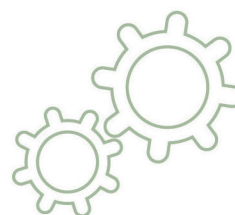
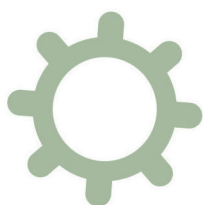




Republic of the Philippines  
DEPARTMENT OF BUDGET AND MANAGEMENT



# PRIMER ON LOCAL BUDGETING

VOLUME II: For Barangays

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DEPARTMENT OF BUDGET AND MANAGEMENT

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# THE SECRETARY'S PROFILE

Department of Budget and Management Secretary Wendel Eliot Avisado is a leading figure in promoting local empowerment and building confidence in grassroots-level government units. As budget chief, he was among the leading figures who pushed for the augmentation of calamity funds for local government units during the COVID-19 pandemic and the calamities that befell parts of the Visayas and Luzon in 2020.

Currently, he is among those spearheading the implementation of the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC), which provides barangays with the resources to improve their infrastructure and services in order to end communist insurgency. He also sits in the Committee on Devolution tasked to implement the Supreme Court Decision which specifies that the Internal Revenue Allotment (IRA) should include ALL national taxes—national internal revenue taxes and customs duties.

Undoubtedly, this affinity stems from his years as a local government official. From 2004 to 2010, he served as city administrator under then Mayor Rodrigo Duterte in Davao City, where he spearheaded the establishment of the “Lingap Para sa Mahirap,” a one-stop shop medical assistance service that served as the blueprint of the now nationally-adopted Malasakit Center as well as implemented much-lauded initiatives such as Davao City's Solid Waste Program and the Chaplaincy Service. He also served as Davao City Councilor from 1998-2001. He won again in 2010 garnering the most votes in Davao City's 1<sup>st</sup> District.

Secretary Avisado is also actively involved in volunteer and community work as a member of the Rotary Club, the Alpha Sigma Phi Fraternity, the Lex Talionis Fraternity and the Boy Scouts of the Philippines. He is also a licensed and recognized minister of the Matina Church of Christ.

Avisado obtained his Bachelor of Laws degree, Cum Laude, at the Ateneo de Davao University in 1978 and passed the bar in 1979. He holds fellowships and certificates from the University of Brussels, the Asian Institute of Management, and the Development Academy of the Philippines. He also attended various training and seminars on governance and local government and urban and regional planning in the United States, China, Indonesia, Australia, and Japan.

Secretary Avisado was married for 39 years to the late Regional Trial Court Judge Adoracion Cruz – Avisado. They are blessed with two daughters, one of whom is a Family and Marriage counselor, while the other followed his footsteps as a lawyer.



# MESSAGE FROM THE SECRETARY

Most issues in the community level are often best left to the able hands of the barangay. Thus, having a budgetary plan that is formulated at the basic political unit is definitely an effective way for the government to quickly and efficiently deliver crucial services to its citizens.

This simplified Primer on Local Budgeting for Barangays intends to serve as a manual and guide for barangay leaders and citizens in formulating their respective Barangay Budget Plan. It also intends to encourage the people and their officials to work together in producing a budget plan that will address their particular requirements.

As a former City Councilor and City Administrator of Davao City under then-Mayor and now President Rodrigo Roa Duterte, I know the importance of having citizens and local leaders who know how to utilize the budget to best serve their needs. It was during my time as City Administrator when I spearheaded the creation of Davao City's Lingap Center after thorough planning and consultations with city officials, stakeholders and citizens. This innovation was then brought to the national level by former Special Assistant to the President and now Senator Christopher Lawrence T. Go with the establishment of the Malasakit Centers.

It is also the goal of this **Primer** to inspire more citizens and local officials to adopt exemplary budgeting practices in their respective local government units. One example is the local government of my hometown Davao City, as headed by Mayor Sara Duterte, which, after consultations with barangays officials, citizens and other stakeholders, has effectively and efficiently utilized the resources granted by the national government through the Local Government Support Fund to implement the Work for Davao initiative—a cash for work program to assist indigent individuals and families.

With this Primer serving as our guide, let us create transparent, inclusive, and effective local budgets that will bring about a more comfortable and dignified life for every Filipino.



**SECRETARY WENDEL E. AVISADO**  
**Department of Budget and Management**



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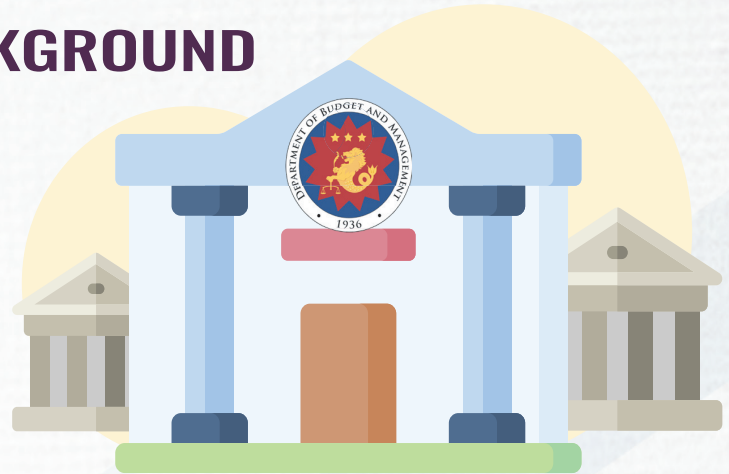
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# I. DBM HISTORY AND BACKGROUND

## A. Mandate

Under Executive Order No. 292 dated July 29, 1987, the DBM is “responsible for the efficient and sound utilization of government funds and revenues to effectively achieve our country’s development objectives.”



## B. Functions Related to Local Government Units

- In general, the DBM promulgates guidelines in order to improve and systematize methods, techniques and procedures employed in budget operation, preparation, authorization, review, execution, and accountability;
- Pursuant to Section 115, Title VI, Book I of the Local Government Code (LGC), the DBM “shall furnish the various local development councils information on financial resources and budgetary allocations applicable to their respective jurisdictions to guide them in their planning functions”;
- The DBM reviews the annual and supplemental budgets of local government units (LGUs); and
- It also releases allocations to LGUs through the Bureau of the Treasury (BTr), as authorized under the General Appropriations Act.

## C. Brief History

### Creation of the Budget Commission

The DBM was created by virtue of Executive Order No. 25 dated April 25, 1936 by Commonwealth President Manuel L. Quezon. The National Assembly certified the creation of the Commission on September 30, 1936

### Revised Budget Act of 1954 (RA No. 992)

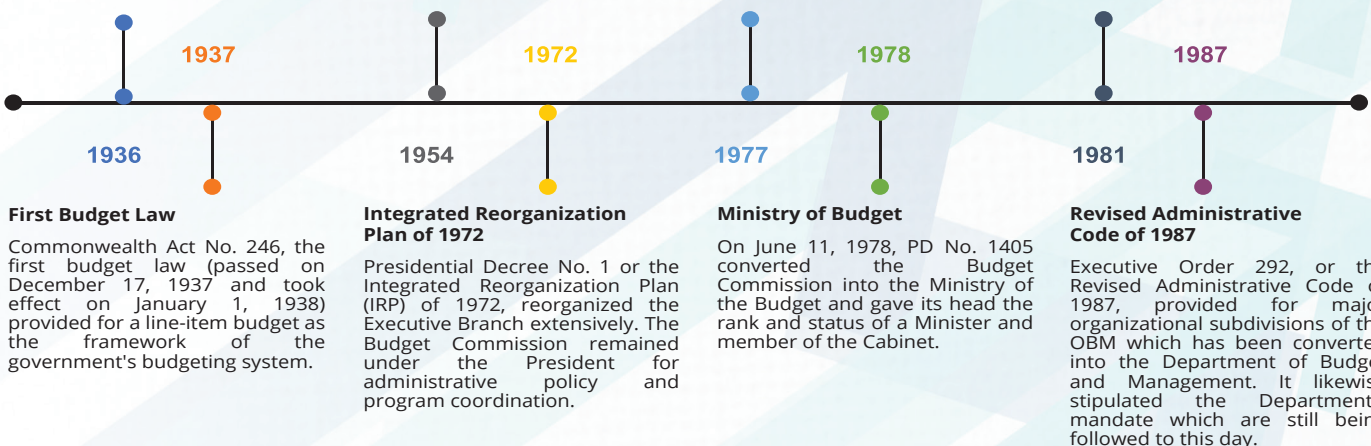
The Revised Budget Act of 1954 introduced the performance budgeting system and put emphasis on budgetary programs and activities and on expected results. Its passage on June 4, 1954 abolished the triumvirate under EO 25, replacing it with the Office of the Budget Commissioner.

### Budget Reform Decree of 1977

Presidential Decree (PD) No. 1177 or the Budget Reform Decree of 1977, which prescribed the “form, content, and manner of preparing the budget.” PD 1177 strengthened the planning, programming, and budgeting linkages; and introduced a regionalized budget supportive of a region based government structure.

### Office of Budget and Management

On July 28, 1981, Executive Order No. 711 was issued reclassifying/renaming the Ministry of Budget into the Office of Budget and Management (OBM), its head retaining the rank of a Cabinet member.





## II. BARANGAY FUNDS

### A. Internal Sources

#### 1. Barangay Taxes and Fees

- a. Taxes on Stores or Retailers with Fixed Business Establishments** (Section 152 [a] of Republic Act [RA] No. 7160)

At a rate not exceeding one percent (1%) on gross sales or receipts, barangays may collect taxes from the following stores or retailers with fixed business establishments:

- In the case of barangays in the cities, those with gross sales or receipts of Php 50,000 or less in the preceding calendar year; and
- In the case of barangays in municipalities, those with gross sales or receipts of Php 30,000 or less in the preceding calendar year

- b. Service Fees or Charges in connection with the use of barangay-owned properties or service facilities** (Section 152 [b] and 153 of RA No. 7160)

- c. Public Utility Charges for those owned, operated and maintained by the Barangay** (Section 154 of RA No. 7160)

- d. Barangay Clearance Fee** (Section 152 [c] of RA No. 7160)

#### **e. Other Fees and Charges**

These are fees and charges that may be levied by barangays for the following activities:

- Breeding of fighting cocks, cockfighting, and cockpits (Section 152 [d] [1] of RA No. 7160);
- Places of recreation with admission fees (Section 152 [d] [2] of RA No. 7160);
- Construction or establishment of outdoor advertisements (Section 152 [d] [3] of RA No. 7160); and
- Penalties for violation of barangay ordinance.

#### 2. Operation of barangay economic enterprises

The Barangay may own and operate its economic enterprises, such as terminals, parking spaces, and other projects which have the main purpose of generating income.



## B. External Sources

### 1. Shares in the Proceeds of National Taxes

#### a. National Tax Allotment (commonly known as Internal Revenue Allotment [IRA])

### Legal Basis

- Section 284 of RA No. 7160 provides that local government units (LGUs) shall have a forty percent (40%) share in the national internal revenue taxes (NIRT) based on the collection of the third fiscal year preceding the current fiscal year. Such share shall be automatically and directly released to the provincial, city, municipal, or barangay treasurer without the need of any further action, and shall not be subject to any lien or holdback that may be imposed by the National Government.
- Pursuant to the Supreme Court (SC) ruling in the Mandanas-Garcia Case, the just share of the LGUs to be derived from the “national taxes”, should include ALL national taxes-NIRT and customs duties.

### Distribution of Shares

Barangays shall have twenty percent (20%) of the IRA shares of LGUs (Section 285 of RA No. 7160).

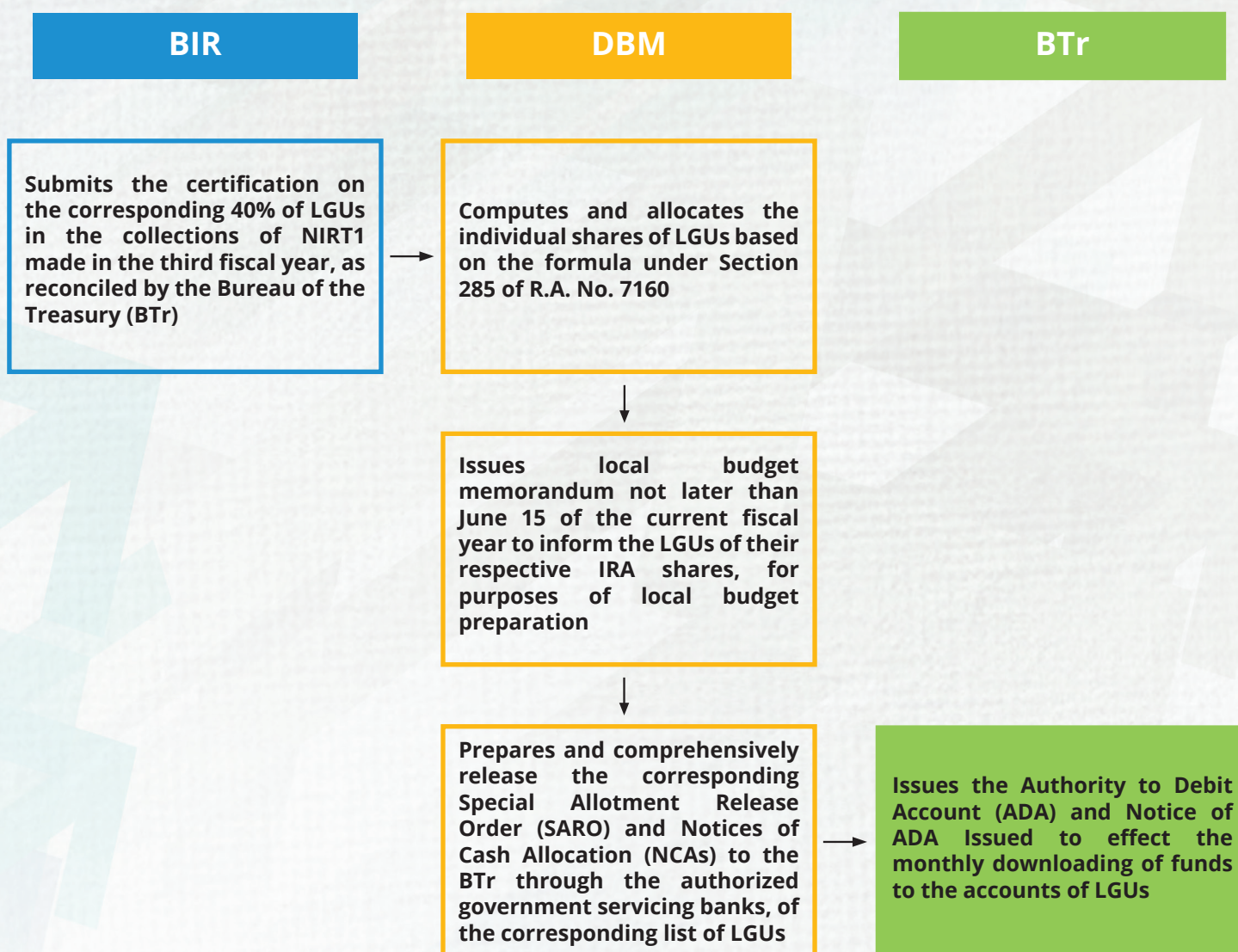
The share of each barangay is computed as follows:

- Php 80,000 for each barangay with a population of not less than one hundred (100) inhabitants
- The balance is allocated as follows:

Factor	Percentage
Population	60%
Equal Sharing	40%
<b>TOTAL</b>	<b>100%</b>



## Internal Revenue Allotment Release Procedures



## Fiscal Implication of the Mandanas-Garcia Case

With the implementation of the SC Decision in the Mandanas-Garcia Case starting with the FY 2022 budget cycle, the LGUs are expected to have a significant increase in their respective IRA shares, which will result in an equivalent decrease in the amount of available fiscal resources for the programs and projects of the National Government.

Given this situation, the most viable option identified by the fiscal managers of the National Government is to fully devolve services to the LGUs, in line with the transition plans to be developed by the national government agencies (NGAs). As their IRA increases, the LGUs are now expected to fully provide the delivery of the following devolved services as prescribed in Section 17 (b) (1) of the Local Government Code:



- i. Agricultural support services which include planting materials distribution system and operation of farm produce collection and buying stations;
- ii. Health and social welfare services which include maintenance of Barangay health center and day-care center;
- iii. Services and facilities related to general hygiene and sanitation, beautification, and solid waste collection;
- iv. Maintenance of Katarungang Pambarangay;
- v. Maintenance of Barangay roads and bridges and water supply systems
- vi. Infrastructure facilities such as multi-purpose hall, multipurpose pavement, plaza, sports center, and other similar facilities;
- vii. Information and reading center; and
- viii. Satellite or public market, where viable.

#### **b. Special Shares in National Wealth**

### **Legal Basis**

The share in national wealth is the financial support given by the National Government to LGUs and is equivalent to forty percent (40%) of the gross collection derived by the National Government from the utilization and development of national wealth from the preceding fiscal year. (Section 289 and 290 of RA No. 7160; Articles 386 and 387 of its IRR)

The four (4) types of national wealth with the corresponding collecting agency



Forest Charges - DENR-OSEC



Mining Taxes - BIR



Royalties from Mineral Reservation - DENR-Mines and Geo-Sciences Bureau



Energy Production - Department of Energy



## Distribution of Shares

The manner of allocation is provided by Section 292 of RA No. 7160 and Article 389 of IRR of RA No. 7160, as follows:

### Natural Resources are located in the Province

Province - 20%

Component City or Municipality - 45%

Barangay - 35%



### Natural Resources are located in Two (2) or more LGUs

Population - 70%

Land Area - 30%

### Natural Resources are located in a Highly Urbanized or Independent Component City

City - 65%

Barangay - 35%



## Use of Funds

Shares of barangays from the proceeds of national wealth shall be used to finance local development and livelihood projects.

In the case of proceeds derived from the development and utilization of hydrothermal, geothermal, and other sources of energy, 80% of the proceeds shall be applied solely to lower the cost of electricity in the LGU where such source of energy is located. (Section 294 of RA No. 7160; Article 391 of its IRR)



## 2. Shares in Real Property Tax

Barangays shall be entitled to a portion of the ad valorem tax imposed on the real properties. Below is the share of barangays in real property tax, which varies depending on the collecting LGU (Section 271 of RA No. 7160):

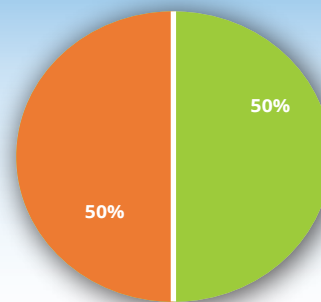
Collecting LGU		
	Barangay where the Property is Located	Distributed among Component Barangays
Provinces	25%	–
Cities	15%	15%
Municipality within the Metropolitan Manila Area	15%	15%

The shares on real property tax of each barangay shall be released automatically to the barangay treasurer quarterly, within five (5) days after the end of each quarter (Section 271 [d] of RA No. 7160).

## 3. Shares in Community Tax

The proceeds of the community tax collected by barangay treasurers shall be apportioned as follows:

<span style="color: orange;">■</span> City or Municipality concerned	50%
<span style="color: green;">■</span> Collecting barangay	50%



## 4. Assistance and Subsidy

- a. Subsidy from National Government
- b. Subsidy from Other Local Government Units

Provinces, cities, and municipalities shall provide aid to component barangays in amounts of not less than Php 1,000 each (Section 324 of RA No. 7160).



## 5. Grants and Donations

Barangays are also entitled to receive voluntary donations, grants, or aids from any public or private entity. By nature, the same shall be treated as trust funds.

If the purpose of the same was specified, the same may not be included in the AB. Moreover, disbursement therefrom shall not be made except for the purposes from which they are intended. Meanwhile, if the purpose of the same was not specified, the same shall be included in the AB.

## 6. Capital/Investment Receipts

These are the proceeds from the sale or lease of barangay property or loans and grants secured by the barangay.

# III. BARANGAY BUDGETING PRINCIPLES AND FRAMEWORK

## A. Fundamental Principles of Barangay Budgeting

The following basic principles should guide the barangay budget administrators in meeting the challenges of their vital responsibilities under Section 305 of RA No. 7160:

- No money shall be paid out of barangay funds except in pursuance of an appropriation ordinance or law.
- Barangay funds and monies shall be spent solely for public purposes.
- Barangay revenue is generated only from sources expressly authorized by law or ordinance, and its collection shall at all times be acknowledged properly.
- All monies officially received by a barangay official in any capacity or on any occasion shall be accounted for as barangay funds unless otherwise provided by law.
- Trust funds in the barangay treasury shall not be paid out except in fulfillment of the purpose for which the trust was created or the funds received.
- The barangay shall implement a sound barangay budget and cash program based on functions, projects, and activities in terms of expected results.
- Barangay budgets shall be harmonized with national development plans to optimize the utilization of resources.
- The barangay budget shall operationalize approved local development plans.
- The barangay shall ensure that their budgets incorporate the requirements of their communities and provide for the equitable allocation of resources among them.
- Fiscal responsibility shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the barangay.
- The barangay shall endeavor to have a balanced budget in each fiscal year of operation.



## B. Budgeting Framework

### 1. Plan-Budget Linkage

Barangay planning is done through workshops in which members of the Barangay Development Council (BDC), purok leaders, representatives of private organizations/ cooperatives, and other key informants participate.

The planning workshop may be done between January 1 to February 28 of each fiscal year to ensure that the planning will be synchronous with the planning of the city/municipality concerned.

### Legal Basis

Section 114 (a) of RA No. 7160 - The policies, programs, and projects proposed by local government councils shall be submitted to the sanggunian concerned for appropriate action. (See also Administrative order No. 270, IRR of RA No. 7160)

Section 305 (i) of RA No. 7160 - Local budgets shall operationalize the approved local development plans.

### The Barangay Development Plan (BDP)

The BDP is a long-term plan, usually covering at least six (6) years, which lays down the development direction of the various sectors in the barangay (Section 106, RA No. 7160).

### The Barangay Development Investment Program (BDIP)

The BDIP covers three (3) years, identifies the program, projects, or activities that are needed to carry out the development of the sectors laid down in the BDP as well as approximate the funding needed per year. Article 454(d), IRR, RA No. 7160 requires that itemized appropriations shall be for specific development projects/activities embodied in the local development plan and/or public investment program.

### The Annual Investment Program (AIP)

The AIP represents a one-year slice of the BDIP. The link between the plan and the budget is provided by the investment program, particularly by the Annual Investment Program, which is a component of the Barangay Development Investment Program (BDIP). To ensure plan-budget linkage and ensure that local budgets truly operationalize the approved BDP, it is imperative that:

- The investment program sets the priority programs, projects, and activities (PPAs) and specifies the target outputs and accomplishments of the barangay.
- The budget funds the PPAs included in the investment plan, particularly the Barangay Annual Investment Plan.



The AIP for the budget year shall be the basis in preparing the annual barangay budget.

**FY\_\_\_\_\_Annual Investment Program (AIP)  
By Program/Project/Activity by Sector**

**Annex C**

Barangay: \_\_\_\_\_  
City/Municipality: \_\_\_\_\_  
Province: \_\_\_\_\_

AP Reference Code	Program/Projects/Activity Description	Implementing Office Unit	Schedule of Implementation		Expected Outputs	Funding Source	AMOUNT (In Thousand Pesos)			
			Start Date	Completion Date			Personal Services (PS)	Maintenance and other Operating Expenses (MOOE)	Capital Outlay (CO)	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) 8+9+10
General Services (1000)										
Social Services (3000)										
Economic Services (8000)										
Other Services (9000)										

Prepared by:

Barangay Secretary

Date: \_\_\_\_\_

Barangay Treasurer

Date: \_\_\_\_\_

Attested by:

Punong Barangay

Date: \_\_\_\_\_

## 2. Procurement-Budget Linkage

Section 7 of the Government Procurement Reform Act (RA No. 9184) explicitly provides that all procurement should be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity concerned.

Pursuant to Section 7.3.2 of the revised IRR of RA No. 9184, no procurement of the barangay shall be undertaken unless it is in accordance with the approved Annual Procurement Plan (APP) of the Procuring Entity. The barangay shall also prepare the project procurement management plan (PPMP) to support the requirements and/or cost estimates of the different PPAs, as embodied in the approved barangay annual investment plan.

**(Name of agency) Annual Procurement Plan for FY \_\_\_\_\_**

Code (PAP)	Procurement Program/Project	PMO/End-User	Mode of Procurement

Schedule for Each Procurement Activity			
AdsPost of ID/REI	Sub/Open of Bids	Notice of Award	Contract Signing

Source of Funds	Estimated Budget (PHP)			Remarks (brief description of Program/Project)
	Total	MOOE	CO	

**DEFINITION**

- PROGRAM ( BESF)** - A homogeneous group of activities necessary for the performance of a major purpose for which a government agency is established, for the basic maintenance of the agency's administrative operations or for the provisions of staff support to the agency administrative operations or for the provisions of staff support to the agency's line functions.
- PROJECT (BESF)** - Special agency undertakings which are to be carried out within a definite time frame and which are intended to result in some pre-determined measure of goods and services.
- PMO/End User** - Unit as proponent of program or project
- Mode of Procurement** - Competitive Bidding and Alternative Methods Including: selective bidding, direct contracting, repeat order, shopping, and negotiated procurement.
- Schedule for Each Procurement Activity** - Major procurement activities (Advertising/posting; submission and receipt/Opening of bids; award of contract; contract signing).
- Source of Funds** - Whether GoP, Foreign Assisted or Special Purpose Fund
- Estimated Budget** - Agency approval estimate of project/program costs
- Remarks** - brief description of program or project

**Remarks**

Programs and project should be aligned with budget documents, and especially those posted at the PhilGeps.

Breakdown into mooe and co for tracking purpose; aligned with budget documents

Any remark that will help GPPB track program and projects



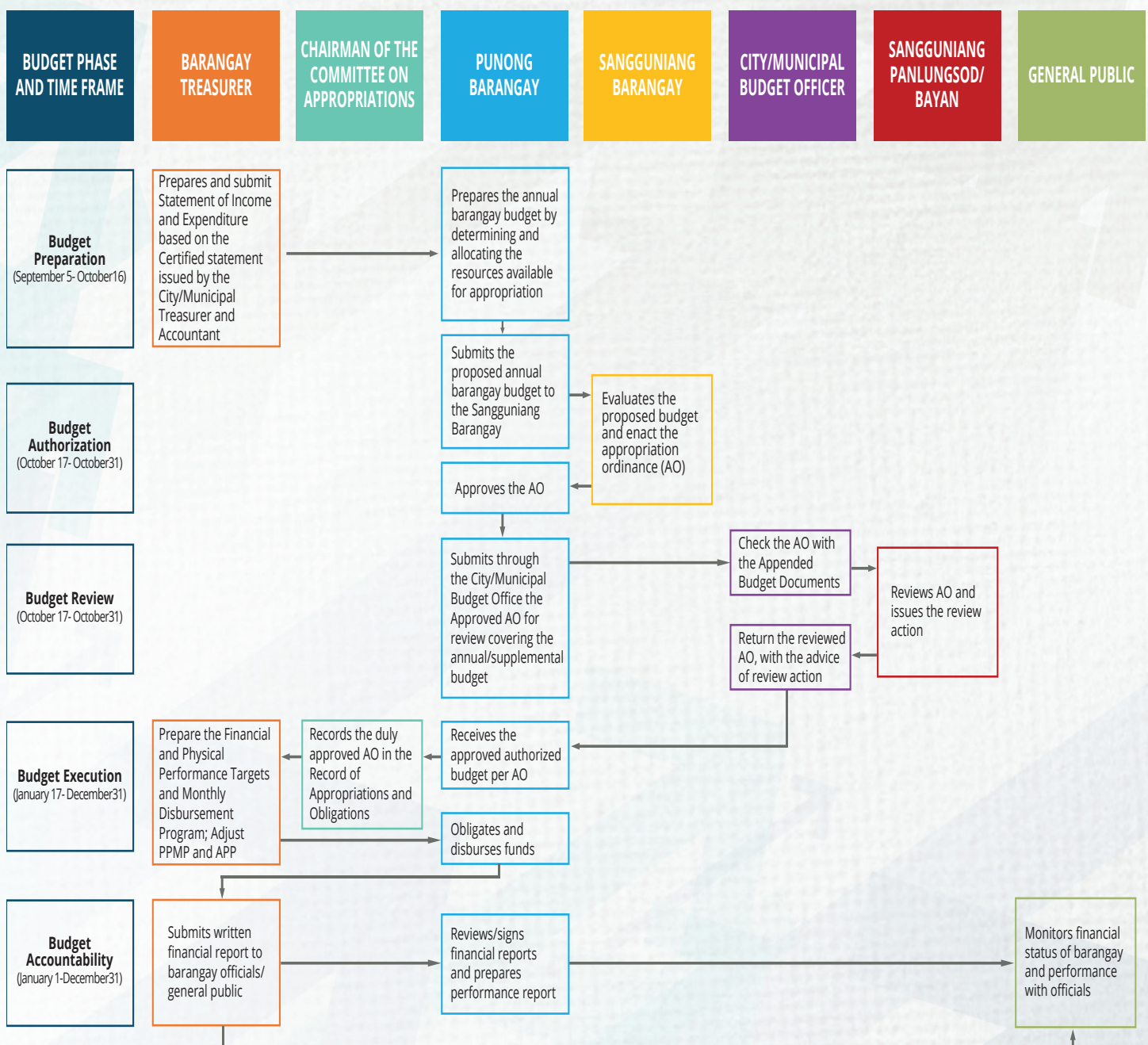
### 3. Participatory Budgeting

An approach wherein citizens, through civil society organizations, are allowed to take part in the local budget process.

### 4. Performance-Informed Budgeting

An approach which uses performance information in appropriation documents to link funding to results and to provide a framework for more informed resource allocation and management.”

## IV. BARANGAY BUDGETING PROCESS





## A. Budget Preparation

### Legal Basis

Section 331 (a) of RA 7160 - Upon receipt of the statement of income and expenditures from the barangay treasurer, the punong barangay shall prepare the barangay budget for the ensuing fiscal year

Section 389 (b) (7) of RA No. 7160 - In coordination with the BDC, the punong barangay shall prepare the annual executive and supplemental budgets of the barangay.

### Summary of Budget Preparation

<b>PHASE 1: PREPARATION</b> <b>(Compliance Period: September 5 - October 16)</b>			
<b>STEPS</b>	<b>KEY OFFICIALS</b>	<b>DOCUMENT(S) TO BE SUBMITTED</b>	<b>REMARKS</b>
1) Submits the detailed Statement of Income and Expenditure	<ul style="list-style-type: none"> <li>•Barangay Treasurer</li> <li>•Punong Barangay</li> </ul>	Statement of Income and Expenditure	<p>On or before September 5 - The city or municipal treasurer shall issue a certified statement covering the actual income of the past year and estimates of income of the current and ensuing fiscal years from local sources for the barangay concerned.</p> <p>On or before September 15 - The treasurer shall submit to the punong barangay a statement covering the estimates of income and expenditures for the past, current, and the ensuing fiscal years.</p>
2) Prepares the barangay budget  Task 1. Prepares the estimated income  Task 2. Set aside 10% for the Sangguniang Kabataan (SK) fund	<ul style="list-style-type: none"> <li>•Punong Barangay</li> <li>•BDC</li> <li>•Barangay Treasurer</li> </ul>	Estimated income	<p>The Punong Barangay, in coordination with BDC, prepares the estimated income for the ensuing year upon receipt of the statement of income and expenditure from the barangay treasurer.</p> <p>Of the total general fund (estimated income), the Punong Barangay shall set aside 10% for the SK. The barangay treasurer shall inform the SK Chairperson, as soon as possible, of the total amount representing the 10% SK fund.</p>



<b>PHASE 1: PREPARATION</b> <b>(Compliance Period: September 5 - October 16)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
<p>Task 3. Provides budgetary requirements that require special-purpose appropriations</p> <p>Task 4. Computes the mandatory requirements</p>			<p>Legal Basis</p> <p>Section 329 of RA No. 7160 and Section of RA No. 10742 - Ten percent (10%) of the general fund of the barangay shall be set aside for the Sangguniang Kabataan.</p> <p>Implementing Guidelines</p> <p>DBM-DILG-National Youth Commission Joint Memorandum Circular (JMC) No. 1, s. 2019 dated January 23, 2019</p> <p>The Punong Barangay provides budgetary requirements for programs, projects, and activities of the barangay, including the following that require special-purpose appropriations:</p> <ul style="list-style-type: none"> <li>• 20% of the Annual Internal Revenue Allotment for Development Projects</li> <li>• Barangay Disaster Risk Reduction Management Fund (BDRRMF)</li> <li>• Gender and Development</li> <li>• Implementation of the Programs of the Local Councils for the Protection of Children</li> <li>• Senior Citizens and Persons with Disabilities</li> <li>• Combatting AIDS</li> <li>• Debt Service</li> </ul> <p>The mandatory requirements consist of the following:</p> <p>(a) Personal Services (PS)</p> <p>Section 331 (b) of RA No. 7160 provides that the total annual appropriations for personal services of a barangay for one (1) fiscal year shall not exceed fifty-five percent (55%) of the total annual income actually realized from local sources during the next preceding fiscal year.</p> <p>(b) Maintenance and other Operating Expenses (MOOE)</p> <p>Section 331 (c) and Section 324 (b) of RA No. 7160 provides that essential expenditures such as rentals and utilities shall be given priority in the allocation of funds.</p>



<b>PHASE 1: PREPARATION</b> <b>(Compliance Period: September 5 - October 16)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
<p>Task 5. Consolidates the estimated income and the proposed expenditures</p> <p>Task 6. Prepares the APP using the prescribed format</p> <p>Task 7. Prepares the Budget message.</p>		<ul style="list-style-type: none"> <li>• Receipts Program</li> <li>• Expenditure Program APP</li> <li>Budget message</li> </ul>	<p>(c) Capital Outlays (CO)</p> <p>Consolidates the estimated income and the proposed expenditures into:</p> <ul style="list-style-type: none"> <li>• Receipts Program covering the estimates of income</li> <li>• Expenditure Program covering the total appropriation for current operating expenditures and capital outlay</li> </ul> <p>Punong Barangay submits the proposed Annual Budget to the sangguniang barangay not later than October 16 of the current fiscal year.</p>
1) Submits the proposed Annual Budget	• Punong Barangay	Punong Barangay	<p>The following documents are also submitted to the sanggunian to support the annual budget of the barangay:</p> <ul style="list-style-type: none"> <li>• Budget Message</li> <li>• Plantilla of Personnel</li> <li>• Approved AIP</li> <li>• Indicative APP</li> <li>• List of Projects chargeable against the 20% development fund</li> <li>• Department of the Interior and Local Government (DILG)-endorsed GAD Plan and Budget</li> <li>• Statement of Indebtedness (if any)</li> <li>• BDRRM Plan</li> <li>• List of PPAS for LCPC</li> <li>• List of PPAs for Senior Citizens and PWD</li> <li>• List of PPAs to Combat Acquired immunodeficiency syndrome (AIDS)</li> <li>• List of PPAs to Address the Problem of Illegal Drugs</li> <li>• Other plans as required under LBM issued every year</li> </ul>

## Special Purpose Appropriations

Appropriations	Legal Basis	Amount/ Percentage	REMARKS
<b>1. 20% of the Annual Internal Revenue Allotment for Development Projects</b>	Section 287 of RA No 7160	twenty percent (20%) of its Annual IRA	<p>Implementing Guidelines</p> <p>DBM-Department of Finance (DOF)-DILG JMC No. 1, s. 2020 dated November 4, 2020, provides for the following expenditure items not allowed to be charged against the 20% Development Fund:</p> <ul style="list-style-type: none"> <li>• PS expenditures, such as salaries, wages, overtime pay, and other personnel benefits;</li> <li>• Administrative expenses, such as supplies, meals, representation, communication, water and electricity, petroleum products, and the like;</li> <li>• Traveling expenses, whether domestic or foreign;</li> <li>• Registration fees and other expenses related to the conduct of and participation in training, seminars, conferences, or conventions;</li> <li>• Purchase, maintenance, or repair of administrative office' furniture, fixtures, equipment, or appliances; and</li> <li>• Purchase, maintenance, or repair of motor vehicles used for administrative purposes.</li> </ul>
<b>2. Barangay Disaster Risk Reduction Management Fund (BDRRMF)</b>	Section 21 of RA No. 10121	not less than five percent (5%) of the estimated revenue from regular sources	<p>Not less than five percent (5%) of the estimated revenue from regular sources shall be set aside as the LDRRMF to support disaster risk management activities such as but not limited to:</p> <ul style="list-style-type: none"> <li>• pre-disaster preparedness programs</li> <li>• post-disaster activities</li> <li>• payment of premiums on calamity insurance</li> </ul> <p>Implementing Guidelines</p> <p>DBM-DILG-National Disaster Risk Reduction and Management Council JMC No. 2013-1 dated March 25, 2013</p> <p>The same shall be appropriated as follows:</p> <ul style="list-style-type: none"> <li>• 70% - Disaster prevention and mitigation, preparedness, response, rehabilitation, and recovery</li> <li>• 30% - Quick Response Fund Implementing Guidelines</li> </ul>



Appropriations	Legal Basis	Amount/ Percentage	REMARKS
<b>3. Gender and Development</b>	Section 36 of RA No. 9710	five percent (5%) of their annual appropriations	Philippine Commission on Women-DILG-DBM-National Economic and Development Authority JMC No. 2013-01 dated July 18, 2013, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016
<b>4. Implementation of the Programs of the Local Councils for the Protection of Children</b>	Section 15 of RA No. 9344	one percent (1%) of the IRA shares	The one percent (1%) of the IRA shares shall be allocated for the strengthening and implementation of the programs of the Local Council for the Protection of Children.
<b>5. Senior Citizens and PWD</b>	RA No. 9994 amending RA No. 7432, and RA No. 9442 amending RA No. 7277		
<b>6. Combating AIDS</b>	RA No. 8504		
<b>7. Debt Service</b>	Section 324 (b) of RA No. 7160	shall not exceed the ceiling required by law which is 20% of the regular income of the LGU concerned	

## B. Budget Authorization

Budget Authorization is a legislative function involving the enactment of the ordinance authorizing the budget.

### Legal Basis

Section 305 (a) of RA 7160 - No money shall be paid out of the local treasury except in pursuance of an appropriations ordinance or law.

Section 319 of RA 7160 – On or before the end of the current fiscal year, the SB concerned shall enact, through an ordinance, the annual budget of the barangay for the ensuing fiscal year based on the estimates of income and expenditures submitted by the punong barangay.

Section 391 (a) (3) of RA 7160 - The SB shall enact annual and supplemental budgets in accordance with the provisions of the Code.

## Summary of Budget Authorization

<b>PHASE 2: AUTHORIZATION</b> <b>(Compliance Period: October 17 - October 31)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
<b>1. Present the Executive Barangay Budget</b>  Task 1. Deliver the State of the Barangay Address (SOBA)  Task 2. Follow the Contents of Budget Message  Task 3. Certify as urgent the proposed executive budget	Punong Barangay  Punong Barangay  Sangguniang Barangay  Sangguniang Barangay	Executive Barangay Budget	<p>The contents of Budget Message:</p> <ul style="list-style-type: none"> <li>• Policy Thrusts for the Budget Year</li> <li>• Expenditure Program</li> <li>• Estimated Income for the Budget Year</li> <li>• Expected Results to be Accomplished</li> </ul> <p>Whether or not included in the calendar of business, the Bill may be presented and considered by the body at the same meeting without suspending the rules. (Article 107 (e) of the IRR of RA No. 7160)</p> <p>It may be submitted for final voting immediately after debate or amendments during 2nd reading. (Article 107 (f) of the IRR of RA No. 7160)</p>
<b>2. Deliberate on the Executive Budget</b>	Sangguniang Barangay		<p>The Sangguniang Barangay discusses the allocation of income to the following:</p> <ol style="list-style-type: none"> <li>Aggregate income vs. aggregate expenditure program</li> <li>Amount of regular income which is the basis for computing 20% ceiling for debt servicing</li> <li>Not less than 20% of IRA for Development Projects</li> <li>Not less than 5% of Estimated Revenue from Regular Sources for BDRRMF</li> <li>10% of General Fund of the Barangay for SK Fund</li> </ol>



<b>PHASE 2: AUTHORIZATION</b> <b>(Compliance Period: October 17 - October 31)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
			f. 2% of RPT Collections of next preceding fiscal year for Discretionary Expenses of Punong Barangay  g. 55% of Regular Income of next preceding year - PS Cap or Limitation  h. Other Priority Projects/Services
<b>3. Enact the Appropriation Ordinance</b>	Sangguniang Barangay	Enacted Appropriation Ordinance (AO)	After budget deliberation, the Sanggunian authorizes the Annual Barangay Budget through an AO which serves as the legislative authorization directing the payment of goods and services from local government funds under specified conditions or for specific purposes. (Section 306 of RA No. 7160)  The enacted AO shall be (i) stamped with the seal of Sanggunian; (ii) recorded in a book kept for the purpose; and (iii) signed by the Barangay Secretary.
<b>4. Approval of the AO</b>	Punong Barangay	Approved AO	Ordinances enacted by the Sangguniang Barangay shall, upon approval by the majority of all its members, be signed by the Punong Barangay. (Section 54 (c) of RA 7160)  The Punong Barangay is the Presiding Officer of the SB, but he does not vote, except only to break a tie. (Section 49 of RA 7160)

## C. Budget Review

This function is undertaken by the Sangguniang Panlungsod or Sangguniang Bayan to ensure compliance of the Barangay Appropriation Ordinance with all the budgetary requirements and limitations provided in the LGC (Section 333 of RA 7160 and Article 424 of its IRR). The Budget Review phase starts from the time the reviewing Sanggunian receives the AO.

## Legal Basis

Section 333 of RA 7160 - Within 10 days from its approval, copies of the barangay ordinance authorizing the annual appropriations shall be furnished to the sangguniang panlungsod or sangguniang bayan, as the case may be, through the city or municipal budget officer.

Section 57 of RA 7160 - Within 10 days after its enactment, the sangguniang barangay shall furnish copies of all barangay ordinances to the sangguniang panlungsod or sangguniang bayan concerned for review as to whether the ordinance is consistent with law and city or municipal ordinances.

Article 424 (b) IRR - The sanggunian concerned shall review the barangay ordinance to ensure compliance thereof with all the **budgetary requirements** and **limitations** provided in this Rule (Rule XXXIV – Local Government Budgeting).

## Summary of Budget Review

PHASE 2: AUTHORIZATION (Compliance Period: October 17 - October 31)			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
1. Review the AO within sixty (60) days from receipt	<ul style="list-style-type: none"> <li>Sangguniang Panlungsod/ Bayan</li> <li>City/ Municipal Budget Officer</li> </ul>	Executive Barangay Budget	<p>The City/Municipal Budget Officer shall check if the following documents have been submitted with the AO.</p> <p>For Annual Budget:</p> <ol style="list-style-type: none"> <li>1. Transmittal Letter</li> <li>2. Sanggunian-approved AIP</li> <li>3. List of Projects chargeable against the 20% DF</li> <li>4. Plantilla of Personnel</li> <li>5. Statement of Indebtedness</li> <li>6. DILG-endorsed GAD Plan and Budget</li> </ol> <p>For Supplemental Budget:</p> <ol style="list-style-type: none"> <li>1. Transmittal Letter</li> <li>2. Approved Supplemental AIP</li> <li>3. Certified Statement of Additional Realized Income; Certification of Savings<sup>2</sup></li> <li>4. Copy of Newly-Enacted Tax Ordinance and/or Copy of Official Communication<sup>2</sup> stating that the Barangay is a Recipient of New or Higher Remittances, Contributions, Subsidies, or Grants</li> <li>5. Certificate of Source of Funds<sup>3</sup></li> </ol>
2. Declare Review Actions	Sangguniang Panlungsod/ Bayan	Review action	<p>The Sangguniang Panlungsod/Bayan shall validate the provisions of the AO for compliance with budgetary requirements and general limitations.</p> <p>After the evaluation of the AO and its supporting documents, the Sangguniang Panlungsod/Bayan concerned may take any of the following review actions:</p> <ul style="list-style-type: none"> <li>• Operative in its entirety</li> <li>• Operative in its entirety, subject to conditions</li> </ul>

<sup>1</sup>May be requested by the Sanggunian as reference in its validation for funds actually available

<sup>2</sup>May be requested by the Sanggunian as reference in its validation for new revenue measures

<sup>3</sup>May be requested by the Sanggunian as reference in its validation for realignment of appropriations in times of public calamity



<b>PHASE 3: AUTHORIZATION</b> <b>(Compliance Period: October 17 - October 31)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
			<ul style="list-style-type: none"> <li>• Operative in its entirety</li> <li>• Operative in its entirety, subject to conditions</li> </ul>
<b>3. Return the Reviewed AO</b>	<ul style="list-style-type: none"> <li>• City/ Municipal Budget Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed AO; and</li> <li>• Advice of review action</li> </ul>	The City/Municipal Budget Officer shall return the reviewed AO, with the advice of review action in the form of resolution or letter of review, within the same 60-day reglementary period to the Punong Barangay.

## D. Budget Execution

Budget Execution involves the implementation of the enacted annual budget or supplemental budget.

### Legal Basis

Section 305 (a) of R.A. No. 7160 - "No money shall be paid out of the local treasury except in pursuance of an appropriations ordinance or law."

Section 336 (a) of R.A. No. 7160 - "Funds shall be available exclusively for the specific purpose for which they have been appropriated."

Section 346 of R.A. No. 7160 - "Disbursements shall be made in accordance with the ordinance authorizing the annual or supplemental appropriations without the prior approval of the sanggunian concerned."

## Summary of Budget Execution

<b>PHASE 4: EXECUTION</b> <b>(Compliance Period: January 1 - December 31)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
<b>1. Records the duly approved AO</b>	Chairman of the Committee on Appropriations	Record of Appropriations and Obligations	

<b>PHASE 4: EXECUTION</b> <b>(Compliance Period: January 1 - December 31)</b>			
STEPS	KEY OFFICIALS	DOCUMENT(S) TO BE SUBMITTED	REMARKS
2. Prepare the Financial and Physical Performance Targets and Monthly Disbursement Program (MDP)	<ul style="list-style-type: none"> <li>• Barangay Treasurer</li> <li>• Barangay Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and Physical Performance Targets; and</li> <li>• MDP</li> </ul>	The City/Municipal Budget Officer shall return the reviewed AO, with the advice of review action in the form of resolution or letter of review, within the same 60-day reglementary period to the Punong Barangay.
3. Adjust the PPMP and APP in accordance with the approved budget	Barangay Treasurer	<ul style="list-style-type: none"> <li>• Adjusted PPMP; and</li> <li>• Adjusted APP</li> </ul>	<p>APP or Annual Procurement Plan- a document that consolidates the various PPMPs submitted by the various PMOs and end-user units within the Procuring Entity. It reflects the entirety of the procurement activities that will be undertaken by the Procuring Entity within the calendar year.</p> <p>PPMP or Project Procurement Management Plan - serves as a guiding document in the procurement and contract implementation process, as well as a vital reference in procurement monitoring.</p> <p>It deals primarily with:</p> <ul style="list-style-type: none"> <li>a. planning for the procurement of project requirements;</li> <li>b. bidding or procurement strategy;</li> <li>c. source selection;</li> <li>d. schedule for each procurement activity;</li> <li>e. delivery schedules;</li> <li>f. contract administration;</li> <li>g. contract termination;</li> <li>h. procurement milestones; and</li> <li>i. other important procurement details or information.</li> </ul> <p>The PPMP is prepared by the end-user unit during the budget preparation to support the cost estimates in the budget proposal.</p>
4. Obligates and disburses funds	Punong Barangay		



## Procurement Laws And Guidelines

### a. Bids and Award Committee (BAC) Composition for Barangays

The Punong Barangay shall designate at least five (5) but not more than seven (7) members of the BAC, from among the members of the Sangguniang Barangay. The members shall elect among themselves who shall act as the Chairman and Vice-Chairman.

In no case shall the local chief executive and/or approving authority, be the Chairman or a member of the BAC, BAC Secretariat, or Technical Working Group.

(GPPB Circular 03-2013)

### b. Modes of Procurement

Mode of Procurement	Definition	Remarks
a. Competitive	As defined under Section 5 of RA No. 9184, Competitive Bidding refers to a method of procurement that is open to any interested party and which consists of the following processes: advertisement, pre-bid conference, eligibility screening of bids, evaluations of bids, post-qualification, and award of contract.	Pursuant to Section 10 of Republic Act (RA) No. 9184, all procurement shall be done through competitive bidding, except as otherwise provided in Rule XVI of the same law.  "Competitive Bidding" and "Public Bidding" are used interchangeably.
b. Alternative Methods of Procurement		As an exception to the general rule, Alternative Methods of Procurement (AMP) may be adopted upon approval of the Head of the Procuring Entity (HoPE) or the Local Chief Executive after a favorable recommendation from the Bids and Awards Committee (BAC) that all of the conditions in resorting to any AMP are complied with.
i. Direct Contracting	A method of procurement of Goods that does not require elaborate bidding documents. The supplier is simply asked to submit a price quotation or a pro-forma invoice together with the conditions of sale. The offer may be accepted immediately or after some negotiations.	Direct Contracting may be resorted to by a Procuring Entity under any of the following conditions:  1. Procurement of goods of proprietary nature which can be obtained only from the proprietary source;  2. When the procurement of critical components from a specific supplier is a condition precedent to hold a contractor to guarantee its project performance; or  3. Procurement of goods from an exclusive dealer or manufacturer which does not have sub-dealers selling at lower prices and for which no suitable substitute can be obtained at more advantageous terms to the Government.

Mode of Procurement	Definition	Remarks
ii. Shopping	Shopping is a method of procurement of goods whereby the Procuring Entity (PE) simply requests for the submission of price quotations from suppliers of known qualifications. They have readily available off-the-shelf goods or ordinary/regular equipment that can be procured directly.	<p>This method of procurement shall be employed in any of the two (2) cases:</p> <ol style="list-style-type: none"> <li>1. When there is an unforeseen contingency requiring immediate purchase: Provided, that the amount shall not exceed Php 50,000; and</li> <li>2. Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service - Department of Budget and Management (PS-DBM).</li> </ol>
iii. Shopping	A method of procurement of Goods that does not require elaborate bidding documents. The supplier is simply asked to submit a price quotation or a pro-forma invoice together with the conditions of sale. The offer may be accepted immediately or after some negotiations.	<p>For the procurement of goods, negotiated procurement is employed only in any of the following cases:</p> <ol style="list-style-type: none"> <li>1. Two Failed Biddings;</li> <li>2. Emergency Cases <ul style="list-style-type: none"> <li>- In case of imminent danger to life or property during a state of calamity, actual or man-made ;</li> </ul> </li> <li>3. Small Value Procurement <ul style="list-style-type: none"> <li>- Procurement of Goods not covered by Shopping under Section 52 of the 2016 IRR of RA 9184, where the amount involved does not exceed Fifty Thousand Pesos (₱ 50,000) for barangays.</li> </ul> </li> <li>4. Lease of Real Property and Venue <ul style="list-style-type: none"> <li>- Lease of real property and venue for official use.</li> </ul> </li> </ol>

## E. Budget Accountability

Budget Accountability or accounting for the performance of the budget is the last phase in the barangay budget process.

### Legal Basis

Section 305 [I], R.A. No. 7160 - Fiscal responsibility shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the LGUs.

Section 97, R.A. No. 7160; Article Nos. 189 and 190, IRR, R.A. No. 7160 - On or before March 31 of each year, every local chief executive shall submit an annual report to the sanggunian concerned on the Budget Performance and Financial Statements, among other matters, that shall include the analysis of performance versus approved budget, disbursements, and cash balances.

Section 398[c], R.A. No. 7160 - The barangay assembly shall hear and pass upon the semestral report of the sangguniang barangay concerning its activities and finances.



<b>PHASE 5: ACCOUNTABILITY</b> <b>(Compliance Period: January 1-December 31)</b>			
<b>STEPS</b>	<b>KEY OFFICIALS</b>	<b>DOCUMENT(S) TO BE SUBMITTED</b>	<b>REMARKS</b>
<b>1. Monitors, checks, and reports the status of collection of receipts</b>	<ul style="list-style-type: none"> <li>Barangay Treasurer</li> <li>Sangguniang Barangay</li> <li>Punong Barangay</li> </ul>	Status of collection of receipts	The Barangay Treasurer monitors, checks, and reports to the Sangguniang Barangay through the Punong Barangay the status of collection of receipts.
<b>2. Monitors, checks, and reports the status of appropriations, obligations, and balances</b>	<ul style="list-style-type: none"> <li>Chairman of the Committee on Appropriations</li> <li>Sangguniang Barangay</li> <li>Punong Barangay</li> </ul>	Statement of Appropriations, Obligations, and Balances (SAOB)	<p>The Chairman of the Committee on Appropriations monitors, checks, and reports the status of expenditures to the Sangguniang Barangay through the Punong Barangay every semester.</p> <p>Moreover, the Chairman of the Committee on Appropriations shall report the charges to and balances of appropriations to the Punong Barangay and the Sangguniang Barangay monthly through the SAOB. The same shall be certified correct by the Chairman of the Committee on Appropriations. The Punong Barangay and Sangguniang Barangay shall use the SAOB in the evaluation of the status of barangay expenditures.</p>
<b>2. Reports the budget performance of the barangay to the Sangguniang Barangay and Barangay Assembly</b>	<ul style="list-style-type: none"> <li>Punong Barangay</li> <li>Sangguniang Barangay</li> <li>Barangay Assembly</li> </ul>		The Punong Barangay reports to the Sangguniang Barangay and Barangay Assembly, on a semestral basis, the budget performance of the Barangay enumerating in detail the following: (i) how much money was collected; (ii) how much was appropriated from the money collected; (iii) how much was disbursed from the approved appropriations; and (iv) what services were delivered to the barangay constituents from the money disbursed.

#### Other Budget Accountability Activities

- As the head of the Secretariat of the BDC, the Barangay Secretary monitors and evaluates the implementation of the barangay development programs and projects (Section 109 (a) (6) (b) of RA No. 7160).
- The City/Municipal Accountant maintains the books of accounts of barangays concerned (Item 12.1.4 of the COA Manual on Financial Management of Barangays).

## **DBM PROJECT TEAM ON THE DEVELOPMENT AND PROMULGATION OF A PRIMER ON LOCAL GOVERNMENT BUDGETING**

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DEPARTMENT OF BUDGET AND MANAGEMENT