

**Malacañang Memorandum Order
No. 97
March 01, 1993**

Subject : Further Rationalizing the Application of the Disbursement System Established Under Memorandum Order No. 276 on the Automatic Release Procedures Mandated Under Section 286 of the Local Government Code of 1991 for the Shares of the Local Government Units in the Proceeds from National Taxes

WHEREAS, Section 286 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, provides that the share of each local government unit (LGU) in the annual internal revenue allotment, as well as from the proceeds in the development and utilization of the national wealth, shall be released, without need of any further action and without lien holdback for whatever purpose, directly to the provincial, city, municipal, or barangay treasurer, as the case may be.

WHEREAS, Memorandum Order No. 276, dated 12 January 1990, which established a Modified Disbursement System (MDS) for Government, seek to utilize the services of government financial intermediaries, not only to reduce the overhead cost of budgetary transactions and operations, but also to promote the growth, stability, and equity objectives of fiscal and monetary policies; and

WHEREAS, the application of the MDS on the automatic release procedures contemplated under Section 286 of the local Government Code may be further rationalized to likewise enhance the effectiveness and efficiency of the budget and cash programming systems of the individual provinces, cities, municipalities, and barangay;

NOW THEREFORE, I, FIDEL V. RAMOS, President of the Philippines, by virtue of the powers vested in me by law, and upon the recommendation of the Chairman of the Oversight Committee Constituted under Section 533 of the Local Government Code and at the initiative of the Chairman of the Development Budget Coordination Committee, do hereby order and direct the following:

1. Such sums as maybe appropriated under the annual General Appropriation Act of the share of LGUs in the proceeds from national taxes shall administered and programmed by the Department of Budget and Management (DBM) for direct release to individual provinces, cities, municipalities, and barangays in accordance with the procedures

prescribed for the purpose under the Local Government code, with whatever additional special provisions, which may be set by Congress in the yearly General Appropriation Act and with other existing laws, rules and regulations pertinent to the matter.

2. The comprehensive Advice of Allotment and the corresponding Notices of Cash Allocation covering the share of LGUs in the proceeds from national taxes shall be prepared by the DBM as basis for drawing monthly MDS checks for credit to the current accounts in any of the authorized government servicing banks of the concerned province, city, municipality, and barangay pursuant to established MDS procedures. The necessary guidelines and the appropriate delegation of authority to its offices in the field shall be promulgated and issued to ensure prompt compliance by DBM with this directive
3. Established MDS banking arrangement with the Philippine National Bank, the Land Bank of the Philippines, and the Development Bank of the Philippines shall be reviewed and, where found needed, redirected towards the expeditions transfer funds to the LGUs, particularly the barangays.
4. The department of the Interior and Local Government, in coordination with the DBM, shall monitor and report through the Oversight Committee, the implementation of this Memorandum Order.

This memorandum Order shall take effect immediately.

DONE in the city of Manila, this 1st day of March, in the year of Our Lord, nineteen hundred and ninety-three.

By the President:

(SGD.) ANTONIO T CARPIO
Chief Presidential Legal Counsel