



DBM-DILG-DOF-NEDA Joint Memorandum Circular No. 2015 - 1
February 24, 2015

FOR : All Officials of the Department of Budget and Management, Department of the Interior and Local Government, Department of Finance, National Economic and Development Authority, and Local Chief Executives and Sanggunian Members of Provinces, Cities, Municipalities, and All Others Concerned

SUBJECT : ADOPTION OF THE LOCAL GOVERNMENT UNITS PUBLIC FINANCIAL MANAGEMENT REFORM ROADMAP AND IMPLEMENTATION STRATEGY

1.0 STATEMENT OF POLICY

In pursuit of attaining the Philippine Development Plan's goal of inclusive growth and poverty reduction and promoting good governance and strong public financial management (PFM) at the local level, the Local Government Units PFM Reform Roadmap and Implementation Strategy are hereby adopted to guide the LGUs in designing and implementing their respective PFM Improvement Plans (PFMIPs), with the assistance of the Oversight Agencies.

2.0 PURPOSES

- 2.1 To formally adopt and advocate the LGU PFM Reform Roadmap and Implementation Strategy as primary sources of strategies for LGUs in designing and implementing their own PFMIPs; and
- 2.2 Establish the institutional arrangements for strengthening interface and coordination between LGUs and Oversight Agencies, and among Oversight Agencies, and sustaining the PFM reforms contained in the Roadmap.

3.0 COVERAGE

This Joint Memorandum Circular shall cover the following:

- Oversight Agencies:
 - Department of Budget and Management (DBM)
 - Department of the Interior and Local Government (DILG)
 - Department of Finance (DOF)
 - National Economic and Development Authority (NEDA)
- All Provinces, Cities and Municipalities



4.0 DEFINITION OF TERMS

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

- 4.1 **Local Government Units (LGUs)** – pertains only to Provinces, Cities and Municipalities.
- 4.2 **Local Government Financial Performance Management System (LGFPMS)** –a system of fiscal performance indicators that are intended to help the LGUs in strategic planning and forecasting, performance accounting and benchmarking, quality management, and establishing an incentive system, which are all necessary for improving revenue generation and management at the local level.
- 4.3 **Local Government Performance Management System (LGPMMS)** –a self-assessment, management and development tool that enables provincial, city and municipal governments to determine their capabilities and limitations in the delivery of essential public services.
- 4.4 **Local Government Units PFM Reform Roadmap and Implementation Strategy** – strategic guides for both LGUs and Oversight Agencies in designing and implementing PFM improvement measures.
- 4.5 **PFM Assessment Tool (PFMAT)** – a self-assessment, evidence-based instrument which describes the characteristics of an open and orderly PFM system using seven (7) critical dimensions. It is a diagnostic tool which establishes the indicators that will help the LGUs identify the strengths and weaknesses in their PFM system as bases for improvement measures.
- 4.6 **PFM Improvement Plan (PFMIP)** – set of programs, projects and activities that will be undertaken by the LGU to address the areas in PFM that need to be further improved and/or sustained based on the assessment by the LGU of the different critical dimensions of an open and orderly PFM system provided under the PFMAT.

5.0 IMPLEMENTING FRAMEWORK AND INSTITUTIONAL STRUCTURE

The LGU PFM Reform Roadmap and Implementation Strategy shall guide the LGUs in identifying and designing interventions to address the weaknesses and sustain strengths in their PFM systems identified through tools such as the PFM Assessment Tool (PFMAT), Local Government Financial Performance Management System (LGFPMS) and Local Government Performance Management System (LGPMMS), among others.

To ensure the institutionalization and sustainability of the LGU PFM Reform as set forth in the Roadmap and Implementation Strategy, the Oversight Agencies shall establish and designate personnel to the following:

5.1 LGU Policy Unit which will, among others, form part of an inter-agency working group to coordinate and synchronize the LGU PFM reforms at the national level; and

5.2 Regional Inter-Agency Teams (RIATs) for PFM composed of the Regional Directors and at least two (2) technical staff from DBM, DILG, DOF-BLGF and NEDA.

The RIATs shall primarily roll-out the PFM reforms to the LGUs, and provide technical assistance in the design and implementation of the LGUs' PFMIPs.

Likewise, the RIATs shall undertake measures to continually strengthen coordination and convergence among the Oversight Agencies.

During the operational period of the European Union (EU) funded project, *"Support to the Local Government Units for More Effective and Accountable Public Financial Management (also known as the LGU PFM 2 Project)"*, which is until June 30, 2016, the DBM shall assume leadership of the RIATs. Thereafter, the RIATs may agree among themselves which Oversight Agency will take the lead.

The Local Chief Executive, on the other hand, shall establish the:

5.3 LGU PFM Team composed of the Local Chief Executive or his/her representative, and the Department Heads of the Budget, Treasury, Accounting, Planning and Development, Assessment, Bids and Awards/General Services Offices, among others.

The LGU PFM Team shall: (1) undertake the LGU PFM assessment; and (2) design, sequence and lead the implementation of LGU PFM improvement measures as contained in the PFMIP (*See Annex A for template*).

6.0 ROLES AND RESPONSIBILITIES

6.1 In addition to the establishment of the LGU Policy Units and RIATs for PFM, the Oversight Agencies shall have the following roles and responsibilities:

6.1.1 The **DBM** shall:

- 6.1.1.1 Assist the LGUs in assessing their PFM systems, including capacitating the LGUs on the PFMAT and other PFM assessment and tracking tools;
- 6.1.1.2 Lead in capacitating LGUs on local budgeting, Civil Society Organization (CSO) participation in the local budget process, internal audit, local economic enterprises, among others;
- 6.1.1.3 Consider funding support in the regular budgets of the Oversight agencies for RIAT activities;
- 6.1.1.4 As may be appropriate, consider PFMIP adoption and implementation as one of the criteria in providing National Government assistance to LGUs; and
- 6.1.1.5 Advocate support from Congress for LGU PFM reforms.

6.1.2 The **DILG** shall:

- 6.1.2.1 As may be appropriate, consider PFMIP adoption and implementation as one of the criteria in providing National Government assistance to LGUs;
- 6.1.2.2 Provide appropriate LGU service delivery performance data from the LGPMS as inputs to the RIATs and the LGU PFM team for the assessment of the local PFM systems;
- 6.1.2.3 Lead in capacitating the Cities and Municipalities on the preparation of development plans and investment programs, as well as on CSO accreditation by all LGUs, among others; and
- 6.1.2.4 Advocate support from Congress for LGU PFM reforms.

6.1.3 The **DOF**, particularly the Bureau of Local Government Finance, shall:

6.1.3.1 Provide appropriate actual LGU financial performance data from the LGFPMS as inputs to the RIATs and the LGU PFM team for the assessment of the local PFM systems;

6.1.3.2 Lead in capacitating LGUs on resource mobilization, revenue generation and related treasury and assessment enhancement tools which include, among others, revenue and cash flow forecasting tools; and

6.1.3.3 Advocate support from Congress for LGU PFM reforms.

6.1.4 The **NEDA** shall:

6.1.4.1 Support RIAT efforts to align the development plans and investment programs of component LGUs with the provincial development plans and investment programs;

6.1.4.2 Lead in capacitating Provinces in the preparation and implementation of development plans and investment programs; and

6.1.4.3 Advocate support from Congress for LGU PFM reforms.

6.2 The **LGUs** shall:

6.2.1 Undertake regular assessments of their PFM systems as bases for identifying appropriate interventions and improvement measures;

6.2.2 Design and implement responsive and technically feasible PFMIPs based on the results of the PFM assessments, using the LGU PFM Reform Roadmap and Implementation Strategy as guide, among others; and

6.2.3 Establish their own PFM Teams as referred to in item 5.3 hereof.

7.0 **Separability Clause**


If any clause, sentence or provision of this Joint Memorandum Circular shall be invalid, its remaining parts shall not be affected thereby.

8.0 Repealing Clause

All circulars, rules and regulations inconsistent or contrary to the provisions of this Joint Memorandum Circular are hereby repealed or modified accordingly.

9.0 Effectivity


This Joint Memorandum Circular shall take effect immediately.



CESAR V. PURISIMA
Secretary, DOF

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FLORENCIO B. ABAD
Secretary, DBM

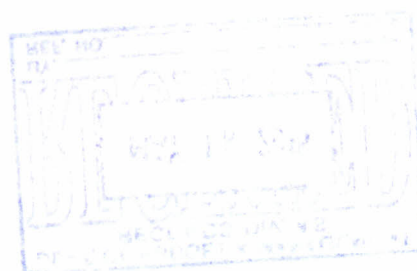



ARSENIO M. BALISACAN
Director General, NEDA


MAR ROXAS
Secretary, DILG



DILG-OSEC OUTGOING 15-01384



ANNEX A

LGU: _____

PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT PLAN (PFMIP)
For FYs _____

PROBLEM / ISSUE	ACTIVITIES	OUTPUTS	RESPONSIBLE UNIT	SCHEDULE	ESTIMATED BUDGET

Prepared by:

LGU PFM Team Leader

Approved by:



Local Chief Executive