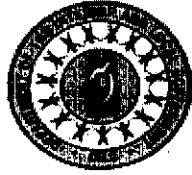


Republic of the Philippines



**DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 2, Series of 2012
December 19, 2012**

FOR : Heads of Departments (DA, DAR, DENR, DEPED, DOH, DOLE and DOE) and Heads of PHIC and NEA, All Mayors and Members of the Sanggunian of Focus Cities and Municipalities, and All Others Concerned

SUBJECT : GUIDELINES FOR THE IMPLEMENTATION AND MONITORING OF BOTTOM-UP BUDGETING (BuB) PROJECTS IN FY 2013

1. RATIONALE

It is the intention of the Aquino Administration that national government agencies (NGAs) and other stakeholders shall pursue the Millennium Development Goal of reducing poverty from 26.5% in 2009 to 16.6% by 2015. This is likewise reflected in Executive Order No. 45, Series of 2011 and the Philippine Development Plan for 2011-2016.

As a strategy, the Human Development and Poverty Reduction Cluster (HDPRC), the Good Governance and Anti-Corruption Cluster (GGAC), and the Economic Development Cluster organized under Executive Order No. 43, s. 2011, shall implement Bottom-up Budgeting. This shall ensure the inclusion of the funding requirements for the development needs of poorest/focus cities and municipalities in the budget proposals of participating NGAs. This initiative will also make the planning and budgeting processes of both local and national governments more participatory through the genuine involvement of grassroots organizations and communities, strengthening the convergence of the delivery of national services in the community.

Pursuant to DBM-DILG-DSWD-NAPC Joint Memorandum Circular (JMC) No. 1, Series of 2012 dated March 8, 2012, as a strategy to pursue the Millennium Development Goal of reducing poverty, Bottom-up Budgeting shall be piloted in 609 LGUs by the HDPRC, GGAC, the DBM, DILG, DSWD and NAPC as the lead agencies.

Consistent with the said objectives, the total amount of P8,397,100,000 has been provided under the FY 2013 National Expenditure Program (NEP) for the implementation of BuB projects of the 595 local government units that have submitted their proposed priority poverty reduction projects to the national government.

2. PURPOSE

To provide the guidelines for the implementation of priority poverty reduction projects identified by the focus LGUs through the BuB Process, which have been included in the proposed 2013 NEP.

3. DEFINITION OF TERMS

For purposes of this Circular, the following terms shall mean as:

- 3.1 **Bottom-Up Budgeting (BuB)** - an approach to preparing the budget proposal of agencies, taking into consideration the development needs of poor cities/municipalities as identified in their respective local poverty reduction action plans that shall be formulated with strong participation of basic sector organizations and other civil society organizations.
- 3.2 **BuB Projects** - projects identified by LGUs through the BuB process which will be funded through the national budget.
- 3.3 **Civil Society Organizations (CSOs)** - include non-government organizations (NGOs), Peoples Organizations (POs), cooperatives, trade unions, professional associations, faith-based organizations, youth organizations, media groups, indigenous peoples movements, foundations, and other citizen's groups which are non-profit and are formed primarily for social and economic development to plan and monitor government programs and projects, engage in policy discussions, and actively participate in collaborative activities with the government.
- 3.4 **Local Poverty Reduction Action Plan (LPRAP)** - the LGU plan which contains programs and projects collectively drawn through a participatory process by the LGU with CSOs and other stakeholders, and which will directly address the needs of the poor constituencies and the marginalized sectors in the city or municipality.
- 3.5 **Local Poverty Reduction Action Team (LPRAT)** - - the group to spearhead the formulation and monitoring of the LPRAP, composed of the following:

Chairperson: Local Chief Executive (LCE)

Co-Chairperson: A CSO representative

Members:

Representatives from the Government Sector, to wit:

- Sangguniang Panglungsod/Bayan Member who is the Chairperson of the Committee on Appropriation;
- All local government department heads such as the Planning Officer, Budget Officer, Agriculture Officer, Social Welfare and Development Officer, and Health Officer;
- Representatives of national government agencies (NGAs) such as the DSWD Municipal Links, PESO Manager and the DILG City/Municipal Local Government Operations Officer, the School District Supervisor and Agrarian Reform Officer; and

Representatives from Civil Society Organizations (must be residents of the city or municipality), to wit:

- a Pantawid Pamilya Parent-Leader;
 - a Leader from DOH organized Community Health Teams;
 - a Leader of Parent-Teacher Associations;
 - a Leader of CSOs accredited by LGUs;
 - a Leader of CSOs accredited or recognized by any NGA;
 - a Leader of women's groups;
 - a Leader of basic sector organization;
 - a Leader of other community or grassroots organizations;
- and

A representative from the business sector

The LPRAT shall be composed of an equal number of government representatives (including the LCE) and non-government representatives (civil society and business). It should also be composed of at least 40% women.

- 3.6 Operating Units** - refers to the agency units receiving Notice of Cash Allocation (NCA) directly from DBM, charged with carrying out specified substantive functions or directly implementing programs of a Department or an Agency, such as line bureaus, field units, Schools Divisions and schools in the case of DepEd.
- 3.7 Participating Agencies** - NGAs (i.e. DA, DAR, DENR, DOH, DILG, DEPED, DOLE, and DOE) and GOCCs (i.e. PHIC and NEA) that participated in the 2013 BuB Program as identified in the DBM-DILG-DSWD-NAPC JMC No.1, s. 2012. In addition, DOT and DTI which are participating agencies in the 2014 BuB Program.

3.8 Regional Poverty Reduction Action Teams (RPRATs) – the group that shall provide support and guidance to LGUs throughout the BuB process and monitor the implementation of the BuB Projects, composed of the following:

Chairperson : DILG Regional Director
Vice-Chairpersons: DBM Regional Director

Members :

- Regional Directors of DA, DAR, DENR, DOH, DEPED, DOLE, DOE, DSWD, DTI, DOT, and TESDA
- Representatives from DOE and NEA)
- Regional Director of the National Economic and Development Authority
- A CSO representative per province as identified by NAPC

3.9 Public Financial Management Assessment - refers to the diagnostic review of a local government unit's existing structure, policies, systems and procedures for generating and managing its financial resources. It is conducted to determine the extent to which the LGU is able to establish and operationalize an open and orderly PFM system in the LGU using as criteria the critical dimensions of an open and orderly PFM system provided under the PFM Assessment Tool for Local Government Units (PFMAT for LGUs) developed by the Department of Budget and Management.

3.10 Seal of Good Housekeeping (SGH) – a tool used by the DILG to aggressively push the valuing of good governance essential in local public administration and development. It advances the primacy of performance, accountability, transparency and participation in local governance system.

4. GUIDELINES

4.1 Fund Release for BuB Projects

- 4.1.1** Funds for the implementation of BuB Projects will be released directly to the Operating Units of the participating agencies (i.e. NGAs or GOCCs). Release of allotment shall be through the Agency Budget Matrix (ABM) or Special Allotment Release Order (SARO) to wit:
- Comprehensive release of allotment thru ABM shall be based on the Financial Plan (Budget Execution Document [BED] No. 1) of the participating agency; and
 - Release of SARO shall be subject to submission of a Special Budget Request by the participating agency.

4.1.2 Unless otherwise indicated, the comprehensive release of allotment and/or SARO shall be in accordance with the approved BuB Projects submitted by eligible LGUs listed in the amended Table F.17 of the 2013 Budget of Expenditure and Sources of Financing (BESF) which is included as Annex A.

4.2 Project Implementation

4.2.1 The concerned participating agencies through their regional and/or provincial offices shall coordinate with partner LGUs for the implementation of BuB Projects. These concerned agencies shall:

- Inform the concerned LGU regarding the acceptance and approval of the budget for the implementation of the BuB Projects;
- Facilitate compliance by LGUs with the requirements for the implementation of the BuB Project as indicated in the guidelines; and
- Provide technical assistance to LGUs in the implementation of the BuB Projects.

4.2.2 All participating agencies shall, if necessary, issue their respective guidelines for the implementation of BuB Projects **within one (1) month upon the effectivity of this Circular**. It is recommended that these guidelines contain the following information:

- Criteria for assessing technical capacity of LGUs
- How to transfer funds to eligible LGUs
- How to monitor implementation of the projects

4.2.3 In view of technical requirements and program design, the following projects shall only be implemented by the concerned participating agencies in collaboration with the LGUs:

- Household electrification projects under DOE;
- Sitio electrification projects under NEA;
- National Health Insurance Program (NHIP) coverage of indigent families under PHIC; and
- All projects under DepEd

4.2.4 BuB projects, except those mentioned in Section 4.2.3, may be implemented by LGUs provided they meet the following eligibility standards, subject to the government procurement law, and accounting and audit rules and regulations:

- Technical capabilities (i.e. to implement the project) as determined by agency concerned;
- Recipient of the SGH for FY 2011 or 2012 Assessment;
- Completion of the assessment of its Public Financial Management (PFM) System; and
- No unliquidated cash advances from participating agency based on existing auditing rules and regulations.

If an LGU is ineligible to implement a BuB Project, the project will be implemented by the concerned participating agency. The list of LGUs who have been conferred with the Seal of Good Housekeeping FY 2011 Assessment and those that have completed the assessment of their PFM System is attached as Annex B.

- 4.2.5 LGUs which are eligible to implement BuB Projects must submit the documents required by concerned participating agency as a basis for fund release. These may include:
- Project Proposal
 - Work and Financial Plan
 - Terms of Reference
 - Detailed estimates
 - Deed of donation or certificate of land availability for infrastructure projects
- 4.2.6 To help facilitate the early implementation of the BuB Projects, LGUs shall coordinate with the concerned participating agency/ies in preparing the work and financial plan and other documents as may be required by the participating agency. For projects to be implemented by LGUs, Memoranda of Agreement between the LGU or any similar documents should be prepared within the year so that these can be signed as soon as the FY 2013 General Appropriations Act becomes effective.
- 4.2.7 Agencies and/or LGUs may enter into partnership with NGOs or POs for the implementation of BuB Projects, subject to the guidelines provided under the Commission on Audit Circular No. 2007-001.
- 4.2.8 Communities at the barangay level may also implement BuB Projects provided that they have had prior experience in implementing projects through a Community Driven Development (CDD) approach. Specifically, these communities must have:
- Capacity to conduct a participatory situation analysis, identify priority projects through participatory barangay assemblies, and prepare project proposals; and/or
 - Prior experience in undertaking community-led procurement, in managing public funds using a community finance management system led by community volunteers duly recognized by the barangay LGU through barangay assembly resolution, and in community monitoring of project implementation using participatory processes of information disclosure.

Communities with no prior experience in implementing projects through a CDD approach may still be eligible to implement BuB projects provided that technical assistance is provided by DSWD and the city/municipal LGU.

4.3 Project Monitoring

4.3.1 LGU / LCE

- The LCE shall convene the LPRAT on a quarterly basis to discuss and assess the implementation status of their BuB Projects. The LCE shall submit a quarterly accomplishment report to the RPRAT and the concerned regional office of the participating agency.

4.3.2 RPRAT

- The DILG Regional Director (RD), as the RPRAT Chair, shall convene a quarterly RPRAT meeting to discuss the status of BuB Projects in the region.
- Concerned Participating Agency Regional Offices (AROs) shall report on the status of BuB Projects under their agency budget.
- The RPRAT meeting shall provide the venue to discuss and address implementation issues raised by agencies, LGUs or CSOs.
- The RPRAT Chair shall submit a summary report on the status of BuB Projects in the region to DILG Central Office and NAPC every quarter, electronic copy to be furnished to all members of the RPRAT and the Regional Development Council through its Regional Project Monitoring and Evaluation System. The format of the summary report is shall be provided by the DILG Central Office.

4.3.3 Participating Agencies

- The participating agencies shall be accountable for ensuring that the LGUs implementing the BuB projects shall submit regular accomplishment reports, subject to existing budgeting, accounting, and auditing rules and regulations.
- Heads of participating agencies shall ensure that the reporting of BuB Projects (i.e., budget allocation, expenditures and physical targets and accomplishments) are integrated in the existing monitoring and evaluation system of the agency. Status reports for the purpose shall be reflected as a separate item in the following Budget Execution Documents (BEDs) per National Budget Circular No. 543 series of 2012 and Budget Accountability Reports (BARs) per NBC No. 507/507A which are periodically being submitted to DBM, among others:
 - BED No. 1-A: Financial Plan of Major Programs and Projects (specify BuB Projects)
 - BAR No. 2: Quarterly Physical Report of Operations (specify BuB Projects)
- The AROs or other appropriate offices of participating agencies will be asked to submit a status report on the implementation of their BuB Projects to the Agency Central Office (ACO) every quarter.

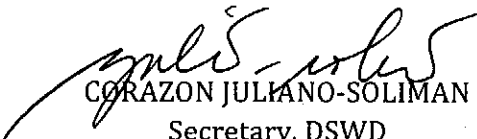
4.3.4 NAPC

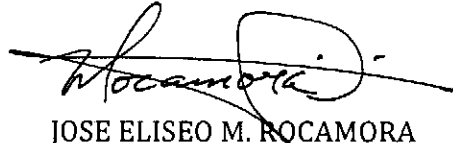
- NAPC shall set-up a parallel monitoring system and an interactive website through which the status reports of the BuB Projects can be viewed and validated by the public.


4.3.5 LGUs which are unable to complete their BuB Projects as scheduled may be disqualified to participate in the BuB Process for the succeeding year.


5. EFFECTIVITY

This circular shall take effect immediately.


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