

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

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

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