

GUIDELINES FOR THE RELEASE AND UTILIZATION OF FUNDS FROM THE LOCAL GOVERNMENT EMPOWERMENT FUND (LGEF)

DBM-NEDA JOINT CIRCULAR NO. 2-96, November 29, 1996

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1.0

Purpose

1.1 To provide the implementing guidelines for the release of funds from the LGEF pursuant to R.A. No. 8174, the General Appropriations Act of 1996, which reads as follows:

“1. Use and Release of Fund.

The amount herein authorized under the Foreign Assisted Projects as Loan Proceeds and Peso Counterpart shall likewise be used to implement devolved activities supportive of major national government programs and projects implemented in the 19 priority provinces and/or in 5th or 6th class local government units, as may be identified and mutually agreed upon by the funding institutions and the implementing agencies: PROVIDED, That such amount shall be released to the implementing agencies, subject to the guidelines as may be jointly prescribed by the Department of Budget and Management and National Economic and Development Authority, for the purpose.”

2.0

Scope

These guidelines shall apply to all foreign-assisted projects (FAPs) funded from the LGEF.

3.0

Definition of Terms

3.1 Implementing Agencies (IA) herein referred shall include the following:

3.1.1 The project executing agency and other implementing agencies of the national government (NG) as identified in the signed loan/grant agreement.

3.1.2 Participating local government units (LGUs) i.e. Provincial Governments, Municipal Governments and or barangays identified and mutually agreed upon by the implementing agency/agencies and the funding institution or those which fall within the criteria specified in the signed loan/grant agreement subject to the coverage specified under Section 1 of the Special Provision of the LGEF, R.A. No. 8174, as specified in Item 1.1 hereof.

3.2 Lead Implementing Agency shall refer to the project executing agency as identified in the signed loan/grant agreement.

3.3 Beneficiary Group/s shall refer to the barangay association/s identified in the signed loan/grant agreement as the final project/beneficiaries.

4.0

General Guidelines

4.1 LGEF funds shall be used to implement devolved activities supportive of major programs and projects in the 20 priority provinces under the Social Reform Agenda (SRA) and or in fifth and sixth class LGUs. As such, funds transferred to participating LGUs for the implementation of sub-projects shall be treated as financial assistance from the NG over and above their mandated IRA shares to support devolved activities or national priority.

4.2 Release of Funds

Funds shall be released to NG implementing agencies subject to existing budgeting, accounting and auditing rules and regulations particularly the applicable provisions of Joint Circular Nos. 5-82 and 2-94 of the Commission of Audit (COA), Department of Finance (DOF) and Department of Budget and Management (DBM), as amended, the Modified Disbursement System (MDS) set-up through Memorandum Order No. 276 and the Simplified Fund Release System (SFRS) established through National Budget Circular No. 440.

4.3 Transfer of Funds

4.3.1 Fund transfers between NG implementing agencies shall be in accordance with the guidelines set under COA Circular No. 94-013.

4.3.2 Funds for sub-project to be implemented by participating LGUs shall be transferred by the concerned NG implementing agency to such participating LGU as a cash advance/trust liability subject to liquidation. Transfers from one participating LGU to another may likewise be in the form of cash advance/trust liability subject liquidation.

4.3.3 Inter-agency fund transfers shall be subject to the availability of a perfected Memorandum of Agreement (MOA) between the concerned IAs.

4.4 Memorandum of Agreements

The MOAs shall either be between the (1) NG implementing agency and Provincial or Municipal Government; (2) Provincial Government and Municipal Government; or (3) Provincial/Municipal Government and Barangay, if applicable. They shall specify the following minimum/standard provisions.

4.4.1 Sub-project implementation details.

4.4.2 Commitment of the participating LGU to provide the recurrent cost of the project after the NG-LGU cooperation period cost of the project after the NG-LGU cooperation period or assign the same to the duly constituted beneficiary group.

4.4.3 Output indicator against which LGU performance could be subsequently measured.

4.4.4 Fund transfer mechanism from one participating LGU to another for participating LGUs who will utilize transfer mechanisms other than the cash advance/trust liability mechanism provided under Item 4.3.2 hereof, i.e. grant.

4.4.5 Form/s of the matching/counterpart fund which shall be provided by the participating LGU whether in cash or in kind consistent with the terms set under the signed loan/grant agreement.

4.5 Matching Fund

4.5.1 Participating LGUs and beneficiary groups shall provide the matching/counterpart funds specified in the

signed loan/grant agreement out of local resources including the Internal Revenue Allotment (IRA).

4.5.2 Fund releases shall be net of the LGU matching/counterpart fund.

5.0

Procedural Guidelines

5.1 The concerned NG implementing agency shall request for the release of the Special Allotment Release Order (SARO) and or Notice of Cash Allocation (NCA) from the DBM through the submission of the following documents:

For the release of SARO

5.1.1 Special Budget. Except in case of Item 4.2.1 hereof, special budgets shall be duly approved/endorsed by the lead IA.

5.1.2 Work and Financial Plan

5.1.3 Duly signed and effective loan/grant agreement for the initial SARO. For changes in the original loan/grant agreement, a duly approved revised version shall be required.

5.1.4 Perfected MOA whenever applicable pursuant to Item 4.3.3 hereof for the initial SARO. For changes in the original MOA, a duly approved revised version shall be required.

5.1.5 A Project Profile with a multi-year project funding schedule covering the total cost of the project disaggregated by (1) NG implementing agency (2) LGU component either by implementing LGU or in lump sum in case the breakdown by LGU is not yet available; (3) creditor/donor for projects with more than one creditor/donor; (4) allotment class; (5) funding source (loan proceeds, grant proceeds, GOP peso counterpart broken down into NG and LGU counterpart funds); (6) cash and non-cash expenditures; and (7) project categories as identified in the approved loan agreement shall be submitted by the lead IA before or with the request for initial SARO. This shall, as much as possible, be consistent with the Forward Obligational Authority (FOA) issued for the project and shall be updated annually to reflect adjustments from actual appropriations and fund releases.

5.1.6 Other document which may be required on a case-to-case basis.

For the release of NCA

5.1.7 Notice of Fund Availability from the Bureau of Treasury (BTr), for the loan proceeds in cash component.

5.1.8 Summary List of Checks Issued (SLCI) for the GOP counterpart component except for the initial release.

5.1.9 Other documents which may be required on a case to case basis.

5.2 DBM shall evaluate request and release the SARO and corresponding NCA.

5.3 For projects with imprest/special account/working funds, the procedural guidelines set under COA-DOF-DBM Joint Circular 2-94, as amended, shall be followed.

5.3.1 For projects with a single NG implementing agency, the SARO and the Notice of Cash Allocation (NCA) shall be released to said IA.

5.3.2 For projects with more than one NG implementing agency with separate imprest/special accounts/working funds, the SARO and NCA shall be released to each NG implementing agency.

5.3.3 For projects with more than NG implementing agency with the imprest/special account/working fund

established under one IA, the SARO may be released direct to each IA. The NCA shall, however, be released to the IA who maintains the imprest/special account/working fund.

5.3.4 For projects with more than one NG implementing agency with the imprest/special account/working fund established in the name of the project under one mother working fund, the SARO and NCA shall be released to each IA.

5.3.5 DBM shall issue the NCA upon receipt of the Notice of Fund Availability from the Bureau of Treasury (BTr). Concerned NG implementing agencies need not request for the issuance of such NCA.

5.4 For projects without or project components outside of the imprest/special account/working fund, particularly the GOP counterpart fund, the SARO shall be released by DBM to each NG implementing agency under the SFRS and the corresponding NCA under the MDS.

5.5 The issuance of Non-Cash Availment Authority (NCAA) for the procurement of goods and services for direct payment by the funding institution shall be made upon request by the IA to be supported by the Certificate of Acceptance and the Advice of Loan Utilization (ALU) issued by the Bureau of the Treasury.

6.0

Reporting Requirements and Accountability

6.1 Each NG implementing agency shall submit to DBM the documents specified under Item 5.1 hereof. The Quarterly Financial Report of Operations (Budget Accountability Form No. 301-B) and the Quarterly Physical Report of Operations (Budget Accountability Form No. 302-B) shall constitute the basic reporting requirements of DBM for the monitoring of the physical and financial status of the project.

6.2 The lead IA shall be responsible in gathering, and consolidating all required financial reports from other NG implementing agencies for purposes of coming up with a consolidated Statement of Expenditure (SOE) to be submitted to the funding institution copy furnished the DBM.

6.3 Each NG implementing agency may submit a disbursement certification/liquidation statement to DBM to support subsequent request for cash releases in case the full blown SOE required by funding institutions under Item 6.2 hereof is not immediately available.

6.4 For funds directly released by a participating Provincial Government to a Municipal Government/Barangay, such Provincial Government shall be responsible in gathering and consolidating all required financial reports from the participating Municipal Government and Barangays/ Barangay Associations for submission to the concerned NG implementing agencies.

7.0

Effectivity

This Joint Circular shall take effect immediately.

Adopted: 29 Nov. 1996

(SGD.) SALVADOR M. ENRIQUEZ, JR.

Secretary

Department of Budget and Management

(SGD.) CIELITO F. HABITO
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