitigate the effects of the **lower FY 2023 NTA shares**, the LGUs are strongly encouraged to:

- fully maximize their respective local revenue generation powers pursuant to RA No. 7160 and other applicable laws, rules and regulations; and
- exercise prudence in their expenditure management.

Monitoring and Evaluation System

LGUs are enjoined to fully cooperate in the implementation of results-oriented based monitoring and evaluation systems which shall be in place and strengthened to ensure purposive conduct of evaluations in the performance and delivery of devolved functions and services.



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 138

FULL DEVOLUTION OF CERTAIN FUNCTIONS OF THE EXECUTIVE
BRANCH TO LOCAL GOVERNMENTS, CREATION OF A COMMITTEE ON
DEVOLUTION, AND FOR OTHER PURPOSES

WHEREAS, Section 6, Article X of the Constitution provides that local government units (LGUs) shall have a just share, as determined by law, in the national taxes which shall be automatically released to them;

WHEREAS, in *Mandanas, et al. v. Executive Secretary, et al.* (G.R. Nos. 199802 and 208488) ("*Mandanas*"), the Supreme Court held that all collections of national taxes, except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth, should be included in the computation of the base of the just share of LGUs;

WHEREAS, considering the prospective character of the *Mandanas* ruling, and in keeping with Section 284 of Republic Act (RA) No. 7160 or the "Local Government Code of 1991," which states that the share of LGUs in national taxes is based on the collections in the third year preceding the current fiscal year, the adjusted national tax allocations of LGUs shall only start in Fiscal Year (FY) 2022;

EXECUTIVE ORDER NO. 138 DATED JUNE 1, 2021

FULL DEVOLUTION OF CERTAIN FUNCTIONS OF THE EXECUTIVE BRANCH TO LOCAL GOVERNMENTS

IMPLEMENTING RULES AND REGULATIONS OF EXECUTIVE ORDER NO. 138 DATED JUNE 1, 2021



IMPLEMENTING RULES AND REGULATIONS OF EXECUTIVE ORDER NO. 138, S. 2021

FULL DEVOLUTION OF CERTAIN FUNCTIONS OF THE EXECUTIVE BRANCH TO LOCAL GOVERNMENTS, CREATION OF A COMMITTEE ON DEVOLUTION, AND FOR OTHER PURPOSES

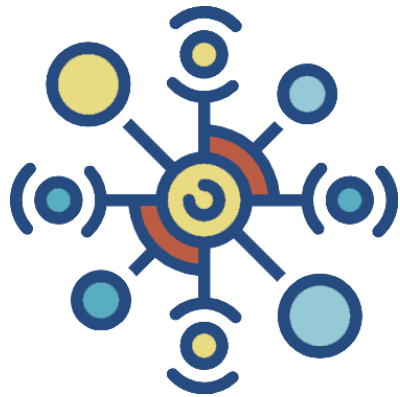
Pursuant to Section 7(g) of Executive Order (EO) No. 138 dated 01 June 2021, the following rules and regulations are hereby promulgated and adopted:

RULE I POLICIES AND OBJECTIVES

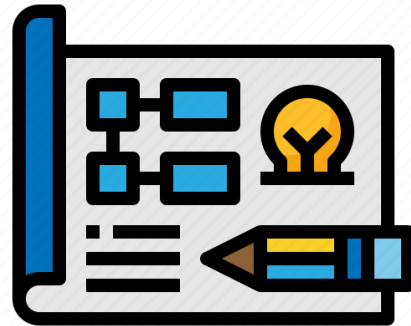
Section 1. Title. The rules contained herein shall be known and cited as the Implementing Rules and Regulations (IRR) of EO No. 138.

Section 2. Declaration of Policy. The National Government (NG) is fully committed to the policy of decentralization enshrined in the Constitution and relevant laws, which are aimed at (i) developing capabilities of local governments to deliver basic social services and critical facilities to their constituents, increase productivity and employment, and promote local economic growth; and (ii) ensuring accountability, competence,

SALIENT FEATURES OF EXECUTIVE ORDER No. 138



Delineation
of NG and
LGU Roles



Preparation of
Devolution
Transition Plans



Creation of
Committee on
Devolution



Establishment of
Growth Equity
Fund

SALIENT FEATURES OF EXECUTIVE ORDER No. 138



Capacity
Building
for LGUs



Roles of
LGUs



Strengthening of
Planning, Investment
Programming, and
Budgeting Linkage and
M&E Systems



Options for
Affected NGA
Personnel

(Sections 5 and 10)

PREPARATION OF DEVOLUTION TRANSITION PLANS

**DBM-DILG JOINT MEMORANDUM CIRCULAR
NO. 2021-1 DATED AUGUST 11, 2021**

**GUIDELINES ON THE PREPARATION
OF DEVOLUTION TRANSITION PLANS
OF LOCAL GOVERNMENT UNITS**

**DBM-DILG JOINT MEMORANDUM CIRCULAR
NO. 2021-2 DATED AUGUST 12, 2021**

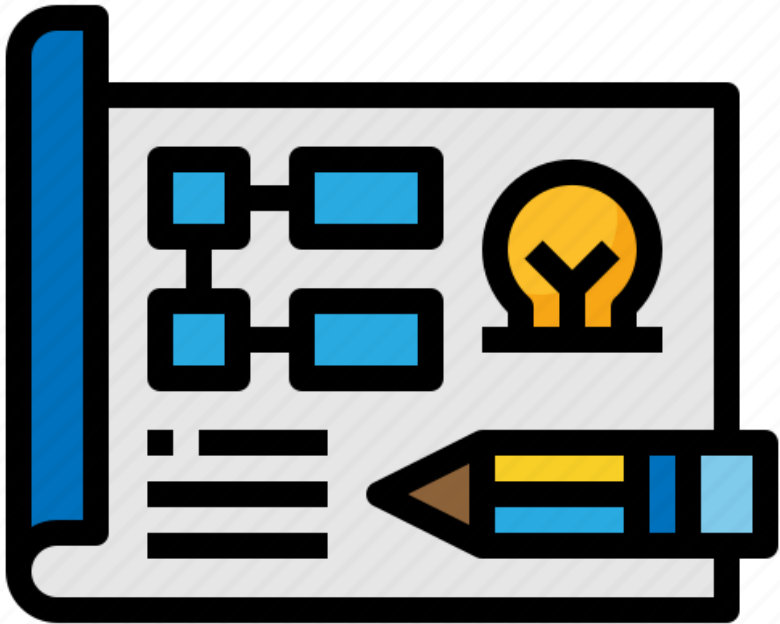
**GUIDELINES ON THE PREPARATION OF
DEVOLUTION TRANSITION PLANS BY
NATIONAL GOVERNMENT AGENCIES**

SUBMISSION OF LGU DTPs

as of June 20, 2022

LGU Level	Completed
Barangays	99.99%
Component Cities and Municipalities	99.93%
Provinces/HUCs/ICCs/NCR LGUs	99.12%

SUBMISSION OF NGA DTPs



- NGA DTPs to be submitted to DBM for evaluation and approval on or before **30 September 2021**.
- As of 7 July 2022, the DBM has received **18 NGA DTPs** (16 official and 2 preliminary) out of **20 NGA DTPs**, and **2 NGA DTPs** (POPCOM and DOH) are already approved.

SUBMISSION OF NGA DTPs

16 Official Submissions		2 Preliminary Submissions	2 No Submissions
Commission on Population and Development	National Irrigation Administration	Department of Justice (letter only)	Department of Energy
Department of Health	Department of the Interior and Local Government	Department of Labor and Employment	Department of Information and Communications Technology
Department of Human Settlements and Urban Development	Department of Science and Technology		
Department of Social Welfare and Development	Department of Transportation		
Department of Trade and Industry	Department of Public Works and Highways		
Department of Finance	Department of Education		
Department of Tourism	Department of Environment and Natural Resources		
Department of Agriculture	Office of the Presidential Adviser for Peace, Reconciliation and Unity		

CREATION OF A COMMITTEE ON DEVOLUTION



- Chairperson : Secretary, DBM
- Co-Chairperson : Secretary, DILG
- Members : Socioeconomic Planning Secretary, NEDA
Secretary, DOF
Executive Secretary
Presidents of the Leagues of Provinces, Cities, and
Municipalities of the Philippines, Liga ng mga
Barangay sa Pilipinas, and the Union of Local
Authorities of the Philippines

(Section 7)

FUNCTIONS OF THE COMMITTEE ON DEVOLUTION

Oversee and monitor the implementation of administrative and fiscal decentralization goals



Evaluate the status and monitor the implementation of DTPs, and ensure compliance of officials



Resolve issues and concerns that may arise



Ensure the elimination of any regulatory or fiscal controls on the automatic release of LGU shares on national taxes



Adopt mechanisms to ensure continuous delivery of public services during the transition period to full devolution



FUNCTIONS OF THE COMMITTEE ON DEVOLUTION

Develop a strong communications plan and pursue strategies to effectively inform the public



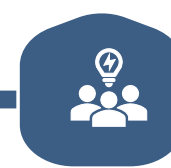
Issue rules and regulations for the effective implementation of the EO



Submit to the Office of the President an annual report on the implementation of the EO



Call on any relevant office of the Executive Branch for the fulfilment of functions and ensure convergence on the devolution program



ESTABLISHMENT OF GROWTH EQUITY FUND

APPROPRIATION:

P 1.25 B



A Growth Equity Fund shall be established starting FY 2022 to address problem of marginalization, unequal development, and high poverty incidence across different LGUs.

LOCAL BUDGET CIRCULAR NO. 146 DATED JULY 7, 2022

GUIDELINES ON THE RELEASE AND UTILIZATION OF THE LOCAL GOVERNMENT SUPPORT FUND-GROWTH EQUITY FUND



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA



LOCAL BUDGET CIRCULAR

No. 146
Date: July 7, 2022

To : Local Chief Executives (LCEs), Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Planning and Development Coordinators, Local Accountants, and All Others Concerned

Subject : **GUIDELINES ON THE RELEASE AND UTILIZATION OF THE LOCAL GOVERNMENT SUPPORT FUND-GROWTH EQUITY FUND (LGSF-GEF) UNDER THE FY 2022 GENERAL APPROPRIATIONS ACT (GAA), REPUBLIC ACT (RA) NO. 11639**

1.0 BACKGROUND

Executive Order (EO) No. 138, s. 2021 provides for the full devolution of certain functions of the Executive Branch to local government units (LGUs). Pursuant to Section 8 of said EO, the GEF shall be established to address the issues of marginalization, unequal development, high poverty incidence, and disparities in the net fiscal capacities of LGUs.

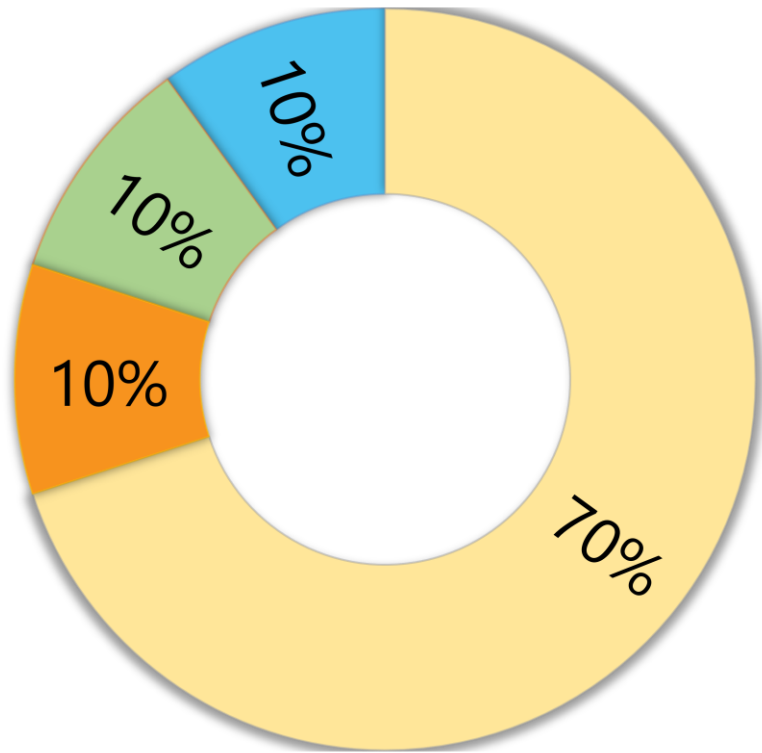
To gradually enable the full and efficient implementation and delivery of functions and services devolved to them, the GEF shall cover the funding requirements of programs, projects, and activities of poor, disadvantaged, and lagging LGUs. The Fund shall be released to the LGUs in accordance with the implementing rules and regulations (IRR) prescribed by the Development Budget Coordination Committee (DBCC).

2.0 LEGAL BASIS

Pursuant to Special Provision (SP) No. 4 of the LGSF under the FY 2022 GAA, RA No. 11639, the appropriated amount of **Php 1,250,000,000.00** shall be used as financial assistance to the identified poor, disadvantaged, and lagging LGUs for the implementation of priority projects to gradually enable the full and efficient implementation of the functions and services of concerned LGUs as provided under Section 17 of the Local Government Code of 1991 (RA No. 7160).

Moreover, the President, in his Veto Message to the FY 2022 GAA, RA No. 11639, reiterated that the LGSF-GEF shall be executed in accordance with the guidelines to be issued by the DBCC pursuant to EO No. 138, s. 2021.

ALLOCATION CRITERIA



■ Provinces ■ Cities ■ Municipalities ■ Barangays

LEVEL OF LGU*	% ALLOCATION	ALLOCATION (PhP)
Provinces	10%	125 Million
Cities	10%	125 Million
Municipalities	70%	875 Million
GIDA Barangays	10%	125 Million
Total	100%	PhP 1.25 B

*The LGUs in the BARMM shall not be included in the allocation of the FY 2022 LGSF-GEF.

ELIGIBILITY CRITERIA



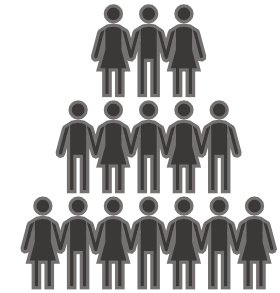
Income Bracket

Deflated the FYs 2017-2020 Annual Regular Income to FYs 2004-2007 price level, taking into consideration the existing income ranges



Poverty Incidence

2018 Full Year Official Poverty Statistics and 2018 Municipal and City Level Poverty Estimates of the PSA



Per capita FY 2022 NTA

Ratio of the National Tax Allotment for the FY 2022 and the 2020 POPCEN of the PSA

BENEFICIARY LGUs

LGU Level	Income Bracket	No. of LGUs	Allocation (PhP)		
			Min	Max	Average
Provinces	Bracket 4	3	11,185,920	58,000,370	41,666,667
Cities	Bracket 4	7	10,723,550	28,955,860	17,857,143
Municipalities	Bracket 4 to 5	150	2,713,470	9,200,590	5,833,333
GIDA Barangays	From Municipalities belonging to Bracket 4 to 5	270	459,620	560,560	462,963



ALLOCATION CRITERIA

50%

Poverty incidence from the 2018 Family Income and Expenditure Survey (FIES) of the PSA

50%

per capita FY 2022 NTA based on the 2020 Census of Population of the PSA

*The LGUs in the BARMM shall not be included in the allocation of the FY 2022 LGSF-GEF.



RELEASE OF THE ALLOCATIONS

01

FY 2022 LGSF-GEF - released to the beneficiary provinces, cities, municipalities, and barangays.

03

The SARO shall be released by the DBM to the BTr, while the corresponding NCAs shall be released to the AGSBs of the beneficiary LGUs.

02

Beneficiary LGUs are **not** required to submit any documentary requirement prior to the release of the fund

04

Upon receipt of the Advice of NCA Issued from the DBM, the BTr shall release the corresponding ADAs to the AGSBs of the beneficiary LGUs.

UTILIZATION OF THE ALLOCATIONS

01

The programs and projects shall be those that are included in their respective Devolution Transition Plans (DTPs).

03

The programs and projects shall be included in their respective duly approved LDIP and AIP.

02

Only the LGUs that have DTPs approved by the Local Sanggunian on or before the issuance of the LBC, as confirmed by the DILG, shall be qualified to be beneficiaries of the FY 2022 LGSF- GEF.

04

The beneficiary LGUs shall conduct public consultations through the Civil Society Organizations, and seek technical assistance from the NGAs concerned.

UTILIZATION OF THE ALLOCATIONS

05

The beneficiary higher level LGUs shall prioritize their component LGUs that did not receive any allocation from the FY 2022 LGSF-GEF.

07

Beneficiary LGUs shall seek technical assistance from the NGAs concerned to ensure their compliance with the standard prescribed by the National Government.

06


Beneficiary lower level LGUs shall coordinate with the higher level LGUs to ensure harmonization and vertical integration of development requirements and convergence across different levels of LGUs.

08

The beneficiary LGU shall provide counterpart funds for the completion of programs and projects which cost exceed the amount of allocation received.




MONITORING AND EVALUATION

- **DILG - monitoring and evaluation (M&E) of actual project implementation of LGUs**
 - **DBM - provide the DILG with a list of releases for M&E purposes**
 - **Beneficiary LGUs - comply with the guidelines that may be issued by the DILG for M&E of actual implementation of projects**
- 



LIMITATIONS ON THE USE OF THE FY 2022 LGSF-GEF


The FY 2022 LGSF-GEF shall **not** be used for the following expenditure items:

- Payment of Personal Services expenditures;
 - Administrative expenses;
 - Traveling expenses, whether domestic or foreign;
 - Registration fees and other expenses related to the conduct of and participation to trainings, seminars, conferences or conventions;
 - Purchase, maintenance or repair of administrative office' furniture, fixtures, equipment or appliances;
 - Purchase, maintenance or repair of motor vehicles used for administrative purposes; and
 - Other PPAs and expenses that are not related to the implementation of devolved functions and services of LGUs.
- 



VALIDITY OF FY 2022 LGSF-GEF

December 31, 2023



CAPACITY DEVELOPMENT FOR LGUs



DILG-Local Government Academy

Harmonize and oversee provision of needed capacity development interventions



Development Academy of the Philippines

Strengthen capabilities of local chief executives

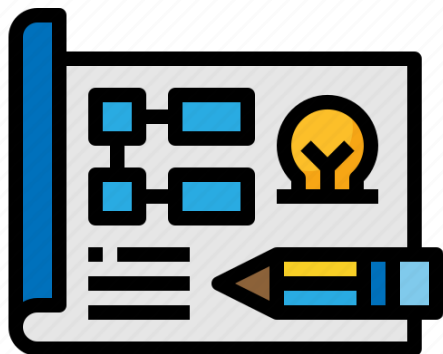


DOF-Bureau of Local Government Finance

Conduct programs regarding revenue generation and fiscal management

(Section 10)

ROLE OF LGUs



LGU Devolution
Transition Plan



Capacity
Development Agenda



Development of
Communications Plan and
Strategy

DEVELOPMENT OF COMMUNICATIONS PLAN AND STRATEGY



- All NGAs concerned and all LGUs shall formulate and develop their respective communications plans which are aligned and complementary to the national communications strategy.
- The Angat Lokal: Communications Plan and Strategy on Full Devolution was officially approved on **September 7, 2021**.

STRENGTHENING PLANNING, INVESTMENT PROGRAMMING AND BUDGETING LINKAGE AND MONITORING AND EVALUATION SYSTEMS



- **Vertical and horizontal linkages** across different levels of government in development planning, investment programming and budgeting to be strengthened
- Results-based monitoring and evaluation systems shall be in place and strengthened to ensure purposive conduct of evaluations in the performance and delivery of devolved functions and services

DBM-DILG JOINT MEMORANDUM CIRCULAR NO. 2021-3 DATED SEPTEMBER 13, 2021

GUIDELINES ON THE IMPLEMENTATION OF PERSONNEL POLICIES AND OPTIONS



DEPARTMENT OF BUDGET AND MANAGEMENT
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

Joint Memorandum Circular (JMC) No. 2021 - 3

Date: September 13, 2021

TO : All Heads of Departments, Agencies, Bureaus, and Offices Concerned of the National Government, including Government-Owned or -Controlled Corporations (GOCCs), Local Chief Executives, Members of Local Sanggunian, and All Others Concerned

SUBJECT : **GUIDELINES ON THE IMPLEMENTATION OF PERSONNEL POLICIES AND OPTIONS PURSUANT TO EXECUTIVE ORDER (EO) NO. 138¹, S. 2021 DIRECTING THE FULL DEVOLUTION OF CERTAIN FUNCTIONS OF THE EXECUTIVE BRANCH TO THE LOCAL GOVERNMENTS**

1.0 BACKGROUND/RATIONALE

- 1.1 This JMC is being issued pursuant to Section 12 of EO No. 138 dated 01 June 2021, which provides, among others, that the Department of Budget and Management (DBM) and Department of the Interior and Local Government (DILG), in coordination with the Civil Service Commission (CSC) and with prior consultation with the local government units (LGUs) through their Leagues, shall develop and issue the guidelines, as may be necessary, to ensure the fair, orderly, and transparent implementation of the personnel policies and options provided under said EO.
- 1.2 Further, Section 27 of the implementing rules and regulations (IRR)² of EO No. 138 provides that said guidelines shall be issued within thirty (30) days³ from the effectivity of said IRR, including the timetable for the implementation and the phasing of activities and availment of the separation incentive package as indicated under Section 13 of EO No. 138, provided that the national government agencies (NGAs) are authorized to institute their respective internal operationalization guidelines, subject to existing CSC and DBM rules and regulations.

¹ Full Devolution of Certain Functions of the Executive Branch to Local Governments, Creation of a Committee on Devolution, and for Other Purposes

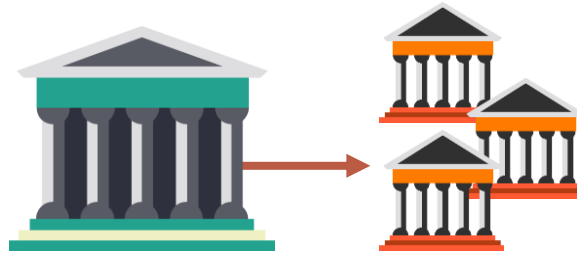
² Dated 02 July 2021

³ Until 12 September 2021

OPTIONS FOR AFFECTED PERSONNEL



Transfer to other units
within the agency



Transfer to other
agencies within the
Executive Branch



Retire or separate from the
service, and may be given
preference to vacant
positions in LGUs



**WAYS FORWARD:
REVIEW OF THE FULL DEVOLUTION EFFORTS PER
EO NO. 138, s. 2021**



REVIEW OF THE CURRENT FULL DEVOLUTION TRANSITION




President's instruction to review functions to be devolved to LGUs vs. those to remain with the NG




List of F/S devolved to LGUs per 1991 LGC and other pertinent laws vs. PAPs of concerned NGAs was presented to the President in July 2022

CONSIDERATIONS AND PROPOSAL



Implement full devolution of readily implementable F/S/Ps to help cushion the impact of the Mandanas Ruling on NG fiscal space



Provide more time for LGUs to be ready to take on the devolved functions needing more capacity development interventions




Allow for a more gradual full devolution transition



- Continued capacity development of LGUs for devolved PAPs
- Priority NG support for 5th and 6th class C/M, GIDAs, and those with the highest poverty incidences, ranked in top 3rd highest

UPDATING OF POLICIES

GUIDING PRINCIPLES



Scope and magnitude of function, service, or facility shall be considered in determination of functional assignments between and among different levels of government.

Public goods and services with:

- 
- significant inter-jurisdictional externalities
 - benefit and cost spillovers
 - economies of scale

are best assigned to higher level of LGU, NG, or group of LGUs

STRATEGIC REVIEW OF MANDATES, FUNCTIONS, AND SERVICES OF NGAs





Focus on the **core** F/S/Ps of the NGA in accordance with legal mandates



Determine implementation and capacity development strategies and interventions



Identify NG F/S/Ps that **duplicate** or **overlap** with LGUs and determine:

- Those that can be readily implemented by the LGUs or those affecting and/or applicable to all LGUs
 - Those which require huge investments and specialized technical expertise and those involving specific geographical areas
- 
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Thank you!

For more information:
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Website: www.dbm.gov.ph

