



REPUBLIC OF THE PHILIPPINES  
Department of Finance  
Bureau of Internal Revenue  
Department of Health  
Department of Budget and Management  
Department of Agriculture

JOINT CIRCULAR NO. 001.2014

**Implementing Rules and Regulations for Section 288, Subsections (B) and (C)  
of the National Internal Revenue Code, as amended by Republic Act No. 10351**

Pursuant to Sections 8 and 12 of Republic Act No. (RA) 10351 entitled, "An Act Restructuring the Excise Tax on Alcohol and Tobacco Products by amending Sections 141, 142, 143, 144, 145, 8, 131 and 288 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended by Republic Act No. 9334, and for Other Purposes", the following rules and regulations are hereby promulgated to implement certain provisions of the said Act:

**RULE I – Preliminary Provisions**

**SECTION 1. Short Title.** These Rules shall be known and cited as the "Implementing Rules and Regulations of RA 10351".

**SEC. 2. General Purpose.** These Rules are hereby promulgated to ensure the effective implementation of Section 288, Subsections (B) and (C) of the National Internal Revenue Code, as amended by RA 10351, in order to facilitate compliance therewith and to achieve the objectives thereof.

**SEC. 3. Specific Purposes.** These Rules are promulgated to provide guidelines and procedures on:

- 3.1 Computation, allocation, and utilization of the incremental revenues from the excise tax on alcohol and tobacco products for universal health care under the National Health Insurance Program, the attainment of Millennium Development Goals, health awareness programs, medical assistance, and the health enhancement facilities program, the annual requirements of which shall be determined by the Department of Health;
- 3.2 Integration of the revised and expanded uses of the share of local government units (LGUs) producing burley and native tobacco; and
- 3.3 Monitoring and evaluation of performance under and compliance with the Act and these Rules.

**SEC. 4. Interpretation.** These Rules shall be construed and applied in accordance with and in furtherance of the policies and objectives of the National Internal Revenue Code, as amended by RA 10351, with the health purposes of the Act being accorded primary consideration.

In case of doubt, ambiguity, or disagreement in the interpretation of these Rules, the Department of Finance (DOF), in consultation with the Bureau of Internal Revenue (BIR), the Department of Health (DOH), the Department of Budget and Management (DBM), and the Department of Agriculture (DA), shall issue the appropriate clarification.

**SEC. 5. Coverage.** These Rules shall cover the DOF, BIR, Bureau of Customs (BOC), DOH, Philippine Health Insurance Corporation (PhilHealth), DBM, DA, National Tobacco Administration (NTA), LGUs concerned, and all other government agencies involved in the implementation of the Act.

**SEC. 6. Definition of Terms.** For purposes of these Rules, the terms hereunder shall be defined as follows:

- (a) *Act* refers to RA 10351.
- (b) *Civil Society Organizations (CSOs)* refers to non-government organizations (NGOs), people's organizations (POs), cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous peoples movements, foundations, and other citizens' groups which are non-profit and formed primarily for social and economic development, to engage in policy discussions and actively participate in collaborative activities with the government; *Provided*, that any and all entities supported, funded, or assisted in any way by the tobacco and alcohol industries shall not qualify as CSOs for the purposes of these Rules.
- (c) *Congressional Oversight Committee* refers to the Committee created under RA 8240, which is composed of the Chairpersons of the Committees on Ways and Means of the Senate and the House of Representatives and four (4) additional members from each House to be designated by the Senate President and the Speaker of the House of Representatives, respectively, which shall include the Agriculture and Health Committee Chairpersons of both Houses.

- (d) *Family* refers to a group of persons usually living together and composed of the head and other persons related to the head by blood, marriage or adoption. A single person living alone is considered as a separate family. In the inclusion of legal dependents for the sole purpose of availing of benefits under the National Health Insurance Program (NHIP), the pertinent provisions of RA 7875, as amended by RA 9241 and further amended by RA 10606 (the "National Health Insurance Act of 2013"), and other relevant special laws, shall apply.
- (e) *Geographically Isolated and Depressed Area (GIDA)* refers to communities with marginalized populations physically and socio-economically separated from mainstream society, such as island communities, upland communities, hard-to-reach areas, and conflict areas or zones.
- (f) *Government hospitals* refers to hospitals created by virtue of law, which may be under the control and supervision of national government agencies (e.g., DOH, Department of National Defense, Philippine National Police, Department of Justice, etc.), State Universities and Colleges (e.g., University of the Philippines - Philippine General Hospital, etc.), LGUs, government-owned and -controlled corporations (GOCCs), or any other department, division, board or agency of government.
- (g) *Health Enhancement Facilities Program (HEFP)* refers to a performance-based incentive scheme for PhilHealth-accredited government-owned health facilities to increase the number of their patients utilizing PhilHealth as payment for health care expenditures. It is separate and distinct from the Health Facilities Enhancement Program (HFEPP) that provides financial assistance for government-owned health facilities to satisfy licensing and accreditation standards required by the DOH or its attached agencies.
- (h) *Human Resources for Health (HRH) Master Plan* refers to a health workforce plan that contains strategies for the rationalized recruitment, development, retention, and assessment of skilled health professionals and other cadre of HRH in the country.
- (i) *Indigent* refers to a person who has no visible means of income, or whose income is insufficient for the subsistence of his family, as identified by the Department of Social Welfare and Development (DSWD) based on specific criteria set for this purpose in accordance with the guiding principles set forth in Article I of the National Health Insurance Act of 2013.
- (j) *Medical assistance* refers to financial assistance provided as payments for inpatient and outpatient medical expenses over and above existing benefit packages of the NHIP, Philippine Charity Sweepstakes Office (PCSO), Philippine Gaming Corporation (PAGCOR), and the like.
- (k) *Members in the informal economy* refers to workers who are not covered by formal contracts or agreements and whose PhilHealth premium contributions are self-paid or subsidized by another individual in accordance with defined criteria set by PhilHealth. ↗
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- (l) *Millennium Development Goals (MDGs)* refers to the health-related MDGs of reducing malnutrition, specifically reducing the prevalence of underweight children (MDG 1c); reducing child mortality (MDG 4); improving maternal health (MDG 5); and combating HIV/AIDS, Malaria, and other diseases (MDG 6); as contained in the United Nations Millennium Declaration.
- (m) *National Health Insurance Program (NHIP)* refers to the compulsory health insurance program of the government as established in RA 7875, as amended, as further amended by RA 10606, which shall provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines.
- (n) *Service Delivery Network (SDN)* refers to the network of health facilities and providers within the province- or LGU-wide health systems, offering a core package of health care services in an integrated and coordinated manner similar to the local health referral system.
- (o) *Skilled Health Professional* refers to a midwife, doctor, or nurse licensed by the Professional Regulation Commission (PRC).
- (p) *Universal Health Care (UHC) or Kalusugang Pangkalahatan (KP)* refers to a focused approach to health reform implementation with three strategic thrusts: (1) financial risk protection through expansion in NHIP coverage, enrollment, availment, and benefit delivery using national subsidies for the poorest families; (2) improved access to quality care at hospitals and other health facilities through accelerated upgrading of government hospitals and other government-owned health facilities; and (3) focused public health to attain the health-related MDGs, including the prevention and control of communicable and non-communicable diseases, by applying additional effort and resources in localities with high unmet needs or gaps for critical public health services.

## **RULE II – Computation and General Allocation of Incremental Revenue**

**SEC. 1. Computation and General Allocation of Incremental Revenue from RA 10351.** For purposes of determining the allocation for health, as provided under the Act, the following guidelines shall be observed:

- 1.1 The incremental revenue shall be computed as the difference between the total actual excise collections from alcohol and tobacco products for the year under consideration with Reform Implementation under RA 10351, and the Baseline Excise Collections (Without RA 10351) for the same year.

For purposes of this Section, "Baseline Excise Collections (Without RA 10351)" shall be defined as the pertinent excise collections under the 2012 tax structure as provided by RA 9334.

- 1.2 Considering that some LGUs are entitled to a portion of this incremental revenue under RA 7171 and RA 8240, the pertinent local government share under the said laws shall be deducted first from the incremental revenue to determine the net amount earmarked for the UHC.
  - 1.2.1 The 15% share of beneficiary provinces under RA 7171 shall be based on the excise taxes collected from locally-manufactured Virginia-type cigarettes. However, for purposes of determining the allocation for health, the amount to be deducted due to RA 7171 shall be equivalent to 15% of the incremental revenue from the excise taxes collected on locally-manufactured Virginia-type cigarettes under RA 10351.
  - 1.2.2 The amount to be deducted due to RA 8240 shall be equal to 15% of the incremental revenue collected from the excise tax on tobacco products under RA 8240.
- 1.3 After deducting the amounts determined under Section 1.2 above, eighty percent (80%) of the balance of the incremental revenue shall be allocated to the expenditures specified in Rule III hereof, while the remaining twenty percent (20%) shall be allocated to the expenditures specified in Rule IV hereof.
- 1.4 The amounts pertaining to the local government shares in the incremental revenue computed in accordance with this Section shall be allocated to the expenditures specified in Rule V hereof.

**SEC. 2. Bases for Appropriation.** For budget preparation and programming purposes, the computation of the allocation for the LGU shares and for health under the Act shall be as follows:

- 2.1 The LGU shares shall be computed based on the BIR certification endorsed and submitted to the DBM by the DOF of the actual collections for the second year preceding the year of distribution, as provided under the implementing guidelines of RA 7171 and RA 8240, subject to other conditions required by applicable budgeting laws, rules and regulations.
- 2.2 The amount to be allocated for health for the budget year shall be computed based on the DOF's projected incremental revenue for the immediately preceding year net of the projected LGU shares consistent with Section 1.2 of this Rule, as submitted by the DOF to the DBM. Necessary adjustments due to any difference between the projected and actual incremental revenues shall be effected in the succeeding budget year.

**SEC. 3. No lump-sum allocation and post-enactment interference.** The allocation and utilization of funds earmarked under the Act shall not violate or undermine the principle of separation of powers and the non-delegability of legislative power. Any lump-sum allocation or post-enactment measure allowing legislative participation beyond oversight in the utilization of the earmarked funds shall not be permitted. Thus,

only expenditures that are supported by specific appropriation in the General Appropriations Act (GAA) shall be allowed, subject to other conditions required by applicable budgeting, accounting and auditing laws, rules and regulations.

### **RULE III – Allocation for UHC, MDGs, and Health Awareness**

**SEC. 1. *Eighty Percent of the Balance of Incremental Revenue from RA 10351.*** Eighty percent (80%) of the balance of the incremental revenue computed according to Rule II hereof shall be allocated for the universal health care expenditure items as laid out in the succeeding sections of this Rule. Annual funding requirements for universal health care shall be determined and allocated by the DOH and reviewed by the DBM for inclusion in the national budget in accordance with the UHC Medium Term Expenditure Program, as approved by the Development Budget Coordination Committee (DBCC).

**SEC. 2. *Enrollment and Coverage of Indigent Families and Members in the Informal Economy.*** Funds shall be allocated to enroll and continuously cover as members of the NHIP the following:

- 2.1 Indigent families, the list of which shall be provided by the DSWD in coordination with PhilHealth and shall be updated at least once every four (4) years; and
- 2.2 Members in the informal economy from the lowest income segment who qualify under the means test rule or any other appropriate statistical method that may be adopted by the DSWD for this purpose. The list of members in the informal economy from the lowest income segment shall be provided by the DSWD in coordination with PhilHealth and shall be updated at least once every four (4) years.

**SEC. 3. *Strengthening of Preventive Health Programs towards Attainment of MDGs.*** Funds shall be allocated to strengthen preventive health programs and adopt a sustained approach to preventing communicable and non-communicable diseases. Such an approach shall include mechanisms, such as smoking cessation and alcohol abuse clinics, that effectively target risk factors in the incidence of prevalent diseases in the country, support the attainment of national objectives for health, and ultimately effect the attainment of MDGs.

**SEC. 4. *Health Awareness Programs.*** Funds shall be allocated for health promotion and communication processes at the national level, that seek to spread healthy practices and heighten health-seeking behavior in the population, thereby increasing the demand for and availment of high-quality promotive, preventive, curative and rehabilitative health care information and services. Such processes shall target major settings such as schools, workplaces, and communities, and specify the use of mass media and other appropriate means, including interpersonal communication and counseling by health care providers and community volunteers, as well as social mobilization and policy advocacy.

**SEC. 5. *Implementation Research to Support UHC.*** To support and scale up the

implementation of universal health care, funds shall be allocated for research and studies on, among others, determining the national workforce requirement for health care, innovations in health systems and service delivery networks that have proven effective in improving health outcomes, replicating relevant best practices, and monitoring the outcomes of and removing the barriers to implementation.

**RULE IV – Allocation for Medical Assistance and the Health Enhancement Facilities Program**

**SEC. 1. *Twenty Percent of the Balance of Incremental Revenue from RA 10351.*** Twenty percent (20%) of the balance of the incremental revenue computed according to Rule II hereof shall be allocated for medical assistance and the health enhancement facilities program, to be provided through service delivery networks in political and district subdivisions nationwide, as laid out in the succeeding sections of this Rule. Annual funding requirements for medical assistance and the health enhancement facilities program shall be determined by the DOH and reviewed by the DBM for inclusion in the national budget in accordance with the UHC Medium Term Expenditure Program, as approved by the DBCC.

**SEC. 2. *Medical Assistance.*** The DOH shall provide medical assistance to government hospitals, insofar as such assistance is deemed necessary and aligned with quality-of-care standards set by the DOH. The DOH may, upon request, assist government hospitals and LGUs in meeting medical expenses over and above existing benefit packages of the NHIP, PCSO, PAGCOR, and the like.

**SEC. 3. *Financial Assistance for Health Enhancement Facilities Program (HEFP).*** The DOH shall, upon determination of necessity based on credible data provided by the local health office, among others, and subject to appropriate guidelines, provide financial assistance for the continued improvement of government hospitals and government-owned health facilities with at least twenty percent (20%) of their patients utilizing PhilHealth in paying for health care expenditures; *Provided*, that government hospitals and government-owned health facilities in geographically isolated and depressed areas (GIDAs) shall only need to demonstrate that at least ten percent (10%) of their patients utilize PhilHealth in paying for health care expenditures; *Provided further*, that additional funding shall be allocated only upon verification that no less than sixty percent (60%) of previous HFEP or other funding allocations in favor of the concerned LGU have been obligated.

Improvement of government hospitals and government-owned health facilities shall include meeting the needed number of skilled health professionals and supplies, among other health care inputs.

**SEC. 4. *Service Delivery Networks (SDNs).*** The DOH, through the Centers for Health Development (CHDs) and in coordination with the LGUs, shall define and facilitate the establishment of Service Delivery Networks (SDNs) or local health referral systems for the integrated coordinated and efficient provision of health care to specific covered populations. The DOH shall also ensure that all skilled health professionals and other allied health professionals hired within an SDN possess the clinical competencies required to deliver quality health care services provided in their facility.

The SDNs shall be a basis for estimating the requirements for medical assistance and the health enhancement facilities program.

**RULE V – Utilization of Local Government Share**

**SEC. 1. Utilization of the Shares of LGUs.** The funds pertaining to the shares of LGUs shall be utilized as follows:

1.1 Under RA 7171 – Consistent with Section 2 of RA 7171, the shares of LGUs from the excise tax on locally-manufactured Virginia-type cigarettes shall be utilized for the following programs and projects:

- a. Cooperative projects that will enhance better quality of products, increase productivity, guarantee the market and as a whole increase farmers' income;
- b. Livelihood projects particularly the development of alternative farming system to enhance farmers' income;
- c. Agro-industrial projects that will enable tobacco farmers in the Virginia tobacco-producing provinces to be involved in the management and subsequent ownership of these project such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization; and
- d. Infrastructure projects such as farm-to-market roads.

1.2 Under RA 8240 – Consistent with RA 8240, as amended by Section 8(B) of RA 10351, the respective shares of the LGUs producing burley and native tobacco shall be exclusively utilized for programs to promote economically viable alternatives for tobacco farmers and workers, such as:

- a. Programs that will provide inputs, training, and other support for tobacco farmers who shift to the production of agricultural products other than tobacco, including, but not limited to, high-value crops, spices, rice, corn, sugarcane, coconut, livestock and fisheries;
- b. Programs that will provide financial support for tobacco farmers who are displaced or who cease to produce tobacco;
- c. Cooperative programs to assist tobacco farmers in planting alternative crops or implementing other livelihood projects;
- d. Livelihood programs and projects that will promote, enhance, and develop the tourism potential of tobacco-growing provinces;
- e. Infrastructure projects such as farm-to-market roads, schools, hospitals, and rural health facilities; and



- f. Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects, such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization.

**SEC. 2. Assistance from Agencies.** The LGUs concerned shall ensure the feasibility and sustainability of the projects and programs to be funded under the Act and these Rules, and shall monitor them to their completion. In so doing, they can request the assistance of pertinent departments such as, among others, the National Economic and Development Authority (NEDA), the Department of the Interior and Local Government (DILG), the Department of Trade and Industry (DTI), and the DA, as may be necessary.

#### **RULE VI – Duties and Responsibilities of Concerned Agencies**

**SEC. 1. Duties and Responsibilities of the Department of Finance (DOF).** In addition to its other duties that may be found elsewhere in these Rules, the DOF shall:

- (a) Submit to DBM during budget preparation the projected incremental revenues for the year immediately preceding the budget year;
- (b) Receive from the BIR and BOC not later than April 15 of the current fiscal year certification as to the amount of the incremental revenues for the year immediately preceding the current fiscal year allotted for the programs under Section 288, Subsections (B) and (C) of the National Internal Revenue Code, as further amended by the Act; and endorse and submit to the DBM the consolidated certification of the incremental revenues of BIR and BOC not later than April 30; and
- (c) Review with the DBM, as a member of the DBCC, DOH's Medium-Term Expenditure Program, which shall be the basis of DOH's annual allocation for the universal health care, medical assistance, and the HEFP, as provided in Rule III and Rule IV hereof.

**SEC. 2. Duties and Responsibilities of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).** In addition to its other duties that may be found elsewhere in these Rules, the BIR and the BOC shall:

- (a) Collect and compute the amounts pertaining to the incremental revenues allocated under Section 288, Subsections (B) and (C) of the National Internal Revenue Code, as amended by the Act, in accordance with these Rules; and
- (b) Submit to the DOF not later than April 15 of the current fiscal year a certification as to the amount of the incremental revenues allocated under

Section 288, Subsections (B) and (C) of the National Internal Revenue Code, as amended by the Act.

**SEC. 3. Duties and Responsibilities of the Department of Health (DOH).** In addition to its other duties that may be found elsewhere in these Rules, the DOH shall:

- (a) Identify the annual funding requirements for financial risk protection, medical assistance, the HEFP, and other health programs, as provided in Rule III and Rule IV hereof;
- (b) Submit to the DBM the UHC Medium-Term Expenditure Program and in November before the start of a new year (as inputs to the preparation of Forward Estimates) a list of projects and programs to be implemented for UHC, including funding requirements and guidelines for prioritization;
- (c) Develop and issue specific operational guidelines, as may be necessary, and as provided in these Rules, including:
  - (1) Within one hundred and twenty (120) days from the effectivity of these Rules, in coordination with the DBM -- Guidelines for the identification and qualification of health facilities for funding support and for the regular monitoring of fund utilization. The guidelines shall include requiring the submission by beneficiary LGUs of Work and Financial Plans with proposed implementation mechanisms and projected beneficiaries, and periodic reports of accomplishments which shall include objective and verifiable indicators of the progress of work, including, but not limited to, photographs of the facilities being constructed and/or upgraded. To track expenditures in relation to implementation and to monitor the efficiency of fund utilization, the DOH and its attached agencies, in coordination with the DBM, shall adopt an expenditure tracking system.
  - (2) Within one hundred and twenty (120) days from the effectivity of these Rules -- Guidelines and standards for monitoring and evaluating the effectiveness of SDNs in terms of availability of quality health services and products, service utilization, and conduct of health providers, among others.
  - (3) Within one hundred and fifty (150) days from the effectivity of these Rules, in consultation with government hospitals -- Guidelines for the deployment of physicians graduating from residency training programs in government hospitals for in-service training programs in LGU hospitals that require specialists.
  - (4) Within one hundred and twenty (120) days from the effectivity of these Rules, in coordination with LGUs -- Guidelines for the assessment and monitoring of clinical competencies to ensure that all skilled health professionals and other allied health professionals meet the standards for service delivery, including guidelines for determining the baseline competencies of currently engaged skilled health professionals. Skilled

health professionals and other allied health professionals that do not meet the minimum clinical competency standards must complete the required training within one (1) year of the assessment.

- (d) Within one hundred and fifty (150) days from the effectivity of these Rules, in consultation with government hospitals and LGUs, develop an evidence-based Human Resources for Health (HRH) Master Plan that shall include guidelines for determining, attaining, and retaining the ideal number of skilled health professionals and other allied health professionals needed to deliver health care services in a given SDN. The DOH shall annually publish the ideal numbers of skilled health professionals to inform and guide the planning and budgeting process at the national and local levels; and
- (e) By 2016, in coordination with the DOF, conduct and present to the Congressional Oversight Committee a study on the effects and impact of the Universal Health Care Program as funded by this Act. The study shall include the relevant reports and monitoring results under Rule VIII hereof.

**SEC. 4. Duties and Responsibilities of the Philippine Health Insurance Corporation (PhilHealth).** In addition to its other duties that may be found elsewhere in these Rules, PhilHealth shall:

- (a) Coordinate with the DOH, the DSWD, and LGUs to ensure that eligible indigent families and those members in the informal economy from the lowest income segment who qualify under the Means Test rule or any appropriate statistic, as provided in Section 2 Rule III hereof, are enrolled in the NHIP and are cognizant of their eligibility and benefits; and
- (b) Coordinate with the appropriate agencies to align and harmonize the implementation of the National Health Insurance Program with the universal health care program funded under the Act and these Rules.

**SEC. 5. Duties and Responsibilities of the Department of Budget and Management (DBM).** In addition to its other duties that may be found elsewhere in these Rules, the DBM shall:

- (a) Based on the projected incremental revenue as submitted by the DOF in accordance with Section 2 Rule II hereof, program the health earmark as defined under Rule III and Rule IV hereof for inclusion in the National Expenditure Program (NEP) to be submitted to Congress for purposes of providing appropriation cover;
- (b) Require DOH and its attached agencies including PhilHealth to submit reports and financial statements necessary for the release of funds, including, among others, a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292;
- (c) Upon the enactment of the GAA, release to the DOH, and to PhilHealth through the Bureau of the Treasury, the authorized appropriation, subject to

cash programming, budgeting, accounting, auditing and other applicable laws, rules, and regulations;

- (d) Based on the BIR certification endorsed and submitted by the DOF in accordance with Section 2 Rule II hereof, program the LGU shares for inclusion in the NEP to be submitted to Congress for purposes of providing appropriation cover; and
- (e) Upon the enactment of the GAA and based on the NTA certification of volume of production/ trade acceptance endorsed and submitted by the DA, distribute and release the shares of entitled LGUs, subject to the pertinent requirements under Rule VII hereof.

**SEC. 6. Duties and Responsibilities of the Department of Agriculture (DA).** In addition to its other duties that may be found elsewhere in these Rules, the DA, in coordination with the National Tobacco Administration (NTA), shall:

- (a) Within one hundred and twenty (120) days from the effectivity of these Rules, in coordination with the DBM, issue guidelines identifying eligible and specific programs/projects in accordance with Rule V hereof and with any network plan required under the General Appropriations Act or any other relevant plan or program of the DA. Such guidelines shall require, among others, the submission by beneficiary LGUs of Work and Financial Plans as a funding requirement and quarterly reports on the status of projects/accomplishments, which plans and reports shall include objective and verifiable indicators, including, but not limited to, the Global Positioning System (GPS) coordinates of intended and actual project sites and photographs of the works being constructed and/or upgraded;
- (b) Implement an efficient system of documentation and reporting of tobacco production (in kilograms) based on the record of acceptances by tobacco trading centers and other NTA-licensed tobacco buyers in the beneficiary LGUs;
- (c) Endorse and submit to the DBM no later than April 15 of the current fiscal year, copy furnished the LGUs concerned, a NTA-certified list of beneficiary tobacco-producing LGUs and their corresponding volume of production (in kilograms) for the second year preceding the year of distribution to serve as basis for determining the respective shares of beneficiary LGUs; and
- (d) Regularly update the registry of tobacco farmers and post the same in the DA and NTA websites.

**SEC. 7. Duties and Responsibilities of Concerned Local Government Units (LGUs).** In addition to its other duties that may be found elsewhere in these Rules, each concerned LGU shall:

- (a) Upon receipt of the DBM local budget memorandum (LBM) under Section 3(b) Rule VII hereof, submit to the DBM Central Office through its Regional

Offices the Work and Financial Plans containing the list of projects and programs to be implemented, together with the proposed implementation mechanisms and projected beneficiaries, not later than fifteen (15) days after the issuance of the LBM;

- (b) Record the receipts and disbursements of funds to properly account the expenditure and the utilization of funds received by them;
- (c) Submit to the DOF and the DBM through the latter's Regional Offices a quarterly report on fund utilization and the status of projects/accomplishments, and publish these reports in the LGU website, subject to these Rules and other applicable guidelines; and
- (d) Implement the projects and programs and utilize its shares, observing applicable budgeting, accounting and auditing laws, rules and regulations.

#### **RULE VII – Release of Funds**

**SEC. 1. *Timely Release of Allocations.*** The shares in the incremental revenue pertaining to health and to the beneficiary local governments, computed according to Rule II hereof, shall be released in a timely and prompt manner, subject to the requirements of these Rules and other applicable laws, rules, and regulations.

**SEC. 2. *Release of Funds Earmarked for Health.*** The DBM shall:

- (a) Release to DOH, and to PhilHealth through the Bureau of the Treasury, the appropriated amounts for the implementation of universal health care, medical assistance, and the HEFP, as provided in Rule III and Rule IV hereof; and
- (b) Require the DOH and PhilHealth to submit budget execution documents and budget accountability reports pursuant to COA-DBM Joint Circular No. 2013-1 (March 15, 2013) and other applicable laws and rules.

**SEC. 3. *Release of LGU Shares.*** The DBM shall:

- (a) Based on the NTA certification of volume of production/ trade acceptance endorsed and submitted by the DA, compute, allocate and distribute the individual shares of entitled LGUs;
- (b) Issue a local budget memorandum (LBM) informing the entitled LGUs of their respective shares and directing the submission by them of Work and Financial Plans containing the list of programs and projects in accordance with Rule V and consistent with Section 6(a) Rule VI hereof; *Provided*, that the said Plans shall serve as basis and necessary condition for the release of shares to the LGUs; and

- (c) Release the shares of the entitled LGUs, subject to cash programming, budgeting, accounting and auditing and other applicable laws, rules, and regulations.

**RULE VIII – Reporting and Monitoring of Performance and Compliance**

**SEC. 1. Annual Report.** The DBM, DA, DOH, and PhilHealth shall each submit to the Oversight Committee created under Republic Act No. 8240, an appropriate detailed report on the expenditure and utilization of the amounts earmarked under RA 10351 in the first week of August of every year. The reports shall be simultaneously published in the Official Gazette and in the agencies' websites.

**SEC. 2. Report on LGU Fund Utilization and Project Status.** The beneficiary LGUs shall prepare quarterly reports on fund utilization and the status of projects/ accomplishments, which reports shall be posted in the LGUs' websites and in at least three (3) conspicuous public places in the locality for transparency and accountability and in compliance with the Full Disclosure Policy of the DILG. These reports shall be consolidated into an annual report to be submitted by each beneficiary LGU to the Oversight Committee created under Republic Act No. 8240 in the first week of August of every year.

**SEC. 3. Monitoring and Impact Assessment of LGU Fund Utilization.** The DA, in coordination with the NTA, shall institutionalize a mechanism to monitor the utilization and measure the impact of the fund allocation to entitled LGUs in terms of benefits derived in accomplishing the purposes set out in RA 7171 and RA 8240, as amended by the Act.

**SEC. 4. Performance Monitoring through the Benefit Delivery Rate (BDR) Approach.** The DOH and PhilHealth shall institutionalize performance monitoring measures such as the Benefit Delivery Rate (BDR) approach, among others, to measure the progress of Universal Health Care implementation and improve access to and availment of health services. In this regard, the DOH, in consultation with PhilHealth, shall review related policy issuances such as DOH Department Order No. 2010-0156 for consistency with these Rules. The performance monitoring undertaken by the DOH and PhilHealth through the BDR approach shall be assessed and validated by a third party.

**SEC. 5. Monitoring of Consumption of Tobacco and Alcohol.** Within sixty (60) days after the effectivity of these Rules, the DOH shall formulate and implement a unified framework to regularly monitor the consumption of tobacco and alcohol products. This unified framework shall consider current monitoring mechanisms such as, among others:

- (a) Demographic health survey questions on tobacco- and alcohol-related behaviors;
- (b) Applicable components of the Global Tobacco Surveillance System (GTSS);

- (c) Income and expenditure survey questions on tobacco- and alcohol-related spending; and
- (d) Estimates of consumption based on household expenditures and product unit prices.

**SEC. 6. *Participation of Civil Society Organizations.*** Towards a more comprehensive and inclusive implementation of the Act, the DOF, DOH, DA, and DBM shall recognize the participation and assistance of CSOs in promoting and monitoring compliance with the Act and these Rules.

#### **RULE IX – Final Provisions**

**SEC. 1. *Liability for Non-compliance.*** Failure of concerned government agencies to comply with any of the provisions of these Rules shall constitute grounds for disciplinary action against the officers responsible, in accordance with pertinent provisions of Book V Title I Subtitle A of Executive Order No. 292 or the Administrative Code of 1987.

**SEC. 2. *Amendment.*** These Rules or any portion hereof may be amended by the Secretary of Finance upon recommendation by the Commissioner of Internal Revenue and in consultation with the DOH, the DBM, and the DA.


**SEC. 3. *Repealing Clause.*** All orders, rules, regulations, memoranda, circulars, resolutions, and other issuances contrary to or inconsistent with the provisions of RA 10351 and these Rules are hereby repealed or modified accordingly.

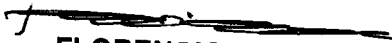
**SEC. 4. *Separability Clause.*** If any part or provision of these Rules is held invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

**SEC. 5. *Effectivity Clause.*** These Rules shall take effect upon its publication in a newspaper of general circulation.


APPROVED: JANUARY 30, 2014

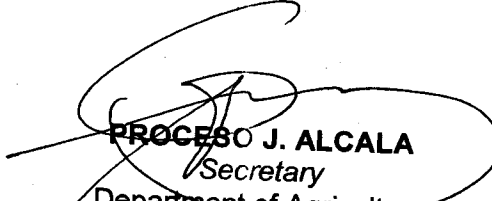
  
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