

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



'17 MAY 11 P3:45

SENATE

Senate Bill No. 1450

RECEIVED BY: 

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Introduced by Senator LOREN LEGARDA

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

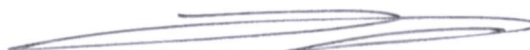
Explanatory Note

A 2015 paper published by the International Monetary Fund shows that the country's public financial management (PFM) framework is fragmented and not readily accessible to the public. A 2016 report from the World Bank recommends the revision of the PFM legal framework to address weaknesses in budget credibility and legislative oversight, among others. The World Bank report further observes that the last comprehensive PFM law was enacted in 1987, thus the necessity of updating it to conform to international best practices.

The proposed measure aims to modernize the country's legal framework for PFM by institutionalizing reforms in budgeting and strengthening the oversight functions of Congress over the budgeting process. Apart from clarifying the definition of savings, augmentation, and realignment in line with judicial pronouncements, it also provides parameters on the implementation of a re-enacted national budget.

Moreover, the bill creates the Office of the Comptroller General to assist the Commission on Audit in enforcing accounting and auditing rules and in monitoring the compliance of agencies to audit findings.

In order to ensure an efficient PFM system that is transparent and fully accountable to the public, immediate passage of the bill is sought.



**LOREN LEGARDA**  
Senator



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AN ACT TO REFORM THE BUDGET PROCESS BY ENFORCING GREATER  
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PROMOTING FISCAL SUSTAINABILITY, INSTITUTING AN INTEGRATED  
PFM SYSTEM, INCREASING BUDGET TRANSPARENCY AND  
PARTICIPATION, AND FOR OTHER PURPOSES

PART I  
PRELIMINARY PROVISIONS

1 **Section 1. Short Title.** – This Act shall be known as the “Budget Reform  
2 Act.”

3  
4 **Section 2. Declaration of Policy and Objectives.** – It is hereby declared  
5 the policy of the State to ensure accountability and integrity in the use of  
6 public resources by ensuring transparency, fiscal responsibility, results-  
7 orientation, efficiency, and effectiveness. This shall be upheld through the  
8 establishment of an integrated system of planning, budgeting, management,  
9 internal control, accounting, reporting and review of public finances. In light  
10 of these requirements, the State shall pursue the following specific  
11 objectives:

12  
13 (a) To enforce the power of Congress to authorize all appropriations and  
14 hold government accountable in the use of public resources, as well  
15 as the responsibility of all government agencies to propose, execute  
16 and deliver committed results in the appropriations acts in a timely,  
17 predictable, and economic manner;

18  
19 (b) To promote people’s empowerment in the management of public  
20 resources by enforcing their right to access information on, and to  
21 contribute in the formulation and implementation of, the financial  
22 affairs of the government; and  
23

- 1 (c) To strengthen the integration of planning, budgeting, and performance  
2 management and ensure ample safeguards in managing public  
3 finances, including through internal controls, accounting, reporting,  
4 and risk management.  
5

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

12 **Section 4. Definition of Terms.** – The following terms when used in this  
13 Act and the implementing rules and regulations (IRR) shall be understood,  
14 as follows:  
15

- 16 (a) **Allotment** refers to the authorization issued by the Department of  
17 Budget and Management (DBM) for releases needing clearance in  
18 order for NGAs, GOCCs, or LGUs to incur contractual commitments  
19 and disburse funds up to a certain amount, for a specified public  
20 purpose, and within a specified period of time, in accordance with the  
21 Appropriations Law;  
22  
23 (b) **Appropriations Law** refers to the legislative authorization for the  
24 contractual commitments incurred by NGAs, GOCCs, or LGUs and  
25 actual disbursement of Public Funds for specific public purposes  
26 covering a specified period of time. This may refer to either a general  
27 or special appropriations law;  
28  
29 (c) **Cabinet** refers to the Executive Secretary and the Secretaries of the  
30 Departments under the Executive Branch;  
31  
32 (d) **Extended Payment Period** refers to the three month period in the  
33 following fiscal year when payments can be processed and disbursed  
34 for goods and services received by the end of the previous year and  
35 such payment shall be chargeable against the Appropriations Law of  
36 the previous fiscal year;  
37  
38 (e) **Fiscal Year** refers to a period of twelve months commencing on  
39 January 1 until December 31;  
40  
41 (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;  
42

- 1 (g) **Government-Owned or -Controlled Corporations** refer to agencies  
2 with corporate powers, whether or not organized as a stock or non-  
3 stock corporation, vested with functions relating to public needs  
4 whether governmental or proprietary in nature, and owned by the  
5 Government of the Republic of the Philippines either wholly or, where  
6 applicable as in the case of stock corporations, to the extent of at least  
7 a majority of its outstanding capital stock. This includes Government  
8 Financial Institutions, government corporate instrumentalities and  
9 related corporations;
- 10  
11 (h) **Government Financial Institutions** refer to financial institutions in  
12 which the government directly or indirectly owns the majority of the  
13 capital stock and which are either: (i) registered with, or directly  
14 supervised by, the *Bangko Sentral ng Pilipinas (BSP)*; or (ii) authorized  
15 to collect or transact funds or contributions from the public and place  
16 them in financial instruments or assets such as deposits, loans,  
17 bonds and equity;
- 18  
19 (i) **Head of Agency** refers to the head of the department or agency in the  
20 case of NGAs, the Board of Directors or Trustees in the case of GOCCs  
21 as well as certain agencies which are structured as such, and the  
22 local chief executive in the case of LGUs;
- 23  
24 (j) **Internal Audit** is an independent and objective assurance in NGAs,  
25 GOCCs and LGUs which is designed to add value, improve operations  
26 and accomplish objectives by bringing in a systematic and disciplined  
27 approach to evaluate the effectiveness of risk management, control  
28 and governance processes;
- 29  
30 (k) **Local Government Units** refer to provinces, cities, municipalities,  
31 and barangays, as well as autonomous regions authorized to be  
32 created in the Constitution;
- 33  
34 (l) **National Government Agencies** refer to units of the national  
35 government, as distinguished from GOCCs and LGUs, which include  
36 any of the departments, bureaus, offices or instrumentalities of the  
37 Executive, Judicial and Legislative branches of government, as well  
38 as the Constitutional Commissions, and the Office of the  
39 Ombudsman;
- 40  
41 (m) **Program/Activity/Project** refers to an item of appropriation in  
42 the GAA which refer to any of the following:
- 43

1 Program – an integrated group of activities that contributes to an  
2 agency’s continuing objective. These are grouped under 3 main cost  
3 structures: General Administration and  
4 Support, Support to Operations, and Operations.  
5

6 Activity – is a work process that contributes to the fulfillment of a  
7 program, sub-program or project.  
8

9 Project – is a special agency undertaking within a definite timeframe  
10 and which is designed to produce pre-determined goods or services;  
11

12 (n) **Proposed National Budget** refers to a financial plan of annual  
13 revenue and expenditures to be submitted by the President to  
14 Congress that reflect national policies;  
15

16 (o) **Public Officials** refer to elective and appointive officials and  
17 employees, in a permanent or temporary capacity, whether in the  
18 career or non-career service, including military and uniformed  
19 personnel, regardless of the rank, form or amount of compensation;  
20

21 (p) **Public Funds** refer to the monies of all Government Agencies received,  
22 collected, receivable from taxes, fees, charges, penalties, income,  
23 dividends, interest earnings, domestic loan proceeds, external loans  
24 and grants, proceeds from the sale of assets, that the Government has  
25 a legal right to retain and use and shall not include any money  
26 received in error;  
27

28 (q) **Subsidiary** refers to a corporation where at least a majority of the  
29 outstanding capital stock is owned or controlled, directly or indirectly  
30 and through one or more intermediaries, by a GOCC; and  
31

32 (r) **Treasury Single Account (TSA)** refers to the account maintained by  
33 the Bureau of the Treasury with the BSP or agent bank for a unified  
34 structure of government bank accounts to enable consolidation and  
35 optimum utilization of government cash resources.  
36

37 In this Act, the singular may be read as the plural and the plural may be  
38 read as the singular, as the context requires.  
39

1  
2  
3 **PART II**  
4 **ADDITIONAL ROLES AND RESPONSIBILITIES**  
5

6 **Section 5. Congress.** – The Congress shall, in addition to its powers under  
7 the Constitution and existing laws, perform the following:  
8

- 9 (a) Monitor and review government performance against the requirements  
10 of appropriations and related laws, and hold Government Agencies  
11 accountable for their financial and non-financial performance;  
12  
13 (b) Review reports on planned and actual performance, including the  
14 Statement of Fiscal Policy, the Medium Term Fiscal Strategy, fiscal  
15 reports, annual plans of government agencies, periodic and annual  
16 reports on government performance and performance of government  
17 agencies; and  
18  
19 (c) Consider the consolidated annual financial statements of government  
20 prepared by the Office of the Comptroller General (OCG) and the  
21 audited government agency reports by the COA.  
22

23 Congress shall undertake the foregoing through any of its existing  
24 committees, support offices or one created for the purpose to strengthen the  
25 oversight role of Congress.  
26

27 **Section 6. President.** – The President shall, in addition to his/her powers  
28 under the Constitution and existing laws, perform the following:  
29

- 30 (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal  
31 Strategy for submission to Congress;  
32  
33 (b) Approve the Budget Priorities Framework to identify the priority  
34 areas for government spending and guide the budget preparation  
35 exercise; and  
36  
37 (c) Authorize changes in the functional, operational and organizational  
38 structure within and among the DBM, Department of Finance (DOF),  
39 and National Economic and Development Authority (NEDA), as may be  
40 necessary, to ensure the effective implementation of this Act.  
41

42 **Section 7. Office of the Comptroller General.** – To enhance the  
43 management of public finances, there is hereby created an OCG under the  
44 supervision and control of the Office of the President (OP) which shall  
45 perform the following functions:  
46

- 47 (a) Monitor the performance of the annual cash appropriations of NGAs  
48 in terms of in-year and end-of-year appropriation reports that  
49 compare disbursements to appropriations;

- 1  
2 (b) Formulate measures on effective internal controls including internal  
3 audit, for the implementation by Heads of Government Agencies, to  
4 ensure the integrity, accuracy, completeness, and reliability of  
5 government financial and management systems;  
6  
7 (c) Oversee the operation of an integrated internal control framework  
8 across Government Agencies;  
9  
10 (d) Oversee the implementation of, and Government Agencies' compliance  
11 with, accounting and auditing rules and regulations promulgated by  
12 the COA;  
13  
14 (e) Oversee and manage the financial reporting of Government Agencies,  
15 including (1) to monitor the periodic and annual management and  
16 financial accounts with regard to accuracy, timeliness, completeness,  
17 and compliance with this Act, standards, rules and regulations; and  
18 (2) to consolidate the financial reports for submission to the President,  
19 Congress, and COA;  
20  
21 (f) Oversee the operationalization of an integrated financial management  
22 information system;  
23  
24 (g) Formulate competency-based human resource policies for positions in  
25 PFM and oversee the capacity development requirements on PFM  
26 formulated by the OCG and other agencies;  
27  
28 (h) Coordinate with counterpart agency officials to ensure compliance  
29 with the foregoing functions; and  
30  
31 (i) Perform such other functions as may be necessary to properly  
32 implement the provisions under this Section.  
33

34 The OCG shall be headed by the Comptroller General who shall be of the  
35 same rank as a Secretary, and with the structure and staff complement as  
36 may be approved by the DBM. The Heads of Government Agencies shall  
37 designate a Comptroller in their respective offices to oversee the  
38 implementation of the above-mentioned functions at the agency level in  
39 coordination with the Comptroller General.  
40

41 **Section 8. Commission on Audit.** – The COA shall, in addition to its  
42 powers under the Constitution and existing laws, coordinate with the OCG  
43 for the proper enforcement of timely accounting and reporting of public  
44 finances.  
45

46 **Section 9. Department of Budget and Management.** – The DBM shall, in  
47 addition to its mandates and functions under existing laws, perform the  
48 following:  
49

- 1 (a) Prepare, in coordination with the agencies concerned, DOF, NEDA and  
2 OP in the Development Budget Coordination Committee (DBCC), the  
3 Statement of Fiscal Policy, the Medium-term Fiscal Strategy, the  
4 Budget Priorities Framework, and the Mid-year and Annual Fiscal  
5 Reports as required in this Act;  
6  
7 (b) Monitor and evaluate the financial and non-financial performance of  
8 NGAs;  
9  
10 (c) Evaluate and review the financial and non-financial performance of  
11 GOCCs with special laws and charters, in coordination with the DOF  
12 and the Governance Commission for GOCCs (GCG), and approve the  
13 annual corporate operating budgets (COBs) of the GOCCs;  
14  
15 (d) Monitor and review, together with the Bureau of Local Government  
16 Finance (BLGF) under the DOF and Department of the Interior and  
17 Local Government (DILG), the financial and non-financial performance  
18 of LGUs; and  
19  
20 (e) Assess, together with the BLGF under the DOF and DILG, the PFM  
21 systems of LGUs and assist them in designing and implementing PFM  
22 improvement measures.  
23

24 To ensure the effective formulation and execution of fiscal policies, the  
25 Secretary of Budget and Management shall lead the DBCC, with the  
26 Secretary of Finance, the Director General of the NEDA Secretariat and a  
27 representative from the OP as members, and the Governor of the BSP as  
28 resource person.  
29

30 **Section 10. *Department of Finance.*** – The DOF shall, in addition to its  
31 mandates and functions under existing laws, perform the following:  
32

- 33 (a) Monitor and manage fiscal risks to the government, including those  
34 from public-private partnerships;  
35  
36 (b) Compile and publish government fiscal statistics in accordance with  
37 international standards; and  
38  
39 (c) Formulate policies and standards for the acquisition and management  
40 of fixed assets by NGAs.  
41

42 The Bureau of the Treasury (BTr) shall, in addition to its mandates and  
43 functions under existing laws, perform the following:  
44

- (a) Manage the TSA maintained at the BSP or an agent bank, with the prior approval of the Secretary of Finance;
- (b) Put in place arrangements for the execution of duly authorized payments from the TSA, which may include the appointment of banks to operate as agents of the National Government with the prior approval of the Secretary of Finance;
- (c) Manage the financial assets and liabilities of the government, including: (i) banking arrangements for, and bank accounts of, the government; (ii) hedging and other risk management activities associated with debt management, cash management and financial investment; (iii) appointment of dealers, assets managers and other agents to support debt, cash and investment management activities; (iv) maintenance of an accurate record of the stock and flow of financial assets and liabilities; (v) tracking and reporting on fiscal risks related to the management of financial assets and liabilities; and (vi) preparation of in-year disbursement reports based on the TSA for submission to the OCG.
- (d) Issue instructions on the management and recording of financial assets and liabilities of the government;
- (e) Authorize the opening and closing of bank accounts of NGAs;
- (f) Assist the NGAs in providing credible cash forecast for timely and accurate cash programming;
- (g) Administer the release of cash requirements covering all types of transfers to LGUs; and
- (h) Establish and maintain a consolidated registry of fixed assets of the National Government.

**Section 11. National Economic and Development Authority.** – The NEDA shall, in addition to its mandates and functions under existing laws, perform the following:

- (a) Coordinate with the Regional Development Councils (RDCs), on the formulation of regional development plans and policies that are consistent with the established national priorities;
- (b) Coordinate the formulation and implementation of an annual and medium-term public investment program consistent with the approved Medium-term Fiscal Strategy and in the context of the preparation of the National Budget;

- (c) Set standards for Government Agencies in proposing, assessing, monitoring and evaluating development policies, plans and projects including those financed by grants and concessional loans; and
- (d) Assist and support the capacity building of RDCs and LGUs in development planning and investment programming.

**Section 12. Heads of Government Agencies.** – The heads of NGAs, GOCCs and LGUs shall, in addition to responsibilities provided under existing laws, be responsible for the following:

- (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could impact on the finances of the government;
- (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Proposed National Budget as required by the DBM;
- (c) Manage their respective agencies, including GOCCs, and other resources placed under their supervision, in an efficient, effective and economic manner in order to deliver the outputs and attain the outcomes set in their respective budgets;
- (d) Monitor the physical and financial implementation of their programs, activities and projects;
- (e) Take appropriate measures to ensure that cash disbursements and contractual commitments do not exceed the amounts appropriated in their respective budgets;
- (f) Ensure that their respective agencies settles all contractual commitments or approves payment thereon within the time prescribed by law;
- (g) Institute effective and efficient management systems, procedure and practices for assets, liabilities, and personnel, including internal controls, risk management, and performance review;
- (h) Demonstrate that due regard has been taken on the recommendations provided in internal and external audit evaluation reports, to the extent authorized in their respective budgets;
- (i) Provide credible cash forecast for timely and accurate cash programming; and
- (j) Provide accounting and reporting of public finances through the integrated financial management information system and/or other preparatory online information systems as required in this Act.

1 **Section 13. Capacity Development Requirements on Public Financial**  
2 **Management.** – The foregoing agencies shall continue to formulate capacity  
3 development requirements on PFM and conduct trainings on the same. In  
4 this regard, the OCG shall oversee the formulation of the said capacity  
5 development requirements to ensure alignment of the objectives.  
6  
7

8 **PART III**  
9 **FISCAL RESPONSIBILITY**  
10

11 **Section 14. Fiscal Responsibility Principles.** – The State shall pursue its  
12 policy objectives in accordance with the following Fiscal Responsibility  
13 Principles:  
14

- 15 (a) Implement fiscal policies and strategies consistent with the  
16 achievement of macroeconomic stability and inclusive economic  
17 development;  
18  
19 (b) Manage resources in a fiscally and environmentally sustainable way;  
20  
21 (c) Maintain prudent levels of public debt;  
22  
23 (d) Maintain an appropriate balance between government revenues and  
24 expenditures; and  
25  
26 (e) Manage fiscal risks in a prudent manner.  
27

28 **Section 15. Statement of Fiscal Policy.** – The DBM, in coordination with  
29 DOF, NEDA and OP in the DBCC, shall prepare, subject to the approval of  
30 the President, the Statement of Fiscal Policy which shall contain measurable  
31 medium-term macroeconomic and fiscal objectives and forecasts consistent  
32 with the Fiscal Responsibility Principles and the Long-Term Vision Report.  
33

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

5  
6 **Section 16. Medium-term Fiscal Strategy.**– The DBM, in coordination  
7 with the DOF, NEDA, and OP in the DBCC, shall prepare, subject to  
8 approval of the President, a Medium-term Fiscal Strategy and its annual  
9 updates. The Strategy and its updates shall be consistent with the approved  
10 Statement of Fiscal Policy and Long-Term Vision Report. It shall include a  
11 summary of the fiscal policies for revenue, debt, deficit, expenditure, and  
12 fiscal risk management, supported by a medium-term fiscal sustainability  
13 analysis, consistent with the measurable fiscal objectives established in the  
14 approved Statement of Fiscal Policy. The IRR of this Act shall detail the  
15 other specifications for the Medium-term Fiscal Strategy and its updates.  
16

17 The President shall submit for the information of Congress, the Medium-  
18 term Fiscal Strategy for the following fiscal year not later than March 15 of  
19 the current year and shall publish the said report on a government website  
20 not later than seven (7) days after it is submitted to Congress.  
21

22 **Section 17. Fiscal Reports.** – The DBM, in coordination with the DOF,  
23 NEDA, and OP in the DBCC, shall produce a Mid-year Fiscal Report (MFR),  
24 covering the first half of the current fiscal year and an Annual Fiscal Report  
25 (AFR) on the government’s macroeconomic and fiscal performance covering  
26 the preceding fiscal year.  
27

28 The MFR and AFR shall include information on macroeconomic and fiscal  
29 outturns for the period covered as compared against forecasts and objectives  
30 stated in the Medium-term Fiscal Strategy; as well as reporting on budget  
31 execution, at least in the aggregate and by agency level, compared against  
32 approved appropriations and other spending authorities. The IRR of this Act  
33 shall detail the other specifications for the contents of the MFR and AFR.  
34

35 The President shall submit the MFR to Congress not later than  
36 September 30 of each year while the AFR shall be submitted together with  
37 the Proposed National Budget. Said reports shall be published on a  
38 government website not later than seven (7) days after they are submitted to  
39 Congress.  
40

41 **Section 18. Long-term Vision Report.** – The NEDA, in coordination with  
42 the DOF, DBM and OP in the DBCC, shall submit a Long-term Vision  
43 Report to the President and Cabinet, and Congress not later than October  
44 31 and November 30, respectively. Said Report shall assess the long-term  
45 sustainability of existing government policies over the next twenty-five (25)  
46 years, taking into account demographic, environmental, and other changes.  
47

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

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

7 **Section 19. *Deviations from Fiscal Objectives.*** – The government may  
8 deviate from the medium-term fiscal objectives in the approved Statement of  
9 Fiscal Policy on a temporary basis, where such deviation is due to a major  
10 natural disaster, unanticipated severe economic shock, or other significant  
11 unforeseeable event that cannot be accommodated through accessing the  
12 Contingent Fund and/or the National Disaster Risk Reduction and  
13 Management Fund, as may be applicable or prudent fiscal policy  
14 adjustments, or the use of other flexibilities provided in this Act.  
15

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

21 **Section 20. *Shared Fiscal Discipline.*** – All proposed revenue eroding and  
22 expenditure bills shall include a Financial and Budgetary Information Sheet  
23 upon filing of the bill containing an estimate of the financial and budgetary  
24 implications of said proposal for the initial year of implementation and the  
25 next five (5) years. Expenditure bills refer to those which will result in a  
26 reduction of revenue collections or an increase in national government  
27 expenditures, including those mandating the creation of recurring  
28 expenditures.

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

#### 33 **PART IV**

### 34 **BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT**

35  
36 **Section 21. *Governing Principles in Budget Preparation.*** – There is  
37 hereby established a set of governing principles to be observed by the NGAs,  
38 GOCCs, and LGUs in the preparation of their annual budget proposals, and  
39 by the DBM in the preparation, and the presentation to Congress, of the  
40 Proposed National Budget:  
41

42 (a) Cash-based estimates shall be adopted in the proposed general and  
43 special appropriations bills to promote faster and more effective  
44 delivery of services;  
45

46 (b) The overall expenditure program of the government for a given fiscal  
47 year shall be included, identifying those requiring approval by  
48 Congress and those authorized under existing laws;  
49

- 1 (c) All sources of funds and authorized uses available to the agency shall  
2 be considered in the evaluation of agency proposals and determination  
3 of agency budget levels, and shall likewise be disclosed in the  
4 Proposed National Budget and reports;  
5
- 6 (d) Evaluation of agency proposals may include the analysis of a  
7 development plan, master plan or road map, agency capability as  
8 demonstrated by previous years' performance, its contribution to  
9 projects and activities of other agencies, utilization of funds  
10 appropriated or released, and such other criteria as may be  
11 determined by the DBM. The performance shall be evaluated based on  
12 the actual disbursements and contractual commitments as compared  
13 to the appropriations;  
14
- 15 (e) All appropriations shall be valid for one fiscal year i.e., from the  
16 effectivity of the appropriations act until the end of the fiscal year  
17 concerned with no provision for carryover, except for a three month  
18 Extended Payment Period in the following fiscal year to allow agencies  
19 to settle payments for goods and services delivered during the  
20 previous fiscal year;  
21
- 22 (f) Items of appropriations shall be presented in such a way as to identify  
23 both the entity responsible for the expenditure and the intended  
24 results from the use of the appropriation in order to evaluate the  
25 performance of the agency;  
26
- 27 (g) Both the financial and non-financial performance of agencies shall be  
28 presented in the Proposed National Budget and the General  
29 Appropriations Act to ensure a performance-informed budget; and  
30
- 31 (h) Items of appropriations shall be reflected by department, agencies,  
32 bureaus, and offices, and shall be presented for information purposes,  
33 by region and province, and eventually, by city or municipality.  
34

35 **Section 22. Planning-Budgeting Linkage.** - Development strategies  
36 identified in the Philippine Development Plan (PDP) shall be a primary  
37 consideration in the formulation of the budget priorities framework. These  
38 shall also be the basis for drawing up strategic and prioritized programs and  
39 projects in the multi-year public investment program, which in turn will be  
40 considered in the formulation of the annual agency budgets that conform to  
41 the annual budget ceilings approved by the President.  
42

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

1  
2 **Section 23. Budget Priorities Framework.** – The DBM, in coordination  
3 with the DOF, NEDA and OP in the DBCC, shall present to the President  
4 and Cabinet, on or before April of each year, a Budget Priorities Framework  
5 which shall guide the formulation of the Budget for the following year by  
6 containing the medium-term fiscal strategy and targets underlying the  
7 budget; the priority areas for government spending reflected in the PDP,  
8 estimated amount and planned allocation of the fiscal space; and other  
9 requirements laid down in the IRR.

10  
11 **Section 24. The Budget Preparation Process.** – The DBM shall determine  
12 the budget preparation process and calendar. The budget preparation  
13 process shall cover: (i) NGAs; (ii) GOCCs with respect to their impact on  
14 revenues, expenditures, assets, and liabilities and risks of the government;  
15 and (iii) LGUs as to their impact on revenues and expenditures of the  
16 government.

17  
18 **Section 25. The Proposed National Budget.** – The President shall submit  
19 to Congress, not later than thirty (30) days from the fourth Monday of July  
20 of every year, the Proposed National Budget, which shall be the basis of the  
21 General Appropriations Bill.

22  
23 The President shall determine the form and content of the Proposed  
24 National Budget which shall include, but not limited, to the following:

- 25  
26 (a) President's Budget Message –provides a preview of the Proposed  
27 National Budget, explaining the principles, objectives and policy  
28 framework adopted and the spending priorities for the fiscal year;  
29  
30 (b) Budget of Expenditures and Sources of Financing (BESF) –contains  
31 the macroeconomic parameters; dimensions of three-year (3-year)  
32 expenditure program, revenues, financing, and outstanding debt;  
33 overview of the financial positions of GOCCs, LGUs, and public-private  
34 partnership projects, as well as the other items listed in the IRR;  
35  
36 (c) National Expenditure Program (NEP) – includes the strategic  
37 objectives, details of the three-year (3-year) expenditure program,  
38 performance information, such as key strategies, outputs and  
39 outcomes for agencies in relation to their budgets, and staffing  
40 summary;  
41  
42 (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal  
43 risks that the national government faces, including those from the  
44 contingent liabilities of Government Agencies and other items listed in  
45 the IRR.

46  
47 As required under Section 17 of this Act, the President shall likewise  
48 submit for consideration of Congress, the Annual Fiscal Report for the  
49 preceding fiscal year not later than the abovementioned date, and the Mid-

1 year Fiscal Report for the current year not later than September 30 of every  
2 year.

3  
4 Congress may not increase the appropriations recommended by the  
5 President for the operations of government as specified in the Proposed  
6 National Budget.

7  
8 The President shall publish the Proposed National Budget on a  
9 Government website on the same day as it is presented to Congress.

10  
11 **Section 26. Program Classification.** – The Proposed National Budget shall  
12 adopt a structure based on a program classification that groups line items  
13 under the objectives or outcomes to which they contribute to. Performance  
14 information shall be provided for each program to facilitate the evaluation of  
15 the cost effectiveness of the programs and provide better information for  
16 analysis and feedback for planning and prioritization of expenditures.

17  
18 **Section 27. Lump Sum Appropriations.** – To promote the transparent and  
19 detailed disclosure of all proposed government spending, lump sum  
20 appropriations and special purpose funds (SPFs) in the Proposed National  
21 Budget shall be limited to: (1) the National Disaster Risk Reduction and  
22 Management Fund (NDRRMF); (2) the Contingent Fund; (3) Statutory Shares  
23 of LGUs; and (4) other SPFs not falling under any of the preceding purposes  
24 and the details of which could not be determined during the budget  
25 preparation stage.

26  
27 **Section 28. National Disaster Risk Reduction and Management Fund.**  
28 – The NDRRMF shall be used for: (1) disaster risk reduction or mitigation,  
29 prevention and preparedness activities, such as, but not limited to, training  
30 of personnel, procurement of equipment, and capital expenditures; and (2)  
31 relief, recovery, reconstruction and other work or services in connection with  
32 natural or human induced calamities which may occur during the budget  
33 year or those that occurred in the preceding two (2) years.

34  
35 The NDRRMF may include the Quick Response Fund (QRF) of agencies,  
36 which shall be used as a standby fund in order that the situation and living  
37 conditions of people in communities or areas stricken by calamities,  
38 epidemics, crises, and catastrophes may be normalized as quickly as  
39 possible. The QRF shall be released directly to the agencies concerned upon  
40 approval of the DBM.

41  
42 Releases from the NDRRMF, other than the QRF, shall be subject to the  
43 prior approval of the President, who may take into consideration the  
44 recommendation of the National Disaster Risk Reduction and Management  
45 Council and the appropriate agency for local and international disasters and  
46 calamities.

47  
48 **Section 29. Contingent Fund.** – The Contingent Fund shall cover the  
49 funding requirements of new and/or urgent projects and activities of

1 national government agencies and GOCCs that need to be implemented or  
2 paid during the year, such as, legal obligation of the government arising  
3 from final and executory decisions by competent authority, including  
4 arbitration awards, mediation settlement, or compromise agreements,  
5 requirements of newly created offices, or deficiencies in the appropriations  
6 for local and external travels of the President of the Philippines.  
7

8 Releases from the Contingent Fund shall be subject to approval by the  
9 President of the Philippines, other than payment resulting from final and  
10 executory decisions promulgated by competent authorities, which shall be  
11 subject to approval by the DBM.  
12

13 The DBM shall inform Congress of all releases from the Contingent Fund  
14 in the quarterly and annual fiscal reports including information on the date  
15 of release, the amount covered, corresponding purpose/s and recipient  
16 agency.  
17

18 **Section 30. Statutory Shares of Local Government Units.** – The shares  
19 of LGUs in the proceeds from national taxes and other transfers to LGUs  
20 authorized by law shall be released to the LGUs in accordance with the  
21 provisions on the use, allocation, and release of the funds as may be  
22 provided in pertinent laws, rules and regulations.  
23

24 **Section 31. Unprogrammed Appropriations.** – Congress may authorize  
25 standby appropriations to cover the funding requirements of other priority  
26 projects and activities or contingencies, as well as provide appropriations  
27 cover for foreign-assisted projects (FAPs) not specifically included in the  
28 programmed component of the Appropriations Law. The Unprogrammed  
29 Appropriations shall have the same level of details as in the programmed  
30 component of the Appropriations Law. The amount authorized under the  
31 Unprogrammed Appropriations shall not exceed two percent (2%) of the total  
32 proposed expenditure in the programmed component of the Appropriations  
33 Law.  
34

35 The Unprogrammed Appropriations shall take effect only when supported  
36 by excess collections generated in any one of the particular tax or non-tax  
37 revenue source from its corresponding revenue collections target in the  
38 BESF as certified by the BTr, or when there are new loan agreements for  
39 FAPs. In no case shall the Unprogrammed Appropriations be activated or  
40 released when there is a risk of breaching the measurable fiscal objectives  
41 for the budget balance (including a deficit) or debt for the financial year or  
42 future years as provided in the Statement of Fiscal Policy and Medium-term  
43 Fiscal Strategy or if there is a risk of breaching any of the Fiscal  
44 Responsibility Principles.  
45

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

8 Releases from the Unprogrammed Appropriations shall be subject to the  
9 prior approval of the President of the Philippines, other than final and  
10 executory decisions, which shall be subject to approval of the DBM.  
11

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

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

25 **Section 33. Re-enacted Budget.** – If, by the end of any fiscal year,  
26 Congress shall have failed to enact the General Appropriations Bill for the  
27 ensuing fiscal year, the General Appropriations Law for the preceding fiscal  
28 year shall be deemed re-enacted and shall remain in force and effect until  
29 the said General Appropriations Bill is passed by the Congress.  
30

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

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

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

- 43 1. Ongoing programs, projects and activities;
- 44 2. Personnel benefits, including retirement gratuities, pensions,  
45 terminal leave pays and related expenses;
- 46 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and  
47 other SPFs; and
- 48 4. Budgetary support to GOCCs for their operational requirements.

1 (c) In no case shall the following be considered part of the Re-enacted  
2 Budget:

- 3
- 4 1. Completed programs, projects and activities funded in the
- 5 General Appropriation Law for the preceding fiscal year;
- 6 2. Budgetary support for GOCCs for support to programs,
- 7 activities or projects; and
- 8 3. Equity contribution of the National Government to GOCCs.
- 9

10 The items and/or amount of appropriations not covered under the Re-  
11 enacted Budget as provided above shall not be released, disbursed,  
12 or utilized for the purpose previously authorized.

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

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

24  
25 **Section 34. Special Appropriations Bill.** – A Special Appropriations Bill  
26 is a proposal submitted by the President, as recommended by the DBM,  
27 before Congress to provide authorization for expenditures for a specific  
28 purpose not included or not covered under the annual appropriations laws.  
29 It shall specify the purpose/s for which it is intended and be valid until the  
30 end of the fiscal year of its enactment.

31  
32 A Special Appropriations Bill shall be supported by funds actually  
33 available or those which are not included in the fiscal year's sources of  
34 financing under the BESF as certified by the National Treasurer, or to be  
35 raised by a corresponding revenue measure proposed therein. The amount  
36 to be authorized by Congress in a Special Appropriations Bill may be more  
37 than that originally proposed for as long as the same is supported by any or  
38 a combination of the above sources and is consistent with the Fiscal  
39 Responsibility Principles and the Medium-term Fiscal Strategy. A Special  
40 Appropriations Bill may only be proposed after the passage of the General  
41 Appropriations Law, except for the following: (1) disaster-related purposes;  
42 (2) urgent projects and/or activities; and (2) unforeseen requirements of the  
43 government.

44  
45 A Special Appropriations Bill may likewise refer to a proposal submitted  
46 by the President, as recommended by the DBM, before Congress for  
47 additional appropriations for existing or new programs, activities or projects  
48 of an NGA or GOCC with fast in-year disbursement rate. In this case, the  
49 bill may be supported by the current fiscal year's sources of financing as

1 certified by the National Treasurer due to reversion of funds of NGAs or  
2 GOCCs resulting from slow implementation of programs, activities or  
3 projects.  
4

5 **Section 35. Release and Expenditure of Public Funds.** – The government  
6 shall commence releases of Public Funds covered by an Appropriations Law  
7 as soon as such Law comes into force to ensure timely and efficient  
8 disbursement by the appropriate implementing agencies, subject to  
9 pertinent budgeting and auditing rules and regulations. Upon the  
10 implementation of cash-based appropriations, the Appropriations Law shall  
11 be considered the authority of the agencies to contract out and disburse  
12 funds, except for instances provided in the IRR.  
13

14 **Section 36. Availability of Cash-Based Appropriations.** – All  
15 appropriations shall be available for release, contractual commitment and  
16 disbursement until the end of the fiscal year. However, Government  
17 Agencies may still disburse funds not later than the three (3) months  
18 Extended Payment Period from the end of the fiscal year for goods or  
19 services which have already been delivered or rendered within the fiscal  
20 year. Said payments shall be chargeable against the authorized  
21 appropriations of the said preceding fiscal year.  
22

23 **Section 37. Multi-year Contracts.** – The DBM shall identify the  
24 requirements and/or prescribe guidelines before agencies may enter into  
25 multi-year contracts such as the issuance of a Multi-year Contractual  
26 Authority (MYCA).  
27

28 In the case of GOCCs, they shall secure prior authority from their  
29 respective governing boards before entering into multi-year contracts.  
30

31 For solicited multi-year Public-Private Partnership projects approved  
32 under Republic Act (R.A.) No. 6957, as amended by R.A. No. 7718, the  
33 National Government responsibility shall be covered by a letter of  
34 commitment issued in accordance with the guidelines issued by the DBM.  
35

36 In all instances, the disbursements to be incurred for multi-year  
37 contracts shall in no case exceed the cash appropriations for the purpose  
38 during the year. Procurement of multi-year projects shall be subject to the  
39 provisions of R.A. No. 9184 and its IRR and the guidelines issued by the  
40 Government Procurement Policy Board (GPPB).  
41

42 **Section 38. Early Procurement Activities.** – To ensure full budget  
43 utilization, timely contract implementation and efficient delivery of services,  
44 agencies are authorized to undertake procurement activities from pre-  
45 procurement conference until post-qualification of bids based on their  
46 proposed budget in the NEP, COBs or Appropriations Ordinance, in  
47 accordance with the guidelines issued by the GPPB.  
48

1 For multi-year projects, the issuance of a MYCA by the DBM is required  
2 prior to commencement of any procurement activity. All existing Multi-Year  
3 Obligational Authority shall be understood to refer to MYCA.  
4

5 Agencies may only proceed with the awarding of contract upon approval  
6 or enactment of their respective appropriations or budget authorization  
7 document, as the case may be, and based on the amount authorized  
8 therein.  
9

10 **Section 39. Impoundment of Appropriations.** – The President of the  
11 Philippines, upon recommendation of the DBM may propose the rescission  
12 of appropriations from both houses of Congress, under any of the following:  
13

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

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

18 Unmanageable National Government budget deficit as used in this  
19 section shall be construed to mean that: (i) the actual National Government  
20 budget deficit has exceeded the quarterly budget deficit targets consistent  
21 with the full-year target deficit as indicated in the BESF submitted by the  
22 President to Congress pursuant to Section 22, Article VII of the Constitution;  
23 or (ii) there are clear economic indications of an impending occurrence of  
24 such condition, as determined by the DBCC and approved by the President.  
25

26 Both Houses of Congress shall act on the proposed rescission within  
27 forty-five (45) days after the receipt of the impoundment proposal from the  
28 President by issuing a joint Impoundment Resolution. Within the same  
29 period of forty-five (45) calendar days, the appropriations covered by the  
30 Impoundment Proposal shall not, in any way, be rescinded in relation to the  
31 purposes and objectives for which it was appropriated. Congressional  
32 inaction after the 45-day period, is equivalent to an approval of the  
33 impoundment proposal.  
34

35 Impounded funds shall revert to the National Treasury and shall not  
36 thereafter be available for expenditure except by subsequent legislative  
37 enactment.  
38

39 **Section 40. Authority to Declare and Use Savings.** – The President of the  
40 Philippines, the President of the Senate of the Philippines, the Speaker of  
41 the House of Representatives, the Chief Justice of the Supreme Court, the  
42 Ombudsman, the Heads of the Civil Service Commission, the Commission  
43 on Elections, and the COA are hereby authorized to declare and use savings  
44 in their respective appropriations to augment actual deficiencies incurred for  
45 the current year in any item of their respective appropriations. An item of  
46 appropriation shall pertain to the amount appropriated for a program,  
47 activity or project in the Appropriations Law. In the case of programs with  
48 several activities and/or projects, each activity and/or project shall be  
49 considered an item of appropriation.

1  
2 The foregoing constitutional officers authorized to use savings shall be  
3 responsible for ensuring that a semestral and annual report on their  
4 respective use of savings shall be submitted to the President of the Senate of  
5 the Philippines and the Speaker of the House of the Representatives, copy  
6 furnished the DBM. The report shall indicate among others, the amount of  
7 savings generated, the sources and grounds used therefor, and the existing  
8 program, activity or project in their respective appropriations augmented.  
9 They shall likewise ensure that said reports are posted on their respective  
10 websites.

11  
12 The DBM shall determine the procedure, as well as the supporting  
13 documents needed in the declaration and use of savings authorized in this  
14 Act.

15  
16 **Section 41. Meaning of Savings.** – Savings refer to portions or balances of  
17 any released appropriations in this Act which have not been obligated as a  
18 result of any of the following:

- 19  
20 (a) Completion, final discontinuance, or abandonment of a program,  
21 activity or project for which the appropriation is authorized; or  
22  
23 (b) Implementation of measures resulting in improved systems and  
24 efficiencies and thus enabled an agency to meet and deliver the  
25 required or planned targets, programs and services approved in this  
26 Act at a lesser cost.

27  
28 In case final discontinuance or abandonment is used as basis in the  
29 declaration of savings, such discontinued or abandoned program, activity or  
30 project shall no longer be proposed for funding in the next two (2) fiscal  
31 years.

32  
33 Allotments that were not obligated due to the fault of the agency  
34 concerned shall not be considered savings.

35  
36 **Section 42. Rules on Augmentation.** – Augmentation is the act of the  
37 constitutional officers authorized to use savings in their respective  
38 appropriations to cover a deficiency in any existing program, activity or  
39 project within their respective offices. A deficiency in a program, activity or  
40 project may result from:

- 41  
42 (a) Unforeseen modifications or adjustments in the program, activity or  
43 project; or  
44 (b) Re-assessment in the use, prioritization and/or distribution of  
45 resources.

46 The particulars of the expenditures to be funded from savings should be  
47 within the scope of, or covered by an existing program, activity or project.  
48 The existence of a program, activity or project regardless of the availability of  
49 allotment class/es is sufficient for the purpose of augmentation.

1  
2 In no case shall a non-existent program, activity or project be funded by  
3 augmentation from savings or by the use of an appropriations otherwise in  
4 this Act.

5  
6 **Section 43. Rules on Modification in the Allotment.** – Modification in the  
7 allotment is the limited flexibility given to NGAs to modify or change the  
8 allotment within an existing program, activity or project which shall not  
9 entail any augmentation of the amount appropriated for the said program,  
10 activity or project during budget execution. In the case of programs with  
11 several activities and/or projects, modification may only be undertaken  
12 within each activity and/or project.

13  
14 Modification in the allotment may be undertaken in any of the cases  
15 specified in the rules and regulations issued by the DBM to ensure the  
16 uniform implementation among the various branches of government, the  
17 proper recording of modifications, and the timely submission of reports by  
18 all the offices concerned.

19  
20  
21 **PART V**  
22 **FINANCIAL MANAGEMENT**  
23

24 **Section 44. General Fund.** – All monies received by NGAs, whether  
25 coming from taxes, fees, charges, penalties, income, dividends, interest  
26 earnings, loan proceeds, grants, donations, asset sale proceeds and such  
27 other receivables, shall accrue to the General Fund and be remitted to the  
28 National Treasury, unless otherwise provided by law or stipulated by  
29 covering loan or grant agreements. Monies under the General Fund shall be  
30 made available to support the requirements of the National Government  
31 authorized in an Appropriations Law.

32  
33 A Special Account in the General Fund (SAGF) shall be established by  
34 law only under exceptional circumstances to record taxes, fees, charges,  
35 penalties, income, dividend, interest earnings, grants, and donations  
36 collected, earned or received by NGAs for specified purposes. All laws  
37 authorizing the establishment of SAGFs shall specify the period of use  
38 thereof which shall not exceed three (3) years, or if no period is specified,  
39 shall be deemed to be until the fulfilment of the purpose for which the SAGF  
40 was authorized or for three years, whichever comes earlier. All interests  
41 earned by SAGFs shall accrue to the General Fund. The balance of SAGFs  
42 upon their termination shall form part of the General Fund.

43  
44 All earmarked revenues with significant inflows, a large portion of which  
45 are not or not expected to be programmed for disbursement during the year  
46 shall be treated as Trust Funds and recorded as trust receipts. Proceeds  
47 from these Trust Funds shall be recorded only as revenue inflow in the  
48 General Fund when programmed to be spent for the year.

1 The Permanent Committee created under Executive Order No. 292, s.  
2 1987 shall recommend for approval of the President the change in the  
3 treatment of existing SAGFs that shall be converted into Trust Funds by  
4 virtue of the foregoing. The recording of revenue inflows from these SAGFs  
5 shall be governed by the guidelines to be issued by the Permanent  
6 Committee.

7  
8 **Section 45. Special Funds.** – In exceptional cases when a SAGF is not  
9 suitable for the operations of a fund, Special Funds shall be authorized by  
10 law and limited to the following:

- 11  
12 (a) Trust Fund – constituted from identified revenue sources and other  
13 receipts by NGAs or public officials acting as trustees, agents, or  
14 administrators for the fulfillment of commitments or accomplishment  
15 of specified purposes. Trust Funds shall be deposited in the TSA;  
16  
17 (b) Revolving Fund – constituted from receipts derived from business-type  
18 activities of NGAs to be used for the operating requirements of said  
19 business-type activities and as such are considered self-liquidating.  
20 Revolving Funds shall be deposited in the TSA or in an Authorized  
21 Government Depository Bank (AGDB) upon authority of the National  
22 Treasurer; and  
23  
24 (c) Retained Fund – constituted from taxes, fees, charges, penalties,  
25 income, dividends, or interest earnings collected, earned or received  
26 by NGAs which are expressly authorized by law to be retained by  
27 NGAs and utilized for specified purposes. Retained Funds shall be  
28 deposited in the TSA or in an AGDB upon authority of the National  
29 Treasurer.

30  
31 Notwithstanding the provisions of laws to the contrary, Special Funds  
32 may only be established after evaluation by the Permanent Committee, as to  
33 their proper category and compliance with the foregoing conditions. Any  
34 interest earned by Special Funds shall accrue to said Funds.

35  
36 **Section 46. Review by the Permanent Committee.** – The Permanent  
37 Committee shall review all existing SAGFs and Special Funds to validate  
38 their compliance with the foregoing requirements. Upon evaluation, the  
39 Permanent Committee shall recommend for approval of the President the  
40 modification and/or termination of said funds as may be necessary.

41  
42 It shall likewise review all SAGFs created upon the passage of this Act  
43 and may recommend to extend their validity period, but in no case shall the  
44 extension exceed three (3) years at any one time, subject to approval of the  
45 President.

46  
47 The Permanent Committee shall jointly issue guidelines for the  
48 establishment, review and evaluation, accounting and reporting, and  
49 termination of SAGFs and Special Funds.

1  
2 **Section 47. Escrow Fund.** – Escrow Funds are constituted from funds for  
3 which the government’s legal right to use is contingent upon a future event  
4 which may or may not occur. Escrow Funds shall be deposited in the TSA or  
5 an AGDB upon authority of the National Treasurer, and shall subsequently  
6 be part of the General Fund upon the occurrence of the future contingent  
7 event. Any interest earned by an Escrow Fund shall accrue to the said  
8 Fund. The amounts under escrow, including interest earned shall form part  
9 of the General Fund upon the occurrence of the future contingent event.  
10

11 **Section 48. Waiver, Abatement, Refund and Compromise Agreements.** –  
12 No public official shall waive, abate, refund, or enter into a compromise  
13 agreement on a tax liability or the payment of fees or charges except in  
14 accordance with law. All waivers, abatements, refunds or compromise  
15 agreements made by an NGA shall be properly accounted for and reported.  
16 Refund of taxes and other revenues shall be treated as a reduction in  
17 revenue collections.  
18

19 **Section 49. Grants.** – NGAs may accept, with prior coordination with DOF,  
20 grants, in cash or in kind, from domestic or foreign sources, for purposes  
21 relevant to their functions. In the case of grants, in cash or in kind, from  
22 governments of foreign countries, their agencies and instrumentalities and  
23 international or multilateral institutions or organizations, acceptance  
24 thereof shall be subject to the prior clearance and approval by the President  
25 or his authorized representative based on the recommendation of the  
26 Secretary of Finance.  
27

28 The provisions of this Section shall not apply to: (1) any grant received by  
29 LGUs or GOCCs, except where the grant is received by them on behalf of the  
30 NG; or (2) any grant authorized or covered in accordance with existing law.  
31

32 Grants received in kind shall be valued and registered in the proper  
33 registry of the National Government.  
34

35 **Section 50. Treasury Single Account.** – The TSA refers to the banking  
36 arrangement managed by the BTr wherein the government transacts all  
37 monies collected, received or paid by NGAs in one bank account or a set of  
38 linked bank accounts and gets a consolidated view of its cash position on at  
39 least, a daily basis.  
40

41 The TSA shall cover remittances, releases or disbursements from the  
42 General Fund, SAGFs, Special Funds, and any other fund managed by the  
43 BTr, except in any of the following instances:  
44

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

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

**Section 51. Oversight on Government Bank Accounts.** –Notwithstanding any provision of law to the contrary, the BTr shall undertake any of the following in case of violation of a provision in this Act and guidelines issued on the implementation of the TSA:

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

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

**Section 52. Treasury Cash Management.** – The BTr shall issue orders for the conduct of cash management including the requirement to provide projections on the timing of future transactions of NGAs taking into consideration that the appropriations law is considered the authority of the agencies to contract out and disburse funds, except for instances provided in the IRR.

**Section 53. Investments.** – The BTr may invest portions of the funds held in the TSA for such periods as the BTr may deem prudent considering cash management requirements and based on terms and conditions as may be set by the IRR of this Act. Investments are authorized to be made in any of the following:

- (a) Deposit with any highly reputable bank following a selection criteria to be issued by the Secretary of Finance in consultation with the BSP;
- (b) Sovereign-issued securities with an investment grade rating; or
- (c) Other fixed income securities with an AAA credit rating issued by at least two (2) reputable international credit rating agencies acceptable to the Secretary of Finance.

1  
2 The BTr may appoint a fund manager as an agent of the National  
3 Government to undertake the investment of the funds.  
4

5 Interest earned and other income from investments shall accrue to the  
6 General Fund, unless otherwise provided by law.  
7

8 **Section 54. Management of National Government Borrowings. -**  
9 Borrowings by the National Government shall be for any of the following  
10 purposes:  
11

- 12 1. Financing budget deficits and liquidity shortfalls;
- 13 2. Refinancing and pre-financing maturing debts;
- 14 3. Obtaining foreign currency on behalf of the BSP;
- 15 4. On-lending to an approved entity;
- 16 5. Financing all sums of money paid to fulfill guarantees;
- 17 6. Regulating internal monetary conditions should the necessity arise;
- 18 7. Providing financing to remedy the effects of natural calamities; or
- 19 8. Defraying expenditures covered by appropriations.  
20

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

24 **Section 55. Borrowings by Government -Owned or -Controlled**  
25 **Corporations. -** Before the end of each fiscal year, the Head of a GOCC  
26 shall prepare a borrowing program for the following fiscal year which shall  
27 support the COB and for the medium term, both of which shall include a  
28 full financial plan with the details of the loans, refinancing and repayment  
29 that the GOCC intends to take. Said borrowing program, including changes  
30 thereon, shall be subject to the approval of the Head of the NGA overseeing  
31 the GOCC, and shall be submitted to DOF for information, and shall be  
32 published in the concerned GOCC website.  
33

34 GOCCs shall seek approval of DOF for their borrowing activities as  
35 defined in the IRR.  
36

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

41 **Section 56. Local Government Borrowings. -** An LGU may borrow funds  
42 from domestic and foreign sources in accordance with the Local Government  
43 Code of 1991 or any other applicable law. The financial plan including  
44 borrowing program shall be published in the appropriate government  
45 website within seven (7) days after the borrowing program has been  
46 approved.  
47

1 **Section 57. Debt Reporting.** – The DOF, through the BTr, shall ensure that  
2 the records include information on the principal, terms of repayment,  
3 amounts drawn, interests and service charges accrued, principal and  
4 interests paid, and the balance outstanding, and shall make the records  
5 available in a timely way to the President, Congress and COA when  
6 requested and in accordance with the reporting requirements in this Act.

7  
8 Each LGU and GOCC shall maintain records and provide reports to the  
9 DOF on loans as required by relevant laws, rules and regulations.

10  
11 **Section 58. Guarantees.** – Guarantee, indemnity or security shall be  
12 provided to an NGA or a GOCC as provided by law, and subject to the  
13 annual guarantee ceiling prescribed in the General Appropriations Law, and  
14 upon such terms and conditions as the Secretary of Finance may  
15 recommend consistent with relevant laws, rules and regulations. The overall  
16 level of guarantee, indemnity or security shall adhere to the Fiscal  
17 Responsibility Principles laid down in this Act and the fiscal objectives in the  
18 Statement of Fiscal Policy.

19  
20 The DOF shall charge a risk-based fee for any guarantee, indemnity,  
21 security, relending or similar financial accommodation it may extend to a  
22 GOCC.

23  
24 In no case shall the National Government be liable for any borrowings by  
25 any agency of the government except for explicit guarantees as provided by  
26 law.

27  
28 **Section 59. Limitation on the Liability of the National Government For**  
29 **Debts of Other Entities.** – The National Government shall not be liable for  
30 any implied guarantees asserted by any person or entity, but only for  
31 explicit guarantees extended in accordance with existing laws, and  
32 guarantees in favor of the Government Service Insurance System, Home  
33 Development Mutual Fund, Philippine Health Insurance Corporation, and  
34 the Social Security System in their respective charters.

35  
36 **Section 60. Payments Made for Contingent Liabilities.** – Any money paid  
37 by the DOF pursuant to any guarantee, indemnity, or security authorized by  
38 law and the expenses associated with the same shall constitute a debt due  
39 the National Government from the entity for whose benefit the payment on  
40 the guarantee, indemnity, or security was made.

41  
42 **Section 61. Information on Contingent Liabilities.** – The DOF shall keep  
43 a complete and updated registry of all contingent liabilities of the National  
44 Government, and provide the OCG with a report on contingent liabilities as  
45 of the fiscal year.

PART VI  
ACCOUNTABILITY AND REPORTING

**Section 62. *Financial Management and Internal Control.*** – The Head of Agency shall be responsible and accountable for the financial management of the agency which shall include meeting performance targets, controlling costs, mitigating adverse risks to agency operations, and ensuring that budgets are managed with integrity and in compliance with applicable laws. Adequate internal controls shall be ensured and an internal audit function shall be maintained.

**Section 63. *Integrated Financial Management Information System.*** – There shall be an integrated financial management information system, which shall be the single portal of all financial transactions and reports to be used by NGAs, GOCCs and LGUs to integrate budgeting, cash management, accounting and auditing processes.

**Section 64. *NGA Annual Plans and Proposed Budgets.*** – The Head of each NGA shall produce an Annual Plan which shall have a medium term scope, with details for the following fiscal year, and shall include information on the strategic priorities for the medium-term, consistent with the Philippine Development Plan; performance information; summary proposed budget including financial forecasts assumptions and highlighting significant capital projects; and other information as required in the IRR, as well as the Budget Call and other related orders from the DBM. The Annual Plan shall be submitted to DBM during the budget preparation process consistent with the timetable and other guidelines in the Budget Call.

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

**Section 65. *NGA Reporting Requirements.*** – For greater transparency and accountability, each Head of an NGA shall:

- (a) Submit monthly and quarterly reports on the agency's financial and non-financial performance to the DBM and OCG, not later than thirty (30) days after the end of every month and quarter in the format specified by the DBM and shall publish the same on a government website within the same reglementary period;
- (b) Prepare an Annual Report which shall include year-end financial statements, reporting on non-financial performance compared against the Annual Plan, and other information as required in the IRR; submit the said Report to the DBM, OCG, and Congress no later than six (6) months after the end of the fiscal year; and publish the said Report in a government website no later than seven (7) days after its submission to Congress.

1  
2 The monthly, quarterly, and annual reports of a Department shall  
3 incorporate the reports of its attached NGAs and GOCCs subject to  
4 guidelines prescribed in the IRR.  
5

6 **Section 66. Service Agreements.** – The Head of an NGA may enter into a  
7 service and/or performance agreement with another agency for the latter to  
8 provide services charged against the budget of said principal agency.  
9

10 **Section 67. Corporate Operating Budget.** – The Board of Directors or  
11 Trustees of a GOCC shall prepare and submit a COB to the Head of the NGA  
12 overseeing said GOCC, the DBM, and the DOF, not later than ninety (90)  
13 days prior to the commencement of the fiscal year, which shall include, the  
14 objectives of the GOCCs and its subsidiaries, the activities to be undertaken,  
15 performance targets and risks; forecasts of financial statements for the next  
16 three (3) years; and other information as may be required in the IRR.  
17

18 The Head of the NGA overseeing said GOCC shall endorse the Board-  
19 approved COB to the DBM, for the latter's approval. The Head of a GOCC  
20 shall publish the DBM-approved COB of the GOCC on the official website of  
21 the Corporation not later than fourteen (14) days after the approval of the  
22 COB.  
23

24 **Section 68. GOCC Reporting Requirements.** – For greater transparency  
25 and accountability, each Head of GOCCs shall:  
26

27 (a) Provide quarterly reports on financial and non-financial performance  
28 to the DOF, GCG and the DBM, no later than thirty (30) days after the  
29 end of the quarter, in the format and time specified by the DOF, GCG  
30 and DBM and shall publish it on their official website within the same  
31 period; and  
32

33 (b) Prepare an Annual Report, which shall include year-end financial  
34 statements, reporting on non-financial performance compared against  
35 the COB, and other information as required in the IRR; submit the  
36 same to the overseeing NGA, DBM, GCG, DOF and Congress no later  
37 than six (6) months after the end of the fiscal year; and publish the  
38 said Report in a government website no later than seven (7) days after  
39 its submission to Congress.  
40

41 GOCCs with subsidiaries shall reflect in its quarterly and annual reports  
42 the aforementioned required information for the whole corporate group,  
43 consistent with guidelines prescribed in the IRR.  
44

1 **Section 69. Service Agreement for a GOCC.** – Where GOCCs implement  
2 government non-commercial programs, such as housing provision,  
3 irrigation and electrification, and receive government funding, a service  
4 agreement with the NGA overseeing said GOCC shall specify the terms of  
5 delivery of goods or services that the GOCC must provide, and the funds  
6 that the government will pay. Program funds shall be under the budget of  
7 the NGA overseeing said GOCC.  
8

9 **Section 70. Local Government Units.** – The Local Chief Executives (LCEs)  
10 shall ensure that adequate internal controls and an internal audit function  
11 are maintained.  
12

13 The LCEs shall provide financial and non-financial performance  
14 information of their respective LGUs to the OCG, DILG, and the BLGF under  
15 the DOF, subject to the guidelines to be issued thereon.  
16

17 **Section 71. Application of Accounting and Auditing Requirements.** –  
18 Any expenditure of public money, including government assets or liabilities  
19 incurred by and for the Government regardless of the source of funding,  
20 shall be subject to accounting and auditing rules and regulations  
21 promulgated by the COA.  
22

23 **Section 72. Accounting Standards.** – The OCG shall specify the basis,  
24 standards and guidelines for appropriations reporting while the COA shall  
25 continue to set the basis, standards and guidelines for financial accounting  
26 for use by the NGAs, GOCCs and LGUs.  
27

28 The Heads of Agencies shall ensure that full, accurate and proper records  
29 are kept for their respective agencies on financial matters and for  
30 performance in the production of goods and services.  
31

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

1 **Section 73. Government Consolidated Reporting.** – The OCG shall  
2 submit a quarterly report on the consolidated financial performance of the  
3 government to the President, which includes information showing  
4 performance against the Appropriations Law, not later than sixty (60) days  
5 after the end of each quarter. This report shall be published in a government  
6 website within seven (7) days after the report is submitted to the President.  
7

8 The OCG shall prepare the consolidated annual financial statements, not  
9 later than six (6) months after the end of the fiscal year, for submission to  
10 the President, Congress and COA.  
11

12 **Section 74. Internal Audit Standards.** – The OCG, in coordination with  
13 COA, shall specify the standards for internal audit in the NGAs, GOCCs,  
14 and LGUs.  
15

16  
17 **PART VII**  
18 **TRANSPARENCY AND PARTICIPATION**  
19

20 **Section 75. People's Access to Public Financial Information.** – Before  
21 the start of each fiscal year, the DBM shall promulgate a Calendar of  
22 Disclosures, and shall publish this on the government website and such  
23 calendar shall contain the schedule of release of all budget documents and  
24 information required by this Act and its IRR. The DBM shall monitor and  
25 periodically report to Congress and the public on the compliance of agencies  
26 with the Calendar of Disclosures and other fiscal transparency requirements  
27 under this Act and its IRR.  
28

29 All documents and reports required to be published by this Act and its  
30 IRR shall automatically be made available electronically in a government  
31 website. Current and historical data on government revenues, expenditures,  
32 and borrowings, shall be made available electronically, in open data format,  
33 on a government website, subject to guidelines in the IRR.  
34

35 **Section 76. The People's Budget.** – The DBM shall, for every fiscal year,  
36 publish citizen-friendly summaries of the following, subject to guidelines  
37 and other specifications in the IRR:  
38

- 39 (a) The Statement of Fiscal Policy in the year of the President's election  
40 and any updates thereafter within thirty (30) days from submission to  
41 Congress;  
42  
43 (b) The Proposed National Budget, to be published in electronic format  
44 within thirty (30) days from submission to Congress of the Proposed  
45 National Budget;  
46  
47 (c) The General Appropriations Law, to be published in electronic format  
48 in a government website within thirty (30) days from its effectivity; and  
49

1 (d) The Annual Fiscal Report, to be published in electronic format in a  
2 government website within thirty (30) days from submission to  
3 Congress;  
4

5 **Section 77. People's Participation in the Budget Process.** - The  
6 government shall establish and implement suitable participatory budget  
7 mechanisms to facilitate the open, inclusive, and meaningful engagement of  
8 citizens throughout the budget process—from budget preparation, to  
9 legislation, to execution, and to accountability and audit. Such participatory  
10 mechanisms may include consultations and partnerships with civil society  
11 organizations (CSOs), academics and experts, and other individual and  
12 organized stakeholders throughout the annual budget process.  
13

14 To aid the empowerment of grassroots organizations and communities in  
15 the national budget process, the DBM, DILG, and other relevant agencies  
16 shall facilitate a process wherein CSOs, community organizations and LGUs  
17 can jointly identify local priority poverty reduction and development needs  
18 which will serve as input to the formulation of the Proposed National  
19 Budget. Such process shall consider the pursuit of meaningful local  
20 devolution and local accountability, as well as the strengthening of regional  
21 and local development councils' roles in the national budget process.  
22

23 Policies and regulations for the establishment of participatory budgeting  
24 mechanisms established by laws shall be formulated and enforced by:  
25

26 (a) The DBM, together with other relevant agencies of the executive, when  
27 it comes to participation in budget preparation, execution, and  
28 accountability;  
29

30 (b) The House of Representatives and the Senate, through their relevant  
31 committees, when it comes to participation in budget legislation; and  
32

33 (c) The COA, when it comes to participation in the conduct of audit.  
34  
35

## 36 **PART VIII** 37 **ENFORCEMENT** 38

39 **Section 78. Sanctions and Penalties.** - Without prejudice to the  
40 provisions of other laws, the following sanctions and liabilities in case of  
41 failure to comply with the reporting and posting requirements under this  
42 Act, shall be imposed:  
43

44 (a) The DBM shall not approve any request for release of allotments for  
45 items of appropriations covered in the negative list or modification in  
46 the allotment nor recommend the use of savings by the President until  
47 such time as the non-compliant agency has submitted the report/s  
48 required under this Act;  
49

- 1 (b) The COA may disallow any expenditure charged against augmentation  
2 using savings, and any expenditure due to modification in the  
3 allotment, which were made within the period succeeding the  
4 reporting period when the agency failed to comply with the reporting  
5 requirements under this Act;  
6  
7 (c) Failure to report on the income and/or funds retained at the end of a  
8 reporting period shall render all disbursements against such income  
9 or funds in subsequent reporting periods as void, and will render the  
10 responsible official liable under existing laws; and  
11  
12 (d) The Congress may *motu proprio* or upon the request of COA and/or  
13 DBM through its appropriate oversight committee compel the head of  
14 the non-compliant agency, under pain of contempt, to produce the  
15 required report/s and to explain reasons for failure to submit and  
16 disclose said report/s.  
17

18 Without prejudice to the provisions of other laws:  
19

- 20 (a) Every contractual commitment, expenditure or payment authorized or  
21 incurred in violation of the provisions of this Act shall be void and  
22 shall render the public official and/or employee authorizing or making  
23 such payment and every person in collusion with said official or  
24 employee shall jointly and severally be held liable to the government  
25 for the full amount so paid or received. The public official or employee  
26 who knowingly incurs any contractual commitment or authorizes any  
27 expenditure in violation of the provisions of this Act or takes part  
28 therein shall likewise be removed or dismissed from office, after due  
29 notice and hearing, even if no criminal charge is instituted against  
30 him;  
31  
32 (b) Any public official or employee, holding office or employment in a  
33 casual, temporary, holdover, permanent or regular capacity, who shall  
34 cause the inclusion of fraudulent information in any accountability  
35 report, shall be penalized with imprisonment not exceeding five (5)  
36 years, or a fine not exceeding One Million Pesos (P1,000,000.00), or  
37 both, without prejudice to disallowances that may be made by COA  
38 against expenditures related to such fraudulent information, provided,  
39 that this fine is reviewed and adjusted periodically to be reasonable;  
40  
41 (c) A conviction under this Act shall carry with it civil liability, which may  
42 either consist of restitution for the damage done or forfeiture in favor  
43 of the government of any unwarranted benefit derived from the act or  
44 acts in question, or both, at the discretion of the courts, in addition to  
45 possible administrative liability; and  
46

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

**Section 79. Jurisdiction.** – Actions under this Act shall be cognizable by the courts, tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.

## **PART IX FINAL PROVISIONS**

**Section 80. Implementing Rules and Regulations.** – The DBM in consultation with the DOF, BTr, NEDA and COA, and in coordination with agencies concerned, shall issue the IRR necessary for the proper implementation of this Act, within ninety (90) days from the effectivity of this Act. The IRR may be amended by the DBM, in coordination with the agencies concerned, as the need arises.

**Section 81. Transitory Provisions.** – The DBM, DOF, BTr, NEDA and COA shall produce and submit within thirty (30) days from promulgation of the IRR, a Transitory Plan for information, to the Joint Congressional Oversight Committee on Public Expenditures to ensure the proper implementation of the provisions of this Act, presenting the Sections that will not be implemented on the passing of this Act and those requiring compliance with certain conditions or the happening of events before the provisions herein may be implemented.

**Section 82. Repealing Clause.** – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, proclamation, charter, rule or regulation and/or parts thereof contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

**Section 83. Separability Clause.** – If for any reason, any section or provision of this Act is declared unconstitutional or invalid, other sections or provisions which are not affected thereby shall continue to be in full force and effect.

**Section 84. Effectivity Clause.** – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) newspapers of general circulation.

**Approved,**