



REPUBLIC OF THE PHILIPPINES
Department of the Interior and Local Government
National Economic and Development Authority
Department of Budget and Management
Department of Finance

Joint Memorandum Circular No. 1 Series of 2007
8 March 2007

To : Provincial Governors, City and Municipal Mayors, Punong Barangays, Members of the Sanggunian, Local Development Councils, Local Finance Committees and All Others Concerned

Subject : Guidelines on the Harmonization of Local Planning, Investment Programming, Revenue Administration, Budgeting and Expenditure Management

1.0 Purpose

- 1.1 To provide guidelines on the harmonization and synchronization of local planning, investment programming, revenue administration, budgeting and expenditure management;
- 1.2 To strengthen the interface between local government units (LGUs) and national government agencies (NGAs) and the complementation between and among all LGU levels in planning, investment programming, revenue administration, budgeting and expenditure management; and
- 1.3 To clarify and spell out responsibilities among the Department of the Interior and Local Government (DILG), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), and Department of Finance (DOF) relative to local planning, investment programming, revenue administration, budgeting and expenditure management.

2.0 Statement of Policies

- 2.1 Pursuant to relevant provisions of the Local Government Code (LGC) of 1991 listed below, all LGUs shall prepare their comprehensive

development plans, Local Development Investment Programs (LDIPs), Annual Investment Programs (AIPs), Annual and Supplemental Budgets in the context of and in harmony with national and regional policies, goals and strategies:

- 2.1.1 Sections 106, 109 (a) (1 – 3), and 114, Title VI, Book I
 - 2.1.2 Section 2 (c), Chapter I, Title I, Book I
 - 2.1.3 Section 3 (e), (f), (g), Chapter I, Title I, Book I
 - 2.1.4 Section 305 (h), (i), (j), (k), Chapter I, Title V, Book II
 - 2.1.5 Article 410, IRR of the 1991 LGC
- 2.2 All LGUs in coordination with NGAs, Government Owned and Controlled Corporations, Government Financial Institutions shall adhere to the provisions of law and principle of complementation and participation between and among LGUs and private sector/non-government organizations in the preparation of their plans and budgets.

3.0 Definition of Terms

- 3.1 **Annual Budget** – refers to the financial plan embodying the revenue and expenditures for one (1) fiscal year.
- 3.2 **Annual Investment Program** – for planning and investment programming purposes, constitutes the annual slice of the LDIP, referring to the indicative yearly expenditure requirements of the LGUs’ programs, projects and activities (PPAs) to be integrated into the annual budget. For budgeting purposes, constitute the total resource requirements for the budget year, including the detailed annual allocation of each PPA in the annual slice of the LDIP and the regular operational budget items broken down into Personal Services, Maintenance and Other Operating Expenses and Capital Outlay.
- 3.3 **Comprehensive Development Plan (CDP)** – the document that pertains to the multi-sectoral plan formulated at the city/municipal level, which embodies the vision, sectoral goals, objectives, development strategies and policies within the term of LGU officials and the medium-term. It contains corresponding PPAs which serve as primary inputs to investment programming and subsequent budgeting and implementation of projects for the growth and development of local government territories.
- 3.4 **Local Development Council (LDC)** – the body mandated by law to assist their respective Sanggunian in setting the direction of economic and social development, and coordinating development efforts within their respective territorial jurisdictions.
- 3.5 **Local Development Investment Program (LDIP)** – a basic document linking the local plan to the budget. It contains a prioritized list of PPAs which are derived from the CDP in the case of cities and municipalities,

and the PDPFP in the case of the provinces, matched with financing resources, and to be implemented annually within a three to six year-period. The first three years of the LDIP shall be firmed up along the priorities of the incumbent local chief executives (LCEs).

- 3.6 **Local Finance Committee (LFC)** – the body composed of the local planning and development coordinator (LPDC), the local budget officer, and the local treasurer, mandated by law to recommend to the LCE the level of the annual expenditures and the ceilings of spending for economic, social, and general services based on the approved CDP or PDPFP.
- 3.7 **Provincial Development and Physical Framework Plan (PDPFP)** – The plan document formulated at the provincial level that merges the traditionally separate provincial physical framework plan and provincial development plan to address the disconnect between spatial and sectoral factors and between medium- and long-term concerns. It contains the long-term vision of the province, and identifies development goals, strategies, objectives/targets and corresponding PPAs which serve as primary inputs to provincial investment programming and subsequent budgeting and plan implementation.
- 3.8 **Resources** – the term used to refer to revenues, gross borrowings and free or unencumbered cash balances.
- 3.9 **Revenue** – refers to the cash inflow which does not increase the liability of the government.
- 3.10 **Supplemental Budget** – is enacted after the annual budget has been approved by the Sanggunian.

4.0 **Roles and Responsibilities of Oversight Agencies**

- 4.1 The oversight agency roles and responsibilities support the very intent of harmonizing existing guides and policies on local planning, investment programming, revenue administration, budgeting and expenditure management at the local levels and effect the complementation of activities between and among the provinces and their component LGUs as well as interface of NGAs in local planning.
- 4.2 Pursuant to Sec. 5 (e) of RA 6975 the DILG shall vigorously pursue its mandate to establish and formulate plans, policies and programs to strengthen the technical, fiscal and administrative capabilities of local governments and shall continue its advocacy towards a rationalized planning system for adoption by all cities and municipalities.
- 4.3 NEDA, as the national planning body shall be responsible for coordinating the formulation of continuing and integrated socioeconomic development plans, policies and programs which are embodied in the Medium-Term

Philippine Development Plan (MTPDP), including the formulation of annual and medium-term public investment programs and the monitoring and evaluation of plan implementation (Executive Order 230, series of 1987). Pursuant to Section 114 of the LGC, the NEDA shall integrate the approved plans of provinces, highly urbanized cities and independent component cities in the Regional Development Plan and the MTPDP.

- 4.4 Pursuant to Par. K, Rule 23, Art. 182, IRR of RA 7160, DILG shall issue the Rationalized Planning System (RPS) Sourcebook for cities and municipalities while NEDA shall issue the Provincial/Local Planning and Expenditure Management (PLPEM) guidelines for provinces. The DILG and NEDA shall ensure that specific guides developed within the framework of the RPS and the PLPEM will strengthen links between the province and its component cities and municipalities.
- 4.5 The DBM shall promote the sound, efficient and effective management and utilization of government resources as instrument in the achievement of national socioeconomic and political development goals (Executive Order No. 21, Series of 1936). It shall also promulgate a budget operations manual for LGUs jointly with the Commission on Audit (COA) to improve and systematize methods, techniques and procedures employed in budget operation, preparation, authorization, execution and accountability (Section 354, RA 7160). The said manual shall be updated as the need arises in order to integrate recent developments in budgeting and expenditure management.
- 4.6 The DOF shall be responsible for the supervision of the revenue operations of all local government units (Section 2, Book IV of EO 292 and Article 287, IRR of RA 7160) and shall promulgate a Manual of Operations for Treasurers that shall serve as guidepost for LGUs in their revenue generation and resource mobilization activities. It shall also formulate standards, rules and regulations for the proper classification, appraisal and assessment of real property (Section 201 of RA 7160 and Article 291 of the IRR of RA 7160), as contained in an Assessment Operations Manual and in consultation with the DBM, provide for simplified disbursement scheme designed for the speedy and effective enforcement of the internal revenue allotment shares of LGUs (Section 288 of RA 7160).
- 4.7 The DILG, NEDA, DBM and DOF shall constitute an interagency body that shall reconcile all existing and subsequent policies and guides consistent with this JMC.
- 4.8 These agencies shall coordinate with each other for the purpose of providing continuous capacity building programs for LGUs whether individually or through a composite team to institutionalize and sustain the synchronization of planning, investment programming, revenue administration, budgeting and expenditure management activities.

5.0 Synchronization Procedure

5.1 Synchronization of Local Planning, Investment Programming, Revenue Administration, Budgeting and Expenditure Management

5.1.1 On the basis of the guidelines issued by DILG, NEDA, DBM and DOF and in line with Section 470 (d) (2 and 5), 475 (b) (5), and 476 (b) (5) of the LGC, all LPDCs, local budget officers and local treasurers shall update their respective planning databases including, among others, the socioeconomic, physical resources, time series revenue and expenditure data, and project profiles/status from January to March of every year. Based on these data, the LPDCs shall proceed with the analysis of the planning environment from April to May of every year.

In preparation for the convening of the LDC after elections, the LPDCs shall also formulate the guidelines for reconstituting the LDC and the mechanism for choosing private sector representatives.

5.1.2 In line with Sections 444 (b) (1) (ii), 455 (b) (1) (ii), and 465 (b) (1) & (ii) of the LGC, all LCEs shall convene their newly reconstituted LDCs not later than first week of July 2007 and every 3-6 years thereafter to sustain the formulation or updating of their PDPFP/CDP.

5.1.3 On the basis of the planning guidelines issued by DILG and NEDA and pursuant to Section 106 of the LGC, the PDPFP/CDP shall be prepared following a process of analysis of the existing situation, goal, strategies and objective/target setting, and culminating in the identification of strategic PPAs. As much as possible, the LGUs shall align/harmonize the plans with national development goals taking into consideration their resource endowments, financial capability and distinct development needs.

5.1.4 Pursuant to Section 109 (a) (1-3) of the LGC, the LDCs shall also prioritize and, in coordination with the LFCs, match the PPAs with available financing resources, in the process formulating the multi-year LDIP. The LFC shall, as necessary, provide measures to generate additional revenues to finance the LDIP pursuant to Section 316 (b) of the LGC.

The LDCs shall firm up the PPAs targeted for implementation within the first three years coinciding with the LCEs' 3-year term of office.

5.1.5 The LDCs shall cull out the AIP from the current slice of the LDIP, which upon approval by the Sanggunian, shall serve as the basis for preparing the executive budget. The LDCs shall endorse the AIP

to the local budget officer for the budget preparation and in determining the annual budgetary allocations for PPAs vis-à-vis allocations for other purposes as indicated in the attached Annex A – AIP Summary Form.

- 5.1.6 In succeeding years prior to the next preparation/updating of the PDPFP/ CDP as provided in Section 5.1.1 above, the LDC, in consultation with the LFC, shall update the LDIP and cull out an AIP as input to the annual budget preparation. The LDIP updating shall be on account of outcomes of PPAs implemented in the previous year, changes in the planning environment and financing conditions, among others.
- 5.1.7 Local budgeting activities shall proceed following the DBM's issuance of the Local Budget Memorandum providing among others the initial Internal Revenue Allotment (IRA) shares of LGUs and other special shares or revenue sources, the guidelines in the preparation of local budgets, including submission of the comparative statements of income and expenditure.

These activities shall be in accordance with the steps, procedures, processes and forms indicated in the Updated Local Budget Operations Manual for LGUs (UBOM) dated June 2005 and/ or other issuances by the DBM, provided that in AIP Forms 1–4, or its equivalent or substitute in future issuances of the DBM, the LGU's vision, strategic directions, specific objectives and policy directions shall be culled from the PDPFP/CDP and the PPAs shall be taken from the current slice of the approved or updated LDIP.

5.2 Province – City/Municipality Complementation

- 5.2.1 During the preparation of the PDPFP/CDP, the LPDCs of provinces and their component cities and municipalities shall coordinate with each other, as may be necessary, following the Synchronized Local Planning and Budgeting Calendar (SLPBC) to ensure consistency of vision and strategic directions and in order to facilitate the complementation of PPAs as necessary across LGU levels. (Please refer to Annex B – SLPBC).
- 5.2.2 Upon reconstitution of the Provincial Development Council (PDC), the governor shall spell out and initiate the harmonization and complementation of the goals, strategic directions and PPAs of the province and its component cities and municipalities as indicated in their PDPFPs/CDPs and LDIPs.
- 5.2.3 As far as practicable, the province may develop and undertake joint programs or augment the financial resources of its component cities and municipalities in implementing programs and projects that have significant impacts on the province as a whole. Where feasible and consistent with the CDP, the component cities and

municipalities may also provide counterpart resources to implement programs and projects initiated by the province.

5.3 NGA – LGU Interface

5.3.1 The LPDCs may coordinate with national/regional line agencies (N/RLAs) for technical inputs and guidance for the purpose of dovetailing sectoral targets in the PDPFP/CDP and LDIP. Such coordination may be institutionalized through the participation of N/RLAs in the LDC sectoral or functional committees.

To reduce the number of plans, LGUs shall integrate sectoral requirements into the PDPFP/CDP and LDIP.

5.3.2 LGUs are enjoined to provide venues for N/RLAs' interface in local planning, investment programming, revenue administration budgeting and expenditure management during the various stages of the planning cycle.

- a. Updating of planning database (January-March of every year)
- b. Analysis of Planning Environment (April-May of every year)
- c. Formulation of Development Vision, Goals and Strategic Direction (1st week of July 2007 and every 3-6 years thereafter)
- d. Identification and Prioritization of PPAs (July of every year)
- e. Identification of areas of complementation of PPAs (July of every year)
- f. Budget Preparation, Authorization and Review (July to December)

6.0 Suppletory Effect

The contents and specific provisions of the RPS Sourcebook, PLPEM, UBOM and all other documents cited in this circular that are consistent, supportive and complementary to the provisions stated herein shall become part and parcel of this Joint Memorandum Circular.

7.0 Separability Clause

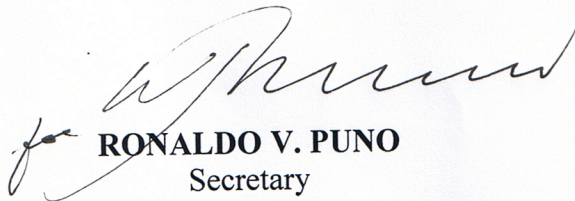
If any clause, sentence or provision of this Joint Memorandum Circular shall be invalid or unconstitutional, its remaining parts shall not be affected thereby.

8.0 Repealing Clause

All orders, rules and regulations inconsistent or contrary to the provisions of this Joint Memorandum Circular are hereby repealed or modified accordingly.

9.0 **Effectivity**

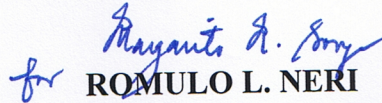
This Joint Memorandum Circular shall take effect immediately.



RONALDO V. PUNO

Secretary

Department of the Interior and Local Government



ROMULO L. NERI

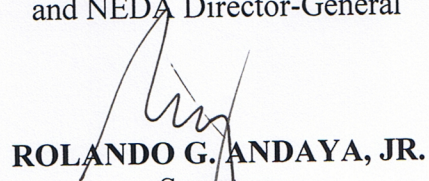
Secretary of Socioeconomic Planning
and NEDA Director-General



MARGARITO B. TEVES

Secretary

Department of Finance



ROLANDO G. ANDAYA, JR.

Secretary

Department of Budget and Management

CY _____ Annual Investment Program (AIP)
By Program/Project/Activity by Sector
As of _____

Province/City/Municipality/Barangay: _____

AIP REFERENCE CODE (1)	PROGRAM/PROJECT/ACTIVITY DESCRIPTION (2)	IMPLEMENTING OFFICE/ DEPARTMENT	SCHEDULE OF IMPLEMENTATION		EXPECTED OUTPUTS (6)	FUNDING SOURCE (7)	AMOUNT (in thousand pesos)			
			STARTING DATE (4)	COMPLETION DATE (5)			Personal Services (PS) (8)	Maintenance and Other Operating Expenses (MOOE) (9)	Capital Outlay (CO) (10)	TOTAL (11)
General Public Services (10)										
Economic Services (80)										
Social Services (30)										

Instructions: This form shall be prepared by the planning and budget office of the local government unit based on the approved Local Development Plan of the LGU as approved by the Local Sanggunian. The annual component of the Capital Expenditure (Capex) shall be inputted by the Planning Officer and shall be integrated by the Budget Officer together with the Personal Services (PS), Maintenance and Other Operating Expenses (MOOE) and other Capital Outlay (CO) into the total resource Annual Investment Program as basis for the preparation of the Annual Budget.

Column 1. Indicate the reference code for the sector/sub-sector as per UBOM in order to facilitate consolidation of requirements

Column 2. Describe briefly the program/project/activity to be implemented and accomplished by the LGU (i.e. infrastructure projects, programs or activities).

Column 3. Identify the office/department that will implement the program/project/activity.

Column 4&5. Specify the targeted starting and completion date.

Column 6. Describe the output or results in quantified terms (e.g. 3 kilometers of concrete road, 200 cavans of palay per hectare, 10 hectares of reforested area, 400 pupils functionally literate, 5% reduction in infant mortality rate).

Column 7. Indicate the funding source of the program/project/activity. Specify if sourced locally from the General Fund or grant/loan from outside sourcing or subsidy from the national government.

Column 8. Indicate the estimated amount of the program/project/activity broken down into PS, MOOE and CO.

This form has to be signed by the Local Development and Planning Officer and Budget Officer and attested by the Local Chief Executive or his duly authorized representative.

Prepared By:

Attested by:

Planning Officer

Budget Officer

Local Chief Executive

Date: _____

Date: _____

Date: _____

ANNEX B

SYNCHRONIZED LOCAL PLANNING AND BUDGETING CALENDAR

PERIOD COVERED	ACTIVITY	OUTPUT/S	ACTOR/S
1 st week of January	PPDC sets guidelines for data gathering	Guidelines for data gathering	PPDCs
January to March	Updating of planning and budgeting database (socioeconomic, physical resources, time series revenue and expenditure data, project profiles/status, among others)	Updated planning, budgeting and financial database	LPDCs, budget officers, treasurers, department heads, NGAs/RLAs
April-May	Analysis of planning environment for plan preparation/review/updating	Draft situational analysis and assessment of plan implementation	LPDCs, NGAs/RLAs
April to May	Updating of appropriate AIP in the LDIP as input to budgeting	Indicative AIP (the first year of the LDIP in the case of election year)	LDCs, LPDCs
June 1 to 15 or 1 st week of August during election year	Preparation of AIP Summary Form (Annex A) for the budget year	AIP Summary Form	LPDCs, local budget officers
Not later than 1 st week of August	Approval of AIP	AIP for the budget year	Sanggunian
1 st week of July during election year	<u>PDPFP/CDP Preparation</u> Reconstitution of LDC based on initial guidelines, including mechanism for choosing private sector representatives, prepared by LPDC	Timetable and tasking for plan preparation/ updating	LCEs
Whole month of July	Formulation of development vision, goals, strategies, objectives/targets and identification of PPAs Harmonization and complementation of development vision, goals and strategic direction between and among province and component cities/municipalities Approval of PDPFP/CDP	Vision, goals, strategies, objectives/targets and PPAs Harmonized vision, goals and strategic direction PDPFP/CDP	LDCs, LPDC, Department Heads, NGAs/RLAs Jointly by the province and component LGUs Sanggunian

PERIOD COVERED	ACTIVITY	OUTPUT/S	ACTOR/S
June to July 1-31 during election year	<u>LDIP Preparation</u>		
	Identification of areas for complementation of PPAs between and among province and component cities/municipalities	Joint programs/projects	LPDCs of province and component cities and municipalities, NGAs/RLAs
	Prioritization of PPAs	Prioritized PPAs	LDC, LFC, NGAs/RLAs
	Matching of PPAs with available financing resources and determination of additional revenue sources to finance the PPAs	LDIP , revenue generation measures	LDC, LFC, NGAs/RLAs
	Approval of LDIP	Approved LDIP	Sanggunian
June 16-30 or 1 st week of July during election year	Issuance of Budget Call	Budget Call	LCEs (Province, City, Municipality)
July 1-15	Submission to LCE of certified 3-year statement of income and expenditures	Certified statement of income and expenditures	Local treasurer (Province, City, Municipality)
On or before September 1-15	Submission to the Punong Barangay of statement of income and expenditure for the ensuing year	Department budget ceilings Statement of income and expenditure	Local department heads Barangay Treasurer
July 1-15	Preparation and submission of budget proposals	Budget proposals	Local department heads
July 16 –August 31	Technical budget hearing of proposals	Reviewed budget proposals	LFC
September 16-30	Consolidation of budget proposals into the Local Expenditure Program and preparation of Budget and Sources of Financing (BESF)	Local Expenditure Program and BESF	LFC
Not later than Oct. 16	Preparation of the budget message and submission of executive budget to the Sanggunian	Budget Message and Executive Budget	LCEs (Province, City, Municipality)
Oct. 17 onwards	Enactment of local annual budget	Local Appropriations Ordinance	Sanggunian (Province, City, Municipality)
Within 3 days from approval of local budget	Submission of the annual or supplemental budgets of province, city and municipality to appropriate reviewing authority		

PERIOD COVERED	ACTIVITY	OUTPUT/S	ACTOR/S
Within 90 days from approval of local budget	Review of the annual or supplemental budgets of province, city and municipality	Reviewed budget	DBM Regional Offices, Sangguniang Panlalawigan
Within 10 days from approval of barangay budget	Submission of the annual or supplemental budgets of barangays to appropriate reviewing authority	Barangay budget	Sanggunian (Barangay)
Within 60 days from approval of annual budget or supplemental budgets	Review of the annual or supplemental budgets of barangays	Reviewed budget	Sanggunian (City, Municipality) through the respective Budget Officer
Year-round	Implementation/execution of annual budget		LCEs

NOTE: Detailed activities will be provided through subsequent guidelines, including cross-referencing to the technical guides/manuals such as the RPS-CDP/ELA, PLPEM, UBOM and Revenue Administration.