

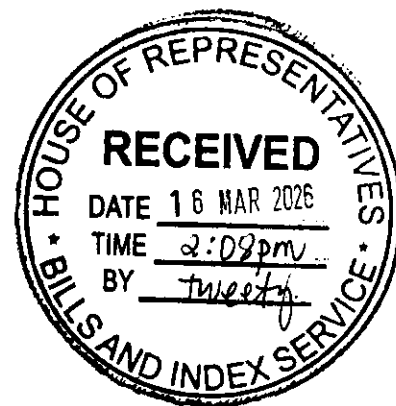


Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. 8520



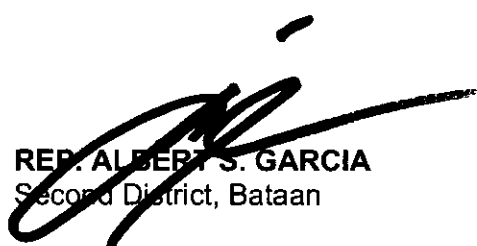
Introduced by Representative Albert S. Garcia

EXPLANATORY NOTE

This bill institutionalizes a framework for the preparation, enactment, and monitoring of the national budget based on existing practices and policies implemented by the DBM and other relevant agencies. It also introduces critical reforms in the budget process namely strengthening alignment between local government and national priorities as well as institutionalizing a meritocracy-based framework for budgeting.

With recent governance issues surrounding the national budget, this bill is a timely and necessary undertaking towards addressing pressing development challenges in the country.

Support then for this bill is earnestly sought from my colleagues.


REP. ALBERT S. GARCIA
Second District, Bataan



Republic of the Philippines
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TWENTIETH CONGRESS

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House Bill No. 8520

Introduced by Representative Albert S. Garcia

AN ACT
TO CODIFY THE LAWS RELATIVE TO PHILIPPINE BUDGETING, AND FOR
OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

BOOK I
PRELIMINARY PROVISIONS

Section 1. *Short Title.* – This Act shall be known as the “Philippine Budgeting Code”.

Section 2. *Declaration of Policy.* – It is hereby declared the policy of the State to ensure equitable, prudent, and accountable allocation and use of public resources through the promotion of transparency, fiscal responsibility, results-orientation, allocative efficiency, and operational effectiveness. This shall be upheld through the establishment of an integrated system of planning, programming, budgeting, management, accounting, and reporting in public financial management.

Section 3. *Scope and Application.* – This Act shall apply to the practice of public financial management by all agencies and instrumentalities of the National Government, and local government units (LGUs) to the extent provided herein.

Agencies of the National Government refer to all agencies, including State Universities and Colleges (SUCs), of the National Government within the Executive, Legislative and Judicial Departments, and other offices vested with fiscal autonomy, the Commission on Human Rights, and the Office of the Ombudsman.

Instrumentalities of the National Government refer to agencies of the National Government, including Government-Owned or Controlled Corporations (GOCCs), not integrated within the department framework vested with special functions or jurisdiction by law, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a charter.

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2 In the case of the Judicial Department of the Philippine Government, the provisions
3 under Republic Act (RA) No. 12233 or the *Judiciary Fiscal Autonomy Act* shall be
4 observed concurrently with this Act, as applicable.
5

6 **Section 4. Definition of Terms.** – The following terms when used in this Act shall be
7 understood, as follows:
8

- 9 a) **Accounts Payable** refers to valid and legal obligations of agencies and
10 instrumentalities of the National Government for which goods, services, or
11 projects have been delivered, rendered, or completed and accepted within the
12 relevant validity period of the appropriations;
13
14 b) **Activity** refers to a work process that contributes to the implementation of a
15 program or sub-program, as applicable;
16
17 c) **Allotment** refers to the released appropriations which serve as the limit and
18 basis for incurring obligations in accordance with the purpose, the required
19 documents, and within the period of time as prescribed by the relevant budget
20 authorization document;
21
22 d) **Allotment Class** refers to the classification of expenditures under an item of
23 appropriation with the following categories: Personnel Services (PS),
24 Maintenance and Other Operating Expenses (MOOE), Financial Expenses, and
25 Capital Outlays (CO);
26
27 e) **Appropriation** refers to an authorization pursuant to law directing the spending
28 of public funds for a specific purpose, up to a specified amount under specified
29 conditions. This includes the following: General Appropriations, composed of
30 Programmed and Unprogrammed Appropriations (UA), Automatic
31 Appropriations, and Special Appropriations;
32
33 f) **Appropriations Law** refers to either a general, special, or automatic
34 appropriations law;
35
36 g) **Authorized Government Depository Bank** refers to a bank where agencies
37 and instrumentalities of the National Government, including LGUs, are allowed
38 by law to deposit government funds and maintain depository accounts, or by way
39 of exception, a bank allowed by the Department of Finance (DOF) and the
40 Monetary Board to hold government deposits subject to prescribed rules and
41 regulations;
42
43 h) **Automatic Appropriations** refer to a one-time legislative authorization to
44 provide funds for a specified purpose, for which the amount may or may not be
45 fixed by law and is made available, subject to budgeting, accounting, and
46 auditing laws, rules, and regulations. These appropriations are already covered
47 by a separate substantive law, which do not require periodic action by the
48 Congress of the Philippines and need not be included in the legislation of general
49 appropriations.
50
51

- 1 i) **Budget** refers to a financial plan of a government for a fiscal year, which shows
2 its resources, including income and sources of borrowings, and how they will be
3 generated, as well as expenditures to achieve national objectives, strategies,
4 and programs. The budget is the government's key instrument for promoting its
5 socio-economic objectives;
6
- 7 j) **Cabinet** refers to the Executive Secretary and the Secretaries of the
8 Departments under the Executive Department;
9
- 10 k) **Contingent Liabilities** refer to obligations that may or may not come due,
11 depending on whether particular events occur. These include but are not limited
12 to: (i) guarantees extended to GOCCs; (ii) insurance contract liabilities of social
13 security institutions; (iii) pension obligations to military and uniformed personnel;
14 and (iv) obligation that may or may not arise from events specified in a Public-
15 Private Partnership Contract, the occurrence, timing, and/or amount of which are
16 uncertain. These events include, but are not limited to, Material Adverse
17 Government Action, *force majeure*, breach of government warranties, and failure
18 to deliver contractual obligations;
19
- 20 l) **Disbursement** refers to the settlement, liquidation, or payment of an obligation
21 incurred, involving cash or non-cash transactions, and covered by disbursement
22 authorities;
23
- 24 m) **Errata** refers to official corrections issued by the Department of Budget and
25 Management (DBM) to rectify substantial and clerical, numerical, or factual
26 errors in the National Expenditure Program (NEP);
27
- 28 n) **Extended Payment Period** refers to the first three (3)-month period in the
29 following fiscal year when payments, chargeable against the general or special
30 appropriations law of the previous fiscal year, may be made for goods, services,
31 or projects that have been delivered, rendered, or completed, respectively, and
32 accepted by the end of the previous fiscal year;
33
- 34 o) **Fiscal Year** refers to the period beginning with the first day of January and
35 ending with the thirty-first day of December of each calendar year;
36
- 37 p) **General Appropriations** refer to a law appropriating funds to support the
38 expenditure requirements of the agencies and instrumentalities of the national
39 government within a specified fiscal year. It contains budgetary programs,
40 activities, and projects (P/A/Ps) for each agency of the government with the
41 corresponding appropriations for each P/A/P, including statutory provisions of
42 specific agency or general applicability.
43
- 44 q) **Government-Owned or -Controlled Corporation** refers to any agency
45 organized as a stock or nonstock corporation, vested with functions relating to
46 public needs whether governmental or proprietary in nature, and owned by the
47 Government of the Republic of the Philippines directly or through its
48 instrumentalities either wholly or, where applicable as in the case of stock
49 corporations, to the extent of at least a majority of its outstanding capital stock.
50

- 1 r) **Government Financial Institutions** refer to financial institutions or corporations
2 in which the government directly or indirectly owns the majority of the capital
3 stock and which are either: a) registered with or directly supervised by the
4 *Bangko Sentral ng Pilipinas* (BSP); or b) authorized to collect or transact funds
5 or contributions from the public and place them in financial instruments or assets
6 such as deposits, loans, bonds, and equity;
7
- 8 s) **Head of Agency** refers to the head of an agency or instrumentality of the
9 National Government. In case of GOCCs, including local water districts, and
10 SUCs, this term shall refer to the board of directors or trustees or its duly
11 authorized officials. For LGUs, this term shall refer to the local chief executive;
12
- 13 t) **Item of Appropriation** refers to the amount appropriated for a P/A/P or purpose
14 in the Appropriations Law;
15
- 16 u) **Local Government Units** refer to provinces, cities, municipalities, and
17 barangays, as well as autonomous regions created by law pursuant to the
18 Constitution;
19
- 20 v) **Multi-Year Contractual Authority** refers to the authority given to a procuring
21 entity to procure multi-year projects in accordance with the form and conditions
22 set by the DBM;
23
- 24 w) **Multi-year Projects** refer to projects undertaken by agencies and
25 instrumentalities of the National Government that extend beyond one fiscal year,
26 irrespective of whether the total implementation period exceeds twelve (12)
27 months;
28
- 29 x) **Obligation** refers to a commitment by an agency or instrumentality of the
30 National Government arising from an act of a duly authorized official which binds
31 the government to the eventual payment of a sum of money in accordance with
32 budgeting, accounting, and auditing laws, rules, and regulations. The agency or
33 instrumentality of the National Government is authorized to incur obligations only
34 in the performance of activities which are in pursuit of its functions and programs
35 authorized in Appropriations Laws within the limit of the allotment released by
36 the DBM;
37
- 38 y) **Philippine Cash Budgeting System** refers to the budgeting system adopted by
39 the Philippines where the annual appropriations shall only be for obligation until
40 the end of the fiscal year, and disbursements shall be limited to payment for
41 goods, services, or projects that have been delivered, rendered, or completed,
42 respectively, and accepted within the same fiscal year. Payments can be made
43 within the Extended Payment Period (EPP), as applicable;
44
- 45 z) **Program** refers to a group of activities and/or projects that contribute to a
46 particular outcome. A program should have the following: i) unique expected
47 results or outcomes; ii) a clear target population or client group external to the
48 agency; iii) a defined method of intervention to achieve the desired result; and
49 iv) a clear management structure that defines accountabilities;
50

1 aa)**Project** refers to a special undertaking carried out within a definite timeframe
2 and intended to result in some pre-determined measure of goods and services;
3

4 bb)**Proposed National Budget** refers to a financial plan of annual revenue and
5 expenditure to be submitted by the President to Congress that reflects national
6 policies, pursuant to Section 22, Article VII of the 1987 Constitution. The
7 President shall determine the form and content of the Proposed National Budget
8 which shall include, but not limited to, the following: Budget of Expenditure and
9 Sources of Financing (BESF), NEP, President's Budget Message, and Staffing
10 Summary;
11

12 cc)**Public Funds** refer to the monies of all agencies and instrumentalities of the
13 National Government, including LGUs, received, collected, receivable from
14 taxes, fees, charges, penalties, income, dividends, interest earnings, domestic
15 loan proceeds, external loans and grants, and proceeds from the sale of assets
16 that the Government has a legal right to retain and use for public purposes;
17

18 dd)**Special Appropriations** refers to an additional appropriation authorized by law
19 to augment the original appropriations which proved to be inadequate or
20 insufficient for the particular purpose intended due to current economic, political,
21 or social conditions. It may also involve the creation of new offices, programs, or
22 activities and may only be enacted if accompanied and supported by funds
23 actually available as certified by the National Treasury, or new revenue sources.
24 This may otherwise be known as "Supplemental Appropriations."
25

26 ee)**Spill-over Projects** refer to projects covered by contracts authorized and
27 undertaken in the immediately preceding general appropriations law which were
28 not completed and accepted within the validity of the appropriations authorized
29 in the said law due to exceptional circumstances, such as the occurrence of
30 *force majeure*, through no fault or negligence of the contracting parties, as duly
31 certified by the head of the agency; and
32

33 ff) **Treasury Single Account** refers to the account maintained by the Bureau of the
34 Treasury (BTr) with the BSP which serves as the core of the TSA framework.
35 The Treasury Single Account (TSA) framework consists of a set of banking
36 arrangements managed by the BTr that enable the centralized management,
37 control, and reconciliation of National Government revenues and disbursements.
38 It is a unified structure of government bank accounts, enabling consolidation and
39 optimum utilization of government cash resources.
40

41 In this Act, the singular may be read as the plural and the plural may be read as the
42 singular, as the context requires.
43

44 **Section 5. Governing Principles of the Budget and Management Processes.** – All
45 phases of the budget and management processes, as participated in by all agencies
46 and instrumentalities of the National Government, shall be governed by these
47 principles:
48

49 a) **Fiscal discipline** through prudent management of public resources while
50 ensuring timely delivery of public services in accordance with relevant laws,

1 rules, and regulations. In pursuit of this, the National Government shall
2 implement fiscal policies that promote macroeconomic stability, sustainable
3 resource use, prudent debt levels, balanced revenue and expenditure, and
4 effective risk management;
5

- 6 b) Shared fiscal responsibility across all branches of government to ascertain that
7 the funding of P/A/Ps through Appropriations law, should be based on
8 availability of resources, in relation to the capacity of agencies to implement said
9 P/A/Ps, and the annual budgetary framework and priorities of the Government;
10
- 11 c) **Universality** by ensuring that the Total Expenditure Program (TEP) for a given
12 fiscal year shall comprehensively cover the relevant General and Automatic
13 Appropriations, in line with the priorities of the National Government;
14
- 15 d) **Transparency** where the relevant information in all stages of the budget cycle
16 is proactively disclosed, as may be practicable, and where citizen participation
17 is integral in all phases of the budget cycle to promote informed, equitable, and
18 responsive allocation and use of public resources;
19
- 20 e) **Diligence** in the evaluation of agency proposals, requests, and performance
21 accomplished through thorough review of required forms, reports, and
22 supporting documents as may be determined by the DBM;
23
- 24 f) **Budget realism** in proposing a budget, and authorizing appropriations which is
25 commensurate to the absorptive capacity of the agency or instrumentality of the
26 National Government and aligned with the relevant financial and physical
27 targets committed;
28
- 29 g) **Accountability** where all heads of agencies and instrumentalities of the
30 National Government are held responsible for the proper use, management,
31 and safeguarding of government funds and property pertaining to their
32 institutions, ensuring that all actions and expenditures comply with authorized
33 appropriations, laws, rules, and regulations;
34
- 35 h) **Inclusivity and sustainability** by giving value to budget proposals of agencies
36 which incorporate gender-responsive, age-responsive, climate-responsive, and
37 disaster-resilient considerations, as may be appropriate to their mandates and
38 programs;
39
- 40 i) **Digitalization** geared towards the interoperability of public financial
41 management systems with the Integrated Financial Management Information
42 System (IFMIS) and its data platform to enable integration across planning,
43 budgeting, accounting, and performance monitoring processes; and
44
- 45 j) **Public service orientation** to ensure that all decisions and actions undertaken
46 by public officers are in pursuance of the good of the Filipino people.
47

48 In case of doubt in the application, interpretation, and construction of any of the
49 provisions under this Act, the same shall be resolved in line with the governing
50 principles provided herein.
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BOOK II
FUNDING SOURCES AND CATEGORIES

CHAPTER I
GENERAL, CUSTODIAL, AND OFF-BUDGETARY FUNDS

Section 6. *General Fund.* – Unless otherwise provided by law or stipulated by covering loan or grant agreements, all taxes, fees, charges, penalties, income, interest earnings, loan proceeds, grants, donations, asset sale proceeds, and such other receivables collected by the agencies and instrumentalities of the National Government, except GOCCs, shall be deposited in the National Treasury and shall accrue to the General Fund.

Section 7. *Unappropriated Surplus of the General Fund.* – The Unappropriated Surplus of the General Fund shall refer to the portion of the General Fund not earmarked by law for specific purposes. Such surplus may be appropriated through the enactment of a general or special appropriations.

Section 8. *Special Funds.* - All money collected on any tax levied for a special purpose shall be treated as a special fund and paid out for such purpose only. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall accrue to the general fund of the Government.

Section 9. *Special Account in the General Fund.* – A Special Account in the General Fund (SAGF) shall refer to an account within the General Fund wherein proceeds from specific revenue sources, automatically appropriated by law for specific purposes, are recorded.

A law authorizing the establishment of an SAGF shall expressly earmark proceeds from specific revenue sources and ensure that annual appropriation of the earmarked funds is not required for its utilization. Such law shall likewise provide the period of the SAGF's use; in the absence of a specified period, it shall remain valid until the fulfillment of the purpose for which the SAGF was established, as determined by the Permanent Committee.

Unless otherwise provided by law, any interest earned from an SAGF and, upon closure of an SAGF, any remaining balance shall accrue to the Unappropriated Surplus of the General Fund.

Section 10. *Earmarked Income of the General Fund.* – The income of the General Fund that is earmarked by law to be used for a specific purpose but is not to be recorded as a SAGF, or that expressly requires appropriations.

The balance of the Earmarked Income of the General Fund, not covered by appropriations, shall not accrue to the Unappropriated Surplus of the General Fund. Such balance shall be accounted for and remain available for appropriation exclusively for the same purpose in the succeeding fiscal years, subject to legislative authorization.

Section 11. *Custodial Funds.* – This refers to receipts or cash received by any agency or instrumentality of the National Government, whether from a private source or another government agency, to fulfill a specific purpose. This includes the following:

a) Trust receipts which are classified as follows:

- 1) Inter-agency transferred funds (IATF). Receipts or fund transfers from any government agency or GOCC to another agency, and which are deposited in the National Treasury to facilitate project implementation;
- 2) Receipts, other than IATF, from sources, including private persons or foreign institutions, which are deposited with the National Treasury for the fulfillment of some obligations; or
- 3) Receipts from sources, including private persons or foreign institutions, authorized to be deposited in an Authorized Government Depository Bank (AGDB) for the fulfillment of some obligations.

Trust receipts shall be constituted into a Trust Fund if expressly authorized by law. A Trust Fund shall remain valid until the purpose for which it was established is accomplished.

- b) Escrow Fund – constituted from funds for which the government’s legal right to use is contingent upon a future event which may or may not occur. Escrow Funds shall be deposited in the National Treasury or an AGDB. Any interest earned by an Escrow Fund shall accrue to the said Fund. The amounts under escrow, including interest earned, shall form part of the Unappropriated Surplus of the General Fund upon the occurrence of the future contingent event.
- c) Endowment Fund – constituted from funds established by law for a specific purpose, wherein the principal amount is preserved and only the interest or income from its investments is used to support the implementation of the purpose for which it was created.

Unless otherwise provided by law or the provisions herein, any interest earned from Custodial Funds deposited in the National Treasury shall, as applicable, accrue to the Unappropriated Surplus of the General Fund.

Section 12. Off-Budget Accounts. – This refers to receipts for expenditure items that are not covered by any appropriation and, by operation of law, are retained by agencies and instrumentalities of the National Government and deposited in an AGDB, subject to scrutiny by the Commission on Audit (COA). This includes the following:

a) Revolving Funds are constituted from the following:

- 1) Receipts as expressly created and authorized by law;
- 2) Rentals for the use of buildings and facilities or from fees imposed for board and lodging, by agencies to be used for the MOOE or CO requirements of said buildings and facilities, subject to any guidelines issued by the agency concerned and to budgeting, accounting, and auditing rules and regulations; and
- 3) Receipts from other business-type activities of agencies, including sale of products, which are authorized by the Permanent Committee to be utilized for

1 the operational expenses of said business-type activity, subject to any conditions
2 prescribed under the relevant special provision of the agency concerned in the
3 annual GAA and the rules and regulations as may be prescribed by the
4 Permanent Committee.

5
6 Revolving funds shall be separately recorded and deposited in an AGDB, in
7 accordance with the law authorizing their creation. Such funds shall be considered
8 self-perpetuating and self-liquidating in nature. All eligible obligations or
9 expenditures incurred for the operations of the foregoing activities shall be charged
10 against the Revolving Fund; and

- 11
12 b) Retained Income – constituted from collections of agencies and instrumentalities of
13 the National Government which are expressly authorized by law or by the
14 Permanent Committee to be retained by agencies and instrumentalities of the
15 National Government and utilized for specified purposes. Retained Income shall be
16 deposited in an AGDB in accordance with the law authorizing their creation.

17
18 Unless otherwise provided by law or the provisions herein, any interest earned from
19 Off-Budget Accounts deposited in the National Treasury or AGDB shall, as applicable,
20 accrue to the Unappropriated Surplus of the General Fund.

21
22 **Section 13. The Permanent Committee.** – The Permanent Committee composed of
23 the Secretary of Finance as Chairperson, the Secretary of Budget and Management,
24 and the Chairperson of the COA as members, shall have a continuing authority to
25 review and direct the closure, reversion, reclassification, merger, consolidation, and the
26 reversion or transfer of balances of SAGFs, Custodial Funds, Off-Budget Accounts, and
27 any unauthorized account, including those established pursuant to laws enacted after
28 the effectivity of this Act.

29
30 The Permanent Committee shall direct the closure of SAGFs, Custodial Funds, and Off-
31 Budget Accounts, and the reversion of their balances to the Unappropriated Surplus of
32 the General Fund, based on the following grounds:

- 33
34 a) The purposes of the funds are fulfilled or accomplished;
35 b) There is no legal basis for the creation of the funds;
36 c) The term of the funds has expired;
37 d) The funds are no longer necessary for the attainment of the purposes for
38 which said funds were established;
39 e) The purpose of the fund is duplicative or unnecessarily overlaps with the
40 purposes of other funds;
41 f) The utilization of funds no longer achieves the objectives and purposes for
42 which they were established;
43 g) The funds are used in violation of the rules and regulations issued by the
44 Permanent Committee;
45 h) The funds have remained dormant for an unreasonable length of time, as
46 determined by the Permanent Committee; and
47 i) The funds are needed by the General Fund in times of emergency, as
48 declared by the President.

Further, the Permanent Committee may direct the closure of SAGFs, Custodial Funds, and Off-Budget Accounts, and the transfer of remaining balances to the appropriate fund, based on the following grounds:

- a) When the fund established is not classified in accordance with the provisions of this Act; and
- b) When the fund is established in a manner inconsistent with the nature prescribed in its enabling statute.

In order to ensure the optimal utilization of the covered funds created for special purposes, the Permanent Committee is further authorized to direct the merger and/or transfer of the funds from one agency to another, having mandate or jurisdiction over the same object for which the fund was created.

The Permanent Committee, in recommending the merger, consolidation, and/or transfer of funds, shall consider the following factors:

- a) Purposes for which the fund was created;
- b) Mandates and functions of the agencies;
- c) Absorptive capacities of the agencies relative to the historical utilization of the funds;
- d) Programs, activities and projects relative to the fulfillment of the purposes of the fund can be properly implemented through convergence and programmatic approach; and
- e) Other circumstances that would warrant the merger/consolidation of funds in one agency.

In case of reclassification of SAGFs, Custodial Funds, and Off-Budget Accounts, the authorized uses or purposes shall continue to be those specified in the law creating them.

The Permanent Committee shall issue guidelines for the implementation of this provision, including its accounting and reporting requirements.

CHAPTER II SPECIAL PURPOSE FUNDS

Section 14. *Special Purpose Funds.* – The Special Purpose Funds (SPFs) included in the annual Proposed National Budget shall be limited to the following:

- a) National Disaster Risk Reduction and Management Fund (NDRRMF);
- b) Contingent Fund (CF);
- c) Allocations to LGUs;
- d) Miscellaneous Personnel Benefits Fund (MPBF);
- e) Pension and Gratuity Fund (PGF);
- f) Spill-Over Fund; and
- g) Other SPFs not falling under any of the preceding enumeration but proposed by the President and authorized by Congress, subject to the following parameters or conditions:

- i. The SPF shall be used to cover expenditures for specific purposes for which recipient agencies and instrumentalities of the National Government have not yet been identified during budget preparation and legislation. These shall be available for allocation to agencies and instrumentalities of the National Government in addition to their built-in appropriations, during budget execution, pursuant to special conditions per SPF;
- ii. The SPF shall be administered by the DBM;
- iii. The SPF must be for a specific purpose;
- iv. The SPF may be accessed by multiple agencies; and
- v. The use and allocation of the SPF shall not be subject to post-enactment legislative measures.

The DBM shall submit to Congress the quarterly and annual reports of the total releases attributed to the foregoing SPFs.

The release and utilization of the foregoing SPFs shall be subject to the guidelines to be issued by the DBM.

Section 15. National Disaster Risk Reduction and Management Fund. – The NDRRMF shall be used for: a) 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 b) 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 past two (2) years from the budget year.

Of the amount appropriated for the NDRRMF under the general appropriations law, up to thirty percent (30%) shall be allocated as the ceiling amount for the replenishment of the Quick Response Fund (QRF). The QRF shall be used as a standby fund for relief and recovery programs in order that the situation and living conditions of people in communities or areas stricken by disasters, calamities, epidemics, or complex emergencies, may be normalized as quickly as possible.

When the balance of the QRF of the implementing agency concerned, as appropriated in the general appropriations law, reaches fifty percent (50%), the same may be replenished from the NDRRMF, subject to the approval of the DBM, copy furnished the National Disaster Risk Reduction Management Council (NDRRMC).

In no case shall the QRF be used for pre-disaster activities, such as conduct of training, insurance of assets, and public information and education initiatives, or any other purpose not authorized in this provision.

Releases from the NDRRMF, other than the replenishment of the QRF, shall be subject to the prior approval of the President, who may take into consideration the recommendation of the NDRRMC for local disasters and calamities and the appropriate agency for international crises.

Section 16. Contingent Fund. – The CF shall cover the funding requirements of new or urgent projects or activities of agencies and instrumentalities of the National Government, including LGUs, that need to be implemented or paid during the year,

1 such as, but not limited to, the following: a) legal obligation of the agencies and
2 instrumentalities of the National Government arising from the final and executory
3 decisions of competent authorities, such as compromise agreements, including arbitral
4 awards, mediation settlement agreements, and professional services in connection
5 thereto; b) requirements of newly created offices; or c) deficiencies in the appropriations
6 for local and external travels of the President.

7
8 Releases from this Fund shall be subject to approval by the President, other than those
9 for payment resulting from final and executory decisions of competent authorities, which
10 shall be released by the DBM subject to availability of funds.

11
12 **Section 17. *Allocations to Local Government Units.*** – The shares of LGUs in the
13 proceeds from national taxes and other transfers to LGUs authorized by appropriations
14 shall be released to the LGUs in accordance with the provisions on the use, allocation,
15 and release of the funds under pertinent laws, rules, and regulations.

16
17 **Section 18. *Miscellaneous Personnel Benefits Fund.*** – The MPBF shall be used for
18 the following purposes: a) to cover the payment of PS deficiencies of those who are still
19 in the government service; and b) to cover actual expenses, including payment of
20 premiums for posting of bail bonds and cash advance for expense of officials and
21 employees of the agencies under the Executive Department, in relation to the defense
22 of administrative, civil, or criminal cases filed against them in courts for acts committed
23 in the performance of their actual functions.

24
25 In no case shall this Fund be utilized to cover PS deficiencies resulting from the filling
26 of existing and newly-created positions already provided under the regular budget of
27 the agencies and instrumentalities of the National Government.

28
29 **Section 19. *Pension and Gratuity Fund.*** – The PGF shall cover the payment of the
30 following:

- 31
32 a) Pension requirements for military uniformed personnel and other eligible retired
33 personnel of agencies of the National Government covered by special laws;
34
35 b) Retirement benefits of the following:
36
37 1) Optional retirees of the agencies of the National Government;
38 2) Retired personnel of GOCCs, which are financially unable to pay said
39 benefits, subject to the submission of the streamlining program and
40 measures that will enhance efficiency and effectiveness; and
41 3) Personnel devolved to LGUs in accordance with applicable laws, rules,
42 and regulations;
43
44 c) Separation benefits or incentives of affected personnel pursuant to the
45 implementation of reorganization, streamlining, optimization,
46 merger/consolidation, abolition, privatization, and other forms of organizational
47 restructuring authorized under applicable laws, rules and regulations;
48
49 d) Monetization of leave credits of national government personnel and transferred
50 leave credits of national government personnel devolved to the LGUs in
51 accordance with RA No. 7160; and

- 1
2 e) Other deficiencies in the authorized appropriations for retirement and terminal
3 leave benefits.
4

5 In no case shall this Fund be used to pay any additional compensation component of
6 pension or retirement and terminal leave benefits, such as year-end bonus, cash gifts,
7 bonuses, per diems, allowances, overtime pay, or such other benefits, unless otherwise
8 specifically authorized under relevant laws.
9

10 **Section 20. *Spill-over Fund.*** – Agencies and instrumentalities of the National
11 Government shall ensure that all goods, services, and projects are fully delivered,
12 rendered, or completed, respectively, and accepted by the end of the fiscal year.
13

14 As a general rule, P/A/Ps that are delivered, rendered, or completed, and accepted
15 within the period of validity of the appropriations, but remain unpaid until after the EPP
16 shall be governed by the rules on money claims. In exceptional circumstances, such as
17 the occurrence of *force majeure*, through no fault or negligence of the contracting
18 parties, the Spill-over Fund may cover the funding requirements for Spill-over Projects.
19

20 **BOOK III**
21 **THE BUDGET CYCLE**
22

23 **CHAPTER I**
24 **GENERAL POLICIES**
25

26 **Section 21. *Constitutional Policies on the Budget.*** -
27

- 28 a) All appropriations, revenue or tariff bills, and bills authorizing increase of the
29 public debt shall originate exclusively in the House of Representatives, but the
30 Senate may propose or concur with amendments;
31
- 32 b) The Congress may not increase the appropriations recommended by the
33 President for the operation of the government as specified in the budget. The
34 form, content, and manner of preparation of the budget shall be prescribed by
35 law;
36
- 37 c) No provision or enactment shall be embraced in the General Appropriations Bill
38 (GAB) unless it relates specifically to some particular appropriation to which it
39 relates;
40
- 41 d) The procedure in approving appropriations for the Congress shall strictly follow
42 the procedure for approving appropriations for other departments and agencies;
43
- 44 e) A Special Appropriations Bill shall specify the purpose for which it is intended
45 and shall be supported by funds actually available, as certified by the National
46 Treasurer, or to be raised by a corresponding revenue proposal therein;
47
- 48 f) No law shall be passed authorizing any transfer of appropriations. However, the
49 President, the President of the Senate, the Speaker of the House of
50 Representatives, the Chief Justice of the Supreme Court, and the heads of
51 Constitutional Commissions may, by law, be authorized to augment any item in

1 the general appropriations laws for their respective offices from savings in other
2 items of their respective appropriations;

3
4 g) Discretionary funds appropriated for particular officials shall be disbursed only
5 for public purposes to be supported by appropriate vouchers and subject to such
6 guidelines as may be prescribed by law;

7
8 h) If, by the end of any fiscal year, the Congress shall have failed to pass the GAB
9 for the ensuing fiscal year, the General Appropriations Law for the preceding
10 fiscal year shall be deemed reenacted and shall remain in force and effect until
11 the GAB is passed by the Congress;

12
13 i) No money shall be paid out of the Treasury except in pursuance of an
14 appropriation made by law. No public money or property shall be appropriated,
15 applied, paid, or employed, directly or indirectly, for the use, benefit, or support
16 of any sect, church, denomination, sectarian institution, or system of religion, or
17 of any priest, preacher, minister, other religious teacher, or dignitary as such,
18 except when such priest, preacher, minister, or dignitary is assigned to the armed
19 forces, or to any penal institution, or government orphanage or leprosarium;

20
21 j) All money collected on any tax levied for a special purpose shall be treated as a
22 special fund and paid out for such purpose only. If the purpose for which a special
23 fund was created has been fulfilled or abandoned, the balance, if any, shall be
24 transferred to the general funds of the Government;

25
26 k) Fiscal Autonomy shall be enjoyed by the Judiciary, Constitutional Commissions,
27 Office of the Ombudsman, Local Governments, and Commission on Human
28 Rights; and

29
30 l) The President shall submit to the Congress, within thirty (30) days from the
31 opening of every regular session as the basis of the GAB, a budget of
32 expenditures and sources of financing, including receipts from existing and
33 proposed revenue measures.

34
35 **Section 22. Planning-Programming-Budgeting Linkage.** – Development strategies
36 identified in the Philippine Development Plan (PDP) shall be the primary consideration
37 in the formulation of the Budget Priorities Framework (BPF). These shall also be the
38 basis for drawing up strategic and prioritized programs and projects in the multi-year
39 Public Investment Program (PIP), which in turn will be considered in the formulation of
40 the annual agency budgets.

41
42 The PIP and the Regional Development Investment Programs (RDIPs) shall be
43 coherent through the conduct of the RDC National Investment Programming Dialogues,
44 which will ensure that regional and local development priorities are aligned with national
45 plans.

46
47 The Philippine Development Plan (PDP) is formulated by the Department of Economy,
48 Planning, and Development (DEPDev), in consultation with public agencies, civil
49 society organizations (CSOs), non-government organizations (NGOs), people's
50 organizations (POs), the academe, the private sector, and LGUs. Meanwhile, the PIP
51 translates the PDP into priority P/A/Ps that are responsive to its sectoral goals and

1 outcomes. The RDIPs are based on the Regional Development Plans (RDPs), which is
2 formulated after the PDP, and should also be aligned therein, and defines the region's
3 development direction.

4
5 The implementation of P/A/Ps funded under the annual agency budgets shall be
6 monitored to ensure economy, efficiency, and effectiveness in the use of public funds.
7 The monitoring and evaluation of these P/A/Ps shall cover, among others, the actual,
8 physical, and financial performance of agencies, citing reasons for deviation and/or poor
9 absorptive capacities.

10
11 **Section 23. Budget with Unified Accounts Codes** – All items of appropriations in the
12 NEP and Appropriations Law shall be assigned with a Unified Accounts Code Structure
13 (UACS) Code by the DBM.

14
15 The UACS shall be the official and mandatory classification system for all financial
16 transactions of the agencies and instrumentalities of the National Government.

17
18 The UACS shall serve as the backbone of the IFMIS. It shall facilitate the integration of
19 budget and accounting classification systems, reporting standards, and chart of
20 accounts across government.

21
22 **Section 24. Integrated Financial Management Information System.** – There shall
23 be an IFMIS which shall be the single portal of all financial transactions and reports to
24 be used by agencies and instrumentalities of the National Government, including LGUs,
25 as the case may be, to integrate budgeting, cash management, and accounting
26 processes.

27
28 To support responsive and efficient budget execution, government financial systems
29 shall be designed to anticipate and accommodate budgetary adjustments arising from
30 the enactment of Appropriations Laws or the operation of a reenacted budget.

31
32 **Section 25. Program Classification.** – The proposed National Budget shall adopt a
33 structure based on a program classification as may be approved by the President.
34 Performance information shall be provided for each program to facilitate the evaluation
35 of its cost effectiveness and provide better information for analysis and feedback for
36 planning and prioritization of expenditures.

37
38 In addition, the performance information and targets contained in the proposed National
39 Budget shall be updated after the passage of the general appropriations law taking into
40 consideration the amount appropriated for each program. For this purpose, agencies
41 and instrumentalities of the National Government shall propose adjustments in its
42 outputs and outcomes for submission to the DBM.

43
44 **Section 26. Program Convergence Budgeting** – Program Convergence Budgeting
45 (PCB) is an approach that aims to focus government resources on key programs and
46 projects which shall be coordinated in a holistic approach across agencies and
47 instrumentalities of the National Government working towards the same goals. This
48 shall rationalize similar, overlapping, and/or redundant P/A/Ps.

49
50 **Section 27. Participatory Approach in the Budget Process.** – The government shall
51 establish and implement suitable participatory budget mechanisms to ensure open,

1 inclusive, transparent, and meaningful engagement of citizens and stakeholders during
2 budget preparation process. The DBM and Department of the Interior and Local
3 Government, together with other relevant agencies, shall formulate and periodically
4 update policies and P/A/Ps to strengthen participation in the planning, budgeting, and
5 accountability processes.

7 These participatory mechanisms include a) consultations with the Regional
8 Development Councils (RDCs) and Local Development Councils (LDCs) in the
9 formulation of the national and local government budgets, respectively; and b)
10 partnerships and consultations with Civil Society Organizations (CSOs), academic
11 institutions, and experts on programs that monitor and help improve agency or local
12 government budget preparation, execution, and monitoring.

14 Furthermore, these mechanisms shall be conducted within the annual national budget
15 preparation cycle and aligned with the timelines prescribed under the applicable
16 guidelines or issuance. For this purpose, the following activities shall be undertaken
17 within the following indicative periods, or within such period as may be prescribed under
18 the annual DBM Budget Call: (a) announcement of the CSO assembly, not later than
19 January; (b) conduct of the CSO assembly, from January to February; (c) organization
20 of local action teams and local action plan workshops, in February; (d) submission of
21 the initial list of priority projects, not later than the end of February; (e) consolidation of
22 proposed projects, in March; (f) validation of projects, from March to April; (g)
23 submission of the revised list of priority projects together with the corresponding
24 Sanggunian resolution, not later than April; and (h) actual integration of the approved
25 local government unit projects into the budgets of participating agencies, from April to
26 May.

28 To ensure program complementation, the RDCs shall identify local P/A/Ps that support
29 national and regional development objectives, and recommend to the concerned NGA
30 the local priorities for consideration in NGA's planning and budgeting. The RDCs and
31 LDCs shall ensure compliance with Sections 109 and 114, respectively, of RA No. 7160,
32 and other applicable laws, rules and regulations.

34 **Section 28. Alignment of National Budget with Local Development Priorities.** – To
35 promote inclusive, equitable, and responsive development, the National Budget shall,
36 be aligned with and responsive to the identified development priorities of LGUs, as
37 identified through duly constituted local and regional planning mechanisms.

39 For this purpose, the alignment of national budget process and local development
40 priorities shall be undertaken in accordance with the following guiding principles and
41 operational mechanisms:

- 43 (a) The development priorities and P/A/Ps identified by LGUs through their
44 approved Local Development Plans (LDPs) and Local Development Investment
45 Programs (LDIPs), and endorsed through the RDCs, shall constitute a primary
46 input in the formulation of the National Government's annual budget.
- 48 (b) The RDCs shall serve as the convergence and validation mechanisms for local
49 development priorities. In this capacity, the RDCs shall: (i) consolidate, evaluate,
50 and prioritize LGU-endorsed programs and projects, ensuring their alignment
51 with regional development goals and national development outcomes; (ii)

1 endorse priority local programs and projects to the concerned NGAs, through
2 their Regional Line Agencies (RLAs) and Agency Regional Offices (AROs), for
3 funding consideration; and (iii) ensure that endorsed priorities reflect the
4 development needs and investment gaps of the region.
5

6 (c) The NGAs, through their Central Offices, shall: (i) integrate RDC-endorsed local
7 priorities in the preparation of their respective budget proposals, subject to
8 technical feasibility and consistency with national development objectives; (ii)
9 demonstrate, as part of their budget submissions, how proposed expenditures
10 respond to identified local and regional development priorities; and (iii) provide
11 written justification for the exclusion or modification of RDC-endorsed priorities
12 in the final agency budget proposals.
13

14 (d) A mandatory feedback mechanism shall be institutionalized, whereby NGAs
15 shall inform the RDCs and concerned LGUs of the actions taken on endorsed
16 local priorities, including the basis for approval, deferment, or non-inclusion, to
17 strengthen accountability and evidence-based planning.
18

19 (e) The alignment of local, regional, and national development priorities under this
20 section shall follow a two-year rolling planning and budgeting cycle, as follows:
21

22 (i) Year One – Plan Alignment and Endorsement. LGUs shall align their LDPs
23 and LDIPs with regional and national development frameworks, and the RDCs
24 shall consolidate and endorse priority programs and projects to concerned
25 NGAs; and
26

27 (ii) Year Two – Budget Preparation. NGAs shall integrate the RDC endorsed
28 priorities in the preparation of their budget proposals for the ensuing fiscal year.
29 The processes under Year One shall be completed prior to the issuance of the
30 National Budget Call for the corresponding fiscal year.
31

32 The DBM, in coordination with the DEPDev and the DILG, shall issue the necessary
33 policy guidelines to operationalize this section, including mechanisms to ensure that the
34 National Budget meaningfully reflects local government development priorities.
35

36 The proposed provision/section establishes a clear framework by which locally
37 identified development P/A/Ps are generated through approved LDPs and LDIPs, and
38 subsequently consolidated and validated through the RDCs. It also clarifies the roles
39 and responsibilities of RDCs as convergence and validation mechanisms, and of NGAs
40 in considering RDC-endorsed priorities in the preparation of their annual budget
41 proposals, including the requirement to provide justification where such priorities are
42 not adopted.
43

44 It further integrates a defined planning and budgeting timelines through a rolling two (2)-
45 year cycle to ensure that local and regional priorities are identified, endorsed, and
46 considered before the issuance of the National Budget Call.
47

48 Lastly, it designates the DBM, in coordination with the DEPDev and the DILG, to issue
49 the necessary policy guidelines to operationalize the process, which ensures consistent
50 implementation and institutional support across agencies.

Section 29. Total Resource Budgeting. – In evaluating budget proposals, all resources, including Special Funds, of the agencies or instrumentalities of the National Government shall be taken into account.

Section 30. Total Expenditure Program - The TEP is the approved ceiling on the total obligations that could be incurred by the government in a given fiscal year. The said ceiling is supported by estimated financial resources, as reflected in the BESF. The TEP shall include all programmed and automatic appropriations, and shall not cover the UA.

For programmed appropriations, which is subject to legislative authorization, the Congress may increase the appropriation of any P/A/P of an agency or instrumentality of the National Government over the amount submitted by the President in his budget proposal, if there is a corresponding reduction in other P/A/Ps of agencies and instrumentalities of the National Government.

Section 31. Adoption of the Philippine Cash Budgeting System. – The Philippine Cash Budgeting System shall be adopted to improve the fiscal planning and cash management of the National Government by setting deadlines for obligation and disbursement of funds, in order to facilitate the implementation of programs and prompt delivery of goods and services to the Filipino people.

Section 32. Budget Proposals.- Each head of agency or instrumentality of the National Government, as applicable, shall submit a request for appropriations to the DBM in accordance with the rules and regulations as may be issued for the purpose.

The budget proposals of agencies shall include, among others, the following information:

- (1) Objectives, functions, activities, programs, and projects showing the general character and relative importance of the work to be accomplished or the services to be rendered, and the principal elements of cost involved;
- (2) Linkage of the work and financial proposals to approved development plans;
- (3) Estimated current operating expenditures and COs, with comparative data for the preceding and current fiscal years;
- (4) Financial sources, reflecting all revenues, proceeds of foreign and domestic borrowings, and other sources, particularly those which accrue to the General Fund;
- (5) Brief description of the major thrusts and priority programs and projects for the budget year, results expected for each budgetary program and project, the nature of work to be performed, estimated costs per unit of work measurement, including the various objects of expenditure for each project;
- (6) Organization charts and staffing patterns indicating the list of existing and proposed positions with corresponding salaries, and proposals for position classification and salary changes, duly supported by adequate justification.

Section 33. Budgetary Support to Government Corporations. - Income and revenues collected by GOCCs from all sources shall be used to cover all its operating requirements. Any deficiency may be augmented by the budgetary support from the National Government, which may either be:

- a) Subsidy which shall be used in accordance with the purposes identified in the annual GAA: *Provided*, That unless otherwise stated in the special provisions, subsidy releases may be used by GOCCs which are financially unable to pay for the separation or retirement benefits and incentives resulting from an approved reorganization, merger, streamlining, abolition, or privatization plan under RA No. 10149, other laws and issuances; or
- b) Equity which shall be used as capital investment of the National Government in accordance with the capitalization requirement under pertinent laws. In no case shall equity investments be used for the payment of salaries, allowances, incentives, and retirement and separation benefits, except in cases authorized by the DBM.

Section 34. Submission of Corporate Operating Budgets and Other Related Financial Statements. - All GOCCs, including Government Financial Institutions, whether or not receiving budgetary support from the National Government, shall prepare their annual Corporate Operating Budgets (COBs) following the procedure and guidelines as to be determined by the DBM. Said COBs, together with their supporting financial statements, shall be approved by their governing boards, and submitted to the DBM for review and evaluation as part of the budget process.

Section 35. Meritocracy-Based Budgeting Framework. — Consistent with the policy of promoting accountability, performance-based governance, and outcome-driven public service, the DBM shall implement a meritocracy-based budgeting framework that considers the performance of NGAs and LGUs in the evaluation and prioritization of programs, activities, and projects under the national budget. NGAs and LGUs demonstrating sustained improvements in human development outcomes under the dimensions of health, education, economic standards of living, peace and order and public safety, and consumer price affordability shall be accorded preferential consideration for funding support such as the Local Government Support Fund (LGSF), program expansion, and shall be granted performance-based incentives, subject to further guidelines that will be issued by the DBM.

To ensure the effective implementation of this meritocracy-based budgeting framework, the DBM shall strengthen its monitoring and evaluation functions by establishing or designating appropriate organizational units, technical personnel, and analytical systems dedicated to performance monitoring, expenditure tracking, and outcome evaluation of government programs. The DBM may create specialized monitoring and evaluation units and deploy qualified personnel, including economists, statisticians, policy analysts, and data specialists, to support the systematic assessment of NGA and LGU performance according to dimensions indicated in the preceding paragraph. Such units shall coordinate with the DEPDev, the Philippine Statistics Authority (PSA), the DILG, COA, and other relevant agencies to ensure the availability, integration, and analysis of data necessary for the implementation of the meritocracy-based budgeting framework.

CHAPTER II BUDGET PREPARATION

Section 36. *Additional Functions and Reconstitution of the Development Budget Coordination Committee.* – The DBCC shall be primarily responsible for the review and approval of the macroeconomic targets, revenue projections, borrowing level, aggregate budget level, and expenditure priorities and the recommendation to the Cabinet and the President of the consolidated public sector financial position and the National Government fiscal program.

In addition to the foregoing, the DBCC, pursuant to this Act, is tasked to formulate the Medium-Term Fiscal Framework (MTFF). It shall conduct periodic reviews of fiscal and macroeconomic targets, as well as the revenue and expenditure projections of the government, including general examination of costs, accomplishments, and performance standards applied in undertaking development projects. Further, the Secretaries of the DBM and the DOF shall serve as co-chairpersons, and the DEPDev shall serve as the vice chairperson of the DBCC.

Section 37. *Medium Term Fiscal Framework.* – The DBCC shall prepare, subject to the approval of the President, the MTFF which shall contain the Statement of Fiscal Policy, measurable medium-term macroeconomic and fiscal objectives, and forecasts consistent with the fiscal responsibility principles. The MTFF shall be submitted to Congress for its information not later than one hundred eighty (180) days from the commencement of the President's term of office and update the measurable fiscal objectives set forth therein three (3) years thereafter.

Section 38. *Budget Ceiling.* – The DBCC, on the basis of the MTFF, shall determine the budget ceiling during the last quarter immediately preceding the budget year, which shall serve as the basis of the budget call for the succeeding year. The DBCC may review and revise the said ceiling based on emerging macro-fiscal developments as may be necessary, in alignment with the fiscal objectives set forth in the MTFF.

Section 39. *Budget Call.* – The budget call issued by the DBM shall contain budget parameters earlier set by the DBCC as well as policy guidelines and procedures to aid government agencies in the preparation and submission of their budget proposals. The budget call is of two (2) kinds, namely: a) a national budget call, which is addressed to all agencies and instrumentalities of the National Government, except GOCCs; and b) a corporate budget call, which is addressed to all GOCCs.

Section 40. *Budget Priorities Framework.* – The DBM shall issue a BPF to guide the formulation of the Proposed National Budget for the following fiscal year. It shall contain, among others, the targets underlying the budget; the priority areas for government spending reflected in the PDP and PIP; and estimated amount and planned allocation of the fiscal space.

Section 41. *Implementation of Program Convergence Budgeting.* – Prior to the submission of budget proposals, agencies and instrumentalities of the National Government shall have undertaken inter-agency coordination, employing a holistic approach, to ensure alignment on key programs and projects with other departments pursuing similar objectives.

1
2 In order to plan and implement a PCB program, a lead agency shall be designated to
3 perform oversight and steering functions of planning, direction setting, and monitoring,
4 among others, as set forth in the legal and/or policy framework of the program.
5

6 The designation of lead agency shall be in accordance with the legal basis of the
7 specific PCB program and/or the magnitude of the involvement of an agency in said
8 PCB program, consistent with its legal mandates.
9

10 **Section 42. The Proposed National Budget.** – The President shall submit to
11 Congress, not later than thirty (30) days from the fourth Monday of July of every year,
12 the Proposed National Budget, which shall be the basis of the GAB.
13

14 The President shall determine the form and content of the Proposed National Budget
15 which shall include, but not limited to, the following:
16

- 17 a) BESF contains, among others, the macroeconomic parameters, dimensions of
18 three (3)-year expenditure program, revenue, financing, and outstanding debt,
19 overview of the financial positions of GOCCs, LGUs, and public-private
20 partnership projects, list of new multi-year projects, including the project duration,
21 the total project cost, and contractual authorities issued;
22
- 23 b) NEP details the agencies and instrumentalities of the national government's
24 proposed P/A/Ps, under the programmed and unprogrammed appropriations,
25 submitted to Congress in the review and deliberation of the proposed national
26 budget for the legislation of the general appropriations law for the next fiscal year;
27
- 28 c) President's Budget Message provides a preview of the Proposed National
29 Budget, explaining the principles, objectives, policy framework adopted, and the
30 spending priorities for the ensuing fiscal year; and
31
- 32 d) Staffing Summary contains the overall staffing summary of the national
33 government, indicating the number and salaries of the permanent filled and
34 unfilled positions.

35 The Proposed National Budget shall be published in a searchable and open data format
36 on the DBM official website immediately after the submission thereof by the President
37 to Congress.
38

39 The Proposed National Budget shall in no case exceed the TEP.
40

41 **Section 43. Unprogrammed Appropriations.** – Congress may authorize standby
42 appropriations to cover the following funding requirements for foreign-assisted projects
43 (FAPs) without perfected loan agreements as of preparation of the NEP:
44

- 45 (i) The fund source for foreign loan proceeds counterpart shall be charged against
46 the loan proceeds from the perfected contract.
47
- 48 (ii) or the Government of the Philippines counterpart not included in the programmed
49 appropriations, expenditures thereof shall be supported by, subject to
50 compliance with Section 46 herein, the excess revenue collections in any one of
51 the particular non-tax revenue sources from its corresponding revenue

collections target in the BESF as certified by the BTr, or by new revenue collections or those arising from new tax or non-tax revenues which are not part of the original revenue sources in the BESF.

The total UA shall not exceed two percent (2%) of the TEP. In no case shall the UA be released when the DBCC determines that there is a risk of breaching the fiscal objectives set forth in the MTFF.

In view of the nature of the sources of funding for UA, the validity period of releases, obligations, and disbursements therefrom shall be subject to the rule under Section 51 of this Act.

It is understood that the appropriations for the new FAPs included in the current fiscal year's UA should be included in the programmed appropriations of the agencies concerned for the succeeding fiscal years.

Section 44. Errata. – Notwithstanding the transmittal of the NEP by the President to the House of Representatives, the DBM, upon approval of the President, as applicable, *motu proprio* or upon request of the concerned agencies, may introduce errata for the purpose of effecting necessary corrections either clerical or substantial, clarifications, or adjustments to the NEP: *Provided*, That for substantial errors, the same shall be subject to the prior approval of the President. The errata shall be submitted by the Office of the President, through the DBM, to the House of Representatives at any time prior to the conversion of the NEP into the GAB.

CHAPTER III BUDGET LEGISLATION

Section 45. General Appropriations Bill. – The GAB shall be presented in the form of P/A/Ps for each agency of the government, with the corresponding appropriations for each P/A/P, including statutory provisions of specific agency or general applicability.

Section 46. Special Appropriations Bill. – A special appropriations bill shall specify the purpose for which it is intended, and shall be supported by funds actually available as certified by the National Treasurer, or to be raised by a corresponding revenue proposal therein. The validity of appropriations under the said bill shall be prescribed therein which shall in no case exceed one (1) year from its enactment.

A Special Appropriations Bill may be passed while the Government is operating under a reenacted budget.

Section 47. Use of New or Excess Revenue Sources. – Excess revenue collections in any one of the identified non-tax revenue sources from its corresponding revenue collection target, as reflected in the BESF, or new revenue collections or those arising from new tax or non-tax sources which are not part of, nor included in, the original revenue sources reflected in the BESF, may be used for the UA or for special appropriations. However, if a special appropriations law is enacted, any certification of excess or new revenue collection specifically attributed to the fund source identified in the special appropriations law shall be exclusively utilized for the fulfillment of the purpose expressly provided therein.

Section 48. Automatic Appropriations. - All expenditures for a) personnel retirement premiums, government service insurance, and other similar fixed expenditures, b)

1 principal and interest on public debt, c) national government guarantees of obligations
2 which are drawn upon, d) other appropriations that, by their nature, do not require
3 periodic legislative action by the Congress and need not be included in the legislation
4 of the general appropriations law, are automatically appropriated: *Provided*, That no
5 obligations shall be incurred, nor any payments made, from funds automatically
6 appropriated unless duly supported by the corresponding obligational and
7 disbursement authorities.

8 9 10 11 **CHAPTER IV** 12 **BUDGET EXECUTION** 13

14 **Section 49. Use of Appropriations.** – All monies appropriated for P/A/Ps shall be
15 available solely for the specific purposes for which these are appropriated.

16
17 **Section 50. Reenacted Budget.** – If, by the end of the current fiscal year, a general
18 appropriations law for the ensuing fiscal year is not enacted, the general appropriations
19 law of the current fiscal year shall be deemed reenacted and shall remain in force and
20 effect until the end of the fiscal year unless a general appropriations law for the ensuing
21 fiscal year is enacted.

22
23 The reenacted budget shall be enforced as follows:
24

- 25 a) The aggregate level of the reenacted budget shall be limited to the total amount
26 appropriated in the preceding year's general appropriations law, but shall in no
27 case exceed the level of the sources of financing under the BESF of the
28 Proposed National Budget for the current fiscal year;
29
- 30 b) The appropriations for the following shall be limited to the amounts authorized
31 under the reenacted budget, subject to the applicable general and special
32 provisions therein, but in no case exceed the amounts in the Proposed National
33 Budget for the current fiscal year:
34
- 35 1) Personnel benefits, including retirement gratuities, pensions, terminal leave
36 pays and other related expenses;
37
 - 38 2) Ongoing P/A/Ps;
39
 - 40 3) NDRRMF, CF, Allocations to LGUs, MPBF, PGF, and other SPFs;
41
 - 42 4) Budgetary support to GOCCs for their operational requirements and ongoing
43 P/A/Ps; and
44
 - 45 5) UA.
46
- 47 c) In no case shall the following items of the reenacted budget be considered for
48 release, disbursement, and utilization:
49
- 50 1) Completed P/A/Ps funded in the general appropriations law of the preceding
51 fiscal year;

2) Equity contribution of the National Government to GOCCs; and

3) Non-recurring P/A/Ps.

Releases against automatic appropriations shall likewise be included in, and charged against, the TEP based on the reenacted budget.

All releases during the fiscal year whether under the reenacted budget or the new general appropriations law shall be within the TEP for the current fiscal year. Said new general appropriations law shall be valid from its enactment until the end of the current fiscal year.

The DBM shall issue guidelines on the aggregate and agency levels of appropriations authorized under the reenacted budget.

Section 51. Release of Appropriations. – The government shall commence the release of appropriations covered by the general or special appropriations law as soon as it becomes effective to ensure timely and efficient disbursement by the appropriate implementing agencies, subject to pertinent budgeting, accounting, and auditing rules and regulations. The general or special appropriations law shall be considered the authority of the agencies and instrumentalities of the National Government to obligate, except for the following instances: a) Appropriations that by virtue of law, general or special provisions, and rules and regulations have conditions or requirements before release; b) Lump-sum appropriations in the agency budget and SPFs; and c) Special Appropriations.

Section 52. Implementation of the Philippine Cash Budgeting System. – All appropriations authorized in the general appropriations law for agencies and instrumentalities of the National Government shall be available for release, obligation, and disbursement only until the end of each fiscal year. In exceptional circumstances, payments for completed construction, goods, and services delivered and accepted may be allowed until the end of EPP which shall be not later than March 31 of the succeeding year. Payments during the EPP shall be chargeable against the general appropriations law of the preceding fiscal year.

After the end of the validity period, all unreleased appropriations, unobligated allotments, and obligated allotments for goods/services/projects not yet delivered, rendered, or completed, and accepted shall revert to the Unappropriated Surplus of the General Fund and shall not thereafter be available for expenditure except by subsequent legislative enactment. Agencies and instrumentalities of the National Government shall strictly observe the validity of appropriations and the reversion of funds.

Notwithstanding this provision and any other issuance, subsidies released to LGUs and GOCCs under this Act shall be valid until fully expended.

All funds transferred between agencies of the National Government, or by agencies of the National Government to GOCCs and vice versa, or by agencies of the National Government to LGUs shall not be considered disbursed under this Section by the source Agency until the transferred amounts have been actually utilized to pay for

1 completed construction, goods delivered, and services rendered, inspected, and
2 accepted, within the validity period. It is understood that transfer of funds shall strictly
3 be in accordance with pertinent budgeting, accounting, auditing, and existing
4 government procurement laws, rules, and regulations.

5
6 The DBM is authorized to issue the necessary guidelines for the continued
7 implementation of the Philippine Cash Budgeting System.

8
9 **Section 53. Government Funding Commitment.** – No obligations chargeable against
10 any authorized allotment shall be incurred by agencies and instrumentalities of the
11 National Government without first securing a certification of availability of funds (CAF)
12 for the purpose from the agency chief accountant. The CAF sufficient to cover the cost
13 of the contracted activities shall be contained in, and made part of, the contract duly
14 signed by the chief accountant of the contracting agency.

15
16 For multi-year Projects, the CAF shall be issued annually based on the annual budget
17 for the year. In case of multi-year projects with no funding requirement on any given
18 year, instead of the CAF, the chief accountant shall issue a certification that no fund is
19 needed for the year, as indicated in the approved Multi-Year Contractual Authority
20 (MYCA).

21
22 The CAF shall be stamped or appended to the contract and shall become an integral
23 part thereof.

24
25 **Section 54. Multi-Year Contractual Authority.** - For projects to be undertaken through
26 multi-year contractual arrangements, the corresponding MYCA, or any equivalent
27 document, shall be secured from the DBM or other appropriate body, as may be
28 applicable, only after the inclusion of the subject projects in the proposed budget of the
29 agency and strictly prior to the commencement of any procurement activity.

30
31 The implementation of this provision shall be subject to the guidelines issued for the
32 purpose.

33
34 **Section 55. Meaning of Savings.** – Savings refer to portions or balances of any
35 released appropriations in the general or special appropriations law which have not
36 been obligated as a result of any of the following:

- 37
38 a) Completion, final discontinuance, or abandonment of a P/A/P for which the
39 appropriation is authorized; or
40
41 b) Implementation of measures resulting in improved systems and efficiencies and
42 thus enabled an agency to meet and deliver the required or planned targets,
43 programs, and services approved in the general or special appropriations law at
44 a lesser cost.

45
46 In case final discontinuance or abandonment is used as basis in the declaration of
47 savings, such discontinued or abandoned P/A/P shall no longer be proposed for funding
48 in the next two (2) fiscal years.

49
50 Allotments that were not obligated due to the fault of the agency concerned shall not be
51 considered savings.

Section 56. Authority to Declare and Use Savings. – The President of the Philippines, the President of the Senate of the Philippines, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the Heads of the Civil Service Commission, the Commission on Elections, and the COA are hereby authorized to declare and use savings in their respective appropriations in the current year to augment actual deficiencies incurred for the current year in any item of their respective appropriations.

The foregoing constitutional officers authorized to declare and use savings shall be responsible for ensuring that a semestral and annual report on their respective use of savings shall be submitted to the President of the Senate of the Philippines and the Speaker of the House of Representatives, copy furnished the DBM. The report shall indicate, among others, the amount of savings generated, the sources and grounds used therefore, and the existing P/A/P in their respective appropriations augmented. They shall likewise ensure that said reports are posted in their respective websites.

Section 57. Rules on Augmentation. – Augmentation is the act of the constitutional officers authorized to use savings in their respective appropriations in a general or special appropriations law to cover a deficiency in any existing item of appropriation within their respective offices. A deficiency in an item of appropriation may result from:

- a) Unforeseen modifications or adjustments in the P/A/P; or
- b) Reassessment in the use, prioritization, and/or distribution of resources.

An item of appropriation shall pertain to the amount appropriated for an activity or project authorized in the general or special appropriations law.

The particulars of the expenditure to be funded from savings should be within the scope of, or be covered by, an existing activity or project. The existence of an 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 activity or project be funded by augmentation from savings or by the use of appropriations authorized in the general or special appropriations law.

Section 58. Rules on Modification in the Allotment. – As a general rule, agencies and instrumentalities of the National Government shall spend what is programmed in their respective appropriations in the general or special appropriations law. In exceptional circumstances, agencies and instrumentalities of the National Government may modify the allotment issued within an activity or project, subject to approval of the following ensued by the timely submission of reports by all offices concerned:

- a) The heads of agencies or their duly authorized representatives who shall be the official next-in-rank, for the following: 1) change in the details of an activity or project without changing its nature and within the same operating unit; and 2) change in the object of expenditure (travelling expenses or investment outlays) within an allotment class (MOOE or CO);

- 1 b) The DBM, in the following modifications: 1) from one allotment class to another;
2 and 2) from one operating unit to another;
3
4 c) The President of the Philippines, for the payment of intelligence funds within the
5 Executive Department; and
6
7 d) The Senate President or the Speaker of the House of Representatives, as the
8 case may be, for the modification by a member of Congress of his/her allotment
9 for operational expenses to any other expense category;
10

11 All modification in the allotment shall not entail any increase in the total amount
12 appropriated for an activity or project.
13

14 **Section 59. Allocation for Reorganized Departments, Bureaus, and Offices of the**
15 **National Government, including Constitutional Offices Enjoying Fiscal Autonomy**
16 **and State Universities and Colleges.** - The amount appropriated in the general or
17 special appropriations law for departments, bureaus, and offices of the National
18 Government, including Constitutional Offices enjoying fiscal autonomy and SUCs,
19 which were reorganized during the immediately preceding fiscal year and the current
20 year, shall be released to the successor agency subject to any transitory provision in
21 the issuance authorizing its reorganization, and budgeting, accounting, and auditing
22 rules and regulations.
23

24 **Section 60. Use of Appropriations within Special Purpose Funds.** – As a general
25 rule, the amounts appropriated for SPFs shall be utilized in accordance with the
26 purposes specified in the general or special appropriations law; *Provided*, That in
27 exceptional cases, any available amount in one purpose may be used to cover a
28 deficiency in another purpose within the same SPF, subject to the approval of the DBM.

29 **Section 61. Centrally-Managed Items.** – Funds or items in the agencies' budgets with:
30 a) unidentified recipient regional offices (ROs) or operating units (OUs); and/or b)
31 unspecified allocation per recipient in the general appropriations. Such CMIs shall be
32 released directly to the appropriate OU as identified in the general appropriations law.
33

34 **Section 62. Impoundment of Appropriations.** – The President, with notice to the
35 Head of Agency concerned, is authorized to withhold the release of appropriations,
36 except for PS, for any agency within the Executive Department, subject to conditions
37 as may be provided in the relevant appropriations law.
38

39 CHAPTER V 40 BUDGET ACCOUNTABILITY 41

42 **Section 63. Submission of Post Fiscal Year Budget Status.** – The DBM shall submit
43 to the Speaker of the House of Representatives, the President of the Senate of the
44 Philippines, the House Committee on Appropriations and the Senate Committee on
45 Finance a post Fiscal Year budget status report not later than May 31 of the succeeding
46 year.
47

48 **Section 64. Agency Performance Review.** – The President, through the DBM
49 Secretary, shall evaluate on a continuing basis the quantitative and qualitative
50 measures of agency performance as reflected in the units of work measurement and

1 other indicators of agency performance, including the standard and actual costs per unit
2 of work.

3
4 The agencies and instrumentalities of the National Government shall submit a semi-
5 annual report of their accomplishments, both physical and financial results, in
6 accordance with such content and format as may be prescribed by the DBM Secretary.
7 These reports shall be designed and used for the purpose of monitoring the efficiency
8 and effectiveness of budget utilization, and generally for verifying the attainment of the
9 goals established during the budget process.

10
11 **Section 65. *Monitoring of Expenditures.*** – Expenditures of agencies and
12 instrumentalities of the National Government shall be recorded so as to identify
13 expenditures as classified into such categories as may be determined by the DBM,
14 including but not limited to the following: (1) agency incurring the obligation, (2) P/A/P,
15 (3) object of expenditure, including allotment class, (4) region or locality of use, (5)
16 economic or functional classification of the expenditure, (6) obligational authority and
17 cash transactions arising from fund releases, and such other classifications as may be
18 necessary for the budget process. The DBM shall determine the data and information
19 requirements thus needed and the COA shall formulate the accounting rules and
20 regulations, including changes in the Chart of Accounts and the general or subsidiary
21 accounting records, as may be necessary to generate the desired data and information.
22 The Chief Accountants of agencies and where necessary, accountants of regional
23 offices, shall submit the data needed by the DBM in accordance with such rules and
24 regulations as it may formulate.

25
26 **Section 66. *Accountability of Head of Agency.*** – The Head of Agency shall be
27 responsible and accountable for the financial management of the agency which shall
28 include meeting performance targets, controlling costs, mitigating adverse risks to
29 agency operations, and ensuring that budgets are managed with integrity and in
30 compliance with applicable laws.

31
32 **BOOK IV**
33 **MANAGEMENT AND OVERSIGHT**

34
35 **CHAPTER I**
36 **INTERNAL CONTROL AND INTERNAL AUDIT**

37
38 **Section 67. *Internal Control System.*** - Internal control is an integral process adopted
39 and implemented within the agencies and the instrumentalities of the National
40 Government, including LGUs, designed to provide reasonable assurance regarding the
41 achievement of objectives relating to operations, compliance, reporting, and
42 safeguarding of assets.

43
44 It shall be the direct responsibility of the heads of agencies to install, implement, and
45 monitor a sound system of internal control.

46
47 The DBM shall promulgate the necessary rules and regulations for the strengthening of
48 internal control systems of agencies under the Executive Department.

49
50 **Section 68. *Internal Audit System.*** – As part of the strengthening of the internal control
51 systems in government, the heads of agencies, including the LGUs, shall establish and

1 maintain an internal audit system, which shall include the creation and establishment of
2 an internal audit unit and the concomitant internal auditor positions, subject to the rules
3 and regulations promulgated by the DBM, based on the standards and principles
4 prescribed by the COA, and also the pertinent provisions of RA No. 7160, in the case
5 of LGUs
6

7 To preserve its independence, the internal audit unit shall be detached from the regular
8 operations or functions of routine operating character of the agency.
9

10 **Section 69. *Capacity Development on Internal Control and Internal Audit.*** – The
11 DBM shall establish and implement a sustained capacity development program on the
12 implementation of internal control and internal audit.
13
14
15

16 **CHAPTER II**

17 **MANAGEMENT OF NON-FINANCIAL ASSETS OF THE GOVERNMENT**

18

19 **Section 70. *Management of Non-Financial Assets of the Government.*** - The head
20 of the agencies and instrumentalities of the National Government shall be responsible
21 and accountable for the management of the non-financial assets of the government
22 under their jurisdiction, such as, but not limited to, lands, buildings, and other
23 infrastructure, motor vehicles, and other movable or personal properties, regardless of
24 their value. The cost-effective management of these assets shall be ensured through
25 the analysis of their lifecycle, capacity, utilization, and maximization of government
26 funds by targeting scarce resources to the most critical asset needs. Agencies and
27 instrumentalities of the National Government shall ensure that costs throughout the
28 lifecycle of the assets, from planning to disposal, are linked with their planning and
29 budgeting processes to maintain the required levels of service of these assets.
30

31 The DBM shall issue the necessary rules and regulations on the implementation of
32 management of non-financial assets of the agencies and instrumentalities of the
33 National Government, such as, but not limited to, real property management, and the
34 acquisition, use, rental, and replacement of government motor vehicles.
35
36

37 **CHAPTER III**

38 **FINANCIAL MANAGEMENT**

39

40 **Section 71. *Waiver, Abatement, Refund, and Compromise Agreements.*** – No public
41 official shall waive, abate, refund, or enter into a compromise agreement on a tax liability
42 or the payment of fees or charges except in accordance with law. All waivers,
43 abatements, refunds, or compromise agreements shall take effect and, in any case,
44 shall be properly accounted for and reported. Refund of taxes and other revenues shall
45 be treated as a reduction in current year's revenue collections for budgeting and fiscal
46 reporting purposes.
47

48 The waiver of penalties of the tax obligations of the agencies and instrumentalities of
49 the National Government, in relation to properties owned or conveyed to them, shall be
50 allowed.
51

1 **Section 72. Grants and Donations.** – NGAs and GOCCs may accept, upon prior
2 coordination with the DOF and/or the Department of Foreign Affairs, grants or
3 donations, in cash or in kind, from domestic or foreign sources, for purposes relevant
4 to their functions. In the case of grants, in cash or in kind, from governments of foreign
5 countries, their agencies and instrumentalities, and international or multilateral
6 institutions or organizations, acceptance thereof shall be subject to the prior clearance
7 and approval by the President or the President's authorized representative, based on
8 the recommendation of the Secretary of Finance, unless the Secretary of Finance
9 otherwise determines that the nature or scope of the agreement does not require such
10 authorization from the President. On the other hand, other donations, in cash or in kind,
11 from foreign governments shall require prior clearance and approval by the President
12 or his authorized representative based on the recommendation of the Secretary of
13 Foreign Affairs, unless the Secretary of Foreign Affairs otherwise determines that the
14 nature or scope of the agreement does not require such authorization from the
15 President. Grants received shall be valued in the case of grants received in kind and
16 recognized in the books of the recipient agency of the National Government.

17
18 In case of financial grants or donations in kind given to LGUs by local or foreign
19 assistance in support of the basic services or facilities, such grants or donations shall
20 be governed by the relevant provisions of RA No. 7160.

21
22 **Section 73. Treasury Single Account.** – The TSA refers to the banking arrangement
23 managed by the BTr wherein the government transacts all monies collected, received,
24 or paid by the agencies and instrumentalities of the National Government in one bank
25 account or a set of linked bank accounts and gets a consolidated view of its cash
26 position on at least, a daily basis.

27
28 The TSA shall cover remittances, releases, or disbursements from the General Fund,
29 SAGFs, Special Funds, Escrow Funds, Letters of Credit, and any other fund managed
30 by the BTr, except in any of the following instances:

- 31
32 a) When monies under the General Fund are placed under investments;
33
34 b) When the BTr is required to hold foreign currency accounts; or
35
36 c) When authorized by the Secretary of Finance.

37
38 The BTr, in coordination with agencies and instrumentalities of the National
39 Government authorized by law to undertake revenue collection and administration, shall
40 make the necessary arrangements with authorized agent banks (AABs) to facilitate the
41 collection and transfer of said revenues to the TSA. AABs shall deposit said collections
42 to TSA within the period and in the manner prescribed by laws, rules and regulations.

43
44 **Section 74. Oversight on Government Bank Accounts.** – Notwithstanding any
45 provision of law to the contrary, the BTr shall undertake any of the following in case of
46 violation of a provision in this Act or guidelines issued on the implementation of the TSA:

- 47
48 a) Transfer balances of bank accounts of agencies and instrumentalities of the
49 National Government to the TSA;
50
51 b) Order/direct the closing of any bank account; and/or

1
2 c) Revoke the authority to open any bank account.

3 The government agency which has opened a bank account, as well as the bank
4 concerned shall promptly disclose information regarding such account to the BTr.
5

6 **Section 75. Treasury Cash Management.** -The BTr shall issue orders for the conduct
7 of cash management including the requirement to provide projections on the timing of
8 future transactions of agencies and instrumentalities of the National Government taking
9 into consideration that the appropriations law is considered the authority of the agencies
10 to contract out and disburse funds, except for those instances stated in Section 50 of
11 this Act.
12

13 Cash management operations shall be supported by the IFMIS to enable real-time
14 monitoring of cash positions, timely aggregation of agency cash forecasts, and
15 automated scheduling of fund releases.
16

17 The BTR, in coordination with the DBM and implementing agencies, shall ensure that
18 agency compliance with cash forecasting requirements is facilitated through digitalized
19 processes and systems that enable the timely submission and consolidation of cash
20 forecasts.
21

22 **Section 76. Investments.** – The BTr may invest portions of the funds held in the TSA
23 for such periods as the BTr may deem prudent considering cash management
24 requirements. Investments are authorized to be made in any of the following:
25

26 a) Bank deposit with any highly reputable bank following a selection criteria to be
27 issued by the BTr and money market instruments with well recognized and
28 established financial institution;
29

30 b) Sovereign-issued securities with an investment grade rating; or
31

32 c) Other fixed income securities with an AAA credit rating issued by at least two (2)
33 reputable international credit rating agencies.
34

35 The BTr may appoint a fund manager as an agent of the National Government to
36 undertake the investment of the funds. Fund Manager refers to person responsible for
37 implementing a fund's investing strategy and managing its portfolio trading activities.
38

39 Interest earned and other income from investments shall accrue to the General Fund,
40 unless otherwise provided by law.
41

42 **Section 77. Creation of Appropriation Reserves.** - The DBM Secretary may establish
43 reserves against appropriations to provide for contingencies and emergencies that may
44 arise later in the calendar year and which would otherwise require deficiency
45 appropriations.
46

47 The establishment of appropriation reserves shall not necessarily mean that such
48 portion of the appropriation will not be made available for expenditure. Should
49 conditions change during the fiscal year justifying the use of the reserve, necessary
50 adjudgments may be made by the DBM Secretary when requested by the agencies and
51 instrumentalities of the National Government concerned.

Section 78. National Government Borrowings. – Borrowings by the National Government shall be for purposes provided by law including the following:

- a) Financing budget deficits and liquidity shortfalls;
- b) Refinancing and pre-financing maturing debts;
- c) Undertaking liability and risk management transactions;
- d) Supporting the BSP in maintaining external and monetary stability;
- e) On-lending to an approved entity;
- f) Financing all sums of money paid to fulfill guarantees;
- g) Increasing liquidity and promoting stability of the government securities market;
- h) Financing developmental activities and projects of the National Government;
- i) Financing to address or remedy the effects or impacts of natural or human-induced disasters; or
- j) Defraying expenditures covered by appropriations.

Borrowing under this Act should adhere to the measurable fiscal objectives in the MTFF.

Section 79. Government -Owned or -Controlled Corporations Borrowings. – 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. The borrowing program 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, shall be submitted to the DOF for information, and published on the concerned GOCC website.

Notwithstanding any provision regarding borrowings in the charter of a GOCC, all GOCCs shall secure the approval-in-principle of the DOF for their borrowings from domestic or external sources that shall require or result in a guarantee or other form of financial security from the National Government, prior to securing the President's approval or issuing of the Republic's guarantee. The standards and processes in evaluating such requests shall be provided in the IRR.

Section 80. Local Government Borrowings. – An LGU may borrow funds from domestic sources in accordance with RA No. 7160 and other pertinent laws. LGUs may also be allowed to access foreign sources for major infrastructure projects, through multilateral financial institutions, subject to the guidelines issued by the DOF, and other applicable laws, rules, and regulations.

When the LGUs' expected revenues are not sufficient to fund their proposed expenditure programs, LGUs shall develop their borrowing programs to be considered in the preparation of their Local Development Investment Programs, which shall be published on the LGU websites.

Section 81. Debt Reporting. – The DOF, through the BTr, shall ensure that the records include information on the principal, terms of repayment, amounts drawn, interests, penalties, and service charges accrued, principal and interests paid, and the balance outstanding, and shall make the records available in a timely manner to the President, Congress, and COA and in accordance with the reporting requirements as prescribed in the IRR.

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

3
4 **Section 82. *Debt Audit.*** - Upon the effectivity of this Act, the COA shall conduct a debt
5 audit of all loans contracted or guaranteed by the National Government. For those loans
6 contracted or guaranteed after the passage of this Act, the COA shall review the said
7 loans five (5) years from the date of consummation or guarantee.

8
9 **Section 83. *Guarantees.*** – Guarantee or other forms of financial security may be
10 provided to a GOCC or SUC upon such terms and conditions as the Secretary of
11 Finance may recommend consistent with relevant laws, rules, and regulations.
12 Notwithstanding any automatic guarantee provision in the charter of a GOCC or SUC,
13 the GOCC or SUC concerned shall obtain the approval-in-principle of the DOF prior to
14 entering into arrangements that shall require or result in a guarantee or other form of
15 financial security from the National Government. The standards and processes for
16 evaluation of such requests shall be provided in the IRR.

17
18 The overall level of guarantee or other form of financial security shall adhere to the fiscal
19 objectives in the MTF.

20
21 The DOF shall charge a risk-based fee for any guarantee or other form of financial
22 security that may be extended to a GOCC or SUC.

23
24 **Section 84. *Payments Made for Contingent Liabilities.*** – Any money paid by the
25 DOF pursuant to any guarantee, indemnity, or security authorized by law and the
26 expenses associated with the same shall constitute a debt due the National
27 Government from the entity for whose benefit the payment on the guarantee, indemnity,
28 or security was made.

29
30 **Section 85. *Information on Contingent Liabilities.*** – The DOF shall keep a complete
31 and updated registry of all contingent liabilities of the National Government and provide
32 the DBM and Congress with a report on contingent liabilities. Subject to existing laws,
33 rules, and regulations, the DOF shall have the power to compel any national
34 government agency and instrumentality, including GOCCs, to submit documents and
35 other pertinent information necessary for the completion of such registry.

36 37 **BOOK V** 38 **TRANSPARENCY AND PARTICIPATION**

39
40 **Section 86. *People's Access to Public Financial Information.*** – Every person has
41 the right to access information, official records, public records, and documents
42 pertaining to official acts, transactions, decisions, or matters of public concern under
43 the control of a government agency, regardless of the format in which such information
44 is contained. There exists a legal presumption in favor of access to information, and no
45 request shall be denied unless it clearly falls within the exceptions provided by law.

46
47 All documents and reports required to be published under this Act and its IRR shall
48 automatically be made available electronically in the government website. Current and
49 historical data on government revenues, expenditures, and borrowings, shall likewise
50 be made available electronically, in open data format, on the government website,
51 subject to guidelines established in the IRR.

1
2 All such documents, reports, and information shall, whenever practicable, be published
3 in machine-readable and non-proprietary open formats, with accompanying metadata
4 and version histories, in accordance with government open data standards.
5

6 **Section 87. *The People's Budget.*** – The DBM shall, for every fiscal year, publish
7 citizen-friendly summaries of the following, subject to guidelines and other
8 specifications in the IRR:
9

- 10 a) The MTFF in the year of the President's election and any updates thereafter
11 within thirty (30) days from submission of MTFF to Congress;
12
13 b) The Proposed National Budget, to be published in electronic format within thirty
14 (30) days from submission to Congress of the Proposed National Budget;
15
16 c) The general or special appropriations laws, to be published in electronic format
17 in the government website within thirty (30) days from the approval of the
18 President; and
19
20 d) The Annual Fiscal Report of the preceding fiscal year, to be published in
21 electronic format in the government website within twelve (12) months from the
22 last completed fiscal year.
23
24
25

26 **BOOK VI**
27 **OVERSIGHT COMMITTEES FOR PUBLIC FINANCIAL MANAGEMENT**
28

29 **Section 88. *Public Financial Management Committee.*** – The Public Financial
30 Management (PFM) Committee, composed of the Secretary of Budget and
31 Management as Chairperson, the Secretary of Finance, the Treasurer of the
32 Philippines, and the Chairperson of the COA as members, shall be responsible for PFM
33 processes which necessitate the coordination and participation of the member
34 agencies. It shall likewise be tasked to undertake the activities for the completion,
35 installation, and oversight of the following PFM systems:
36

- 37 a) The IFMIS which shall enable real-time, online accounting, monitoring and
38 control of obligations and disbursements and their direct links to cash
39 management for more effective financial control and accountability;
40
41 b) A TSA that provides BTr a more effective way of cash management and
42 rationalizing agency bank accounts, a more economical system for cash
43 disbursements which will remove revenue and expenditure floats, and a more
44 efficient reconciliation of bank balances;
45
46 c) An efficient budget release system with predictable and streamlined allotment
47 and cash release programs throughout the year to support the operations of
48 implementing agencies based on reliable cash forecasting and programming by
49 DBM and BTr;
50

- d) Regular in-year reporting system on the status of budget execution, and timely year-end audit reporting of agency financial and physical operations which will be used in the budget preparation process, the congressional debate on agency budgets and performance, and the public's participation in the budget process; and
- e) Systematic recording and reporting of all liabilities of government entities including real and contingent liabilities to enable national government to manage its financial exposure.

For this purpose, the PFM Committee, assisted by its Technical Support Office (TSO), shall serve as the process owner of the foregoing systems, responsible for defining functional requirements, ensuring alignment with fiscal policies and standards, and validating financial data and workflows.

The PFM committee shall have the following authority and functions:

- a) Devise a five-year plan for the development and implementation of an IFMIS that links PFM systems to enable the generation of comprehensive, accurate, reliable, and timely consolidated financial status reports for the oversight and the implementing agencies;
- b) Oversee, coordinate, and develop integration, simplification, and harmonization of the government's financial management processes and information systems that shall cover all transactions of government in a phased and systematic manner, and which shall apply uniformly to all government oversight and implementing agencies to generate reliable and accurate reports in a timely manner;
- c) Develop and oversee the implementation of the Philippine PFM reforms roadmap;
- d) Shepherd and champion the passage of supporting legislation needed in Congress;
- e) Coordinate budgetary and donor funding to support PFM reform efforts and the IFMIS;
- f) Provide a comprehensive annual report on all project milestone activities and its findings and recommendations to the Office of the President; and
- g) Issue the necessary implementing policies, mechanisms and procedures to carry out the mandate of the PFM Committee.

The PFM Committee shall be responsible for ensuring the alignment of PFM systems with established fiscal policies.

Section 89. PFM Committee-Technical Support Office. - In the performance of its functions, the PFM Committee shall be supported by a TSO, an agency attached to the DBM. The TSO shall be headed by an Executive Director with a rank equivalent to an Undersecretary and supported by Deputy Executive Directors with a rank equivalent to

1 an Assistant Secretary, to be appointed by the President, as endorsed by the Secretary
2 of the DBM, all of whom should be of good moral character, honesty, probity, and
3 unquestionable integrity.
4

5 **Section 90. Establishment of Public Financial Management Institute** -There is
6 hereby established in the PFM-TSO a Public Financial Management Institute (PFMI),
7 which shall be responsible for the formulation of capacity development requirements of
8 public financial management, through the conduct of seminars, workshops, and other
9 training programs for the government agencies' personnel concerned.
10

11 The PFMI shall also be responsible for ensuring that the programs and curricula of
12 existing capacity-building institutions offering courses in public finance are harmonized
13 and aligned with the standards and policy objectives established under this Act.
14

15 The PFMI is hereby authorized to charge and collect training or seminar fees from the
16 participants. The funds generated from these collections shall be retained by the PFM-
17 TSO to be used exclusively for its operations.
18

19 **Section 91. Oversight for Public Financial Management.** – In the conduct of its
20 functions defined in this Act, the PFM Committee, through its TSO, shall coordinate and
21 align with the DBCC and PC, for effective monitoring and oversight of PFM processes
22 and systems in the government.
23

24 **BOOK VII** 25 **FINAL PROVISIONS** 26

27 **Section 92. Liability of Public Officers.** - Any public officer who is found to have
28 committed any act in violation of the provisions of this Act shall be held criminally, civilly,
29 or administratively liable in accordance with applicable laws, rules, and regulations.
30

31 **Section 93. Implementing Rules and Regulations.** – The DBM, in consultation with
32 the DOF, BTr, DEPDev, and COA, and in coordination with other agencies concerned,
33 shall issue the rules and regulations necessary for the proper implementation of this Act
34 within one hundred eighty (180) days from the effectivity of this Act. The IRR may be
35 amended by the DBM, in consultation with the DOF, BTr, DEPDev and COA and in
36 coordination with the agencies concerned, as the need arises.
37

38 **Section 94. Congressional Oversight.** – The Senate and the House of
39 Representatives shall constitute a Joint Congressional Oversight Committee on Public
40 Expenditures which shall primarily monitor compliance by agencies with the
41 requirements or conditions in the utilization of public funds under this Act and pertinent
42 laws.
43

44 The Joint Congressional Oversight Committee shall be co-chaired by the Chairperson
45 of the Committee on Finance of the Senate and the Chairperson of the Committee on
46 Appropriations of the House of Representatives. The President of the Senate and the
47 Speaker of the House of Representatives shall each designate seven (7) Senators and
48 seven (7) Members of the House of Representatives, respectively, as members of the
49 Joint Congressional Oversight Committee. The minority group in the Senate and the
50 House of Representatives shall each have at least one (1) seat in the Joint
51 Congressional Oversight Committee.

1
2 The Joint Congressional Oversight Committee on Public Expenditures shall not
3 intervene, participate, or undertake any role or function in any of the various post-
4 enactment stages of the budget execution, such as, but not limited to, project
5 identification or modification, fund releases, and other activities beyond its
6 congressional oversight functions as defined under applicable laws or jurisprudence.

7
8 **Section 95. *Transitory Provision.*** – For the next three (3) fiscal years, as part of the
9 initial implementation of this Act, the completion of construction of infrastructure projects
10 of agencies and instrumentalities of the National Government and disbursement of
11 funds for the purpose shall be authorized until the end of the succeeding fiscal year.

12
13 After the above-mentioned three-year transitory period, the completion of construction
14 of infrastructure projects of agencies and instrumentalities of the National Government
15 and disbursement of funds for the purpose shall be governed by the period prescribed
16 under Section 50 of this Act.

17
18 All agencies and instrumentalities of the National Government shall submit to the DBM
19 a certified financial report detailing their outstanding accounts payable and unpaid
20 obligations, regardless of the year when these obligations were incurred. Unpaid
21 obligations shall refer to the following: a) obligations of government agencies for which
22 goods, services, or projects have been delivered, rendered, or completed, respectively,
23 but have not yet been accepted; and b) obligations of government agencies for which
24 goods, services, or projects have not yet been delivered, rendered, or completed,
25 respectively. Such submission shall be made in the form and manner prescribed by the
26 DBM, within sixty (60) days from the effectivity of this Act.

27
28 An SPF, to be known as the Transitory Fund, shall be established in the annual GAA
29 for the next three fiscal years following the effectivity of this Act. The Fund shall be
30 utilized to cover, to the extent allowed by available appropriations, the payment of said
31 accounts payable and unpaid obligations, subject to applicable budgeting, accounting,
32 and auditing laws, rules, and regulations.

33
34 The amounts not identified in the certified financial reports submitted by the agencies
35 or obligations that remain unsettled after three fiscal years shall be filed by the party
36 concerned before the COA as money claims to seek payment for sums of money due
37 from, or owing to, a government agency.

38
39 **Section 96. *Repealing Clause.*** – Any law, presidential decree (PD) or issuance,
40 executive order, letter of instruction, administrative order, proclamation, charter, rule or
41 regulation and/or parts thereof contrary to or inconsistent with the provisions of this Act
42 is hereby repealed, modified, or amended accordingly. This includes, among others, the
43 following: Section 43, Subtitle B, Title I, Book V, Chapter 7 of EO No. 292; Book VI of
44 EO No. 292, s. 1987; Section 4 of RA No. 3456, as amended; Sections 123 and 124 of
45 PD No. 1445; Section 22 (c) of RA No. 10121; and RA No. 3526.

46
47 **Section 97. *Separability Clause.*** – If for any reason, any section or provision of this
48 Act is declared unconstitutional or invalid, other sections or provisions which are not
49 affected thereby shall continue to be in full force and effect.
50

1 **Section 98. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following
2 its publication in the Official Gazette or in a newspaper of general circulation.
3