



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACAÑANG, MANILA



NATIONAL BUDGET MEMORANDUM

No. 120
January 6, 2014

F O R : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Other Instrumentalities of the National Government and all Others Concerned

SUBJECT : BUDGET CALL FOR FY 2015

1.0 INTRODUCTION

The Budget Priorities Framework for 2015 was presented in NBM 119 dated December 27, 2013 to inform agencies of the objectives, strategies and programs which will be supported in the FY 2015 Budget to achieve the Administration's goals of rapid growth and inclusive development. This subsequent issuance prescribes the other guidelines and procedures to be observed in accomplishing the various budget proposal documents. The technical guidelines and computational processes are presented in detail in the annexes, such guidelines being supportive of the strategies/policies enumerated in the NBM on Budget Priorities Framework (BPF) to assist in the formulation of focused, transparent and accountable budget allocations.

2.0 PURPOSES

- 2.1 To prescribe the guidelines and procedures in the preparation of the FY 2015 Budget in accordance with the ongoing Public Financial Management (PFM) and Public Expenditure Management (PEM) reforms;
- 2.2 To strengthen the conduct of agency consultations at the central and regional levels and those with civil society organizations (CSOs), the private sector, the Regional Development Councils (RDCs) and other stakeholders to secure feedback on proposed programs and projects of departments and corporations;
- 2.3 To prescribe the Budget Preparation (BP) forms to be accomplished/submitted by agencies through the On-line Submission of Budget Proposals (OSBP); and,
- 2.4 To provide the calendar of activities for the preparation of the FY 2015 Budget.

3.0 EXPENDITURE MANAGEMENT FRAMEWORK

3.1 Ongoing reforms in Public Expenditure Management (PEM) and Public Financial Management (PFM) provide the tools to strengthen the links between planning, budgeting and implementation and must be used by the agency in developing their budget submissions.

3.2 An effective PEM, which includes the tools of Medium-Term Expenditure Framework (MTEF), Performance-Informed Budgeting (PIB) and its associated Organizational Performance Indicator Framework (OPIF), Zero-Based Budgeting (ZBB), Program Budgeting (PB), and Grassroots Participatory Budgeting (GPB), achieves the following objectives:

- *"Spending within means"*, or aggregate fiscal discipline - resources should be used in a planned and deliberate medium-term strategy within the aggregate resource constraints.
- *"Spending on the right priorities"*, or allocative efficiency - spending should be aligned with socio-economic priorities, as spelled out in the Philippine Development Plan (PDP) and the Budget Priorities Framework under NBM 119.
- *"Spending with value-for-money"*, or operational efficiency - all public goods and services must be provided at the most reasonable cost and considers the absorptive capacity of the agency given the shift to the one year validity of appropriations.

3.2.1 MTEF - the planning-budgeting framework used by the government to provide a three-year forward perspective to the decision making process during budget preparation. The framework facilitates the determination of the fiscal space (available uncommitted funds) available for allocation among the key programs taking into account the future cost of approved and ongoing programs under the forward estimates (FE) process and the fiscal consolidation targets of the National Government. As contained in NBM 119, the agency will ensure that its FE or indicative ceiling includes only the priority programs of the Administration and weeds out postponable and unnecessary items to make room for the Reconstruction Assistance on Yolanda (RAY) program. Programs will be evaluated to assess their continuing merit, efficiency and effectiveness.

3.2.2 PIB - a budgeting approach that uses performance information to inform Congress and the public about the outputs and outcomes an agency is committing to deliver in exchange for its budget. The performance information is presented alongside the budget in the NEP and includes: a) the purposes/objectives for which the funds are required; b) the outputs that would be produced or the services that would be rendered; and c) the quantity, quality and timeliness targets for the outputs and/or services.

The PIB focuses more on outputs and outcomes of the agency and places less emphasis on its input needs. It links funding to results, and provides a framework for a more informed resource allocation and management.

An outcome-based PIB will be adopted for the FY 2015 Budget as opposed to the current MFO or output-based 2014 Budget (a separate guideline shall be issued for the purpose). The objectives of the outcome-based PIB are:

- 3.2.2.1 To align the PIB with the OP Planning Tools and the commitments made by department/agency heads with the President;
 - 3.2.2.2 To provide the agency management a clearer 'basis/strategy for prioritizing its programs/activities/projects/ by aligning them more explicitly with government priorities and targets;
 - 3.2.2.3 To provide the agency with the outcome framework for the conduct of management monitoring and evaluations (like the zero based budgeting studies) to improve program performance;
 - 3.2.2.4 To build a better outcome accountability framework for the grant of Performance Based Incentive System (PBIS); and
 - 3.2.2.5 To facilitate the development of systems and databases which will ease the data requirements of the DBM, NEDA and the other oversight agencies on the agency.
- 3.2.3 ZBB - program evaluation approach through which major agency programs and projects are assessed/evaluated primarily by third party entities to:
- 3.2.3.1 assess the continuing relevance of these programs and projects;
 - 3.2.3.2 explore alternatives and better ways to achieve their objectives;
 - 3.2.3.3 determine whether the resources for a program/project should be kept at the present level, increased, reduced or discontinued; and
 - 3.2.3.4 guide departments/agencies in eliminating funding for activities which are not aligned with priorities or which are inefficient, ineffective and fraught with leakages.

3.2.4 PB and GPB as explained in NBM 119.

- 3.2.4.1 **PB** is a budgeting approach to facilitate and incentivize inter-agency collaboration along the Social Contract Results Areas to ensure that priority programs are planned, budgeted and implemented in a coordinated manner.

Annex B of NBM 119 and Schedule E-1 of this NBM list down the major programs for the program budgeting approach which will include the programs under RAY.

- 3.2.4.2 **GPB** is a budgeting approach which ensures that the prioritized list of programs and projects required by poor cities/municipalities are incorporated into the 2015 indicative budget levels of participating agencies. It promotes responsiveness of agencies to and ensures convergence of the services of departments/agencies/GOCCs to the needs of the poorest LGUs and communities'. It also strengthens the capacity of the LGUs to plan, budget and execute programs.

- 3.3 A sound PFM system includes the Government Integrated Financial Management Information System (GIFMIS) that will automate, streamline and speed up the processing and the flow of funds and financial management information within government. The GIFMIS is currently being contracted out for development and pilot testing for 2014 and 2015. Among the major budgeting reforms under the PFM regime to be incorporated in the GIFMIS are:

- 3.3.1 Unified Accounts Code Structure (UACS) - a government-wide harmonized budgetary, treasury and accounting code classification introduced in the FY 2014 Budget which facilitates the reporting, tracking and monitoring of all financial transactions of agencies. The submission of the FY 2015 Budget will use these codes which have been enhanced to include the requirement to track the location of projects, and identify/tag climate change adaptation and mitigation measures as well as RAY programs.

- 3.3.2 Online Submission of Budget Proposals System (OSBPS) - an automated system which allows online or electronic submission and encoding of agency budget proposals to reduce the number and duplication of reports being submitted by agencies. The OSBPS which has been piloted in the FY 2014 Budget will be mainstreamed for the FY 2015 Budget.

3.4 Other Budget Policies

- 3.4.1 Disaggregate all remaining lump sum amounts in the agency budget into component projects to enhance the credibility of the GAA and enable it to function as a budget release document. The **no lump sum policy** will continue to be enforced for the 2015 budget. The detailed project components and geographic locations

(up to provincial and municipal levels) of agency proposals need to be specified;

3.4.2 Broaden the participation of the CSOs and other stakeholders in the budget preparation process and promote wider monitoring of the government's key public services;

3.4.3 Revitalize discussions of programs and budgets at the regional level, to ensure complementation of national government and LGU programs within the region given the region's comparative advantage and needs.

The geographic focus of the 2015 Budget as laid out in NBM 119 must be followed to maximize employment generation and poverty reduction in the provinces and cities with the most number of poor families, those with the highest incidence and those with multiple climate and geo hazard vulnerabilities. The RDCs, CSOs, LGUs and other stakeholders should be consulted on the proposed strategies of the agency and should be encouraged to provide technical assistance;

3.4.4 Sustain Public-Private Partnerships (PPPs) or BOT projects with the private sector financing/constructing and/or operating projects minimize the risks associated with these projects by building the environment for solicited bids and the capacity to identify and monitor contingent liabilities. Feasibility studies funds have been provided for DPWH and the PPPCP which can be accessed for the preparatory studies and build the market case for the proposed projects. For the NEDA Board approved projects, strategic support in terms of right-of-way acquisition, access roads, and other contract conditions can be incorporated in the budget proposal to better ensure successful projects; and

3.4.5 Promote open data to increase public access and awareness on budget data/information to facilitate appreciation and analysis, to promote transparency and accountability. Accordingly, the posting of bids and awards on the PhilGeps, and the publication of the Transparency Seal and ARTA Citizen Charter will continue to be Good Governance Conditions under the PBB to institutionalize these transparency conditions.

3.5 Medium-Term Information Technology Harmonization Initiative (MITHI) - a coherent process, jointly undertaken by DBM, DOST - Information and Communications Technology Office (ICTO), and NEDA for the planning, budgeting, implementation, monitoring and evaluation of proposed government-wide information and communication technology programs and projects. These project proposals indicated in the agencies' Information Systems Strategic Plans shall be subject to evaluation by the MITHI steering committee in accordance with DBM-DOST-DBM JMC 2012-01.

3.6 Other Public Financial Management Policies

As a means for further improving transparency, efficiency and effectiveness in government operations, agencies shall also incorporate the budgetary implications of the following public sector reforms on their proposals:

- 3.6.1 Cost recovery measures to assist in the revenue enhancement efforts and improve service delivery, pursuant to Administrative Order No. 31 dated October 1, 2012.
- 3.6.2 Implementation of the National Guidelines on Internal Control Systems pursuant to DBM CL No. 2008-08 dated October 23, 2008, the Philippine Government Internal Audit Manual, issued thru CL No. 2011-05 dated May 19, 2011, and the creation and strengthening of an Internal Audit Service/Unit and a Management Division/Unit in Agencies concerned as provided under CL No. 2008-5 dated April 14, 2008;
- 3.6.3 Pursuit of ISO 9001:2008 (Quality Management System) certification and implementation of other quality management improvement programs to further institutionalize and enhance government processes, systems and operations as mandated under EO No. 605 dated February 23, 2007. The setting up of a Quality Management System following ISO guidelines will be among the conditions required for the PBB in 2014 and 2015. Agencies will have to target the accreditation of at least one front line service under ISO each year;
- 3.6.4 Total Resource Budgeting
 - 3.6.4.1 In preparing the national budget, as much as possible, all revenue sources and other receipts of government agencies, i.e., deposited with the Bureau of the Treasury (BTr) and with authorized government depository banks (outside the BTr) must be taken into consideration, in order to provide a holistic view for assessing agency performance. Earmarked funds of agencies which support identified P/A/Ps and their corresponding MFOs/PIs must be fully disclosed by accomplishing the appropriate BP forms supporting the agency budget proposal.
 - 3.6.4.2 Pursuant to DOF-DBM-COA Permanent Committee Joint Circular No. 4-2012 and DOF-DBM-COA Joint Administrative Order Nos. 2012-01 and 2012-01-A, all NGAs including SUCs and Other Executive Offices, are required to submit a complete list of their existing bank account balances pertaining to funds maintained outside the BTr. Consistent with this requirement, agencies shall reflect under BP Form 100-B their latest cash in bank balances for these accounts. The submitted data will be included by DBM in the consolidated list of all Off-Budget

funds/accounts maintained by departments/agencies (Table B.19 of BESF).

3.6.5 Gender and Development (GAD)

3.6.5.1 A GAD Plan and Budget (GPB) shall be formulated pursuant to and in accordance with the Republic Act 9710 or Magna Carta of Women and the PCW-NEDA-DBM Joint Circular 2012-01: Guidelines on the Preparation of Annual Gender and Development (GAD) Plans and Budgets (GPB) Accomplishment Reports (AR) to implement the Magna Carta of Women.

3.6.5.2 The GPB shall respond to the gender gaps/issues faced by the agency's clients and constituencies and their women and men employees. Agency shall allocate at least five percent (5%) of the total agency budget proposal for activities supporting GAD plans and programs.

4.0 BUDGET CEILINGS

Consistent with the performance-based budgeting approach, the indicative budget ceiling issued under NBM 119 may be adjusted, pursuant to Specific Guidelines per Annex "A", Part A - Item 1.0 of this NBM, based on demonstrated capacity to implement programs and projects as well as credible, adequate and justified catch-up plan and improvements in budget utilization in relation to the agency MFOs.

5.0 SPECIFIC GUIDELINES AND BUDGET PREPARATION FORMS

In support of the strategies/policies enumerated in NBM No. 119, the technical guidelines and computational processes are presented in detail in the following annexes:

5.1 Annex "A" - Specific guidelines for the following:

5.1.1 Part A - Related to Budget Framework; and

5.1.2 Part B - Related to Expenditure Items

5.2 Annex "B" - Budget Preparation Forms

5.3 Annex "C" - Budget Preparation Calendar

6.0 SUBMISSION REQUIREMENTS AND TIMETABLE

6.1 Agencies shall accomplish/submit the pertinent Budget Preparation (BP) forms containing FYs 2013 to 2015 information using the specific guidelines attached as Annex "A", through the following:

- Budget Preparation Management System (BPMS) for FY 2013 (BP Forms 201 A to D); and

- OSBPS for FYs 2013 to 2015 (All applicable BP Forms)

DBM shall issue a separate Advisory for additional guidelines on the preparation and submission of budget proposal through BPMS and OSBPS.

6.2 Agencies shall also submit to DBM, three (3) OSBPS-generated hard copies of their budget proposals, duly endorsed by the Department Secretary/OEO Head, together with the following additional information:

- Thrust for the budget year/Priorities;
- Outcomes and Outputs (Targets) using Performance-Informed Budget Structure;
- Program/Project Implementation Strategies for FY 2015;
- FY 2013 Actual Accomplishment;
- BP Form C – Summary of RDC/CSO Feedback on Major On-going Programs and Projects (for selected departments); and
- Inventory of equipment as required under NBC Nos. 438, 446 and 446-A.

6.3 DBM will not schedule Technical Budget Hearing (TBH) until the agency complies with the online submission. **Hard copy of BP Forms submitted to DBM not generated through the OSBPS shall be considered invalid.**

6.4 In addition, the budget proposals of agencies involving specific concerns shall require the endorsement of the following:

Endorsing Agency	Subject of Endorsement
CHED	SUCs Budget
TESDA	Technical education and skills development programs
DA	Research and Development (R&D) in Agriculture and Fisheries
PSA* (NSCB)	Systems of Designated Statistics pursuant to EO 352
DOST-ICTO	Information Systems Plan in support of IT-related proposals
PCW	GAD Plan
DOST	R&D in natural resources, environment, technological and engineering sciences
DENR-NAMRIA	
	Procurement of Data from Airborne and Space borne platforms and other related products and services for mapping purposes

* Per R.A. No. 10625, the NSCB shall be one of the agencies that constitute the Philippine Statistical Authority (PSA).

6.5 Agencies are encouraged to start early the encoding of their budget proposals through the OSBPS once available. The deadline for the submission of the required BP Forms under Annex B for FY 2015 budget proposals shall be as follows:

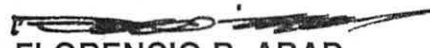
6.5.1 March 10, 2014

- FY 2013 Actual Obligations and FY 2014 Current Year Program by allotment class using BP Form 201 Schedules A, B, C and D; and
- FYs 2013 and 2014 physical and performance/targets using Forms A and B.

6.5.2 March 28, 2014 (instead of April 15)

- FY 2015 Budget Proposals.

6.6 All national government agencies shall submit their 2015 budget proposals and supporting forms/documents directly to the Budget Technical Service (BTS), Ground Floor, DBM Boncodin Hall, General Solano St., San Miguel, Manila. SUCs shall submit these aforementioned forms to their counterpart DBM-RO concerned.


FLORENCIO B. ABAD
Secretary

