

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

 Office of the Secretary

'22 AUG -4 A9 :28

SENATE

RECEIVED BY

S. No. 1020

Introduced by Senator Jinggoy Ejercito Estrada

**AN ACT
INSTITUTIONALIZING THE CASH BUDGETING SYSTEM, AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

The country's budget system is plagued with various issues that seriously affect the delivery of efficient and effective public service. As emphasized by the Philippine Institute for Development Studies, the "long-standing" issues in the budget process include "delays in the procurement process; revisions and modification in project designs; billing issues such as late or incomplete submission of billing claims; unresolved right-of-way acquisition; and structural weaknesses in the agencies".¹

These were attributed to the loopholes in the formulation and implementation of various budget reforms that were adopted by various administrations over the years, including the Obligation-Based Budgeting System. In particular, Obligation-Based Budgeting allows the delivery of contracts awarded, inspection, verification, and payment even after the end of the year, thus resulting to unnecessary delays.

Executive Order No. 91, "Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes" was signed by President Rodrigo R.

¹ PIDS to DBM: Revisit cash-based budgeting (neda.gov.ph)

Duterte as a response to the “need to improve the fiscal planning of government agencies through the implementation of an operational cash budget and by setting deadlines for obligation of funds and execution of projects during the fiscal year, in order to speed up the implementation of programs and to promptly deliver goods and services to our people.” This is premised on the administration’s goal to ramp up the economic growth of the country, push the country into upper-middle income status by 2022 and reduce poverty incidence by the same year. To achieve this, the government massively invested in public infrastructure and human capital development.

The Annual Cash-Based Appropriations that was implemented in Fiscal Year 2019 “limit incurring obligations and disbursing payments for goods delivered and services rendered, inspected, and accepted within the fiscal year.” As a result, contracts intended to be implemented for the fiscal year should be fully delivered by the end of the fiscal year, and payment is done within the fiscal year and up to a three-month Extended Payment Period (EPP) after the fiscal year for goods and services accepted by December 31 of the fiscal year.

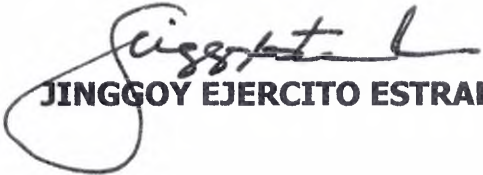
As highlighted by economist and incumbent Secretary of the Department of Finance Benjamin Diokno in his paper, “Recent Philippine budget reforms: separating the chaff from the grain, the whimsical from the real” published in June 2014, “Major public sector reforms, including budget reforms, do not happen overnight. They must be well designed, carefully sequenced, and properly implemented. For reforms to be preserved, they must be cast into appropriate laws. This is to guarantee the perpetuation of reforms notwithstanding changes in administration. Reforms that are not anchored on a new law or an amendment of existing laws tend to be weak and would likely not endure.”²

The “*Cash Budgeting System Act*” seeks to institutionalize the current cash budgeting system through legislation. Through this measure, it is hoped that the

² <https://econ.upd.edu.ph/pre/index.php/pre/article/download/903/803>

government will be able to optimize its limited resources and utilize it for the genuine development and progress of the country.

In view of the foregoing, the immediate passage of this bill is highly recommended.



JINGGOY EJERCITO ESTRADA

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AN ACT
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PURPOSES

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

1 Section 1. *Short Title.* - This Act shall be known as the "*Cash Budgeting*
2 *System Act*".

3 Sec. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to
4 formulate and implement a national budget that is an instrument of national
5 development, reflective of national objectives, strategies and plans. In line with this,
6 the State shall implement an operational cash budget that will ensure the availability
7 of cash resources for priority development projects and to establish a sound basis
8 for determining the level, type and timing of public borrowings.

9 Sec. 3. *Cash Budgeting System.* - The government hereby adopts the Cash
10 Budgeting System (CBS). Accordingly:

11 (a) All authorized appropriations shall be available for obligation and
12 disbursement only until the end of each fiscal year (FY);

13 (b) Obligations incurred by the National Government within each FY shall be
14 implemented during the same FY. Goods and services corresponding to said
15 obligations shall be delivered or rendered, inspected and accepted by the end
16 of each FY; and,

1 (c) Payments for obligations incurred shall be made until the end of the extended
2 payment period (EPP), which shall be three (3) months after the end of the
3 validity of appropriations against which they were obligated, unless another
4 period has been determined by the Department of Budget and Management
5 (DBM), upon consultation with relevant agencies.

6 Appropriations covering financial subsidy to local government units (LGUs)
7 shall be available for obligation and disbursement until the end of the succeeding FY.
8 On the other hand, appropriations for the statutory shares of LGUs shall be available
9 for obligation and disbursement until fully expended.

10 All funds transferred between or among government agencies and LGUs shall
11 not be considered disbursed under this Section, until the transferred amounts have
12 been actually utilized to pay for goods delivered and services rendered, inspected
13 and accepted.

14 *Sec. 4. Reversion of Unexpended Balances of Appropriation.* – Any
15 unreleased appropriations and unobligated allotments at the end of the FY, as well
16 as unpaid obligations and undisbursed funds at the end of the EPP shall revert to the
17 National Treasury and shall not thereafter be available for expenditure, except by
18 subsequent legislative enactment. For financial subsidies to LGUs, reversion shall be
19 made to the National Treasury after the end of the succeeding FY. Departments,
20 bureaus and offices of the National Government, including constitutional offices
21 enjoying fiscal autonomy, state universities and colleges, government-owned or -
22 controlled corporations (GOCCs) and LGUs, shall strictly observe the validity of
23 appropriations and comply with the reversion of funds.

24 *Sec. 5. Multi-Year Projects.* – Multi-year procurement projects, or those with
25 an implementation period exceeding twelve (12) months, shall require the issuance
26 of a Multi-Year Contractual Authority (MYCA) by the DBM for national government
27 agencies (NGAs) and qualified GOCCs prior to the conduct of procurement. The
28 MYCA or equivalent authority shall cover the full project cost, and shall be the basis
29 of the approved budget for the contract.

30 A MYCA may likewise be issued for single-year procurement projects or those
31 with an implementation period of twelve (12) months or less, that are either

1 research or scientific in nature, and by design necessitate implementation covering
2 two (2) FYs.

3 Multi-year Public-Private Partnership projects with government undertakings
4 authorized under Republic Act No. 6957, as amended by Republic Act No. 7718, shall
5 require the issuance by the DBM of a letter of commitment to cover the National
6 Government funding commitment.

7 *Sec. 6. Early Procurement Activities of Government Agencies.* – Government
8 agencies are hereby authorized to undertake procurement activities short of award,
9 to the extent consistent with Republic Act No. 9184, or the “Government
10 Procurement Reform Act” and its Revised Implementing Rules and Regulations.

11 For this purpose, Early Procurement Activities (EPA) shall cover goods to be
12 delivered, infrastructure projects to be implemented and/or consulting services to be
13 rendered in the following FY pending approval of the corresponding GAA. EPA shall
14 commence from the posting of the procurement opportunity, if required, until
15 recommendation to the Head of the Procuring Entity as to the award of the contract.

16 *Sec. 7. Implementing Rules and Regulations.* – Within thirty (30) days from
17 the approval of this Act, the DBM shall issue the necessary rules and regulations for
18 the effective implementation of this Act.

19 *Sec. 8. Separability Clause.* – If any provision or part hereof is held invalid or
20 unconstitutional, the remainder of the law or the provision or part not otherwise
21 affected shall remain valid and subsisting.

22 *Sec. 9. Repealing Clause.* – Any law, presidential decree or issuance,
23 executive order, letter of instruction, administrative order, rule, or regulation
24 contrary to or inconsistent with the provisions of this Act are hereby repealed,
25 modified, or amended accordingly.

26 *Sec. 10. Effectivity.* – This Act shall take effect fifteen (15) days after its
27 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,