



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 103

AMENDING EXECUTIVE ORDER NO. 138 (s. 2021) TO EXTEND THE TRANSITION PERIOD FOR THE FULL IMPLEMENTATION OF DEVOLUTION OF CERTAIN FUNCTIONS OF THE EXECUTIVE BRANCH TO LOCAL GOVERNMENTS, TO PROVIDE ADDITIONAL POLICIES THEREFOR, 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 the consolidated cases of *Mandanas v. Ochoa, Jr. and Garcia, Jr. v. Ochoa, Jr.* (G.R. Nos. 199802 and 208488 dated on 3 July 2018) ("*Mandanas-Garcia Ruling*") and Resolution dated 10 April 2019, 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, beginning Fiscal Year (FY) 2022, all LGUs have received their adjusted shares from the national taxes, known as National Tax Allotment, in compliance with the *Mandanas-Garcia Ruling*, which have effectively empowered LGUs to provide basic services and facilities to their constituents, and have aided them in the effective discharge of other duties and functions devolved to them pursuant to Section 17 of Republic Act (RA) No. 7160 or the "Local Government Code of 1991," as amended;

WHEREAS, Section 3(k) of RA No. 7160 provides that the realization of local autonomy shall be facilitated through improved coordination of National Government (NG) policies and programs and extension of adequate technical and material assistance to less developed and deserving LGUs;

WHEREAS, Section 17(b) of RA No. 7160 provides for the basic services and facilities that each level of LGU is mandated to provide to its respective constituents;

WHEREAS, Section 17(f) of RA No. 7160 further provides that the NG or the next higher level of LGU may provide or augment the basic services and facilities assigned to a lower level of LGU, when such services or facilities are not made

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available or, if made available, are inadequate to meet the requirements of its inhabitants;

WHEREAS, Executive Order (EO) No. 138 (s. 2021) mandates the full devolution of specific functions of the Executive Branch to local governments in accordance with RA No. 7160 and other relevant laws, wherein national government agencies (NGAs) shall systematically scale down or phase out certain programs, activities, and projects (PAPs), and allow LGUs to fully assume these responsibilities by the end of FY 2024;

WHEREAS, in light of the varying financial, technical, and administrative capacities of LGUs, along with their unique circumstances, needs and priorities, the functions, services, and facilities to be devolved from the NG may not be fully absorbed or implemented uniformly across all LGUs within the transition period mandated under EO No. 138;

WHEREAS, recognizing the scale and capacity requirements associated with the devolved functions, services, and facilities *vis-a-vis* the differing capabilities of LGUs, it is essential to provide sufficient time for a smooth transition towards full devolution, thereby ensuring the effective and efficient delivery of these functions, services, and facilities by LGUs;

WHEREAS, with the full devolution of certain functions to LGUs as envisioned under RA No. 7160, the NG can assume more strategic and steering functions to address persistent development issues;

WHEREAS, Section 17, Article VII of the Constitution vests in the President the power of control of all Executive departments, bureaus and offices, and the mandate to ensure the faithful execution of laws; and

WHEREAS, pursuant to Section 4, Article X of the Constitution, the President shall exercise general supervision over local governments;

NOW, THEREFORE, I, FERDINAND R. MARCOS, JR., President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

Section 1. Amendments. The following Sections of EO No. 138 (s. 2021) are hereby amended as follows:

(a) Section 1 (Policy) shall now read as:

“Section 1. Policy. The NG is fully committed to the policy of decentralization enshrined in the Constitution, RA No. 7160, and relevant laws which are aimed at: (i) developing the capabilities of LGUs to deliver basic social services and critical facilities to their constituents, increase productivity and employment, and promote local economic growth; **(ii) providing sound service delivery standards to guide LGUs in fully assuming devolved functions, services, and facilities; (iii) augmenting resources of LGUs which are unable to adequately deliver the devolved functions, services, and facilities, subject to**

availability of funds from the NG; and (iv) ensuring accountability, competence, professionalism, and transparency of local leaders through the development of institutional systems that uphold good governance and strengthen their capacities for managing public resources.

LGUs shall be primarily responsible for providing direct service delivery to their constituencies and shall assume greater responsibility and accountability in ensuring the quality of devolved services in accordance with the standards set by the NG. To fully assume the devolved functions, LGUs shall continually pursue the following: (i) strengthen their capacity to exercise stewardship over their increased fiscal resources; (ii) enhance their organizational capability for service delivery; (iii) institutionalize transparent, accountable, and participatory mechanisms to better achieve national and local development objectives; and (iv) optimize their local revenue generation and resource mobilization mandates.

The NG and LGUs shall collaborate towards the localization of national development goals that are consistent and coherent with the strategies and policies of the Philippine Development Plan 2023 to 2028 and the achievement of the overarching goals under the *AmBisyon Natin* 2040, the 2030 Agenda for Sustainable Development, the 8-Point Socioeconomic Agenda of the Administration, and the Medium Term Fiscal Framework 2022 to 2028.

Moreover, consistent with the principle of subsidiarity, higher-level LGUs shall exercise full supervision and support to their component LGUs in the performance of the latter's mandated functions through augmentation of resources and provision of necessary technical assistance, subject to the relevant provisions of RA No. 7160.

Finally, all LGUs shall establish strong partnerships with NGAs, the private sector, non-government organizations, civil society organizations, peoples' organizations, and academic institutions, as providers of technical expertise, information, innovation, and governance model on service delivery."

(b) Section 2 (Guiding Principles) shall now read as:

"Section 2. Guiding Principles. Consistent with Sections 3 and 17 of RA No. 7160, all department secretaries and agency heads concerned shall, in the pursuit of the **transition towards full implementation of the devolution of functions to LGUs, conduct a functional and organizational review of their respective mandates guided by the following principles:**

- a. The role of the NG is to set the national policy, development strategy, and service delivery standards, and to assist, oversee, and supervise LGUs, complementary to the stronger implementing role that LGUs shall assume by reason of devolution;**

- b. The **full implementation of the** devolution of functions, services, and facilities to LGUs and the determination of the functional assignments between and among the different levels of government **shall consider the scope and magnitude of the function, service, or facility, and the financial, technical, and administrative capacities and availability of resources of LGUs. Specifically, it shall be guided by the following:**
 - i. Public goods and services with little or no benefit spillover are best administered and financed by lower-level governments, while public services, **which costs are incurred or benefits are received by multiple LGUs**, are best assigned to the next higher level of governments;
 - ii. Public goods and services that involve economies of scale are best assigned to higher level of local governments, **the NG or shared between them**; and
 - iii. Functions related to the redistributive role of government should be best assigned to the NG;
- c. The NG, in close collaboration with LGUs through their respective Leagues, shall formulate and pursue an institutional development program to support LGUs in order to **further** strengthen their capacities and capabilities to: **(i) optimize local revenue generation and resource mobilization powers; (ii) continuously** assume the devolved functions, services, and facilities based on RA No. 7160 and other relevant laws; **and (iii) support the goals of fiscal decentralization**; and
- d. Except as otherwise provided in this Order, any ambiguity as to the interpretation of a power granted to an LGU shall be resolved and interpreted in favor of devolution."

(c) Section 3 (Coverage) shall now read as:

"Section 3. Coverage. This Order shall cover all LGUs, **except those belonging to the Bangsamoro Autonomous Region in Muslim Mindanao**, and departments, agencies and instrumentalities of the Executive Branch whose functions are in line with the devolved functions of LGUs under Section 17 of RA No. 7160 and other pertinent laws."

(d) A new Section shall be inserted after Section 4 (Functions, Services and Facilities for Full Devolution) which shall read as:

"Section 5. Extended Period for Transition to Full Implementation of Devolution. The transition period for the full implementation of the devolution pursuant to this Order shall be extended until FY 2028.

All LGUs shall follow a phased implementation of the full devolution within the prescribed transition period as they continually improve their fiscal and institutional capacities. Provinces and municipalities shall gradually shift to full devolution by no later than FY 2028, while cities shall fully implement the devolved functions and services by no later than FY 2027.

In the implementation of devolution across the different levels of LGUs, priority shall be given to providing assistance to 4th to 5th income classes and other poor, lagging, and disadvantaged LGUs, particularly those in geographically isolated and disadvantaged areas, as well as those with high poverty incidence.”

(e) A new Section shall be inserted after Section 5 above which shall read as:

“Section 6. Strategic Review of Mandates, Functions, and Services of NGAs. Based on the results of initial assessments conducted by the ComDev, all relevant NGAs shall conduct a strategic review of their mandates, functions, and services, including those of the agencies, bureaus, and offices, as well as government-owned or -controlled corporations (GOCCs), attached to or under the administrative supervision and control of their respective departments, for purposes of:

- a. Focusing on the core functions, services, and PAPs of the department and its units and attached agencies, in accordance with the legal mandates and consistent with the steering role of the NG and the Guiding Principles provided under Section 2 hereof;
- b. Identifying functions, services, and PAPs that duplicate or unnecessarily overlap with those devolved to and exercised by LGUs in order to determine: (i) those that can be readily implemented by LGUs or those affecting and/or applicable to all LGUs; and (ii) those which require huge investments, those needing specialized technical expertise, as well as those involving specific geographical areas; and
- c. Determining the appropriate implementation and capacity development strategies and interventions to ensure an effective phased transition for the full implementation of the devolution pursuant to this Order.”

(f) Section 5 (Devolution Transition Plans) shall now read as:

“Section 7. Devolution Transition Plans. The NGAs concerned and all LGUs shall prepare their respective Devolution Transition Plans (DTPs) in accordance with the foregoing policies and the guidelines to be jointly issued by the Department of Budget and Management (DBM) and the Department of the Interior and Local Government (DILG).

There shall be only one (1) DTP for each department, which shall already cover the agencies and GOCCs under the control or supervision or attached to such department. The department secretaries shall lead and oversee the preparation and implementation of their DTPs. Agencies and instrumentalities not under the control or supervision of or attached to a department shall prepare and implement their own DTPs in consultation and coordination with the DBM and DILG.

For this purpose, all NGAs concerned shall, within 15 days from the effectivity of this Order, organize their respective Devolution Transition Committees (DTCs) to oversee their agency's overall efforts on the implementation of this Order and provide the ComDev with periodic reports on the same. The names of the designated heads and members of the DTCs shall be submitted by the departments concerned to the ComDev, through its Secretariat, for communication and monitoring purposes.

NGA DTPs shall identify and clarify the functions and services devolved to LGUs, by level of LGU, based on RA No. 7160 and other relevant laws, and the strategy for **and phasing of the full implementation of the** devolution to LGUs **pursuant to this Order**. They shall also include the definition of standards for the delivery of devolved services and strategy for the capacity development of LGUs to ensure that they possess the required technical and financial resources based on the scope and magnitude of the devolved functions; framework for monitoring and performance assessment of LGUs; and an organizational effectiveness proposal to strengthen the department/agency in assuming "steering functions" as part of the **transition towards full assumption by LGUs of devolved functions, services, and facilities.**

NGAs and LGUs shall simultaneously prepare their respective DTPs. NGAs are reminded to ensure that LGUs are consulted in the formulation of their respective DTPs, while LGUs shall actively participate in the consultation process to ensure harmonization of NGA and LGU devolution strategies. Specifically, the components of NGA DTPs shall correspond to and/or consider the components of LGU DTPs for coherence and harmonization of both plans.

All NGAs concerned shall submit their respective DTPs to the DBM within 90 days from the effectivity of the IRR or any supplemental guidelines of this Order. The DBM shall evaluate and approve NGA DTPs to confirm that the nature of the identified PAPs and the phasing of implementation, resulting strategic and functional directions and shifts, and the organizational effectiveness proposals are in accordance with the provisions of this Order and its IRR.

For NGA DTPs approved following the approval of the annual budget of LGUs, any NGA PAPs slated for scaling down or phasing out, as well as those to be assumed by LGUs, will be factored into

the preparation of their respective annual budgets for the upcoming fiscal year.

The devolved functions and services already assumed by LGUs, as indicated in their DTPs, shall be mainstreamed and prioritized in their respective local development plans, investment programs, and annual budgets. The DILG shall ensure that copies of LGU DTPs are made available for reference of NGAs and other stakeholders concerned. Moreover, the DILG shall apprise the ComDev of the status and results of their evaluation of LGU DTPs.”

(g) Section 7 (Functions of the Committee on Devolution) shall now read as:

“Section 9. Functions of the Committee on Devolution. The ComDev shall perform the following functions:

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- b. Evaluate the status and monitor the implementation of the DTPs of NGAs and LGUs, ensure compliance of NG officials or employees and local chief executives or personnel, and initiate appropriate actions as may be warranted, **and address and/or resolve any issues, inconsistencies, and/or conflicts between the NGA and LGU DTPs, when the need arises, with reference to pertinent legal bases;**”

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(h) Section 8 (Growth Equity Fund) shall now read as:

“**Section 10.** Growth Equity Fund. A Growth Equity Fund (GEF) shall be established to address issues on marginalization, unequal development, high poverty incidence, and disparities in the net fiscal capacities of LGUs. The amount constituting the GEF shall be included by the DBM in the National Expenditure Program, as may be necessary, subject to existing budgeting laws, rules, and regulations, to cover the funding requirements of poor, disadvantaged, lagging, and **low-income LGUs for the implementation of their priority programs and projects to address fiscal gaps arising from the devolution, or to augment provincial resources for inter-municipal programs and projects,** in order to gradually enable the full and efficient implementation of the functions, services, and facilities devolved to them.

The GEF shall be released to LGUs in accordance with the implementing rules and regulations to be issued by **the DBM, in coordination with the DILG, DOF, and Department of Economy, Planning, and Development (DEPDev).** It shall be subject to mechanisms and guidelines for an equitable, performance-based, and time-bound allocation and distribution of the fund to concerned LGUs.

After the transition period, a fiscal equalization grant scheme shall be created in lieu of the GEF to help LGUs provide standardized

quality of basic services, subject to further study by the ComDev and recommendation to Congress.”

(i) **Section 9 (Capacity Development) shall now read as:**

“Section 11. Capacity Development. The NGAs concerned shall formulate a long-term capacity development strategy and program for LGUs to enable them to continuously undertake and effectively perform the devolved functions and services, with due consideration of the needs and readiness of LGUs, scope and magnitude of functions, services, and facilities to be devolved, and the phasing of devolution. The provision of capacity development shall give priority to the least capable LGUs, and for the performance and/or expansion of critical functions and services, and upgrading of facilities to meet the minimum service standards prescribed by NGAs to ensure the adequacy and quality of basic services.

NGAs shall continue to provide capacity building interventions appropriate and responsive to the capacity needs of LGUs as indicated in the LGU DTPs, to efficiently and effectively carry out the devolved functions, services, and facilities.

The DILG, through the Local Government Academy (LGA), shall oversee the provision of capacity development interventions for LGUs. The LGA shall harmonize all capacity development interventions by NGAs and third-party service providers for LGUs and ensure collaboration with LGUs, through their Leagues, to facilitate engagement at the grassroots level. Moreover, the DILG shall provide enabling policies and mechanisms for higher-level LGUs to supervise and support their component LGUs.

The Development Academy of the Philippines (DAP) shall assist NGAs in their organizational review and in the development of their respective service delivery standards.

The DOF, through the Bureau of Local Government Finance (BLGF), shall intensify their capacity development interventions on revenue generation and resource mobilization for LGUs.

The DBM shall continue to capacitate LGUs on the methods, techniques, and procedures employed in local budget operations and expenditure management.”

(j) **Section 10 (Role of LGUs) shall now read as:**

“Section 12. Role of LGUs. Consistent with **Section 7 of this Order, all LGUs shall likewise prepare and/or update their DTPs, as applicable, in close coordination with NGAs concerned, especially with regard to devolved functions critical to them. The DTPs of LGUs shall likewise be used as a guide in the monitoring and performance assessment of LGUs to be conducted by the DBM, DILG, and NGAs concerned. xxx**

LGUs shall also formulate their respective capacity development agenda based on the assessment framework and guidelines to be issued by the DILG-LGA, in view of their full assumption of devolved functions, services, and facilities. The capacity development agenda shall be guided by, among others, the strategy for capacity development of LGUs as contained in the NGA DTPs, local development thrusts, and performance goals and objectives.

In the delivery of public goods and services, LGUs may develop strategies and forge partnerships with other LGUs to achieve greater economies of scale, provide better service delivery to their constituents, and for other purposes that may be mutually beneficial to them, in accordance with Sections 3(f) and 33 of RA No. 7160.

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All LGUs are encouraged to formulate their respective communications plans and strategies which are aligned with and complementary to the communications plan formulated by the ComDev, **in accordance with Section 9 of this Order.**

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(k) Section 11 (Strengthening Planning, Investment Programming and Budgeting Linkage, and Monitoring and Evaluation [M&E] Systems) shall now read as:

“Section 13. Strengthening Planning, Investment Programming and Budgeting Linkage, and Monitoring and Evaluation (M&E) Systems. xxx

The RDCs shall facilitate access to technical and financial support from the NGAs concerned for programs and projects supporting the devolved functions and services of LGUs. RDC structures and mechanisms shall also raise regional and local priorities for consideration in the NGA budgets. The DEPDev shall consolidate the RDC recommendations to be submitted to the NGAs concerned as basis for the preparation of the NGAs’ respective budgets and national development plans.

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Further, results-based M&E systems shall be in place in the DILG, DBM, DOF and other NGAs to ensure the purposive conduct of evaluations by the agencies concerned, and to guarantee that LGUs have assumed and performed the devolved functions and services effectively in support of good governance, transparency, accountability, and evidence-based decision making.

Moreover, the DOF, through BLGF, shall regularly monitor the fiscal position and performance of LGUs, to effectively assist them in fully optimizing their revenue generation and expenditure mandates in order to continuously fund their devolved functions, and to assess any financing gaps that may arise from the full assumption of devolved functions, services, and facilities by LGUs.”

(1) A new Section shall be inserted after Section 21 (Construction and Interpretation) which shall read as:

“Section 22. Implementation Review. During the last year of the transition period, or as the need arises, the ComDev shall conduct a review of the implementation of this Order. There shall be a systematic evaluation of the accomplishments, issues and challenges, and impact of this Order, for purposes of reviewing its provisions and updating existing and/or creating new policies relevant to the purpose of this Order.”

Section 2. Unaffected Provisions. All other Sections of EO No. 138, which are not affected by the foregoing amendments shall be renumbered accordingly, and shall remain valid and subsisting.

Section 3. Separability. If any part or provision of this Order shall be held unconstitutional or invalid, the other provisions not affected thereby shall continue to be in full force and effect.

Section 4. Repeal. EO No. 138 (s. 2021) and all other orders, rules and regulations, issuances, or any part thereof, inconsistent with the provisions of this Order, are hereby repealed, amended or modified accordingly.

Section 5. Effectivity. This Order shall take effect immediately following its publication in the Official Gazette or in a newspaper of general circulation.

DONE, in the City of Manila, this 6th day of November, in the year of Our Lord, Two Thousand and Twenty-Five.

By the President:


LUCAS P. BERSAMIN
Executive Secretary




