

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



Office of the Secretary

'18 MAR 20 P7:29

SENATE

RECEIVED

Committee Report No. 304

Prepared and submitted by the Committee on Finance on MAR 20 2018

Re: Senate Bill No. 1761

Recommending its approval in substitution of Senate Bill No. 1450

Sponsor: **Senator Loren Legarda**

**MR. PRESIDENT:**

The Committee on Finance, to which was referred Senate Bill No. 1450, introduced by Senators Legarda and Joel Villanueva, entitled:

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

has considered the same and has the honor to report it back to the Senate, with the recommendation that the attached bill, Senate Bill No. 1761 prepared by the Committee entitled:

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

be approved in substitution of Senate Bill No. 1450, with Senators Legarda and Villanueva as authors thereof.

RESPECTFULLY SUBMITTED



**LOREN LEGARDA**

Chairperson, Committee on Finance

*Vice-Chairpersons:*



**SONNY ANGARA**

**PAOLO BENIGNO "Bam" AQUINO IV**



**JOSEPH VICTOR G. EJERCITO**

  
**PANFILO M. LACSON**

*will interpellate /  
amend*

**CYNTHIA A. VILLAR**

*Members:*

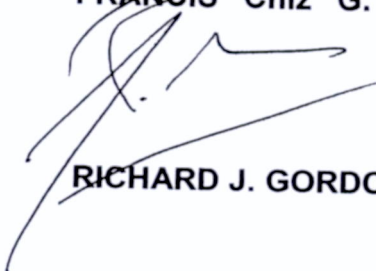


**MARIA LOURDES NANCY S. BINAY**



**FRANCIS "Chiz" G. ESCUDERO**

**WIN GATCHALIAN**



**RICHARD J. GORDON**

**GREGORIO B. HONASAN II**

  
**RISA HONTIVEROS**

*will interpellate / propose  
amendments.*

**FRANCIS "Kiko" PANGILINAN**

  
**GRACE POE**

*will interpellate*

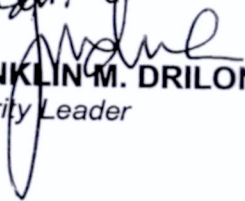
**ANTONIO "Sonny" F. TRILLANES IV**

  
**JOEL VILLANUEVA**



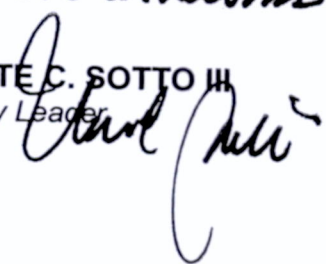
**JUAN MIGUEL "Migz" F. ZUBIRI**

Concurs with the  
Reservation of the Majority  
Leader. Will interpellate.

  
**FRANKLIN M. DRILON**  
Minority Leader

Ex-Officio Members:

With reservations!

  
**VICENTE C. SOTTO III**  
Majority Leader

**RALPH G. RECTO**  
President Pro-Tempore

**HON. AQUILINO "Koko" PIMENTEL III**  
Senate President



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SENATE  
Senate Bill No. 1761

RECEIVED

Prepared by the Committee on Finance in substitution of SB No. 1450  
with Senators Legarda and Villanueva as authors thereof

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

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

PART I  
PRELIMINARY PROVISIONS

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

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

- (a) To enforce the power of Congress to authorize all appropriations and hold government accountable in the use of public resources, as well as to ensure the responsibility of all



government agencies to propose, execute and deliver committed results in the appropriations acts in a timely, predictable, and economic manner;

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

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

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

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

(a) **Activity** refers to a recurring work progress that contributes to the implementation of a program or sub-program;

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

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

- 1 (d) **Appropriations Law** refers to the legislative authorization used as basis to incur  
2 contractual commitments by NGAs, GOCCs, or LGUs and actual disbursement of Public  
3 Funds for specific public purposes covering a specified period of time. This may refer to  
4 either a general or special appropriations law;  
5
- 6 (e) **Cabinet** refers to the Executive Secretary and the Secretaries of the Departments under  
7 the Executive Branch;  
8
- 9 (f) **Development Budget Coordination Committee (DBCC)** refers to the body primarily  
10 responsible for the review and approval of the macroeconomic targets, revenue  
11 projections, borrowing level, aggregate budget level and expenditure priorities and the  
12 recommendation to the Cabinet and the President of the consolidated public sector  
13 financial position and the national government fiscal program. The Secretary of Budget  
14 and Management leads the DBCC, with the Secretary of Finance, the Director General  
15 of the National Economic and Development Authority (NEDA) Secretariat and a  
16 representative from the Office of the President as members, and the Governor of the  
17 *Bangko Sentral ng Pilipinas* (BSP) as resource person;  
18
- 19 (g) **Extended Payment Period** refers to the three-month period in the following fiscal year  
20 when payments, chargeable against the Appropriations Law of the previous fiscal year,  
21 can be processed and disbursed for goods received and services rendered, inspected  
22 and accepted by the end of the previous fiscal year;  
23
- 24 (h) **Fiscal Year** refers to a period of twelve months commencing on January 1 until  
25 December 31;  
26
- 27 (i) **Fund Manager** refers to person(s) responsible for implementing a fund's investing  
28 strategy and managing its portfolio trading activities;  
29
- 30 (j) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;

(k) **Government-Owned or -Controlled Corporations** refer to agencies with corporate powers, organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. This includes Government Financial Institutions, government instrumentalities with corporate powers/government corporate entities and related corporations;

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

(m) **Head of Agency** refers to the head of the department or agency in the case of NGAs, the Board of Directors or Trustees or its duly authorized officials in the case of GOCCs as well as certain agencies which are structured as such, and the local chief executive in the case of LGUs;

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

(o) **Local Government Units** refer to provinces, cities, municipalities, and barangays, as well as autonomous regions created by law pursuant to the Constitution;

(p) **Multi-Year Contracting Authority (MYCA)** refers to the authority issued by DBM to agencies, covering the full contract cost, for the procurement of multi-year projects;



- 1 (q) **Multi-year Projects** refer to projects undertaken by agencies covering a period of more  
2 than one fiscal year and exceeding twelve months;  
3
- 4 (r) **National Government Agencies** refer to units of the national government, as  
5 distinguished from GOCCs and LGUs, which include any of the departments, bureaus,  
6 offices or instrumentalities of the Executive, Judicial and Legislative branches of  
7 government, as well as the Constitutional Commissions, and the Office of the  
8 Ombudsman;  
9
- 10 (s) **Program** refers to a group of activities and projects that contribute to a common particular  
11 outcome;  
12
- 13 (t) **Project** refers to a special undertaking carried out within a definite time frame and  
14 intended to result in some pre-determined measure of goods and services;  
15
- 16 (u) **Proposed National Budget** refers to a financial plan of annual revenue and expenditures  
17 to be submitted by the President to Congress that reflect national policies, pursuant to  
18 Section 22 of Article VII of the Constitution;  
19
- 20 (v) **Public Officials and Employees** refer to elective and appointive officials and employees,  
21 in a permanent or temporary capacity, whether in the career or non-career service,  
22 including military and uniformed personnel, regardless of the rank, form or amount of  
23 compensation;  
24
- 25 (w) **Public Funds** refer to the monies of all Government Agencies received, collected,  
26 receivable from taxes, fees, charges, penalties, income, dividends, interest earnings,  
27 domestic loan proceeds, external loans and grants, proceeds from the sale of assets,  
28 that the Government has a legal right to retain and use and shall not include any money  
29 erroneously received;



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

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

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

## PART II

### ADDITIONAL ROLES AND RESPONSIBILITIES

**Sec. 5. Congress.** - The Congress shall, in addition to its powers under the Constitution and existing laws, perform the following roles and responsibilities:

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

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

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

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

1  
2       **Sec. 6. President.** - The president shall, in addition to his/her powers under the  
3 Constitution and existing laws, perform the following roles and responsibilities:  
4

5       (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for  
6       submission to Congress;  
7

8       (b) Approve the Budget Priorities Framework to identify the priority areas for government  
9       spending and guide the budget preparation exercise; and  
10

11       (c) Authorize changes in the functional, operational and organizational structure within and  
12       among the DBM, Department of Finance (DOF), and NEDA, as may be necessary, to  
13       ensure the effective implementation of this Act and the additional roles of the foregoing  
14       agencies.  
15

16       **Sec. 7. Commission on Audit.** - The COA, in coordination with the DBM, shall ensure  
17       the proper enforcement of timely accounting and reporting of public finances and shall prescribe  
18       harmonized financial reports.  
19

20       **Sec. 8. Department of Budget and Management.** - The DBM shall perform the following  
21       roles and responsibilities:  
22

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

27       (b) Monitor and evaluate the financial and non-financial performance of NGAs;  
28

29       (c) Evaluate and review the financial and non-financial performance of GOCCs with special  
30       laws and charters, in coordination with the DOF and the Governance Commission for

1 GOCCs (GCG), and approve the annual corporate operating budgets (COBs) of the  
2 GOCCs;

3  
4 (d) Monitor and review, together with the Bureau of Local Government Finance (BLGF) under  
5 the DOF and Department of the Interior and Local Government (DILG), the financial and  
6 non-financial performance of LGUs;

7  
8 (e) Assess, together with the BLGF under the DOF and the DILG, the PFM systems of LGUs  
9 and assist them in designing and implementing PFM improvement measures;

10  
11 (f) Monitor the performance of the annual cash appropriations of NGAs in terms of in-year  
12 and end-of-year appropriation reports that compare disbursements to appropriations for  
13 management purposes;

14  
15 (g) Oversee the financial reporting of Government Agencies for fund management purposes,  
16 including the (1) monitoring of the periodic and annual management and financial  
17 accounts with regard to accuracy, timeliness, completeness, and compliance with this  
18 Act, standards, rules and regulations; and (2) consolidation and provision of financial  
19 reports and necessary data required by the President, Congress and COA;

20  
21 (h) Lead, in collaboration with the DOF, BTr and COA, the integration of the government's  
22 financial management information system;

23  
24 (i) Formulate, in coordination with the Civil Service Commission (CSC), a competency-  
25 based human resource policies for positions in PFM and oversee the capacity  
26 development requirements on PFM; and

27  
28 (j) Develop, together with NGAs and GOCCs, a mechanism for a multi-year allocation of  
29 budget in the proposed National Budget for approved multi-year projects until completion  
30 of said projects.



1       **Sec. 9. Department of Finance.** – The DOF shall perform the following roles and  
2 responsibilities:

3  
4       (a) Monitor and manage fiscal risks to the government, including those from public-private  
5 partnerships;

6  
7       (b) Compile and publish government fiscal statistics in accordance with international  
8 standards; and

9  
10       (c) Formulate policies and standards for the acquisition and management of non-financial  
11 assets by NGAs.

12  
13       **Sec. 10. Bureau of the Treasury.** – The BTr shall perform the following roles and  
14 responsibilities:

15  
16       (a) Manage the TSA maintained at the BSP or an agent bank, with the prior approval of the  
17 Secretary of Finance;

18  
19       (b) Put in place arrangements for the execution of duly authorized payments from the TSA,  
20 which may include the appointment of banks to operate as agents of the National  
21 Government with the prior approval of the Secretary of Finance;

22  
23       (c) Manage the financial assets and liabilities of the government, including: (i) banking  
24 arrangements for, and bank accounts of, the government; (ii) hedging and other risk  
25 management activities associated with debt management, cash management and  
26 financial investment; (iii) appointment of dealers, assets managers and other agents to  
27 support debt, cash and investment management activities; (iv) maintenance of an  
28 accurate record of the stock and flow of financial assets and liabilities; (v) tracking and  
29 reporting on fiscal risks related to the management of financial assets and liabilities; and  
30 (vi) preparation of in-year disbursement reports based on the TSA for submission to the  
31 DBM and the COA;



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

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

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

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

(h) Establish and maintain, in coordination with DBM, a consolidated registry of non-financial assets of the National Government.

**Sec. 11. *National Economic and Development Authority.*** – The NEDA shall perform the following roles and responsibilities:

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

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

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

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

1       **Sec. 12. Heads of Government Agencies.** – The heads of NGAs, GOCCs and LGUs  
2 shall perform the following roles and responsibilities:

- 3
- 4       (a) Inform the DBM and DOF of significant changes, issues, and risks that could impact on  
5       the finances of government;
- 6
- 7       (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget  
8       Priorities Framework, and the Proposed National Budget as required by the DBM;
- 9
- 10       (c) Manage their respective agencies and other resources placed under their supervision,  
11       in an efficient, effective and economic manner in order to deliver the outputs and attain  
12       the outcomes set in their respective budgets;
- 13
- 14       (d) Monitor the physical and financial implementation of their programs, activities and  
15       projects using appropriate software and technology for timely reporting;
- 16
- 17       (e) Take appropriate measures to ensure that cash disbursements and contractual  
18       commitments do not exceed the amounts appropriated in their respective budgets;
- 19
- 20       (f) Ensure that their respective agencies settle all contractual commitments or approve  
21       payment thereon within the time prescribed by law;
- 22
- 23       (g) Institute effective and efficient management systems, procedure and practices for  
24       assets, liabilities, and personnel, including internal controls, risk management, and  
25       performance review to safeguard the agency resources;
- 26
- 27       (h) Implement the external audit recommendations and demonstrate that due regard has  
28       been taken on the recommendations provided in internal audit evaluation reports;
- 29
- 30       (i) Provide credible and realistic cash forecast for timely and accurate cash programming;
- 31       and

- 1
- 2 (j) Provide accounting and reporting of public finances through the integrated financial
- 3 management information system and/or other preparatory online information systems as
- 4 required in this Act.
- 5

6 **Sec. 13. Capacity Development Requirements on Public Financial Management. –**

7 The NGAs concerned shall continue to formulate capacity development requirements on PFM,

8 including the use of appropriate technology and software to facilitate timely reporting and

9 monitoring, and conduct trainings programs on the same to Government Agencies. In this regard,

10 the DBM shall oversee the formulation of the said capacity development requirements to ensure

11 alignment of the objectives.

12

13 **PART III**

14 **FISCAL RESPONSIBILITY**

15

16 **Sec. 14. Fiscal Responsibility Principles. –** The State shall pursue its policy objectives

17 in accordance with the following Fiscal Responsibility Principles:

18

- 19 (a) Implement fiscal policies and strategies consistent with the achievement of
- 20 macroeconomic stability and inclusive economic development;
- 21
- 22 (b) Manage resources in a fiscally and environmentally sustainable way;
- 23
- 24 (c) Maintain prudent levels of public debt;
- 25
- 26 (d) Maintain an appropriate balance between government revenues and expenditures; and
- 27
- 28 (e) Manage fiscal risks in a prudent manner.
- 29

30 **Sec. 15. Statement of Fiscal Policy. –** The DBCC shall prepare, subject to the approval

31 of the President, the Statement of Fiscal Policy which shall contain measurable medium-term



1 macroeconomic and fiscal objectives and forecasts consistent with the Fiscal Responsibility  
2 Principles and the Inter-Generational Report.

3

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

7

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

16

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

20

21 **Sec. 17. Fiscal Reports.** – The DBCC shall produce a Mid-year Fiscal Report (MFR),  
22 covering the first half of the current fiscal year and an Annual Fiscal Report (AFR) on the  
23 government's macroeconomic and fiscal performance covering the preceding fiscal year.

24

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



1 The President shall submit the MFR to Congress not later than September 30 of each year while  
2 the AFR shall be submitted together with the Proposed National Budget. Said reports shall be  
3 published on a government website not later than seven (7) days from submission to Congress.  
4

5 **Sec. 18. *Inter-generational Report.*** – The DBCC shall submit an Inter-generational  
6 Report to the President and Cabinet, and Congress not later than October 31 and November 30,  
7 respectively. Said Report shall assess the long-term sustainability of existing government policies  
8 over the next twenty-five (25) years, taking into account demographic, environmental, and other  
9 changes.  
10

11 The first Inter-generational Report shall be submitted to the President and Cabinet, and Congress  
12 within two (2) years from the effectivity of this Act, to be updated every six (6) years thereafter.  
13

14 The NEDA shall cause the publication of the Inter-generational Report on a government website  
15 not later than seven (7) days upon submission to Congress.  
16

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

25 The President shall submit a report to the Congress, stating the reasons for any such deviations,  
26 the plans and the expected time to address such deviations, as part of the succeeding Medium-  
27 term Fiscal Strategy or its annual update, or in the Mid-year or Annual Fiscal Report, whichever  
28 is the next report due and within the prescribed period under this Act.  
29

30 **Sec. 20. *Shared Fiscal Discipline.*** – All proposed revenue eroding and expenditure bills  
31 shall include a Financial and Budgetary Information Sheet upon filing of the bill. The said

information sheet shall contain an estimate of the financial and budgetary implications of said proposal for the initial year of implementation. Expenditure bills refer to those which will increase national government expenditures, including those mandating the creation of recurring expenditures; while revenue eroding bills refer to those which will result in a reduction of revenue collections.

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

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

(a) Cash-based estimates shall be adopted in the proposed general 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;

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

(d) Evaluation of agency proposals may include the analysis of a development plan, master plan or road map, agency capability as demonstrated by previous years' performance,



its contribution to projects and activities of other agencies, utilization of funds appropriated or released, and such other criteria as may be determined by the DBM. The performance shall be evaluated based on the actual disbursements and contractual commitments as compared to the appropriations;

(e) All appropriations in the General Appropriations Act shall be valid for one fiscal year reckoned from the effectivity thereof until the end of the fiscal year concerned. When necessary or appropriate, a three month Extended Payment Period in the following fiscal year may be availed of to allow agencies to settle payments for goods and services delivered, inspected and accepted during the previous fiscal year;

(f) For evaluating the performance of an agency, the programs, activities and projects shall be presented in such a way as to identify both the entity responsible for the expenditure and the intended results from the use of the appropriation;

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

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

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

The implementation of programs and projects funded under the annual agency budgets shall be monitored to ensure economy, efficiency, and effectiveness in the use of public funds. Monitoring

1 and evaluation of these projects shall cover, among others, the planned and actual performance  
2 of agencies, citing reasons for deviation and/or poor absorptive capacities. The results of the  
3 project evaluation shall inform the assessment of subsequent plans and budget proposals of  
4 agencies.

5  
6 **Sec. 23. Budget Priorities Framework.** – The DBCC shall present to the President and  
7 Cabinet, on or before April of each year, a Budget Priorities Framework, which shall be approved  
8 by the president, to guide the formulation of the Budget for the following year. It shall contain the  
9 medium-term fiscal strategy and targets underlying the budget; the priority areas for government  
10 spending reflected in the PDP and PIP, estimated amount and planned allocation of the fiscal  
11 space; and other requirements laid down in the IRR.

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

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

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

24  
25 (a) President's Budget Message – Provides a preview of the Proposed National Budget,  
26 explaining the principles, objectives and policy framework adopted and the spending priorities  
27 for the fiscal year;

28  
29 (b) Budget of Expenditures and Sources of Financing (BESF) – contains the macroeconomic  
30 parameters; dimensions of three-year (3-year) expenditure program, revenues, financing,  
31 and outstanding debt; overview of the financial positions of GOCCs, LGUs, and public-private



partnership projects; list of new multi-year projects, including the project duration, the total project cost, and contractual authorities issued, as well as the other items listed in the IRR;

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

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

As required under Section 17 of this Act, the President shall likewise submit for consideration of Congress, the Annual Fiscal Report for the preceding fiscal year not later than thirty days from the Fourth (4th) Monday of July and the Mid-year Fiscal Report for the current year not later than September 30 of every year.

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

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

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

In addition, the performance information and targets contained in the proposed national budget shall be updated after the passage of the general appropriations act, taking into consideration the

amount appropriated for each program. For this purpose, the government agencies shall propose adjustments in its outputs and outcomes for the consideration and approval of the DBM.

**Sec. 27. Special Purpose Funds.** – To promote the transparent and detailed disclosure of all proposed government spending, Special Purpose Funds (SPFs) in the Proposed National Budget shall be limited to: (1) the NDRRMF; (2) the Contingent Fund; (3) Statutory Shares of LGUs; and (4) other SPFs not falling under any of the preceding purposes, the details of which could not be determined during the budget preparation stage, and based on the parameters to be set in the IRR.

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

Thirty percent (30%) of the amount appropriated for the NDRRMF shall be allocated as Quick Response Fund (QRF), which shall be used as a standby fund in order that the situation and living conditions of people in communities or areas stricken by calamities, epidemics, crises, and catastrophes may be normalized as quickly as possible. The QRF shall be included in the budget of the agencies concerned and shall be automatically released.

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

**Sec. 29. Contingent Fund.** – The Contingent Fund shall cover the funding requirements of new and/or urgent projects and activities of national government agencies and GOCCs that need to be implemented or paid during the year, such as, legal obligations of the government



1 arising from final and executory decisions of competent authorities, including arbitration awards,  
2 mediation settlement, or compromise agreements, requirements of newly created offices, or  
3 deficiencies in the appropriations for local and external travels of the President of the Philippines.  
4

5 Releases from the Contingent Fund shall be subject to approval by the President of the  
6 Philippines, other than payment resulting from final and executory decisions of competent  
7 authorities, which shall be released by the DBM subject to availability of funds.  
8

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

13 **Sec. 30. Statutory Shares of Local Government Units.** – The shares of LGUs in the  
14 proceeds from national taxes and other transfers to LGUs authorized by law shall be released to  
15 the LGUs in accordance with the provisions on the use, allocation, and release of the funds as  
16 may be provided in pertinent laws, rules and regulations.  
17

18 **Sec. 31. Unprogrammed Appropriations.** – Congress may authorize standby  
19 appropriations to cover the funding requirements of other priority projects and activities or  
20 contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs) not  
21 specifically included in the programmed component of the Appropriations Law. The  
22 Unprogrammed Appropriations shall be presented in accordance to the purpose of the  
23 appropriations. The amount authorized under the Unprogrammed Appropriations shall not  
24 exceed two percent (2%) of the total proposed expenditure in the programmed component of the  
25 Appropriations Law.  
26

27 Expenditures to be funded under the Unprogrammed Appropriations may be authorized only  
28 when supported by: (i) excess revenue collections in any one of the particular non-tax revenue  
29 sources from its corresponding revenue collections target in the BESF as certified by the BTr; (ii)  
30 new revenue collections or those arising from new tax or non-tax revenues which are not part of  
31 the original revenue sources in the BESF; or (iii) when there are approved loan proceeds for FAP.



1 In no case shall the Unprogrammed Appropriations be activated or released when there is a risk  
2 of breaching the measurable fiscal objectives for the budget balance (including a deficit) or debt  
3 for the financial year or future years as provided in the Statement of Fiscal Policy and Medium-  
4 term Fiscal Strategy or if there is a risk of breaching any of the Fiscal Responsibility Principles as  
5 determined by the DBCC.

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

12  
13 Releases from the Unprogrammed Appropriations shall be subject to the prior approval of the  
14 President of the Philippines, other than final and executory decisions, which shall be released by  
15 the DBM subject to availability of funds.

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

20  
21 In no case shall the Unprogrammed Appropriations be released for purposes not specified in the  
22 annual or special appropriations law.

23  
24 **Sec. 32. Budget with Accounts Codes.** – All items of appropriations in the  
25 Appropriations Law shall be given accounts codes by the DBM pursuant to the Unified Accounts  
26 Code Structure that applies to all the assets, liabilities, equities, income, and expenses of the  
27 government.

28  
29 **Sec. 33. Re-enacted Budget.** – If, by the end of any fiscal year, Congress shall have  
30 failed to enact the General Appropriations Act for the ensuing fiscal year, the General  
31 Appropriations Act of the preceding fiscal year shall be deemed re-enacted and shall remain in

1 force and effect until the said General Appropriations Act for the ensuing fiscal year is passed by  
2 the Congress.

3  
4 Consistent with the Fiscal Responsibility Principles, the Re-enacted Budget shall be enforced as  
5 follows:

6  
7 (a) The aggregate level of the Re-enacted Budget shall be limited to the total amount  
8 appropriated in the preceding year's General Appropriations Act, but in no case shall  
9 expenditures exceed the level of the sources of financing under the BESF of the  
10 Proposed National Budget;

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

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

21  
22 (c) In no case shall the following items of the Re-enacted Budget be considered for release,  
23 disbursement and utilization:

- 24  
25 1. Completed programs, projects and activities funded in the General Appropriations  
26 Act for the preceding fiscal year;  
27 2. Budgetary support for GOCCs for support to programs, activities or projects; and  
28 3. Equity contribution of the National Government to GOCCs.

29  
30 The DBM shall issue guidelines on the aggregate and agency levels of appropriations authorized  
31 under the Re-enacted Budget in accordance with the foregoing, supporting requirements to



1 determine actual needs, and other pertinent rules in the implementation of the Re-enacted  
2 Budget.

3  
4 Upon enactment of the General Appropriations Act anytime during the current fiscal year, all  
5 releases under a Re-enacted Budget consistent with this Section shall be considered valid  
6 obligations and deemed to have been implemented pursuant to, and charged against, for account  
7 recording purposes, the General Appropriations Act for the current fiscal year.

8  
9 The enacted General Appropriations Act shall be valid until the end of the current fiscal year.

10  
11 **Sec. 34. *Special Appropriations Bill.*** – A Special Appropriations Bill is a proposal  
12 submitted by the President, as recommended by the DBM, before Congress to provide  
13 authorization for expenditures for a specific purpose not included or not covered under the annual  
14 appropriations laws. It shall specify the purpose/s for which it is intended and the validity period  
15 which shall not exceed one (1) year from its enactment.

16  
17 Cash-based estimates shall be adopted in the proposed special appropriations bills to promote  
18 faster and more effective delivery of services.

19  
20 A Special Appropriations Bill shall be supported by funds actually available as certified by the  
21 National Treasurer, or to be raised by a corresponding revenue measure proposed therein. It may  
22 only be proposed after the passage of the General Appropriations Act, except for the following:  
23 (1) disaster-related purposes; (2) urgent projects and/or activities; and (2) unforeseen  
24 requirements of the government.

25  
26 **Sec. 35. *Release and Expenditure of Public Funds.*** – The government shall commence  
27 releases of Public Funds covered by an Appropriations Law as soon as such Law comes into  
28 force to ensure timely and efficient disbursement by the appropriate implementing agencies,  
29 subject to pertinent budgeting, accounting and auditing rules and regulations. Upon the  
30 implementation of cash-based appropriations, the Appropriations Law shall be considered the  
31 authority of the agencies to contract out and disburse funds, except for instances provided in the



1 Appropriation Law or those appropriations which have requirements before release, such as Work  
2 and Financial Plan, Feasibility Study, Pre-Feasibility Study, and Preliminary and Detailed  
3 Engineering.

4  
5 **Sec. 36. Availability of Annual Cash-Based Appropriations.** – All annual  
6 appropriations, including the GOCCs' program subsidies, shall be available for release,  
7 contractual commitment and disbursement until the end of the fiscal year. However, Government  
8 Agencies may still disburse funds not later than the three (3) months Extended Payment Period  
9 from the end of the preceding fiscal year for goods or services which have already been delivered  
10 or rendered, inspected and accepted within the fiscal year. Said payments shall be chargeable  
11 against the authorized appropriations of the said preceding fiscal year.

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

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

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

24  
25 Accordingly, a Certification of Availability of Funds (CAF) shall be required prior to entering into  
26 contract. The CAF shall be issued by the chief accountant or the highest accounting officer in the  
27 agency. In the case of multi-year projects, the CAF shall be issued annually based on the annual  
28 budget for the purpose. The CAF shall be stamped or appended to the contract and shall become  
29 an integral part thereof.

1       **Sec. 38. Multi-year Projects.** – All multi-year projects, other than those undertaken  
2 pursuant to RA No. 6957 as amended by RA No. 7718 or Public-Private Partnership (PPP)  
3 Projects, shall be covered by a MYCA or an equivalent authority as issued by the following:  
4

- 5           (a) The DBM, in case of NGAs and qualified GOCCs;  
6           (b) The governing board for GOCCs, except those covered above; and  
7           (c) The Sanggunian for LGUs.  
8

9       The MYCA and equivalent authorities shall cover the full cost of the multi-year project. It shall be  
10 secured prior to the procurement of the multi-year project and shall be the basis of the Approved  
11 Budget for the Contract.  
12

13       Multi-year PPP projects shall require the issuance by the DBM of a letter of commitment to cover  
14 the National Government funding commitment.  
15

16       Unless for a justifiable reason, the implementing agency and the DBM shall ensure that the annual  
17 funding requirements for the multi-year projects shall be included in its budget proposals and the  
18 proposed National Budget for the covered years, consistent with the funding schedule in the  
19 MYCA and equivalent authorities, and letter of commitment. Said proposals shall be given due  
20 consideration by Congress in the case of NGAs and qualified GOCCs, the governing board for  
21 GOCCs, or the Sanggunian for LGUs.  
22

23       Disbursement to be incurred for all multi-year contracts projects shall in no case exceed the cash-  
24 based appropriations for the purpose during the fiscal year.  
25

26       **Sec. 39. Early Procurement Activities.** – To ensure full budget utilization, timely contract  
27 implementation and efficient delivery of services, agencies are authorized to undertake  
28 procurement activities from pre-procurement conference until recommendation to the head of the  
29 procuring entity as to the award of contract, based on their proposed budget in the NEP, COBs  
30 or Appropriations Ordinance, in accordance with the guidelines issued by the Government  
31 Procurement Policy Board (GPPB).



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

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

9  
10 **Sec. 40. Impoundment of Appropriations.** – The President of the Philippines, upon  
11 recommendation of the DBM, may propose the rescission of appropriations from both houses of  
12 Congress, under any of the following circumstances:

- 13  
14 (a) If the appropriations are no longer required to fulfill the objectives originally sought to be  
15 achieved by the programs, activities and projects covering the same; or  
16 (b) In case of an unmanageable National Government budget deficit.

17  
18 Unmanageable National Government budget deficit as used in this section shall be construed to  
19 mean that: (i) the actual National Government budget deficit has exceeded the quarterly budget  
20 deficit targets consistent with the full-year target deficit as indicated in the BESF submitted by the  
21 President to Congress pursuant to Section 22, Article VII of the Constitution; or (ii) there are clear  
22 economic indications of an impending occurrence of such conditions, as determined by the DBCC  
23 and approved by the President.

24  
25 Both Houses of Congress shall act on the proposed rescission within thirty (30) session days after  
26 the receipt of an impoundment proposal from the President by issuing a Joint Impoundment  
27 Resolution. Within the same period of thirty (30) session days, the appropriations covered by the  
28 Impoundment Proposal shall not, in any way, be rescinded in relation to the purposes and  
29 objectives for which it was appropriated. Congressional inaction after the 30-day period, is  
30 equivalent to a disapproval of the impoundment proposal.



Funds intended for the impounded appropriations shall not thereafter be available for expenditure except by subsequent legislative enactment.

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

**Sec. 42. Meaning of Savings.** – Savings refer to portions or balances of any released appropriations in the Appropriations Law which have not been obligated as a result of any of the following:

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

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

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

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

**Sec. 43. Rules on Augmentation.** – Augmentation is the act of the constitutional officers authorized to use current savings in their respective appropriations to cover a deficiency in any existing item of appropriation in the same appropriation law for their respective offices. A deficiency in an item of appropriation may result from:

- 1
- 2 (a) Unforeseen modifications or adjustments in the item of appropriation; or
- 3 (b) Re-assessment in the use, prioritization and/or distribution of resources.
- 4

5 The particulars of the expenditures to be funded from savings should be within the scope of, or

6 covered by an existing item of appropriation. The existence of an item of appropriation regardless

7 of the availability of allotment class/es is sufficient for the purpose of augmentation.

8

9 In no case shall a non-existent item of appropriation be funded by augmentation from savings or

10 by the use of an appropriations authorized in the General Appropriations Act or Special

11 Appropriations Laws.

12

13 **Sec. 44. Rules on Modification in the Allotment Class.** – Limited flexibility shall be

14 given to NGAs to modify or change the allotment class within an existing item of appropriation.

15 Such modification shall not entail any augmentation of the amount appropriated for the said item

16 of appropriation during budget execution.

17

18 The DBM shall issue rules and procedures to govern allotment class modifications, specifying the

19 cases or circumstances when such modifications maybe undertaken to ensure the uniform

20 implementation among the various branches of government, the proper recording of

21 modifications, and the timely submission of reports by all the offices concerned.

22

23 **PART V**

24 **FINANCIAL MANAGEMENT**

25

26 **Sec. 45. General Fund.** – All monies received by NGAs, whether coming from taxes,

27 fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations,

28 asset sale proceeds and such other receivables, shall accrue to the General Fund and be remitted

29 to the National Treasury, unless otherwise provided by law or stipulated by covering loan or grant

30 agreements. Monies under the General Fund shall be made available to support the requirements

31 of the National Government authorized in an Appropriations Law.



1  
2 A Special Account in the General Fund (SAGF) shall be established by law only under exceptional  
3 circumstances to recognize taxes, fees, charges, penalties, income, dividend, interest earnings,  
4 grants, and donations collected, earned or received by NGAs for specified purposes. All laws  
5 authorizing the establishment of SAGFs shall specify the period of use thereof, or if no period is  
6 specified, it shall be deemed to be until the fulfilment of the purpose for which the SAGF was  
7 authorized. All interests earned by SAGFs shall accrue to the General Fund. The balance of  
8 SAGFs upon their termination shall form part of the General Fund.

9  
10 All earmarked revenues with significant inflows, a large portion of which are not or not expected  
11 to be programmed for disbursement during the year, shall be treated as Trust Funds and recorded  
12 as trust receipts. Proceeds from these Trust Funds shall be recognized only as revenue inflow in  
13 the General Fund when programmed to be spent for the year.

14  
15 The Permanent Committee created under Executive Order No. 292, s. 1987, composed of the  
16 Secretary of Finance as Chairperson, the Secretary of Budget and Management and the  
17 Chairperson of the COA as members, shall identify SAGFs that shall be converted into trust funds.  
18 The recognition of revenue inflows from these SAGFs converted into trust funds shall be governed  
19 by the guidelines to be issued by the Permanent Committee. In all cases, the authorized uses or  
20 purposes shall continue to be those specified in the law creating the SAGFs.

21  
22 **Sec. 46. Special Funds.** – In exceptional cases when a SAGF is not suitable for the  
23 operations of a fund, Special Funds shall be authorized by law and limited to the following:

24  
25 (a) Trust Fund – constituted from identified revenue sources and other receipts by NGAs or  
26 Public Officials or Employees acting as trustees, agents, or administrators for the  
27 fulfillment of commitments or accomplishment of specified purposes. Trust Funds shall  
28 be deposited in the TSA;

29  
30 (b) Revolving Fund – constituted from receipts derived from business-type activities of NGAs  
31 to be used for the operating requirements of said business-type activities and as such are



1 considered self-perpetuating and self-liquidating. Revolving Funds shall be deposited in  
2 the TSA or in an Authorized Government Depository Bank (AGDB) upon authority of the  
3 National Treasurer; and  
4

5 (c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends, or  
6 interest earnings collected, earned or received by NGAs which are expressly authorized  
7 by law to be retained by NGAs and utilized for specified purposes. Retained Funds shall  
8 be deposited in the TSA or in an AGDB upon authority of the National Treasurer.  
9

10 Any interest earned by Special Funds shall accrue to the General Fund unless otherwise  
11 authorized by law.  
12

13 **Sec. 47. Review by the Permanent Committee.** – Upon the effectivity of this Act and  
14 every three years thereafter, the Permanent Committee shall review all existing SAGFs and  
15 Special Funds to validate their compliance with the requirements under Sections 45 and 46 and  
16 to determine whether these funds should be modified, terminated, or continued. Upon evaluation,  
17 the Permanent Committee shall recommend for approval of the President the modification or  
18 termination of any of the said funds based on any of the following grounds: (i) when there is no  
19 legal basis for its creation; (ii) when their terms have expired; (iii) when the purpose for its creation  
20 has been attained or no longer exist, (iv) when it is no longer necessary for the attainment of the  
21 purposes for which said Funds were established; (v) when needed by the General Fund in times  
22 of calamities and emergencies; (vi) when used in violation of the rules and regulations issued by  
23 the Committee; and (vii) when they have remained dormant for an unreasonable length of time.  
24

25 The Permanent Committee shall issue guidelines for the establishment, review and evaluation,  
26 accounting and reporting, and termination of SAGFs and Special Funds.  
27

28 **Sec. 48. Escrow Fund.** – Escrow Funds are constituted from funds for which the  
29 government's legal right to use is contingent upon a future event which may or may not occur.  
30 Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the National Treasurer.  
31 Any interest earned by an Escrow Fund shall accrue to the said Fund. The amounts under escrow,

1 including interest earned, shall form part of the General Fund upon the occurrence of the future  
2 contingent event.

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

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

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

21  
22 Grants received shall be valued, in the case of grants received in kind, and recognized on the  
23 books of the recipient agency of the National Government.

24  
25 **Sec. 51. Treasury Single Account.** – The TSA refers to the banking arrangement  
26 managed by the BTr wherein the government transacts all monies collected, received or paid by  
27 NGAs in one bank account or a set of linked bank accounts and gets a consolidated view of its  
28 cash position on at least, a daily basis.



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

4 (a) When monies under the General Fund are placed under investments;  
5

6 (b) When the BTr is required to hold foreign currency accounts; or  
7

8 (c) When authorized by the Secretary of Finance.  
9

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

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

19 (a) Transfer balances of bank accounts to the TSA;  
20

21 (b) Close any bank account; and/or  
22

23 (c) Revoke the authority to open any bank account.  
24

25 The government agency which has opened a bank account, as well as the bank concerned shall  
26 promptly disclose information regarding such account to the BTr.  
27

28 **Sec. 53. Treasury Cash Management.** – The BTr shall issue orders for the conduct of  
29 cash management including the requirement to provide projections on the timing of future  
30 transactions of NGAs taking into consideration that the appropriations law is considered the



1 authority of the agencies to contract out and disburse funds, except for those instances stated in  
2 Section 35 of this Act.

3  
4 **Sec. 54. Investments.** – The BTr may invest portions of the funds held in the TSA for  
5 such periods as the BTr may deem prudent considering cash management requirements and  
6 based on terms and conditions as may be determined by the DOF. Investments are authorized to  
7 be made in any of the following:

8  
9 (a) Bank deposit with any highly reputable bank following a selection criteria to be issued by  
10 the Secretary of Finance and money market instruments with well recognized and  
11 established financial institution;

12  
13 (b) Sovereign-issued securities with an investment grade rating; or

14  
15 (c) Other fixed income securities with an AAA credit rating issued by at least two (2) reputable  
16 international credit rating agencies acceptable to the Secretary of Finance.

17  
18 The BTr may appoint a fund manager as an agent of the National Government to undertake the  
19 investment of the funds.

20  
21 Interest earned and other income from investments shall accrue to the General Fund, unless  
22 otherwise provided by law.

23  
24 **Sec. 55. Management of National Government Borrowings.** – Borrowings by the  
25 National Government shall be for: Purposes provided by law including any of the following:

- 26  
27 1. Financing budget deficits and liquidity shortfalls;  
28 2. Refinancing and pre-financing maturing debts;  
29 3. Undertaking liability and risk management transactions;  
30 4. Supporting the BSP in maintaining external and monetary stability;  
31 5. On-lending to an approved entity;

6. Financing all sums of money paid to fulfill guarantees;
7. Increasing liquidity and promoting stability of the government securities market;
8. Financing developmental activities and projects of the national government;
9. Providing financing to address or remedy the effects or impacts of natural or human-induced disasters; or
10. Defraying expenditures covered by appropriations.

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

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

GOCCs shall seek DOF approval and monetary board concurrence for foreign borrowings or the latter's opinion for domestic borrowing activities as provided in the IRR.

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

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

1       **Sec. 58. Debt Reporting.** – The DOF, through the BTr, shall ensure that the records  
2 include information on the principal, terms of repayment, amounts drawn, interests, penalties, and  
3 service charges accrued, principal and interests paid, and the balance outstanding, and shall  
4 make the records available in a timely way to the President, Congress and COA and in  
5 accordance with the reporting requirements in this Act.

6  
7 Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as required  
8 by relevant laws, rules and regulations.

9  
10       **Sec. 59. Debt Audit.** – Upon the effectivity of this Act, the NEDA shall conduct a debt  
11 audit of all loans contracted or guaranteed by the National Government. For those loans  
12 contracted or guaranteed after the passage of this Act, the NEDA shall review the said loans five  
13 (5) years from the date of consummation or guarantee.

14  
15       **Sec. 60. Guarantees.** – Guarantee, indemnity or security shall be provided to an NGA or  
16 a GOCC as provided by law, and subject to the annual guarantee ceiling prescribed in the General  
17 Appropriations Act, and upon such terms and conditions as the Secretary of Finance may  
18 recommend consistent with relevant laws, rules and regulations. The overall level of guarantee,  
19 indemnity or security shall adhere to the Fiscal Responsibility Principles laid down in this Act and  
20 the fiscal 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 In no case shall the National Government be liable for any borrowings by any agency of the  
26 government except for explicit guarantees as provided by law.

27  
28       **Sec. 61. Limitation on the Liability of the National Government for Debts of Other**  
29 **Entities.** – The National Government shall not be liable for any implied guarantees asserted by  
30 any person or entity, but only for explicit guarantees extended in accordance with existing laws,  
31 and guarantees in favor of the Government Service Insurance System, Home Development



Mutual Fund, Philippine Health Insurance Corporation, and the Social Security System in their respective charters.

**Sec. 62. *Payments Made for Contingent Liabilities.*** – Any money paid by the DOF pursuant to any guarantee, indemnity, or security authorized by law and the expenses associated with the same shall constitute a debt due the National Government from the entity for whose benefit the payment on the guarantee, indemnity, or security was made.

**Sec. 63. *Information on Contingent Liabilities.*** – The DOF shall keep a complete and updated registry of all contingent liabilities of the National Government, and provide the DBM and Congress with a report on contingent liabilities.

## PART VI

### ACCOUNTABILITY AND REPORTING

**Sec. 64. *Financial Management and Internal Control.*** – The Head of Agency shall be responsible and accountable for the financial management of the agency which shall include meeting performance targets, controlling costs, mitigating adverse risks to agency operations, and ensuring that budgets are managed with integrity and in compliance with applicable laws. Adequate internal controls shall be ensured and an internal audit function shall be maintained.

**Sec. 65. *Integrated Financial Management Information System.*** – There shall be an integrated financial management information system, which shall be the single portal of all financial transactions and reports to be used by NGAs, GOCCs and LGUs to integrate budgeting, cash management and accounting processes.

**Sec. 66. *NGA Annual Plans and Proposed Budgets.*** – The Head of each NGA shall produce an Annual Plan which shall have a medium term scope, with details for the following fiscal year, and shall include information on the strategic priorities for the medium-term, consistent with the Philippine Development Plan; performance information; summary proposed budget including financial forecasts assumptions and highlighting significant capital projects; and other

1 information as required in the IRR, as well as the Budget Call and other related issuances from  
2 the DBM. The Annual Plan shall be submitted to DBM during the budget preparation process  
3 consistent with the timetable and other guidelines in the Budget Call.

4  
5 The Annual Plan of a Department shall incorporate the Annual Plans of its attached NGAs and  
6 GOCCs subject to guidelines prescribed in the IRR.

7  
8 **Sec. 67. NGA Reporting Requirements.** – For greater transparency and accountability,  
9 each Head of an NGA shall:

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

15  
16 (b) Prepare an Annual Report which shall include year-end financial statements, reporting  
17 on non-financial performance compared against the Annual Plan, and other information  
18 as required in the IRR; submit the said Report to the DBM, and Congress no later than  
19 Four (4) months after the end of the fiscal year; and to COA within the reglementary  
20 period and publish the said Report in a government website no later than seven (7) days  
21 after its submission to Congress.

22  
23 The monthly, quarterly, and annual reports of a Department shall incorporate the reports of its  
24 attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

25  
26 **Sec. 68. Service Agreements.** – The Head of an NGA may enter into a service or  
27 performance agreement with another agency for the latter to provide services charged against  
28 the budget of said principal agency.

29  
30 **Sec. 69. Corporate Operating Budget.** - The Board of Directors or Trustees of a GOCC  
31 shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the GCG, the



1 DBM, and the DOF, not later than ninety (90) days prior to the commencement of the fiscal year,  
2 which shall include, the objectives of the GOCCs and its subsidiaries, the activities to be  
3 undertaken, performance targets and risks; forecasts of financial statements for the next three (3)  
4 years; and other information as may be required in the IRR.

5  
6 The Head of the NGA overseeing said GOCC shall endorse the Board-approved COB to the DBM  
7 for the latter's approval. The COBs of the National Electrification Administration, National Power  
8 Corporation and Philippine National Oil Company shall be subject to further approval of Congress  
9 in accordance with RA No. 7638. The Head of a GOCC shall publish the DBM or Congress-  
10 approved COB, as the case may be, of the GOCC on the official website of the Corporation not  
11 later than fourteen (14) days after the approval of the COB.

12  
13 **Sec. 70. GOCC Reporting Requirements.** – For greater transparency and accountability,  
14 each Head of GOCCs shall:

15  
16 (a) Provide quarterly reports on financial and non-financial performance to the DOF, GCG,  
17 DBM and COA, no later than thirty (30) days after the end of the quarter, in the format  
18 and time to be prescribed jointly by the DOF, GCG, DBM and COA, and shall publish it  
19 on their official website within the same period; and

20  
21 (b) Prepare an Annual Report, which shall include year-end financial statements, reporting  
22 on non-financial performance compared against the COB, and other information as  
23 required in the IRR; submit the same to the overseeing NGA, DBM, GCG, DOF and  
24 Congress no later than six (6) months after the end of the fiscal year; and to COA within  
25 the reglementary period; and publish the said Report in a government website no later  
26 than seven (7) days after its submission to Congress.

27  
28 GOCCs with subsidiaries shall reflect in its quarterly and annual reports the aforementioned  
29 required information for the whole corporate group, consistent with guidelines prescribed in the  
30 IRR.



1       **Sec. 71. Service Agreement for a GOCC.** – Where GOCCs implement government non-  
2 commercial programs, such as provision of housing, irrigation and electrification, and receive  
3 government funding, a service agreement with the NGA overseeing said GOCC shall specify the  
4 terms of delivery of goods or services that the GOCC must provide, and the funds that the  
5 government will pay.

6  
7       **Sec. 72. Local Government Units.** – The Local Chief Executives (LCEs) shall ensure  
8 that adequate internal controls and an internal audit function are maintained.

9  
10 The LCEs shall provide financial and non-financial performance information of their respective  
11 LGUs to the DBM, COA, DILG, and the BLGF under the DOF, subject to the guidelines to be  
12 issued thereon.

13  
14       **Sec. 73. Application of Accounting and Auditing Requirements.** – Any expenditure  
15 of public money, including government assets or liabilities incurred by and for the Government  
16 regardless of the source of funding, shall be subject to accounting and auditing rules and  
17 regulations promulgated by the COA.

18  
19       **Sec. 74. Accounting Standards.** – The DBM shall specify the basis, standards and  
20 guidelines for appropriations reporting while the COA shall continue to set the basis, standards  
21 and guidelines for financial accounting for use by the NGAs, GOCCs and LGUs.

22  
23 The Heads of Agencies shall ensure that full, accurate and proper records are kept for their  
24 respective agencies on financial matters and for performance in the production of goods and  
25 services.

26  
27 The DBM and COA shall ensure that complete, accurate and appropriate records of the  
28 government are kept on both financial and non-financial performances.

29  
30       **Sec. 75. Government Consolidated Reporting.** – The DBM shall submit to the  
31 President and the COA a quarterly report on the consolidated financial performance of the

government which shall include information showing the performance of Government Agencies against the respective programs, activities, and projects mandated under the Appropriations Law, not later than sixty (60) days after the end of each quarter. This report shall be published in a government website within seven (7) days after the report is submitted to the President and COA.

## PART VII

### TRANSPARENCY AND PARTICIPATION

**Sec. 76. People's Access to Public Financial Information.** – Before the start of each fiscal year, the DBM shall promulgate a Calendar of Disclosures, and shall publish this on the government website. Such calendar shall contain the schedule of release of all budget documents and information required by this Act and its IRR. The DBM shall monitor and periodically report to Congress and the public on the compliance of agencies with the Calendar of Disclosures and other fiscal transparency requirements under this Act and its IRR.

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

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

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

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

(c) The annual General Appropriations Act and Special Appropriations Laws, to be published in electronic format in a government website within thirty (30) days from its effectivity; and

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

**Sec. 78. Participatory Budget Process.** – The government shall establish and implement suitable participatory budget mechanisms to facilitate the open, inclusive, and meaningful engagement of citizens throughout the budget process the DBM, together with other relevant agencies, shall formulate policies and regulations towards the implementation of a participatory budget process. Such participatory mechanisms may include consultations and partnerships with civil society organizations (CSOs), academics and experts, and other individuals and organized stakeholders in the budget process - including collaboration with LGUs to jointly identify local priority poverty reduction and development needs which will serve as input to the formulation of the Proposed National Budget.

## **PART VIII**

### **ENFORCEMENT**

**Sec. 79. Sanctions and Penalties.** – (i) Without prejudice to the provisions of other laws, the following sanctions and liabilities in case of failure to comply with the reporting and posting requirements under this Act, shall be imposed:

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



(b) The COA may suspend or disallow any expenditure due to modification in the allotment, which were made within the period succeeding the reporting period when the agency failed to comply with the reporting requirements under this Act;

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

(d) The Congress may *motu proprio*, through its appropriate oversight committee, compel the head of the non-compliant agency, under pain of contempt, to produce the required report/s and to explain reasons for failure to submit and disclose said report/s.

(ii) Without prejudice to the provisions of other laws:

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

(b) Any public official or employee, holding office or employment in a casual, temporary, holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent information in any accountability report, shall be penalized with imprisonment not exceeding five (5) years, or a fine not exceeding One Million Pesos (P1,000,000.00), or both, without prejudice to disallowances that may be made by COA against expenditures

related to such fraudulent information: Provided, That this fine is reviewed and adjusted periodically to be reasonable;

(c) A conviction under this Act shall carry with it civil liability, which may either consist of restitution for the damage done or forfeiture in favor of the government of any unwarranted benefit derived from the act or acts in question, or both, at the discretion of the courts, in addition to possible administrative liability; and

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

**Sec. 80. Jurisdiction.** – Actions under this Act shall be cognizable by the courts, tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.

## PART IX

### FINAL PROVISIONS

**Sec. 81. Implementing Rules and Regulations.** – The DBM in consultation with the DOF, BTr, NEDA and COA, and in coordination with agencies concerned, shall issue the rules and regulations necessary for the proper implementation of this Act, within ninety (90) days from the effectivity of this Act. The IRR may be amended by the DBM, in consultation with the DOF, BTr, NEDA and COA and in coordination with the agencies concerned, as the need arises.

**Sec. 82. Transitory Provisions.** - The DBM, DOF, BTr, NEDA and COA shall prepare and submit to the Joint Congressional Oversight Committee on Public Expenditures within thirty (30) days from promulgation of the IRR, a Transitory Plan to ensure the proper implementation of the provisions of this Act. It shall include the following:



(1) The DBM shall implement interim measures in order to ensure a smooth transition into a regime of annual cash-based appropriations;

(2) The Budget and Treasury Management System (BTMS) and Integrated Financial Management Information System (IFMIS) shall be completed within five (5) years;

(3) The provision under Section 35, which states that the General Appropriations Act as allotment order includes the authority to disburse, i.e. phasing out of Notices of Cash Allocations (NCAs), will not be applied until agencies are capable of realistic and credible forecasting as determined by the DBM and BTr, and until the agencies' proper execution of the BTMS;

(4) Pending the completion of the BTMS and IFMIS, the sanctions regarding the failure to post and submit reports shall be suspended for a period of two (2) years from enactment of this Act as strict compliance will be hard for agencies and the DBM without at least partial automation of the system;

(5) The requirement of agencies to prepare an Annual Plan in support of their budget proposals shall be fully implemented in three (3) years; and

(6) The General Appropriations Act for fiscal years 2020 to 2022 shall contain a special purpose fund (SPF) that will be used to cover spill-over obligations from the previous fiscal year due to the implementation of the cash-based appropriations. The amount of the SPF and its corresponding utilization shall be assessed annually and should be kept manageable. The amount of the SPF shall be reduced annually during its three-year lifespan.

This Act shall be fully implemented within five (5) years from its effectivity.

**Sec. 83. Repealing Clause.** – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, proclamation, charter, rule or regulation and/or parts



1 thereof contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or  
2 amended accordingly.

3  
4 **Sec. 84. Separability Clause.** – If for any reason, any section or provisions of this Act is  
5 declared unconstitutional or invalid, other sections or provisions which are not affected thereby  
6 shall continue to be in full force and effect.

7  
8 **Sec. 85. Effectivity Clause.** – This Act shall take effective fifteen (15) days following its  
9 publication in the Official Gazette or in two (2) newspapers of general circulation.

10  
11 Approved,