

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

 Senate
Office of the Secretary

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SENATE

S. No. 2719

Introduced by Senator Ralph G. Recto

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

Explanatory Note

The National Budget is considered the most important tool that the government must use effectively to achieve our country's socio-economic development goals. It is through the expenditure program that the government provides public goods, such as infrastructure, needed to nurture the country's prosperity for the long-term. It is also a tool for a meaningful change, for it sets the pace and manner by which the government serves its people.

If we are to ensure that poverty and joblessness are significantly reduced, that our economy sustains its rapid growth over the long-term, and that corruption is decisively curbed, then Public Financial Management (PFM) in our country must be transformed.

The last four and a half years were marked by unprecedented developments that shook up the status quo of opacity, impunity, and exclusivity in the use of public funds. First, credit must be given to the Aquino Administration for setting the pace and tone of PFM reform by introducing innovations such as Performance Informed Budgeting and Bottom-Up Budgeting.

On the other hand, Congress has played its crucial role in the PFM reform: by, among others, ensuring timely approval of the annual General Appropriations Act and preventing abuse-prone re-enacted budget and by strengthening accountability reporting and imposing sanctions for failure of the agencies to comply with the same.

Fulfilling its unenviable role of diligently examining each peso spent, the Commission on Audit (COA) courageously revealed abuses in the use of public funds, leading to the prosecution of high public officials. Moreover, in recent times, the Supreme Court played an important role in reforming PFM by reasserting Constitutional roles through its decisive decisions on the Priority Development Assistance Fund (PDAF) and the Disbursement Acceleration Program (DAP).

Most importantly, it is the people themselves who made these reforms possible. Through their persistent demand to hold the corrupt accountable, their instruction to increase transparency and accountability in the collection, allocation, and use of public funds, and their proactive engagement in the budgeting process, they pushed the government institutions towards the straight path to reforms.

What matters now is to ensure that PFM reforms are sustained and even further escalated beyond the present Administration. It is, thus, the responsibility of Congress—who holds the

power of the purse—to pass legislation that institutionalizes greater accountability in the use of public funds. Only through this measure can we ensure that public funds are truly used for the benefit of our countrymen.

Thus, I propose this Public Financial Management and Accountability Act to establish a comprehensive legal framework on the allocation, use, and accounting of public funds.

This bill seeks to sustain the transformation of the Philippine PFM system by establishing broad, holistic, and modern principles for PFM that will place the Philippines at par with international standards and best practices, and by addressing the infirmities surfaced by the Supreme Court's rulings on PDAF and DAP.

It also supports the Administration's bid to ensure the irreversibility of PFM reforms that it has introduced: those that establish greater fiscal responsibility, more tightly linked development planning and budgeting, streamline budget execution and financial management, and strengthen citizen's access to budget information and participation in PFM.

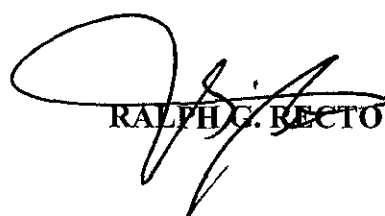
Most importantly, this bill seeks to strengthen Congress' power of the purse, enabling it to better scrutinize the President's budget proposal and to hold agencies accountable for the propriety and the results of their use of public funds:

- It enforces the general rule that all expenditures must be approved by Congress. It requires the Executive to submit special appropriations in case new spending is needed but not provided for in the GAA. It also limits the extent of budget re-enactment.
- It tightens rules on savings, realignments, and the use of unprogrammed appropriations, keeping only reasonable flexibilities for the Executive to manage government's finances while curbing broad powers that, in the past, impinged on Congress' powers.
- It rationalizes lump-sum funds in the GAA, special funds, and special accounts in the general fund: monies which have practically been kept away from Congress' scrutiny, and which have, unfortunately, enabled unscrupulous persons to pilfer public funds.
- It mandates the Executive and all government entities to provide Congress and the public with their strategic plans, their performance targets together with their budget proposals, and regular financial and performance accountability reports, including a Post Budget Status Report detailing the implementation status of each item in the GAA.

The bill was drafted by the Department of Budget and Management. This representation supports the principles and objectives of the proposed measure. However, it is understood that the specific provisions of the bill is subject to amendments considering the wisdom of this Congress expressed in the subsequent deliberations in the committees and plenary sessions, in order to further enhance this Executive version.

A great opportunity is in our hands: a chance to correct the mistakes of the past, strengthen public institutions, ensure maximum benefit to the people for taxes paid, and restore the trust of the people with the government. It is my hope that my esteemed colleagues in the Senate will not let this unique opportunity pass.

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


RALPH G. RECTO

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PURSE, INSTITUTING AN INTEGRATED PFM SYSTEM, AND INCREASING
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

PART I

PRELIMINARY PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Public Financial
Accountability Act.”

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

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

SEC. 3. *Scope and Coverage.* – The provisions of this Act shall apply to the management of revenues, expenditures, financing arrangements, and assets and liabilities of

1 national government agencies (NGAs), government-owned or -controlled corporations (GOCCs),
2 and local government units (LGUs) to the extent provided herein.

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

5 (a) **Accounting Standards** refer to authoritative statements on how transactions and
6 other events should be reflected in the accounts and financial statements of Government
7 Agencies as promulgated by the Commission on Audit (COA);

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

12 (c) **Appropriations Law** refers to the legislative authorization for the utilization of
13 Public Funds for specific public purposes covering a specified period of time. This may
14 refer to either a general or special appropriations law;

15 (d) **Cabinet** refers to the Executive Secretary and the Secretaries of the departments
16 under the executive branch;

17 (e) **Fiscal Year** refers to a period of twelve months commencing on January 1 until
18 December 31;

19 (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;

20 (g) **Government-Owned or -Controlled Corporations** refer to agencies with
21 corporate powers, whether or not organized as a stock or non-stock corporation, vested
22 with functions relating to public needs whether governmental or proprietary in nature,
23 and owned by the Government of the Republic of the Philippines either wholly or, where
24 applicable as in the case of stock corporations, to the extent of at least a majority of its
25 outstanding capital stock. This includes Government Financial Institutions, government
26 corporate instrumentalities and related corporations;

27 (h) **Government Financial Institutions** refer to financial institutions in which the
28 GRP directly or indirectly owns the majority of the capital stock and which are either: (i)
29 registered with, or directly supervised by, the *Bangko Sentral ng Pilipinas (BSP)*; or (ii)
30 authorized to collect or transact funds or contributions from the public and place them in
31 financial instruments or assets such as deposits, loans, bonds and equity;

32 (i) **Head of Agency** refers to the head of the department or agency in the case of
33 NGAs, the Board of Directors or Trustees in the case of GOCCs as well as certain
34 agencies which are structured as such, and the local chief executive in the case of LGUs;

35 (j) **Local Government Units** refer to provinces, cities, municipalities, and barangays,
36 as well as autonomous regions authorized to be created in the Constitution;

1 (k) *National Government Agencies* refer to units of the national government, as
2 distinguished from GOCCs and LGUs, which include any of the departments, bureaus,
3 offices or instrumentalities of the Executive, Judicial and Legislative branches of
4 government, as well as the Constitutional Commissions, and the Office of the
5 Ombudsman;

6 (l) *Proposed National Budget* refers to a financial plan to be submitted by the
7 President to Congress reflective of national objectives, strategies and programs;

8 (m) *Public Officials* refer to elective and appointive officials and employees, in a
9 permanent or temporary capacity, whether in the career or non-career service, including
10 military and uniformed personnel, regardless of the rank, form or amount of
11 compensation;

12 (n) *Public Funds* refer to the monies of all Government Agencies sourced from taxes,
13 fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants,
14 proceeds from the sale of assets, and such other receivables of the
15 government that the Government has a legal right to retain and use and shall not include
16 any money received in error; and

17 (o) *Subsidiary* refers to a corporation where at least a majority of the outstanding
18 capital stock is owned or controlled, directly or indirectly and through one or more
19 intermediaries, by a GOCC.

20 In this Act the singular may be read as the plural and the plural may be read as the
21 singular, as the context requires.

22 PART II

23 ADDITIONAL ROLES AND RESPONSIBILITIES

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

26 (a) Monitor and review government performance against the requirements of
27 appropriations and related laws, and hold Government Agencies accountable for their
28 financial and non-financial performance;

29 (b) Review reports on planned and actual performance, including the Statement of
30 Fiscal Policy, the Medium Term Fiscal Strategy, fiscal reports, annual plans of
31 government agencies, periodic and annual reports on government performance and
32 performance of government agencies; and

33 (c) Consider the consolidated annual financial statements of government prepared by
34 the Office of the Comptroller General (OCG) and the audited government agency reports
35 by the COA.

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

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

3 (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for
4 submission to Congress;

5 (b) Approve the Budget Priorities Framework to identify the priority areas for
6 government spending and guide the budget preparation exercise; and,

7 (c) Authorize changes in the functional, operational and organizational structure
8 within and among the DBM, Department of Finance (DOF), and National Economic and
9 Development Authority (NEDA), as may be necessary, to ensure the effective
10 implementation of this Act.

11 **SEC. 7. *Commission on Audit.*** – The COA shall, in addition to its powers under the
12 Constitution and existing laws, coordinate with the DBM, through the OCG, for the proper
13 enforcement of timely accounting and reporting of public finances.

14 **SEC. 8. *Department of Budget and Management.*** – The DBM shall, in addition to its
15 mandates and functions under existing laws, perform the following:

16 (a) Prepare, in coordination with the agencies concerned, and DOF, NEDA and OP in
17 the Development Budget Coordination Committee (DBCC), the Statement of Fiscal
18 Policy, the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Mid-
19 year and Annual Fiscal Reports as required in this Act;

20 (b) Monitor and evaluate the financial and non-financial performance of NGAs;

21 (c) Evaluate and review the financial and non-financial performance of GOCCs with
22 special laws and charters, in coordination with the DOF and the Governance Commission
23 for GOCCs (GCG), and approve the annual corporate operating budgets (COBs) of the
24 GOCCs;

25 (d) Monitor and review, together with the Bureau of Local Government Finance
26 (BLGF) under the DOF and Department of the Interior and Local Government (DILG),
27 the financial and non-financial performance of LGUs;

28 (e) Assess, together with the BLGF under the DOF and DILG, the PFM systems of
29 LGUs and assist them in designing and implementing PFM improvement measures; and

30 To ensure the effective formulation and execution of fiscal policies, the Secretary of
31 Budget and Management shall lead the DBCC, with the Secretary of Finance, the Director
32 General of the NEDA Secretariat and a representative from the OP as members, and the
33 Governor of the BSP as resource person.

34 To enhance the management of public finances, there is hereby created an Office of the
35 Comptroller General under the supervision and control of the DBM which shall perform the
36 following functions:

- 1 i. Formulate measures on effective internal controls, for the implementation by
2 Government Agencies, to ensure the integrity, accuracy, completeness, and reliability of
3 government financial and management systems;
- 4 ii. Oversee the implementation of, and Government Agencies' compliance with,
5 accounting and auditing rules and regulations promulgated by the COA;
- 6 iii. Oversee and manage the financial reporting of Government Agencies, including (1)
7 to monitor the periodic and annual management and financial accounts with regard to
8 accuracy, timeliness, completeness, and compliance with this Act, standards,
9 rules and regulations; and (2) to consolidate the financial reports for submission
10 to the President, Congress, and COA;
- 11 iv. Oversee the operationalization of the financial management information system of
12 the government;
- 13 v. Formulate competency-based human resource policies for positions in public financial
14 management and coordinate on capacity building requirements on PFM with other
15 agencies;
- 16 vi. Oversee the implementation of Public Expenditure Framework policies of LGUs;
- 17 vii. Coordinate with counterpart agency officials to ensure compliance with the foregoing
18 functions; and
- 19 viii. Perform such other functions as may be necessary to properly implement the
20 provisions under this Section.

21 The OCG shall be headed by the Comptroller General who shall be of the same rank as
22 an Undersecretary, and with the structure and staff complement as may be approved by the
23 DBM. The heads of agency shall designate a Comptroller in their respective offices to oversee
24 the implementation of the above-mentioned functions at the agency level in coordination with
25 the Comptroller General.

26 **SEC. 9. *Department of Finance.*** – The DOF shall, in addition to its mandates and
27 functions under existing laws, perform the following:

- 28 (a) Monitor and manage fiscal risks to the government, including those from public-
29 private partnerships;
- 30 (b) Compile and publish government fiscal statistics in accordance with international
31 standards; and
- 32 (c) Formulate policies and standards for the acquisition and management of fixed assets
33 by NGAs.

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

- 1 i. Manage the Treasury Single Account (TSA) maintained at the BSP or an agent bank,
2 with the prior approval of the Secretary of Finance;
- 3 ii. Put in place arrangements for the execution of duly authorized payments from the
4 TSA, which may include the appointment of banks to operate as agents of the
5 National Government with the prior approval of the Secretary of Finance;
- 6 iii. Manage the financial assets and liabilities of the government, including (i) banking
7 arrangements for, and bank accounts of, the government; (ii) hedging and other risk
8 management activities associated with debt management, cash management and
9 financial investment; (iii) appointment of dealers, assets managers and other agents to
10 support debt, cash and investment management activities; (iv) maintenance of an
11 accurate record of the stock and flow of financial assets and liabilities; and (v)
12 tracking and reporting on fiscal risks related to the management of financial assets
13 and liabilities;
- 14 iv. Issue instructions on the management and recording of financial assets and liabilities
15 of the government;
- 16 v. Authorize the opening and closing of bank accounts of NGAs;
- 17 vi. Administer the release of cash requirements covering all types of transfers to LGUs;
18 and
- 19 vii. Establish and maintain a consolidated registry of fixed assets of the National
20 Government.

21 **SEC. 10. *National Economic and Development Authority.*** – The NEDA shall, in
22 addition to its mandates and functions under existing laws, perform the following:

- 23 (a) Coordinate with the Regional Development Councils (RDCs), on the formulation
24 of regional development plans and policies that are consistent with the established
25 national priorities;
- 26 (b) Coordinate the formulation of an annual and medium-term public investment
27 program consistent with the approved Medium-term Fiscal Strategy and in the context of
28 the preparation of the National Budget;
- 29 (c) Set standards for Government Agencies in proposing, assessing, monitoring and
30 evaluating development policies, plans and projects including those financed by grants
31 and concessional loans;
- 32 (d) Assist and support the capacity building of RDCs and LGUs in development
33 planning and investment programming; and

34 **SEC. 11. *Heads of Government Agencies.*** – The heads of NGAs, GOCCs and LGUs
35 shall, in addition to responsibilities provided under existing laws, be responsible for the
36 following:

- 37 (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could
38 impact on the finances of the government;

- 1 (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget
2 Priorities Framework, and the Proposed National Budget as required by the DBM;
- 3 (c) Manage their respective agencies, including GOCCs, and other resources placed
4 under their supervision, in an efficient, effective and economic manner in order to deliver
5 the outputs and attain the outcomes set in their respective budgets;
- 6 (d) Take appropriate measures to ensure that contractual commitments or obligations do
7 not exceed the amounts appropriated in their respective budgets;
- 8 (e) Ensure that their respective agencies settle all contractual obligations or approve
9 payment thereon within the time prescribed by law;
- 10 (f) Institute effective and efficient management systems, procedure and practices for
11 assets, liabilities, and personnel, including internal controls, risk management, and
12 performance review;
- 13 (g) Demonstrate that due regard has been taken on the recommendations provided in
14 internal and external audit evaluation reports, to the extent authorized in their respective
15 budgets; and
- 16 (h) Provide accounting and reporting of public finances as required in this Act.

17 PART III

18 FISCAL RESPONSIBILITY

19 **SEC. 12. *Fiscal Responsibility Principles.*** – The State shall pursue its policy objectives
20 in accordance with the following Fiscal Responsibility Principles:

- 21 (a) Implement fiscal policies and strategies consistent with the achievement of
22 macroeconomic stability and inclusive economic development;
- 23 (b) Manage resources in a fiscally and environmentally sustainable way;
- 24 (c) Maintain prudent levels of public debt;
- 25 (d) Maintain an appropriate balance between government revenues and expenditures;
26 and
- 27 (e) Manage fiscal risks in a prudent manner.

28 **SEC. 13. *Statement of Fiscal Policy.*** – The DBM, in coordination with DOF, NEDA
29 and OP in the DBCC, shall prepare, subject to the approval of the President, the Statement of
30 Fiscal Policy which shall contain measurable medium-term macroeconomic and fiscal objectives
31 and forecasts consistent with the Fiscal Responsibility Principles.

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

1 **SEC. 14. *Medium-term Fiscal Strategy.*** – The DBM, in coordination with the DOF,
2 NEDA, and OP in the DBCC, shall prepare, subject to approval of the President, a Medium-term
3 Fiscal Strategy consistent with the approved Statement of Fiscal Policy, to be updated annually.
4 It shall include a summary of the fiscal policies for revenue, debt, deficit, expenditure, and fiscal
5 risk management, supported by a medium-term fiscal sustainability analysis, consistent with the
6 measurable fiscal objectives established in the approved Statement of Fiscal Policy. The IRR of
7 this Act shall detail the other specifications for the Medium-Term Fiscal Strategy.

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

12 **SEC. 15. *Fiscal Reports.*** – The DBM, in coordination with the DOF, NEDA, and OP in
13 the DBCC, shall produce a Mid-year Fiscal Report (MFR), covering the first half of the fiscal
14 year and an Annual Fiscal Report (AFR) on the government’s macroeconomic and fiscal
15 performance.

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

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

25 **SEC. 16. *Long-term Vision Report.*** – The NEDA, in coordination with the DOF, DBM
26 and OP in the DBCC, shall submit a Long-term Vision Report to the President and Cabinet, and
27 Congress not later than October 31 and November 30, respectively. Said Report shall assess the
28 long-term sustainability of existing government policies over the next thirty (30) years, taking
29 into account demographic, environmental, and other changes.

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

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

35 **SEC. 17. *Deviations from Fiscal Objectives.*** – The government may deviate from the
36 medium-term fiscal objectives in the approved Statement of Fiscal Policy on a temporary basis,

1 where such deviation is due to a major natural disaster, unanticipated severe economic shock, or
2 other significant unforeseeable event that cannot be accommodated through accessing the
3 Contingent Fund and/or the National Disaster Risk Reduction and Management Fund, as may be
4 applicable or prudent fiscal policy adjustments, or the use of other flexibilities provided in this
5 Act.

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

10 **SEC. 18. *Shared Fiscal Discipline.*** – All proposed revenue eroding and expenditure
11 bills shall include a Financial and Budgetary Information Sheet upon filing of the bill containing
12 an estimate of the financial and budgetary implications of said proposal for the initial year of
13 implementation and the next five (5) years. Expenditure bills refer to those which will result in a
14 reduction of revenue collections or an increase in national government expenditures, including
15 those mandating the creation of recurring expenditures.

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

20 **PART IV**

21 **BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT**

22 **SEC. 19. *Governing Principles in Budget Preparation.*** – There is hereby established a
23 set of governing principles to be observed by the DBM in the preparation and the presentation to
24 Congress of the Proposed National Budget:

- 25 (a) Cash-based estimates shall be adopted in the proposed general and special
26 appropriations bills to promote faster and more effective delivery of services;
- 27 (b) The overall expenditure program of the government for a given fiscal year shall
28 be included, identifying those requiring approval by Congress and those authorized under
29 existing laws;
- 30 (c) All sources of funds and authorized uses available to the agency shall be
31 considered in the evaluation of agency proposals and determination of agency budget
32 levels, and shall likewise be disclosed in the Proposed National Budget and reports;
- 33 (d) Evaluation of agency proposals may include the analysis of a development plan,
34 master plan or road map, agency capability as demonstrated by previous years'
35 performance, its contribution to projects and activities of other agencies, utilization of
36 funds appropriated or released, and such other criteria as may be determined by the
37 DBM;

1 (e) All appropriations shall be valid until the end of the fiscal year;

2 (f) Items of appropriations shall be presented in such a way as to identify both the
3 entity responsible for the expenditure and the intended results from the use of the
4 appropriation in order to evaluate the performance of the agency;

5 (g) Both the financial and non-financial performance of agencies shall be presented in
6 the Proposed National Budget and the General Appropriations Act to ensure a
7 performance- informed budget; and

8 (h) Items of appropriations shall be reflected by department, agencies, bureaus, and
9 offices, and shall be presented for information purposes, by region and province, and
10 eventually, by city or municipality.

11 **SEC. 20. *Planning-Budgeting Linkage*** – Development strategies identified in the
12 Philippine Development Plan shall be a primary consideration in the formulation of the budget
13 priorities framework. These shall also be the basis for drawing up strategic and prioritized
14 programs and projects in the multi-year public investment program, which in turn will be
15 considered in the formulation of the annual agency budgets that conform to the annual budget
16 ceilings approved by the President.

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

23 **SEC. 21. *Budget Priorities Framework***. – The DBM, in coordination with the DOF,
24 NEDA and OP in the DBCC, shall present to the President and Cabinet, in April of each year, a
25 Budget Priorities Framework which shall guide the formulation of the Budget for the following
26 year by containing the medium-term fiscal strategy and targets underlying the budget; the
27 priority areas for government spending reflected in the PDP, estimated amount and planned
28 allocation of the fiscal space; and other requirements laid down in the IRR.

29 **SEC. 22. *The Budget Preparation Process***. – The DBM shall determine the budget
30 preparation process and calendar. The budget preparation process shall cover: (i) NGAs; (ii)
31 GOCCs with respect to their impact on revenues, expenditures, assets, and liabilities and risks of
32 the government; and (iii) LGUs as to their impact on revenues and expenditures of the
33 government.

34 **SEC. 23. *The Proposed National Budget***. – The President shall submit to Congress, not
35 later than thirty (30) days from the fourth Monday of July of every year, the Proposed National
36 Budget, which shall be the basis of the general appropriations bill.

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

3 (a) President's Budget Message - provides a preview of the Proposed National Budget,
4 explaining the principles, objectives and policy framework adopted and the spending
5 priorities for the fiscal year;

6 (b) National Expenditure Program (NEP) – includes the strategic objectives, details of the
7 three-year (3-year) expenditure program, performance information, such as key
8 strategies, outputs and outcomes for agencies in relation to their budgets, and staffing
9 summary;

10 (c) Budget of Expenditures and Sources of Financing (BESF) - contains the
11 macroeconomic parameters; dimensions of three-year (3-year) expenditure program,
12 revenues, financing, and outstanding debt; overview of the financial positions of
13 GOCCs, LGUs, and public-private partnership projects, as well as the other items listed
14 in the IRR;

15 (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that the
16 national government faces, including those from the contingent liabilities of Government
17 Agencies and other items listed in the IRR.

18 (e) Post Budget Status Report – this report should indicate a brief accomplishment on all
19 P/A/Ps of agencies of the government as reflected in the General Appropriations Act and
20 includes specific programs, activities and projects funded from lump-sum appropriations
21 and Special Purpose Funds.

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

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

26 **SEC. 24. Lump Sum Appropriations.** – To promote the transparent and detailed
27 disclosure of all proposed government spending, lump sum appropriations and special purpose
28 funds (SPFs) in the Proposed National Budget shall be limited to: (i) the National Disaster Risk
29 Reduction and Management Fund (NDRRMF); (ii) the Contingent Fund (CF); (iii) Statutory
30 Shares of LGUs; and (iv) other SPFs not falling under any of the preceding purposes and the
31 details of which could not be determined during the budget preparation stage.

32 **SEC. 25. National Disaster Risk Reduction and Management Fund.** – The NDRRMF
33 shall be used for (i) disaster risk reduction or mitigation, prevention and preparedness activities,
34 such as, but not limited to, training of personnel, procurement of equipment, and capital
35 expenditures; and (ii) relief, recovery, reconstruction and other work or services in connection
36 with natural or human induced calamities which may occur during the budget year or those that
37 occurred in the preceding two (2) years.

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

5 **SEC. 26. *Contingent Fund.*** – The Contingent Fund shall cover the funding
6 requirements of new and/or urgent and unforeseen projects and activities of NGAs and GOCCs
7 that need to be implemented or paid during the year, such as, legal obligation of the government
8 arising from final and executory decisions by competent authority, including arbitration awards,
9 mediation settlement, or compromise agreements, requirements of newly created offices, or
10 deficiencies in the appropriations for local and external travels of the President.

11 As a rule, all releases from the Contingent Fund shall be approved by the President.
12 However, disbursements due to final and executory decisions promulgated by competent
13 authorities shall only require the approval of the DBM.

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

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

21 **SEC. 28. *Unprogrammed Appropriations.*** – Congress may authorize standby
22 appropriations to cover the funding requirements of other priority projects and activities or
23 contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs) not
24 specifically included in the programmed component of the Appropriations Law. The
25 Unprogrammed Appropriations shall have the same level of details as in the programmed
26 component of the Appropriations Law. The amount authorized under the Unprogrammed
27 Appropriations shall not exceed two percent (2%) of the total proposed expenditure in the
28 programmed component of the Appropriations Law.

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

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

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

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

12 **SEC. 29. Release and Expenditure of Public Funds.** – The government shall
13 commence releases of Public Funds covered by an Appropriations Law as soon as such Law
14 comes into force to ensure timely and efficient disbursement by the appropriate implementing
15 agencies, subject to pertinent budgeting and auditing rules and regulations.

16 **SEC. 30. Early Procurement Activities.** – To ensure timely contract implementation
17 and efficient delivery of services, all Government Agencies are authorized to undertake
18 procurement activities from pre-procurement conference until post-qualification of bids even
19 prior to the passage of the Appropriations Law, Corporate Operating Budgets (COBs) or
20 Appropriations Ordinance, in accordance with IRRs to be issued by DBM.

21 Government Agencies may proceed with the awarding of contract upon approval or
22 enactment of their respective appropriations or budget authorization document, as the case may
23 be, and based on the amount authorized therein.

24 **SEC. 31. Re-enacted Budget.** – If, by the end of any fiscal year, Congress shall have
25 failed to enact the General Appropriations Bill for the ensuing fiscal year, the General
26 Appropriations Law for the preceding fiscal year shall be deemed re-enacted and shall remain in
27 force and effect until the said General Appropriations Bill is passed by the Congress.

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

30 (a) The aggregate level of the Re-enacted Budget shall be limited to the total amount
31 appropriated in the preceding year's Appropriations Law, but shall in no case exceed the
32 level of the sources of financing under the Budget of Expenditure and Sources of
33 Financing (BESF) of the Proposed National Budget;

34 (b) All completed programs, projects and activities, as well as program support for
35 GOCCs and equity contribution of the national government shall be excluded from the
36 Re-enacted Budget;

1 (c) The appropriations for the following shall be limited to the amount authorized under
2 the Re-enacted Budget, but in no case exceed the amount proposed by the President in
3 the Proposed National Budget:

- 4 1. Ongoing programs, projects and activities;
- 5 2. Personnel benefits, including retirement gratuities, pensions, terminal leave
6 pays and related expenses;
- 7 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs; and
- 8 4. Budgetary support to GOCCs but further limited to the amount of subsidy
9 for their operational requirements.

10 The items and/or amount of appropriations not covered under the Re-enacted Budget as
11 provided above shall not be released, disbursed, or utilized for the purpose previously authorized
12 nor be declared savings to augment existing items of appropriations in the Re-enacted Budget.

13 The DBM shall issue guidelines on the aggregate level of appropriations authorized under
14 the Re-enacted Budget in accordance with the foregoing, the level of obligations by agencies,
15 supporting requirements to determine actual needs, and other pertinent rules in the
16 implementation of the Re-enacted Budget.

17 Upon enactment of the General Appropriations Law, all releases under a Re-enacted
18 Budget consistent with this Section shall be deemed to have been implemented pursuant to, and
19 charged against, for account recording purposes, the general appropriations law for the current
20 fiscal year.

21 **SEC. 32. *Special Appropriations Bill.*** – A Special Appropriations Bill is a legislative
22 proposal to provide authorization for expenditures for a specific purpose not included or not
23 covered under the annual appropriations laws. It shall, specify the purpose/s for which it is
24 intended and be valid until the end of the fiscal year of its enactment.

25 A Special Appropriations Bill shall be supported by funds actually available or those
26 which are not included in the fiscal year's sources of financing under the BESF as certified by
27 the National Treasurer, or to be raised by a corresponding revenue measure proposed therein.
28 The amount to be authorized by Congress in a Supplemental Appropriations Bill may be more
29 than that originally proposed for as long as the same is supported by any or a combination of the
30 above sources and is consistent with the Fiscal Responsibility Principles and the MTFS. A
31 Special Appropriations Bill may only be proposed after the passage of the General
32 Appropriations Law, except for disaster-related purposes, as well as urgent and unforeseen
33 requirements of the government.

34 **SEC. 33. *Multi-year Contracts.*** – Multi-year contracts (MYCs) shall refer to contracts
35 entered into by NGAs and GOCCs where the delivery of goods, civil works, and services will
36 cover more than one (1) year. NGAs entering into MYCs shall first secure a Multi-year
37 Obligational Authority (MYOA) from the DBM but in no case shall obligate and disburse more

1 than the current year's appropriation for the said year's phase of project implementation. GOCCs
2 shall secure prior authority from their respective governing boards before entering into MYCs.

3 The MYOA issued by the DBM for NGAs, and the amount authorized by the governing
4 board for GOCCs' governing board shall be the basis of the ABC under Section 5 of Republic
5 Act No. 9184 for MYCs and the certification of availability of funds required prior to contract
6 execution under Section 85 of Presidential Decree No. 1445.

7 **SEC. 34. Authority to Declare and Use Savings.** – The President of the Philippines, the
8 Senate President, the Speaker of the House of Representatives, the Chief Justice of the Supreme
9 Court, the Heads of the Civil Service Commission (CSC), the Commission on Elections
10 (COMELEC), and the COA are hereby authorized to declare and use savings in their respective
11 appropriations to augment actual deficiencies incurred for the current year in any item of their
12 respective appropriations.

13 The foregoing constitutional officers authorized to use savings shall be responsible for
14 ensuring that quarterly reports on their respective use of savings shall be submitted to the Senate
15 Committee on Finance and the House Committee on Appropriations, copy furnished the DBM.
16 The report shall indicate, among others, the amount of savings generated, the sources and
17 grounds used therefor, and the existing item of appropriations augmented. They shall likewise
18 ensure that said reports are posted on their respective official websites.

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

21 **SEC. 35. Meaning of Savings.** – Savings refer to portion or balances of any
22 programmed items of appropriations in the general appropriations law, which have not been
23 released or obligated as a result of the following:

24 (a) Completion of a program, project or activity at a lower cost than that
25 programmed. For this purpose, completion shall refer to the award of contract to the
26 contractor, supplier or consultant. Any difference between the approved budget for the
27 contract and the amount of contract award may be declared as Savings;

28 (b) Decreased cost realized from the implementation of measures resulting in lower
29 input costs or efficiencies which enabled agencies to meet and deliver their targets and/or
30 implement or complete their projects or activities;

31 (c) Discontinuance or abandonment of a project or activity for causes not attributable
32 to the fault or negligence of either the NGA mandated to undertake or authorized to
33 implement said project or activity or the procurement agent, at any time during the
34 validity of the appropriations;

35 (d) Non-commencement of a program, project or activity for which the
36 appropriations is authorized. For this purpose, non-commencement shall refer to the
37 inability of the NGA to obligate an allotment on or before June 30 of the current fiscal
38 year due to causes not attributable to the fault or negligence of the agency; or

1 (e) Unused compensation and related costs as well as pension and retirement benefits.

2 **SEC. 36. Rules on Augmentation.** – Augmentation is the act of the constitutional
3 officers authorized under Section 34 of this Act to use Savings realized in their respective
4 appropriations in order to address a deficiency in other items of their respective appropriations.
5 A deficiency in an item of appropriations may result from the following, as determined by the
6 Head of Agency:

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

9 (b) Adjustment in the cost of implementing the PPA due to justified causes.

10 In particular, the authorized constitutional officers shall observe the following when
11 augmenting an item of appropriations from Savings:

12 (a) There should be an existing item of appropriations to be augmented. For this
13 purpose, the particulars of the expenditures to be funded by augmentation from Savings
14 should be within the scope of or may be attributed to the item of appropriations to be
15 augmented; and

16 (b) In no case shall a non-existent allotment class in a PPA be funded by
17 augmentation from Savings.

18 **SEC. 37. Rules on Realignment.** – Realignment is the limited flexibility given to NGAs
19 to modify or change the specific details within a PPA that shall not entail any augmentation of
20 the amount appropriated for the said PPA during budget execution. Realignment may be
21 undertaken in any of the cases specified in the IRR.

22 The following are authorized to approve realignments:

23 (a) For the Executive branch, the respective Heads of Agencies, except for: (i)
24 realignment, within PS for the payment of authorized magna carta benefits; from one
25 allotment class to another and, from one operating unit to another, which shall be subject
26 to approval of the DBM, and (ii) realignment of intelligence funds which shall require
27 approval of the President of the Philippines;

28 (b) For the Senate of the Philippines, all types of realignment shall require approval
29 of the Senate President;

30 (c) For the House of Representatives, all types of realignment shall require approval
31 of the Speaker;

32 (d) For the Judicial branch, the Chief Justice with regard to the Supreme Court and
33 lower courts, and the respective Presiding Justices of the Court of Appeals, Court of Tax
34 Appeals and *Sandiganbayan*, except for realignment of intelligence funds which shall
35 require approval of the Chief Justice; and

36 (e) For the CSC, COMELEC, and COA, all types of realignment shall require
37 approval of their respective Chairpersons.

1 The DBM shall promulgate the rules and regulations necessary to ensure the uniform
2 implementation among the various branches of government, the proper recording of
3 realignments, and the timely submission of reports by all the offices concerned.

4 PART V

5 FINANCIAL MANAGEMENT

6 **SEC. 38. *General Fund.*** – All monies received by NGAs, whether coming from taxes,
7 fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations,
8 asset sale proceeds and such other receivables, shall accrue to the General Fund and be remitted
9 to the National Treasury, unless otherwise provided by law or stipulated by covering loan or
10 grant agreements. Monies under the General Fund shall be made available to support the
11 requirements of the NG authorized in an Appropriations Law.

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

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

24 The Permanent Committee created under EO No. 292, s. 1989 shall recommend for
25 approval of the President the change in the treatment of existing SAGFs that shall be converted
26 into Trust Funds by virtue of the foregoing. The recording of revenue inflows from these SAGFs
27 shall be governed by the guidelines to be issued by the Permanent Committee.

28 **SEC. 39. *Special Funds.*** – In exceptional cases when an SAGF is not suitable for the
29 operations of a fund, Special Funds shall be authorized by law and limited to the following:

30 (a) Trust Fund – constituted from identified revenue sources and other receipts by
31 NGAs or public officials acting as trustees, agents, or administrators for the fulfillment of
32 obligations or accomplishment of specified purposes. Trust Funds shall be deposited in
33 the Treasury Single Account (TSA);

34 (b) Revolving Fund – constituted from receipts derived from business-type activities
35 of NGAs to be used for the operating requirements of said business-type activities and as
36 such are considered self-liquidating. Revolving Funds shall be deposited in the TSA or in
37 an Authorized Government Depository Bank (AGDB) upon authority of the National
38 Treasurer; and

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

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

10 **SEC. 40. *Review by the Permanent Committee.*** – The Permanent Committee shall
11 review all existing SAGFs and Special Funds to validate their compliance with the foregoing
12 requirements. Upon evaluation, the Permanent Committee shall recommend for approval of the
13 President the modification and/or termination of said funds as may be necessary.

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

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

19 **SEC. 41. *Escrow Fund.*** – Escrow Funds are constituted from funds for which the
20 government’s legal right to use is contingent upon a future event which may or may not occur.
21 Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the National
22 Treasurer, and shall subsequently be part of the General Fund upon the occurrence of the future
23 contingent event. Any interest earned by an Escrow Fund shall accrue to the said Fund. The
24 amounts under escrow, including interest earned shall form part of the General Fund upon the
25 occurrence of the future contingent event.

26 **SEC. 42. *Waiver, Abatement, Refund and Compromise Agreements.*** – No public
27 official shall waive, abate, refund, or enter into a compromise agreement on a tax liability or the
28 payment of fees or charges except in accordance with law. All waivers, abatements, refunds or
29 compromise agreements made by an NGA shall be properly accounted for and reported. Refund
30 of taxes and other revenues shall be treated as a reduction in revenue collections.

31 **SEC. 43. *Grants.*** – NGAs may accept, with prior coordination with DOF, grants, in
32 cash or in kind, from domestic or foreign sources, for purposes relevant to their functions. In the
33 case of grants, in cash or in kind, from governments of foreign countries, their agencies and
34 instrumentalities and international or multilateral institutions or organizations, acceptance
35 thereof shall be subject to the prior clearance and approval by the President or his authorized
36 representative based on the recommendation of the Secretary of Finance.

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

4 **SEC. 44. *Treasury Single Account.*** – The TSA refers to the banking arrangement
5 managed by the BTr wherein the government transacts all monies collected, received or paid by
6 NGAs in one bank account or a set of linked bank accounts and gets a consolidated view of its
7 cash position on at least, a daily basis.

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

- 11 (a) When monies under the General Fund are placed under investments;
- 12 (b) When the BTr is required to hold foreign currency accounts; or
- 13 (c) When authorized by the Secretary of Finance.

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

18 **SEC. 45. *Oversight on Government Bank Accounts.*** – Notwithstanding any provision of
19 law to the contrary, the BTr shall undertake any of the following in case of violation of a
20 provision in this Act and guidelines issued on the implementation of the TSA:

- 21 (a) Transfer balances of NGA bank accounts to the TSA;
- 22 (b) Close any NGA bank account; and/or
- 23 (c) Revoke the authority to open any NGA bank account.

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

26 **SEC. 46. *Treasury Cash Management.*** – The BTr shall issue orders for the conduct of
27 cash management including the requirement to provide projections on the timing of future
28 transactions of NGAs. If there is a projected cash shortfall, the Btr may request the DBM to
29 temporarily suspend or withdraw a portion or the full allotment issued.

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

- 34 (a) deposit with any highly reputable bank following a selection criteria to be issued
35 by the Secretary of Finance in consultation with the *Bangko Sentral ng Pilipinas*;
- 36 (b) sovereign-issued securities with an investment grade rating; or
- 37 (c) other fixed income securities with an AAA credit rating issued by at least two (2)
38 reputable international credit rating agencies acceptable to the Secretary of Finance.

1 The BTr may appoint a fund manager as an agent of the NG to undertake the investment
2 of the funds.

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

5 **SEC. 48. *Management of National Government Borrowings.*** – Borrowings by the NG
6 shall be for any of the following purposes:

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

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

17 **SEC. 49. *Borrowings by Government -Owned or -Controlled Corporations.*** – Before
18 the end of each fiscal year, the Head of a GOCC shall prepare a borrowing program for the
19 following fiscal year which shall support the Corporate Operating Budget and for the medium
20 term, both of which shall include a full financial plan with the details of the loans, refinancing
21 and repayment that the GOCC intends to take. Said borrowing program, including changes
22 thereon, shall be subject to the approval of the Head of the NGA overseeing the GOCC, and shall
23 be submitted to DOF for information, and shall be published in the concerned GOCC website.

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

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

27 **SEC. 50. *Local Government Borrowings.*** – An LGU may borrow funds from domestic
28 and foreign sources in accordance with the Local Government Code of 1991 or any other
29 applicable law. The financial plan including borrowing program shall be published in the
30 appropriate government website within seven (7) days after the borrowing program has been
31 approved.

32 **SEC. 51. *Debt Reporting.*** – The DOF through the BTr shall ensure that the records
33 include information on the principal, terms of repayment, amounts drawn, interests and service
34 charges accrued, principal and interests paid, and the balance outstanding, and shall make the
35 records available in a timely way to the President and Congress when requested and in
36 accordance with the reporting requirements in this Act.

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

1 The Head of the NGA shall ensure that the Annual Plan is updated to be consistent with
2 a) the Proposed National Budget, no later than thirty (30) days after the President has submitted
3 the same to Congress, and; b) the General Appropriations Act, no later than thirty (30) days after
4 its enactment. Both revisions of the Annual Plan shall be submitted to Congress and published on
5 a government website within the aforementioned timeframes.

6 **SEC. 58. NGA Reporting Requirements.** – For greater transparency and accountability,
7 each Head of an NGA shall:

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

12 (b) Prepare an Annual Report which shall include year-end financial statements,
13 reporting on non-financial performance compared against the Annual Plan, and other
14 information as required in the IRR; submit the said Report to the DBM, OCG, and
15 Congress no later than six (6) months after the end of the fiscal year; and publish the said
16 Report in a government website no later than seven (7) days after its submission to
17 Congress.

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

20 **SEC. 59. Service Agreements.** – The Head of an NGA may enter into a service and/or
21 performance agreement with another agency for the latter to provide services charged against the
22 budget of said principal agency.

23 **SEC. 60. Corporate Operating Budget (COB).** – The Board of Directors or Trustees of a
24 GOCC shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the
25 DBM, and the DOF, not later than ninety (90) days prior to the commencement of the fiscal year,
26 which shall include, the objectives of the GOCCs and its subsidiaries, the activities to be
27 undertaken, performance targets and risks; forecasts of financial statements for the next three (3)
28 years; and other information as may be required in the IRR.

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

33 **SEC. 61. GOCC Reporting Requirements.** – For greater transparency and
34 accountability, each Head of GOCCs shall:

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

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

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

14 **SEC. 62. *Service Agreement for a GOCC.*** – Where GOCCs implement government
15 non-commercial programs, such as housing provision, irrigation and electrification, and receive
16 government funding, a service agreement with the NGA overseeing said GOCC shall specify the
17 terms of delivery of goods or services that the GOCC must provide, and the funds that the
18 government will pay. Program funds shall be under the budget of the NGA overseeing said
19 GOCC.

20 **SEC. 63. *Local Government Units.*** – The Local Chief Executives (LCEs) shall ensure
21 that adequate internal controls and an internal audit function are maintained.

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

25 **SEC. 64. *Application of Accounting and Auditing Requirements.*** – Any expenditure of
26 public money, including government assets or liabilities incurred by and for the Government
27 regardless of the source of funding, shall be subject to accounting and auditing rules and
28 regulations promulgated by the COA.

29 **SEC. 65. *Accounting Standards.*** – The Comptroller General shall develop guidelines to
30 oversee the implementation of the accounting standards mandated by the COA, for use by all
31 Government Agencies.

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

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

