



## A. BUDGET PREPARATION

### 1. Budget Call

*Jan of Prior Fiscal Year (FY)<sup>1</sup>*

Budget preparation starts with the Budget Call<sup>2</sup>, which sets the parameters and procedures to guide agencies in preparing their respective proposed budgets.

### 2. Citizen Engagement

*Before Tier 1 & 2 Proposals<sup>3</sup>*

Agencies engage citizens as they prepare their proposed budgets, through the Budget Partnership Agreements with civil society organizations (CSOs), Bottom-Up Budgeting (BUB), and other participatory budgeting mechanisms.

### 3. RDC Consultations

*Before Tier 1 & 2 Proposals<sup>3</sup>*

Agencies consult with Regional Development Councils (RDCs) to make sure that their respective budget proposals are aligned with the regions' development needs and priorities.

### 4. Program Convergence

*Before Tier 1 & 2 Proposals<sup>3</sup>*

Lead and contributing agencies for each program priority of the government (for example, tourism) meet and synergize their proposed budgets to meet target outcomes.

### 5. Agency Tier 1 Proposals

*February of Prior FY<sup>4</sup>*

Agencies prepare the forward estimates (FEs) or current costs of their ongoing programs and projects and submit these for the "Tier 1" stage of 2TBA.

### 6. Tier 1 Deliberations

*March of Prior FY*

Agencies prepare the forward estimates (FEs) or current costs of their ongoing programs and projects and submit these for the "Tier 1" stage of 2TBA.

### 7. Budget Priorities Framework

*April of Prior FY*

This document spells out the economic forecasts and fiscal targets for the budget year, the total cost of ongoing spending under Tier 1, and identifies the fiscal space: the available resources for new programs and projects or the expansion of existing ones. The Framework defines priority sectors and

locations, and other guidelines that agencies must comply with in preparing their Tier 2 budget proposals.

### 8. Agency Tier 2 Proposals

*May of Prior FY*

After undertaking further consultations with CSOs, RDCs, and other agencies, agencies prepare their proposals for new programs and projects or the expansion of existing ones. Agencies submit both their proposed Tier 1 and Tier 2 budgets through the Online Submission of Budget Documents System.

### 9. Tier 2 Deliberations

*June to July of Prior FY*

Like in Tier 1, the DBM conducts TBH and ERB to review the Tier 2 proposals of agencies. Other government bodies are also involved in reviewing such proposals: the NEDA Investment Coordination Committee (ICC) for capital projects costing P1 billion or more and for PPP-related proposals; the DBCC Subcommittee on Program & Project Appraisal (SC-PPA) for new or expanded programs or projects costing P300 million to less than P1 billion; the NEDA Infrastructure Committee (InfraComm) for all infrastructure projects in line with the Three-Year Rolling Infrastructure Program (TRIP); the GCG and DoF for the proposals of GOCCs; and the MITHI committee for ICT projects.

### 10. Presentation to the President and the Cabinet

*July of Prior FY*

The DBM, DoF, and NEDA, with the BSP (as the DBCC) present the proposed Budget before the President and the Cabinet for discussion and approval.

### 11. Consolidation, Validation, and Confirmation

*July of Prior FY*

The DBM validates the approved budgets and consolidates these into the Budget of Expenditures and Sources of Financing (BESF) and other budget documents.

### 12. The President's Budget

*July to August of Prior FY<sup>5</sup>*

The 1987 Constitution mandates the President to submit the Proposed Budget to Congress within 30 days from the opening of the regular session of Congress. The proposed Budgets for 2012 to 2016 had been consistently submitted one working day after the opening of the regular session. In addition, the comprehensiveness and level of detail of the Proposed Budget had been improved.

<sup>1</sup>A Fiscal Year is a period of twelve months for which a government plans its management of money.

<sup>2</sup>The DBM issues the National Budget Call for NGAs, including SUCs; and the Corporate Budget Call for GOCCs.

<sup>3</sup>Citizen engagement, consultation with RDCs, and Program Convergence Budgeting do not happen sequentially. Rather, these must be conducted before agencies submit their proposals for Tier 1 (February) and Tier 2 (May).

<sup>4</sup>Before the 2TBA was adopted, agencies submit their proposed budgets—both for ongoing programs as well as new or expanded expenditures—once.

## B. BUDGET LEGISLATION

### 1. House Deliberations

*August to October of Prior FY*

The Budget bill is tackled by Congress like any legislation. Thus, the Committee on Appropriations of the House of Representatives holds public hearings on the proposed Budget. The Committee then sponsors the recommended General Appropriations Bill (GAB) before the House in plenary. Once approved, the House transmits the GAB to the Senate.

### 2. Senate Deliberations

*September to November of Prior FY*

Unlike normal legislation, the Constitution first requires the House to approve the GAB before the Senate considers the same. However, to expedite the process, the Senate Committee on Finance usually starts hearings on the President's Budget well before the House formally transmits the GAB. Like in the House, the Committee on Finance sponsors the GAB in plenary, which then approves the Senate version of the GAB.

### 3. Bicameral Deliberations

*Nov-Dec of Prior FY*

After the House and the Senate approve their versions of the GAB, they each form a panel of lawmakers that will constitute the Bicameral Conference Committee or Bicam.

### 4. Ratification and Enrolment

*December of Prior FY*

The Harmonized or "Bicam" version of the GAB is then submitted back to both Houses, which then vote to ratify the final GAB. Both Houses then submit or "enrol" the ratified GAB to the President.

### 5. Enactment

*December of Prior FY*

Budget legislation ends when the President signs the GAA into law. Prior to this, the President may veto or set conditions for implementation of certain items in the GAA, which are then specified in the President's Veto Message. Unlike other legislation, the President may effect a "line item veto" of specific provisions of the GAB.

If in case Congress fails to pass the GAB on time, the President may re-enact the previous year's GAA until such time that the fresh Budget is passed. The Budgets from 2011 to 2016 have all been enacted on time.

## C. BUDGET EXECUTION

### 1. Early Procurement Activities

*October to December of Prior FY*

Agencies are required to prepare their Annual Procurement Plans and other bid documents before the new fiscal year starts. Moreover, the government adopted a policy of allowing agencies—such as the DPWH and others which implement infrastructure projects—to bid their projects before the GAA is enacted. Early bidding allows agencies to award their approved projects as soon as the new GAA takes effect.

### 2. Budget Program

*October to December of Prior FY*

Agencies submit Budget Execution Documents (BEDs) to outline their financial plans and performance targets for the year. The DBM consolidates these plans into the budget program, which breaks down the allotment and cash releases for each month of the year.

### 3. Allotment Release

*January (Comprehensive) and Throughout FY*

The DBM issues allotments to agencies to authorize the latter to incur obligations. With the GAA-as-Release Document, the enacted Budget itself serves as the allotment release for all budget items except those contained in a negative list that are issued the Special Allotment Release Orders (SAROs) after agencies comply with the documentary requirements.

### 4. Obligation

*Throughout FY*

Agencies incur liabilities that the national government will pay for, as they implement programs, activities, and projects. Agencies incur obligations when they hire new staff or enter into a contract with suppliers of goods and services that are subject to a transparent and competitive procurement process.

### 5. Cash Allocation

*January (Comprehensive) and Throughout FY*

The DBM issues disbursement authorities, such as the Notice of Cash Allocation (NCA), to authorize an agency to pay the obligations it incurs. To ease budget execution, the DBM issues comprehensive NCAs to cover the cash requirements of agencies for the first semester.

<sup>5</sup>The 2017 Proposed Budget is scheduled to be submitted to Congress just before the Constitutional deadline, or on August 24, 2016, in order to give the incoming Duterte administration a chance to review the Proposed Budget which was prepared during the Aquino administration.

## 6. Disbursement

*Throughout FY*

Monies are paid out from the Treasury to settle obligations that government incurred for the delivery of services to citizens. To ease the payments process, the DBM introduced checkless and cashless disbursement schemes. The DoF-BTr also implemented the TSA to improve the management of the government's cash resources.

## D. BUDGET ACCOUNTABILITY

### 1. Performance Targets

*January of FY*

Budget accountability starts with the setting of targets that agencies are to be held accountable for. With the Performance-Informed Budget, the GAA now contains the targeted outcomes, outputs and performance indicators of each agency. These targets are also reflected in agencies' BEDs (see "Budget Program" under Budget Execution), which effectively serve as the agencies' plans for the year.

### 2. Citizen Engagement

*Throughout FY*

To empower citizens during Budget Accountability, the government ensures transparency--agencies disclose their budgets, reports, and other relevant information through the Transparency Seal; and make available data in open format. In addition, the government also publishes the People's Budget along with other technical documents and reports.

Citizens participate formally in the monitoring of programs and projects through BPAs, BUB, and other mechanisms. In addition, CSOs participate in the audit process through the COA's Citizens' Participatory Audit.

### 3. Monitoring and Evaluation

*Throughout FY*

Agencies must set-up and implement monitoring and evaluation mechanisms to ascertain the effectiveness of the programs and projects on which they spend. Agencies must have internal control mechanisms to ensure that public funds are spent and accounted for properly.

### 4. Agencies' Accountability Reports

*Monthly and Quarterly*

Agencies submit Financial Accountability Reports on a monthly or quarterly basis, as required by the DBM and the COA. These reports are submitted online through the Unified Reporting System.

### 5. Performance Review

*Throughout FY*

The DBM reviews the financial and physical performance of agencies against their targets. Review mechanisms include: the ZBB, to evaluate the efficiency and effectiveness of programs; and the FTDUs, to closely monitor agencies' performance and address bottlenecks proactively.

### 6. In-Year Reports

*Monthly and Quarterly*

The DoF and the DBM regularly publish snapshots of the government's fiscal performance, revenue collections, debt, and expenditures.

### 7. DBCC Mid-Year Report

*By September of FY*

The DBCC publishes a comprehensive report on macroeconomic developments, the fiscal situation of the national government, and the performance of key programs and projects. The Mid-Year Report also discusses any adjustments that the DBCC makes to the government's economic projections and fiscal targets for the rest of the year.

### 8. DBCC Year-End Report

*Within the Following FY*

The DBCC publishes another comprehensive report covering the full year. Compared to the Mid-Year Report, the Year-End Report provides more discussions and details about actual revenue and expenditure outturns against program, and the financial and physical performance of priority programs.

### 9. Audit

*Within the Following FY*

The COA reviews the accounts of each agency to ascertain if public funds are used properly, according to the law and standards, and with value-for-money. The COA produces audit reports for each agency; a whole-of-government Annual Financial Report; as well as Special Audit Reports. The DBM uses COA's Audit Reports in confirming agency performance, determining budgetary levels for agencies, and addressing issues in fund usage.