



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Boncodin Hall, General Solano Street, San Miguel, Manila



BUDGET CIRCULAR

No. 2011-5

December 26, 2011

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including State Universities and Colleges (SUCs), Government-Owned or -Controlled Corporations (GOCCs), and Government Financial Institutions (GFIs); Heads of Local Government Units (LGUs); and All Others Concerned

SUBJECT : Supplemental Guidelines on the Grant of Collective Negotiation Agreement (CNA) Incentive for Fiscal Year (FY) 2011

1.0 Background

- 1.1 Item (4)(h)(ii)(aa) of the Senate and House of Representatives Joint Resolution (JR) No. 4, s. 2009, "*Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and for Other Purposes*," approved on June 17, 2009, provides as follows:

"(aa) Collective Negotiation Agreement (CNA) Incentive – This may be granted to both management and rank-and-file employees of agencies with approved and successfully implemented CNAs in recognition of their efforts in accomplishing performance targets at lesser cost, in attaining more efficient and viable operations through cost-cutting measures and systems improvement, such CNA incentive shall be provided for under the annual General Appropriations Act xxx."

- 1.2 Pursuant to the above-cited provisions of JR No. 4 and in view of the need to rationalize the grant of the CNA Incentive, additional guidelines pertaining to the accomplishment of performance targets, specific fund sources, and ceiling on the amount of the said incentive are prescribed herein, to supplement the policy and procedural guidelines under Budget Circular (BC) No. 2006-1 dated February 1, 2006 and Circular Letter (CL) No. 2011-9 dated September 29, 2011.

2.0 Purpose

This Circular is issued to prescribe supplemental guidelines on the grant of the CNA Incentive for FY 2011, in addition to the provisions of BC No. 2006-1 and CL No. 2011-9.

3.0 Supplemental Guidelines

3.1 The CNA Incentive is a premium given in recognition of the joint efforts of labor and management in achieving an agency's planned targets at lesser cost. As such, the CNA Incentive may be granted only when the agency has:

3.1.1 Completed at least 90% of all programs/activities/projects (P/A/Ps) approved in its budget; and,

3.1.2 Accomplished or delivered at least 90% of the performance targets under each major final output (MFO) consistent with the Organizational Performance Indicator Framework (OPIF).

3.2 The CNA Incentive shall be sourced solely from agency savings from released Maintenance and Other Operating Expenses (MOOE) allotments for the year under review, limited to the MOOE items in 3.3 hereof, still valid for obligation during the same year, subject to the following conditions:

3.2.1 The savings were generated out of the improvement/streamlining of systems and procedures and cost-cutting measures identified in the CNA;

3.2.2 The savings shall be net of the priorities in the use thereof such as, augmentation of the amounts set aside for compensation, year-end bonus and cash gift, retirement gratuity, terminal leave benefits, old-age pension of veterans, and other personnel benefits authorized by law, and those expenditure items authorized in agency special provisions and in other sections of the General Provisions of the FY 2011 GAA; and

3.2.3 The specific expenditure item to be used as source of the CNA Incentive should not be augmented from other items under Personal Services, MOOE, or Capital Outlay.

3.3 Savings from only the following MOOE items may be used as fund source of the CNA Incentive, subject to the provisions of item 3.4 hereof:

3.3.1 Traveling Expenses

3.3.2 Communication Expenses

3.3.3 Repair and Maintenance

3.3.4 Transportation and Delivery Expenses

3.3.5 Supplies and Materials

3.3.6 Utility Expenses

3.4 Savings generated from the following circumstances are not allowed to be used as fund source of the CNA Incentive:

3.4.1 Portions or balances of allotments for discontinued or deferred P/A/Ps;

- 3.4.2 Savings from released allotments intended for the acquisition of goods and services that will be distributed/delivered to, or to be used by the agency's clients; and
- 3.4.3 Savings from released allotments from Special-Purpose Funds such as, E-Government Fund, International Commitments Fund, etc.
- 3.5 The CNA Incentive for FY 2011 shall be determined based on the amount of savings generated by an agency following the guidelines herein, but not to exceed P25, 000 per qualified employee.
- 3.6 The payment of the CNA Incentive for FY 2011 shall only be made after submission to the Department of Budget and Management (DBM) of reports on accomplishments for the year, based on the physical and financial plan submitted to DBM pursuant to National Budget Circular No. 528 dated January 3, 2011. Agencies are also reminded of the submission to DBM on or before March 31 of every year, of an annual report on the total expenditure for CNA Incentive, the amount of CNA Incentive granted to qualified employees, and the sources of savings used for the purpose following the format in Annex A of CL No. 2011-9.
- 3.7 With the issuance of Administrative Order No. 25 dated December 21, 2011, the CNA Incentive for the succeeding years beginning FY 2012 shall be based on the Results-Based Performance Management System (RBPMS).

4.0 Responsibility of Agency Heads

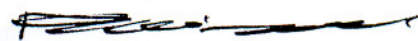
Agency heads shall be held personally liable for any payment of the CNA Incentive not in accordance with the provisions of this Circular without prejudice, however, to the refund by the employees concerned of any unauthorized or excess payment thereof.

5.0 Repealing Clause

All provisions of existing circulars or issuances on the grant of CNA Incentive which are inconsistent herewith are repealed or modified accordingly.

6.0 Effectivity

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary

