



Republic of the Philippines
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
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November 13, 2015

MEMORANDUM CIRCULAR

No. 2015-134

TO : ALL CONCERNED DILG REGIONAL/PROVINCIAL/CITY DIRECTORS AND MUNICIPAL LOCAL GOVERNMENT OPERATION OFFICERS (MLGOOs); PROVINCIAL GOVERNORS, CITY/MUNICIPAL MAYORS OF CONCERNED LGUs

SUBJECT: GUIDELINE ON THE CANCELLATION OF NON-MOVING SUBPROJECTS UNDER THE BuB – DILG FUND

I. Purpose

This Guideline is issued to establish the procedure for cancellation of non-moving subprojects under the BuB- DILG Fund Project. Cancellation of non-moving locally-funded projects is one of the strategies employed to speed up project implementation to address the issue of low financial spending and low completion rate of the Department.

II. Legal Bases

- Joint Memorandum Circular No. 6, series of 2015, among Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), Department of Social Welfare and Development (DSWD) and National Anti-Poverty Commission (NAPC), providing Policy Guidelines and Procedures in the Implementation of Bottom-Up Budgeting (BuB) Program for FY 2015.
- DILG Memorandum Circulars for the Implementation of Provision of Potable Water Supply, Local Access Road and Other Local Infrastructure Projects under the Bottom-Up Budgeting (BuB)
 - Memorandum Circular No. 45, series of 2015
 - Memorandum Circular No. 78, series of 2014

III. Eligible Subproject for Cancellation

Under Article III (Termination or Suspension) of the Memorandum of Agreement (MOA) between the DILG and the Implementing Partner and the relevant provisions of the DILG Memorandum Circulars mentioned above, the **Regional Director** is authorized to terminate/ cancel the implementation the subproject. The termination/ cancellation shall be based, but not limited to the following;

- a. *Implementing Partner's/Implementing LGU's non-compliance to subproject processes, standards and requirements may include but not limited to the following:*

a.1 During Project Proposal/ Simplified Feasibility Study Preparation Stage

- i. Non-submission of Project Proposal/Simplified Feasibility Study (PP/SFS) and other supporting documents for MOA signing within 45 days after receipt of the eligibility advise from DILG Regional Office.
- ii. Non-submission of revised PP/SFS Study within 15 days upon receipt of the official communication for the Proponent LGU to comply with the comments/ recommendation of the reviewing body
- iii. LGUs having difficulty in securing land add/or right-of-way within the 45-day period.
- iv. LGUs having difficulty in securing Sanguniang Resolution authorizing the Local Chief Executive to enter into MOA with DILG within the 45-day period.
- v. For water supply subprojects, difficulty in identifying water source.
- vi. Subproject found not feasible during the review and approval by the reviewing body.

a.2 Detailed Engineering Design/ Technical Specification Preparation Stage

- i. Non-submission of Detailed Engineering Design/ Technical Specification and other supporting documents within 60 days after the receipt of the initial fund transfer.
- ii. Non-submission of revised Detailed Engineering Design/ Technical Specification within 7 days upon receipt of the official communication for the Proponent LGU to comply with the comments/ recommendation of the reviewing body.

a.3 During Procurement Stage

- i. Non-adherence to the Procurement Timelines stipulated in the Subproject Implementation Schedule as attached to the MOA and timeframe stipulated in RA 9184 (Government Procurement Reform Act)
- ii. Violation of the Government Procurement Reform Act (RA 9184).

a.4 During Implementation Stage

- i. Non-adherence to the Implementation Timelines stipulated in Subproject Implementation Schedule attached to the MOA
- ii. Implementing partner is performing unsatisfactorily in the implementation and execution of the subproject/s
- iii. Substantial slippage in the implementation of the subproject is incurred (more than 15% slippage)

a.5 Subproject which have no substantial progress for three (3) consecutive months.

b. *When situations/circumstances would make it improbable for the subproject/s to continue to be carried out such, but not limited to the following:*

- b.1** peace and security issues
- b.2** extraordinary conditions such as force majeure, fortuitous events
- c.** *Corruption and fraudulent practices*
- d.** *Upon the request of the Implementing Partner*

IV. Procedure for Cancellation

- a.** DILG Regional Office shall review and evaluate status of all subprojects to determine those that are eligible for cancellation. In case there are subprojects identified for cancellation, DILG-RO shall notify the concerned LGU, copy furnished the Local Poverty Reduction Action Team (LPRAT), informing them that their subproject/s is/are eligible for cancellation and require the concerned LGU to submit justification why their subproject/s should not be cancelled.
- b.** The LGU shall be given fifteen (15) days to submit their justification. Within the said period, the LPRAT shall convene to discuss the subproject cancellation and/or to come-up with catch-up plan.
- c.** If no action within the 15-day period, the DILG-RO shall recommend to Regional Poverty Reduction Action Team (RPRAT) the cancellation of the said subproject and shall officially notify the LPRAT that their subproject/s has/have been recommended for cancellation. If the reason is found acceptable, the LGU shall be given one (1) month to show substantial progress in the implementation.
- d.** Within 15 days upon receipt of the LGU justification, DILG-RO shall review and evaluate the said justification. If the reason is found not acceptable, DILG RO shall endorse to RPRAT the cancellation of the said subproject and shall officially notify the LPRAT that their subproject/s has/have been recommended for cancellation.
- e.** The DILG-RO shall convene the RPRAT within 3 days after the 15-days period to discuss and approve the DILG-RO's recommendation for cancellation.
- f.** RPRAT shall approve/disapprove the DILG-RO's recommendation for cancellation. If the RPRAT approves the DILG-RO's recommendations, RPRAT shall issue a resolution approving the cancellation of the said subproject/s.
- g.** Within 5 days after the issuance of the RPRAT Resolution approving the subproject cancellation, DILG-RO shall notify the concerned LGU and LRPAT with the copy of the RPRAT Resolution on the subproject/s cancellation.
- h.** For subproject/s with no fund release:
 - DILG-RO shall officially notify the Office of Project development Services (OPDS) and the Financial Management Services (FMS) of the Department of the cancelled subproject with information on subproject/s that has been cancelled stating the Subproject Title, amount to be cancelled and the reason for the cancellation including a certified copy of the RPRAT Resolution.

- Upon receipt of the official notification for cancellation, FMS shall endorse the notice of cancellation to the Department of Budget and Management (DBM).
- i. For subproject/s with fund releases approved for cancellation:
- DILG-RO through the Regional Accountant shall officially compel the return of released fund or the unutilized portion thereof, as the case may be, from the concerned LGU to the Regional Office within fifteen (15) days from receipt of the notice of cancellation and demand the liquidation of the utilized portion of the transferred fund in the latter case
 - DILG-RO through the Regional Accountant shall coordinate and facilitate the return of unutilized funds from the concerned LGU to the Regional Office and the liquidation of the utilized portion of the transferred funds.
 - Upon receipt of the unutilized funds, Regional Accountant shall make the necessary entry in the books of accounts and subsequently remit the said amount to the Bureau of Treasury (BTr)
 - The DILG-RO shall officially notify the Financial Management Services (FMS) on the subproject/s that has/have been cancelled stating the subproject title, the amount transferred to BTr, the balance amount to be cancelled and the reason for the cancellation including the proof of the cash transfer to BTr and true copy of the RPRAT Resolution.
 - Upon receipt of the official notification for cancellation, FMS shall endorse the notice of cancellation to the Department of Budget and Management (DBM) informing them of the cancellation and the amount reverted to BTr.

IV. EFFECTIVITY

This Memorandum Circular shall take effect immediately.


MEL SENEN SARMIENTO
Secretary 



BuB -DILG FUND FLOW PROCESS CHART FOR CANCELLATION OF SUBPROJECT



