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

RECEIVED BY.

SENATE
S.B. No. 2045

Introduced by **SENATOR IMEE R. MARCOS**

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

EXPLANATORY NOTE

It is extremely vital and necessary for a country to carefully design and properly implement an up-to-date, comprehensive, and efficient Public Financial Management (PFM) system to hasten the nation's goal of poverty eradication, address the weakness in budget credibility and transparency, strengthen delivery of government services to adequately respond to the needs of the general public, and devise strategic plans geared towards the attainment of predetermined goals and objectives set by the government.

The most crucial blueprint for the annual national socio-economic policy of the government and its main tool for carrying out its policy objectives is the national budget. With Executive Order No. 91, s. 2019, the Budget Modernization Act seeks the institutionalization of the Cash-based Budgeting System (CBS) to strengthen fiscal discipline in the allocation and use of budget resources. Provided that we are looking into an expanded national budget, the government must ensure that every peso will be utilized and reflected in the programs and projects to be delivered.¹ Initially, the primary objective of the government was to increase the economic growth rate of the country from 7% in 2018 to 8% in 2022 to advance the nation's income level to upper middle class by 2022 while lowering the prevalence of poverty from 21.6% to 14%. According to projections, the said rate of economic growth will encourage regional development and bring down the poverty rate.

¹ Parrocha, A. (2023). DBM Still Pushing For Passage of Budget Modernization Bill. Philippine News Agency. Accessed online through through <https://www.pna.gov.ph/articles/1191945>

The government's expansionary fiscal strategy is projected to be reinforced by this Budget Reform legislation. Investments in public infrastructure escalated from 5.4% of GDP in 2017 to 7.3% in 2022 with the Build Build Build Program. Consequently, spending on social protection, healthcare, and education increased from 8.5% of GDP in 2017 to 9.2% in 2022 in the same way that government spending on public infrastructure jumped from 5.4% of GDP in 2017 to 7.3% in 2022 for the purpose of achieving these targets.²

Having an effective Public Financial Management system will subsequently yield stronger financial efficiency, transparency, and accountability.³ However, there are several pertinent issues pertaining to the Public Financial Management (PFM) system of the country which may cause the ineffectiveness of the national budget. Hence, the manner of its preparation and execution must conform to the reforms contained in this measure. In the Philippines, budget reforms had a long record that can be traced back in the past administrations where a few successfully progressed while some of which were completely abandoned.⁴ Although efficient programs were crafted to ensure fiscal discipline and civic accountability, the Public Financial Management (PFM) system of the country is not exempted from public criticism and constitutional scrutiny. One of the fundamental concerns being emphasized with the country's Public Financial Management (PFM) system is that the legal framework that governs the said budget process is already outdated, if not unresponsive.

The timely monitoring and delivery of budget outcomes promised to the legislature during the budget authorization process have been compromised by the failure of government agencies to develop adequate internal control mechanisms. In the case where the legislature seem to have a weak capacity to effectively monitor and assess the performance of government agencies in the same way that their budget information and accounting systems are being observed, it will result them to becoming ineffective at overseeing and facilitating the accomplishment of the promised budget outcomes.

This bill was written to address this issue by enforcing the authority of Congress to authorize all appropriations and holding the government responsible for the utilization and proper allocation of public funds. This ensures that all government agencies are accountable for proposing, carrying out, and delivering committed results in a timely, predictable, and cost-effective manner. Furthermore, this bill strengthens the integration of planning, programming, budgeting, accounting, disbursement, reporting, and performance management and ensures ample safeguards in managing public finances.

² Budget Reform Act to Modernize Public Budgeting in the Philippines. May 02, 2018. Department of Budget and Management. Accessed through <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/945-budget-reform-act-to-modernize-public-budgeting-in-the-philippines>.

³ Zhang, W. (2016). Global Trends in Public Financial Management. Asian Development Bank

⁴ Diokno, B. (2014). Recent Philippine Budget Reforms: Separating The Chaff From The Grain, The Whimsical From The Real. The Philippine Review of Economics.

Another purpose of this bill is the institutionalization of increased budget reliability and the role of accountability in the budget process as the final stage after budget preparation, authorization, and execution. Additionally, the proposed action will ensure not only a strong sense of accountability and transparency but also the efficient and effective provision of public services while promoting fiscal sustainability and strengthening the oversight powers of the Congress in the national budget. To make sure that public resources are in line with national priorities, this measure improves the budget development process.

More importantly, considering the significant repercussions and negative effects brought about by the Covid-19 pandemic, now, more than ever, there seems to have an urgent need for a budgetary framework to extensively restructure and develop the management of public resource that will aid in providing proactive and efficient service to the people especially when they need it the most.

In view of aforementioned considerations, the passage of this bill is earnestly sought.


IMEE R. MARCOS



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OTHER PURPOSES**

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

**Chapter 1
Preliminary Provisions**

1
2
3
4 **Sec. 1. Short Title.** – This Act shall be known as the "*Budget Modernization*
5 *Act*".

6
7 **Sec. 2. Declaration of Policy and Objectives.** - It is hereby declared the policy
8 of the State to ensure accountability and integrity in the use of public resources by
9 ensuring transparency, fiscal responsibility, results-orientation, efficiency, and
10 effectiveness. This shall be upheld through the establishment of an integrated
11 system of planning, programming, budgeting, management, accounting, reporting
12 and review of public finances, wherein internal controls are embedded within these
13 processes.

14
15 In pursuit of these policies and requirements, the State shall pursue the
16 following specific objectives:

- 17
18 (a) To enforce the power of Congress to authorize all appropriations and hold
19 government accountable in the use of public resources, as well as to ensure
20 the responsibility of all government agencies to propose, execute and deliver
21 committed results in the appropriations act in a timely, predictable, and
22 economic manner;
23

- 1 (b) To promote people's involvement in the management of public resources by
2 enforcing their right to access information on, and to contribute in the
3 formulation and implementation of, the financial affairs of the government;
4 and
5
6 (c) To strengthen the integration of planning, programming, budgeting,
7 accounting, disbursement, reporting and performance management and
8 ensure ample safeguards in managing public finances through internal
9 controls and risk management.

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

15
16 **Sec. 4. Definition of Terms.** – The following terms when used in this Act and
17 the implementing rules and regulations (IRR) should be understood, as follows:
18

- 19 (a) *Activity* refers to a recurring work process that contributes to the
20 implementation of a program or sub-program;
21
22 (b) *Allotment* refers to the authorization issued to Government Agencies to incur
23 contractual commitments and disburse funds up to a certain amount, for a
24 specified public purpose, and within a specified period of time, in accordance
25 with the Appropriations Law;
26
27 (c) *Allotment Class* refers to the classification of expenditures under an item of
28 appropriation with the following categories: Personnel Services, Maintenance
29 and Other Operating Expenses, Financial Expenses, and Capital Outlays;
30
31 (d) *Appropriations* refers to an authorization pursuant to laws directing the
32 disbursement of public funds under specified conditions or for specified
33 public purposes;
34
35 (e) *Appropriations Law* refers to either a general or special appropriations law;
36
37 (f) *Cabinet* refers to the Executive Secretary and the Secretaries of the
38 Departments under the Executive Branch;
39
40 (g) *Cash Budgeting System* refers to the annual appropriations that limit
41 incurring obligations and disbursing payments to goods delivered and
42 services rendered, inspected and accepted within the current fiscal year,
43 payments, of which, may be settled within the Extended Payment Period;

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- (h) *Development Budget Coordination Committee (DBCC)* refers to the body 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. The Secretary of Budget and Management leads the DBCC, with the Secretary of Finance, the Director General of the National Economic and Development Authority (NEDA) Secretariat and a representative from the Office of the President as members, and the Governor of the Bangko Sentral ng Pilipinas (BSP) as resource person;
- (i) *Disbursement* refers to settlement of government obligations either in the currency, check or constructive cash such as the issuance of Tax Remittance Advice for the remittance to BIR of taxes withheld from employees and suppliers and Non-Cash Availment Authority for direct payments made by international financial institutions to suppliers and consultants of foreign assisted projects;
- (j) *Extended Payment Period* refers to the first three (3)-month period in the following fiscal year when payments, chargeable against the Appropriations Law of the previous fiscal year, can be processed and disbursed for goods delivered and services rendered, inspected and accepted by the end of the previous fiscal year;
- (k) *Fiscal Year* refers to a period of twelve (12) months commencing on January 1 until December 31;
- (l) *Government Agencies* collectively refer to all NGAs, GOCCs and LGUs;
- (m) *Government-Owned or -Controlled Corporations* refer to agencies with corporate powers, organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. This includes Government Financial Institutions, government instrumentalities with corporate powers, government corporate entities and related corporations;
- (n) *Government Financial Institutions* refer to financial institutions or corporations in which the government directly or indirectly owns the majority

- 1 of the capital stock and which are either: (i) registered with, or directly
2 supervised by, the Bangko Sentral ng Pilipinas, or (ii) authorized to collect
3 or transact funds or contributions from the public and place them in financial
4 instruments or assets such as deposits, loans, bonds and equity;
5
- 6 (o) *Head of Agency* refers to the head of the department or agency in the case
7 of NGAs, the Board of Directors or Trustees or its duly authorized officials in
8 the case of GOCCs, State Universities and Colleges (SUCs) and local water
9 districts, and the local chief executive in the case of LGUs;
10
- 11 (p) *Item of Appropriation* refers to the amount of appropriations for an activity
12 or project in the Appropriations Law;
13
- 14 (q) *Local Government Units* refer to provinces, cities, municipalities, and
15 barangays, as well as autonomous regions created by law pursuant to the
16 Constitution;
17
- 18 (r) *Multi-Year Contracting Authority (MYCA)* refers to the authority issued by
19 DBM to agencies, covering the full contract cost, for the procurement of
20 multi-year projects;
21
- 22 (s) *Multi-year Projects* refer to projects undertaken by agencies covering a
23 period of more than one fiscal year and exceeding twelve months;
24
- 25 (t) *National Government Agencies* refer to units of the National Government, as
26 distinguished from GOCCs and LGUs, which include any of the departments,
27 bureaus, offices or instrumentalities of the Executive, Judicial and Legislative
28 branches of government, as well as the Constitutional Commissions,
29 Commission on Human Rights and the Office of the Ombudsman;
30
- 31 (u) *Program* refers to a group of activities and projects that contribute to a
32 common particular outcome;
33
- 34 (v) *Project* refers to a special undertaking carried out within a definite time
35 frame and intended to result in some pre-determined measure of goods and
36 services;
37
- 38 (w) *Proposed National Budget* refers to a financial plan of annual revenue and
39 expenditures to be submitted by the President to Congress that reflect
40 national policies, pursuant to Section 22 of Article VII of the Constitution;
41
- 42 (x) *Public Officials and Employees* refer to elective and appointive officials and
43 employees, in a permanent or temporary capacity, whether in the career or

- 1 non-career service, including military and uniformed personnel, regardless
2 of the rank, form or amount of compensation;
3
- 4 (y) *Public Funds* refer to the monies of all Government Agencies received,
5 collected, receivable from taxes, fees, charges, penalties, income, dividends,
6 interest earnings, domestic loan proceeds, external loans and grants,
7 proceeds from the sale of assets, that the Government has a legal right to
8 retain and use;
9
- 10 (z) *Spill-over Projects* refer to contracts authorized and undertaken in the
11 immediately preceding General Appropriations Act (GAA) which were not
12 fully implemented;
13
- 14 (aa) *Subsidiary* refers to a corporation where at least a majority of the
15 outstanding capital stock is owned or controlled, directly or indirectly and
16 through one or more intermediaries, by a GOCC; and
17
- 18 (bb) *Treasury Single Account (TSA)* refers to the account maintained by the
19 Bureau of the Treasury (BTr) with the BSP or agent bank for a unified
20 structure of government bank accounts to enable consolidation and optimum
21 utilization of government cash resources.
22

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

26 **Chapter 2**
27 **Budget Preparation, Execution, and Adjustment**

28 **Sec. 5. *Governing Principles in Budget Preparation.*** – There is hereby
29 established a set of governing principles to be observed by the NGAs and GOCCs in
30 the preparation of their annual budget proposals, and by the DBM in the
31 preparation, and the presentation to Congress, of the Proposed Annual National
32 Budget:
33

- 34
- 35 (a) Cash-based estimates shall be adopted in the proposed general and special
36 appropriations bills to promote faster and more effective delivery of services;
37
- 38 (b) The overall expenditure program of the government for a given Fiscal Year
39 shall be included, identifying those requiring approval by Congress and those
40 authorized under existing laws;
41

1 (c) All sources of funds and authorized uses available to the agency shall be
2 considered in the evaluation of agency proposals and determination of
3 agency budget levels, and shall likewise be disclosed in the Proposed
4 National Budget and reports;

5
6 (d) Evaluation of agency proposals may include the analysis of a development
7 plan, master plan or road map, agency capability as demonstrated by
8 previous years' performance, its contribution to projects and activities of
9 other agencies, utilization of funds appropriated or released, and such other
10 criteria as may be determined by the DBM. The performance shall be
11 evaluated based on the actual disbursements and contractual commitments
12 as compared to the appropriations;

13
14 (e) All appropriations in the GAA shall be valid for one Fiscal Year, reckoned from
15 the effectivity thereof until the end of the Fiscal Year concerned. When
16 necessary or appropriate, a three-month Extended Payment Period in the
17 following Fiscal Year may be availed of to allow agencies to settle payments
18 for goods and services delivered, inspected and accepted during the previous
19 Fiscal Year;

20
21 (f) For evaluating the performance of an agency, programs, activities and
22 projects shall be presented in such a way as to identify the entity responsible
23 for the expenditure and the intended results from the use of the
24 appropriations;

25
26 (g) Both the financial and non-financial performance of agencies shall be
27 presented in the Proposed National Budget to ensure a performance
28 informed budget; and

29
30 (h) Programs, activities and projects shall be reflected by department, agencies,
31 bureaus, and offices, and shall be presented for information purposes, by
32 region and province, and eventually, by city or municipality.

33
34 **Sec. 6. Planning-Programming-Budgeting Linkage.** – Development
35 strategies identified in the Philippine Development Plan (PDP) shall be the primary
36 consideration in the formulation of the Budget Priorities Framework. These shall
37 also be the basis for drawing up strategic and prioritized programs and projects in
38 the multi-year Public Investment Program (PIP), which in turn will be considered in
39 the formulation of the annual agency budgets that conform to the annual budget
40 ceilings approved by the President.

41
42 The PIP shall be reflective of the Regional Development Investment Programs
43 that, in turn, also take into consideration the intra-regional and inter-provincial

1 development plans and investment programs of the local government units within
2 each region.

3
4 The implementation of programs and projects funded under the annual agency
5 budgets shall be monitored to ensure economy, efficiency, and effectiveness in the
6 use of public funds. Monitoring and evaluation of these projects shall cover, among
7 others, the planned and actual performance of agencies, citing reasons for deviation
8 and/or poor absorptive capacities. The results of the project valuation shall inform
9 the assessment of subsequent plans and budget proposals of agencies.

10
11 **Sec. 7. Budget Priorities Framework.** – The DBCC shall submit to the
12 President and Cabinet, not later than March of each year, a Budget Priorities
13 Framework to guide the formulation of the Proposed National Budget for the
14 following year. It shall contain the targets underlying the budget; the priority areas
15 for government spending reflected in the PDP and PIP, estimated amount and
16 planned allocation of the fiscal space; and other requirements laid down in the IRR.

17
18 **Sec. 8. The Budget Preparation Process.** – The DBM shall determine the
19 budget preparation process and calendar. The budget preparation process shall
20 cover: (i) NGAs; (ii) GOCCs with respect to their impact on revenue, expenditure,
21 assets, and liabilities and risks of the government; and (iii) LGUs as to their impact
22 on revenue and expenditure of the government.

23
24 **Sec. 9. The Proposed National Budget.** – The President shall submit to
25 Congress, within thirty (30) days from the opening of every regular session, the
26 Proposed National Budget, which shall be the basis of the General Appropriations
27 Bill (GAB).

28
29 The President shall determine the form and content of the Proposed National
30 Budget which shall include, but not limited to, the following:

31
32 (a) President's Budget Message - provides a preview of the Proposed National
33 Budget, explaining the principles, objectives and policy framework adopted
34 and the spending priorities for the Fiscal Year;

35
36 (b) Budget of Expenditures and Sources of Financing (BESF) - contains the
37 macroeconomic parameters; dimensions of three-year (3-year)
38 expenditure program, revenue, financing, and outstanding debt; overview
39 of the financial positions of GOCCs, LGUs, and public-private partnership
40 projects, list of new multi-year projects, including the project duration, the
41 total project cost and contractual authorities issued as well as the other
42 items listed in the IRR;

43

1 (c) National Expenditure Program (NEP) - includes the strategic objectives,
2 details of the three-year (3-year) expenditure program, performance
3 information, such as key strategies, outputs and outcomes for agencies in
4 relation to their budgets; and
5

6 (d) Staffing summary;

7
8 Congress may not increase the appropriations recommended by the
9 President for the operations of government as specified in the Proposed National
10 Budget.

11
12 The President shall publish the Proposed National Budget on the Government
13 website on the same day it is presented to Congress.

14
15 **Sec. 10. *Program Classification.*** - The Proposed National Budget shall adopt
16 a structure based on a program classification that groups line items under the
17 objectives or outcomes to which they contribute to. Performance information shall
18 be provided for each program to facilitate the evaluation of its cost effectiveness
19 and provide better information for analysis and feedback for planning and
20 prioritization of expenditures.

21
22 In addition, the performance information and targets contained in the
23 Proposed National Budget shall be updated after the passage of the GAA taking into
24 consideration the amount appropriated for each program. For this purpose, NGAs
25 and GOCCs shall propose adjustments in its outputs and outcomes for the
26 consideration and approval of the DBM.

27
28 **Sec. 11. *Special Purpose Funds.*** - To promote the transparent and detailed
29 disclosure of all proposed government spending, Special Purpose Funds (SPFs) in
30 the Proposed National Budget shall be limited to the: (1) the NDRRMF; (2) the
31 Contingent Fund; (3) Statutory Shares of LGUs; and (4) other SPFs not falling under
32 any of the preceding purposes, the details of which could not be determined during
33 the budget preparation stage, and based on the parameters to be set in the IRR.

34
35 **Sec. 12. *National Disaster Risk Reduction and Management Fund.*** - The
36 NDRRMF shall be used for: (1) disaster risk reduction or mitigation, prevention and
37 preparedness activities, such as, but not limited to, training of personnel,
38 procurement of equipment, and capital expenditures; and (2) relief, recovery,
39 reconstruction and other work or services in connection with natural or human
40 induced calamities which may occur during the budget year or those that occurred
41 in the preceding two (2) years.

42
43 Of the amount appropriated for the NDRRMF, there shall be specific allocation
44 as Quick Response Fund (QRF), as may be provided under existing law, which shall
45 be used as a standby fund in order that the situation and living conditions of people

1 in communities or areas stricken by natural or human induced calamities, epidemics,
2 crises, and catastrophes may be normalized as quickly as possible.

3
4 The NDRRMF and QRF shall also be used for obligation and payment of
5 Spillover Projects approved or funded from the NDRRMF or QRF of the immediately
6 preceding Fiscal Year.

7
8 Releases from the NDRRMF, except for QRF and Spill-over Projects, shall be
9 subject to the prior approval of the President, who may take into consideration the
10 recommendation of the National Disaster Risk Reduction and Management Council
11 for local disasters and calamities and the appropriate agency for international crises.

12
13 **Sec. 13. *Contingent Fund.*** – The Contingent Fund shall cover the funding
14 requirements of new or urgent projects or activities of NGAs, GOCCs, and LGUs that
15 need to be implemented or paid during the year, such as: (i) legal obligation of the
16 government arising from the final and executory decisions of competent authorities,
17 including arbitration awards, mediation settlement, or compromise agreements; (ii)
18 requirements of newly created offices; or (iii) deficiencies in the appropriations for
19 local and external travels of the President of the Philippines.

20
21 Releases from the Contingent Fund shall be subject to approval by the
22 President of the Philippines, other than payment resulting from final and executory
23 decisions of competent authorities, which shall be released by the DBM subject to
24 availability of funds.

25
26 **Sec. 14. *Mandatory Reporting.*** – The DBM shall submit reports to Congress
27 of all releases from the Special Purpose Funds in the quarterly and annual fiscal
28 reports including information on the date of release, the amount covered,
29 corresponding purpose/s and recipient agency.

30
31 **Sec. 15. *Statutory Shares of Local Government Units.*** – The shares of LGUs
32 in the proceeds from national taxes and other transfers to LGUs authorized by law
33 shall be released to the LGUs in accordance with the provisions on the use,
34 allocation, and release of the funds as may be provided in pertinent laws, rules and
35 regulations.

36
37 **Sec. 16. *Unprogrammed Appropriations.*** – Congress may authorize standby
38 appropriations to cover the funding requirements of other priority projects and
39 activities or contingencies, as well as provide appropriations cover for foreign-
40 assisted projects (FAPs) not specifically included in the programmed component of
41 the GA that requires implementation during the year. The Unprogrammed
42 Appropriations shall indicate the purposes from which the amount authorized therein
43 may be used. The Unprogrammed Appropriations shall not exceed three percent
44 3% of the total proposed expenditure, net of contractual, statutory and other legal
45 obligations in the programmed component of the GAA.

46

1 Expenditures to be funded under the Unprogrammed Appropriations may be
2 authorized only when supported by: (i) excess revenue collections in any one of the
3 particular non-tax revenue sources from its corresponding revenue collections target
4 in the BESF as certified by the BTr; (ii) new revenue collections or those arising from
5 new tax or non-tax revenues which are not part of the original revenue sources in
6 the BESF; or (iii) when there are approved loan proceeds for new and ongoing FAPs.

7
8 In no case shall the Unprogrammed Appropriations be activated or released
9 when the DBCC determines that there is a risk of breaching the fiscal objectives set
10 forth in the Statement of Fiscal Policy.

11
12 Releases from the Unprogrammed Appropriations shall be subject to the prior
13 approval of the President of the Philippines, other than the final and executory
14 decisions of competent authorities, including arbitration awards, mediation
15 settlement, or compromise agreements.

16
17 The DBM shall include information on releases from releases from the
18 Unprogrammed Appropriations in the quarterly and annual reports submitted to
19 Congress.

20
21 **Sec. 17. Budget with Accounts Codes.** – All items of appropriations in the
22 Appropriations Law shall be given accounts codes by the DBM pursuant to the
23 Unified Accounts Code Structure that applies to all the assets, liabilities, equities,
24 income, and expenses of the government. Provided that, such shall be given after
25 the signing of the GAA by the President.

26
27 **Sec. 18. Re-enacted Budget.** – If, by the end of any Fiscal Year, Congress
28 has failed to enact a GAA for the ensuing Fiscal Year, the GAA of the preceding
29 Fiscal Year shall be deemed re-enacted and shall remain in force and effect until a
30 GAA for the ensuing Fiscal Year is passed by the Congress.

31
32 Consistent with the Fiscal Responsibility Principles, the re-enacted budget
33 shall be enforced as follows:

34
35 (a) The aggregate level of the re-enacted budget shall be limited to the total
36 amount appropriated in the preceding year's GAA, but shall in no case exceed
37 the level of the sources of financing under the BESF of the Proposed National
38 Budget for the year;

39
40 (b) The appropriations for the following shall be limited to the amount authorized
41 under the re-enacted budget, but in no case exceed the amount in the
42 Proposed National Budget:

43
44 1. Ongoing programs, projects and activities;

45

- 1 2. Personnel benefits, including retirement gratuities, pensions, terminal
2 leave pays and related expenses;
- 3
- 4 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs;
- 5
- 6 4. Budgetary support to GOCCs for their operational requirements and
7 ongoing programs, activities or projects; and
- 8
- 9 5. Newly-approved FAPs.

10
11 (c) In no case shall the following items of the re-enacted budget be considered
12 for release, disbursement, and utilization:

- 13
- 14 1. Completed programs, projects and activities funded in the GAA of the
15 preceding Fiscal Year; and
- 16
- 17 2. Equity contribution of the National Government to GOCCs.

18
19 The DBM shall issue guidelines on the aggregate and agency levels of
20 appropriations authorized under the re-enacted budget in accordance with the
21 foregoing, supporting requirements to determine actual needs, and other pertinent
22 rules in the implementation of the re-enacted budget.

23
24 Upon enactment of the GAA anytime during the current Fiscal Year, all
25 releases under a re-enacted budget consistent with this Section shall be considered
26 valid obligations and deemed to have been implemented pursuant to and charged
27 against, for account recording purposes, the GAA for the current Fiscal Year.

28
29 The enacted GAA shall be valid from its effectivity until the end of the current
30 Fiscal Year.

31
32 **Sec. 19. *Special Appropriations Bill.*** – A Special Appropriations Bill is a
33 proposal submitted by the President, as recommended by the DBM, before Congress
34 to provide authorization for expenditure for a specific purpose not included or not
35 covered under the annual appropriations laws. It shall specify the purpose/s for
36 which it is intended and the validity period which shall not exceed one (1) year from
37 its enactment.

38
39 Cash-based estimates shall be adopted in the proposed special appropriations
40 bills to promote faster and more effective delivery of services.

41
42 A Special Appropriations Bill shall be supported by funds actually available as
43 certified by the National Treasurer, or to be raised by a corresponding revenue
44 measure proposed therein.

1
2 No Special Appropriations Bill shall be passed during a re-enacted budget,
3 except for the following: (1) disaster-related purposes; (2) urgent projects and/or
4 activities; and (3) unforeseen requirements of the government.
5

6 **Sec. 20. Release of Public Funds.** – The government shall commence
7 releases of Public Funds covered by an Appropriations Law as soon as it comes into
8 force to ensure timely and efficient disbursement by the appropriate implementing
9 agencies, subject to pertinent budgeting, accounting and auditing rules and
10 regulations. Upon the implementation of the cash budgeting system, the
11 Appropriations Law shall be considered the authority of the agencies to contract out
12 and disburse funds, except for the following instances: (i) when provided in the
13 Appropriations Law; and (ii) when the appropriations have requirements before
14 release, such as work and financial plan, feasibility study, pre-feasibility study, and
15 preliminary and detailed engineering.
16

17 **Sec. 21. Cash Budgeting System.** – Appropriations authorized in the GAA for
18 NGAs, budgetary support to GOCCs, national projects implemented by LGUs, and
19 SPFs, shall be available for obligation only until the end of each Fiscal Year unless
20 release of funds was made during the last quarter of the year, the allotment is
21 available for obligation until the first semester of the succeeding year. Obligations
22 incurred by the National Government within each Fiscal Year shall be implemented
23 during the same Fiscal Year. Goods and services corresponding to said obligations
24 shall be delivered or rendered, inspected and accepted by the end of each Fiscal
25 Year. Payments for obligations incurred shall be made until the end of the Extended
26 Payment Period. Payments during the Extended Payment Period shall be chargeable
27 against the GAA of the preceding Fiscal Year.
28

29 Appropriations covering financial subsidy to LGUs shall be available for
30 obligation and disbursement until the end of the succeeding Fiscal Year. On the
31 other hand, appropriations for the statutory shares of LGUs shall be available for
32 obligation and disbursement until fully expended.
33

34 All funds transferred between or among Government Agencies shall not be
35 considered disbursed until the transferred amounts have been actually utilized to
36 pay for goods delivered and services rendered, inspected and accepted.
37

38 Any unreleased appropriations at the end of the Fiscal Year shall lapse, while
39 unobligated allotments and unexpended or undisbursed funds at the end of the
40 Extended Payment Period shall revert to the unappropriated surplus of the General
41 Fund in accordance with Section 28, Chapter 4, Book VI of E.O. No. 292 and shall
42 not thereafter be available for expenditure except by subsequent legislative
43 enactment. For financial subsidies to LGUs, reversion shall be made to the National
44 Treasury after the end of the succeeding Fiscal Year.
45

1 **Sec. 22. Government Funding Commitment.** – In accordance with the
2 Constitution, no money shall be paid out of the Treasury except in pursuance of an
3 appropriation made by law.

4
5 Accordingly, a Certification of Availability of Funds (CAF) shall be required
6 prior to entering into contract. The CAF shall be issued by the Chief Accountant or
7 the highest accounting officer in the agency.

8
9 For Multi-year Projects, the CAF shall be issued annually based on the annual
10 budget for the year. In case of Multi-year Projects with no funding requirement on
11 any given year, the CAF shall be the certification of the chief accountant that no
12 fund is needed for the year as indicated in the approved MYCA.

13
14 The CAF shall be stamped or appended to the contract and shall become an
15 integral part thereof.

16
17 **Sec. 23. Multi-Year Contracts.** – The issuance of a MYCA or any similar
18 document shall be required before agencies may enter into multi-year contracts,
19 subject to the requirements and guidelines prescribed by the DBM. Provided, That
20 for foreign-assisted projects funded by foreign loans, the issuance of a MYCA shall
21 no longer be necessary.

22
23 In the procurement of multi-year projects, the MYCA or any similar document
24 shall be required prior to commencement of any procurement activity.

25
26 In the case of GOCCs, they shall secure prior authority from their respective
27 governing boards before entering into multi-year contracts.

28
29 For LGUs, they shall secure any equivalent document issued by their
30 respective sanggunian authorizing them to enter into multi-year contracts.

31
32 For the multi-year Public-Private Partnership projects with government
33 undertakings authorized under R.A. No. 6957, as amended by R.A. No. 7718, the
34 same shall be covered by a letter of commitment issued in accordance with the
35 guidelines issued by the DBM.

36
37 The implementing agency shall ensure that the annual funding requirements
38 for the multi-year projects shall be included in its budget proposals for the covered
39 years, consistent with the funding schedule in the MYCA and equivalent authorities,
40 and letter of commitment. In the case of NGAs and qualified GOCCs, the DBM shall
41 ensure that the funding requirement for the multi-year projects are included in the
42 National Expenditure Program to be submitted to Congress who shall give due
43 consideration of the said proposal. In the case of GOCCs and LGUs, due
44 consideration shall be given by the governing board of GOCCs and the sanggunian
45 of the LGUs, respectively.

46

1 In all instances, the disbursements to be incurred for multi-year contracts
2 shall in no case exceed the appropriations for the purpose during the year.
3 Procurement of multi-year projects shall be subject to the provisions of R.A. No.
4 9184 and its IRR and GPPB guidelines.
5

6 **Sec. 24. *Early Procurement Activities.*** – To ensure full budget utilization,
7 timely contract implementation and efficient delivery of services, agencies are
8 authorized to undertake procurement activities from pre-procurement conference
9 until recommendation to the head of the procuring entity as to the award of
10 contract, based on their proposed budget in the NEP, COBs or Appropriations
11 Ordinance, in accordance with the guidelines issued by the Government
12 Procurement Policy Board.
13

14 In exceptional circumstances where the early procurement activity was
15 delayed, agencies shall undertake only the procurement of goods, infrastructure and
16 consulting services to the extent that may be delivered or rendered, inspected, and
17 accepted during the Fiscal Year consistent with the cash budgeting system.
18

19 For FAPs, agencies may undertake early procurement activities based on the
20 amount proposed by the agency in the NEP including those under the
21 Unprogrammed Appropriations and shall be awarded only upon approval of the loan
22 agreement.
23

24 For multi-year projects, the issuance of a MYCA by the DBM is required prior
25 to commencement of any procurement activity. All existing Multi-Year Obligational
26 Authority shall be understood to refer to MYCA.
27

28 Notwithstanding the mandatory procurement timelines, agencies may only
29 proceed with the issuance of the notice of award of contract upon approval or
30 enactment of their respective appropriations or budget authorization document, as
31 the case may be, and based on the amount authorized therein.
32

33 **Sec. 25. *Timely Implementation of Activities or Projects.*** – Government
34 Agencies shall ensure that all activities or projects are fully delivered, inspected, and
35 accepted by the end of the Fiscal Year.
36

37 In exceptional circumstances where the implementation of an activity, or a
38 project has been delayed due to force majeure or other justifiable reasons as
39 determined by the agency or decided by a competent authority, and in both
40 instances without the fault of the contractor, the funding requirements for its
41 completion shall be chargeable against any available fund in the succeeding Fiscal
42 Year, upon approval of DBM.
43

44 **Sec. 26. *Authority to Declare and Use Savings.*** – The President of the
45 Philippines, the President of the Senate of the Philippines, the Speaker of the House
46 of Representatives, the Chief Justice of the Supreme Court, the Heads of the Civil

1 Service Commission, the Commission on Elections, and the Commission on Audit are
2 hereby authorized to declare and use savings in their respective appropriations in
3 the current year to augment actual deficiencies incurred for the current year in any
4 item of their respective appropriations.

5
6 **Sec. 27. *Meaning of Savings.*** – Savings refer to portions or balances of any
7 released appropriations in the Appropriations Law which have not been obligated as
8 a result of any of the following:

- 9
10 (a) Completion, final discontinuance, or abandonment of an activity or project
11 for which the appropriation is authorized; or
12
13 (b) Implementation of measures resulting in improved systems and efficiencies
14 and thus enabled an agency to meet and deliver the required or planned
15 targets at a lesser cost.

16
17 In case final discontinuance or abandonment is used as basis in the
18 declaration of savings, such discontinued or abandoned activity or project shall no
19 longer be proposed for funding in the next two (2) Fiscal Years.

20
21 Allotments that were not obligated due to the fault or negligence of the
22 agency concerned shall not be considered savings.

23
24 **Sec. 28. *Rules on Augmentation.*** – Augmentation is the act of the
25 constitutional officers authorized to use savings in their respective appropriations to
26 cover a deficiency in any existing item of appropriation for their respective offices.

27
28 The particulars of the expenditure to be funded from savings should be within
29 the scope of, or be covered by, an existing item of appropriation. The existence of
30 an item of appropriation regardless of the availability of allotment class/es is
31 sufficient for the purpose of augmentation.

32
33 In no case shall a non-existent item of appropriation be funded by
34 augmentation from savings.

35
36 **Sec. 29. *Rules on Modification in the Allotment.*** – Limited flexibility shall be
37 given to NGAs to modify or change the allotment within an existing item of
38 appropriation. Such modification shall not entail any augmentation of the amount
39 appropriated for the said item of appropriation during budget execution.

40
41 The DBM shall issue rules and procedure to govern modification in the
42 allotment, specifying the cases or circumstances when such modifications maybe
43 undertaken to ensure the uniform implementation among the various branches of
44 government, the proper recording of modifications, and the timely submission of
45 reports by all the offices concerned.

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Chapter 3
Financial Management

Sec. 30. General Fund. - All monies received by NGAs, whether coming from taxes, fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations, asset sale proceeds and such other receivables, shall accrue to the General Fund and be remitted to the National Treasury, unless otherwise provided by law or stipulated by covering loan or grant agreements. Monies under the General Fund shall be made available to support the requirements of the National Government authorized in an Appropriations Law.

A Special Account in the General Fund (SAGF) shall be established by law only under exceptional circumstances to recognize taxes, fees, charges, penalties, income, dividend, interest earnings, grants, and donations collected, earned or received by NGAs for specified purposes. All laws authorizing the establishment of SAGFs shall specify the period of use thereof, or if no period is specified, it shall be deemed to be until the fulfilment of the purpose for which the SAGF was authorized. All interests earned by SAGFs shall accrue to the General Fund. The balance of SAGFs upon their termination shall form part of the General Fund.

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

The Permanent Committee created under Executive Order (EO) No. 292, s. 1987, composed of the Secretary of Finance as Chairperson, the Secretary of Budget and Management and the Chairperson of the COA as members, shall identify SAGFs that shall be converted into Trust Funds. The recognition of revenue inflows from these SAGFs converted into Trust Funds shall be governed by the guidelines to be issued by the Permanent Committee. In all cases, the authorized uses or purposes shall continue to be those specified in the law creating the SAGFs.

Sec. 31. Special Funds. – In exceptional cases when an SAGF is not suitable for the operations of a fund, Special Funds shall be authorized by law and limited to the following:

- (a) Trust Fund - constituted from identified revenue sources and other receipts by NGAs or Public Officials or Employees acting as trustees, agents, or administrators for the fulfilment of commitments or accomplishment of specified purposes. Trust Funds shall be deposited in the TSA;

1 (b) Revolving Fund - constituted from receipts derived from business-type
2 activities of NGAs to be used for the operating requirements of said business-
3 type activities and are considered self-perpetuating and selfliquidating.
4 Revolving Funds shall be deposited in the TSA or in an Authorized
5 Government Depository Bank (AGDB) upon authority of the National
6 Treasurer; and
7

8 (c) Retained Fund - constituted from taxes, fees, charges, penalties, income,
9 dividends, or interest earnings collected, cared or received by NGAs which
10 are expressly authorized by law to be retained by NGAs and utilized for
11 specified purposes. Retained Funds shall be deposited in the TSA or in an
12 AGDB upon authority of the National Treasurer.

13 Any interest earned by Special Funds shall accrue to the General Fund unless
14 otherwise authorized by law.
15

16 **Sec. 32. Review by the Permanent Committee.** - Upon the effectivity of this
17 Act and every three years thereafter, the Permanent Committee shall review all
18 existing SAGF's and Special Funds to validate their compliance with the requirements
19 under Sections 46 and 47 and to determine whether these Funds should be
20 modified, terminated, or continued. The Permanent Committee shall recommend for
21 the approval of the President, the modification or termination of any of the said
22 funds based on any of the following grounds: (i) when there is no legal basis for its
23 creation; (ii) when its terms have expired; (iii) when the purpose for its creation has
24 been attained or no longer exist, (iv) when it is no longer necessary for the
25 attainment of the purposes for which said Funds were established; (v) when needed
26 by the General Fund in times of calamities and emergencies; (vi) when it is used in
27 violation of the rules and regulations issued by the Committee; or (vi) when they
28 have remained dormant for an unreasonable length of time.
29

30 The Permanent Committee shall issue guidelines for the establishment,
31 review and evaluation, accounting and reporting, and termination of SAGFs and
32 Special Funds.
33

34 **Sec. 33. Escrow Fund.** - Escrow Funds are constituted from funds for which
35 the government's legal right to use is contingent upon a future event which may or
36 may not occur. Escrow Funds shall be deposited in the TSA or an AGDB upon
37 authority of the National Treasurer. Any interest by an Escrow Fund shall accrue to
38 the said Fund. The amounts under escrow, including interest earned shall form part
39 of the General Fund upon the occurrence of the future contingent event.
40

41 **Sec. 34. Waiver, Abatement, Refund and Compromise Agreements.** - No
42 public official shall waive, abate, refund, or enter into a compromise agreement on
43 a tax liability or the payment of fees or charges except in accordance with law. All
44 waivers, abatements, refunds or compromise agreements made by an NGA shall be

1 properly accounted for and reported. Refund of taxes and other revenues shall be
2 treated as a reduction in current year's revenue collections for budgeting and fiscal
3 reporting purposes.

4
5 **Sec. 35. Grants.** – NGAs may accept, upon prior coordination with the DOF,
6 grants, in cash or in kind, from domestic sources, for purposes relevant to their
7 functions. In the case of grants, in cash or in kind, from foreign sources or from
8 governments of foreign countries, their agencies and instrumentalities and
9 international or multilateral institutions or organizations, acceptance thereof shall be
10 subject to the prior clearance and approval by the President or the President's
11 authorized representative, based on the recommendation of the Secretary of
12 Finance and the Secretary of Foreign Affairs.

13
14 The provisions of this Section shall not apply to: (1) any grant received by
15 LGUs or GOCCs, except where the grant is received by them on behalf of the
16 National Government (NG); or (2) any grant authorized or covered in accordance
17 with existing law.

18
19 Grants received shall be valued, in the case of grants received in kind, and
20 recognized on the books of the recipient agency of the National Government.

21
22 **Sec. 36. Treasury Single Account.** – The TSA refers to the banking
23 arrangement managed by the BTr wherein the government transacts all monies
24 collected, received or paid by NGAs in one bank account or a set of linked bank
25 accounts and gets a consolidated view of its cash position on at least, a daily basis.

26
27 The TSA shall cover remittances, releases or disbursements from the General
28 Fund, SAGFs, Special Funds, Escrow Funds, Letters of Credit and any other fund
29 managed by the BTr, except in any of the following instances:

- 30
31 (a) When monies under the General Fund are placed under investments;
32
33 (b) When the BTr is required to hold foreign currency accounts; or
34
35 (c) When authorized by the Secretary of Finance.

36
37 The BTr, in coordination with NGAs authorized by law to undertake revenue
38 collection and administration, shall make the necessary arrangements with
39 authorized agent banks (AABs) to facilitate the collection and transfer of said
40 revenues to the TSA. AABs shall deposit said collections to TSA within the period
41 and in the manner prescribed by laws, rules and regulations.

42
43 **Sec. 37. Oversight on Government Bank Accounts.** - Notwithstanding any
44 provision of law to the contrary, the BTr shall undertake any of the following in case

1 of violation of a provision in this Act and guidelines issued on the implementation of
2 the TSA:

3
4 (a) Transfer balances of bank accounts to the TSA;

5
6 (b) Close any bank account; and/or

7
8 (c) Revoke the authority to open any bank account.

9
10 The government agency which has opened a bank account, as well as the bank
11 concerned shall promptly disclose information regarding such account to the BTr.

12
13 **Sec. 38. *Treasury Cash Management.*** – The BTr shall issue orders for the
14 conduct of cash management including the requirement to provide projections on
15 the timing of future transactions of NGAs taking into consideration that the
16 appropriations law is considered the authority of the agencies to contract out and
17 disburse funds, except for those instances stated in Section 35 of this Act.

18
19 **Sec. 39. *Investments.*** – The BTr may invest portions of the funds held in
20 the TSA for such periods as the BTr may deem prudent considering cash
21 management requirements. Investments are authorized to be made in any of the
22 following:

23
24 (a) Bank deposit with any highly reputable bank following a selection criteria to
25 be issued by the BTr and money market instruments with well recognized
26 and established financial institution;

27
28 (b) Sovereign-issued securities with an investment grade rating; or

29
30 (c) Other fixed income securities with an AAA credit rating issued by at least two
31 (2) reputable international credit rating agencies.

32
33 The BTr may appoint a fund manager as an agent of the National Government
34 to undertake the investment of the funds. Fund Manager refers to person
35 responsible for implementing a fund's investing strategy and managing its portfolio
36 trading activities.

37
38 Interest earned and other income from investments shall accrue to the
39 General Fund, unless otherwise provided by law.

40
41 **Sec. 40. *Management of National Government Borrowings.*** – Borrowings by
42 the National Government shall be for purposes provided by law including any of the
43 following:

44

- 1 (a) Financing budget deficits and liquidity shortfalls;
2
3 (b) Refinancing and pre-financing maturing debts;
4
5 (c) Undertaking liability and risk management transactions;
6
7 (d) Supporting the BSP in maintaining external and monetary stability;
8
9 (e) On-lending to an approved entity;
10
11 (f) Financing all sums of money paid to fulfill guarantees;
12
13 (g) Increasing liquidity and promoting stability of the government securities
14 market;
15
16 (h) Financing developmental activities and projects of the National Government;
17
18 (i) Providing financing to address or remedy the effects or impacts of natural or
19 human- induced disasters; or
20
21 (j) Defraying expenditures covered by appropriations.

22
23 Borrowing under this Act should adhere to the Fiscal Responsibility Principles
24 and measurable fiscal objectives in the Statement of Fiscal Policy.

25
26 **Sec. 41. Borrowings by Government -Owned or -Controlled Corporations.** –
27 Before the end of each Fiscal Year, the Head of a GOCC shall prepare a borrowing
28 program for the following Fiscal Year which shall support the COB and for the
29 medium term. Both borrowing programs shall include a full financial plan with the
30 details of the loans, refinancing and repayment that the GOCC intends to take. Said
31 borrowing program, including changes thereon, shall be subject to the approval of
32 the Head of the NGA overseeing the GOCC, shall be submitted to DOF for
33 information, and published in the concerned GOCC website.

34
35 GOCCs shall seek DOF approval and monetary board concurrence for foreign
36 borrowings or the latter's opinion for domestic borrowing activities as provided in
37 the IRR.

38
39 Nothing in this Section shall be construed as creating a government guarantee
40 on any borrowing, loans or refinancing and repayment that the GOCC intends to
41 take.

42
43 **Sec. 42. Local Government Borrowings.** – An LGU may borrow funds from
44 domestic sources in accordance with the Local Government Code of 1991 and other

1 applicable laws. LGUs may also be allowed to access foreign sources for major
2 infrastructure projects, through multilateral financial institutions, subject to the
3 guidelines to be issued by the DOF.

4
5 LGUs shall develop their borrowing programs, as part of their comprehensive
6 development and annual investment plans, which shall be published in the LGU
7 website.

8
9 **Sec. 43. Debt Reporting.** – The DOF, through the BTr, shall ensure that the
10 records include information on the principal, terms of repayment, amounts drawn,
11 interests, penalties and service charges accrued, principal and interests paid, and
12 the balance outstanding, and shall make the records available in a timely way to the
13 President, Congress, and COA and in accordance with the reporting requirements in
14 this Act.

15
16 Each LGU and GOCC shall maintain records and provide reports to the DOF
17 on loans as required by relevant laws, rules and regulations.

18
19 **Sec. 44. Debt Audit.** – Upon the effectivity of this Act, the COA shall conduct
20 a debt audit of all loans contracted or guaranteed by the National Government. For
21 those loans contracted or guaranteed after the passage of this Act, the COA shall
22 review the said loans five (5) years from the date of consummation or guarantee.

23
24 **Sec. 45. Guarantees.** – Guarantee, indemnity or security shall be provided
25 to an NGA or a GOCC, as provided by law, and upon such terms and conditions as
26 the Secretary of Finance may recommend consistent with relevant laws, rules and
27 regulations. The overall level of guarantee, indemnity or security shall adhere to the
28 Fiscal Responsibility Principles laid down in this Act and the fiscal objectives in the
29 Statement of Fiscal Policy.

30
31 The DOF shall charge a risk-based fee for any guarantee, indemnity, security,
32 relending or similar financial accommodation it may extend to a GOCC.

33
34 In no case shall the National Government be liable for any borrowing by any
35 agency of the government except for explicit guarantees as provided by law.

36
37 **Sec. 46. Limitation on the Liability of the National Government for Debts of**
38 **Other Entities.** — The National Government shall not be liable for any implied
39 guarantee asserted by any person or entity, but only for explicit guarantees
40 extended in accordance with existing laws, and guarantees in favor of the
41 Government Service Insurance System, Home Development Mutual Fund, Philippine
42 Health Insurance Corporation, and the Social Security System in their respective
43 charters.

44
45 **Sec. 47. Payments Made for Contingent Liabilities.** – Any money paid by the
46 DOF pursuant to any guarantee, indemnity, or security authorized by law and the

1 expenses associated with the same shall constitute a debt due the National
2 Government from the entity for whose benefit the payment on the guarantee,
3 indemnity, or security was made.

4
5 **Sec. 48. *Information on Contingent Liabilities.*** — The DOF shall keep a
6 complete and updated registry of all contingent liabilities of the National
7 Government, and provide the DBM and Congress with a report on contingent
8 liabilities. Subject to existing laws, rules, and regulations, the DOF shall have the
9 power to compel any national government agency and instrumentality, including
10 GOCCs, to submit documents and other pertinent information necessary for the
11 completion of such registry.

12
13 **Chapter 4**
14 **Accountability and Reporting**
15

16 **Sec. 49. *Financial Management and Internal Control.*** — The Head of Agency
17 shall be responsible and accountable for the financial management of the agency
18 which shall include meeting performance targets, controlling costs, mitigating
19 adverse risks to agency operations, and ensuring that budgets are managed with
20 integrity and in compliance with applicable laws. Adequate internal controls shall be
21 ensured, while an internal audit function shall be maintained, as may be applicable.

22
23 **Sec. 50. *Integrated Financial Management Information System.*** — There
24 shall be an integrated financial management information system (IFMIS), which
25 shall be the single portal of all financial transactions and reports to be used by NGAs,
26 GOCCs and LGUs to integrate budgeting, cash management and accounting
27 processes.

28
29 The IFMIS shall be managed by the National Accounting and Finance Office
30 under the DBM, which was established under EO No. 292, s. 1987, to take charge
31 of the maintenance of the data bank of financial information and to provide the
32 necessary data required by the President, fiscal agencies and international financial
33 institutions, analyze and evaluate the accounts and overall financial performance of
34 the government, and supervise the management of the accounts of government
35 agencies and instrumentalities.

36
37 The development and implementation of IFMIS shall be in coordination with
38 other key oversight agencies, that is, DOF and COA, and in accordance with EO No.
39 55, s. 2011, directing the integration and automation of government financial
40 management systems.

41
42 Electronic and digital authorizations within the IFMIS including, but not
43 limited to, certification on availability of fund as well as general and application
44 information technology (IT) controls done through, and resulting in, the
45 implementation of IT systems shall be valid for all legal intents, as well as for
46 auditing purposes.

1
2 **Sec. 51. *NGA Annual Plans and Proposed Budgets.*** — The Head of each NGA
3 shall produce an Annual Plan which shall have a medium term scope, with details
4 for the following Fiscal Year, and shall include information on the strategic priorities
5 for the medium-term, both the national and regional level, consistent with the
6 Philippine Development Plan; performance information; summary proposed budget
7 including financial forecast assumptions and highlighting significant capital projects;
8 and other information as required in the IRR, as well as the Budget Call and other
9 related issuances from the DBM. The Annual Plan shall be submitted to DBM during
10 the budget preparation process consistent with the timetable and other guidelines
11 in the Budget Call.

12
13 The Annual Plan of a Department shall incorporate the Annual Plans of its
14 attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

15
16 **Sec. 52. *Submission of Post Fiscal Year Budget Status.*** - The DBM shall
17 submit to the Speaker of the House of Representatives, the President of the Senate
18 of the Philippines, the House Committee on Appropriations and the Senate
19 Committee on Finance a post Fiscal Year budget status report not later than May 31
20 of the current year.

21
22 **Sec. 53. *Internal Audit Standards.*** – The Commission on Audit shall
23 formulate and issue the guidelines and standards for internal audit in the NGAs,
24 GOCCs and LGUs.

25
26 **Chapter 5**
27 **Transparency and Participation**

28
29 **Sec. 54. *People's Access to Public Financial Information.*** - Before the start
30 of each Fiscal Year, the DBM shall promulgate a Calendar of Disclosures, and shall
31 publish this on the government website. Such calendar shall contain the schedule
32 of release of all budget documents and information required by this Act and its IRR.
33 The DBM shall monitor and periodically report to Congress and the public on the
34 compliance of agencies with the Calendar of Disclosures and other fiscal
35 transparency requirements under this Act and its IRR.

36
37 All documents and reports required to be published by this Act and its IRR
38 shall automatically be made available electronically in the government website.
39 Current and historical data on government revenues, expenditures, and borrowings,
40 shall be made available electronically, in open data format, on the government
41 website, subject to guidelines established in the IRR.

42
43 **Sec. 55. *The People's Budget.*** - The DBM shall, for every Fiscal Year, publish
44 citizen-friendly summaries of the following, subject to guidelines and other
45 specifications in the IRR:

46

- 1 (a) The Statement of Fiscal Policy in the year of the President's election and any
2 updates thereafter within thirty (30) days from submission to Congress;
3
4 (b) The Proposed National Budget, to be published in electronic format within
5 thirty (30) days from submission to Congress of the Proposed National
6 Budget;
7
8 (c) The annual GAA and special appropriations laws, to be published in
9 electronic format in the government website within thirty (30) days from its
10 effectivity; and
11
12 (d) The Annual Fiscal Report of the preceding fiscal year, to be published in
13 electronic format in the government website on the last working day of the
14 current year.

15
16 **Sec. 56. Participatory Budget Process.** – The government shall establish and
17 implement suitable participatory budget mechanisms to facilitate the open,
18 inclusive, and meaningful engagement of citizens throughout the budget process.
19 The DBM and DILG, together with other relevant agencies, shall formulate policies
20 and programs, activities, and projects to enhance participation in the planning,
21 budgeting and accountability processes.

22
23 Such participatory mechanisms may include (i) consultations with the Local
24 Development Councils in the formulation of the national and local government
25 budgets; and (ii) partnerships with civil society organizations (CSOs), academic
26 institutions and experts on programs that monitor and help improve agency or local
27 government preparation, execution, and monitoring of the budget. Capacity
28 development of CSOs to participate under the principles of constructive engagement
29 with government may also be conducted.

30
31 **Chapter 6**
32 **Enforcement**

33
34 **Sec. 57. Sanctions and Penalties.** –

- 35
36 (a) Without prejudice to the provisions of other laws, the following sanctions and
37 liabilities in case of failure to comply with the reporting and posting
38 requirements under this Act, shall be imposed:
39
40 1. The DBM shall not approve any request for release of allotments or
41 any modification in the allotment nor recommend the use of savings
42 by the President until such time as the non-compliant agency has
43 submitted the report/s required under this Act;
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2. The COA may suspend or disallow any expenditure due to modification in the allotment, which were made within the period succeeding the reporting period when the agency failed to comply with the reporting requirements under this Act;
3. Failure of the responsible officer to report on the income and/or funds retained at the end of a reporting period shall be considered a neglect of duty, subject to the penalty provided under existing laws; and
4. The Congress may motu proprio, through its appropriate oversight committee compel the head of the non-compliant agency, under pain of contempt, to produce the required report/s and to explain reasons for failure to submit and disclose said report/s.

(b) Without prejudice to the provisions of other laws:

1. Every contractual commitment, expenditure or payment authorized or incurred in violation of the provisions of this Act shall be void and shall render the Public Official or Employee authorizing or making such payment and every person in collusion with said official or employee shall jointly and severally be held liable to the government for the full amount so paid or received. The Public Official or Employee who knowingly delays the implementation of any contractual agreement shall be liable and imposed the appropriate administrative sanctions based on existing laws and civil service rules. A Public Official or Employee who knowingly incurs any contractual commitment or authorizes any expenditure in violation of the provisions of this Act or takes part therein shall likewise be removed or dismissed from office, after due notice and hearing, even if no criminal charge is instituted against such Public Official or Employee;
2. Any Public Official or Employee, holding office or employment in a casual, temporary, holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent information in any accountability report, shall be penalized with imprisonment not exceeding five (5) years, or a fine not exceeding One Million Pesos (P1,000,000.00), or both, without prejudice to disallowances by the COA against expenditures related to such fraudulent information, provided, that this fine is reviewed and adjusted periodically to be reasonable;
3. A conviction under this Act shall carry with it civil liability, which may either consist of restitution for the damage done or forfeiture in favor of the government of any unwarranted benefit derived from the act or

1 acts in question, or both, at the discretion of the courts, in addition to
2 possible administrative liability; and

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

9
10 **Chapter 7**
11 **Final Provisions**

12
13 **Sec. 58. *Implementing Rules and Regulations.*** - The DBM, in consultation
14 with the DOF, BTr, NEDA and COA, and in coordination with agencies concerned,
15 shall issue the rules and regulations necessary for the proper implementation of this
16 Act within ninety (90) days from its effectivity. The IRR may be amended by the
17 DBM, in consultation with the DOF, BTr, NEDA and COA and in coordination with
18 the agencies concerned, as the need arises, and in accordance to the provisions of
19 this Act.

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21 **Sec. 59. *Repealing Clause.*** - Any law, presidential decree or issuance,
22 executive order, letter of instruction, administrative order, proclamation, charter,
23 rule or regulation and/or parts thereof contrary to or inconsistent with the provisions
24 of this Act is hereby repealed, modified or amended accordingly.

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26 **Sec. 60. *Separability Clause.*** - If for any reason, any section or provision of
27 this Act is declared unconstitutional or invalid, other sections or provisions which are
28 not affected thereby shall continue to be in full force and effect.

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30 **Sec. 61. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days
31 following its publication in the Official Gazette or in two (2) newspapers of general
32 circulation.

Approved,