



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

Joint Memorandum Circular (JMC) No. 1

Date: November 4, 2020

To : Local Chief Executives, Members of the Local Sanggunians, Members of the Local Finance Committees, Local Accountants, Heads and Directors of the Central and Regional Offices/Field Offices of the DBM, DOF-Bureau of Local Government Finance (BLGF), and DILG, and All Others Concerned

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

1.0 BACKGROUND


Pursuant to Section 287 of the Local Government Code of 1991 (Republic Act [RA] No. 7160), "[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 IRA¹ shares has been commonly known as the 20% Development Fund (DF).

Previous circulars jointly issued by the DILG and DBM provided the guidelines and policies on the appropriation and utilization of the 20% DF.

However, given the observed practices of LGUs in the utilization of the 20% DF, the current circumstances in the development sector, and the prevailing demands for the delivery of public services, it is imperative to revise the guidelines and policies on the utilization of the 20% DF to enable the LGUs to better address the constantly evolving development needs of their respective constituents.

2.0 PURPOSE

This JMC is being issued to increase the responsiveness of the guidelines and promote greater autonomy, transparency and accountability in the LGUs' appropriation and utilization of their respective 20% DFs, as provided under RA No. 7160.

 ¹ See also *Mandanas vs. Ochoa*, G.R. No. 199802, July 3, 2018.

3.0 GENERAL GUIDELINES

- 3.1 In accordance with Section 287 of RA No. 7160, each LGU shall appropriate in its annual budget no less than twenty percent (20%) of its annual IRA for development projects.
- 3.2 The LGUs are enjoined to observe the following policies and guidelines in the appropriation and utilization of the 20% DF:
 - 3.2.1 The 20% DF shall be utilized to finance the LGUs' priority development projects, as embodied in their respective duly approved local development plans, and medium-term and annual investment programs, which should be harmonized with the Regional Development Plan and the Philippine Development Plan.
 - 3.2.2 The development projects that may be included under the 20% DF shall be those that are necessary, appropriate, or incidental to efficient and effective local governance, and those which are essential to the promotion of the general welfare of the people.
 - 3.2.3 The LGUs shall ensure that the development projects to be funded out of the 20% DF are well-planned and procurement-and-implementation-ready.
 - 3.2.4 Technical assistance may be sought from National Government Agencies (NGAs), such as, but not limited to, the Department of Agriculture, DBM, Department of Education, Department of Environment and Natural Resources, DOF, Department of Health, DILG, Department of Public Works and Highways, Department of Social Welfare and Development, and National Economic and Development Authority, for the determination of the more relevant and responsive development projects that may be included under the 20% DF and to ensure compliance with the standards prescribed by the NGAs concerned.
 - 3.2.5 The following expenditure items shall not be allowed to be charged against the 20% DF:
 - 3.2.5.1 Personal Services expenditures, such as salaries, wages, overtime pay, and other personnel benefits;
 - 3.2.5.2 Administrative expenses, such as supplies, meals, representation, communication, water and electricity, petroleum products, and the like;
 - 3.2.5.3 Traveling expenses, whether domestic or foreign;

3.2.5.4 Registration fees and other expenses related to the conduct of and participation to trainings, seminars, conferences or conventions;

3.2.5.5 Purchase, maintenance or repair of administrative office' furniture, fixtures, equipment or appliances; and

3.2.5.6 Purchase, maintenance or repair of motor vehicles used for administrative purposes.

4.0 RESPONSIBILITY AND ACCOUNTABILITY

The responsibility and accountability in ensuring that the development projects funded under the 20% DF comply with the guidelines under this JMC and optimally contribute to the attainment of desirable socio-economic targets and outcomes of the LGU shall rest upon the local chief executive and other officials concerned.

The utilization of the 20% DF, whether willfully or through negligence, for the disallowed expenditure items shall subject the erring LGU officials and personnel to penalties under existing laws.

5.0 ITEMS FOR INTERPRETATION

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

6.0 MONITORING

The LGUs shall prepare quarterly reports on the utilization of the 20% DF, consistent with the reporting requirements prescribed by the DOF-BLGF.

The DOF-BLGF shall monitor and maintain a database system for the LGUs' utilization of the 20% DF and shall furnish the DILG and DBM with a copy of the consolidated reports.

7.0 SEPARABILITY CLAUSE

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



8.0 REPEALING CLAUSE

All issuances by the DILG and/or the DBM pertaining to the appropriation and utilization of the 20% DF which are not consistent with this JMC are hereby superseded accordingly. It is understood that any future issuance seeking to amend this JMC or any part thereof shall be issued jointly by the DBM, DOF and DILG.

9.0 EFFECTIVITY

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


WENDEL E. AVISADO
Secretary, DBM




EDUARDO M. AÑO
Secretary, DILG




CARLOS G. DOMINGUEZ
Secretary, DOF

NOV 04 2020

