



HOUSE OF REPRESENTATIVES

H. No. 7302

BY REPRESENTATIVES NOGRALES (K.A.), NOGRALES (J.J.),
YAP (A.), ROMUALDEZ, ABAYA, ANTONINO, ABAD, ANDAYA,
RODRIGUEZ (M.), ALVAREZ (P.), FARIÑAS, BONDOC,
SANDOVAL, LOBREGAT, VILLAFUERTE, SAMBAR, SUANSING (E.),
PADUANO, LIMKAICHONG, UNABIA, PANGANIBAN, SUAREZ,
PRIMICIAS-AGABAS, SARMIENTO (E.M.), NIETO, TAMBUNTING,
BAG-AO, BAGUILAT, VIOLAGO, CATAMCO, ROCAMORA AND
BRAVO (M.), PER COMMITTEE REPORT NO. 639

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

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

1 PART I

2 PRELIMINARY PROVISIONS

3 SECTION 1. *Short Title.* - This Act shall be known as the
4 "Budget Reform Act".

5 SEC. 2. *Declaration of Policy and Objectives.* - It is hereby
6 declared the policy of the State to ensure accountability and

1 integrity in the use of public resources by ensuring transparency,
2 fiscal responsibility, results-orientation, efficiency, and
3 effectiveness. This shall be upheld through the establishment of
4 an integrated system of planning, programming, budgeting,
5 management, internal control, accounting, reporting and review of
6 public finances. In light of these requirements, the State shall
7 pursue the following specific objectives:

8 (a) To enforce the power of Congress to authorize all
9 appropriations and hold government accountable in the use of
10 public resources, as well as to ensure the responsibility of all
11 government agencies to propose, execute and deliver committed
12 results mandated under appropriations laws in a timely,
13 predictable, and economic manner;

14 (b) To promote people's involvement in the management of
15 public resources by enforcing their right to access information on,
16 and to contribute in the formulation and implementation of, the
17 financial affairs of the government; and

18 (c) To strengthen the integration of planning, programming,
19 budgeting, accounting, disbursement, reporting and performance
20 management and ensure ample safeguards in managing public
21 finances through internal controls and risk management.

22 SEC. 3. *Scope and Coverage.* - The provisions of this Act
23 shall apply to the management of revenue, expenditure, financing
24 arrangements, and assets and liabilities of national government
25 agencies (NGAs), government-owned or -controlled corporations
26 (GOCCs), and local government units (LGUs) to the extent provided
27 herein.

1 **SEC. 4. *Definition of Terms.*** – As used in this Act and the
2 implementing rules and regulations (IRR) to be issued pursuant
3 thereto:

4 (a) *Activity* refers to a recurring work process that contributes
5 to the implementation of a program or subprogram;

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

12 (c) *Annual Cash-Based Appropriations* refer to the annual
13 appropriations that limit incurring obligations and disbursing
14 payments to goods delivered and services rendered, inspected and
15 accepted within the current fiscal year, payments, of which, may be
16 settled within the Extended Payment Period;

17 (d) *Appropriations Law* refers to the legislative authorization
18 used as basis to incur contractual commitments by NGAs, GOCCs,
19 or LGUs and actual disbursement of public funds for specific public
20 purposes covering a specified period of time. This may refer to
21 either a general or special appropriations law;

22 (e) *Cabinet* refers to the Executive Secretary and the
23 Secretaries of the Departments under the Executive Branch;

24 (f) *Extended Payment Period* refers to the three (3)-month
25 period in the following fiscal year when payments, chargeable
26 against the Appropriations Law of the previous fiscal year, can be
27 processed and disbursed for goods received and services rendered,
28 inspected and accepted by the end of the previous fiscal year;

1 (g) *Fiscal Year* refers to a period of twelve (12) months
2 commencing on January 1 until December 31;

3 (h) *Government Agencies* refers to all NGAs, GOCCs and
4 LGUs;

5 (i) *Government-Owned or -Controlled Corporations* refer to
6 agencies with corporate powers, whether or not organized as a stock
7 or nonstock corporation, vested with functions relating to public
8 needs whether governmental or proprietary in nature, and owned
9 by the Government of the Republic of the Philippines either wholly
10 or, where applicable as in the case of stock corporations, to the
11 extent of at least a majority of its outstanding capital stock. This
12 includes Government Financial Institutions (GFIs), government
13 instrumentalities with corporate powers/government corporate
14 entities and related corporations;

15 (j) *Government Financial Institutions* refer to financial
16 institutions in which the government directly or indirectly owns the
17 majority of the capital stock and which are either: registered with,
18 or directly supervised by, the Bangko Sentral ng Pilipinas (BSP); or
19 authorized to collect or transact funds or contributions from the
20 public and place them in financial instruments or assets such as
21 deposits, loans, bonds and equity;

22 (k) *Head of Agency* refers to the head of the department or
23 agency in the case of NGAs, the Board of Directors or Trustees in
24 the case of GOCCs, as well as certain agencies which are structured
25 as such, and the local chief executive in the case of LGUs;

26 (l) *Item of Appropriation* refers to the amount appropriated
27 for an activity or project in the Appropriations Law;

1 (m) *Local Government Units (LGUs)* refer to provinces, cities,
2 municipalities, and barangays, as well as autonomous regions
3 authorized to be created in the Constitution and by law;

4 (n) *Multi-Year Contracting Authority (MYCA)* refers to the
5 authority issued by the DBM to agencies, covering the full contract
6 cost, for the procurement of multiyear projects;

7 (o) *Multiyear Projects* refer to projects undertaken by
8 agencies for a period of more than one (1) fiscal year, or exceeding
9 twelve (12) months;

10 (p) *National Government Agencies (NGAs)* refer to units of the
11 national government, as distinguished from GOCCs and LGUs,
12 which include any of the departments, bureaus, offices or
13 instrumentalities of the Executive, Judicial and Legislative
14 branches of government, as well as the Constitutional
15 Commissions, and the Office of the Ombudsman;

16 (q) *Program* refers to a group of activities and projects that
17 contribute to a common particular outcome;

18 (r) *Project* refers to a special undertaking carried out within a
19 definite time frame and intended to result in some predetermined
20 measure of goods and services;

21 (s) *Proposed National Budget* refers to a financial plan of
22 annual revenue and expenditures to be submitted by the President
23 to Congress that reflect national policies;

24 (t) *Public Officials and Employees* refer to elective and
25 appointive officials and employees, in a permanent or temporary
26 capacity, whether in the career or noncareer service, including
27 military and uniformed personnel, regardless of the rank, form or
28 amount of compensation;

1 (u) *Public Funds* refer to the monies of all Government
2 Agencies received, collected, receivable from taxes, fees, charges,
3 penalties, income, dividends, interest earnings, domestic loan
4 proceeds, external loans and grants, proceeds from the sale of
5 assets, that the government has a legal right to retain and use and
6 shall not include any money received in error;

7 (v) *Subsidiary* refers to a corporation where at least a
8 majority of the outstanding capital stock is owned or controlled,
9 directly or indirectly and through one (1) or more intermediaries, by
10 a GOCC; and

11 (w) *Treasury Single Account (TSA)* refers to the account
12 maintained by the Bureau of the Treasury (BTr) with the BSP or
13 agent bank for a unified structure of government bank accounts to
14 enable consolidation and optimum utilization of government cash
15 resources.

16 PART II

17 ADDITIONAL ROLES AND RESPONSIBILITIES

18 SEC. 5. *Congress.* - The Congress shall perform the
19 following roles and responsibilities:

20 (a) Monitor and review government performance against the
21 requirements of appropriations and related laws, and hold
22 Government Agencies accountable for their financial and
23 nonfinancial performance;

24 (b) Review reports on planned and actual performance,
25 including the Statement of Fiscal Policy, the Medium Term Fiscal
26 Strategy, fiscal reports, annual plans of government agencies,
27 periodic and annual reports on government performance and
28 performance of government agencies; and

1 (c) Consider the consolidated annual financial statements
2 and the audited government agency reports by the Commission on
3 Audit (COA).

4 Congress shall undertake the foregoing through any of its
5 existing committees, support offices or such bodies as it may be
6 created for the purpose to strengthen the oversight role of Congress.

7 **SEC. 6. *President.*** - The President shall perform the
8 following roles and responsibilities:

9 (a) Approve the Statement of Fiscal Policy, and the Medium
10 Term Fiscal Strategy for submission to Congress;

11 (b) Approve the Budget Priorities Framework to identify the
12 priority areas for government spending and guide the budget
13 preparation exercise; and

14 (c) Authorize changes in the functional, operational and
15 organizational structure within and among the DBM, Department
16 of Finance (DOF), and National Economic and Development
17 Authority (NEDA), as may be necessary, to ensure the effective
18 implementation of this Act and the additional roles of the foregoing
19 agencies.

20 **SEC. 7. *Commission on Audit (COA).*** - The COA shall
21 ensure the proper enforcement of timely accounting and reporting of
22 public finances.

23 **SEC. 8. *Department of Budget and Management (DBM).*** -
24 The DBM shall perform the following roles and responsibilities:

25 (a) Formulate policies and develop standards and guidelines
26 to enhance effectiveness and efficiency of methods, management
27 systems, procedures and processes, organizational structure and
28 staffing complement of agencies;

1 (b) Monitor and evaluate the financial and nonfinancial
2 performance of NGAs;

3 (c) Evaluate and review the financial and nonfinancial
4 performance of GOCCs with special laws and charters, in
5 coordination with the DOF and the Governance Commission for
6 GOCCs (GCG), and approve the annual corporate operating budgets
7 (COBs) of the GOCCs;

8 (d) Monitor and review, together with the Bureau of Local
9 Government Finance (BLGF) under the DOF and the Department of
10 the Interior and Local Government (DILG), the financial and
11 nonfinancial performance of LGUs;

12 (e) Assess, together with the BLGF under the DOF and the
13 DILG, the Public Financial Management (PFM) systems of LGUs
14 and assist them in designing and implementing PFM improvement
15 measures;

16 (f) Monitor the performance of the annual cash
17 appropriations of NGAs in terms of in-year and end-of-year
18 appropriation reports that compare disbursements to appropriations
19 for management purposes;

20 (g) Oversee the financial reporting of Government Agencies
21 for fund management purposes, including: (1) the monitoring of the
22 periodic and annual management and financial accounts with
23 regard to accuracy, timeliness, completeness, and compliance with
24 this Act, standards, rules and regulations; and (2) the consolidation
25 and provision of financial reports and necessary data required by
26 the President, Congress and COA;

1 (h) Lead, in collaboration with the DOF, BTr and COA, the
2 integration of the government's financial management information
3 system; and

4 (i) Formulate, in coordination with the Civil Service
5 Commission (CSC), a competency-based human resource policies
6 for positions in PFM and oversee the capacity development
7 requirements on PFM.

8 To ensure the effective formulation and execution of fiscal
9 policies, the Secretary of Budget and Management shall lead the
10 Development Budget Coordination Committee (DBCC), with the
11 Secretary of Finance, the Director General of the NEDA Secretariat
12 and a representative from the Office of the President (OP) as
13 members, and the Governor of the BSP as resource person.

14 SEC. 9. *Department of Finance (DOF)*. – The DOF shall
15 perform the following roles and responsibilities:

16 (a) Monitor and manage fiscal risks to the government,
17 including those from public-private partnerships;

18 (b) Compile and publish government fiscal statistics in
19 accordance with international standards; and

20 (c) Formulate policies and standards for the acquisition and
21 management of nonfinancial assets by NGAs.

22 SEC. 10. *Bureau of the Treasury (BTr)*. – The BTr shall
23 perform the following roles and responsibilities:

24 (a) Manage the TSA maintained at the BSP or an agent bank,
25 with the prior approval of the Secretary of Finance;

26 (b) Put in place arrangements for the execution of duly
27 authorized payments from the TSA, which may include the

1 appointment of banks to operate as agents of the National
2 Government with the prior approval of the Secretary of Finance;

3 (c) Manage the financial assets and liabilities of the
4 government, including: (1) banking arrangements for, and bank
5 accounts of, the government; (2) hedging and other risk
6 management activities associated with debt management, cash
7 management and financial investment; (3) appointment of dealers,
8 assets managers and other agents to support debt, cash and
9 investment management activities; (4) maintenance of an accurate
10 record of the stock and flow of financial assets and liabilities;
11 (5) tracking and reporting on fiscal risks related to the management
12 of financial assets and liabilities; and (6) preparation of in-year
13 disbursement reports based on the TSA for submission to the DBM
14 and the COA;

15 (d) Issue instructions on the management of financial assets
16 and liabilities of the government;

17 (e) Authorize the opening and closing of bank accounts of
18 NGAs;

19 (f) Assist the NGAs in providing credible and realistic cash
20 forecasts for timely and accurate cash programming;

21 (g) Administer the release of cash requirements covering all
22 types of transfers to LGUs; and

23 (h) Establish and maintain, in coordination with the DBM, a
24 consolidated registry of nonfinancial assets of the National
25 Government.

26 SEC. 11. *National Economic and Development Authority*
27 (*NEDA*). – The NEDA shall perform the following roles and
28 responsibilities:

1 (a) Coordinate with the Regional Development Councils
2 (RDCs), through the NEDA Regional Offices, on the formulation of
3 regional development plans and policies that are consistent with the
4 established national priorities;

5 (b) Coordinate the formulation and implementation of an
6 annual and medium-term public investment program consistent
7 with the approved Medium Term Fiscal Strategy and in the context
8 of the preparation of the National Budget;

9 (c) Set standards for Government Agencies in proposing,
10 assessing, monitoring and evaluating development policies, plans
11 and projects including those financed by grants and concessional
12 loans; and

13 (d) Assist and support the capacity building of RDCs and
14 LGUs in development planning and investment programming.

15 SEC. 12. *Heads of Government Agencies.* – The heads of
16 NGAs, GOCCs and LGUs shall perform the following roles and
17 responsibilities:

18 (a) Inform the DBM and DOF of significant changes, issues,
19 and risks that could impact on the finances of the government;

20 (b) Participate in the processes to develop the Medium Term
21 Fiscal Strategy, the Budget Priorities Framework, and the Proposed
22 National Budget as required by the DBM;

23 (c) Manage their respective agencies and other resources
24 placed under their supervision, in an efficient, effective and
25 economic manner in order to deliver the outputs and attain the
26 outcomes set in their respective budgets;

27 (d) Monitor the physical and financial implementation of
28 their programs, activities and projects;

1 (e) Take appropriate measures to ensure that cash
2 disbursements and contractual commitments do not exceed the
3 amounts appropriated in their respective budgets;

4 (f) Ensure that their respective agencies settle all contractual
5 commitments or approve payment thereon within the time
6 prescribed by law;

7 (g) Institute effective and efficient management systems,
8 procedures and practices for assets, liabilities, and personnel,
9 including internal controls, risk management, and performance
10 review to safeguard the agency resources;

11 (h) Ensure that due regard has been taken on the
12 recommendations provided in internal and external audit
13 evaluation reports, to the extent authorized in their respective
14 budgets;

15 (i) Provide credible and realistic cash forecast for timely and
16 accurate cash programming; and

17 (j) Provide accounting and reporting of public finances
18 through the integrated financial management information system
19 and/or other preparatory online information systems as required in
20 this Act.

21 SEC. 13. *Capacity Development Requirements on Public*
22 *Financial Management.* – The NGAs concerned shall continue to
23 formulate capacity development requirements on PFM and conduct
24 training programs on the same. The DBM shall oversee the
25 formulation of the said capacity development requirements to
26 ensure alignment of the objectives.

27 PART III

28 FISCAL RESPONSIBILITY

1 SEC. 14. *Fiscal Responsibility Principles.* – The State shall
2 pursue its policy objectives in accordance with the following Fiscal
3 Responsibility Principles:

4 (a) Implement fiscal policies and strategies consistent with
5 the achievement of macroeconomic stability and inclusive economic
6 development;

7 (b) Manage resources in a fiscally and environmentally
8 sustainable way;

9 (c) Maintain prudent levels of public debt;

10 (d) Maintain an appropriate balance between government
11 revenue and expenditure; and

12 (e) Manage fiscal risks in a prudent manner.

13 SEC. 15. *Statement of Fiscal Policy.* – The DBCC shall
14 prepare, subject to the approval of the President, the Statement of
15 Fiscal Policy which shall contain measurable medium-term
16 macroeconomic and fiscal objectives and forecasts consistent with
17 the Fiscal Responsibility Principles and the Inter-generational
18 Report required under Section 18 hereof.

19 The President shall submit for the information of Congress,
20 the Statement of Fiscal Policy not later than ninety (90) days upon
21 commencement of the President's term of office and update the
22 measurable fiscal objectives set forth therein three (3) years
23 thereafter.

24 SEC. 16. *Medium Term Fiscal Strategy.* – The DBCC shall
25 prepare, subject to the approval of the President, a Medium Term
26 Fiscal Strategy and its annual updates. The Strategy and its
27 updates shall be consistent with the approved Statement of Fiscal
28 Policy and Inter-generational Report. It shall include a summary of

1 the fiscal policies for revenue, debt, deficit, expenditure, and fiscal
2 risk management, supported by a medium-term fiscal sustainability
3 analysis, consistent with the measurable fiscal objectives
4 established in the approved Statement of Fiscal Policy. The IRR of
5 this Act shall detail the other specifications for the Medium Term
6 Fiscal Strategy and its updates.

7 The President shall submit for the information of Congress,
8 the Medium Term Fiscal Strategy for the following fiscal year not
9 later than March 15 of the current year and shall publish the said
10 report on the government website not later than seven (7) days after
11 it is submitted to Congress.

12 *SEC. 17. Fiscal Reports.* - The DBCC shall produce a
13 Mid-year Fiscal Report (MFR), covering the first half of the current
14 fiscal year and an Annual Fiscal Report (AFR) on the government's
15 macroeconomic and fiscal performance covering the preceding fiscal
16 year.

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

25 The President shall submit the MFR to Congress not later
26 than September 30 of each year while the AFR shall be submitted
27 together with the Proposed National Budget. Said reports shall be

1 published on a government website not later than seven (7) days
2 after submission to Congress.

3 SEC. 18. *Inter-generational Report.* – The DBCC shall
4 submit an Inter-generational Report to the President and Cabinet,
5 and Congress not later than October 31 and November 30,
6 respectively. Said Report shall assess the long-term sustainability
7 of existing government policies over the next twenty-five (25) years,
8 taking into account demographic, environmental, and other
9 changes.

10 The first Inter-generational Report shall be submitted to the
11 President and Cabinet, and Congress within two (2) years from the
12 effectivity of this Act, to be updated every six (6) years thereafter.

13 The NEDA shall cause the publication of the
14 Inter-generational Report on the government website not later
15 than seven (7) days upon submission to Congress.

16 SEC. 19. *Deviations from Fiscal Objectives.* – The
17 government may deviate from the medium-term fiscal objectives in
18 the approved Statement of Fiscal Policy on a temporary basis,
19 where such deviation is due to a major natural or human-induced
20 disaster, unanticipated and severe economic shock, or other
21 significant unforeseeable event that cannot be adequately
22 responded to, through the Contingent Fund and/or the National
23 Disaster Risk Reduction and Management Fund (NDRRMF), as
24 may be applicable or prudent fiscal policy adjustments, or the use of
25 other flexibilities provided in this Act.

26 The President shall submit a report to Congress, stating the
27 reasons for such deviations, the plans and the expected time to
28 address such deviations, as part of the succeeding Medium Term

1 Fiscal Strategy or its annual update, or in the MFR or AFR,
2 whichever is the next report due and within the prescribed period
3 under this Act.

4 SEC. 20. *Shared Fiscal Discipline.* – As much as practicable,
5 all proposed revenue eroding and expenditure bills shall include a
6 Financial and Budgetary Information Sheet containing an estimate
7 of the financial and budgetary implications of said proposal for the
8 initial year of implementation. Expenditure bills refer to those
9 which will result in a reduction of revenue collections or an increase
10 in national government expenditures, including those mandating
11 the creation of recurring expenditures.

12 Each House of Congress shall provide guidelines prescribing
13 the form, content of the Financial and Budgetary Information
14 Sheet, as well as the appropriate offices from which such
15 information shall be acquired, and the implications of
16 noncompliance with said submission.

17 PART IV

18 BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT

19 SEC. 21. *Governing Principles in Budget Preparation.* –
20 There is hereby established a set of governing principles to be
21 observed by NGAs and GOCCs in the preparation of their annual
22 budget proposals, and by the DBM in the preparation, and the
23 presentation to Congress, of the Proposed Annual National Budget:

24 (a) Cash-based estimates shall be adopted in the proposed
25 general and special appropriations bills to promote faster and more
26 effective delivery of services;

1 (b) The overall expenditure program of the government for a
2 given fiscal year shall be included, identifying those requiring
3 approval by Congress and those authorized under existing laws;

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

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

16 (e) All appropriations shall be valid for one (1) fiscal year,
17 reckoned from the effectivity of the Appropriations Act until the end
18 of the fiscal year concerned. When necessary or appropriate, a three
19 (3)-month Extended Payment Period into the following fiscal year
20 may be availed of to allow agencies to settle payments for goods and
21 services delivered, inspected and accepted during the previous fiscal
22 year;

23 (f) In evaluating the performance of an agency, programs,
24 activities and projects shall be presented in such a way that the
25 entity responsible for the expenditure and the intended results from
26 the use of the appropriation are both identified;

27 (g) Both the financial and nonfinancial performance of
28 agencies shall be presented in the Proposed National Budget and

1 the General Appropriations Act to ensure a performance-informed
2 budget; and

3 (h) Programs, activities and projects shall be reflected by
4 departments, agencies, bureaus, and offices, and shall be presented
5 for information purposes, by region and province, and eventually, by
6 city or municipality.

7 *SEC. 22. Planning-Programming-Budgeting Linkage.* -
8 Development strategies identified in the Philippine Development
9 Plan (PDP) shall be a primary consideration in the formulation of
10 the Budget Priorities Framework. These shall also be the basis for
11 drawing up strategic and prioritized programs and projects in the
12 multiyear Public Investment Program (PIP), which in turn will be
13 considered in the formulation of the annual agency budgets that
14 conform to the annual budget ceilings approved by the President.

15 The implementation of programs and projects funded under
16 the annual agency budgets shall be monitored to ensure economy,
17 efficiency, and effectiveness in the use of public funds. Monitoring
18 and evaluation of these projects shall cover, among others, the
19 planned and actual performance of agencies, citing reasons for
20 deviation or poor absorptive capacities. The results of the project
21 evaluation shall inform the assessment of subsequent plans and
22 budget proposals of agencies.

23 *SEC. 23. Budget Priorities Framework.* - The DBCC shall
24 present to the President and Cabinet, on or before April of each
25 year, a Budget Priorities Framework which shall guide the
26 formulation of the Budget for the following year by stating the
27 Medium Term Fiscal Strategy and targets underlying the budget;
28 the priority areas for government spending reflected in the PDP and

1 PIP, estimated amount and planned allocation of the fiscal space;
2 and other requirements laid down in the IRR.

3 SEC. 24. *The Budget Preparation Process.* – The DBM shall
4 determine the budget preparation process and calendar. The
5 budget preparation process shall cover: (a) NGAs; (b) GOCCs with
6 respect to their impact on revenue, expenditure, assets, and
7 liabilities, and risks of the government; and (c) LGUs as to their
8 impact on revenue and expenditure of the government.

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

13 The President shall determine the form and content of the
14 Proposed National Budget which shall include the following:

15 (a) President's Budget Message – provides a preview of the
16 Proposed National Budget, explaining the principles, objectives and
17 policy framework adopted and the spending priorities for the fiscal
18 year;

19 (b) Budget of Expenditures and Sources of Financing (BESF)
20 – contains the macroeconomic parameters; dimensions of
21 three (3)-year expenditure program, revenue, financing, and
22 outstanding debt; overview of the financial positions of GOCCs,
23 LGUs, and public-private partnership projects, list of new
24 multiyear projects and contractual authorities issued, as well as the
25 other items listed in the IRR;

26 (c) National Expenditure Program (NEP) – includes the
27 strategic objectives, details of the three (3)-year expenditure
28 program, performance information, such as key strategies, outputs

1 and outcomes for agencies in relation to their budgets, and staffing
2 summary; and

3 (d) Fiscal Risk Statement – presents a consolidated statement
4 of the fiscal risks that may affect the performance of the National
5 Government, including those from the contingent liabilities of
6 Government Agencies and other items listed in the IRR.

7 As required under Section 17 of this Act, the President shall
8 likewise submit for consideration of Congress, the AFR for the
9 preceding fiscal year not later than thirty (30) days from the fourth
10 Monday of July of every year, and the MFR for the current year not
11 later than September 30 of every year.

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

15 The President shall publish the Proposed National Budget on
16 the government website on the same day it is presented to
17 Congress.

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

25 In addition, the performance information and targets
26 contained in the Proposed National Budget shall be updated after
27 the passage of the General Appropriations Act, taking into
28 consideration the approved appropriations for each program. For

1 this purpose, Government Agencies shall propose adjustments in its
2 outputs and outcomes for the consideration and approval of the
3 DBM.

4 SEC. 27. *Special Purpose Funds.* - To promote the
5 transparent and detailed disclosure of all proposed government
6 spending, Special Purpose Funds (SPFs) in the Proposed National
7 Budget shall be limited to: (a) the NDRRMF; (b) the Contingent
8 Fund; (c) Statutory Shares of LGUs; and (d) other SPFs not falling
9 under any of the preceding purposes, the details of which could not
10 be determined during the budget preparation stage, and based on
11 the parameters to be set in the IRR.

12 SEC. 28. *National Disaster Risk Reduction and Management*
13 *Fund.* - The NDRRMF shall be used for: (a) disaster risk reduction
14 or mitigation, prevention and preparedness activities, such as
15 training of personnel, procurement of equipment, and capital
16 expenditures; and (b) relief, recovery, reconstruction and other work
17 or services in connection with natural or human-induced calamities
18 which may occur during the budget year or those that occurred in
19 the preceding two (2) years.

20 The NDRRMF shall include the Quick Response Fund (QRF)
21 of agencies, which shall be used as a standby fund in order that the
22 situation and living conditions of people in communities or areas
23 stricken by calamities, epidemics, crises, and catastrophes may be
24 normalized as quickly as possible. The QRF shall be provided in the
25 budgets of the implementing agencies in such amounts deemed
26 appropriate based on prior years' data to meet public
27 calamities/emergencies. The QRF shall be released directly to the
28 agencies concerned upon approval of the DBM.

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

6 **SEC. 29. *Contingent Fund.*** – The Contingent Fund shall
7 cover the funding requirements of new and/or urgent projects and
8 activities of NGAs and GOCCs that need to be implemented or paid
9 during the year, such as legal obligation of the government arising
10 from the decisions of competent authorities which are final and
11 executory, including arbitration awards, mediation settlement, or
12 compromise agreements, requirements of newly created offices, or
13 deficiencies in the appropriations for local and external travels of
14 the President of the Philippines.

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

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

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

1 SEC. 31. *Unprogrammed Appropriations.* - Congress may
2 authorize standby appropriations to cover the funding requirements
3 of other priority projects and activities or contingencies, as well as
4 provide appropriations cover for foreign-assisted projects (FAPs) not
5 specifically included in the programmed component of the
6 Appropriations Act. The Unprogrammed Appropriations shall have
7 the same level of detail as in the programmed component of the
8 Appropriations Act. The amount authorized under the
9 Unprogrammed Appropriations shall not exceed two percent (2%) of
10 the total proposed expenditure in the programmed component of the
11 Appropriations Act.

12 Expenditures to be funded under the Unprogrammed
13 Appropriations may be authorized only when supported by:
14 (a) excess revenue collections in any one of the particular nontax
15 revenue sources from its corresponding revenue collections target in
16 the BESF as certified by the BTr; (b) new revenue collections or
17 those arising from new tax or nontax revenues which are not part of
18 the original revenue sources in the BESF; or (c) when there are
19 approved loan proceeds for FAPs which were not included in the
20 proposed budget. In no case shall the Unprogrammed
21 Appropriations be activated or released when there is a risk of
22 breaching the measurable fiscal objectives for the budget balance
23 (including a deficit) or debt for the financial year or future years as
24 provided in the Statement of Fiscal Policy and Medium Term Fiscal
25 Strategy or if there is a risk of breaching any of the Fiscal
26 Responsibility Principles as determined by the DBCC.

27 Release from the Unprogrammed Appropriations shall be
28 subject to the prior approval of the President of the Philippines,

1 other than the decisions of competent authorities which are final
2 and executory, which shall be subject to approval of the DBM.

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

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

14 In no case shall the Unprogrammed Appropriations be
15 released for purposes not specified in the annual or special
16 Appropriations Law.

17 SEC. 32. *Budget with Accounts Codes.* - All appropriations
18 in the Appropriations Law shall be given accounts codes by the
19 DBM pursuant to the Unified Accounts Code Structure that applies
20 to all the assets, liabilities, equities, income, and expenses of the
21 government. This accounts code structure shall be used in the
22 release of the appropriations in the Appropriations Law for a
23 unified accounting, auditing and reporting of all the financial
24 transactions of the government.

25 SEC. 33. *Reenacted Budget.* - If, by the end of any fiscal
26 year, Congress shall have failed to enact the General
27 Appropriations Act for the ensuing fiscal year, the General
28 Appropriations Act of the preceding fiscal year shall be deemed

1 reenacted and shall remain in force and effect until the said General
2 Appropriations Act for the Fiscal Year is passed by Congress.

3 Consistent with the Fiscal Responsibility Principles, the
4 reenacted budget shall be enforced as follows:

5 (a) The aggregate level of the reenacted budget shall be
6 limited to the total amount appropriated in the preceding year's
7 Appropriations Law, but shall in no case exceed the level of the
8 sources of financing under the BESF of the Proposed National
9 Budget;

10 (b) The appropriations for the following shall be limited to the
11 amount authorized under the reenacted budget, but in no case
12 exceed the amount proposed by the President in the Proposed
13 National Budget:

14 (1) Ongoing programs, projects and activities;

15 (2) Personnel benefits, including retirement gratuities,
16 pensions, terminal leave pays and related expenses;

17 (3) NDRRMF, Contingent Fund, Statutory Shares of LGUs,
18 and other SPFs; and

19 (4) Budgetary support to GOCCs for their operational
20 requirements;

21 (c) In no case shall the following be considered part of the
22 reenacted budget:

23 (1) Completed programs, projects and activities funded in the
24 General Appropriations Law for the preceding fiscal year;

25 (2) Budgetary support for GOCCs for support to programs,
26 activities or projects; and

27 (3) Equity contribution of the National Government
28 to GOCCs.

1 The items and/or amount of appropriations not covered under
2 the reenacted budget as provided above shall not be released,
3 disbursed, or utilized for the purpose previously authorized.

4 The DBM shall issue guidelines on the aggregate and agency
5 levels of appropriations authorized under the reenacted budget in
6 accordance with the foregoing, supporting requirements to
7 determine actual needs, and other pertinent rules in the
8 implementation of the reenacted budget.

9 Upon enactment of the General Appropriations Act anytime
10 during the current fiscal year, all releases under a reenacted budget
11 consistent with this section shall be considered valid obligations and
12 deemed to have been implemented pursuant to, and charged
13 against, for account recording purposes, the General Appropriations
14 Act for the current fiscal year.

15 SEC. 34. *Special Appropriations Bill.* - A Special
16 Appropriations Bill is a proposal submitted by the President, as
17 recommended by the DBM, before Congress to provide authorization
18 for expenditure for a specific purpose not included or not covered
19 under the annual Appropriations Laws. It shall specify the
20 purpose/s for which it is intended and the validity period which
21 shall not exceed one (1) year from its enactment.

22 A Special Appropriations Bill shall be supported by funds
23 actually available or those which are not included in the fiscal year's
24 sources of financing under the BESF as certified by the National
25 Treasurer, or to be raised by a corresponding revenue measure
26 proposed therein. It may only be proposed after the passage
27 of the General Appropriations Act, except for the following:

1 (a) disaster-related purposes; (b) urgent projects and/or activities;
2 and (c) unforeseen requirements of the government.

3 A Special Appropriations Bill may likewise refer to a proposal
4 submitted by the President, as recommended by the DBM, before
5 Congress for additional appropriations for existing or new
6 programs, activities or projects of an NGA or GOCC with fast
7 in-year disbursement rate. In this case, the bill may be supported
8 by the current fiscal year's sources of financing as certified by the
9 National Treasurer due to reversion of unexpended balances of
10 appropriations to the unappropriated surplus of the General Fund
11 by NGAs or GOCCs resulting from slow implementation of
12 programs, activities or projects.

13 SEC. 35. *Release and Expenditure of Public Funds.* - The
14 government shall commence releases of Public Funds covered by an
15 Appropriations Law as soon as such Law comes into force to ensure
16 timely and efficient disbursement by the appropriate implementing
17 agencies, subject to pertinent budgeting, accounting and auditing
18 rules and regulations. Upon the implementation of cash-based
19 appropriations, the Appropriations Law shall be considered the
20 authority of the agencies to contract out and disburse funds, except
21 for: (a) appropriations that by virtue of law, general or special
22 provisions in the Appropriations Act have conditions or
23 requirements before release; (b) those requiring special budget as
24 may be provided in the general and special provisions in the
25 Appropriations Act; or (c) in the case of authority to disburse funds,
26 until such time that agencies are able to provide credible and
27 realistic cash forecasts as may be determined by the DBM and the
28 BTr.

1 **SEC. 36. Availability of Annual Cash-Based Appropriations.**

2 – All annual appropriations, including the GOCCs' program
3 subsidies, shall be available for release, contractual commitment
4 and disbursement until the end of the fiscal year. However,
5 Government Agencies may still disburse funds not later than the
6 three (3) months extended payment period from the end of the fiscal
7 year for goods or services which have already been delivered or
8 rendered, inspected and accepted within the fiscal year. Said
9 payments shall be chargeable against the authorized appropriations
10 of the said preceding fiscal year.

11 LGUs receiving budgetary support and/or assistance from the
12 National Government shall utilize the funds released to them for
13 the purpose/s specified until the end of the following fiscal year
14 reckoned from the year of receipt from the National Government.
15 The LGUs' statutory shares shall be valid until fully expended,
16 while funds downloaded to LGUs from NGA program components
17 shall be valid until the end of the fiscal year of receipt.

18 After the end of validity period, any unspent appropriations
19 shall lapse, while unexpended balances of funds shall revert to the
20 unappropriated surplus of the General Fund.

21 **SEC. 37. Government Funding Commitment.** – In accordance
22 with the Constitution, no money shall be paid out of the Treasury
23 except in pursuance of an appropriation made by law.

24 Accordingly, a Certification of Availability of Funds (CAF)
25 shall be required prior to entering into contract. The CAF shall be
26 issued by the chief accountant or the highest accounting officer in
27 the agency. In the case of multiyear projects, the CAF shall be
28 issued annually based on the annual budget for the purpose. The

1 CAF shall be stamped or appended to the contract and shall become
2 an integral part thereof.

3 SEC. 38. *Multiyear Projects.* – All multiyear projects, other
4 than those undertaken pursuant to Republic Act No. 6957, as
5 amended by Republic Act No. 7718 or Public-Private Partnership
6 (PPP) Projects, shall be covered by a MYCA or an equivalent
7 authority as issued by the following:

8 (a) The DBM, in case of NGAs and qualified GOCCs;

9 (b) The governing board for GOCCs, except those covered
10 above; and

11 (c) The Sanggunian for LGUs.

12 The MYCA and equivalent authorities shall cover the full cost
13 of the multiyear project. It shall be secured prior to the procurement
14 of the multiyear project and shall be the basis of the Approved
15 Budget for the Contract.

16 Multiyear PPP projects shall require the issuance by the DBM
17 of a letter of commitment to cover the National Government funding
18 commitment.

19 The implementing agency shall ensure that the annual
20 funding requirements for the multiyear projects shall be included in
21 its budget proposals for the covered years, consistent with the
22 funding schedule in the MYCA and equivalent authorities, and
23 letter of commitment. Said proposals shall be given due
24 consideration by Congress in the case of NGAs and qualified
25 GOCCs, the governing board for GOCCs, or the Sanggunian for
26 LGUs.

1 Disbursement to be incurred for all multiyear projects shall in
2 no case exceed the cash-based appropriations for the purpose during
3 the fiscal year.

4 SEC. 39. *Early Procurement Activities.* - To ensure full
5 budget utilization, timely contract implementation and efficient
6 delivery of services, agencies are authorized to undertake
7 procurement activities from pre-procurement conference until
8 recommendation to the head of the procuring entity as to the award
9 of contract, based on their proposed budget in the NEP, COBs or
10 Appropriations Ordinance, in accordance with the guidelines issued
11 by the Government Procurement Policy Board (GPPB).

12 For multiyear projects, the issuance of a MYCA by the DBM is
13 required prior to commencement of any procurement activity. All
14 existing Multi-Year Obligational Authority shall be understood to
15 refer to MYCA.

16 Agencies may only proceed with the issuance of the notice of
17 award of contract upon approval or enactment of their respective
18 appropriations or budget authorization document, as the case may
19 be, and based on the amount authorized therein.

20 SEC. 40. *Impoundment of Appropriations.* - The President of
21 the Philippines, upon recommendation of the DBM, may propose the
22 rescission of appropriations from both Houses of Congress, under
23 any of the following circumstances:

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

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

1 Unmanageable National Government budget deficit as used in
2 this section shall be construed to mean that: (1) the actual National
3 Government budget deficit has exceeded the quarterly budget deficit
4 targets consistent with the full-year target deficit as indicated in
5 the BESF submitted by the President to Congress pursuant to
6 Section 22, Article VII of the Constitution; or (2) there are clear
7 economic indications of an impending occurrence of such condition,
8 as determined by the DBCC.

9 Both Houses of Congress shall act on the proposed rescission
10 within thirty (30) session days after the receipt of an impoundment
11 proposal from the President by issuing a Joint Impoundment
12 Resolution. Within the same period of thirty (30) session days, the
13 appropriations covered by the Impoundment Proposal shall not, in
14 any way, be rescinded in relation to the purposes and objectives for
15 which it was appropriated. Congressional inaction after the thirty
16 (30)-day period is equivalent to an approval of the impoundment
17 proposal.

18 Approved impounded appropriations shall not thereafter be
19 available for expenditure except by subsequent legislative
20 enactment.

21 SEC. 41. *Authority to Declare and Use Savings.* – The
22 President of the Philippines, the President of the Senate of the
23 Philippines, the Speaker of the House of Representatives, the Chief
24 Justice of the Supreme Court, the Ombudsman, and the Heads of
25 the CSC, the Commission on Elections, and the COA are hereby
26 authorized to declare and use savings in their respective
27 appropriations to augment actual deficiencies incurred for the
28 current year in any item of their respective appropriations.

1 SEC. 42. *Meaning of Savings.* – Savings refer to portions or
2 balances of any released appropriations in this Act which have not
3 been obligated as a result of any of the following:

4 (a) Completion, final discontinuance, or abandonment of an
5 activity or project for which the appropriation is authorized; or

6 (b) Implementation of measures resulting in improved
7 systems and efficiencies and thus enabled an agency to meet and
8 deliver the required or planned targets at a lesser cost.

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

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

15 SEC. 43. *Rules on Augmentation.* – Augmentation is the act
16 of the constitutional officers authorized to use savings in their
17 respective appropriations to cover a deficiency in any existing item
18 of appropriation within their respective offices. A deficiency in an
19 item of appropriation may result from:

20 (a) Unforeseen modifications or adjustments in the item of
21 appropriation; or

22 (b) Reassessment in the use, prioritization and/or distribution
23 of resources.

24 The particulars of the expenditure to be funded from savings
25 should be within the scope of, or be covered by an existing item of
26 appropriation. The existence of an item of appropriation regardless
27 of the availability of allotment class or classes is sufficient for the
28 purpose of augmentation.

1 recognize taxes, fees, charges, penalties, income, dividends, interest
2 earnings, grants, and donations collected, earned or received
3 by NGAs for specified purposes. All laws authorizing the
4 establishment of SAGFs shall specify the period of use for such
5 accounts: *Provided*, That if no period is specified, the period shall
6 be deemed to be until the fulfilment of the purpose for which the
7 SAGF was authorized. All interests earned by SAGFs shall accrue
8 to the General Fund. The balance of SAGFs upon their termination
9 shall form part of the General Fund.

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

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

25 **SEC. 46. *Special Funds.*** – In exceptional cases when a SAGF
26 is not suitable for the operations of a fund, Special Funds shall be
27 authorized by law and limited to the following:

1 (a) Trust Fund – constituted from identified revenue sources
2 and other receipts by NGAs or public officials or employees acting
3 as trustees, agents, or administrators for the fulfillment of
4 commitments or accomplishment of specified purposes. Trust Funds
5 shall be deposited in the TSA;

6 (b) Revolving Fund – constituted from receipts derived from
7 business-type activities of NGAs to be used for the operating
8 requirements of said business-type activities and as such are
9 considered self-perpetuating and self-liquidating. Revolving Funds
10 shall be deposited in the TSA or in an Authorized Government
11 Depository Bank (AGDB) upon authority of the National Treasurer;
12 and

13 (c) Retained Fund – constituted from taxes, fees, charges,
14 penalties, income, dividends, or interest earnings collected, earned
15 or received by NGAs which are expressly authorized by law to be
16 retained by NGAs and utilized for specified purposes. Retained
17 Funds shall be deposited in the TSA or in an AGDB upon authority
18 of the National Treasurer.

19 Notwithstanding the provisions of laws to the contrary,
20 Special Funds may only be established after evaluation by the
21 Permanent Committee, as to their proper category and compliance
22 with the foregoing conditions. Any interest earned by Special Funds
23 shall accrue to the General Fund unless otherwise authorized by
24 law.

25 SEC. 47. *Review by the Permanent Committee.* – The
26 Permanent Committee shall review all existing SAGFs and Special
27 Funds to validate their compliance with the foregoing requirements.
28 Upon evaluation, the Permanent Committee shall recommend for

1 the approval of the President, the modification or termination of any
2 of the said funds based on any of the following grounds:

3 (a) When there is no legal basis for its creation;

4 (b) When its terms have expired;

5 (c) When it is no longer necessary for the attainment of the
6 purposes for which said Funds were established;

7 (d) When it is needed to augment the General Fund in times
8 of calamities and emergencies;

9 (e) When it is used in violation of the rules and regulations
10 issued by the Committee; or

11 (f) When it has remained dormant for an unreasonable
12 length of time.

13 It shall likewise review all SAGFs created upon the passage of
14 this Act and may recommend to extend their validity period, subject
15 to the approval of the President.

16 The Permanent Committee shall issue guidelines for the
17 establishment, review and evaluation, accounting and reporting,
18 and termination of SAGFs and Special Funds.

19 SEC. 48. *Escrow Fund.* – Escrow Funds are constituted from
20 funds for which the government's legal right to use is contingent
21 upon a future event which may or may not occur. Escrow Funds
22 shall be deposited in the TSA or an AGDB upon authority of the
23 National Treasurer, and shall subsequently be included in the
24 General Fund upon the occurrence of the future contingent event.
25 Any interest earned by an Escrow Fund shall accrue to the said
26 Fund. The amounts under escrow, including interest earned shall
27 form part of the General Fund upon the occurrence of the future
28 contingent event.

1 SEC. 49. *Waiver, Abatement, Refund and Compromise*
2 *Agreements.* – No public official shall waive, abate, refund, or enter
3 into a compromise agreement on a tax liability or the payment of
4 fees or charges except in accordance with law. All waivers,
5 abatements, refunds or compromise agreements made by an NGA
6 shall be properly accounted for and reported. Refund of taxes and
7 other revenues shall be treated as a reduction in current year's
8 revenue collections for budgeting and fiscal reporting purposes.

9 SEC. 50. *Grants.* – NGAs may accept, with prior
10 coordination with the DOF, grants, in cash or in kind, from domestic
11 or foreign sources, for purposes relevant to their functions. In the
12 case of grants, in cash or in kind, from governments of foreign
13 countries, their agencies and instrumentalities and international or
14 multilateral institutions or organizations, acceptance thereof shall
15 be subject to the prior clearance and approval by the President or
16 the President's authorized representative, based on the
17 recommendation of the Secretary of Finance.

18 The provisions of this section shall not apply to: (a) any grant
19 received by LGUs or GOCCs, except where the grant is received by
20 them on behalf of the National Government; or (b) any grant
21 authorized or covered in accordance with existing law.

22 Grants received shall be valued, in the case of grants received
23 in kind, and recognized on the books of the recipient agency of the
24 National Government.

25 SEC. 51. *Treasury Single Account.* – The TSA refers to the
26 banking arrangement managed by the BTr wherein the government
27 transacts all monies collected, received or paid by NGAs in one bank

1 account or a set of linked bank accounts and gets a consolidated
2 view of its cash position on at least, a daily basis.

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

6 (a) When monies under the General Fund are placed under
7 investments;

8 (b) When the BTr is required to hold foreign currency
9 accounts; and

10 (c) When authorized by the Secretary of Finance.

11 The BTr, in coordination with NGAs authorized by law to
12 undertake revenue collection and administration, shall make the
13 necessary arrangements with authorized agent banks (AABs) to
14 facilitate the collection and transfer of said revenues to the TSA.
15 AABs shall deposit said collections to TSA within the period and in
16 the manner prescribed by laws, rules and regulations.

17 SEC. 52. *Oversight on Government Bank Accounts.* -
18 Notwithstanding any provision of law to the contrary, the BTr shall
19 undertake any of the following in case of violation of a provision in
20 this Act and guidelines issued on the implementation of the TSA:

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

22 (b) Close any bank account; and

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

24 The government agency which has opened a bank account, as
25 well as the bank concerned, shall promptly disclose information
26 regarding such account to the BTr.

27 SEC. 53. *Treasury Cash Management.* - The BTr shall issue
28 orders for the conduct of cash management including the

1 requirement to provide projections on the timing of future
2 transactions of NGAs, taking into consideration that the
3 Appropriations Law is considered the authority of the agencies to
4 contract out and disburse funds, except for those instances stated in
5 Section 35 of this Act.

6 SEC. 54. *Investments.* – The BTr may invest portions of the
7 funds held in the TSA for such periods as the BTr may deem
8 prudent considering cash management requirements and based on
9 terms and conditions as may be determined by the DOF.
10 Investments are authorized to be made in any of the following:

11 (a) Bank deposit with any highly reputable bank following a
12 selection criteria to be issued by the Secretary of Finance and
13 money market instruments with well recognized and established
14 financial institution;

15 (b) Sovereign-issued securities with an investment grade
16 rating; and

17 (c) Other fixed income securities with an AAA credit rating
18 issued by at least two (2) reputable international credit rating
19 agencies acceptable to the Secretary of Finance.

20 The BTr may appoint a fund manager as an agent of the
21 National Government to undertake the investment of the funds.

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

24 SEC. 55. *Management of National Government Borrowings.* –
25 Borrowings by the National Government shall be for purposes
26 provided by law including any of the following:

27 (a) Financing budget deficits and liquidity shortfalls;

28 (b) Refinancing and pre-financing maturing debts;

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

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

16 **SEC. 56. *Borrowings by Government-Owned or -Controlled***
17 ***Corporations.*** – Before the end of each fiscal year, the Head of a
18 GOCC shall prepare a borrowing program for the following fiscal
19 year which shall support the COB and for the medium-term, both of
20 which shall include a full financial plan with the details of the
21 loans, refinancing and repayment that the GOCC intends to take.
22 Said borrowing program, including changes thereon, shall be subject
23 to the approval of the Head of the NGA overseeing the GOCC, shall
24 be submitted to the DOF for information, and published in the
25 concerned GOCC website.

26 GOCCs shall seek approval of the DOF and the opinion of the
27 Monetary Board for their borrowing activities as defined in the IRR.

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

4 SEC. 57. *Local Government Borrowings.* – An LGU may
5 borrow funds from domestic and foreign sources in accordance with
6 the Local Government Code of 1991 or any other applicable law.
7 The financial plan including borrowing program shall be published
8 in the appropriate government website within seven (7) days after
9 the borrowing program has been approved.

10 SEC. 58. *Debt Reporting.* – The DOF, through the BTr, shall
11 ensure that the records include information on the principal, terms
12 of repayment, amounts drawn, interests and service charges
13 accrued, principal and interests paid, and the balance outstanding,
14 and shall make the records available in a timely way to the
15 President, Congress, and COA and in accordance with the reporting
16 requirements in this Act.

17 Each LGU and GOCC shall maintain records and provide
18 reports to the DOF on loans as required by relevant laws, rules and
19 regulations. The DOF shall submit to Congress the status of LGU
20 loans contracted and the repayments made by each LGU, upon the
21 effectivity of this Act.

22 SEC. 59. *Guarantees.* – Guarantee, indemnity or security
23 shall be provided to an NGA or a GOCC as provided by law, and
24 subject to the annual guarantee ceiling prescribed in the General
25 Appropriations Law, and upon such terms and conditions as the
26 Secretary of Finance may recommend consistent with relevant laws,
27 rules and regulations. The overall level of guarantee, indemnity or
28 security shall adhere to the Fiscal Responsibility Principles laid

1 down in this Act and the fiscal objectives in the Statement of Fiscal
2 Policy.

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

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

9 SEC. 60. *Limitation on the Liability of the National*
10 *Government for Debts of Other Entities.* – The National
11 Government shall not be liable for any implied guarantee asserted
12 by any person or entity, but only for explicit guarantees extended in
13 accordance with existing laws, and guarantees in favor of the
14 Government Service Insurance System (GSIS), Home Development
15 Mutual Fund (HDMF), Philippine Health Insurance Corporation
16 (PhilHealth), and the Social Security System (SSS) in their
17 respective charters.

18 SEC. 61. *Payments Made for Contingent Liabilities.* – Any
19 money paid by the DOF pursuant to any guarantee, indemnity, or
20 security authorized by law and the expenses associated with the
21 same shall constitute a debt due the National Government from
22 the entity for whose benefit the payment on the guarantee,
23 indemnity, or security was made.

24 SEC. 62. *Information on Contingent Liabilities.* – The DOF
25 shall keep a complete and updated registry of all contingent
26 liabilities of the National Government, and provide the DBM with a
27 report on contingent liabilities as of the fiscal year.

PART VI

ACCOUNTABILITY AND REPORTING

1
2
3 SEC. 63. *Financial Management and Internal Control.* – The
4 Head of Agency shall be responsible and accountable for the
5 financial management of the agency which shall include meeting
6 performance targets, controlling costs, mitigating adverse risks to
7 agency operations, and ensuring that budgets are managed with
8 integrity and in compliance with applicable laws. Adequate
9 internal controls shall be ensured and an internal audit function
10 shall be maintained.

11 SEC. 64. *Integrated Financial Management Information*
12 *System.* – There shall be an integrated financial management
13 information system, which shall be the single portal of all financial
14 transactions and reports to be used by NGAs, GOCCs and LGUs to
15 integrate budgeting, cash management and accounting processes.

16 SEC. 65. *NGA Annual Plans and Proposed Budgets.* – The
17 Head of each NGA shall produce an Annual Plan which shall have a
18 medium-term scope, with details for the following fiscal year, and
19 shall include information on the strategic priorities for the
20 medium-term, consistent with the PDP; performance information;
21 summary proposed budget including financial forecast assumptions
22 and highlighting significant capital projects; and other information
23 as required in the IRR, as well as the Budget Call and other related
24 orders from the DBM. The Annual Plan shall be submitted to DBM
25 during the budget preparation process consistent with the timetable
26 and other guidelines in the Budget Call.

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

4 **SEC. 66. *NGA Reporting Requirements.*** – For greater
5 transparency and accountability, each Head of an NGA shall:

6 (a) Submit monthly and quarterly reports on the agency's
7 financial and nonfinancial performance to the DBM, not later than
8 thirty (30) days after the end of every month and quarter in the
9 format specified by the DBM and shall publish the same on a
10 government website within the same reglementary period; and

11 (b) Prepare an Annual Report which shall include year-end
12 financial statements, reporting on nonfinancial performance
13 compared against the Annual Plan, and other information as
14 required in the IRR; submit the said Report to the DBM and
15 Congress not later than six (6) months after the end of the fiscal
16 year; and to COA within the reglementary period and publish the
17 said Report in a government website not later than seven (7) days
18 after its submission to Congress.

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

22 **SEC. 67. *Report on Savings and Augmentation.*** – The DBM
23 shall submit to the Committee on Appropriations of the House of
24 Representatives and the Committee on Finance of the Senate on or
25 before the 31st of January every year an annual report on the
26 overall savings and all augmentations in the use of savings, or at
27 such time or interval as may be required by said committees.

1 SEC. 68. *Service Agreements.* – The Head of an NGA may
2 enter into a service or performance agreement with another agency
3 for the latter to provide services charged against the budget of said
4 principal agency.

5 SEC. 69. *Corporate Operating Budget.* – The Board of
6 Directors or Trustees of a GOCC shall prepare and submit a COB to
7 the Head of the NGA overseeing said GOCC, the DBM, and the
8 DOF not later than ninety (90) days prior to the commencement of
9 the fiscal year, which shall include, the objectives of the GOCCs and
10 its subsidiaries, the activities to be undertaken, performance targets
11 and risks; forecasts of financial statements for the next three (3)
12 years; and other information as may be required in the IRR.

13 The Head of the NGA overseeing said GOCC shall endorse the
14 Board-approved COB to the DBM for the latter's approval. The
15 COBs of the National Electrification Administration (NEA),
16 National Power Corporation (NPC) and Philippine National Oil
17 Company (PNOC) shall be subject to further approval of Congress in
18 accordance with Republic Act No. 7638. The Head of a GOCC shall
19 publish the DBM or Congress-approved COB, as the case may be, of
20 the GOCC on the official website of the Corporation not later than
21 fourteen (14) days after the approval of the COB.

22 SEC. 70. *GOCC Reporting Requirements.* – For greater
23 transparency and accountability, the Heads of GOCCs shall:

24 (a) Provide quarterly reports on financial and nonfinancial
25 performance to the DOF, GCG, DBM and COA, not later than thirty
26 (30) days after the end of the quarter, in the format and time
27 specified by the DOF, GCG, DBM and COA, and shall publish it on
28 their official website within the same period; and

1 (b) Prepare an Annual Report, which shall include year-end
2 financial statements, reporting on nonfinancial performance
3 compared against the COB, and other information as required in
4 the IRR; submit the same to the overseeing NGA, DBM, GCG, DOF
5 and Congress not later than six (6) months after the end of the fiscal
6 year; and to COA within the reglementary period; and publish the
7 said Report in a government website not later than seven (7) days
8 after its submission to Congress.

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

13 SEC. 71. *Service Agreement for a GOCC.* - Where GOCCs
14 implement government noncommercial programs, such as provision
15 of housing, irrigation and electrification services and facilities, and
16 receive government funding, a service agreement with the NGA
17 overseeing said GOCC shall specify the terms of delivery of goods or
18 services that the GOCC must provide, and the funds that the
19 government will pay.

20 SEC. 72. *Local Government Units.* - The Local Chief
21 Executives (LCEs) shall ensure that adequate internal controls and
22 an internal audit function are maintained.

23 The LCEs shall provide financial and nonfinancial
24 performance information of their respective LGUs to the DBM,
25 COA, DILG, and the BLGF under the DOF, subject to the guidelines
26 to be issued thereon.

27 SEC. 73. *Application of Accounting and Auditing*
28 *Requirements.* - Any expenditure of public money, including

1 government assets or liabilities incurred by and for the government
2 regardless of the source of funding, shall be subject to accounting
3 and auditing rules and regulations promulgated by the COA.

4 SEC. 74. *Accounting Standards.* - The DBM shall specify
5 the basis, standards and guidelines for appropriations reporting
6 while the COA shall continue to set the basis, standards and
7 guidelines for financial accounting to be used by the NGAs, GOCCs
8 and LGUs.

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

13 The DBM and COA shall keep complete, accurate and
14 appropriate records on the financial and nonfinancial performance
15 of government.

16 SEC. 75. *Government Consolidated Reporting.* - The DBM
17 shall submit to the President and the COA a quarterly report on the
18 consolidated financial performance of the government which shall
19 include information showing the performance of Government
20 Agencies against the respective programs, activities and projects
21 mandated under the Appropriations Law not later than sixty (60)
22 days after the end of each quarter. This report shall be published in
23 a government website within seven (7) days after the report is
24 submitted to the President and COA.

25 PART VII

26 TRANSPARENCY AND PARTICIPATION

27 SEC. 76. *People's Access to Public Financial Information.* -
28 Before the start of each fiscal year, the DBM shall promulgate a

1 Calendar of Disclosures, and shall publish this on the government
2 website. Such calendar shall contain the schedule for the
3 publication of all budget documents and information required by
4 this Act and its IRR. The DBM shall monitor and periodically
5 report to Congress and the public on the compliance of agencies
6 with the Calendar of Disclosures and other fiscal transparency
7 requirements under this Act and its IRR.

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

14 SEC. 77. *The People's Budget.* - The DBM shall, for every
15 fiscal year, publish citizen-friendly summaries of the following,
16 subject to guidelines and other specifications in the IRR:

17 (a) The Statement of Fiscal Policy in the year of the
18 President's election and any updates thereafter within thirty (30)
19 days from submission to Congress;

20 (b) The Proposed National Budget, to be published in
21 electronic format within thirty (30) days from submission to
22 Congress of the Proposed National Budget;

23 (c) The annual General Appropriations Act and special
24 Appropriations Laws, to be published in electronic format in the
25 government website within thirty (30) days from its effectivity; and

26 (d) The Annual Fiscal Report, to be published in electronic
27 format in the government website within thirty (30) days from
28 submission to Congress.

1 period succeeding the reporting period when the agency failed to
2 comply with the reporting requirements under this Act;

3 (3) Failure to report on the income and/or funds retained at
4 the end of a reporting period shall render all disbursements against
5 such income or funds in subsequent reporting periods as void, and
6 will render the responsible official liable under existing laws; and

7 (4) The Congress may *motu proprio* or upon the request of
8 COA and DBM, through its appropriate oversight committee,
9 compel the head of the noncompliant agency, under pain of
10 contempt, to produce the required report/s and to explain reasons
11 for failure to submit and disclose said report/s.

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

13 (1) Every contractual commitment, expenditure or payment
14 authorized or incurred in violation of the provisions of this Act shall
15 be void and shall render the public official or employee authorizing
16 or making such payment and every person in collusion with said
17 official or employee jointly and severally liable to the government
18 for the full amount so paid or received. The public official or
19 employee who knowingly delays the implementation of any
20 contractual agreement shall be liable and imposed the appropriate
21 administrative sanctions based on existing laws and civil service
22 rules. A public official or employee who knowingly incurs any
23 contractual commitment or authorizes any expenditure in violation
24 of the provisions of this Act or takes part therein shall likewise be
25 removed or dismissed from office, after due notice and hearing, even
26 if no criminal charge is instituted against such public official or
27 employee;

1 regulations necessary for the proper implementation of this Act
2 within ninety (90) days from the effectivity of this Act. The IRR
3 may be amended by the DBM, in consultation with the DOF, BTr,
4 NEDA and COA and in coordination with the agencies concerned, as
5 the need arises.

6 SEC. 82. *Transitory Provisions.* – The DBM, DOF, BTr,
7 NEDA and COA shall prepare and submit to the Joint
8 Congressional Oversight Committee on Public Expenditures within
9 thirty (30) days from the promulgation of the IRR, a Transitory Plan
10 to ensure the proper implementation of the provisions of this Act,
11 presenting the sections that will not be implemented upon the
12 passage of this Act or the IRR, and those requiring compliance with
13 certain conditions or events before the provisions herein may be
14 implemented. The Transitory Plan shall likewise include interim
15 measures to ensure a smooth transition into a regime of annual
16 cash-based appropriations. In addition, for the initial year of
17 implementation in FY 2019, the cash-based appropriations for
18 infrastructure projects shall be available for release, contractual
19 commitment, and disbursement until December 31, 2020.

20 SEC. 83. *Repealing Clause.* – Any law, presidential decree or
21 issuance, executive order, letter of instruction, administrative order,
22 proclamation, charter, rule or regulation, and/or parts thereof
23 contrary to or inconsistent with the provisions of this Act is hereby
24 repealed, modified or amended accordingly.

25 SEC. 84. *Separability Clause.* – If, for any reason, any
26 section or provision of this Act is declared unconstitutional or
27 invalid, the other sections or provisions which are not affected
28 hereby shall continue to be in full force and effect.

1 SEC. 85. *Effectivity.* – This Act shall take effect fifteen (15)
2 days following its publication in the *Official Gazette* or in two (2)
3 newspapers of general circulation.

Approved,

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