1.0 RATIONALE

Section 16 of the Local Government Code of 1991 (Republic Act [RA] No. 7160) provides that, "[e]very local government unit [LGU] shall exercise the powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare."

Moreover, Section 2 (I) of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA No. 10121) declares that it is the policy of the State to "[r]ecognize and strengthen the capacities of LGUs and communities in mitigating and preparing for, responding to, and recovering from the impact of disasters."

Relatedly, to afford the National Government, as well as LGUs, ample latitude to utilize appropriate funds, including the Quick Response Fund, in their disaster preparedness and response efforts to contain the spread of Coronavirus Disease 2019 (COVID-19), and to continue to provide basic services to the affected population, the President declared a State of Calamity throughout the Philippines for a period of six (6) months by virtue of Proclamation No. 929 dated March 16, 2020. Subsequently, the President, by virtue of Proclamation No. 1021, extended the declared State of Calamity throughout the Philippines for a period of one (1) year, effective September 13, 2020 to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.
Furthermore, RA No. 11494 was enacted by Congress, and the same was approved by the President on September 11, 2020. The said law contains several provisions that empower and authorize the LGUs to exercise certain measures to boost their capacity to address the COVID-19 pandemic in their respective jurisdictions.

In this regard, this JMC is being issued to guide the LGUs in the implementation of the pertinent provisions of RA No. 11494.

2.0 **POLICY GUIDELINES**

2.1 **Realignment of LGU Funds (Section 4 [q])**

2.1.1 All LGUs, including barangays, are hereby authorized to realign their respective available and unencumbered local funds from their current and continuing appropriations, including, but not limited to, the twenty percent (20%) Development Fund, Gender and Development Fund, Special Education Fund (SEF), and other local funds, including unutilized or unreleased subsidies and transfers, in order to address the COVID-19 pandemic.

Notwithstanding this authority granted to LGUs, it is understood that the provision of funds for COVID-19-related programs, projects, and activities (PPAs) should not result to non-compliance by the LGU concerned with the mandatory items of appropriations and other budgetary limitations as prescribed under RA No. 7160 and other pertinent laws, rules, and regulations. Moreover, the utilization of funds to be realigned should still be made consistent with the allowable uses of the said funds as prescribed under the pertinent governing laws, rules and regulations.

2.1.2 In the realignment of their respective local budgets, the LGUs are advised to adopt the applicable provisions of Local Budget Circular (LBC) No. 124 dated March 26, 2020\(^1\) insofar as the budgetary realignment and use of savings and augmentation prescribed under RA No. 7160, for the provision of funds for COVID-19-related PPAs and expenses.

2.1.3 As prescribed under Section 4 (q) of RA No. 11494, the LGUs may utilize up to ten percent (10%) of their current budget to cover expenditures arising from their COVID-19 responses, provided that the seventy percent (70%) limit on "pre-disaster" initiatives under the Local Disaster Risk Reduction and Management Fund is hereby waived.

In consideration of the possible occurrence of other natural and human-induced disasters, the LGUs are advised to carefully consider what remains to be allocated for disaster risk reduction and management PPAs.

\(^1\) Policy Guidelines on the Provision of Funds by Local Government Units for Programs, Projects, and Activities to Address the Coronavirus Disease 2019 (COVID-19) Situation.
2.1.4 Furthermore, the Sangguniang Kabataan may also adopt the provisions of LBC No. 124 in effecting changes in their respective budgets, specifically by way of supplemental budget or use of savings for augmentation, as prescribed by the DILG through its Memorandum Circular No. 2020-074 dated April 14, 2020.

2.1.5 Finally, in view of the easing of restrictions and the lifting of enhanced community quarantine measures in many areas in the country, and given the availability of on-line platforms/systems for the conduct of virtual meetings/hearings, the provisional guidelines on the preparation and approval of Annual Investment Programs (AIPs) and supplemental investment programs of LGUs under DILG-DBM JMC No. 02 dated March 30, 2020 shall already be suspended.

As such, all COVID-19-related PPAs to be funded by the LGUs should be part of their respective approved AIPs. In case the COVID-19-related PPAs are not among those included in the approved AIP, the local development council shall prepare a supplemental investment program for the purpose, to be approved by the local sanggunian.

2.2 Increase in the Personnel Services (PS) Cap of LGUs for FY 2020 (Section 4 [q])

2.2.1 The PS cap of LGUs for FY 2020 shall be increased by up to ten percent (10%) for first (1st) to third (3rd) income class municipalities, and up to five percent (5%) for fourth (4th) to sixth (6th) income class provinces, cities, and municipalities, to be computed based on the annual income from regular sources of the LGUs concerned realized in FY 2018.

To further guide the LGUs concerned, illustrative examples are provided below.

**Illustration 1: Computation of the Increase in the PS Cap of First to Third Income Class Municipalities**

An LGU’s total annual income from regular sources realized in FY 2018 is PhP 100,000,000.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Original PS Cap</th>
<th>Increased PS Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Income from Regular Sources Realized in FY 2018</td>
<td>100,000,000</td>
<td>100,000,000</td>
</tr>
<tr>
<td>PS Limitation (Rate)</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>PS Limitation (Nominal Amount)</td>
<td>45,000,000</td>
<td>55,000,000</td>
</tr>
<tr>
<td>Less: Total Annual PS Budget, Net of Waived Items</td>
<td>45,000,000</td>
<td>45,000,000</td>
</tr>
<tr>
<td>Additional Allowable PS Budget</td>
<td>0</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

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2 Realignment and Augmentation of SK Budgets to Provide Funds for Programs, Projects, and Activities (PPAs) related to COVID-19

3 Provisional Guidelines on the Preparation and Approval of the Annual Investment Programs of Local Government Units in view of the COVID-19 Situation
Illustration 2: Computation of the Increase in the PS Cap of Fourth to Sixth Income Class Provinces, Cities, and Municipalities

An LGU’s total annual income from regular sources realized in FY 2018 is PhP 50,000,000.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Original PS Cap</th>
<th>Increased PS Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Income from Regular Sources Realized in FY 2018</td>
<td>50,000,000</td>
<td>50,000,000</td>
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<tr>
<td>PS Limitation (Rate)</td>
<td>55%</td>
<td>60%</td>
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<tr>
<td>PS Limitation (Nominal Amount)</td>
<td>27,500,000</td>
<td>30,000,000</td>
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<tr>
<td>Less: Total Annual PS Budget, Net of Waived Items</td>
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<td>27,500,000</td>
</tr>
<tr>
<td>Additional Allowable PS Budget</td>
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<td>2,500,000</td>
</tr>
</tbody>
</table>

2.2.2 It is understood that the additional allowable PS budget of LGUs shall be used solely for the: (i) hiring of additional health workers; (ii) generation of temporary jobs for marginalized and hard-hit sectors, as well as, for other emergency employment programs undertaken by the LGU in response to the COVID-19 pandemic; and (iii) implementation of the upgrading of the entry level of nurse positions pursuant to Budget Circular No. 2020-4 dated July 17, 2020.

2.2.3 For FY 2021 and years thereafter, the computation of PS cap of LGUs shall be based on Sections 325 (a) and 331 (b) of RA No. 7160 and the pertinent provisions of the General Appropriations Act (GAA).

2.3 Increase on Debt Service Ceiling and Exemption to Loan Ceiling Cap (Section 4 [q])

2.3.1 The allowable debt service ceiling of LGUs shall be increased to thirty percent (30%) of their annual regular income, including their share in the national taxes, where regular income refers to the estimates of regular income for FY 2020 as determined by the local finance committee. The said ceiling shall apply only to existing loan amortizations that may be paid by the LGUs until December 19, 2020, subject to modification by the LGU concerned and lending institution of the approved amortization schedule.

2.3.2 The LGUs shall be exempted from the loan ceiling cap imposed by the Department of Finance (DOF). For new LGU loan applications during the said period, the requirements under DOF Department Order No. 054-2016 and Bangko Sentral ng Pilipinas Circular No. 926 s. 2016 shall still apply.

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4 Upgrading of the Entry Level of Nurse Positions  
5 Streamlining the Certification of Net Debt Service Ceiling and Borrowing Capacity of Local Government Units  
6 Guidelines in Processing Requests for Monetary Board Opinion on the Monetary and Balance of Payments Implications of Proposed Domestic Borrowings of Government Entities pursuant to Section 123 of Republic Act No. 7653
2.4 Release of the Remaining Shares of LGUs in National Wealth and National Tax Allotment (commonly known as Internal Revenue Allotment [IRA]) (Section 4 [q])

2.4.1 The shares of the LGUs in the proceeds derived from the utilization and development of the national wealth shall be released by the DBM through the Bureau of the Treasury (BTr) upon receipt of the pertinent joint reconciled certifications on actual collections and actual remittances to the national treasury, to be submitted by the revenue collecting agencies concerned and the BTr.

2.4.2 In the case of the remaining cash requirement of the FY 2020 shares of LGUs in the National Tax Allotment or IRA, the same shall be released by the BTr to the beneficiary LGUs, taking into consideration the cash program of the National Government.

2.5 Financial Assistance/Subsidy to LGUs (Section 4 [q])

2.5.1 COVID-19 Local Government Support Fund (LGSF)

The appropriated amount of One Billion Five Hundred Million Pesos (Php 1,500,000,000.00) for COVID-19 LGSF shall be used to provide financial assistance to LGUs in their anti-COVID efforts. The release and utilization of the COVID-19 LGSF shall be governed by LBC No. 128 dated September 17, 2020.7

2.5.2 Subsidy on Payment of Loans

The appropriated amount of One Billion Pesos (Php 1,000,000,000.00) each to the Land Bank of the Philippines and the Development Bank of the Philippines shall be used to subsidize the payment of interest on new and existing loans secured by LGUs from government financial institutions. Separate guidelines will be issued by the DOF for this purpose.

2.6 Deadlines for the Payment of Local Taxes, Fees and Charges (Section 4 [tt])

2.6.1 The payment of all local taxes, fees and charges with statutory deadlines, duly authorized and imposed by LGUs within their respective territorial jurisdictions, that fall on or after September 14, 2020 shall be extended until December 19, 2020.

2.6.2 As a result of the moving of deadlines of payment and the suspension of the counting of the period within which to pay local taxes, fees and charges, no interest, surcharge or any form of penalty shall be applied on any local tax, fee or charge accruing on or due and demandable during the period provided in Section 2.6.1 hereof.

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2.6.3 All local tax delinquencies prior to the effectivity of RA No. 11494 shall remain, and shall be due and demandable upon the expiration of the deadline set in Section 2.6.1 hereof. The applicable interests, penalties and surcharges shall begin to run again, if due and demandable, after the lapsing of the effectivity of RA No. 11494.

2.6.4 Further, the LGUs are encouraged to provide appropriate incentives and/or privileges to taxpayers and business establishments, particularly those extending assistance and providing essential services for COVID-19 response, in accordance with RA No. 7160 and other applicable laws and policies.

2.6.5 The governing guidelines under the pertinent Department Circular(s) issued by the DOF shall apply.

2.7 **Use of the SEF (Section 4 [jjj])**

2.7.1 In addition to the allowable expenses that may be charged against the SEF pursuant to Sections 100 (c) and 272 of RA No. 7160, Section 7 (b) of the Early Years Act of 2013 (RA No. 10410), and Section 7 of the Masustansyang Pagkain Para sa Batang Pilipino Act (RA No. 11037), as further prescribed under Department of Education (DepEd)-DBM-DILG Joint Circular (JC) No. 1, s. 2017, dated January 19, 2017 and DepEd-DBM-DILG JC No. 1, s. 2020, dated August 27, 2020, a portion of the SEF may also be used for the support of alternative learning modalities, digital education, digital infrastructure, and continuity plans, such as the purchase of equipment, materials, and supplies related thereto, printing and delivery of self-learning modules, provision of safe schools infrastructure, equipment and facilities, such as handwashing stations, soap, alcohol, sanitizers, and other disinfecting solutions, as well as medical health supplies deemed appropriate by public health officials such as thermometers, face masks, and face shields.

2.7.2 All other guidelines on the allocation and utilization of the SEF as prescribed under DepEd-DBM-DILG JC No. 1, s. 2017 and DepEd-DBM-DILG JC No. 1, s. 2020 shall be adopted by the LGUs and the Local School Boards.

2.8 **Extension of the Term of Standby Loans Entered Into by LGUs (Section 4 [kkk])**

The DOF shall provide the guidelines on the extension of the term of standby loans entered into by LGUs.

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8 Revised Guidelines on the Use of the Special Education Fund (SEF).
9 Addendum to DepEd-DBM-DILG JC No. 1, s. 2017 dated January 19, 2017, entitled, "Revised Guidelines on the Use of the SEF".
2.9 Utilization of Unexpended Cash Balances of Public Funds Held in Trust by LGUs (Section 4 [III])

2.9.1 All unexpended cash balances of public funds held in trust by LGUs for purposes that have been completed or abandoned may be transferred by the LGUs concerned to their respective general funds and shall be made available for appropriation to support local government programs and projects in response to the COVID-19 pandemic.

Nevertheless, the trust funds that can be used by LGUs to support local government programs and projects in response to the COVID-19 pandemic shall not include the following:

a. Those that were charged against the FY 2018 GAA, RA No. 10964, such as, but not limited to, the LGSF, which have not been reverted to the National Treasury as of December 31, 2019 pursuant to applicable General and Special Provisions of the FY 2018 GAA, RA No. 10964.

b. Those that were charged against the FY 2019 GAA, RA No. 11260 and FY 2020 GAA, RA No. 11465, such as, but not limited to, the LGSF, inasmuch as the beneficiary LGUs can still validly use these funds until December 31, 2020 and December 31, 2021, respectively, for the original purpose for which they were released by the DBM, consistent with the applicable General and Special Provisions of the FY 2019 GAA, RA No. 11260 and the FY 2020 GAA, RA No. 11465, in relation to Executive Order No. 91, s. 2019.10

2.9.2 Upon transfer of these trust funds to the respective general funds of the LGUs, the same shall be used for COVID-19 related PPAs and expenses through the enactment of an Appropriation Ordinance for the purpose, consistent with the local budget process as prescribed under RA No. 7160, its Implementing Rules and Regulations, and the Budget Operations Manual for LGUs, 2016 Edition.

2.9.3 The tax or a portion thereof paid under protest, pursuant to Section 252 of RA No. 7160, shall continue to be held in trust by the local treasurer concerned until resolution thereof.

2.9.4 For the accounting procedures on the transfer of these trust funds to the general fund, the LGUs concerned are advised to coordinate with and seek assistance from the Commission on Audit.

10 Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes
2.10 Waiving all Permits, Licenses, Clearances and Registration Requirement for Infrastructure Flagship Projects Identified by the National Economic and Development Authority (NEDA) (Section 4 [mmm])

2.10.1 All local government permits, licenses, clearances and registration requirements for infrastructure flagship projects identified by the NEDA shall be deemed waived for a period of one (1) year from the effectivity of RA No. 11494; Provided, that permit requirements relating to environmental laws, health and occupational safety shall continue to be applicable and subject to a processing time of seven (7) working days.

2.10.2 For this purpose, all local treasurers shall not assess and collect the fees and charges for such permits, licenses, clearances and registration requirements, except for permit requirements relating to environmental laws.

2.10.3 The reckoning period for waiving local government permits, licenses, clearances and registration requirements for infrastructure flagship projects identified by NEDA shall be from September 14, 2020 to September 13, 2021.

3.0 MONITORING AND REPORTING

All LGUs are enjoined to comply with the reporting and posting requirements as prescribed under pertinent laws, rules, and regulations, such as, but not limited to, the annual and quarterly financial reports through the electronic Statement of Receipts and Expenditures System of DOF-BLGF and Full Disclosure Policy of DILG.

4.0 RESPONSIBILITY AND ACCOUNTABILITY

Disbursement and utilization of funds by the LGUs shall be subject to the pertinent provisions of the Government Procurement Reform Act (RA No. 9184) and its Revised Implementing Rules and Regulations, and any relevant policies issued by the Government Procurement Policy Board, as well as other applicable laws, and budgeting, accounting, and auditing rules and regulations.

The responsibility and accountability for the proper implementation of this JMC shall rest upon the local chief executives and other local officials concerned. The responsible officials shall be held liable for any disbursement not in accordance with the provisions of this JMC, and other applicable budgeting, accounting, and auditing laws, rules and regulations.
5.0 **RESOLUTION OF ISSUES**

Issues and concerns that may arise in the implementation of this JMC, including cases not covered herein, shall be referred to DBM, DOF, and DILG for joint resolution.

6.0 **SEPARABILITY CLAUSE**

If any provision of this JMC is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

7.0 **REPEALING CLAUSE**

All provisions of existing guidelines that are not consistent with this JMC are hereby revised, modified and/or repealed accordingly.

8.0 **EFFECTIVITY**

This JMC shall take effect immediately upon its complete publication in the Official Gazette or in a newspaper of general circulation.

[Signatures of WENDEL E. AVISADO, Secretary, DBM; CARLOS G. DOMINGUEZ, Secretary, DOF; EDUARDO M. AÑO, Secretary, DILG]