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SENATE

S. No. 2750

RECEIVED BY: 

Introduced by **Senator Franklin M. Drilon**

EXPLANATORY NOTE

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

The Philippines is one of the few remaining countries where there is no law specifically tailored to public financial management. The passage of this bill will therefore stand as a veritable landmark in the history of Philippine legislation as it will not only align the public financial management system with international standards and practices but it will also consolidate, harmonize and address the gaps between existing laws, jurisprudence, executive issuances and rules pertinent to all public financial management activities.

This proposed measure further seeks to strengthen and institutionalize the fiscal reforms that have been established by the current Administration and secure its irreversibility within the Philippine bureaucracy. Entrenched in the bill are the: roles and responsibilities of all public financial management institutions; establishment of fiscal responsibility mechanisms; arrangements for the planning and control of cash and the management of revenues and liabilities; institutionalization of financial management and internal control rules for agencies, agency-level planning and reporting requirements, and whole-of-government reporting and audit; and strengthened mechanisms for citizens' access to PFM information and participation in the budget process.

Clearly, the passage of this bill will fortify the government's accountability to the people for its use of public funds through a more efficient public financial management that facilitates greater transparency and delivery of direct, immediate and substantial services.

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


Senate President Franklin M. Drilon

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Introduced by **Senate President Franklin M. Drilon**

**AN ACT TO ENFORCE GREATER ACCOUNTABILITY IN PUBLIC FINANCIAL
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PURSE, INSTITUTING AN INTEGRATED PFM SYSTEM, AND 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 “Public Financial Accountability
2 Act.”
3

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

- 11 (a) To enforce the power of Congress to authorize all appropriations and hold
12 government accountable in the use of public resources, as well as the responsibility of
13 all government agencies to propose, execute and deliver committed results in the
14 appropriations acts in a timely, predictable, and economic manner;
15
16 (b) To promote people’s empowerment in the management of public resources by
17 enforcing their right to access information on, and to contribute in the formulation
18 and implementation of, the financial affairs of the government; and
19
20 (c) To strengthen the integration of planning, budgeting, and performance management
21 and ensure ample safeguards in managing public finances, including through
22 internal controls, accounting, reporting, and risk management;
23

1 **Section 3. Scope and Coverage.** – The provisions of this Act shall apply to the
2 management of revenues, expenditures, financing arrangements, and assets and liabilities
3 of national government agencies (NGAs), government-owned or -controlled corporations
4 (GOCCs), and local government units (LGUs) to the extent provided herein.
5

6 **Section 4. Definition of Terms.** – The following terms when used in this Act and the
7 implementing rules and regulations shall be understood, as follows:
8

- 9 (a) **Accounting Standards** refer to authoritative statements on how transactions and
10 other events should be reflected in the accounts and financial statements of
11 Government Agencies as promulgated by the Commission on Audit (COA);
12
- 13 (b) **Allotment** refers to the authorization issued by the Department of Budget and
14 Management (DBM) for NGAs, GOCCs, or LGUs to incur obligations up to a certain
15 amount, for a specified public purpose, and within a specified period of time, in
16 accordance with the Appropriations Law;
17
- 18 (c) **Appropriations Law** refers to the legislative authorization for the utilization of
19 Public Funds for specific public purposes covering a specified period of time. This
20 may refer to either a general or special appropriations law;
21
- 22 (d) **Cabinet** refers to the Executive Secretary and the Secretaries of the departments
23 under the executive branch;
24
- 25 (e) **Fiscal Year** refers to a period of twelve months commencing on January 1 until
26 December 31;
27
- 28 (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;
29
- 30 (g) **Government-Owned or -Controlled Corporations** refer to agencies with
31 corporate powers, whether or not organized as a stock or non-stock corporation,
32 vested with functions relating to public needs whether governmental or proprietary
33 in nature, and owned by the Government of the Republic of the Philippines either
34 wholly or, where applicable as in the case of stock corporations, to the extent of at
35 least a majority of its outstanding capital stock. This includes Government Financial
36 Institutions, government corporate instrumentalities and related corporations;
37
- 38 (h) **Government Financial Institutions** refer to financial institutions in which the
39 GRP directly or indirectly owns the majority of the capital stock and which are either:
40 (i) registered with, or directly supervised by, the *Bangko Sentral ng Pilipinas (BSP)*;
41 or (ii) authorized to collect or transact funds or contributions from the public and
42 place them in financial instruments or assets such as deposits, loans, bonds and
43 equity;
44
- 45 (i) **Head of Agency** refers to the head of the department or agency in the case of
46 NGAs, the Board of Directors or Trustees in the case of GOCCs as well as certain
47 agencies which are structured as such, and the local chief executive in the case of
48 LGUs;
49

- 1 (j) **Local Government Units** refer to provinces, cities, municipalities, and barangays,
2 as well as autonomous regions authorized to be created in the Constitution;
3
- 4 (k) **National Government Agencies** refer to units of the national government, as
5 distinguished from GOCCs and LGUs, which include any of the departments,
6 bureaus, offices or instrumentalities of the Executive, Judicial and Legislative
7 branches of government, as well as the Constitutional Commissions, and the Office
8 of the Ombudsman;
9
- 10 (l) **Proposed National Budget** refers to a financial plan to be submitted by the
11 President to Congress reflective of national objectives, strategies and programs;
12
- 13 (m) **Public Officials** refer to elective and appointive officials and employees, in a
14 permanent or temporary capacity, whether in the career or non-career service,
15 including military and uniformed personnel, regardless of the rank, form or amount
16 of compensation;
17
- 18 (n) **Public Funds** refer to the monies of all Government Agencies sourced from taxes,
19 fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants,
20 proceeds from the sale of assets, and such other receivables of the
21 government that the Government has a legal right to retain and use and shall not
22 include any money received in error; and
23
- 24 (o) **Subsidiary** refers to a corporation where at least a majority of the outstanding
25 capital stock is owned or controlled, directly or indirectly and through one or more
26 intermediaries, by a GOCC.
27

28 In this Act the singular may be read as the plural and the plural may be read as the
29 singular, as the context requires.
30

31
32 **PART II**
33 **ADDITIONAL ROLES AND RESPONSIBILITIES**
34

35 **Section 5. Congress.** – The Congress shall, in addition to its powers under the
36 Constitution and existing laws, perform the following :
37

- 38 (a) Monitor and review government performance against the requirements of
39 appropriations and related laws, and hold Government Agencies accountable for
40 their financial and non-financial performance;
41
- 42 (b) Review reports on planned and actual performance, including the Statement of Fiscal
43 Policy, the Medium Term Fiscal Strategy, fiscal reports, annual plans of government
44 agencies, periodic and annual reports on government performance and performance
45 of government agencies; and
46
- 47 (c) Consider the consolidated annual financial statements of government prepared by
48 the Office of the Comptroller General (OCG) and the audited government agency
49 reports by the COA.
50

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

3
4 **Section 6. *President.*** - The President shall, in addition to his/her powers under the
5 Constitution and existing laws, perform the following:

- 6
7 (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for
8 submission to Congress;
9
10 (b) Approve the Budget Priorities Framework to identify the priority areas for
11 government spending and guide the budget preparation exercise; and,
12
13 (c) Authorize changes in the functional, operational and organizational structure within
14 and among the DBM, Department of Finance (DOF), and National Economic and
15 Development Authority (NEDA), as may be necessary, to ensure the effective
16 implementation of this Act.
17

18 **Section 7. *Commission on Audit.*** - The COA shall, in addition to its powers under the
19 Constitution and existing laws, coordinate with the DBM, through the OCG, for the proper
20 enforcement of timely accounting and reporting of public finances.
21

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

- 24
25 (a) Prepare, in coordination with the agencies concerned, and DOF, NEDA and OP in
26 the Development Budget Coordination Committee (DBCC), the Statement of Fiscal
27 Policy, the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the
28 Mid-year and Annual Fiscal Reports as required in this Act;
29
30 (b) Monitor and evaluate the financial and non-financial performance of NGAs;
31
32 (c) Evaluate and review the financial and non-financial performance of GOCCs with
33 special laws and charters, in coordination with the DOF and the Governance
34 Commission for GOCCs (GCG), and approve the annual corporate operating budgets
35 (COBs) of the GOCCs;
36
37 (d) Monitor and review, together with the Bureau of Local Government Finance (BLGF)
38 under the DOF and Department of the Interior and Local Government (DILG), the
39 financial and non-financial performance of LGUs;
40
41 (e) Assess, together with the BLGF under the DOF and DILG, the PFM systems of LGUs
42 and assist them in designing and implementing PFM improvement measures; and
43

44 To ensure the effective formulation and execution of fiscal policies, the Secretary of
45 Budget and Management shall lead the DBCC, with the Secretary of Finance, the Director
46 General of the NEDA Secretariat and a representative from the OP as members, and the
47 Governor of the BSP as resource person.
48

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

- 4
- 5 i. Formulate measures on effective internal controls, for the implementation by
6 Government Agencies, to ensure the integrity, accuracy, completeness, and reliability
7 of government financial and management systems;
- 8
- 9 ii. Oversee the implementation of, and Government Agencies' compliance with,
10 accounting and auditing rules and regulations promulgated by the COA;
- 11
- 12 iii. Oversee and manage the financial reporting of Government Agencies, including (1)
13 to monitor the periodic and annual management and financial accounts with
14 regard to accuracy, timeliness, completeness, and compliance with this Act,
15 standards, rules and regulations; and (2) to consolidate the financial
16 reports for submission to the President, Congress, and COA;
- 17
- 18 iv. Oversee the operationalization of the financial management information system of
19 the government;
- 20
- 21 v. Formulate competency-based human resource policies for positions in public financial
22 management and coordinate on capacity building requirements on PFM with other
23 agencies;
- 24
- 25 vi. Oversee the implementation of Public Expenditure Framework policies of LGUs;
- 26
- 27 vii. Coordinate with counterpart agency officials to ensure compliance with the foregoing
28 functions; and
- 29
- 30 viii. Perform such other functions as may be necessary to properly implement the
31 provisions under this Section.
- 32

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

38
39 **Section 9. Department of Finance.** – The DOF shall, in addition to its mandates and
40 functions under existing laws, perform the following:

- 41
- 42 (a) Monitor and manage fiscal risks to the government, including those from public-
43 private partnerships;
- 44
- 45 (b) Compile and publish government fiscal statistics in accordance with international
46 standards; and
- 47
- 48 (c) Formulate policies and standards for the acquisition and management of fixed assets
49 by NGAs.
- 50

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

- 3
- 4 i. Manage the Treasury Single Account (TSA) maintained at the BSP or an agent bank,
5 with the prior approval of the Secretary of Finance;
- 6
- 7 ii. Put in place arrangements for the execution of duly authorized payments from the
8 TSA, which may include the appointment of banks to operate as agents of the
9 National Government with the prior approval of the Secretary of Finance;
- 10
- 11 iii. Manage the financial assets and liabilities of the government, including (i) banking
12 arrangements for, and bank accounts of, the government; (ii) hedging and other risk
13 management activities associated with debt management, cash management and
14 financial investment; (iii) appointment of dealers, assets managers and other agents
15 to support debt, cash and investment management activities; (iv) maintenance of an
16 accurate record of the stock and flow of financial assets and liabilities; and (v)
17 tracking and reporting on fiscal risks related to the management of financial assets
18 and liabilities;
- 19
- 20 iv. Issue instructions on the management and recording of financial assets and liabilities
21 of the government;
- 22
- 23 v. Authorize the opening and closing of bank accounts of NGAs;
- 24
- 25 vi. Administer the release of cash requirements covering all types of transfers to LGUs;
26 and
- 27
- 28 vii. Establish and maintain a consolidated registry of fixed assets of the National
29 Government.

30
31 **Section 10. National Economic and Development Authority.** – The NEDA shall,
32 in addition to its mandates and functions under existing laws, perform the following:

- 33
- 34 (a) Coordinate with the Regional Development Councils (RDCs), on the formulation of
35 regional development plans and policies that are consistent with the established
36 national priorities;
- 37
- 38 (b) Coordinate the formulation of an annual and medium-term public investment
39 program consistent with the approved Medium-term Fiscal Strategy and in the
40 context of the preparation of the National Budget;
- 41
- 42 (c) Set standards for Government Agencies in proposing, assessing, monitoring and
43 evaluating development policies, plans and projects including those financed by
44 grants and concessional loans;
- 45
- 46 (d) Assist and support the capacity building of RDCs and LGUs in development planning
47 and investment programming; and
- 48

1 **Section 11. Heads of Government Agencies.** - The heads of NGAs, GOCCs and LGUs
2 shall, in addition to responsibilities provided under existing laws, be responsible for the
3 following:

- 4
- 5 (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could
6 impact on the finances of the government;
- 7
- 8 (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget
9 Priorities Framework, and the Proposed National Budget as required by the DBM;
- 10
- 11 (c) Manage their respective agencies, including GOCCs, and other resources placed
12 under their supervision, in an efficient, effective and economic manner in order to
13 deliver the outputs and attain the outcomes set in their respective budgets;
- 14
- 15 (d) Take appropriate measures to ensure that contractual commitments or obligations
16 do not exceed the amounts appropriated in their respective budgets;
- 17
- 18 (e) Ensure that their respective agencies settles all contractual obligations or approves
19 payment thereon within the time prescribed by law;
- 20
- 21 (f) Institute effective and efficient management systems, procedure and practices for
22 assets, liabilities, and personnel, including internal controls, risk management, and
23 performance review;
- 24
- 25 (g) Demonstrate that due regard has been taken on the recommendations provided in
26 internal and external audit evaluation reports, to the extent authorized in their
27 respective budgets; and
- 28
- 29 (h) Provide accounting and reporting of public finances as required in this Act.
- 30

31

32 **PART III**
33 **FISCAL RESPONSIBILITY**
34

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

- 37
- 38 (a) Implement fiscal policies and strategies consistent with the achievement of
39 macroeconomic stability and inclusive economic development;
- 40
- 41 (b) Manage resources in a fiscally and environmentally sustainable way;
- 42
- 43 (c) Maintain prudent levels of public debt;
- 44
- 45 (d) Maintain an appropriate balance between government revenues and expenditures;
46 and
- 47
- 48 (e) Manage fiscal risks in a prudent manner.
- 49

1 **Section 13. *Statement of Fiscal Policy.*** – The DBM, in coordination with DOF, NEDA
2 and OP in the DBCC, shall prepare, subject to the approval of the President, the Statement
3 of Fiscal Policy which shall contain measurable medium-term macroeconomic and fiscal
4 objectives and forecasts consistent with the *Fiscal Responsibility Principles*.
5

6 The President shall submit for information of Congress, the Statement of Fiscal Policy
7 not later than ninety (90) days upon commencement of his/her term of office and update
8 the measurable fiscal objectives set forth therein three (3) years thereafter.
9

10 **Section 14. *Medium-term Fiscal Strategy.*** – The DBM, in coordination with the
11 DOF, NEDA, and OP in the DBCC, shall prepare, subject to approval of the President, a
12 Medium-term Fiscal Strategy consistent with the approved Statement of Fiscal Policy, to be
13 updated annually. It shall include a summary of the fiscal policies for revenue, debt, deficit,
14 expenditure, and fiscal risk management, supported by a medium-term fiscal sustainability
15 analysis, consistent with the measurable fiscal objectives established in the approved
16 Statement of Fiscal Policy. The IRR of this Act shall detail the other specifications for the
17 Medium-Term Fiscal Strategy.
18

19 The President shall submit for the information of Congress, the Medium-term Fiscal
20 Strategy for the following fiscal year not later than March 15 of the current year and shall
21 publish the said report on a government website not later than seven (7) days after it is
22 submitted to Congress.
23

24 **Section 15. *Fiscal Reports.*** – The DBM, in coordination with the DOF, NEDA, and OP
25 in the DBCC, shall produce a Mid-year Fiscal Report (MFR), covering the first half of the
26 fiscal year and an Annual Fiscal Report (AFR) on the government's macroeconomic and
27 fiscal performance.
28

29 The MFR and AFR shall include information on macroeconomic and fiscal outturns for
30 the period covered as compared against forecasts and objectives stated in the Medium-Term
31 Fiscal Strategy; as well as reporting on budget execution, at least in the aggregate and by
32 agency level, compared against approved appropriations and other spending authorities.
33 The IRR of this Act shall detail the other specifications for the contents of the MFR and
34 AFR.
35

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

1
2 **Section 16. Long-term Vision Report.** – The NEDA, in coordination with the DOF,
3 DBM and OP in the DBCC, shall submit a Long-term Vision Report to the President and
4 Cabinet, and Congress not later than October 31 and November 30, respectively. Said
5 Report shall assess the long-term sustainability of existing government policies over the
6 next thirty (30) years, taking into account demographic, environmental, and other changes.
7

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

12 The NEDA shall cause the publication of the Long-term Vision Report on a government
13 website not later than seven (7) days upon submission to Congress.
14

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

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

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

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

38
39 **PART IV**
40 **BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT**
41

1 **Section 19. Governing Principles in Budget Preparation.** – There is hereby
2 established a set of governing principles to be observed by the DBM in the preparation and
3 the presentation to Congress of the Proposed National Budget:
4

- 5 (a) Cash-based estimates shall be adopted in the proposed general and special
6 appropriations bills to promote faster and more effective delivery of services;
7
- 8 (b) The overall expenditure program of the government for a given fiscal year shall be
9 included, identifying those requiring approval by Congress and those authorized
10 under existing laws;
11
- 12 (c) All sources of funds and authorized uses available to the agency shall be considered
13 in the evaluation of agency proposals and determination of agency budget levels, and
14 shall likewise be disclosed in the Proposed National Budget and reports;
15
- 16 (d) Evaluation of agency proposals may include the analysis of a development plan,
17 master plan or road map, agency capability as demonstrated by previous years'
18 performance, its contribution to projects and activities of other agencies, utilization
19 of funds appropriated or released, and such other criteria as may be determined by
20 the DBM;
21
- 22 (e) All appropriations shall be valid until the end of the fiscal year;
23
- 24 (f) Items of appropriations shall be presented in such a way as to identify both the entity
25 responsible for the expenditure and the intended results from the use of the
26 appropriation in order to evaluate the performance of the agency;
27
- 28 (g) Both the financial and non-financial performance of agencies shall be presented in
29 the Proposed National Budget and the General Appropriations Act to ensure a
30 performance- informed budget; and
31
- 32 (h) Items of appropriations shall be reflected by department, agencies, bureaus, and
33 offices, and shall be presented for information purposes, by region and province, and
34 eventually, by city or municipality.
35
36

37 **Section 20. Planning-Budgeting Linkage** - Development strategies identified in the
38 Philippine Development Plan shall be a primary consideration in the formulation of the
39 budget priorities framework. These shall also be the basis for drawing up strategic and
40 prioritized programs and projects in the multi-year public investment program, which in
41 turn will be considered in the formulation of the annual agency budgets that conform to the
42 annual budget ceilings approved by the President.
43

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

1
2
3 **Section 21. Budget Priorities Framework.** – The DBM, in coordination with the
4 DOF, NEDA and OP in the DBCC, shall present to the President and Cabinet, in April of
5 each year, a Budget Priorities Framework which shall guide the formulation of the Budget
6 for the following year by containing the medium-term fiscal strategy and targets underlying
7 the budget; the priority areas for government spending reflected in the PDP, estimated
8 amount and planned allocation of the fiscal space; and other requirements laid down in the
9 IRR.

10
11 **Section 22. The Budget Preparation Process.** – The DBM shall determine the budget
12 preparation process and calendar. The budget preparation process shall cover: (i) NGAs; (ii)
13 GOCCs with respect to their impact on revenues, expenditures, assets, and liabilities and
14 risks of the government; and (iii) LGUs as to their impact on revenues and expenditures of
15 the government.

16
17 **Section 23. The Proposed National Budget.** – The President shall submit to
18 Congress, not later than thirty (30) days from the fourth Monday of July of every year, the
19 Proposed National Budget, which shall be the basis of the general appropriations bill.

20
21 The President shall determine the form and content of the Proposed National Budget
22 which shall include, but not limited, to the following:

- 23
24 (a) President’s Budget Message - provides a preview of the Proposed National Budget,
25 explaining the principles, objectives and policy framework adopted and the spending
26 priorities for the fiscal year;
27
28 (b) National Expenditure Program (NEP) – includes the strategic objectives, details of
29 the three-year (3-year) expenditure program, performance information, such as key
30 strategies, outputs and outcomes for agencies in relation to their budgets, and
31 staffing summary;
32
33 (c) Budget of Expenditures and Sources of Financing (BESF) - contains the
34 macroeconomic parameters; dimensions of three-year (3-year) expenditure program,
35 revenues, financing, and outstanding debt; overview of the financial positions of
36 GOCCs, LGUs, and public-private partnership projects, as well as the other items
37 listed in the IRR;
38
39 (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that the
40 national government faces, including those from the contingent liabilities of
41 Government Agencies and other items listed in the IRR.
42

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

45
46 The President shall publish the Proposed National Budget on a Government website on
47 the same day as it is presented to Congress.
48

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

8
9 **Section 25. National Disaster Risk Reduction and Management Fund.** - The
10 NDRRMF shall be used for (i) disaster risk reduction or mitigation, prevention and
11 preparedness activities, such as, but not limited to, training of personnel, procurement of
12 equipment, and capital expenditures; and (ii) relief, recovery, reconstruction and other
13 work or services in connection with natural or human induced calamities which may occur
14 during the budget year or those that occurred in the preceding two (2) years.

15
16 All releases from the NDRRMF shall be subject to the prior approval of the President,
17 who may take into consideration the recommendation of the National Disaster Risk
18 Reduction and Management Council and the appropriate agency for local and international
19 disasters and calamities.

20
21 **Section 26. Contingent Fund.** - The Contingent Fund shall cover the funding
22 requirements of new and/or urgent and unforeseen projects and activities of NGAs and
23 GOCCs that need to be implemented or paid during the year, such as, legal obligation of the
24 government arising from final and executory decisions by competent authority, including
25 arbitration awards, mediation settlement, or compromise agreements, requirements of
26 newly created offices, or deficiencies in the appropriations for local and external travels of
27 the President.

28
29 As a rule, all releases from the Contingent Fund shall be approved by the President.
30 However, disbursements due to final and executory decisions promulgated by competent
31 authorities shall only require the approval of the DBM.

32
33 The DBM shall inform Congress of all releases from the Contingent Fund in the
34 quarterly and annual fiscal reports including information on the date of release, the amount
35 covered, corresponding purpose/s and recipient agency.

36
37 **Section 27. Statutory Shares of Local Government Units.** - The shares of LGUs in
38 the proceeds from national taxes and other transfers to LGUs authorized by law shall be
39 released to the LGUs in accordance with the provisions on the use, allocation, and release of
40 the funds as may be provided in pertinent laws, rules and regulations.

41
42 **Section 28. Unprogrammed Appropriations.** Congress may authorize standby
43 appropriations to cover the funding requirements of other priority projects and activities or
44 contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs)
45 not specifically included in the programmed component of the Appropriations Law. The
46 Unprogrammed Appropriations shall have the same level of details as in the programmed
47 component of the Appropriations Law. The amount authorized under the Unprogrammed
48 Appropriations shall not exceed two percent (2%) of the total proposed expenditure in the
49 programmed component of the Appropriations Law.

1 The Unprogrammed Appropriations shall take effect only when supported by excess
2 collections generated in any one of the particular tax or non-tax revenue source from its
3 corresponding revenue collection target in the BESF as certified by the BTr, or when there
4 are new loan agreements for FAPs. In no case shall the Unprogrammed Appropriations be
5 activated or released when there is a risk of breaching the measurable fiscal objectives for
6 the budget balance (including a deficit) or debt for the financial year or future years as
7 provided in the Statement of Fiscal Policy and Medium-term Fiscal Strategy or if there is a
8 risk of breaching any of the Fiscal Responsibility Principles.
9

10 Priority projects and activities or contingencies shall pertain to expenditures, the
11 payment of which are not covered under the Contingent Fund and could not be delayed
12 until the succeeding budget years without harming public interest or arising from the
13 government's legal obligation such, compliance with a government guarantee or settlement
14 of final and executory decisions by competent authorities.
15

16 Releases from the Unprogrammed Appropriations shall be subject to the prior approval
17 of the President of the Philippines, except final and executory decisions which shall instead
18 require the approval of the DBM.
19

20 The DBM shall inform Congress of all releases from the Unprogrammed Appropriations
21 in the quarterly and annual reports including information on the date of release, the
22 amount covered, corresponding purpose/s and recipient agency.
23

24 **Section 29. Release and Expenditure of Public Funds.** - The government shall
25 commence releases of Public Funds covered by an Appropriations Law as soon as such Law
26 comes into force to ensure timely and efficient disbursement by the appropriate
27 implementing agencies, subject to pertinent budgeting and auditing rules and regulations.
28

29 **Section 30. Early Procurement Activities.** - To ensure timely contract
30 implementation and efficient delivery of services, all Government Agencies are authorized
31 to undertake procurement activities from pre-procurement conference until post-
32 qualification of bids even prior to the passage of the Appropriations Law, Corporate
33 Operating Budgets (COBs) or Appropriations Ordinance, in accordance with IRRs to be
34 issued by DBM.
35

36 Government Agencies may proceed with the awarding of contract upon approval or
37 enactment of their respective appropriations or budget authorization document, as the case
38 may be, and based on the amount authorized therein.
39

40 **Section 31. Re-enacted Budget.** - If, by the end of any fiscal year, Congress shall have
41 failed to enact the General Appropriations Bill for the ensuing fiscal year, the General
42 Appropriations Law for the preceding fiscal year shall be deemed re-enacted and shall
43 remain in force and effect until the said General Appropriations Bill is passed by the
44 Congress.

45 Consistent with the Fiscal Responsibility Principles, the Re-enacted Budget shall be
46 enforced as follows:
47

48 (a) The aggregate level of the Re-enacted Budget shall be limited to the total amount
49 appropriated in the preceding year's Appropriations Law, but shall in no case exceed the

1 level of the sources of financing under the Budget of Expenditure and Sources of
2 Financing (BESF) of the Proposed National Budget ;
3

4 (b) All completed programs, projects and activities, as well as program support for
5 GOCCs and equity contribution of the national government shall be excluded from the
6 Re-enacted Budget;
7

8 (c). The appropriations for the following shall be limited to the amount authorized
9 under the Re-enacted Budget, but in no case exceed the amount proposed by the
10 President in the Proposed National Budget:
11

- 12 1. Ongoing programs, projects and activities;
- 13 2. Personnel benefits, including retirement gratuities, pensions, terminal
14 leave pays
15 and related expenses;
- 16 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs;
- 17 and
- 18 4. Budgetary support to GOCCs but further limited to the amount of subsidy
19 for their
20 operational requirements.
21

22 The items and/or amount of appropriations not covered under the Re-enacted Budget as
23 provided above shall not be released, disbursed, or utilized for the purpose previously
24 authorized nor be declared savings to augment existing items of appropriations in the Re-
25 enacted Budget.
26

27 The DBM shall issue guidelines on the aggregate level of appropriations authorized
28 under the Re-enacted Budget in accordance with the foregoing, the level of obligations by
29 agencies, supporting requirements to determine actual needs, and other pertinent rules in
30 the implementation of the Re-enacted Budget.
31

32 Upon enactment of the General Appropriations Law, all releases under a Re-enacted
33 Budget consistent with this Section shall be deemed to have been implemented pursuant to,
34 and charged against, for account recording purposes, the general appropriations law for the
35 current fiscal year.
36

37 **Section 32. *Special Appropriations Bill.*** – A Special Appropriations Bill is a
38 legislative proposal to provide authorization for expenditures for a specific purpose not
39 included or not covered under the annual appropriations laws. It shall, specify the
40 purpose/s for which it is intended and be valid until the end of the fiscal year of its
41 enactment.
42

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

10
11 **Section 33. Multi-year Contracts.** - Multi-year contracts (MYCs) shall refer to
12 contracts entered into by NGAs and GOCCs where the delivery of goods, civil works, and
13 services will cover more than one (1) year. NGAs entering into MYCs shall first secure a
14 Multi-year Obligational Authority (MYOA) from the DBM but in no case shall obligate and
15 disburse more than the current year's appropriation for the said year's phase of project
16 implementation. GOCCs shall secure prior authority from their respective governing boards
17 before entering into MYCs.

18
19 The MYOA issued by the DBM for NGAs, and the amount authorized by the governing
20 board for GOCCs' governing board shall be the basis of the ABC under Section 5 of Republic
21 Act No. 9184 for MYCs and the certification of availability of funds required prior to
22 contract execution under Section 85 of Presidential Decree No. 1445.

23
24 **Section 34. Authority to Declare and Use Savings.** - The President of the
25 Philippines, the Senate President, the Speaker of the House of Representatives, the Chief
26 Justice of the Supreme Court, the Heads of the Civil Service Commission (CSC), the
27 Commission on Elections (COMELEC), and the COA are hereby authorized to declare and
28 use savings in their respective appropriations to augment actual deficiencies incurred for
29 the current year in any item of their respective appropriations.

30
31 The foregoing constitutional officers authorized to use savings shall be responsible for
32 ensuring that quarterly reports on their respective use of savings shall be submitted to the
33 Senate Committee on Finance and the House Committee on Appropriations, copy furnished
34 the DBM. The report shall indicate, among others, the amount of savings generated, the
35 sources and grounds used therefor, and the existing item of appropriations augmented.
36 They shall likewise ensure that said reports are posted on their respective official websites.

37
38 The DBM shall determine the procedure, as well as the supporting documents needed in
39 the declaration and use of savings authorized in this Act.

40
41 **Section 35. Meaning of Savings.** - Savings refer to portion or balances of any
42 programmed items of appropriations in the general appropriations law, which have not
43 been released or obligated as a result of the following:

- 44
45 (a) Completion of a program, project or activity at a lower cost than that programmed.
46 For this purpose, completion shall refer to the award of contract to the contractor,
47 supplier or consultant. Any difference between the approved budget for the contract
48 and the amount of contract award may be declared as Savings;

- 1 (b) Decreased cost realized from the implementation of measures resulting in lower
2 input costs or efficiencies which enabled agencies to meet and deliver their targets
3 and/or implement or complete their projects or activities;
4
- 5 (c) Discontinuance or abandonment of a project or activity for causes not attributable to
6 the fault or negligence of either the NGA mandated to undertake or authorized to
7 implement said project or activity or the procurement agent, at any time during the
8 validity of the appropriations;
9
- 10 (d) Non-commencement of a program, project or activity for which the appropriations is
11 authorized. For this purpose, non-commencement shall refer to the inability of the
12 NGA to obligate an allotment on or before June 30 of the current fiscal year due to
13 causes not attributable to the fault or negligence of the agency; or
14
- 15 (e) Unused compensation and related costs as well as pension and retirement benefits.
16

17 **Section 36. Rules on Augmentation.** - Augmentation is the act of the constitutional
18 officers authorized under Section 34 of this Act to use Savings realized in their respective
19 appropriations in order to address a deficiency in other items of their respective
20 appropriations. A deficiency in an item of appropriations may result from the following, as
21 determined by the Head of Agency:
22

- 23 (a) Unforeseen modifications or adjustments in the program, project or activity (PPA);
24 or
25
- 26 (b) Adjustment in the cost of implementing the PPA due to justified causes.
27

28 In particular, the authorized constitutional officers shall observe the following when
29 augmenting an item of appropriations from Savings:
30

- 31 (a) There should be an existing item of appropriations to be augmented. For this
32 purpose, the particulars of the expenditures to be funded by augmentation from
33 Savings should be within the scope of or may be attributed to the item of
34 appropriations to be augmented; and
35
- 36 (b) In no case shall a non-existent allotment class in a PPA be funded by augmentation
37 from Savings.
38

39 **Section 37. Rules on Realignment.** - Realignment is the limited flexibility given to
40 NGAs to modify or change the specific details within a PPA that shall not entail any
41 augmentation of the amount appropriated for the said PPA during budget execution.
42 Realignment may be undertaken in any of the cases specified in the IRR.
43

44 The following are authorized to approve realignments:
45

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

- 1
2 (b) For the Senate of the Philippines, all types of realignment shall require approval of
3 the Senate President;
4
5 (c) For the House of Representatives, all types of realignment shall require approval of
6 the Speaker;
7
8 (d) For the Judicial branch, the Chief Justice with regard to the Supreme Court and
9 lower courts, and the respective Presiding Justices of the Court of Appeals, Court of
10 Tax Appeals and *Sandiganbayan*, except for realignment of intelligence funds which
11 shall require approval of the Chief Justice; and
12
13 (e) For the CSC, COMELEC, and COA, all types of realignment shall require approval of
14 their respective Chairpersons.
15

16 The DBM shall promulgate the rules and regulations necessary to ensure the uniform
17 implementation among the various branches of government, the proper recording of
18 realignments, and the timely submission of reports by all the offices concerned.
19

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

23 **Section 38. General Fund.** – All monies received by NGAs, whether coming from
24 taxes, fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants,
25 donations, asset sale proceeds and such other receivables, shall accrue to the General Fund
26 and be remitted to the National Treasury, unless otherwise provided by law or stipulated by
27 covering loan or grant agreements. Monies under the General Fund shall be made available
28 to support the requirements of the NG authorized in an Appropriations Law.
29

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

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

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

1
2 **Section 39. Special Funds.** – In exceptional cases when an SAGF is not suitable for the
3 operations of a fund, Special Funds shall be authorized by law and limited to the following:
4

- 5 (a) Trust Fund – constituted from identified revenue sources and other receipts by
6 NGAs or public officials acting as trustees, agents, or administrators for the
7 fulfillment of obligations or accomplishment of specified purposes. Trust Funds shall
8 be deposited in the Treasury Single Account (TSA);
9
- 10 (b) Revolving Fund – constituted from receipts derived from business-type activities of
11 NGAs to be used for the operating requirements of said business-type activities and
12 as such are considered self-liquidating. Revolving Funds shall be deposited in the
13 TSA or in an Authorized Government Depository Bank (AGDB) upon authority of the
14 National Treasurer; and
15
- 16 (c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends,
17 or interest earnings collected, earned or received by NGAs which are expressly
18 authorized by law to be retained by NGAs and utilized for specified purposes.
19 Retained Funds shall be deposited in the TSA or in an AGDB upon authority of the
20 National Treasurer.
21

22 Notwithstanding the provisions of laws to the contrary, Special Funds may only be
23 established after evaluation by the Permanent Committee, , as to their proper category and
24 compliance with the foregoing conditions. Any interest earned by Special Funds shall accrue
25 to said Funds.
26

27 **Section 40. Review by the Permanent Committee.** – The Permanent Committee
28 shall review all existing SAGFs and Special Funds to validate their compliance with the
29 foregoing requirements. Upon evaluation, the Permanent Committee shall recommend for
30 approval of the President the modification and/or termination of said funds as may be
31 necessary.
32

33 It shall likewise review all SAGFs created upon the passage of this Act and may recommend
34 to extend their validity period, but in no case shall the extension exceed three (3) years at
35 any one time, subject to approval of the President.
36

37 The Permanent Committee shall jointly issue guidelines for the establishment, review and
38 evaluation, accounting and reporting, and termination of SAGFs and Special Funds.
39

40 **Section 41. Escrow Fund.** – Escrow Funds are constituted from funds for which the
41 government’s legal right to use is contingent upon a future event which may or may not
42 occur. Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the
43 National Treasurer, and shall subsequently be part of the General Fund upon the
44 occurrence of the future contingent event. Any interest earned by an Escrow Fund shall
45 accrue to the said Fund. The amounts under escrow, including interest earned shall form
46 part of the General Fund upon the occurrence of the future contingent event.
47

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

7
8 **Section 43. Grants.** – NGAs may accept, with prior coordination with DOF, grants, in
9 cash or in kind, from domestic or foreign sources, for purposes relevant to their functions.
10 In the case of grants, in cash or in kind, from governments of foreign countries, their
11 agencies and instrumentalities and international or multilateral institutions or
12 organizations, acceptance thereof shall be subject to the prior clearance and approval by the
13 President or his authorized representative based on the recommendation of the Secretary of
14 Finance.

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

19
20 **Section 44. Treasury Single Account.** – The TSA refers to the banking arrangement
21 managed by the BTr wherein the government transacts all monies collected, received or
22 paid by NGAs in one bank account or a set of linked bank accounts and gets a consolidated
23 view of its cash position on at least, a daily basis.

24
25 The TSA shall cover remittances, releases or disbursements from the General Fund,
26 SAGFs, Special Funds, and any other fund managed by the BTr, except in any of the
27 following instances:

- 28
29 (a) When monies under the General Fund are placed under investments;
30
31 (b) When the BTr is required to hold foreign currency accounts; or
32
33 (c) When authorized by the Secretary of Finance.

34
35 The BTr, in coordination with NGAs authorized by law to undertake revenue collection
36 and administration, shall make the necessary arrangements with authorized agent banks
37 (AABs) to facilitate the collection and transfer of said revenues to the TSA. AABs shall
38 deposit said collections to TSA within the period and in the manner prescribed by laws,
39 rules and regulations.

40
41 **Section 45. Oversight on Government Bank Accounts.** – Notwithstanding any
42 provision of law to the contrary, the BTr shall undertake any of the following in case of
43 violation of a provision in this Act and guidelines issued on the implementation of the TSA:

- 44
45 (a) Transfer balances of NGA bank accounts to the TSA;
46
47 (b) Close any NGA bank account; and/or
48
49 (c) Revoke the authority to open any NGA bank account.

1 The NGA or GOCC which has opened a bank account, as well as the bank concerned, shall
2 promptly disclose information regarding such account to the BTr.
3

4 **Section 46. Treasury Cash Management.** – The BTr shall issue orders for the
5 conduct of cash management including the requirement to provide projections on the
6 timing of future transactions of NGAs. If there is a projected cash shortfall, the Btr may
7 request the DBM to temporarily suspend or withdraw a portion or the full allotment issued.
8
9

10 **Section 47. Investments.** – The BTr may invest portions of the funds held in the TSA
11 for such periods as the BTr may deem prudent considering cash management requirements
12 and based on terms and conditions as may be set by the IRR of this Act. Investments are
13 authorized to be made in any of the following:
14

- 15 (a) deposit with any highly reputable bank following a selection criteria to be issued by
16 the Secretary of Finance in consultation with the *Bangko Sentral ng Pilipinas*;
17
- 18 (b) sovereign-issued securities with an investment grade rating; or
19
- 20 (c) other fixed income securities with an AAA credit rating issued by at least two (2)
21 reputable international credit rating agencies acceptable to the Secretary of Finance.
22

23 The BTr may appoint a fund manager as an agent of the NG to undertake the investment
24 of the funds.
25

26 Interest earned and other income from investments shall accrue to the General Fund,
27 unless otherwise provided by law.
28

29 **Section 48. Management of National Government Borrowings.** –

30 Borrowings by the NG shall be for any of the following purposes:

- 31 1. Financing budget deficits and liquidity shortfalls;
- 32 2. Refinancing and pre-financing maturing debts;
- 33 3. Obtaining foreign currency on behalf of the *Bangko Sentral ng Pilipinas*;
- 34 4. On-lending to an approved entity;
- 35 5. Financing all sums of money paid to fulfill guarantees;
- 36 6. Regulating internal monetary conditions should the necessity arise;
- 37 7. Providing financing to remedy the effects of natural calamities; or
- 38 8. Defraying expenditures covered by appropriations.
39

40 Borrowing under this Act should adhere to the Fiscal Responsibility Principles and
41 measurable fiscal objectives in the Statement of Fiscal Policy.
42

1 **Section 49. Borrowings by Government -Owned or -Controlled Corporations.**
2 – Before the end of each fiscal year, the Head of a GOCC shall prepare a borrowing
3 program for the following fiscal year which shall support the Corporate Operating Budget
4 and for the medium term, both of which shall include a full financial plan with the details of
5 the loans, refinancing and repayment that the GOCC intends to take. Said borrowing
6 program, including changes thereon, shall be subject to the approval of the Head of the
7 NGA overseeing the GOCC, and shall be submitted to DOF for information, and shall be
8 published in the concerned GOCC website.

9
10 GOCCs shall seek approval of DOF for their borrowing activities as defined in the IRR.

11
12 Nothing in this Section shall be construed as creating a government guarantee on any
13 borrowing, loans or refinancing and repayment that the GOCC intends to take.

14
15 **Section 50. Local Government Borrowings.** – An LGU may borrow funds from
16 domestic and foreign sources in accordance with the Local Government Code of 1991 or any
17 other applicable law. The financial plan including borrowing program shall be published in
18 the appropriate government website within seven (7) days after the borrowing program has
19 been approved.

20
21 **Section 51. Debt Reporting.** – The DOF through the BTr shall ensure that the records
22 include information on the principal, terms of repayment, amounts drawn, interests and
23 service charges accrued, principal and interests paid, and the balance outstanding, and shall
24 make the records available in a timely way to the President and Congress when requested
25 and in accordance with the reporting requirements in this Act.

26
27 Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as
28 required by relevant laws, rules and regulations.

29
30 **Section 52. Guarantees.** – Guarantee, indemnity or security shall be provided to an
31 NGA or a GOCC as provided by law, and subject to the annual guarantee ceiling prescribed
32 in the General Appropriations Law, and upon such terms and conditions as the Secretary of
33 Finance may recommend consistent with relevant laws, rules and regulations. The overall
34 level of guarantee, indemnity or security shall adhere to the Fiscal Responsibility Principles
35 laid down in this Act and the fiscal objectives in the Statement of Fiscal Policy.

36
37 The DOF shall charge a risk-based fee for any guarantee, indemnity, security, relending or
38 similar financial accommodation it may extend to a GOCC.

39
40 **Section 53. Limitation on the Liability of the National Government For Debts**
41 **of Other Entities.** – The NG shall not be liable for any implied guarantees asserted by any
42 person, but only for explicit guarantees extended in accordance with existing laws, and
43 guarantees in favor of the Government Service Insurance System (GSIS), Home
44 Development Mutual Fund (HDMF), Philippine Health Insurance Corporation, and the
45 Social Security System (SSS) in their respective charters.

46

1 **Section 54. *Payments Made for Contingent Liabilities.*** – Any money paid by the
2 DOF pursuant to any guarantee, indemnity, or security authorized by law and the expenses
3 associated with the same shall constitute a debt due the NG from the entity for whose
4 benefit the payment on the guarantee, indemnity, or security was made.
5

6 **Section 55. *Information on Contingent Liabilities.*** – The DOF shall keep a
7 complete and updated registry of all contingent liabilities of the NG, and provide the OCG
8 with a report on contingent liabilities as of the fiscal year.
9

10
11 **PART VI**
12 **ACCOUNTABILITY AND REPORTING**
13

14 **Section 56. *Financial Management and Internal Control.*** – The Head of Agency
15 shall be responsible and accountable for the financial management of the agency which
16 shall include meeting performance targets, controlling costs, mitigating adverse risks to
17 agency operations, and ensuring that budgets are managed with integrity and in compliance
18 with applicable laws. Adequate internal controls shall be ensured and an internal audit
19 function shall be maintained.
20

21 The OCG shall oversee the operation of an integrated internal control framework across
22 Government Agencies.
23

24 **Section 57. *NGA Annual Plans and Proposed Budgets.*** – The Head of each NGA
25 shall produce an Annual Plan which shall have a medium term scope, with details for the
26 following fiscal year, and shall include information on the strategic priorities for the
27 medium-term, consistent with the Philippine Development Plan; performance information;
28 summary proposed budget including financial forecasts assumptions and highlighting
29 significant capital projects; and other information as required in the IRR, as well as the
30 Budget Call and other related orders from the DBM. The Annual Plan shall be submitted to
31 DBM during the budget preparation process consistent with the timetable and other
32 guidelines in the Budget Call.
33

34 The Head of the NGA shall ensure that the Annual Plan is updated to be consistent with a)
35 the Proposed National Budget, no later than thirty (30) days after the President has
36 submitted the same to Congress, and; b) the General Appropriations Act, no later than
37 thirty (30) days after its enactment. Both revisions of the Annual Plan shall be submitted to
38 Congress and published on a government website within the aforementioned timeframes.
39

40 The Annual Plan of a Department shall incorporate the Annual Plans of its attached NGAs
41 and GOCCs subject to guidelines prescribed in the IRR.
42

43 **Section 58. *NGA Reporting Requirements.*** – For greater transparency and
44 accountability, each Head of an NGA shall:
45

- 1
2 (a) Submit monthly and quarterly reports on the agency's financial and non-financial
3 performance to the DBM and OCG, not later than thirty (30) days after the end of
4 every month and quarter in the format specified by the DBM and shall publish the
5 same on a government website within the same reglementary period;
6
7 (b) Prepare an Annual Report which shall include year-end financial statements,
8 reporting on non-financial performance compared against the Annual Plan, and
9 other information as required in the IRR; submit the said Report to the DBM, OCG,
10 and Congress no later than six (6) months after the end of the fiscal year; and publish
11 the said Report in a government website no later than seven (7) days after its
12 submission to Congress.
13

14 The monthly, quarterly, and annual reports of a Department shall incorporate the reports of
15 its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.
16

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

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

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

33 **Section 61. GOCC Reporting Requirements.** – For greater transparency and
34 accountability, each Head of GOCCs shall:
35

- 36 (a) Provide quarterly reports on financial and non-financial performance to the DOF,
37 Governance Commission for GOCCs (GCG) and the DBM, no later than thirty (30)
38 days after the end of the quarter, in the format and time specified by the DOF, GCG
39 and DBM and shall publish it on their official website within the same period; and
40
41 (b) Prepare an Annual Report, which shall include year-end financial statements,
42 reporting on non-financial performance compared against the COB, and other
43 information as required in the IRR; submit the same to the overseeing NGA, DBM,
44 GCG, DOF and Congress no later than six (6) months after the end of the fiscal year;
45 and publish the said Report in a government website no later than seven (7) days
46 after its submission to Congress.
47

1 GOCCs with subsidiaries shall reflect in its quarterly and annual reports the
2 aforementioned required information for the whole corporate group, consistent with
3 guidelines prescribed in the IRR.
4

5 **Section 62. Service Agreement for a GOCC.** – Where GOCCs implement government
6 non-commercial programs, such as housing provision, irrigation and electrification, and
7 receive government funding, a service agreement with the NGA overseeing said GOCC shall
8 specify the terms of delivery of goods or services that the GOCC must provide, and the funds
9 that the government will pay. Program funds shall be under the budget of the NGA
10 overseeing said GOCC.
11

12 **Section 63. Local Government Units.** – The Local Chief Executives (LCEs) shall
13 ensure that adequate internal controls and an internal audit function are maintained.
14

15 The LCEs shall provide financial and non-financial performance information of their
16 respective LGUs to the OCG, DILG, and the BLGF under the DOF, subject to the guidelines
17 to be issued thereon.
18

19 **Section 64. Application of Accounting and Auditing Requirements.** – Any
20 expenditure of public money, including government assets or liabilities incurred by and for
21 the Government regardless of the source of funding, shall be subject to accounting and
22 auditing rules and regulations promulgated by the COA.
23

24 **Section 65. Accounting Standards.** – The Comptroller General shall develop
25 guidelines to oversee the implementation of the accounting standards mandated by the
26 COA, for use by all Government Agencies.
27

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

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

35 **Section 66. Government Consolidated Reporting** – The OCG shall submit a
36 quarterly report on the consolidated financial performance of the government to the
37 President, which includes information showing performance against the Appropriations
38 Law, not later than sixty (60) days after the end of each quarter. This report shall be
39 published in a government website within seven (7) days after the report is submitted to the
40 President.
41

42 The OCG shall prepare the consolidated annual financial statements, not later than six
43 (6) months after the end of the fiscal year, for submission to the President, Congress and
44 COA.
45

46
47 **PART VII**
48 **TRANSPARENCY AND PARTICIPATION**
49

1 **Section 67. People’s Access to Public Financial Information.** – Before the start of
2 each fiscal year, the DBM shall promulgate a Calendar of Disclosures, and shall publish this
3 on the government website and such calendar shall contain the schedule of release of all
4 budget documents and information required by this Act and its IRR. The DBM shall
5 monitor and periodically report to Congress and the public on the compliance of agencies
6 with the Calendar of Disclosures and other fiscal transparency requirements under this Act
7 and its IRR.
8

9 All documents and reports required to be published by this Act and its IRR shall
10 automatically be made available electronically in a government website. Current and
11 historical data on government revenues, expenditures, and borrowings, shall be made
12 available electronically, in open data format, on a government website, subject to guidelines
13 in the IRR.
14

15 **Section 68. The People’s Budget.** –The DBM shall, for every fiscal year, publish
16 citizen-friendly summaries of the following, subject to guidelines and other specifications
17 in the IRR:

18 (a) the Statement of Fiscal Policy in the year of the President’s election and any updates
19 thereafter within thirty (30) days from submission to Congress;
20

21 (b) the Proposed National Budget, to be published in electronic format within thirty (30)
22 days from submission to Congress of the Proposed National Budget;
23

24 (c) the General Appropriations Law, to be published in electronic format in a
25 government website within thirty (30) days from its effectivity; and
26

27 (d) the Annual Fiscal Report, to be published in electronic format in a government
28 website within thirty (30) days from submission to Congress.
29

30 **Section 69. People’s Participation in the Budget Process.** – government shall
31 establish and implement suitable participatory budget mechanisms to facilitate the open,
32 inclusive, and meaningful engagement of citizens throughout the budget process—from
33 budget preparation, to legislation, to execution, and to accountability and audit. Such
34 participatory mechanisms may include consultations and partnerships with civil society
35 organizations (CSOs), non-government organizations (NGOs), people’s organizations (POs),
36 academics and experts, and other individual and organized stakeholders throughout the
37 annual budget process.
38

39 To aid the empowerment of grassroots organizations and communities in the national
40 budget process, the DBM, DILG, and other relevant agencies shall facilitate a process
41 wherein CSOs, NGOs, POs, community organizations and LGUs can jointly identify local
42 priority poverty reduction and development needs which will serve as input to the
43 formulation of the Proposed National Budget. Such process shall consider the pursuit of
44 meaningful local devolution and local accountability, as well as the strengthening of
45 regional and local development councils’ roles in the national budget process.
46

1 Policies and regulations for the establishment of participatory budgeting mechanisms
2 established by laws shall be formulated and enforced by:

- 3
- 4 i. The DBM, together with other relevant agencies of the executive, when it comes to
5 participation in budget preparation, execution, and accountability;
 - 6
 - 7 ii. The House of Representatives and the Senate, through their relevant committees,
8 when it comes to participation in budget legislation; and
 - 9
 - 10 iii. The COA, when it comes to participation in the conduct of audit.
- 11

12 **PART VIII**
13 **ENFORCEMENT**

14

15 **Section 70. Sanctions and Penalties.** – Without prejudice to the provisions of other
16 laws, the following sanctions and liabilities in case of failure to comply with the reporting
17 and posting requirements under this Act, shall be imposed:

18

- 19 (a) The DBM shall not approve any request for release of allotments for items of
20 appropriations covered in the negative list or realignment nor recommend the use of
21 savings by the President until such time as the non-compliant agency has submitted
22 the report/s required under this Act;
 - 23
 - 24 (b) The COA may disallow any expenditure charged against augmentation using savings,
25 and any expenditure due to realignment, which were made within the period
26 succeeding the reporting period when the agency failed to comply with the reporting
27 requirements under this Act;
 - 28
 - 29 (c) Failure to report on the income and/or funds retained at the end of a reporting
30 period shall render all disbursements against such income or funds in subsequent
31 reporting periods as void, and will render the responsible official liable under
32 existing laws; and
 - 33
 - 34 (d) The Congress may *motu proprio* or upon the request of COA and/or DBM through
35 its appropriate oversight committee compel the head of the non-compliant agency,
36 under pain of contempt, to produce the required report/s and to explain reasons for
37 failure to submit and disclose said report/s.
- 38

39 Without prejudice to the provisions of other laws:

40

- 1 i. Every obligation, expenditure or payment authorized or incurred in violation of the
2 provisions of this Act shall be void and shall render the public official and/or
3 employee authorizing or making such payment and every person in collusion with
4 said official or employee shall jointly and severally be held liable to the government
5 for the full amount so paid or received. The public official or employee who
6 knowingly incur any obligation or authorizes any expenditure in violation of the
7 provisions of this Act or takes part therein shall likewise be removed or dismissed
8 from office, after due notice and hearing, even if no criminal charge is instituted
9 against him;
- 10
- 11 ii. Any public official or employee, holding office or employment in a casual, temporary,
12 holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent
13 information in any accountability report, shall be penalized with imprisonment not
14 exceeding five (5) years, or a fine not exceeding One Million Pesos (P1,000,000.00),
15 or both, without prejudice to disallowances that may be made by COA against
16 expenditures related to such fraudulent information, provided, that this fine is
17 reviewed and adjusted periodically to be reasonable;
- 18
- 19 iii. A conviction under this Act shall carry with it civil liability, which may either consist
20 of restitution for the damage done or forfeiture in favor of the government of any
21 unwarranted benefit derived from the act or acts in question, or both, at the
22 discretion of the courts, in addition to possible administrative liability; and
- 23
- 24 iv. Private individuals who shall conspire with the erring public officials or employees,
25 whether as co-principals, accomplices or accessories, in the commission of any
26 violation of this Act shall be subject to the same penalties as the public officials or
27 employees and shall be tried jointly with them.
- 28

29 **Section 71. Jurisdiction.** – Actions under this Act shall be cognizable by the courts,
30 tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.

31

32

33 **PART IX**
34 **FINAL PROVISIONS**

35

36 **Section 72. Implementing Rules and Regulations.** – The DBM in consultation with
37 the DOF, BTr, NEDA and COA, in coordination with agencies concerned shall issue the
38 guidelines necessary for the proper implementation of this Act.

39

40 **Section 73. Transitory Provisions.** – The DBM, DOF, BTr, NEDA and COA shall
41 produce and submit within thirty (30) days from promulgation of the IRR, a Transitory
42 Plan for information, to the Joint Congressional Oversight Committee on Public
43 Expenditures to ensure the proper implementation of the provisions of this Act, presenting
44 the Sections that will not be implemented on the passing of this Act and those requiring
45 compliance with certain conditions or the happening of events before the provisions herein
46 may be implemented.

47

1 **Section 74. Repeal.** – Any law, presidential decree or issuance, executive order, letter of
2 instruction, administrative order, proclamation, charter, rule or regulation and/or parts
3 thereof contrary to or inconsistent with the provisions of this Act is hereby repealed,
4 modified or amended accordingly. (Note: specific laws to be repealed will need to be
5 identified for clarity.)

6
7 **Section 75. Separability Clause.** – If any provision of this Act is declared invalid or
8 unconstitutional, the other provisions not affected thereby shall remain valid and
9 subsisting.

10
11 **Section 76. Effectivity Clause.** – This Act shall take effect fifteen (15) days following its
12 publication in the Official Gazette or in two (2) newspapers of general circulation.

13
14 *Approved,*