

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



Senate
Office of the Secretary

'15 MAY 25 AIO :06

SENATE
S.B. No. 2777

RECEIVED BY: 

INTRODUCED BY SENATOR SONNY ANGARA

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

EXPLANATORY NOTE

In 2010, the current administration won a resounding mandate on an anti-corruption and good governance platform, jumpstarting a reform movement toward instilling transparency and accountability into the business of government. Naturally, such reforms focused on what is central to government’s social contract with the Filipino citizenry (and vice versa)—the national budget.

However, budget transparency in the Philippines was found to still be wanting with the country’s ranking in the International Budget Partnership’s Open Budget Index (OBI) falling by 7 points from 55 (out of 100) in 2010 to 48 in 2012. The same report still noted key improvements in budget oversight and citizen engagement, which includes the administration’s Bottom-Up Budgeting (BUB) initiative.

Controversies then erupted regarding the Priority Development Assistance Fund (PDAF) and the Disbursement Acceleration Program (DAP), highlighting even further the urgency and importance of enacting budgetary reforms.

Many laws undergird the country’s budgetary or public finance management (PFM) policies. And lack of clarity opens the opportunity not just for sub-par implementation, but also for outright abuse.

The foregoing measure aims to rectify this situation by clarifying via law—a veritable first—the country’s public finance management policy framework. In doing so, the measure details the roles and responsibilities of Congress and the Executive in the budget process and in PFM, in general.

It also mandates that all branches of government share the same fiscal discipline, requiring for instance that every proposed revenue-eroding and expenditure measure be accompanied with estimates on its budgetary and financial implications for the first six (6) years of initial implementation.

More importantly, the measure will strengthen mechanisms for citizen’s access to public financial management information and their participation in the budget process through standards on public disclosures and reporting, publication of the People’s Budget, and the institutionalization of bottom-up budgeting.

Ultimately, the passage of this bill will strengthen government's accountability to the people for its use of public funds to further improve the ability of government to deliver direct, immediate and substantial services to the people, especially the poor.

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



SENATOR SONNY ANGARA

*15 MAY 25 AIO :07

SENATE
Senate Bill No. 2777

RECEIVED BY: 

Introduced by SENATOR SONNY ANGARA

“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.”

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

**PART I
PRELIMINARY PROVISIONS**

1 **Section 1. *Short Title.*** – This Act shall be known as the “Public Financial Accountability Act.”
2

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

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

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

28 **Section 4. *Definition of Terms.*** – The following terms when used in this Act and the implementing
29 rules and regulations shall be understood, as follows:
30

- 31 (a) ***Accounting Standards*** refer to authoritative statements on how transactions and other events
32 should be reflected in the accounts and financial statements of Government Agencies as
33 promulgated by the Commission on Audit (COA);
34
35 (b) ***Allotment*** refers to the authorization issued by the Department of Budget and Management
36 (DBM) for NGAs, GOCCs, or LGUs to incur obligations up to a certain amount, for a specified
37 public purpose, and within a specified period of time, in accordance with the Appropriations
38 Law;
39

- 1 (c) **Appropriations Law** refers to the legislative authorization for the utilization of Public Funds for
2 specific public purposes covering a specified period of time. This may refer to either a general or
3 special appropriations law;
4
- 5 (d) **Cabinet** refers to the Executive Secretary and the Secretaries of the departments under the
6 executive branch;
7
- 8 (e) **Fiscal Year** refers to a period of twelve months commencing on January 1 until December 31;
9
- 10 (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;
11
- 12 (g) **Government-Owned or -Controlled Corporations** refer to agencies with corporate powers,
13 whether or not organized as a stock or non-stock corporation, vested with functions relating to
14 public needs whether governmental or proprietary in nature, and owned by the Government of
15 the Republic of the Philippines either wholly or, where applicable as in the case of stock
16 corporations, to the extent of at least a majority of its outstanding capital stock. This includes
17 Government Financial Institutions, government corporate instrumentalities and related
18 corporations;
19
- 20 (h) **Government Financial Institutions** refer to financial institutions in which the GRP directly or
21 indirectly owns the majority of the capital stock and which are either: (i) registered with, or
22 directly supervised by, the *Bangko Sentral ng Pilipinas (BSP)*; or (ii) authorized to collect or
23 transact funds or contributions from the public and place them in financial instruments or assets
24 such as deposits, loans, bonds and equity;
25
- 26 (i) **Head of Agency** refers to the head of the department or agency in the case of NGAs, the Board
27 of Directors or Trustees in the case of GOCCs as well as certain agencies which are structured
28 as such, and the local chief executive in the case of LGUs;
29
- 30 (j) **Local Government Units** refer to provinces, cities, municipalities, and barangays, as well as
31 autonomous regions authorized to be created in the Constitution;
32
- 33 (k) **National Government Agencies** refer to units of the national government, as distinguished
34 from GOCCs and LGUs, which include any of the departments, bureaus, offices or
35 instrumentalities of the Executive, Judicial and Legislative branches of government, as well as
36 the Constitutional Commissions, and the Office of the Ombudsman;
37
- 38 (l) **Proposed National Budget** refers to a financial plan to be submitted by the President to
39 Congress reflective of national objectives, strategies and programs;
40
- 41 (m) **Public Officials** refer to elective and appointive officials and employees, in a permanent or
42 temporary capacity, whether in the career or non-career service, including military and
43 uniformed personnel, regardless of the rank, form or amount of compensation;
44
- 45 (n) **Public Funds** refer to the monies of all Government Agencies sourced from taxes, fees,
46 charges, penalties, income, dividends, interest earnings, loan proceeds, grants, proceeds
47 from the sale of assets, and such other receivables of the government that the
48 Government has a legal right to retain and use and shall not include any money received in
49 error; and
50
- 51 (o) **Subsidiary** refers to a corporation where at least a majority of the outstanding capital stock is
52 owned or controlled, directly or indirectly and through one or more intermediaries, by a GOCC.
53

54 In this Act the singular may be read as the plural and the plural may be read as the singular, as the
55 context requires.
56

57 PART II 58 ADDITIONAL ROLES AND RESPONSIBILITIES 59

60 **Section 5. Congress.** – The Congress shall, in addition to its powers under the Constitution and
61 existing laws, perform the following :
62

- 1
2 (a) Monitor and review government performance against the requirements of appropriations and
3 related laws, and hold Government Agencies accountable for their financial and non-financial
4 performance;
5
6 (b) Review reports on planned and actual performance, including the Statement of Fiscal Policy, the
7 Medium Term Fiscal Strategy, fiscal reports, annual plans of government agencies, periodic and
8 annual reports on government performance and performance of government agencies; and
9
10 (c) Consider the consolidated annual financial statements of government prepared by the Office of
11 the Comptroller General (OCG) and the audited government agency reports by the COA.
12

13 Congress shall undertake the foregoing through any of its existing committees, support offices or
14 one created for the purpose to strengthen the oversight role of Congress.
15

16 **Section 6. *President.*** - The President shall, in addition to his/her powers under the Constitution and
17 existing laws, perform the following:
18

- 19 (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for submission to
20 Congress;
21
22 (b) Approve the Budget Priorities Framework to identify the priority areas for government spending
23 and guide the budget preparation exercise; and,
24
25 (c) Authorize changes in the functional, operational and organizational structure within and among
26 the DBM, Department of Finance (DOF), and National Economic and Development Authority
27 (NEDA), as may be necessary, to ensure the effective implementation of this Act.
28

29 **Section 7. *Commission on Audit.*** - The COA shall, in addition to its powers under the Constitution
30 and existing laws, coordinate with the DBM, through the OCG, for the proper enforcement of timely
31 accounting and reporting of public finances.
32

33 **Section 8. *Department of Budget and Management.*** - The DBM shall, in addition to its mandates
34 and functions under existing laws, perform the following:
35

- 36 (a) Prepare, in coordination with the agencies concerned, and DOF, NEDA and OP in the
37 Development Budget Coordination Committee (DBCC), the Statement of Fiscal Policy, the
38 Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Mid-year and Annual
39 Fiscal Reports as required in this Act;
40
41 (b) Monitor and evaluate the financial and non-financial performance of NGAs;
42
43 (c) Evaluate and review the financial and non-financial performance of GOCCs with special laws,
44 and charters, in coordination with the DOF and the Governance Commission for GOCCs
45 (GCG), and approve the annual corporate operating budgets (COBs) of the GOCCs;
46
47 (d) Monitor and review, together with the Bureau of Local Government Finance (BLGF) under the
48 DOF and Department of the Interior and Local Government (DILG), the financial and non-
49 financial performance of LGUs;
50
51 (e) Assess, together with the BLGF under the DOF and DILG, the PFM systems of LGUs and
52 assist them in designing and implementing PFM improvement measures; and
53

54 To ensure the effective formulation and execution of fiscal policies, the Secretary of Budget and
55 Management shall lead the DBCC, with the Secretary of Finance, the Director General of the NEDA
56 Secretariat and a representative from the OP as members, and the Governor of the BSP as resource
57 person.
58

59 To enhance the management of public finances, there is hereby created an Office of the
60 Comptroller General under the supervision and control of the DBM which shall perform the following
61 functions:
62

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

28 The OCG shall be headed by the Comptroller General who shall be of the same rank as an
29 Undersecretary, and with the structure and staff complement as may be approved by the DBM. The
30 heads of agency shall designate a Comptroller in their respective offices to oversee the implementation
31 of the above-mentioned functions at the agency level in coordination with the Comptroller General.
32

33 **Section 9. Department of Finance.** – The DOF shall, in addition to its mandates and functions under
34 existing laws, perform the following:
35

- 36 (a) Monitor and manage fiscal risks to the government, including those from public-private
37 partnerships;
- 38
- 39 (b) Compile and publish government fiscal statistics in accordance with international standards; and
40
- 41 (c) Formulate policies and standards for the acquisition and management of fixed assets by NGAs.
42

43 The Bureau of the Treasury (BTr) shall, in addition to its mandates and functions under existing
44 laws, perform the following:
45

- 46 i. Manage the Treasury Single Account (TSA) maintained at the BSP or an agent bank, with the
47 prior approval of the Secretary of Finance;
- 48
- 49 ii. Put in place arrangements for the execution of duly authorized payments from the TSA, which
50 may include the appointment of banks to operate as agents of the National Government with the
51 prior approval of the Secretary of Finance;
- 52
- 53 iii. Manage the financial assets and liabilities of the government, including (i) banking
54 arrangements for, and bank accounts of, the government; (ii) hedging and other risk
55 management activities associated with debt management, cash management and financial
56 investment; (iii) appointment of dealers, assets managers and other agents to support debt,
57 cash and investment management activities; (iv) maintenance of an accurate record of the stock
58 and flow of financial assets and liabilities; and (v) tracking and reporting on fiscal risks related to
59 the management of financial assets and liabilities;
- 60

- 1 iv. Issue instructions on the management and recording of financial assets and liabilities of the
2 government;
3
4 v. Authorize the opening and closing of bank accounts of NGAs;
5
6 vi. Administer the release of cash requirements covering all types of transfers to LGUs; and
7
8 vii. Establish and maintain a consolidated registry of fixed assets of the National Government.
9

10 **Section 10. National Economic and Development Authority.** – The NEDA shall, in addition to its
11 mandates and functions under existing laws, perform the following:
12

- 13 (a) Coordinate with the Regional Development Councils (RDCs), on the formulation of regional
14 development plans and policies that are consistent with the established national priorities;
15
16 (b) Coordinate the formulation of an annual and medium-term public investment program consistent
17 with the approved Medium-term Fiscal Strategy and in the context of the preparation of the
18 National Budget;
19
20 (c) Set standards for Government Agencies in proposing, assessing, monitoring and evaluating
21 development policies, plans and projects including those financed by grants and concessional
22 loans;
23
24 (d) Assist and support the capacity building of RDCs and LGUs in development planning and
25 investment programming; and
26

27 **Section 11. Heads of Government Agencies.** - The heads of NGAs, GOCCs and LGUs shall, in
28 addition to responsibilities provided under existing laws, be responsible for the following:
29

- 30 (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could impact on
31 the finances of the government;
32
33 (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget Priorities
34 Framework, and the Proposed National Budget as required by the DBM;
35
36 (c) Manage their respective agencies, including GOCCs, and other resources placed under their
37 supervision, in an efficient, effective and economic manner in order to deliver the outputs and
38 attain the outcomes set in their respective budgets;
39
40 (d) Take appropriate measures to ensure that contractual commitments or obligations do not
41 exceed the amounts appropriated in their respective budgets;
42
43 (e) Ensure that their respective agencies settles all contractual obligations or approves payment
44 thereon within the time prescribed by law;
45
46 (f) Institute effective and efficient management systems, procedure and practices for assets,
47 liabilities, and personnel, including internal controls, risk management, and performance review;
48
49 (g) Demonstrate that due regard has been taken on the recommendations provided in internal and
50 external audit evaluation reports, to the extent authorized in their respective budgets; and
51
52 (h) Provide accounting and reporting of public finances as required in this Act.
53
54

55 **PART III**
56 **FISCAL RESPONSIBILITY**
57

58 **Section 12. Fiscal Responsibility Principles.** – The State shall pursue its policy objectives in
59 accordance with the following Fiscal Responsibility Principles;
60

- 1 (a) Implement fiscal policies and strategies consistent with the achievement of macroeconomic
2 stability and inclusive economic development;
- 3
- 4 (b) Manage resources in a fiscally and environmentally sustainable way;
- 5
- 6 (c) Maintain prudent levels of public debt;
- 7
- 8 (d) Maintain an appropriate balance between government revenues and expenditures; and
- 9
- 10 (e) Manage fiscal risks in a prudent manner.

11
12 **Section 13. Statement of Fiscal Policy.** – The DBM, in coordination with DOF, NEDA and OP in the
13 DBCC, shall prepare, subject to the approval of the President, the Statement of Fiscal Policy which
14 shall contain measurable medium-term macroeconomic and fiscal objectives and forecasts consistent
15 with the Fiscal Responsibility Principles.

16
17 The President shall submit for information of Congress, the Statement of Fiscal Policy not later
18 than ninety (90) days upon commencement of his/her term of office and update the measurable fiscal
19 objectives set forth therein three (3) years thereafter.

20
21 **Section 14. Medium-term Fiscal Strategy.** – The DBM, in coordination with the DOF, NEDA, and OP
22 in the DBCC, shall prepare, subject to approval of the President, a Medium-term Fiscal Strategy
23 consistent with the approved Statement of Fiscal Policy, to be updated annually. It shall include a
24 summary of the fiscal policies for revenue, debt, deficit, expenditure, and fiscal risk management,
25 supported by a medium-term fiscal sustainability analysis, consistent with the measurable fiscal
26 objectives established in the approved Statement of Fiscal Policy. The IRR of this Act shall detail the
27 other specifications for the Medium-Term Fiscal Strategy.

28
29 The President shall submit for the information of Congress, the Medium-term Fiscal Strategy for the
30 following fiscal year not later than March 15 of the current year and shall publish the said report on a
31 government website not later than seven (7) days after it is submitted to Congress.

32
33 **Section 15. Fiscal Reports.** – The DBM, in coordination with the DOF, NEDA, and OP in the DBCC,
34 shall produce a Mid-year Fiscal Report (MFR), covering the first half of the fiscal year and an Annual
35 Fiscal Report (AFR) on the government's macroeconomic and fiscal performance.

36
37 The MFR and AFR shall include information on macroeconomic and fiscal outturns for the period
38 covered as compared against forecasts and objectives stated in the Medium-Term Fiscal Strategy; as
39 well as reporting on budget execution, at least in the aggregate and by agency level, compared against
40 approved appropriations and other spending authorities. The IRR of this Act shall detail the other
41 specifications for the contents of the MFR and AFR.

42
43 The President shall submit the MFR to Congress not later than September 30 of each year while
44 the AFR shall be submitted together with the Proposed National Budget. Said reports shall be published
45 on a government website not later than seven (7) days after they are submitted to Congress.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

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

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

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

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

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

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

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

**PART IV
BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT**

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

- (a) Cash-based estimates shall be adopted in the proposed general and special appropriations bills to promote faster and more effective delivery of services;
- (b) The overall expenditure program of the government for a given fiscal year shall be included, identifying those requiring approval by Congress and those authorized under existing laws;

- 1 (c) All sources of funds and authorized uses available to the agency shall be considered in the
2 evaluation of agency proposals and determination of agency budget levels, and shall likewise
3 be disclosed in the Proposed National Budget and reports;
4
5 (d) Evaluation of agency proposals may include the analysis of a development plan, master plan or
6 road map, agency capability as demonstrated by previous years' performance, its contribution to
7 projects and activities of other agencies, utilization of funds appropriated or released, and such
8 other criteria as may be determined by the DBM;
9
10 (e) All appropriations shall be valid until the end of the fiscal year;
11
12 (f) Items of appropriations shall be presented in such a way as to identify both the entity
13 responsible for the expenditure and the intended results from the use of the appropriation in
14 order to evaluate the performance of the agency;
15
16 (g) Both the financial and non-financial performance of agencies shall be presented in the
17 Proposed National Budget and the General Appropriations Act to ensure a performance-
18 informed budget; and
19
20 (h) Items of appropriations shall be reflected by department, agencies, bureaus, and offices, and
21 shall be presented for information purposes, by region and province, and eventually, by city or
22 municipality.
23
24

25 **Section 20. Planning-Budgeting Linkage** - Development strategies identified in the Philippine
26 Development Plan shall be a primary consideration in the formulation of the budget priorities
27 framework. These shall also be the basis for drawing up strategic and prioritized programs and
28 projects in the multi-year public investment program, which in turn will be considered in the formulation
29 of the annual agency budgets that conform to the annual budget ceilings approved by the President.
30

31 The implementation of programs and projects funded under the annual agency budgets shall be
32 monitored to ensure economy, efficiency, and effectiveness in the use of public funds. Monitoring and
33 evaluation of these projects shall cover, among others, the planned and actual performance of
34 agencies, citing reasons for deviation and/or poor absorptive capacities. The results of the project
35 evaluation shall inform the assessment of subsequent plans and budget proposals of agencies.
36
37

38 **Section 21. Budget Priorities Framework.** – The DBM, in coordination with the DOF, NEDA and OP
39 in the DBCC, shall present to the President and Cabinet, in April of each year, a Budget Priorities
40 Framework which shall guide the formulation of the Budget for the following year by containing the
41 medium-term fiscal strategy and targets underlying the budget; the priority areas for government
42 spending reflected in the PDP, estimated amount and planned allocation of the fiscal space; and other
43 requirements laid down in the IRR.
44

45 **Section 22. The Budget Preparation Process.** – The DBM shall determine the budget preparation
46 process and calendar. The budget preparation process shall cover: (i) NGAs; (ii) GOCCs with respect
47 to their impact on revenues, expenditures, assets, and liabilities and risks of the government; and (iii)
48 LGUs as to their impact on revenues and expenditures of the government.
49

50 **Section 23. The Proposed National Budget.** – The President shall submit to Congress, not later than
51 thirty (30) days from the fourth Monday of July of every year, the Proposed National Budget, which shall
52 be the basis of the general appropriations bill.
53

54 The President shall determine the form and content of the Proposed National Budget which shall
55 include, but not limited, to the following:
56

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

- 1
2 (b) National Expenditure Program (NEP) – includes the strategic objectives, details of the three-
3 year (3-year) expenditure program, performance information, such as key strategies, outputs
4 and outcomes for agencies in relation to their budgets, and staffing summary;
5
6 (c) Budget of Expenditures and Sources of Financing (BESF) - contains the macroeconomic
7 parameters; dimensions of three-year (3-year) expenditure program, revenues, financing, and
8 outstanding debt; overview of the financial positions of GOCCs, LGUs, and public-private
9 partnership projects, as well as the other items listed in the IRR;
10
11 (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that the national
12 government faces, including those from the contingent liabilities of Government Agencies and
13 other items listed in the IRR.
14

15 Congress may not increase the appropriations recommended by the President for the operations of
16 government as specified in the Proposed National Budget.
17

18 The President shall publish the Proposed National Budget on a Government website on the same
19 day as it is presented to Congress.
20

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

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

35 All releases from the NDRRMF shall be subject to the prior approval of the President, who may take
36 into consideration the recommendation of the National Disaster Risk Reduction and Management
37 Council and the appropriate agency for local and international disasters and calamities.
38

39 **Section 26. Contingent Fund.** – The Contingent Fund shall cover the funding requirements of new
40 and/or urgent and unforeseen projects and activities of NGAs and GOCCs that need to be implemented
41 or paid during the year, such as, legal obligation of the government arising from final and executory
42 decisions by competent authority, including arbitration awards, mediation settlement, or compromise
43 agreements, requirements of newly created offices, or deficiencies in the appropriations for local and
44 external travels of the President.
45

46 As a rule, all releases from the Contingent Fund shall be approved by the President. However,
47 disbursements due to final and executory decisions promulgated by competent authorities shall only
48 require the approval of the DBM.
49

50 The DBM shall inform Congress of all releases from the Contingent Fund in the quarterly and
51 annual fiscal reports including information on the date of release, the amount covered, corresponding
52 purpose/s and recipient agency.
53

54 **Section 27. Statutory Shares of Local Government Units.** - The shares of LGUs in the proceeds
55 from national taxes and other transfers to LGUs authorized by law shall be released to the LGUs in
56 accordance with the provisions on the use, allocation, and release of the funds as may be provided in
57 pertinent laws, rules and regulations.
58

59 **Section 28. Unprogrammed Appropriations.** Congress may authorize standby appropriations to
60 cover the funding requirements of other priority projects and activities or contingencies, as well as
61 provide appropriations cover for foreign-assisted projects (FAPs) not specifically included in the
62 programmed component of the Appropriations Law. The Unprogrammed Appropriations shall have the

1 same level of details as in the programmed component of the Appropriations Law. The amount
2 authorized under the Unprogrammed Appropriations shall not exceed two percent (2%) of the total
3 proposed expenditure in the programmed component of the Appropriations Law.
4

5 The Unprogrammed Appropriations shall take effect only when supported by excess collections
6 generated in any one of the particular tax or non-tax revenue source from its corresponding revenue
7 collection target in the BESF as certified by the BTr, or when there are new loan agreements for FAPs.
8 In no case shall the Unprogrammed Appropriations be activated or released when there is a risk of
9 breaching the measurable fiscal objectives for the budget balance (including a deficit) or debt for the
10 financial year or future years as provided in the Statement of Fiscal Policy and Medium-term Fiscal
11 Strategy or if there is a risk of breaching any of the Fiscal Responsibility Principles.
12

13 Priority projects and activities or contingencies shall pertain to expenditures, the payment of which
14 are not covered under the Contingent Fund and could not be delayed until the succeeding budget years
15 without harming public interest or arising from the government's legal obligation such, compliance with
16 a government guarantee or settlement of final and executory decisions by competent authorities.
17

18 Releases from the Unprogrammed Appropriations shall be subject to the prior approval of the
19 President of the Philippines, except final and executory decisions which shall instead require the
20 approval of the DBM.
21

22 The DBM shall inform Congress of all releases from the Unprogrammed Appropriations in the
23 quarterly and annual reports including information on the date of release, the amount covered,
24 corresponding purpose/s and recipient agency.
25

26 **Section 29. Release and Expenditure of Public Funds.** - The government shall commence releases
27 of Public Funds covered by an Appropriations Law as soon as such Law comes into force to ensure
28 timely and efficient disbursement by the appropriate implementing agencies, subject to pertinent
29 budgeting and auditing rules and regulations.
30

31 **Section 30. Early Procurement Activities.** - To ensure timely contract implementation and efficient
32 delivery of services, all Government Agencies are authorized to undertake procurement activities from
33 pre-procurement conference until post-qualification of bids even prior to the passage of the
34 Appropriations Law, Corporate Operating Budgets (COBs) or Appropriations Ordinance, in accordance
35 with IRRs to be issued by DBM.
36

37 Government Agencies may proceed with the awarding of contract upon approval or enactment of
38 their respective appropriations or budget authorization document, as the case may be, and based on
39 the amount authorized therein.
40

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

45 Consistent with the Fiscal Responsibility Principles, the Re-enacted Budget shall be enforced as
46 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 level of
50 the sources of financing under the Budget of Expenditure and Sources of Financing (BESF) of the
51 Proposed National Budget ;
52

53 (b) All completed programs, projects and activities, as well as program support for GOCCs and
54 equity contribution of the national government shall be excluded from the Re-enacted Budget;
55

56 (c) The appropriations for the following shall be limited to the amount authorized under the Re-
57 enacted Budget, but in no case exceed the amount proposed by the President in the Proposed
58 National Budget:
59

- 60 1. Ongoing programs, projects and activities;
- 61 2. Personnel benefits, including retirement gratuities, pensions, terminal leave pays

- 1 and related expenses;
- 2 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs; and
- 3 4. Budgetary support to GOCCs but further limited to the amount of subsidy for their
- 4 operational requirements.
- 5

6 The items and/or amount of appropriations not covered under the Re-enacted Budget as provided

7 above shall not be released, disbursed, or utilized for the purpose previously authorized nor be declared

8 savings to augment existing items of appropriations in the Re-enacted Budget.

9

10 The DBM shall issue guidelines on the aggregate level of appropriations authorized under the Re-

11 enacted Budget in accordance with the foregoing, the level of obligations by agencies, supporting

12 requirements to determine actual needs, and other pertinent rules in the implementation of the Re-

13 enacted Budget.

14

15 Upon enactment of the General Appropriations Law, all releases under a Re-enacted Budget

16 consistent with this Section shall be deemed to have been implemented pursuant to, and charged

17 against, for account recording purposes, the general appropriations law for the current fiscal year.

18

19 **Section 32. *Special Appropriations Bill.*** – A Special Appropriations Bill is a legislative proposal to

20 provide authorization for expenditures for a specific purpose not included or not covered under the

21 annual appropriations laws. It shall, specify the purpose/s for which it is intended and be valid until the

22 end of the fiscal year of its enactment.

23

24 A Special Appropriations Bill shall be supported by funds actually available or those which are not

25 included in the fiscal year's sources of financing under the BESF as certified by the National Treasurer,

26 or to be raised by a corresponding revenue measure proposed therein. The amount to be authorized

27 by Congress in a Supplemental Appropriations Bill may be more than that originally proposed for as

28 long as the same is supported by any or a combination of the above sources and is consistent with the

29 Fiscal Responsibility Principles and the MTFs. A Special Appropriations Bill may only be proposed

30 after the passage of the General Appropriations Law, except for disaster-related purposes, as well as

31 urgent and unforeseen requirements of the government.

32

33 **Section 33. *Multi-year Contracts.*** - Multi-year contracts (MYCs) shall refer to contracts entered into by

34 NGAs and GOCCs where the delivery of goods, civil works, and services will cover more than one (1)

35 year. NGAs entering into MYCs shall first secure a Multi-year Obligational Authority (MYOA) from the

36 DBM but in no case shall obligate and disburse more than the current year's appropriation for the said

37 year's phase of project implementation. GOCCs shall secure prior authority from their respective

38 governing boards before entering into MYCs.

39

40 The MYOA issued by the DBM for NGAs, and the amount authorized by the governing board for

41 GOCCs' governing board shall be the basis of the ABC under Section 5 of Republic Act No. 9184 for

42 MYCs and the certification of availability of funds required prior to contract execution under Section 85

43 of Presidential Decree No. 1445.

44

45 **Section 34. *Authority to Declare and Use Savings.*** - The President of the Philippines, the Senate

46 President, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the

47 Heads of the Civil Service Commission (CSC), the Commission on Elections (COMELEC), and the

48 COA are hereby authorized to declare and use savings in their respective appropriations to augment

49 actual deficiencies incurred for the current year in any item of their respective appropriations.

50

51 The foregoing constitutional officers authorized to use savings shall be responsible for ensuring that

52 quarterly reports on their respective use of savings shall be submitted to the Senate Committee on

53 Finance and the House Committee on Appropriations, copy furnished the DBM. The report shall

54 indicate, among others, the amount of savings generated, the sources and grounds used therefor, and

55 the existing item of appropriations augmented. They shall likewise ensure that said reports are posted

56 on their respective official websites.

57

58 The DBM shall determine the procedure, as well as the supporting documents needed in the

59 declaration and use of savings authorized in this Act.

60

1 **Section 35. Meaning of Savings.** - Savings refer to portion or balances of any programmed items of
2 appropriations in the general appropriations law, which have not been released or obligated as a result
3 of the following:
4

- 5 (a) Completion of a program, project or activity at a lower cost than that programmed. For this
6 purpose, completion shall refer to the award of contract to the contractor, supplier or consultant.
7 Any difference between the approved budget for the contract and the amount of contract award
8 may be declared as Savings;
9
- 10 (b) Decreased cost realized from the implementation of measures resulting in lower input costs or
11 efficiencies which enabled agencies to meet and deliver their targets and/or implement or
12 complete their projects or activities;
13
- 14 (c) Discontinuance or abandonment of a project or activity for causes not attributable to the fault or
15 negligence of either the NGA mandated to undertake or authorized to implement said project or
16 activity or the procurement agent, at any time during the validity of the appropriations;
17
- 18 (d) Non-commencement of a program, project or activity for which the appropriations is authorized.
19 For this purpose, non-commencement shall refer to the inability of the NGA to obligate an
20 allotment on or before June 30 of the current fiscal year due to causes not attributable to the
21 fault or negligence of the agency; or
22
- 23 (e) Unused compensation and related costs as well as pension and retirement benefits.
24

25 **Section 36. Rules on Augmentation.** - Augmentation is the act of the constitutional officers authorized
26 under Section 34 of this Act to use Savings realized in their respective appropriations in order to
27 address a deficiency in other items of their respective appropriations. A deficiency in an item of
28 appropriations may result from the following, as determined by the Head of Agency:
29

- 30 (a) Unforeseen modifications or adjustments in the program, project or activity (PPA); or
31
32 (b) Adjustment in the cost of implementing the PPA due to justified causes.
33

34 In particular, the authorized constitutional officers shall observe the following when augmenting an
35 item of appropriations from Savings:
36

- 37 (a) There should be an existing item of appropriations to be augmented. For this purpose, the
38 particulars of the expenditures to be funded by augmentation from Savings should be within the
39 scope of or may be attributed to the item of appropriations to be augmented; and
40
- 41 (b) In no case shall a non-existent allotment class in a PPA be funded by augmentation from
42 Savings.
43

44 **Section 37. Rules on Realignment.** - Realignment is the limited flexibility given to NGAs to modify or
45 change the specific details within a PPA that shall not entail any augmentation of the amount
46 appropriated for the said PPA during budget execution. Realignment may be undertaken in any of the
47 cases specified in the IRR.
48

49 The following are authorized to approve realignments:
50

- 51 (a) For the Executive branch, the respective Heads of Agencies, except for: (i) realignment, within
52 PS for the payment of authorized magna carta benefits; from one allotment class to another
53 and, from one operating unit to another, which shall be subject to approval of the DBM, and (ii)
54 realignment of intelligence funds which shall require approval of the President of the Philippines;
55
- 56 (b) For the Senate of the Philippines, all types of realignment shall require approval of the Senate
57 President;
58
- 59 (c) For the House of Representatives, all types of realignment shall require approval of the
60 Speaker;
61

1 (d) For the Judicial branch, the Chief Justice with regard to the Supreme Court and lower courts,
2 and the respective Presiding Justices of the Court of Appeals, Court of Tax Appeals and
3 *Sandiganbayan*, except for realignment of intelligence funds which shall require approval of the
4 Chief Justice; and
5

6 (e) For the CSC, COMELEC, and COA, all types of realignment shall require approval of their
7 respective Chairpersons.
8

9 The DBM shall promulgate the rules and regulations necessary to ensure the uniform
10 implementation among the various branches of government, the proper recording of realignments, and
11 the timely submission of reports by all the offices concerned.
12

13 PART V 14 FINANCIAL MANAGEMENT 15

16 **Section 38. General Fund.** – All monies received by NGAs, whether coming from taxes, fees,
17 charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations, asset sale
18 proceeds and such other receivables, shall accrue to the General Fund and be remitted to the National
19 Treasury, unless otherwise provided by law or stipulated by covering loan or grant agreements. Monies
20 under the General Fund shall be made available to support the requirements of the NG authorized in an
21 Appropriations Law.
22

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

31 All earmarked revenues with significant inflows, a large portion of which are not or not expected to
32 be programmed for disbursement during the year shall be treated as Trust Funds and recorded as trust
33 receipts. Proceeds from these Trust Funds shall be recorded only as revenue inflow in the General
34 Fund when programmed to be spent for the year.
35

36 The Permanent Committee created under EO No. 292, s. 1989 shall recommend for approval of the
37 President the change in the treatment of existing SAGFs that shall be converted into Trust Funds by
38 virtue of the foregoing. The recording of revenue inflows from these SAGFs shall be governed by the
39 guidelines to be issued by the Permanent Committee.
40

41 **Section 39. Special Funds.** – In exceptional cases when an SAGF is not suitable for the operations of
42 a fund, Special Funds shall be authorized by law and limited to the following:
43

44 (a) Trust Fund – constituted from identified revenue sources and other receipts by NGAs or public
45 officials acting as trustees, agents, or administrators for the fulfillment of obligations or
46 accomplishment of specified purposes. Trust Funds shall be deposited in the Treasury Single
47 Account (TSA);
48

49 (b) Revolving Fund – constituted from receipts derived from business-type activities of NGAs to be
50 used for the operating requirements of said business-type activities and as such are considered
51 self-liquidating. Revolving Funds shall be deposited in the TSA or in an Authorized Government
52 Depository Bank (AGDB) upon authority of the National Treasurer; and
53

54 (c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends, or interest
55 earnings collected, earned or received by NGAs which are expressly authorized by law to be
56 retained by NGAs and utilized for specified purposes. Retained Funds shall be deposited in the
57 TSA or in an AGDB upon authority of the National Treasurer.
58

59 Notwithstanding the provisions of laws to the contrary, Special Funds may only be established after
60 evaluation by the Permanent Committee, , as to their proper category and compliance with the
61 foregoing conditions. Any interest earned by Special Funds shall accrue to said Funds.
62

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

5
6 It shall likewise review all SAGFs created upon the passage of this Act and may recommend to extend
7 their validity period, but in no case shall the extension exceed three (3) years at any one time, subject
8 to approval of the President.

9
10 The Permanent Committee shall jointly issue guidelines for the establishment, review and evaluation,
11 accounting and reporting, and termination of SAGFs and Special Funds.

12
13 **Section 41. Escrow Fund.** – Escrow Funds are constituted from funds for which the government's
14 legal right to use is contingent upon a future event which may or may not occur. Escrow Funds shall be
15 deposited in the TSA or an AGDB upon authority of the National Treasurer, and shall subsequently be
16 part of the General Fund upon the occurrence of the future contingent event. Any interest earned by an
17 Escrow Fund shall accrue to the said Fund. The amounts under escrow, including interest earned shall
18 form part of the General Fund upon the occurrence of the future contingent event.

19
20 **Section 42. Waiver, Abatement, Refund and Compromise Agreements.** – No public official shall
21 waive, abate, refund, or enter into a compromise agreement on a tax liability or the payment of fees or
22 charges except in accordance with law. All waivers, abatements, refunds or compromise agreements
23 made by an NGA shall be properly accounted for and reported. Refund of taxes and other revenues
24 shall be treated as a reduction in revenue collections.

25
26 **Section 43. Grants.** – NGAs may accept, with prior coordination with DOF, grants, in cash or in kind,
27 from domestic or foreign sources, for purposes relevant to their functions. In the case of grants, in cash
28 or in kind, from governments of foreign countries, their agencies and instrumentalities and
29 international or multilateral institutions or organizations, acceptance thereof shall be subject to the
30 prior clearance and approval by the President or his authorized representative based on the
31 recommendation of the Secretary of Finance.

32
33 The provisions of this Section shall not apply to 1) any grant received by LGUs or GOCCs, except
34 where the grant is received by them on behalf of the NG , or 2) any grant authorized or covered in
35 accordance with existing law.

36
37 **Section 44. Treasury Single Account.** – The TSA refers to the banking arrangement managed by the
38 BTr wherein the government transacts all monies collected, received or paid by NGAs in one bank
39 account or a set of linked bank accounts and gets a consolidated view of its cash position on at least, a
40 daily basis.

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

- 44
45 (a) When monies under the General Fund are placed under investments;
46
47 (b) When the BTr is required to hold foreign currency accounts; or
48
49 (c) When authorized by the Secretary of Finance.

50
51 The BTr, in coordination with NGAs authorized by law to undertake revenue collection and
52 administration, shall make the necessary arrangements with authorized agent banks (AABs) to facilitate
53 the collection and transfer of said revenues to the TSA. AABs shall deposit said collections to TSA
54 within the period and in the manner prescribed by laws, rules and regulations.

55
56 **Section 45. Oversight on Government Bank Accounts.** – Notwithstanding any provision of law to the
57 contrary, the BTr shall undertake any of the following in case of violation of a provision in this Act and
58 guidelines issued on the implementation of the TSA:
59

- 1 (a) Transfer balances of NGA bank accounts to the TSA;
2
3 (b) Close any NGA bank account; and/or
4
5 (c) Revoke the authority to open any NGA bank account.
6

7 The NGA or GOCC which has opened a bank account, as well as the bank concerned, shall promptly
8 disclose information regarding such account to the BTr.
9

10 **Section 46. Treasury Cash Management.** – The BTr shall issue orders for the conduct of cash
11 management including the requirement to provide projections on the timing of future transactions of
12 NGAs. If there is a projected cash shortfall, the Btr may request the DBM to temporarily suspend or
13 withdraw a portion or the full allotment issued.
14

15 **Section 47. Investments.** – The BTr may invest portions of the funds held in the TSA for such periods
16 as the BTr may deem prudent considering cash management requirements and based on terms and
17 conditions as may be set by the IRR of this Act. Investments are authorized to be made in any of the
18 following:
19

- 20 (a) deposit with any highly reputable bank following a selection criteria to be issued by the
21 Secretary of Finance in consultation with the *Bangko Sentral ng Pilipinas*;
22
23 (b) sovereign-issued securities with an investment grade rating; or
24
25 (c) other fixed income securities with an AAA credit rating issued by at least two (2) reputable
26 international credit rating agencies acceptable to the Secretary of Finance.
27

28 The BTr may appoint a fund manager as an agent of the NG to undertake the investment of the
29 funds.
30

31 Interest earned and other income from investments shall accrue to the General Fund, unless
32 otherwise provided by law.
33

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

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

- 36 1. Financing budget deficits and liquidity shortfalls;
37 2. Refinancing and pre-financing maturing debts;
38 3. Obtaining foreign currency on behalf of the *Bangko Sentral ng Pilipinas*;
39 4. On-lending to an approved entity;
40 5. Financing all sums of money paid to fulfill guarantees;
41 6. Regulating internal monetary conditions should the necessity arise;
42 7. Providing financing to remedy the effects of natural calamities; or
43 8. Defraying expenditures covered by appropriations.
44

45 Borrowing under this Act should adhere to the Fiscal Responsibility Principles and measurable fiscal
46 objectives in the Statement of Fiscal Policy.
47

48 **Section 49. Borrowings by Government -Owned or -Controlled Corporations.** – Before the end of
49 each fiscal year, the Head of a GOCC shall prepare a borrowing program for the following fiscal year
50 which shall support the Corporate Operating Budget and for the medium term, both of which shall
51 include a full financial plan with the details of the loans, refinancing and repayment that the GOCC
52 intends to take. Said borrowing program, including changes thereon, shall be subject to the approval of
53 the Head of the NGA overseeing the GOCC, and shall be submitted to DOF for information, and shall
54 be published in the concerned GOCC website.
55

56 GOCCs shall seek approval of DOF for their borrowing activities as defined in the IRR.
57

58 Nothing in this Section shall be construed as creating a government guarantee on any borrowing,
59 loans or refinancing and repayment that the GOCC intends to take.
60

1 **Section 50. Local Government Borrowings.** – An LGU may borrow funds from domestic and foreign
2 sources in accordance with the Local Government Code of 1991 or any other applicable law. The
3 financial plan including borrowing program shall be published in the appropriate government website
4 within seven (7) days after the borrowing program has been approved.
5

6 **Section 51. Debt Reporting.** – The DOF through the BTr shall ensure that the records include
7 information on the principal, terms of repayment, amounts drawn, interests and service charges
8 accrued, principal and interests paid, and the balance outstanding, and shall make the records
9 available in a timely way to the President and Congress when requested and in accordance with the
10 reporting requirements in this Act.
11

12 Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as required by
13 relevant laws, rules and regulations.
14

15 **Section 52. Guarantees.** – Guarantee, indemnity or security shall be provided to an NGA or a GOCC
16 as provided by law, and subject to the annual guarantee ceiling prescribed in the General
17 Appropriations Law, and upon such terms and conditions as the Secretary of Finance may recommend
18 consistent with relevant laws, rules and regulations. The overall level of guarantee, indemnity or
19 security shall adhere to the Fiscal Responsibility Principles laid down in this Act and the fiscal
20 objectives in the Statement of Fiscal Policy.
21

22 The DOF shall charge a risk-based fee for any guarantee, indemnity, security, relending or similar
23 financial accommodation it may extend to a GOCC.
24

25 **Section 53. Limitation on the Liability of the National Government For Debts of Other Entities.** –
26 The NG shall not be liable for any implied guarantees asserted by any person, but only for explicit
27 guarantees extended in accordance with existing laws, and guarantees in favor of the Government
28 Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), Philippine Health
29 Insurance Corporation, and the Social Security System (SSS) in their respective charters.
30

31 **Section 54. Payments Made for Contingent Liabilities.** – Any money paid by the DOF pursuant to
32 any guarantee, indemnity, or security authorized by law and the expenses associated with the same
33 shall constitute a debt due the NG from the entity for whose benefit the payment on the guarantee,
34 indemnity, or security was made.
35

36 **Section 55. Information on Contingent Liabilities.** – The DOF shall keep a complete and updated
37 registry of all contingent liabilities of the NG, and provide the OCG with a report on contingent liabilities
38 as of the fiscal year.
39
40

41 PART VI 42 ACCOUNTABILITY AND REPORTING 43

44 **Section 56. Financial Management and Internal Control.** – The Head of Agency shall be
45 responsible and accountable for the financial management of the agency which shall include meeting
46 performance targets, controlling costs, mitigating adverse risks to agency operations, and ensuring that
47 budgets are managed with integrity and in compliance with applicable laws. Adequate internal controls
48 shall be ensured and an internal audit function shall be maintained.
49

1 The OCG shall oversee the operation of an integrated internal control framework across
2 Government Agencies.

3
4 **Section 57. NGA Annual Plans and Proposed Budgets.** – The Head of each NGA shall produce an
5 Annual Plan which shall have a medium term scope, with details for the following fiscal year, and shall
6 include information on the strategic priorities for the medium-term, consistent with the Philippine
7 Development Plan; performance information; summary proposed budget including financial forecasts
8 assumptions and highlighting significant capital projects; and other information as required in the IRR,
9 as well as the Budget Call and other related orders from the DBM. The Annual Plan shall be submitted
10 to DBM during the budget preparation process consistent with the timetable and other guidelines in the
11 Budget Call.

12
13 The Head of the NGA shall ensure that the Annual Plan is updated to be consistent with a) the
14 Proposed National Budget, no later than thirty (30) days after the President has submitted the same to
15 Congress, and; b) the General Appropriations Act, no later than thirty (30) days after its enactment.
16 Both revisions of the Annual Plan shall be submitted to Congress and published on a government
17 website within the aforementioned timeframes.

18
19 The Annual Plan of a Department shall incorporate the Annual Plans of its attached NGAs and GOCCs
20 subject to guidelines prescribed in the IRR.

21
22 **Section 58. NGA Reporting Requirements.** – For greater transparency and accountability, each
23 Head of an NGA shall:

- 24
25
26 (a) Submit monthly and quarterly reports on the agency's financial and non-financial performance to
27 the DBM and OCG, not later than thirty (30) days after the end of every month and quarter in
28 the format specified by the DBM and shall publish the same on a government website within the
29 same reglementary period;
30
31 (b) Prepare an Annual Report which shall include year-end financial statements, reporting on non-
32 financial performance compared against the Annual Plan, and other information as required in
33 the IRR; submit the said Report to the DBM, OCG, and Congress no later than six (6) months
34 after the end of the fiscal year; and publish the said Report in a government website no later
35 than seven (7) days after its submission to Congress.

36
37 The monthly, quarterly, and annual reports of a Department shall incorporate the reports of its attached
38 NGAs and GOCCs subject to guidelines prescribed in the IRR.

39
40 **Section 59. Service Agreements.** – The Head of an NGA may enter into a service and/or performance
41 agreement with another agency for the latter to provide services charged against the budget of said
42 principal agency.

43
44 **Section 60. Corporate Operating Budget (COB).** – The Board of Directors or Trustees of a GOCC
45 shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the DBM, and the
46 DOF, not later than ninety (90) days prior to the commencement of the fiscal year, which shall include,
47 the objectives of the GOCCs and its subsidiaries, the activities to be undertaken, performance targets
48 and risks; forecasts of financial statements for the next three (3) years; and other information as may be
49 required in the IRR.

50
51 The Head of the NGA overseeing said GOCC shall endorse the Board-approved COB to the DBM,
52 for the latter's approval. The Head of a GOCC shall publish the DBM-approved COB of the GOCC on
53 the official website of the Corporation not later than fourteen (14) days after the approval of the COB.

54
55 **Section 61. GOCC Reporting Requirements.** – For greater transparency and accountability, each
56 Head of GOCCs shall:

- 57
58 (a) Provide quarterly reports on financial and non-financial performance to the DOF, Governance
59 Commission for GOCCs (GCG) and the DBM, no later than thirty (30) days after the end of the
60 quarter, in the format and time specified by the DOF, GCG and DBM and shall publish it on their
61 official website within the same period; and
62

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

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

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

16 **Section 63. Local Government Units.** – The Local Chief Executives (LCEs) shall ensure that
17 adequate internal controls and an internal audit function are maintained.
18

19 The LCEs shall provide financial and non-financial performance information of their respective
20 LGUs to the OCG, DILG, and the BLGF under the DOF, subject to the guidelines to be issued thereon.
21

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

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

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

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

37 **Section 66. Government Consolidated Reporting** — The OCG shall submit a quarterly report on the
38 consolidated financial performance of the government to the President, which includes information
39 showing performance against the Appropriations Law, not later than sixty (60) days after the end of
40 each quarter. This report shall be published in a government website within seven (7) days after the
41 report is submitted to the President.
42

43 The OCG shall prepare the consolidated annual financial statements, not later than six (6) months
44 after the end of the fiscal year, for submission to the President, Congress and COA.
45
46

47 **PART VII**

48 **TRANSPARENCY AND PARTICIPATION**

49

50 **Section 67. People's Access to Public Financial Information.** – Before the start of each fiscal year,
51 the DBM shall promulgate a Calendar of Disclosures, and shall publish this on the government website
52 and such calendar shall contain the schedule of release of all budget documents and information
53 required by this Act and its IRR. The DBM shall monitor and periodically report to Congress and the
54 public on the compliance of agencies with the Calendar of Disclosures and other fiscal transparency
55 requirements under this Act and its IRR.
56

1 All documents and reports required to be published by this Act and its IRR shall automatically be
2 made available electronically in a government website. Current and historical data on government
3 revenues, expenditures, and borrowings, shall be made available electronically, in open data format, on
4 a government website, subject to guidelines in the IRR.
5

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

- 8 (a) the Statement of Fiscal Policy in the year of the President's election and any updates thereafter
9 within thirty (30) days from submission to Congress;
10
11 (b) the Proposed National Budget, to be published in electronic format within thirty (30) days from
12 submission to Congress of the Proposed National Budget;
13
14 (c) the General Appropriations Law, to be published in electronic format in a government website
15 within thirty (30) days from its effectivity; and
16
17 (d) the Annual Fiscal Report, to be published in electronic format in a government website within
18 thirty (30) days from submission to Congress.
19

20 **Section 69. *People's Participation in the Budget Process.*** – government shall establish and
21 implement suitable participatory budget mechanisms to facilitate the open, inclusive, and meaningful
22 engagement of citizens throughout the budget process—from budget preparation, to legislation, to
23 execution, and to accountability and audit. Such participatory mechanisms may include consultations
24 and partnerships with civil society organizations (CSOs), non-government organizations (NGOs),
25 people's organizations (POs), academics and experts, and other individual and organized stakeholders
26 throughout the annual budget process.
27

28 To aid the empowerment of grassroots organizations and communities in the national budget
29 process, the DBM, DILG, and other relevant agencies shall facilitate a process wherein CSOs, NGOs,
30 POs, community organizations and LGUs can jointly identify local priority poverty reduction and
31 development needs which will serve as input to the formulation of the Proposed National Budget. Such
32 process shall consider the pursuit of meaningful local devolution and local accountability, as well as the
33 strengthening of regional and local development councils' roles in the national budget process.
34

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

- 37
38 i. The DBM, together with other relevant agencies of the executive, when it comes to participation
39 in budget preparation, execution, and accountability;
40
41 ii. The House of Representatives and the Senate, through their relevant committees, when it
42 comes to participation in budget legislation; and
43
44 iii. The COA, when it comes to participation in the conduct of audit.
45

46 **PART VIII** 47 **ENFORCEMENT** 48

49 **Section 70. *Sanctions and Penalties.*** – Without prejudice to the provisions of other laws, the following
50 sanctions and liabilities in case of failure to comply with the reporting and posting requirements under
51 this Act, shall be imposed:
52

- 53 (a) The DBM shall not approve any request for release of allotments for items of appropriations
54 covered in the negative list or realignment nor recommend the use of savings by the President
55 until such time as the non-compliant agency has submitted the report/s required under this Act;
56

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

14 Without prejudice to the provisions of other laws:
15

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

42 **Section 71. Jurisdiction.** – Actions under this Act shall be cognizable by the courts, tribunals, bodies,
43 agencies or authorities with appropriate jurisdiction under existing laws.
44

45 46 PART IX 47 FINAL PROVISIONS 48

49 **Section 72. Implementing Rules and Regulations.** – The DBM in consultation with the DOF, BTr,
50 NEDA and COA, in coordination with agencies concerned shall issue the guidelines necessary for the
51 proper implementation of this Act.
52

53 **Section 73. Transitory Provisions.** – The DBM, DOF, BTr, NEDA and COA shall produce and submit
54 within thirty (30) days from promulgation of the IRR, a Transitory Plan for information, to the Joint
55 Congressional Oversight Committee on Public Expenditures to ensure the proper implementation of the
56 provisions of this Act, presenting the Sections that will not be implemented on the passing of this Act
57 and those requiring compliance with certain conditions or the happening of events before the provisions
58 herein may be implemented.
59

1 **Section 74. Repeal.** – Any law, presidential decree or issuance, executive order, letter of instruction,
2 administrative order, proclamation, charter, rule or regulation and/or parts thereof contrary to or
3 inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly. d

4
5 **Section 75. Separability Clause.** – If any provision of this Act is declared invalid or unconstitutional,
6 the other provisions not affected thereby shall remain valid and subsisting.

7
8 **Section 76. Effectivity Clause.** – This Act shall take effect fifteen (15) days following its publication in
9 the Official Gazette or in two (2) newspapers of general circulation.

10
11 Approved,