



January 4, 2013

MARIQUITA P. ORTEGA
Area Head-NOL 1
PNB – La Union Branch
San Fernando City, La Union

received *1/11/13*

Dear Ms. Ortega:

This refers to your letter seeking the Department's clarification whether the inclusion of the Construction of Public Market of Bantay, Ilocos Sur in its Executive Legislative Agenda (ELA) and Annual Investment Program is regular and sufficient and will not render the LGU's budget inoperative despite non-inclusion in its Annual Development Plan (ADP).

In dealing with the issues, please be informed that the Annual Development Plan is the formulated plan of development projects, programs and activities of LGU, sourced or funded from not less than 20% of its Internal Revenue Allotment (IRA). It is a component part of the Annual Budget of the LGU, pursuant to Section 287 of R.A. 7160 (The 1991 Local Government Code of the Philippines).

The utilization of the 20% Development Fund is guided by DILG – MC No. 2010-138 dated December 2, 2010 and DBM-DILG JMC 2011-1 dated April 13, 2011 which set the realization of priority projects on *social, economic and environmental outcomes essential in the attainment of the desired quality of life for all*.

The Annual Investment Program (AIP) on the otherhand, is the public investment program which serves as the blueprint of present and future development plans, budgetary aspirations and priority project needs that has to be pursued to realize the progress and development of the LGU. It is the total budgetary requirement for a fiscal year of the LGU. It embodies all funds of the LGU like the General Fund, the 20% Development fund, 5% DRRM Fund and other external or internal sources.

Likewise, the Annual Budget is the annual financial plan of the LGU. It includes list of planned expenses, revenues, savings and borrowing. The Local Government Code provides that the Annual Budget must be enacted through an ordinance. Sec.319 of RA 7160 requires a legislative authorization, through an ordinance, of the executive budget

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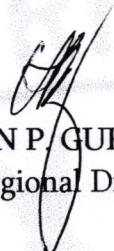
prepared and submitted by the Local Chief Executive to the Sanggunian. The Annual Budget is necessary in the utilization of public funds. Without it, the utilization becomes illegal.

Based on the discussions above, despite the non-inclusion in the Annual Development Plan, the Construction of public market can still be realized since there are other funds that can be utilized by said LGU as long as it is duly authorized by the Local Sanggunian. Those that are not included or not funded by said fund may be taken from the remaining 80% IRA share, any other external sources and those from the locally sourced fund of the LGU.

The inclusion of the Construction of Public Market of Bantay, Ilocos Sur in its ELA and Annual Investment Program is regular and sufficient. Since, they were duly authorized by the local Sanggunian with the approval of the Sanggunian Panlalawigan of Ilocos Sur upon review. Hence, it will not render the budget inoperative despite non-inclusion in its Annual Development Plan.

We hope to have enlightened you on the issues at hand. Our opinion, however, is without prejudice to any ruling or opinion rendered by a higher authority or a competent tribunal.

Warm regards.


CORAZON P. GURAY, CESO III
Regional Director

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