



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

LOCAL BUDGET CIRCULAR

No. 111
Date: June 10, 2016

TO : Local Chief Executives, Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Development and Planning Officers, Local Accountants, and All Others Concerned

SUBJECT : **MANUAL ON THE SETTING UP AND OPERATION OF LOCAL ECONOMIC ENTERPRISES (LEEs)**

1.0 PURPOSE

- 1.1 This Circular is being issued to encourage all provinces, cities and municipalities to adopt the Manual on the Setting Up and Operation of Local Economic Enterprises (LEE Manual) as guide in identifying, establishing and operating viable LEEs.

2.0 THE MANUAL ON THE SETTING UP AND OPERATION OF LEES

- 2.1 The LEE Manual is an important tool for local government units (LGUs) issued in relation to the following provisions of Republic Act (RA) No. 7160 (The Local Government Code of 1991), among others:

2.1.1 Section 3

- “(d) The vesting of duty, responsibility, and accountability in local government units shall be accompanied with provision for reasonably adequate resources to discharge their powers and effectively carry out their functions; hence, they shall have the power to create and broaden their own sources of revenue and the right to a just share in national taxes and an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas;

X X X

- (m) The National Government shall ensure that decentralization contributes to the continuing improvement of the performance of local government units and the quality of community life.”

2.1.2 Section 17

- "(a) Local government units shall endeavor to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them. They shall also discharge the functions and responsibilities of national agencies and offices devolved to them pursuant to this Code. Local government units shall likewise exercise such other powers and discharge such other functions and responsibilities as are necessary, appropriate, or incidental to efficient and effective provisions of the basic services and facilities enumerated herein.

X X X

- (j) To ensure the active participation of the private sector in local governance, local government units may, by ordinance, sell, lease, encumber, or otherwise dispose of public economic enterprises owned by them in their proprietary capacity.

Costs may also be charged for the delivery of basic services or facilities enumerated in this Section."

2.1.3 Section 18

"Power to Generate and Apply Resources. - Local government units shall have the power and authority to establish an organization that shall be responsible for the efficient and effective implementation of their development plans, program objectives and priorities; to create their own sources of revenues and to levy taxes, fees, and charges which shall accrue exclusively for their use and disposition and which shall be retained by them; to have a just share in national taxes which shall be automatically and directly released to them without need of any further action; to have an equitable share in the proceeds from the utilization and development of the national wealth and resources within their respective territorial jurisdictions including sharing the same with the inhabitants by way of direct benefits; to acquire, develop, lease, encumber, alienate, or otherwise dispose of real or personal property held by them in their proprietary capacity and to apply their resources and assets for productive, developmental, or welfare purposes, in the exercise or furtherance of their governmental or proprietary powers and functions and thereby ensure their development into self-reliant communities and active participants in the attainment of national goals."

2.1.4 Section 22

- "(d) Local government units shall enjoy full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises, subject to the limitations provided in this Code and other applicable laws."



2.2 To encourage LGUs to consider LEEs in development planning and investment programming, thus, strengthen policy-based budgeting, the LEE Manual is intended to provide a step by step guide in establishing and operating LEEs that are revenue generating and self-sustaining.

2.3 The LEE Manual also provides guidance on how to review existing LEE operations in order to ensure their viability, and if this cannot be attained, prompt the LGU to adopt appropriate measures.

3.0 ROLL-OUT ACTIVITIES

3.1 Trainings for the LGUs on the LEE Manual shall be conducted by the Regional Inter-Agency Teams on Public Financial Management led by the DBM Regional Offices.

4.0 EFFECTIVITY

This Circular shall take effect five days after its publication.

~~_____
FLORENCIO B. ABAD
Secretary~~

