

Republic of the Philippines
HOUSE OF REPRESENTATIVES
QUEZON City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 5993



Introduced by **Representative ARTHUR C. YAP**

EXPLANATORY NOTE

This proposed measure seeks to bring Effectiveness and Efficiency to the management of public finances.

Effectiveness is doing something with impact and efficiency is doing something well. The first order task of budgeting is coming up with an annual budget and ensuring that it is fully implemented. If you cannot implement an annual plan of expenditure—an annual budget—then multi-year plans have little meaning. Making efficient the systems needed to fully implement the annual budget is ensuring it is effective in financial management.

The objective of this reform is to strengthen the *management* of public finances. The current system has adequate *control* in place but the reforms that will be introduced here will allow the government to now focus on *management*. The foundation of the reform is an annual cash based appropriation with performance measured in terms of cash disbursed (outturn) not obligation as is the current practice.

Obligations are intentions, cash disbursement is action and tangible proof that the policies of the government are being implemented. An annual cash appropriation will put the fundamentals of Public Financial Management (PFM) in place—an annual budget that is promptly funded, implemented and accounted for. An annual cash appropriation will strengthen a key weakness of the current system—*discipline*. Discipline is the crucial link between control and management. Financial discipline requires that controls be efficient which in turn will allow senior officials to focus on how best to manage the delivery of goods and services rather than being focused on internal administration. Managers need to manage. Building better management of public resources is urgently needed to meet the government's very ambitious policies: doubling of infrastructure spending, ramping up of social sector spending, and strengthening decentralization. In summary, the performance of the current financial system is not up to delivering these policies and is not acceptable.

The Philippines is in the enviable position of having effective macroeconomic management and good prospects for growth. Public finances are adequately controlled and cash is available to fully fund the annual appropriation. Budget execution by national government agencies, however, is poor and if not rapidly and significantly improved, the government policy of doubling infrastructure spending and increasing social sector spending will not be achieved. The PFM reform proposed will focus on strengthening the management of the budget which will require streamlining of controls. The urgency of improving budget execution requires not only the introduction of a new organization, through the Office of Comptroller General, but it also requires a hard look at the lessons learned in previous and on-going reforms so that the "*how it is done*" can be fast-tracked.

Office of the Comptroller General. The Budget Reform Bill (BRB) will establish a new central finance agency—the Office of the Comptroller General (OCG) under the Office of the President. The OCG will have 4 key roles under the reformed system as follows:

- a. *Appropriation Accounting.* The OCG will prepare quarterly outturn reports by NGAs and their programs and by other categories as needed. The OCG will submit in-year and end-of-year outturn reports to Congress, DBM, BTr and COA.
- b. *Setting Standards.* OCG will be responsible for ensuring internal control by NGAs. It will set standards for internal control including internal audit and inspection. It will also set standards for NGA accounting and reporting in consultation with COA.
- c. *Consolidating Financial Reports.* The OCG will ensure that NGAs promptly and accurately prepare their financial statements and will prepare the consolidated financial statement of government and submit to Congress, DBM, BTr and COA.
- d. *Oversight.* The OCG will ensure that NGAs exercise prudent financial control.
- e. *Ownership of BTMS.* The OCG will own the Budget Treasury Management System (BTMS).

Reforming a government is difficult and reforming public financial management is especially difficult and lengthy. With a clear focus and strong commitment, this reform can be implemented and will have significant impact now.

In view of the foregoing, immediate passage of this bill is earnestly sought.


ARTHUR C. YAP

Republic of the Philippines
House of Representatives
Quezon City

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 5993

Introduced by Rep. ARTHUR C. YAP

"AN ACT TO REFORM THE BUDGET PROCESS BY ENFORCING GREATER ACCOUNTABILITY IN PUBLIC FINANCIAL MANAGEMENT (PFM), PROMOTING FISCAL SUSTAINABILITY, STRENGTHENING CONGRESS' POWER OF THE PURSE, INSTITUTING AN INTEGRATED PFM SYSTEM, AND INCREASING BUDGET TRANSPARENCY AND PARTICIPATION, AND FOR OTHER PURPOSES."

**PART I
PRELIMINARY PROVISIONS**

Section 1. *Short Title.* – This Act shall be known as the "Budget Reform Act of 2017."

Section 2. *Declaration of Policy and Objectives.* – It is hereby declared the policy of the State to ensure accountability and integrity in the use of public resources by ensuring transparency, fiscal responsibility, results-orientation, efficiency, and effectiveness. This shall be upheld through the establishment of an integrated system of planning, budgeting, management, internal control, accounting, reporting and review of public finances. In light of these requirements, the State shall pursue the following specific objectives:

- (a) To enforce the power of Congress to authorize all appropriations and hold government accountable in the use of public resources, as well as the responsibility of all government agencies to propose, execute and deliver committed results in the appropriations acts in a timely, predictable, and economic manner;
- (b) To promote people's empowerment in the management of public resources by enforcing their right to access information on, and to contribute in the formulation and implementation of, the financial affairs of the government; and
- (c) To strengthen the integration of planning, budgeting, and performance management and ensure ample safeguards in managing public finances, including through internal controls, accounting, reporting, and risk management.

Section 3. *Scope and Coverage.* – The provisions of this Act shall apply to the management of revenues, expenditures, financing arrangements, and assets and liabilities of national government agencies (NGAs), government-owned or -controlled corporations (GOCCs), and local government units (LGUs) to the extent provided herein.

Section 4. *Definition of Terms.* – The following terms when used in this Act and the implementing rules and regulations (IRR) shall be understood, as follows:

- (a) ***Allotment*** refers to the authorization issued by the Department of Budget and Management (DBM) for releases needing clearance in order for NGAs, GOCCs, or LGUs to incur contractual commitments and disburse funds up to a certain amount, for a specified public purpose, and within a specified period of time, in accordance with the Appropriations Law;

- (b) **Appropriations Law** refers to the legislative authorization for the contractual commitments incurred by NGAs, GOCCs, or LGUs and actual disbursement of Public Funds for specific public purposes covering a specified period of time. This may refer to either a general or special appropriations law;
- (c) **Cabinet** refers to the Executive Secretary and the Secretaries of the Departments under the Executive Branch;
- (d) **Extended Payment Period** refers to the three month period in the following fiscal year when payments can be processed and disbursed for goods and services received by the end of the previous year and such payment shall be chargeable against the Appropriations Law of the previous fiscal year;
- (e) **Fiscal Year** refers to a period of twelve months commencing on January 1 until December 31;
- (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;
- (g) **Government-Owned or -Controlled Corporations** refer to agencies with corporate powers, whether or not organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. This includes Government Financial Institutions, government corporate instrumentalities and related corporations;
- (h) **Government Financial Institutions** refer to financial institutions in which the government directly or indirectly owns the majority of the capital stock and which are either: (i) registered with, or directly supervised by, the *Bangko Sentral ng Pilipinas (BSP)*; or (ii) authorized to collect or transact funds or contributions from the public and place them in financial instruments or assets such as deposits, loans, bonds and equity;
- (i) **Head of Agency** refers to the head of the department or agency in the case of NGAs, the Board of Directors or Trustees in the case of GOCCs as well as certain agencies which are structured as such, and the local chief executive in the case of LGUs;
- (j) **Internal Audit** is an independent and objective assurance in NGAs, GOCCs and LGUs which is designed to add value, improve operations and accomplish objectives by bringing in a systematic and disciplined approach to evaluate the effectiveness of risk management, control and governance processes;
- (k) **Local Government Units** refer to provinces, cities, municipalities, and barangays, as well as autonomous regions authorized to be created in the Constitution;
- (l) **National Government Agencies** refer to units of the national government, as distinguished from GOCCs and LGUs, which include any of the departments, bureaus, offices or instrumentalities of the Executive, Judicial and Legislative branches of government, as well as the Constitutional Commissions, and the Office of the Ombudsman;
- (m) **Program/Activity/Project** refers to an item of appropriation in the GAA which refer to any of the following:
Program – an integrated group of activities that contributes to an agency’s continuing objective. These are grouped under 3 main cost structures: General Administration and Support, Support to Operations, and Operations.

Activity – is a work process that contributes to the fulfillment of a program, sub-program or project.

Project – is a special agency undertaking within a definite timeframe and which is designed to produce pre-determined goods or services;

- 1
2 (n) **Proposed National Budget** refers to a financial plan of annual revenue and expenditures
3 to be submitted by the President to Congress that reflect national policies;
4
5 (o) **Public Officials** refer to elective and appointive officials and employees, in a permanent
6 or temporary capacity, whether in the career or non-career service, including military and
7 uniformed personnel, regardless of the rank, form or amount of compensation;
8
9 (p) **Public Funds** refer to the monies of all Government Agencies received, collected,
10 receivable from taxes, fees, charges, penalties, income, dividends, interest earnings,
11 domestic loan proceeds, external loans and grants, proceeds from the sale of assets, that
12 the Government has a legal right to retain and use and shall not include any money
13 received in error;
14
15 (q) **Subsidiary** refers to a corporation where at least a majority of the outstanding capital
16 stock is owned or controlled, directly or indirectly and through one or more intermediaries,
17 by a GOCC; and
18
19 (r) **Treasury Single Account (TSA)** refers to the account maintained by the Bureau of the
20 Treasury with the BSP or agent bank for a unified structure of government bank accounts
21 to enable consolidation and optimum utilization of government cash resources.
22

23 In this Act, the singular may be read as the plural and the plural may be read as the singular,
24 as the context requires.
25

PART II
ADDITIONAL ROLES AND RESPONSIBILITIES

Section 5. Congress. – The Congress shall, in addition to its powers under the Constitution and existing laws, perform the following:

- (a) Monitor and review government performance against the requirements of appropriations and related laws, and hold Government Agencies accountable for their financial and non-financial performance;
- (b) Review reports on planned and actual performance, including the Statement of Fiscal Policy, the Medium Term Fiscal Strategy, fiscal reports, annual plans of government agencies, periodic and annual reports on government performance and performance of government agencies; and
- (c) Consider the consolidated annual financial statements of government prepared by the Office of the Comptroller General (OCG) and the audited government agency reports by the COA.

Congress shall undertake the foregoing through any of its existing committees, support offices or one created for the purpose to strengthen the oversight role of Congress.

Section 6. President. – The President shall, in addition to his/her powers under the Constitution and existing laws, perform the following:

- (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for submission to Congress;
- (b) Approve the Budget Priorities Framework to identify the priority areas for government spending and guide the budget preparation exercise; and
- (c) Authorize changes in the functional, operational and organizational structure within and among the DBM, Department of Finance (DOF), and National Economic and Development Authority (NEDA), as may be necessary, to ensure the effective implementation of this Act.

Section 7. Office of the Comptroller General. – To enhance the management of public finances, there is hereby created an OCG under the supervision and control of the Office of the President (OP) which shall perform the following functions:

- (a) Monitor the performance of the annual cash appropriations of NGAs in terms of in-year and end-of-year appropriation reports that compare disbursements to appropriations;
- (b) Formulate measures on effective internal controls including internal audit, for the implementation by Heads of Government Agencies, to ensure the integrity, accuracy, completeness, and reliability of government financial and management systems;
- (c) Oversee the operation of an integrated internal control framework across Government Agencies;
- (d) Oversee the implementation of, and Government Agencies' compliance with, accounting and auditing rules and regulations promulgated by the COA;
- (e) Oversee and manage the financial reporting of Government Agencies, including (1) to monitor the periodic and annual management and financial accounts with regard to accuracy, timeliness, completeness, and compliance with this Act, standards, rules and regulations; and (2) to consolidate the financial reports for submission to the President, Congress, and COA;
- (f) Oversee the operationalization of an integrated financial management information system;

- 1
2 (g) Formulate competency-based human resource policies for positions in PFM and oversee
3 the capacity development requirements on PFM formulated by the OCG and other
4 agencies;
5
6 (h) Coordinate with counterpart agency officials to ensure compliance with the foregoing
7 functions; and
8
9 (i) Perform such other functions as may be necessary to properly implement the provisions
10 under this Section.
11

12 The OCG shall be headed by the Comptroller General who shall be of the same rank as a
13 Secretary, and with the structure and staff complement as may be approved by the DBM. The
14 Heads of Government Agencies shall designate a Comptroller in their respective offices to
15 oversee the implementation of the above-mentioned functions at the agency level in coordination
16 with the Comptroller General.
17

18 **Section 8. Commission on Audit.** – The COA shall, in addition to its powers under the
19 Constitution and existing laws, coordinate with the OCG for the proper enforcement of timely
20 accounting and reporting of public finances.
21

22 **Section 9. Department of Budget and Management.** – The DBM shall, in addition to its
23 mandates and functions under existing laws, perform the following:
24

- 25 (a) Prepare, in coordination with the agencies concerned, DOF, NEDA and OP in the
26 Development Budget Coordination Committee (DBCC), the Statement of Fiscal Policy, the
27 Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Mid-year and
28 Annual Fiscal Reports as required in this Act;
29
30 (b) Monitor and evaluate the financial and non-financial performance of NGAs;
31
32 (c) Evaluate and review the financial and non-financial performance of GOCCs with special
33 laws and charters, in coordination with the DOF and the Governance Commission for
34 GOCCs (GCG), and approve the annual corporate operating budgets (COBs) of the
35 GOCCs;
36
37 (d) Monitor and review, together with the Bureau of Local Government Finance (BLGF) under
38 the DOF and Department of the Interior and Local Government (DILG), the financial and
39 non-financial performance of LGUs; and
40
41 (e) Assess, together with the BLGF under the DOF and DILG, the PFM systems of LGUs and
42 assist them in designing and implementing PFM improvement measures.
43

44 To ensure the effective formulation and execution of fiscal policies, the Secretary of Budget
45 and Management shall lead the DBCC, with the Secretary of Finance, the Director General of the
46 NEDA Secretariat and a representative from the OP as members, and the Governor of the BSP
47 as resource person.
48

49 **Section 10. Department of Finance.** – The DOF shall, in addition to its mandates and functions
50 under existing laws, perform the following:
51

- 52 (a) Monitor and manage fiscal risks to the government, including those from public-private
53 partnerships;
54
55 (b) Compile and publish government fiscal statistics in accordance with international
56 standards; and
57
58 (c) Formulate policies and standards for the acquisition and management of fixed assets by
59 NGAs.
60

1 The Bureau of the Treasury (BTr) shall, in addition to its mandates and functions under existing
2 laws, perform the following:

- 3
- 4 (a) Manage the TSA maintained at the BSP or an agent bank, with the prior approval of the
5 Secretary of Finance;
- 6
- 7 (b) Put in place arrangements for the execution of duly authorized payments from the TSA,
8 which may include the appointment of banks to operate as agents of the National
9 Government with the prior approval of the Secretary of Finance;
- 10
- 11 (c) Manage the financial assets and liabilities of the government, including: (i) banking
12 arrangements for, and bank accounts of, the government; (ii) hedging and other risk
13 management activities associated with debt management, cash management and
14 financial investment; (iii) appointment of dealers, assets managers and other agents to
15 support debt, cash and investment management activities; (iv) maintenance of an
16 accurate record of the stock and flow of financial assets and liabilities; (v) tracking and
17 reporting on fiscal risks related to the management of financial assets and liabilities; and
18 (vi) preparation of in-year disbursement reports based on the TSA for submission to the
19 OCG.
- 20
- 21 (d) Issue instructions on the management and recording of financial assets and liabilities of
22 the government;
- 23
- 24 (e) Authorize the opening and closing of bank accounts of NGAs;
- 25
- 26 (f) Assist the NGAs in providing credible cash forecast for timely and accurate cash
27 programming;
- 28
- 29 (g) Administer the release of cash requirements covering all types of transfers to LGUs; and
- 30
- 31 (h) Establish and maintain a consolidated registry of fixed assets of the National Government.
- 32

33 **Section 11. National Economic and Development Authority.** – The NEDA shall, in addition to
34 its mandates and functions under existing laws, perform the following:

- 35
- 36 (a) Coordinate with the Regional Development Councils (RDCs), on the formulation of
37 regional development plans and policies that are consistent with the established national
38 priorities;
- 39
- 40 (b) Coordinate the formulation and implementation of an annual and medium-term public
41 investment program consistent with the approved Medium-term Fiscal Strategy and in the
42 context of the preparation of the National Budget;
- 43
- 44 (c) Set standards for Government Agencies in proposing, assessing, monitoring and
45 evaluating development policies, plans and projects including those financed by grants
46 and concessional loans; and
- 47
- 48 (d) Assist and support the capacity building of RDCs and LGUs in development planning and
49 investment programming.
- 50

51 **Section 12. Heads of Government Agencies.** – The heads of NGAs, GOCCs and LGUs shall,
52 in addition to responsibilities provided under existing laws, be responsible for the following:

- 53
- 54 (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could
55 impact on the finances of the government;
- 56
- 57 (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget
58 Priorities Framework, and the Proposed National Budget as required by the DBM;
- 59

- 1 (c) Manage their respective agencies, including GOCCs, and other resources placed under
2 their supervision, in an efficient, effective and economic manner in order to deliver the
3 outputs and attain the outcomes set in their respective budgets;
4
5 (d) Monitor the physical and financial implementation of their programs, activities and
6 projects;
7
8 (e) Take appropriate measures to ensure that cash disbursements and contractual
9 commitments do not exceed the amounts appropriated in their respective budgets;
10
11 (f) Ensure that their respective agencies settles all contractual commitments or approves
12 payment thereon within the time prescribed by law;
13
14 (g) Institute effective and efficient management systems, procedure and practices for assets,
15 liabilities, and personnel, including internal controls, risk management, and performance
16 review;
17
18 (h) Demonstrate that due regard has been taken on the recommendations provided in internal
19 and external audit evaluation reports, to the extent authorized in their respective budgets;
20
21 (i) Provide credible cash forecast for timely and accurate cash programming; and
22
23 (j) Provide accounting and reporting of public finances through the integrated financial
24 management information system and/or other preparatory online information systems as
25 required in this Act.
26

27 **Section 13. Capacity Development Requirements on Public Financial Management.** – The
28 foregoing agencies shall continue to formulate capacity development requirements on PFM and
29 conduct trainings on the same. In this regard, the OCG shall oversee the formulation of the said
30 capacity development requirements to ensure alignment of the objectives.
31
32

33 PART III 34 FISCAL RESPONSIBILITY 35

36 **Section 14. Fiscal Responsibility Principles.** – The State shall pursue its policy objectives in
37 accordance with the following Fiscal Responsibility Principles:
38

- 39 (a) Implement fiscal policies and strategies consistent with the achievement of
40 macroeconomic stability and inclusive economic development;
41
42 (b) Manage resources in a fiscally and environmentally sustainable way;
43
44 (c) Maintain prudent levels of public debt;
45
46 (d) Maintain an appropriate balance between government revenues and expenditures; and
47
48 (e) Manage fiscal risks in a prudent manner.
49

50 **Section 15. Statement of Fiscal Policy.** – The DBM, in coordination with DOF, NEDA and OP in
51 the DBCC, shall prepare, subject to the approval of the President, the Statement of Fiscal Policy
52 which shall contain measurable medium-term macroeconomic and fiscal objectives and forecasts
53 consistent with the Fiscal Responsibility Principles and the Long-Term Vision Report.
54

1 The President shall submit for information of Congress, the Statement of Fiscal Policy not later
2 than ninety (90) days upon commencement of his/her term of office and update the measurable
3 fiscal objectives set forth therein three (3) years thereafter.

4
5 **Section 16. *Medium-term Fiscal Strategy.***— The DBM, in coordination with the DOF, NEDA, and
6 OP in the DBCC, shall prepare, subject to approval of the President, a Medium-term Fiscal
7 Strategy and its annual updates. The Strategy and its updates shall be consistent with the
8 approved Statement of Fiscal Policy and Long-Term Vision Report. It shall include a summary of
9 the fiscal policies for revenue, debt, deficit, expenditure, and fiscal risk management, supported
10 by a medium-term fiscal sustainability analysis, consistent with the measurable fiscal objectives
11 established in the approved Statement of Fiscal Policy. The IRR of this Act shall detail the other
12 specifications for the Medium-term Fiscal Strategy and its updates.

13
14 The President shall submit for the information of Congress, the Medium-term Fiscal Strategy
15 for the following fiscal year not later than March 15 of the current year and shall publish the said
16 report on a government website not later than seven (7) days after it is submitted to Congress.

17
18 **Section 17. *Fiscal Reports.*** – The DBM, in coordination with the DOF, NEDA, and OP in the
19 DBCC, shall produce a Mid-year Fiscal Report (MFR), covering the first half of the current fiscal
20 year and an Annual Fiscal Report (AFR) on the government's macroeconomic and fiscal
21 performance covering the preceding fiscal year.

22
23 The MFR and AFR shall include information on macroeconomic and fiscal outturns for the
24 period covered as compared against forecasts and objectives stated in the Medium-term Fiscal
25 Strategy; as well as reporting on budget execution, at least in the aggregate and by agency level,
26 compared against approved appropriations and other spending authorities. The IRR of this Act
27 shall detail the other specifications for the contents of the MFR and AFR.

28
29 The President shall submit the MFR to Congress not later than September 30 of each year
30 while the AFR shall be submitted together with the Proposed National Budget. Said reports shall
31 be published on a government website not later than seven (7) days after they are submitted to
32 Congress.

33
34 **Section 18. *Long-term Vision Report.*** – The NEDA, in coordination with the DOF, DBM and
35 OP in the DBCC, shall submit a Long-term Vision Report to the President and Cabinet, and
36 Congress not later than October 31 and November 30, respectively. Said Report shall assess
37 the long-term sustainability of existing government policies over the next twenty-five (25) years,
38 taking into account demographic, environmental, and other changes.

39
40 The first Long-term Vision Report shall be submitted to the President and Cabinet, and
41 Congress within two (2) years from the effectivity of this Act, to be updated every six (6) years
42 thereafter.

43 The NEDA shall cause the publication of the Long-term Vision Report on a government
44 website not later than seven (7) days upon submission to Congress.

45 **Section 19. *Deviations from Fiscal Objectives.*** – The government may deviate from the
46 medium-term fiscal objectives in the approved Statement of Fiscal Policy on a temporary basis,
47 where such deviation is due to a major natural disaster, unanticipated severe economic shock, or
48 other significant unforeseeable event that cannot be accommodated through accessing the
49 Contingent Fund and/or the National Disaster Risk Reduction and Management Fund, as may be
50 applicable or prudent fiscal policy adjustments, or the use of other flexibilities provided in this Act.

51
52 The President shall submit a report to the Congress, stating the reasons for any such
53 deviations, the plans and the expected time to address such deviations, as part of the succeeding
54 Medium-term Fiscal Strategy or its annual update, or in the Mid-year or Annual Fiscal Report,
55 whichever is the next report due and within the prescribed period under this Act.

56 **Section 20. *Shared Fiscal Discipline.*** – All proposed revenue eroding and expenditure bills shall
57 include a Financial and Budgetary Information Sheet upon filing of the bill containing an estimate
58 of the financial and budgetary implications of said proposal for the initial year of implementation
59 and the next five (5) years. Expenditure bills refer to those which will result in a reduction of

1 revenue collections or an increase in national government expenditures, including those
2 mandating the creation of recurring expenditures.

3 Each House of Congress shall provide guidelines prescribing the form, content of
4 the Financial and Budgetary Information Sheet, as well as the appropriate offices from which such
5 information shall be acquired, and the implications of non-compliance with said submission.

6 **PART IV**
7 **BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT**
8

9 **Section 21. Governing Principles in Budget Preparation.** – There is hereby established a set
10 of governing principles to be observed by the NGAs, GOCCs, and LGUs in the preparation of
11 their annual budget proposals, and by the DBM in the preparation, and the presentation to
12 Congress, of the Proposed National Budget:

- 13
14 (a) Cash-based estimates shall be adopted in the proposed general and special
15 appropriations bills to promote faster and more effective delivery of services;
16
17 (b) The overall expenditure program of the government for a given fiscal year shall be
18 included, identifying those requiring approval by Congress and those authorized under
19 existing laws;
20
21 (c) All sources of funds and authorized uses available to the agency shall be considered in
22 the evaluation of agency proposals and determination of agency budget levels, and shall
23 likewise be disclosed in the Proposed National Budget and reports;
24
25 (d) Evaluation of agency proposals may include the analysis of a development plan, master
26 plan or road map, agency capability as demonstrated by previous years' performance, its
27 contribution to projects and activities of other agencies, utilization of funds appropriated
28 or released, and such other criteria as may be determined by the DBM. The performance
29 shall be evaluated based on the actual disbursements and contractual commitments as
30 compared to the appropriations;
31
32 (e) All appropriations shall be valid for one fiscal year i.e., from the effectivity of the
33 appropriations act until the end of the fiscal year concerned with no provision for carryover,
34 except for a three month Extended Payment Period in the following fiscal year to allow
35 agencies to settle payments for goods and services delivered during the previous fiscal
36 year;
37
38 (f) Items of appropriations shall be presented in such a way as to identify both the entity
39 responsible for the expenditure and the intended results from the use of the appropriation
40 in order to evaluate the performance of the agency;
41
42 (g) Both the financial and non-financial performance of agencies shall be presented in the
43 Proposed National Budget and the General Appropriations Act to ensure a performance-
44 informed budget; and
45
46 (h) Items of appropriations shall be reflected by department, agencies, bureaus, and offices,
47 and shall be presented for information purposes, by region and province, and eventually,
48 by city or municipality.
49

50 **Section 22. Planning-Budgeting Linkage.** – Development strategies identified in the Philippine
51 Development Plan (PDP) shall be a primary consideration in the formulation of the budget
52 priorities framework. These shall also be the basis for drawing up strategic and prioritized
53 programs and projects in the multi-year public investment program, which in turn will be
54 considered in the formulation of the annual agency budgets that conform to the annual budget
55 ceilings approved by the President.

56
57 The implementation of programs and projects funded under the annual agency budgets shall
58 be monitored to ensure economy, efficiency, and effectiveness in the use of public funds.
59 Monitoring and evaluation of these projects shall cover, among others, the planned and actual

performance of agencies, citing reasons for deviation and/or poor absorptive capacities. The results of the project evaluation shall inform the assessment of subsequent plans and budget proposals of agencies.

Section 23. Budget Priorities Framework. – The DBM, in coordination with the DOF, NEDA and OP in the DBCC, shall present to the President and Cabinet, on or before April of each year, a Budget Priorities Framework which shall guide the formulation of the Budget for the following year by containing the medium-term fiscal strategy and targets underlying the budget; the priority areas for government spending reflected in the PDP, estimated amount and planned allocation of the fiscal space; and other requirements laid down in the IRR.

Section 24. The Budget Preparation Process. – The DBM shall determine the budget preparation process and calendar. The budget preparation process shall cover: (i) NGAs; (ii) GOCCs with respect to their impact on revenues, expenditures, assets, and liabilities and risks of the government; and (iii) LGUs as to their impact on revenues and expenditures of the government.

Section 25. The Proposed National Budget. – The President shall submit to Congress, not later than thirty (30) days from the fourth Monday of July of every year, the Proposed National Budget, which shall be the basis of the General Appropriations Bill.

The President shall determine the form and content of the Proposed National Budget which shall include, but not limited, to the following:

- (a) President's Budget Message –provides a preview of the Proposed National Budget, explaining the principles, objectives and policy framework adopted and the spending priorities for the fiscal year;
- (b) Budget of Expenditures and Sources of Financing (BESF) –contains the macroeconomic parameters; dimensions of three-year (3-year) expenditure program, revenues, financing, and outstanding debt; overview of the financial positions of GOCCs, LGUs, and public-private partnership projects, as well as the other items listed in the IRR;
- (c) National Expenditure Program (NEP) – includes the strategic objectives, details of the three-year (3-year) expenditure program, performance information, such as key strategies, outputs and outcomes for agencies in relation to their budgets, and staffing summary;
- (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that the national government faces, including those from the contingent liabilities of Government Agencies and other items listed in the IRR.

As required under Section 17 of this Act, the President shall likewise submit for consideration of Congress, the Annual Fiscal Report for the preceding fiscal year not later than the abovementioned date, and the Mid-year Fiscal Report for the current year not later than September 30 of every year.

Congress may not increase the appropriations recommended by the President for the operations of government as specified in the Proposed National Budget.

The President shall publish the Proposed National Budget on a Government website on the same day as it is presented to Congress.

Section 26. Program Classification. – The Proposed National Budget shall adopt a structure based on a program classification that groups line items under the objectives or outcomes to which they contribute to. Performance information shall be provided for each program to facilitate the evaluation of the cost effectiveness of the programs and provide better information for analysis and feedback for planning and prioritization of expenditures.

Section 27. Lump Sum Appropriations. – To promote the transparent and detailed disclosure of all proposed government spending, lump sum appropriations and special purpose funds (SPFs) in the Proposed National Budget shall be limited to: (1) the National Disaster Risk Reduction and Management Fund (NDRRMF); (2) the Contingent Fund; (3) Statutory Shares of LGUs; and (4) other SPFs not falling under any of the preceding purposes and the details of which could not be determined during the budget preparation stage.

Section 28. National Disaster Risk Reduction and Management Fund. – The NDRRMF shall be used for: (1) disaster risk reduction or mitigation, prevention and preparedness activities, such as, but not limited to, training of personnel, procurement of equipment, and capital expenditures; and (2) relief, recovery, reconstruction and other work or services in connection with natural or human induced calamities which may occur during the budget year or those that occurred in the preceding two (2) years.

The NDRRMF may include the Quick Response Fund (QRF) of agencies, which shall be used as a standby fund in order that the situation and living conditions of people in communities or areas stricken by calamities, epidemics, crises, and catastrophes may be normalized as quickly as possible. The QRF shall be released directly to the agencies concerned upon approval of the DBM.

Releases from the NDRRMF, other than the QRF, shall be subject to the prior approval of the President, who may take into consideration the recommendation of the National Disaster Risk Reduction and Management Council and the appropriate agency for local and international disasters and calamities.

Section 29. Contingent Fund. – The Contingent Fund shall cover the funding requirements of new and/or urgent projects and activities of national government agencies and GOCCs that need to be implemented or paid during the year, such as, legal obligation of the government arising from final and executory decisions by competent authority, including arbitration awards, mediation settlement, or compromise agreements, requirements of newly created offices, or deficiencies in the appropriations for local and external travels of the President of the Philippines.

Releases from the Contingent Fund shall be subject to approval by the President of the Philippines, other than payment resulting from final and executory decisions promulgated by competent authorities, which shall be subject to approval by the DBM.

The DBM shall inform Congress of all releases from the Contingent Fund in the quarterly and annual fiscal reports including information on the date of release, the amount covered, corresponding purpose/s and recipient agency.

Section 30. Statutory Shares of Local Government Units. – The shares of LGUs in the proceeds from national taxes and other transfers to LGUs authorized by law shall be released to the LGUs in accordance with the provisions on the use, allocation, and release of the funds as may be provided in pertinent laws, rules and regulations.

Section 31. Unprogrammed Appropriations. – Congress may authorize standby appropriations to cover the funding requirements of other priority projects and activities or contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs) not specifically included in the programmed component of the Appropriations Law. The Unprogrammed Appropriations shall have the same level of details as in the programmed component of the Appropriations Law. The amount authorized under the Unprogrammed Appropriations shall not exceed two percent (2%) of the total proposed expenditure in the programmed component of the Appropriations Law.

The Unprogrammed Appropriations shall take effect only when supported by excess collections generated in any one of the particular tax or non-tax revenue source from its corresponding revenue collections target in the BESF as certified by the BTr, or when there are new loan agreements for FAPs. In no case shall the Unprogrammed Appropriations be activated or released when there is a risk of breaching the measurable fiscal objectives for the budget balance (including a deficit) or debt for the financial year or future years as provided in the Statement of Fiscal Policy and Medium-term Fiscal Strategy or if there is a risk of breaching any of the Fiscal Responsibility Principles.

1 Priority projects and activities or contingencies shall pertain to expenditures, the payment of
2 which are not covered under the Contingent Fund and could not be delayed until the succeeding
3 budget years without harming public interest or arising from the government's legal obligation
4 such as compliance with a government guarantee or settlement of final and executory decisions
5 by competent authorities.

6
7 Releases from the Unprogrammed Appropriations shall be subject to the prior approval of the
8 President of the Philippines, other than final and executory decisions, which shall be subject to
9 approval of the DBM.

10
11 The DBM shall inform Congress of all releases from the Unprogrammed Appropriations in
12 the quarterly and annual reports including information on the date of release, the amount covered,
13 corresponding purpose/s and recipient agency.

14
15 **Section 32. Budget with Account Codes.** – All items of appropriations in the Appropriations
16 Law shall be given account codes pursuant to the Unified Account Code Structure that applies to
17 all the assets, liabilities, equities, income, and expenses of the government. This account code
18 structure shall be used in the release of the appropriations in the Appropriations Law for a unified
19 accounting, auditing and reporting of all the financial transactions of the government.

20
21 **Section 33. Re-enacted Budget.** – If, by the end of any fiscal year, Congress shall have failed
22 to enact the General Appropriations Bill for the ensuing fiscal year, the General Appropriations
23 Law for the preceding fiscal year shall be deemed re-enacted and shall remain in force and effect
24 until the said General Appropriations Bill is passed by the Congress.

25 Consistent with the Fiscal Responsibility Principles, the Re-enacted Budget shall be enforced
26 as follows:

27
28 (a) The aggregate level of the Re-enacted Budget shall be limited to the total amount
29 appropriated in the preceding year's Appropriations Law, but shall in no case exceed the
30 level of the sources of financing under the BESF of the Proposed National Budget;

31
32 (b) The appropriations for the following shall be limited to the amount authorized under the Re-
33 enacted Budget, but in no case exceed the amount proposed by the President in
34 the Proposed National Budget:

- 35
36 1. Ongoing programs, projects and activities;
37 2. Personnel benefits, including retirement gratuities, pensions, terminal leave pays
38 and related expenses;
39 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs; and
40 4. Budgetary support to GOCCs for their operational requirements.

41
42 (c) In no case shall the following be considered part of the Re-enacted Budget:

- 43
44 1. Completed programs, projects and activities funded in the General Appropriation
45 Law for the preceding fiscal year;
46 2. Budgetary support for GOCCs for support to programs, activities or projects; and
47 3. Equity contribution of the National Government to GOCCs.

48
49 The items and/or amount of appropriations not covered under the Re-enacted Budget as
50 provided above shall not be released, disbursed, or utilized for the purpose previously authorized.

51
52 The DBM shall issue guidelines on the aggregate and agency levels of appropriations
53 authorized under the Re-enacted Budget in accordance with the foregoing, supporting
54 requirements to determine actual needs, and other pertinent rules in the implementation of the
55 Re-enacted Budget.

56
57 Upon enactment of the General Appropriations Law anytime during the current fiscal year, all
58 releases under a Re-enacted Budget consistent with this Section shall be deemed to have been
59 implemented pursuant to, and charged against, for account recording purposes, the General
60 Appropriations Law for the current fiscal year.

Section 34. *Special Appropriations Bill.* – A Special Appropriations Bill is a proposal submitted by the President, as recommended by the DBM, before Congress to provide authorization for expenditures for a specific purpose not included or not covered under the annual appropriations laws. It shall specify the purpose/s for which it is intended and be valid until the end of the fiscal year of its enactment.

A Special Appropriations Bill shall be supported by funds actually available or those which are not included in the fiscal year's sources of financing under the BESF as certified by the National Treasurer, or to be raised by a corresponding revenue measure proposed therein. The amount to be authorized by Congress in a Special Appropriations Bill may be more than that originally proposed for as long as the same is supported by any or a combination of the above sources and is consistent with the Fiscal Responsibility Principles and the Medium-term Fiscal Strategy. A Special Appropriations Bill may only be proposed after the passage of the General Appropriations Law, except for the following: (1) disaster-related purposes; (2) urgent projects and/or activities; and (2) unforeseen requirements of the government.

A Special Appropriations Bill may likewise refer to a proposal submitted by the President, as recommended by the DBM, before Congress for additional appropriations for existing or new programs, activities or projects of an NGA or GOCC with fast in-year disbursement rate. In this case, the bill may be supported by the current fiscal year's sources of financing as certified by the National Treasurer due to reversion of funds of NGAs or GOCCs resulting from slow implementation of programs, activities or projects.

Section 35. *Release and Expenditure of Public Funds.* – The government shall commence releases of Public Funds covered by an Appropriations Law as soon as such Law comes into force to ensure timely and efficient disbursement by the appropriate implementing agencies, subject to pertinent budgeting and auditing rules and regulations. Upon the implementation of cash-based appropriations, the Appropriations Law shall be considered the authority of the agencies to contract out and disburse funds, except for instances provided in the IRR.

Section 36. *Availability of Cash-Based Appropriations.* – All appropriations shall be available for release, contractual commitment and disbursement until the end of the fiscal year. However, Government Agencies may still disburse funds not later than the three (3) months Extended Payment Period from the end of the fiscal year for goods or services which have already been delivered or rendered within the fiscal year. Said payments shall be chargeable against the authorized appropriations of the said preceding fiscal year.

Section 37. *Multi-year Contracts.* – The DBM shall identify the requirements and/or prescribe guidelines before agencies may enter into multi-year contracts such as the issuance of a Multi-year Contractual Authority (MYCA).

In the case of GOCCs, they shall secure prior authority from their respective governing boards before entering into multi-year contracts.

For solicited multi-year Public-Private Partnership projects approved under Republic Act (R.A.) No. 6957, as amended by R.A. No. 7718, the National Government responsibility shall be covered by a letter of commitment issued in accordance with the guidelines issued by the DBM.

In all instances, the disbursements to be incurred for multi-year contracts shall in no case exceed the cash appropriations for the purpose during the year. Procurement of multi-year projects shall be subject to the provisions of R.A. No. 9184 and its IRR and the guidelines issued by the Government Procurement Policy Board (GPPB).

Section 38. *Early Procurement Activities.* – To ensure full budget utilization, timely contract implementation and efficient delivery of services, agencies are authorized to undertake procurement activities from pre-procurement conference until post-qualification of bids based on their proposed budget in the NEP, COBs or Appropriations Ordinance, in accordance with the guidelines issued by the GPPB.

1 For multi-year projects, the issuance of a MYCA by the DBM is required prior to
2 commencement of any procurement activity. All existing Multi-Year Obligational Authority shall be
3 understood to refer to MYCA.

4
5 Agencies may only proceed with the awarding of contract upon approval or enactment of their
6 respective appropriations or budget authorization document, as the case may be, and based on
7 the amount authorized therein.

8
9 **Section 39. Impoundment of Appropriations.** – The President of the Philippines, upon
10 recommendation of the DBM may propose the rescission of appropriations from both houses of
11 Congress, under any of the following:

12
13 (a) If the appropriations are no longer required to fulfill the objectives originally sought to be
14 achieved by the programs, activities and projects covering the same; or

15 (b) In case of an unmanageable National Government budget deficit.

16 Unmanageable National Government budget deficit as used in this section shall be construed
17 to mean that: (i) the actual National Government budget deficit has exceeded the quarterly budget
18 deficit targets consistent with the full-year target deficit as indicated in the BESF submitted by the
19 President to Congress pursuant to Section 22, Article VII of the Constitution; or (ii) there are clear
20 economic indications of an impending occurrence of such condition, as determined by the DBCC
21 and approved by the President.

22
23 Both Houses of Congress shall act on the proposed rescission within forty-five (45) days after
24 the receipt of the impoundment proposal from the President by issuing a joint Impoundment
25 Resolution. Within the same period of forty-five (45) calendar days, the appropriations covered
26 by the Impoundment Proposal shall not, in any way, be rescinded in relation to the purposes and
27 objectives for which it was appropriated. Congressional inaction after the 45-day period, is
28 equivalent to an approval of the impoundment proposal.

29
30 Impounded funds shall revert to the National Treasury and shall not thereafter be available for
31 expenditure except by subsequent legislative enactment.

32
33 **Section 40. Authority to Declare and Use Savings.** – The President of the Philippines, the
34 President of the Senate of the Philippines, the Speaker of the House of Representatives, the Chief
35 Justice of the Supreme Court, the Ombudsman, the Heads of the Civil Service Commission, the
36 Commission on Elections, and the COA are hereby authorized to declare and use savings in their
37 respective appropriations to augment actual deficiencies incurred for the current year in any item
38 of their respective appropriations. An item of appropriation shall pertain to the amount
39 appropriated for a program, activity or project in the Appropriations Law. In the case of programs
40 with several activities and/or projects, each activity and/or project shall be considered an item of
41 appropriation.

42
43 The foregoing constitutional officers authorized to use savings shall be responsible for
44 ensuring that a semestral and annual report on their respective use of savings shall be submitted
45 to the President of the Senate of the Philippines and the Speaker of the House of the
46 Representatives, copy furnished the DBM. The report shall indicate among others, the amount of
47 savings generated, the sources and grounds used therefor, and the existing program, activity or
48 project in their respective appropriations augmented. They shall likewise ensure that said reports
49 are posted on their respective websites.

50
51 The DBM shall determine the procedure, as well as the supporting documents needed in the
52 declaration and use of savings authorized in this Act.

53
54 **Section 41. Meaning of Savings.** – Savings refer to portions or balances of any released
55 appropriations in this Act which have not been obligated as a result of any of the following:

56
57 (a) Completion, final discontinuance, or abandonment of a program, activity or project for
58 which the appropriation is authorized; or
59

(b) Implementation of measures resulting in improved systems and efficiencies and thus enabled an agency to meet and deliver the required or planned targets, programs and services approved in this Act at a lesser cost.

In case final discontinuance or abandonment is used as basis in the declaration of savings, such discontinued or abandoned program, activity or project shall no longer be proposed for funding in the next two (2) fiscal years.

Allotments that were not obligated due to the fault of the agency concerned shall not be considered savings.

Section 42. Rules on Augmentation. – Augmentation is the act of the constitutional officers authorized to use savings in their respective appropriations to cover a deficiency in any existing program, activity or project within their respective offices. A deficiency in a program, activity or project may result from:

(a) Unforeseen modifications or adjustments in the program, activity or project; or

(b) Re-assessment in the use, prioritization and/or distribution of resources.

The particulars of the expenditures to be funded from savings should be within the scope of, or covered by an existing program, activity or project. The existence of a program, activity or project regardless of the availability of allotment class/es is sufficient for the purpose of augmentation.

In no case shall a non-existent program, activity or project be funded by augmentation from savings or by the use of an appropriations otherwise in this Act.

Section 43. Rules on Modification in the Allotment. – Modification in the allotment is the limited flexibility given to NGAs to modify or change the allotment within an existing program, activity or project which shall not entail any augmentation of the amount appropriated for the said program, activity or project during budget execution. In the case of programs with several activities and/or projects, modification may only be undertaken within each activity and/or project.

Modification in the allotment may be undertaken in any of the cases specified in the rules and regulations issued by the DBM to ensure the uniform implementation among the various branches of government, the proper recording of modifications, and the timely submission of reports by all the offices concerned.

PART V FINANCIAL MANAGEMENT

Section 44. General Fund. – All monies received by NGAs, whether coming from taxes, fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations, asset sale proceeds and such other receivables, shall accrue to the General Fund and be remitted to the National Treasury, unless otherwise provided by law or stipulated by covering loan or grant agreements. Monies under the General Fund shall be made available to support the requirements of the National Government authorized in an Appropriations Law.

A Special Account in the General Fund (SAGF) shall be established by law only under exceptional circumstances to record taxes, fees, charges, penalties, income, dividend, interest earnings, grants, and donations collected, earned or received by NGAs for specified purposes. All laws authorizing the establishment of SAGFs shall specify the period of use thereof which shall not exceed three (3) years, or if no period is specified, shall be deemed to be until the fulfilment of the purpose for which the SAGF was authorized or for three years, whichever comes earlier. All interests earned by SAGFs shall accrue to the General Fund. The balance of SAGFs upon their termination shall form part of the General Fund.

All earmarked revenues with significant inflows, a large portion of which are not or not expected to be programmed for disbursement during the year shall be treated as Trust Funds and recorded as trust receipts. Proceeds from these Trust Funds shall be recorded only as revenue inflow in the General Fund when programmed to be spent for the year.

1
2 The Permanent Committee created under Executive Order No. 292, s. 1987 shall recommend
3 for approval of the President the change in the treatment of existing SAGFs that shall be converted
4 into Trust Funds by virtue of the foregoing. The recording of revenue inflows from these SAGFs
5 shall be governed by the guidelines to be issued by the Permanent Committee.
6

7 **Section 45. *Special Funds.*** – In exceptional cases when a SAGF is not suitable for the
8 operations of a fund, Special Funds shall be authorized by law and limited to the following:
9

- 10 (a) Trust Fund – constituted from identified revenue sources and other receipts by NGAs or
11 public officials acting as trustees, agents, or administrators for the fulfillment of
12 commitments or accomplishment of specified purposes. Trust Funds shall be deposited in
13 the TSA;
14
15 (b) Revolving Fund – constituted from receipts derived from business-type activities of NGAs
16 to be used for the operating requirements of said business-type activities and as such are
17 considered self-liquidating. Revolving Funds shall be deposited in the TSA or in an
18 Authorized Government Depository Bank (AGDB) upon authority of the National
19 Treasurer; and
20
21 (c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends, or
22 interest earnings collected, earned or received by NGAs which are expressly authorized
23 by law to be retained by NGAs and utilized for specified purposes. Retained Funds shall
24 be deposited in the TSA or in an AGDB upon authority of the National Treasurer.
25

26 Notwithstanding the provisions of laws to the contrary, Special Funds may only be established
27 after evaluation by the Permanent Committee, as to their proper category and compliance with
28 the foregoing conditions. Any interest earned by Special Funds shall accrue to said Funds.
29

30 **Section 46. *Review by the Permanent Committee.*** – The Permanent Committee shall review
31 all existing SAGFs and Special Funds to validate their compliance with the foregoing
32 requirements. Upon evaluation, the Permanent Committee shall recommend for approval of the
33 President the modification and/or termination of said funds as may be necessary.
34

35 It shall likewise review all SAGFs created upon the passage of this Act and may recommend
36 to extend their validity period, but in no case shall the extension exceed three (3) years at any
37 one time, subject to approval of the President.
38

39 The Permanent Committee shall jointly issue guidelines for the establishment, review and
40 evaluation, accounting and reporting, and termination of SAGFs and Special Funds.
41

42 **Section 47. *Escrow Fund.*** – Escrow Funds are constituted from funds for which the
43 government's legal right to use is contingent upon a future event which may or may not occur.
44 Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the National Treasurer,
45 and shall subsequently be part of the General Fund upon the occurrence of the future contingent
46 event. Any interest earned by an Escrow Fund shall accrue to the said Fund. The amounts under
47 escrow, including interest earned shall form part of the General Fund upon the occurrence of the
48 future contingent event.
49

50 **Section 48. *Waiver, Abatement, Refund and Compromise Agreements.*** – No public official
51 shall waive, abate, refund, or enter into a compromise agreement on a tax liability or the payment
52 of fees or charges except in accordance with law. All waivers, abatements, refunds or compromise
53 agreements made by an NGA shall be properly accounted for and reported. Refund of taxes and
54 other revenues shall be treated as a reduction in revenue collections.
55

56 **Section 49. *Grants.*** – NGAs may accept, with prior coordination with DOF, grants, in cash or in
57 kind, from domestic or foreign sources, for purposes relevant to their functions. In the case of
58 grants, in cash or in kind, from governments of foreign countries, their agencies and
59 instrumentalities and international or multilateral institutions or organizations, acceptance
60 thereof shall be subject to the prior clearance and approval by the President or his authorized
61 representative based on the recommendation of the Secretary of Finance.
62

1 The provisions of this Section shall not apply to: (1) any grant received by LGUs or GOCCs,
2 except where the grant is received by them on behalf of the NG; or (2) any grant authorized or
3 covered in accordance with existing law.

4
5 Grants received in kind shall be valued and registered in the proper registry of the National
6 Government.

7
8 **Section 50. Treasury Single Account.** – The TSA refers to the banking arrangement managed
9 by the BTr wherein the government transacts all monies collected, received or paid by NGAs in
10 one bank account or a set of linked bank accounts and gets a consolidated view of its cash
11 position on at least, a daily basis.

12
13 The TSA shall cover remittances, releases or disbursements from the General Fund, SAGFs,
14 Special Funds, and any other fund managed by the BTr, except in any of the following instances:

- 15
16 (a) When monies under the General Fund are placed under investments;
17
18 (b) When the BTr is required to hold foreign currency accounts; or
19
20 (c) When authorized by the Secretary of Finance.

21
22 The BTr, in coordination with NGAs authorized by law to undertake revenue collection and
23 administration, shall make the necessary arrangements with authorized agent banks (AABs) to
24 facilitate the collection and transfer of said revenues to the TSA. AABs shall deposit said
25 collections to TSA within the period and in the manner prescribed by laws, rules and regulations.

26
27 **Section 51. Oversight on Government Bank Accounts.** – Notwithstanding any provision of law
28 to the contrary, the BTr shall undertake any of the following in case of violation of a provision in
29 this Act and guidelines issued on the implementation of the TSA:

- 30
31 (a) Transfer balances of NGA bank accounts to the TSA;
32
33 (b) Close any NGA bank account; and/or
34
35 (c) Revoke the authority to open any NGA bank account.

36
37 The NGA or GOCC which has opened a bank account, as well as the bank concerned shall
38 promptly disclose information regarding such account to the BTr.

39
40 **Section 52. Treasury Cash Management.** – The BTr shall issue orders for the conduct of cash
41 management including the requirement to provide projections on the timing of future transactions
42 of NGAs taking into consideration that the appropriations law is considered the authority of the
43 agencies to contract out and disburse funds, except for instances provided in the IRR.

44
45 **Section 53. Investments.** – The BTr may invest portions of the funds held in the TSA for such
46 periods as the BTr may deem prudent considering cash management requirements and based
47 on terms and conditions as may be set by the IRR of this Act. Investments are authorized to be
48 made in any of the following:

- 49
50 (a) Deposit with any highly reputable bank following a selection criteria to be issued by the
51 Secretary of Finance in consultation with the BSP;
52
53 (b) Sovereign-issued securities with an investment grade rating; or
54
55 (c) Other fixed income securities with an AAA credit rating issued by at least two (2) reputable
56 international credit rating agencies acceptable to the Secretary of Finance.

57
58 The BTr may appoint a fund manager as an agent of the National Government to undertake
59 the investment of the funds.

60
61 Interest earned and other income from investments shall accrue to the General Fund, unless
62 otherwise provided by law.

Section 54. Management of National Government Borrowings. – Borrowings by the National Government shall be for any of the following purposes:

1. Financing budget deficits and liquidity shortfalls;
2. Refinancing and pre-financing maturing debts;
3. Obtaining foreign currency on behalf of the BSP;
4. On-lending to an approved entity;
5. Financing all sums of money paid to fulfill guarantees;
6. Regulating internal monetary conditions should the necessity arise;
7. Providing financing to remedy the effects of natural calamities; or
8. Defraying expenditures covered by appropriations.

Borrowing under this Act should adhere to the Fiscal Responsibility Principles and measurable fiscal objectives in the Statement of Fiscal Policy.

Section 55. Borrowings by Government -Owned or -Controlled Corporations. – Before the end of each fiscal year, the Head of a GOCC shall prepare a borrowing program for the following fiscal year which shall support the COB and for the medium term, both of which shall include a full financial plan with the details of the loans, refinancing and repayment that the GOCC intends to take. Said borrowing program, including changes thereon, shall be subject to the approval of the Head of the NGA overseeing the GOCC, and shall be submitted to DOF for information, and shall be published in the concerned GOCC website.

GOCCs shall seek approval of DOF for their borrowing activities as defined in the IRR.

Nothing in this Section shall be construed as creating a government guarantee on any borrowing, loans or refinancing and repayment that the GOCC intends to take.

Section 56. Local Government Borrowings. – An LGU may borrow funds from domestic and foreign sources in accordance with the Local Government Code of 1991 or any other applicable law. The financial plan including borrowing program shall be published in the appropriate government website within seven (7) days after the borrowing program has been approved.

Section 57. Debt Reporting. – The DOF, through the BTr, shall ensure that the records include information on the principal, terms of repayment, amounts drawn, interests and service charges accrued, principal and interests paid, and the balance outstanding, and shall make the records available in a timely way to the President, Congress and COA when requested and in accordance with the reporting requirements in this Act.

Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as required by relevant laws, rules and regulations.

Section 58. Guarantees. – Guarantee, indemnity or security shall be provided to an NGA or a GOCC as provided by law, and subject to the annual guarantee ceiling prescribed in the General Appropriations Law, and upon such terms and conditions as the Secretary of Finance may recommend consistent with relevant laws, rules and regulations. The overall level of guarantee, indemnity or security shall adhere to the Fiscal Responsibility Principles laid down in this Act and the fiscal objectives in the Statement of Fiscal Policy.

The DOF shall charge a risk-based fee for any guarantee, indemnity, security, relending or similar financial accommodation it may extend to a GOCC.

In no case shall the National Government be liable for any borrowings by any agency of the government except for explicit guarantees as provided by law.

Section 59. Limitation on the Liability of the National Government For Debts of Other Entities. – The National Government shall not be liable for any implied guarantees asserted by any person or entity, but only for explicit guarantees extended in accordance with existing laws, and guarantees in favor of the Government Service Insurance System, Home Development Mutual Fund, Philippine Health Insurance Corporation, and the Social Security System in their respective charters.

Section 60. *Payments Made for Contingent Liabilities.* – Any money paid by the DOF pursuant to any guarantee, indemnity, or security authorized by law and the expenses associated with the same shall constitute a debt due the National Government from the entity for whose benefit the payment on the guarantee, indemnity, or security was made.

Section 61. *Information on Contingent Liabilities.* – The DOF shall keep a complete and updated registry of all contingent liabilities of the National Government, and provide the OCG with a report on contingent liabilities as of the fiscal year.

PART VI ACCOUNTABILITY AND REPORTING

Section 62. *Financial Management and Internal Control.* – The Head of Agency shall be responsible and accountable for the financial management of the agency which shall include meeting performance targets, controlling costs, mitigating adverse risks to agency operations, and ensuring that budgets are managed with integrity and in compliance with applicable laws. Adequate internal controls shall be ensured and an internal audit function shall be maintained.

Section 63. *Integrated Financial Management Information System.* – There shall be an integrated financial management information system, which shall be the single portal of all financial transactions and reports to be used by NGAs, GOCCs and LGUs to integrate budgeting, cash management, accounting and auditing processes.

Section 64. *NGA Annual Plans and Proposed Budgets.* – The Head of each NGA shall produce an Annual Plan which shall have a medium term scope, with details for the following fiscal year, and shall include information on the strategic priorities for the medium-term, consistent with the Philippine Development Plan; performance information; summary proposed budget including financial forecasts assumptions and highlighting significant capital projects; and other information as required in the IRR, as well as the Budget Call and other related orders from the DBM. The Annual Plan shall be submitted to DBM during the budget preparation process consistent with the timetable and other guidelines in the Budget Call.

The Annual Plan of a Department shall incorporate the Annual Plans of its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

Section 65. *NGA Reporting Requirements.* – For greater transparency and accountability, each Head of an NGA shall:

- (a) Submit monthly and quarterly reports on the agency's financial and non-financial performance to the DBM and OCG, not later than thirty (30) days after the end of every month and quarter in the format specified by the DBM and shall publish the same on a government website within the same reglementary period;
- (b) Prepare an Annual Report which shall include year-end financial statements, reporting on non-financial performance compared against the Annual Plan, and other information as required in the IRR; submit the said Report to the DBM, OCG, and Congress no later than six (6) months after the end of the fiscal year; and publish the said Report in a government website no later than seven (7) days after its submission to Congress.

The monthly, quarterly, and annual reports of a Department shall incorporate the reports of its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

Section 66. *Service Agreements.* – The Head of an NGA may enter into a service and/or performance agreement with another agency for the latter to provide services charged against the budget of said principal agency.

Section 67. *Corporate Operating Budget.* – The Board of Directors or Trustees of a GOCC shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the DBM, and the DOF, not later than ninety (90) days prior to the commencement of the fiscal year, which shall include, the objectives of the GOCCs and its subsidiaries, the activities to be undertaken,

performance targets and risks; forecasts of financial statements for the next three (3) years; and other information as may be required in the IRR.

The Head of the NGA overseeing said GOCC shall endorse the Board-approved COB to the DBM, for the latter's approval. The Head of a GOCC shall publish the DBM-approved COB of the GOCC on the official website of the Corporation not later than fourteen (14) days after the approval of the COB.

Section 68. GOCC Reporting Requirements. – For greater transparency and accountability, each Head of GOCCs shall:

(a) Provide quarterly reports on financial and non-financial performance to the DOF, GCG and the DBM, no later than thirty (30) days after the end of the quarter, in the format and time specified by the DOF, GCG and DBM and shall publish it on their official website within the same period; and

(b) Prepare an Annual Report, which shall include year-end financial statements, reporting on non-financial performance compared against the COB, and other information as required in the IRR; submit the same to the overseeing NGA, DBM, GCG, DOF and Congress no later than six (6) months after the end of the fiscal year; and publish the said Report in a government website no later than seven (7) days after its submission to Congress.

GOCCs with subsidiaries shall reflect in its quarterly and annual reports the aforementioned required information for the whole corporate group, consistent with guidelines prescribed in the IRR.

Section 69. Service Agreement for a GOCC. – Where GOCCs implement government non-commercial programs, such as housing provision, irrigation and electrification, and receive government funding, a service agreement with the NGA overseeing said GOCC shall specify the terms of delivery of goods or services that the GOCC must provide, and the funds that the government will pay. Program funds shall be under the budget of the NGA overseeing said GOCC.

Section 70. Local Government Units. – The Local Chief Executives (LCEs) shall ensure that adequate internal controls and an internal audit function are maintained.

The LCEs shall provide financial and non-financial performance information of their respective LGUs to the OCG, DILG, and the BLGF under the DOF, subject to the guidelines to be issued thereon.

Section 71. Application of Accounting and Auditing Requirements. – Any expenditure of public money, including government assets or liabilities incurred by and for the Government regardless of the source of funding, shall be subject to accounting and auditing rules and regulations promulgated by the COA.

Section 72. Accounting Standards. – The OCG shall specify the basis, standards and guidelines for appropriations reporting while the COA shall continue to set the basis, standards and guidelines for financial accounting for use by the NGAs, GOCCs and LGUs.

The Heads of Agencies shall ensure that full, accurate and proper records are kept for their respective agencies on financial matters and for performance in the production of goods and services.

The DBM, OCG and COA shall ensure that complete, accurate and appropriate records of the government are kept on both financial and non-financial performances.

Section 73. Government Consolidated Reporting. – The OCG shall submit a quarterly report on the consolidated financial performance of the government to the President, which includes information showing performance against the Appropriations Law, not later than sixty (60) days after the end of each quarter. This report shall be published in a government website within seven (7) days after the report is submitted to the President.

The OCG shall prepare the consolidated annual financial statements, not later than six (6) months after the end of the fiscal year, for submission to the President, Congress and COA.

Section 74. Internal Audit Standards. – The OCG, in coordination with COA, shall specify the standards for internal audit in the NGAs, GOCCs, and LGUs.

PART VII TRANSPARENCY AND PARTICIPATION

Section 75. People's Access to Public Financial Information. – Before the start of each fiscal year, the DBM shall promulgate a Calendar of Disclosures, and shall publish this on the government website and such calendar shall contain the schedule of release of all budget documents and information required by this Act and its IRR. The DBM shall monitor and periodically report to Congress and the public on the compliance of agencies with the Calendar of Disclosures and other fiscal transparency requirements under this Act and its IRR.

All documents and reports required to be published by this Act and its IRR shall automatically be made available electronically in a government website. Current and historical data on government revenues, expenditures, and borrowings, shall be made available electronically, in open data format, on a government website, subject to guidelines in the IRR.

Section 76. The People's Budget. – The DBM shall, for every fiscal year, publish citizen-friendly summaries of the following, subject to guidelines and other specifications in the IRR:

- (a) The Statement of Fiscal Policy in the year of the President's election and any updates thereafter within thirty (30) days from submission to Congress;
- (b) The Proposed National Budget, to be published in electronic format within thirty (30) days from submission to Congress of the Proposed National Budget;
- (c) The General Appropriations Law, to be published in electronic format in a government website within thirty (30) days from its effectivity; and
- (d) The Annual Fiscal Report, to be published in electronic format in a government website within thirty (30) days from submission to Congress;

Section 77. People's Participation in the Budget Process. – The government shall establish and implement suitable participatory budget mechanisms to facilitate the open, inclusive, and meaningful engagement of citizens throughout the budget process—from budget preparation, to legislation, to execution, and to accountability and audit. Such participatory mechanisms may include consultations and partnerships with civil society organizations (CSOs), academics and experts, and other individual and organized stakeholders throughout the annual budget process.

To aid the empowerment of grassroots organizations and communities in the national budget process, the DBM, DILG, and other relevant agencies shall facilitate a process wherein CSOs, community organizations and LGUs can jointly identify local priority poverty reduction and development needs which will serve as input to the formulation of the Proposed National Budget. Such process shall consider the pursuit of meaningful local devolution and local accountability, as well as the strengthening of regional and local development councils' roles in the national budget process.

1 Policies and regulations for the establishment of participatory budgeting mechanisms
2 established by laws shall be formulated and enforced by:

- 3
4 (a) The DBM, together with other relevant agencies of the executive, when it comes to
5 participation in budget preparation, execution, and accountability;
6
7 (b) The House of Representatives and the Senate, through their relevant committees, when
8 it comes to participation in budget legislation; and
9
10 (c) The COA, when it comes to participation in the conduct of audit.

11
12
13 **PART VIII**
14 **ENFORCEMENT**
15

16 **Section 78. Sanctions and Penalties.** – Without prejudice to the provisions of other laws, the
17 following sanctions and liabilities in case of failure to comply with the reporting and posting
18 requirements under this Act, shall be imposed:
19

- 20 (a) The DBM shall not approve any request for release of allotments for items of
21 appropriations covered in the negative list or modification in the allotment nor recommend
22 the use of savings by the President until such time as the non-compliant agency has
23 submitted the report/s required under this Act;
24
25 (b) The COA may disallow any expenditure charged against augmentation using savings, and
26 any expenditure due to modification in the allotment, which were made within the period
27 succeeding the reporting period when the agency failed to comply with the reporting
28 requirements under this Act;
29
30 (c) Failure to report on the income and/or funds retained at the end of a reporting period shall
31 render all disbursements against such income or funds in subsequent reporting periods
32 as void, and will render the responsible official liable under existing laws; and
33
34 (d) The Congress may *motu proprio* or upon the request of COA and/or DBM through its
35 appropriate oversight committee compel the head of the non-compliant agency, under
36 pain of contempt, to produce the required report/s and to explain reasons for failure to
37 submit and disclose said report/s.
38

39 Without prejudice to the provisions of other laws:

- 40
41 (a) Every contractual commitment, expenditure or payment authorized or incurred in violation
42 of the provisions of this Act shall be void and shall render the public official and/or
43 employee authorizing or making such payment and every person in collusion with said
44 official or employee shall jointly and severally be held liable to the government for the full
45 amount so paid or received. The public official or employee who knowingly incurs any
46 contractual commitment or authorizes any expenditure in violation of the provisions of this
47 Act or takes part therein shall likewise be removed or dismissed from office, after due
48 notice and hearing, even if no criminal charge is instituted against him;
49
50 (b) Any public official or employee, holding office or employment in a casual, temporary,
51 holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent
52 information in any accountability report, shall be penalized with imprisonment not
53 exceeding five (5) years, or a fine not exceeding One Million Pesos (P1,000,000.00), or
54 both, without prejudice to disallowances that may be made by COA against expenditures
55 related to such fraudulent information, provided, that this fine is reviewed and adjusted
56 periodically to be reasonable;
57

(c) A conviction under this Act shall carry with it civil liability, which may either consist of restitution for the damage done or forfeiture in favor of the government of any unwarranted benefit derived from the act or acts in question, or both, at the discretion of the courts, in addition to possible administrative liability; and

(d) Private individuals who shall conspire with the erring Public Officials or Employees, whether as co-principals, accomplices or accessories, in the commission of any violation of this Act shall be subject to the same penalties as the Public Officials or Employees and shall be tried jointly with them.

Section 79. Jurisdiction. – Actions under this Act shall be cognizable by the courts, tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.

PART IX FINAL PROVISIONS

Section 80. Implementing Rules and Regulations. – The DBM in consultation with the DOF, BTr, NEDA and COA, and in coordination with agencies concerned, shall issue the IRR necessary for the proper implementation of this Act, within ninety (90) days from the effectivity of this Act. The IRR may be amended by the DBM, in coordination with the agencies concerned, as the need arises.

Section 81. Transitory Provisions. – The DBM, DOF, BTr, NEDA and COA shall produce and submit within thirty (30) days from promulgation of the IRR, a Transitory Plan for information, to the Joint Congressional Oversight Committee on Public Expenditures to ensure the proper implementation of the provisions of this Act, presenting the Sections that will not be implemented on the passing of this Act and those requiring compliance with certain conditions or the happening of events before the provisions herein may be implemented.

Section 82. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, proclamation, charter, rule or regulation and/or parts thereof contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

Section 83. Separability Clause. – If for any reason, any section or provision of this Act is declared unconstitutional or invalid, other sections or provisions which are not affected thereby shall continue to be in full force and effect.

Section 84. Effectivity Clause. – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) newspapers of general circulation.