OFFICIAL RELEASE

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

Joint Memorandum Circular (JMC) No. 01
Date: 27 March 2020

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

Subject : **ADDITIONAL GUIDELINES ON THE UTILIZATION OF THE TWENTY PERCENT (20%) OF THE ANNUAL INTERNAL REVENUE ALLOTMENT FOR DEVELOPMENT PROJECTS IN VIEW OF THE CORONAVIRUS DISEASE 2019 (COVID-19) SITUATION**

1.0 RATIONALE

Pursuant to Section 287 of the Local Government Code of 1991 (Republic Act [RA] No. 7160), hereinafter referred to as the Code, "[e]ach local government unit [LGU] shall appropriate in its annual budget no less than twenty percent (20%) of its annual Internal Revenue Allotment (IRA) for development projects." The said required allocation of LGUs out of their respective annual IRA[1] shares has been commonly known as the 20% Development Fund (DF).

The current guidelines on the appropriation and utilization of the 20% DF is DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017,[2] which prescribes the allowable development projects that may be charged against the 20% DF, as well as the expenses that are prohibited to be funded out of the 20% DF.

As required under item 2.0 of the said JMC, 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. Further, all development projects to be funded under the

[1] Subject to Supreme Court Decision in Mandanas vs. Ochoa, G.R. No. 199802, July 3, 2018.

[2] Guidelines on the Appropriation and Utilization of the Twenty Percent (20%) of the Annual Internal Revenue Allotment (IRA) for Development Projects

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.

Recently, Presidential Proclamation No. 922, s. 2020, was issued declaring a State of Public Health Emergency throughout the Philippines due to the Coronavirus Disease 2019 (Covid-19) and the Code Alert System for COVID-19 was raised to Code Red Sublevel Two (2) in accordance with the recommendation of the Department of Health (DOH) and the Inter-Agency Task Force for Emerging Infectious Diseases (IATF). Further, Presidential Proclamation No. 929, s. 2020, was issued declaring a State of Calamity throughout the Philippines due to Covid-19.

Both Proclamations[3] enjoined all government agencies and LGUs to render full assistance to and cooperation with each other and mobilize the necessary resources to undertake critical, urgent, and appropriate disaster response aid and measures in a timely manner to curtail and eliminate the threat of COVID-19.

Moreover, Section 4 of RA No. 11469 (the *Bayanihan to Heal as One Act*) granted the President the power to adopt various temporary emergency measures to respond to crisis brought about by the pandemic. Under Section 4 (g) thereof, the President is empowered to ensure that all LGUs are acting within the letter and spirit of all the rules, regulations and directives issued by the National Government pursuant to the said law, and are implementing standards of Community Quarantine consistent with what the National Government has laid down for the subject area, while allowing the LGUs to continue exercising their autonomy on matters undefined by the National Government or are within the parameters it has set, and are fully cooperating towards a unified, cohesive and orderly implementation of the national policy to address COVID-19.

Considering the foregoing, it is highly imperative to provide additional guidelines on the use of the 20% DF to give the LGUs greater leeway and flexibility in the utilization of funds for their disaster preparedness and response efforts to contain the spread of COVID-19, and to continue to provide basic services to the affected population.

Accordingly, this JMC is issued to enable the LGUs to undertake critical, urgent, and appropriate disaster response aid and measures to curtail and eliminate the threat of COVID-19, in cooperation with all government agencies concerned.

[3] Section 2 of Presidential Proclamation (PP) No. 922, s. 2020, and Section 3 of PP No. 929, s. 2020.

2.0 POLICY GUIDELINES

2.1 In addition to the allowable development projects under item 3.0 of DILG-DBM JMC No. 2017-1, the 20% DF shall likewise be allowed to be used for the following COVID-19-related expenses:

2.1.1 Procurement of personal protective equipment;

2.1.2 Procurement of equipment, reagents, and kits for COVID-19 testing;

2.1.3 Procurement of medicines and vitamins;

2.1.4 Procurement of hospital equipment and supplies;

2.1.5 Procurement of disinfectants, sprayers, disinfection tents and other disinfecting supplies and misting equipment;

2.1.6 Food, transportation (including fuel), and accommodation expenses of medical personnel and other LGU personnel directly involved in the implementation of COVID-19-related programs, projects, and activities (PPAs);

2.1.7 Food assistance and other relief goods for **affected** households;

2.1.8 Expenses for the construction/repair/lease/rental of additional space/building to accommodate COVID-19 patients and persons under monitoring/investigation;

2.1.9 Expenses for the operation of stand-alone/mobile testing laboratory;

2.1.10 Expenses for the purchase/rental of tents for temporary shelters of the homeless;

2.1.11 Expenses for training of personnel in the conduct of COVID-19 testing and other related trainings; and

2.1.12 Other necessary COVID-19-related PPAs and expenses.

2.2 **Except for the allowable expenses enumerated in item 2.1 above**, the following expenditure items, as enumerated under item 4.0 of DILG-DBM JMC No. 2017-1, shall not be allowed to be charged against the 20% DF:

2.2.1 Personal Services expenditures, such as salaries, wages, overtime pay and other personnel benefits;

2.2.2 Administrative expenses, such as supplies, meetings, communication, water and electricity, petroleum products, other general services, and the like;

2.2.3 Traveling expenses, whether domestic or foreign;

2.2.4 Registration or participation fees in training, seminars, conferences or conventions;

2.2.5 Purchase of administrative office' furniture, fixtures, equipment or appliances; and

2.2.6 Purchase, maintenance or repair of motor vehicles or motor cycles, other than those specified in item 3.0 of DILG-DBM JMC No. 2017-1.

2.3 All COVID-19-related expenses to be funded by the LGUs should be part of their respective approved AIPs.

In case the COVID-19-related expenses 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.

2.4 In case the LGUs opt to realign their existing PPAs under the 20% DF, including the continuing appropriations from previous years' 20% DF, for COVID-19-related expenses as authorized under this JMC, the LGUs concerned shall effect changes in their respective annual budgets through the following:

a. Changes in annual budgets through supplemental budgets in accordance with Section 321 of the Code and Article 417 of its IRR, as amended by Administrative Order No. 47, s. 1993; or

b. Use of savings and augmentation in accordance Section 336 of the Code and Article 454 (b) of its IRR.

Local Budget Circular No. 124 dated March 26, 2020 providing the "Policy Guidelines on the Provision of Funds by Local Government Units for Programs, Projects, and Activities to Address the Corona Virus Disease 2019 (COVID-19) Situation" shall serve as reference for further guidance on the matter.

2.5 Disbursement and utilization of the 20% DF by the LGUs shall be subject to the pertinent provisions of the Government Procurement Reform Act (RA No. 9184) and its Revised IRR, 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.

3.0 RESPONSIBILITY AND ACCOUNTABILITY

3.1 It is the responsibility of every local chief executive to ensure that the leeway and flexibility afforded on the utilization of the 20% DF be optimally utilized for the benefit and welfare of constituent communities supporting measures and initiatives to provide basic needs of affected individuals and arrest the spread of COVID-19.

3.2 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 the Code and other applicable laws.

4.0 Interpretation of the provisions in this JMC, including cases not covered herein, shall be referred to the DILG and DBM for joint resolution.

5.0 If, for any reason, any part or provision of this JMC is declared invalid or unconstitutional, the other parts or provisions not affected thereby shall remain in full force and effect.

All other provisions of DILG-DBM JMC No. 2017-1 that are not inconsistent with this JMC shall remain in full force and effect.

6.0 This JMC shall take effect immediately upon its complete publication in the Official Gazette or in a newspaper of general circulation, and shall remain in force throughout the duration of the State of Calamity as declared by the President through Proclamation No. 929.

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