



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

**LOCAL BUDGET CIRCULAR**

No. 124  
March 26, 2020

To : Local Chief Executives, Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Planning and Development Coordinators, Local Accountants, and All Others Concerned

Subject : **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**

---

1.0 **RATIONALE**

Section 16 of the Local Government Code of 1991 (Republic Act [RA] No. 7160), hereinafter referred to as the Code, 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."

Further, 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, unless earlier lifted or extended as circumstances may warrant, by virtue of Proclamation No. 929 dated March 16, 2020.



Section 3 of Proclamation No. 929, s. 2020, enjoins 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.

Anent thereto, while it is acknowledged that the FY 2020 annual budgets (ABs) of LGUs should have already been enacted and approved at this point of the year pursuant to Section 319 of the Code, Section 321 of the Code and Article 417 of its Implementing Rules and Regulations (IRR), as amended by Administrative Order (AO) No. 47<sup>1</sup> dated April 12, 1993, allow changes in the AB of LGUs through supplemental budgets (SBs) under specified circumstances.

Moreover, Section 336 of the Code and Article 454 (b) of its IRR also allow the use of appropriated funds and savings to augment any item in the approved AB, subject to the conditions and requirements as prescribed therein.

Accordingly, this Circular is issued to guide the LGUs in providing necessary funds for COVID-19-related programs, projects, and activities (PPAs).

## 2.0 **POLICY GUIDELINES**

2.1 Consistent with Section 3 of Proclamation No. 929, s. 2020, all provinces, cities, municipalities, and barangays are strongly advised to provide funds for the implementation of PPAs to contain the spread of COVID-19 and to provide basic services to the affected population, including the necessary support to frontline workers.

2.2 The funding requirements for such PPAs shall be charged against the available and unencumbered funds of the LGUs, including their respective Local Disaster Risk Reduction and Management Funds (LDRRMFs), subject to existing budgeting, accounting, and auditing laws, rules and regulations.

---

<sup>1</sup> Amending Article 417 of the Rules and Regulations Implementing the Local Government Code of 1991 Approved and Adopted by Administrative Order No. 270 (1992)



## 2.3 CHANGES IN ANNUAL BUDGETS THROUGH SUPPLEMENTAL BUDGETS.

In providing funds for COVID-19-related PPAs, the LGUs shall effect changes in their respective ABs through SB/s in accordance with Section 321 of the Code and Article 417 of its IRR, as amended by AO No. 47, as discussed under the Budget Operations Manual for LGUs, 2016 Edition, under the following circumstances:

- (a) When supported by funds actually available as certified by the local treasurer.

*Funds actually available* refer to the amount of money actually collected, as certified by the local treasurer, at any given point during the fiscal year, which is over and above the estimated income collection for that point in the year.

Thus, funds are actually available when realized income exceeds estimated income as of any given day, month, or quarter of a given fiscal year.

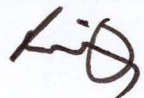
Funds are likewise deemed actually available when there are savings.

*Savings* refer to portions or balances as of any given point in the fiscal year or any programmed or allotted appropriation which remain free of any obligation or encumbrance and which are still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation was originally authorized, or which result from unobligated compensation and related costs pertaining to vacant positions and leaves of absence without pay (Article 454 [b] [1] of the IRR of the Code).

- (b) If covered by new revenue source(s).

*New revenue source* refers to money measure not otherwise considered during the preparation and enactment of the annual budget. Such new revenue measures include ordinance passed by the Sanggunian during the fiscal year but after the annual budget had already been enacted into law which imposes new local taxes, charges, fees, fines or penalties, or which raises existing local taxes, charges, fees, fines or penalties.

Such revenue sources also include new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities which have not been included in the estimates of income which served as basis for the annual budget.





(c) In times of public calamity.

By way of budgetary realignment to set aside appropriations for the purchase of supplies and materials or the payment of services, which are exceptionally urgent or absolutely indispensable to prevent imminent danger to, or loss of, life or property, in the jurisdiction of the LGU or in other areas declared in a state of calamity by the President (Section 321 of the Code and Article 417 of its IRR, as amended by AO No. 47).

In such case, the Appropriation Ordinance shall clearly indicate the following:

- The sources of funds available for appropriations as certified under oath jointly by the local treasurer and the local accountant and attested to by the LCE;
- The items of appropriations affected; and
- The reason(s) for the change.

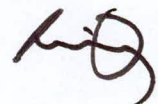
2.3.1 If the LGU is operating under a re-enacted budget, the local sanggunian shall not be allowed to enact an appropriation ordinance authorizing an SB, consistent with Section 323 of the Code.

In this case, inasmuch as the AB of the LGU is yet to be enacted, the LGU may already reprogram the PPAs in its AB that is to be enacted.

## 2.4 USE OF SAVINGS AND AUGMENTATION.

Section 336 of the Code and Article 454 (b) of its IRR allow the use of appropriated funds and savings to augment any item in the approved AB, to wit:

SEC. 336. Use of Appropriated Funds and Savings. – Funds shall be available exclusively for the specific purpose for which they have been appropriated. No ordinance shall be passed authorizing any transfer of appropriations from one item to another. However, the [LCE] or the presiding officer of the sanggunian concerned, may, by ordinance, be authorized to augment any item in the approved [AB] for their respective offices from savings in other items within the same expense class of their respective appropriations.





Further, Article 454 (b) (1) of the IRR of the Code defines *savings* as referring to portions or balances of any programmed appropriation free from any obligation or encumbrance, still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized, or arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay. Article 454 (b) (2) provides that *augmentation* implies the existence in the budget of an item, project, activity or purpose with an appropriation which upon implementation or subsequent evaluation of needed resources is determined to be deficient.

Considering the foregoing, Section 336 of the Code and Article 454 of its IRR require the following conditions in the use of savings and augmentation:

- (a) The LCE or the Presiding Officer of the Sanggunian concerned is authorized by ordinance (enacted by the Sanggunian) to use savings and augment items in the approved AB;
- (b) The authority granted covers the augmentation of any item in the approved AB, which upon implementation or subsequent evaluation of needed resources is determined to be deficient;
- (c) The amount to augment the deficient item of appropriation must be sourced from savings (as defined above); and
- (d) The item(s) of appropriation to be augmented and that from which the savings will be derived are within the same expense class in the appropriations within the executive department (in the case of the authority of the LCE), or the legislative department (in the case of the authority of the Presiding Officer).

## 2.5 LOCAL DISASTER RISK REDUCTION AND MANAGEMENT FUND.

The rules on the allocation and utilization of the LDRRMF are provided under Section 21 of RA No. 10121 and its IRR, Commission on Audit (COA) Circular No. 2012-002 dated September 12, 2012, and National Disaster Risk Reduction and Management Council-Department of Budget and Management-Department of the Interior and Local Government Joint Memorandum Circular (NDRRMC-DBM-DILG JMC) No. 2013-1 dated March 25, 2013.

- 2.5.1 Section 21 of RA No. 10121 prescribes, among others, that, "[n]ot less than five percent (5%) of the estimated revenue from regular sources shall be set aside as the LDRRMF to support disaster risk management activities such as, but not limited to, pre-disaster preparedness programs including training, purchasing life-saving rescue equipment, supplies and





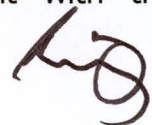
medicines, for post-disaster activities, and for the payment of premiums on calamity insurance.

X X X

Of the amount appropriated for LDRRMF, thirty percent (30%) shall be allocated as Quick Response Fund (QRF) or stand-by fund for relief and recovery programs in order that situation and living conditions of people in communities or areas stricken by disasters, calamities, epidemics, or complex emergencies, may be normalized as quickly as possible.

Unexpended LDRRMF shall accrue to a special trust fund solely for the purpose of supporting disaster risk reduction and management activities of the LDRRMCs [Local Disaster Risk Reduction and Management Council] within the next five (5) years. Any such amount still not fully utilized after five (5) years shall revert back to the general fund and will be available for other social services to be identified by the local sanggunian."

- 2.5.2 Item 3.0 of COA Circular No. 2012-002 reiterated the purposes of the LDRRMF, such as, but not limited to, pre-disaster preparedness programs, post-disaster activities, payment of insurance premiums on property and on personnel accident insurance, and relief and recovery programs in communities or areas stricken by disasters, calamities, epidemics or complex emergencies.
- 2.5.3 Item 4.0 of NDRRMC-DBM-DILG JMC No. 2013-1 provides, among others, that, "[t]he LDRRMF shall cover the thirty percent (30%) lump-sum allocation for Quick Response Fund (QRF) and the seventy percent (70%) allocation for disaster prevention and mitigation, preparedness, response, rehabilitation and recovery."
- 2.5.4 Section 4 (dd) of RA No. 11469 empowered the President to lift the thirty percent (30%) cap on the amount appropriated for the QRF, as provided for under RA No. 10121, during the existence of the state of national emergency due to COVID-19.
- 2.5.5 In view of the foregoing legal bases, LGUs are authorized to utilize the LDRRMF, beyond the 30% QRF, to address the disaster response requirements of the COVID-19 emergency, among the other purposes sanctioned by the law (i.e., disaster prevention and mitigation, preparedness, and rehabilitation and recovery), provided that the same is consistent with the approved LDRRMP as incorporated in the AIP.





2.5.6 Further, the unexpended balances of the LDRRMF that accrued to the special trust fund pursuant to Section 21 of RA No. 10121 may be used to address the disaster response requirements of the COVID-19 emergency, among the other purposes sanctioned by the law (i.e., disaster prevention and mitigation, preparedness, and rehabilitation and recovery), provided that the same is consistent with the approved LDRRMP as incorporated in the AIP, and following the procedures under COA Circular No. 2012-002 and NDRRMC-DBM-DILG JMC No. 2013-1.

2.6 All COVID-19-related PPAs to be funded by the LGUs should be part of their respective approved Annual Investment Programs (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.

2.7 To ensure full maximization of resources and complementation of the COVID-19-related PPAs of the National Government and among different levels of LGUs, the local officials concerned are advised to:

2.7.1 Coordinate and cooperate with the national government agencies concerned; and

2.7.2 Perform cooperative undertakings with the other LGUs, consistent with Section 33<sup>3</sup> of the Code.

2.8 It is understood that the provision of funds for COVID-19-related PPAs should not result to non-compliance by the LGU concerned with the mandatory items of appropriations and other budgetary limitations as prescribed under the Code and other applicable budgeting, accounting and auditing laws, rules, and regulations.

2.9 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 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.



---

<sup>3</sup> SECTION 33. Cooperative Undertakings Among Local Government Units. – Local government units may, through appropriate ordinances, group themselves, consolidate, or coordinate their efforts, services, and resources for purposes commonly beneficial to them. In support of such undertakings, the local government units involved may, upon approval by the sanggunian concerned after a public hearing conducted for the purpose, contribute funds, real estate, equipment, and other kinds of property and appoint or assign personnel under such terms and conditions as may be agreed upon by the participating local units through Memoranda of Agreement.

### 3.0 **RESPONSIBILITY AND ACCOUNTABILITY**

The responsibility and accountability for the proper implementation of this Circular shall rest upon the LCE and other local officials concerned. The responsible officials shall be held liable for any disbursement not in accordance with the provisions of this Circular.

### 4.0 **PROVISION OF TECHNICAL ASSISTANCE TO LGUs**

The LGUs may coordinate with the DBM Regional Offices for the necessary technical assistance in the implementation of this Circular.

### 5.0 **SEPARABILITY CLAUSE**

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

### 6.0 **REPEALING CLAUSE**

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

### 7.0 **EFFECTIVITY**

This Circular shall take effect immediately upon publication.

  
**WENDEL E. AVISADO**  
Secretary

