



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

CIRCULAR LETTER

No. 2020 - 11
Date: **August 20, 2020**

To : Local Chief Executives, Members of the Local Sanggunian; Members of the Local Finance Committee, Other Local Government Officials, and All Others Concerned

Subject : **WARNING AGAINST INDIVIDUALS OR ORGANIZED GROUPS CLAIMING TO HAVE THE CAPACITY OR INFLUENCE TO FACILITATE THE RELEASE OF FUNDS TO LOCAL GOVERNMENT UNITS**

1.0 The Department of Budget and Management (DBM) has been receiving reports that certain individuals or organized groups are claiming to have the capacity or influence to facilitate: (i) advance release or monetization of the adjustment in the Internal Revenue Allotment (IRA) shares of local government units (LGUs) based on the Supreme Court (SC) Decision in *Congressman Hermilando I. Mandanas, et al. vs. Executive Secretary Paquito N. Ochoa, Jr., et al. ("Mandanas Case")*,¹ and (ii) reimbursement of the funds used by LGUs for Coronavirus Disease 2019 (COVID-19)-related programs, activities, or projects (PAPs).

2.0 May we clarify that the IRA adjustment based on the "Mandanas Case" will be considered starting Fiscal Year (FY) 2022 budget cycle. The advance release or monetization of the said IRA adjustment is not legally feasible. In effect, allowing such transaction earlier than FY 2022 may be considered as advance payment of the IRA adjustment that is not yet due.

Rest assured that the DBM, together with the other oversight agencies and in consultation with the LGUs through their respective Leagues, will issue pertinent guidelines and advisories with regard to the transition plan on the implementation of the SC Decision in the "Mandanas Case."

3.0 As to the reimbursement of the funds used by LGUs for COVID-19-related PAPs, it is emphasized that the DBM does not have such "reimbursement program" for LGUs. By virtue of the pertinent provisions of the *Bayanihan to Heal as One Act* (Republic Act No. 11469) and upon approval by the Office of the President, it is to be noted that the DBM has already released the *Bayanihan Grant to Cities and Municipalities* and the *Bayanihan Grant to Provinces*, which are both intended to boost the capacity of LGUs in immediately responding to the COVID-19 emergency.

¹ 869 SCRA 440 (2018); Supreme Court (SC) Resolution dated April 10, 2019; and SC Resolution dated October 8, 2019

- 4.0 We strongly advise all LGUs to refrain from entertaining or transacting with these individuals or organized groups of dubious character. The DBM does not authorize any person or group of persons to transact with LGUs to facilitate or process any fund releases.
- 5.0 As we have repeatedly emphasized in previous Circular Letters, the funds intended for LGUs, including the IRA shares and those for COVID-19-related PAPs, are released consistent with the established procedures and guidelines prescribed under the pertinent General Appropriations Act and other applicable laws, rules, and regulations. There is absolutely no need for any intervention, especially from private entities, to facilitate the release of funds to LGUs.
- 6.0 All LGUs are advised to immediately and directly report to the DBM, or to any DBM Regional Office concerned, any attempt or incident of fixing or fraudulent facilitation of fund releases so that appropriate action will be undertaken against the subject individuals or organized groups.
- 7.0 The DBM Regional Offices are hereby directed to disseminate a copy of this Circular Letter to all LGUs under their respective functional jurisdictions.
- 8.0 For your information and guidance, please. Thank you and God Bless.


WENDEL E. AVISADO
Secretary

