



**DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG)
DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)**

Joint Memorandum Circular (JMC) No. 2017 - 1

Date: February 22, 2017

To : Local Chief Executives, Members of the Local Sanggunians, Members of the Local Finance Committees, Heads and Directors of the Central and Regional Offices/Field Offices of the DBM and DILG, and All Others Concerned

Subject : **UPDATED GUIDELINES ON THE APPROPRIATION AND UTILIZATION OF THE TWENTY PERCENT (20%) OF THE ANNUAL INTERNAL REVENUE ALLOTMENT (IRA) FOR DEVELOPMENT PROJECTS**

1.0 PURPOSES

- 1.1 To prescribe the updated guidelines on the appropriation and utilization of no less than 20% of the IRA for development projects (*hereinafter referred to as 20% Development Fund [DF] for brevity*), as provided under the Local Government Code of 1991 (Republic Act [RA] No. 7160); and
- 1.2 To enhance transparency and accountability in the local government units' (LGUs') utilization of their respective 20% DFs.

2.0 GENERAL POLICIES

- 2.1 In accordance with Section 287 of RA No. 7160, every LGU shall appropriate in its annual budget no less than twenty percent (20%) of its annual IRA for development projects.
- 2.2 The 20% DF shall be utilized to finance the LGU's priority development projects, as embodied in its duly approved local development plans and Annual Investment Program (AIP), which should be directly supportive of the Philippine Development Plan and Public Investment Program.
- 2.3 All development projects to be funded under the 20% DF shall contribute to the attainment of desirable socio-economic development and environmental management outcomes of the LGU, and shall partake the nature of investment or capital expenditures.

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3.0 ALLOWABLE DEVELOPMENT PROJECTS CHARGEABLE AGAINST THE 20% DF

3.1 Social Development

- 3.1.1 Construction or rehabilitation of health centers, rural health units or hospitals, including purchase of lot for the purpose;
- 3.1.2 Purchase of ambulance and medical equipment;
- 3.1.3 Construction or rehabilitation of local government-owned potable water supply system;
- 3.1.4 Establishment or rehabilitation of Manpower Development Centers;
- 3.1.5 Construction or rehabilitation of evacuation centers, including purchase of lot for the purpose;
- 3.1.6 Construction of Special Drug Education Centers, and Drug Treatment/Rehabilitation Centers, including purchase of lot for the purpose;
- 3.1.7 Rehabilitation of historical sites classified as such by the National Historical Commission of the Philippines;
- 3.1.8 Purchase and development of land for the relocation of informal settlers and relocation of victims of calamities;
- 3.1.9 Construction or rehabilitation of multi-purpose halls, including purchase of lot for the purpose; and
- 3.1.10 Installation of street lighting system.

3.2 Economic Development

- 3.2.1 Construction or rehabilitation of communal irrigation or water impounding system;
- 3.2.2 Purchase or lease of post-harvest facilities, such as farm or hand tractor with trailer, thresher and mechanical driers;
- 3.2.3 Construction or rehabilitation of local roads or bridges, including purchase of appropriate engineering equipment, such as dump trucks, graders and pay loaders;
- 3.2.4 Capital expenditures related to the implementation of livelihood or entrepreneurship/local economic development projects;
- 3.2.5 Development of alternative power or energy sources, such as, but not limited to, renewable energy power plants; and

- 3.2.6 Amortization of loans used to finance development projects cited in this JMC, subject to the 20% debt service cap prescribed under Section 324 (b) of RA No. 7160.

3.3 **Environmental Management**

- 3.3.1 Reforestation and urban greening;
- 3.3.2 Construction or rehabilitation of sanitary landfills and materials recovery facilities;
- 3.3.3 Purchase of garbage trucks and other equipment for environmental management and protection purposes;
- 3.3.4 Implementation of flood and erosion control projects, such as rehabilitation and construction of drainage systems, de-silting of rivers, and de-clogging of canals; and
- 3.3.5 Other environmental management projects that promote air and water quality, as well as productivity of the coastal or freshwater habitat, agricultural land and forest land, such as, but not limited to, treatment of wastewater for conservation/re-use purposes, and installation of air pollution control devices.

4.0 **EXPENDITURE ITEMS NOT ALLOWED TO BE CHARGED AGAINST THE 20% DF**

The following expenditure items shall not be allowed to be charged against the 20% DF or included in the appropriations for allowable development projects:

- 4.1 Personal Services expenditures, such as salaries, wages, overtime pay and other personnel benefits;
- 4.2 Administrative expenses, such as supplies, meetings, communication, water and electricity, petroleum products, other general services, and the like;
- 4.3 Traveling expenses, whether domestic or foreign;
- 4.4 Registration or participation fees in training, seminars, conferences or conventions;
- 4.5 Purchase of administrative office' furniture, fixtures, equipment or appliances; and
- 4.6 Purchase, maintenance or repair of motor vehicles or motor cycles, other than those specified in item 3.0 hereof.



5.0 RESPONSIBILITY OF THE LOCAL CHIEF EXECUTIVE

It is the responsibility of every local chief executive to ensure that the 20% DF is optimally utilized to help achieve the desirable socio-economic development and environmental outcomes of the LGU.

The utilization of the 20% DF, whether willfully or through negligence, for any purpose other than those expressly prescribed by law or public policy shall be subject to the sanctions provided under RA No. 7160 and other applicable laws.

6.0 SUBMISSION OF THE AIP

All LGUs shall furnish the DILG and the DBM, through their respective Regional Offices, copies of the approved AIP containing, among others, the projects to be funded out of the 20% DF.

7.0 MONITORING

The DILG, through its Bureau of Local Government Supervision, shall monitor the utilization of the 20% DF through its Local Government Performance Management System, and maintain a database system on the 20% DF.

8.0 REPEALING CLAUSE

All issuances by the DILG or the DBM which are not consistent herewith are hereby superseded accordingly. Any future issuance(s) of either the DBM or the DILG in relation to the appropriation and utilization of the 20% DF shall be made in accordance with this JMC.

9.0 EFFECTIVITY

This JMC shall take effect immediately.


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Secretary, DILG




BENJAMIN E. DIOKNO
Secretary, DBM

