

August 28, 2006

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Sir:

This has reference to your letter dated August 10, 2006, on the need to clarify the utilization of the calamity fund and the local development fund.

On the utilization of the calamity fund, Section 324(d) of the Local Government Code of 1991, as amended by R.A. 8185, provides that –

“Sec. 324(d) – Five percent (5%) of the estimated revenue from regular sources shall be set aside as annual lump sum appropriations for relief, rehabilitation, reconstruction and other works or services in connection with calamities which may occur during the budget year. Provided, however, That such fund shall be used only in the area, or a portion thereof, of the local government unit or other areas affected by a disaster or calamity, as determined and declared by the local sanggunian concerned.

Calamity shall be defined as a state of extreme distress or misfortune, produced by some adverse circumstance or event or any great misfortune or cause or loss or misery caused by natural forces.

In case of fire or conflagration, the calamity fund shall be utilized only for relief operations.

The local development council shall monitor the use and disbursement of the calamity fund”.

However, at the height of the Severe Acute Respiratory Syndrome (SARS) scare and threat of the Abu Sayaf and other acts of terrorism, the Department of Budget and Management and Department of the Interior and Local Government issued on July 24, 2003, Joint Memorandum Circular No. 2003-2, “Clarificatory Guidelines On The Use Of The 5% Local Calamity Fund”. As provided therein, the phrase “adverse event” includes acts of terrorism and spread of SARS or other endemics that can be a legal basis for local government units to declare their own state of calamity.

Moreover, the aforementioned circular further provides that the calamity fund may also be utilized for undertaking disaster preparedness activities and measure, provided that the sanggunian concerned shall declare an imminent danger of calamity. And in extreme cases and under extra-ordinary circumstances, such as but not limited to, acts of terrorism and outbreak of dangerous and highly communicable diseases, the calamity fund may also be utilized for disaster preparedness without need of sanggunian declaration of calamity, provided that there is Presidential proclamation of the existence of an adverse event that would warrant the declaration of the entire country to be under the state of national calamity which needs to be prevented and suppressed.

On the utilization of the 20% development fund, the same is covered under the Department of Budget and Management and Department of the Interior and Local Government Joint Memorandum Circular No. 1-S2005, dated September 20, 2005. As provided therein, the joint circular was issued to provide guidelines on the appropriation of at least twenty percent (20%) of the Internal Revenue Allotment for development projects; and to enhance accountability of the local government units in undertaking development projects.

As a matter of policy, the local development fund shall be used to finance projects that will contribute to the attainment of desirable socio-economic development and environmental management outcomes, partake of the nature of investment and capital expenditures and take into consideration cost of recovery and entrepreneurship.

The 20% of the IRA intended for development projects shall be utilized for the following –

SOCIAL DEVELOPMENT

- Establishment or rehabilitation of Productivity Enhancement Center for out-of-school youths, women, minors, displaced families, indigenous people, differently-abled persons and older persons;
- Establishment or rehabilitation of Manpower Development Center;
- Construction or rehabilitation of health centers, rural health unit or hospital and purchase of medical equipment;
- Construction or rehabilitation of a local government–owned potable water supply system;
- Installation of street lighting system;
- Preservation of cultural/historical sites;
- Other programs or projects of similar nature.

ECONOMIC DEVELOPMENT

- Implementation of a livelihood/entrepreneurship development program or project;
- Construction/rehabilitation of a communal irrigation or water impounding system and purchase of post harvest facilities such as farm or hand tractor with trailer, thresher, mechanical drier and the like;
- Construction/rehabilitation of farm-to-market roads;

- Construction/rehabilitation of local roads or bridges; and
- Other programs or project of similar nature.

ENVIRONMENTAL MANAGEMENT

- Construction/rehabilitation of sanitary landfill or controlled dumpsite and purchase of garbage truck or related equipment;
- Community reforestation or urban greening projects;
- Flood control programs or projects such as de-clogging of canals or de-silting of rivers;
- Other environmental management programs or projects that promote air and water quality, as well as productivity of coastal or freshwater habitat, agricultural land and forest land.

The foregoing issuances are still subsisting and are the governing rules on the utilization of the calamity fund and the 20% development fund.

Truly yours,

RENE K. BURDEOS
Regional Director