



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

NATIONAL BUDGET MEMORANDUM

No. 109
February 17, 2011

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

SUBJECT : **GUIDELINES ON PARTNERSHIP AND PARTICIPATION OF CIVIL SOCIETY ORGANIZATIONS AND OTHER STAKEHOLDERS IN THE PREPARATION OF BUDGET PROPOSALS**

1.0 PURPOSES

- 1.1 To fulfill the Aquino Administration's commitment to strengthen democratic institutions through people empowerment, particularly through citizen participation in the budget process, as a vital means of promoting good governance;
- 1.2 To institutionalize citizen participation as a component of the National Government's budget process, anchored on transparency and accountability in the allocation and utilization of public funds;
- 1.3 To progressively broaden the constructive partnership with Civil Society Organizations (CSOs) consistent with the Principles of Engagement as agreed upon and signed by DBM and some CSOs on September 3, 2010.
- 1.4 To provide guidance in the initial implementation of consultations with CSOs and other stakeholders as a new feature of budget preparation as contained in Sections 4.2 and 6.3 of the National Budget Memorandum No. 107 and Sections 4.2 and 6.2 of the Corporate Budget Memorandum No. 31, the National and Corporate Budget Calls, respectively, for FY 2012, both dated December 30, 2010.

2.0 COVERAGE

- 2.1 All National Government Agencies (NGAs) and Government-Owned and/or -Controlled Corporations (GOCCs) shall be covered by this Memorandum.
- 2.2 For the preparation of the FY 2012 Budget, the consultation with CSOs and other stakeholders is being implemented on a pilot basis, for the following six (6) NGAs and three (3) GOCCs:

Departments of Agriculture
Department of Agrarian Reform
Department of Education
Department of Health
Department of Public Works and Highways
Department of Social Welfare and Development
National Food Authority
National Housing Authority
National Home Mortgage Finance Corporation

- 2.3 Other NGAs/GOCCs may also establish partnerships with CSOs for the FY 2012 budget preparation which, to the extent possible, shall be subject to these guidelines.

3.0 DEFINITION OF TERMS

For purposes of this Memorandum, the following terms shall have the following significance:

- 3.1 Affiliate CSOs - CSOs entering into formal collaboration with a Partner CSO, which collaboration enables the Partner CSO to expand the scope of its budget monitoring and evaluation under the Budget Partnership Agreement (BPA).
- 3.2 Budget Partnership Agreement (BPA) – A formal agreement entered into by an NGA/GOCC and a Partner CSO defining the roles, duties, responsibilities, schedules and expectations with regard to implementing the CSO's participation in monitoring and evaluating budget programs/activities/projects (P/A/Ps) of the counterparty NGA/GOCC for the FY 2012 budget preparation.
- 3.3 Citizen Participation - A democratic process involving people empowerment, whereby concerned citizens organized as CSOs, pursue their legitimate and collective interests by monitoring effectiveness of

specific government P/A/Ps, and in so doing become partners of the Government in the formulation, monitoring, evaluation and improvement of the national budget.

- 3.4 Civil Society Organizations (CSOs) – Include non-government organizations (NGOs), peoples organizations, cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous peoples movements, foundations, and other citizen groups formed primarily for social and economic development, which monitor government projects, engage in policy discussions, and actively participate in collaborative activities with Government.
- 3.5 Conflict of Interest – A condition which occurs when a CSO or any of its key officers are involved in multiple interests, which prevents an impartial or unbiased attitude toward the work to be done in relation to the BPA.
- 3.6 Constructive Engagement – A partnership between Government and counterparty CSOs marked by sustained dialogue towards problem solving while respecting and retaining the focus on assertion for reforms.
- 3.7 On-going Programs/Activities/Projects (P/A/Ps) - P/A/Ps being implemented by NGAs/GOCCs as of December 31, 2010.
- 3.8 Partner CSO – The CSO which is the counterparty of an NGA/GOCC in the BPA. Conversely, a CSO which is not a counterparty of an NGA/GOCC in a BPA shall be termed a Non- Partner CSO.
- 3.9 Stakeholders – Persons or organizations that can significantly affect, be affected by, or perceive themselves to be affected by a government decision or activity and have interest on and can influence the effective performance of a particular P/A/P of an NGA/GOCC.
- 3.10 Statement of Advocacy – A short but clear statement of a CSO's cause, active support or ideals upheld which the CSO purports to actively promote or achieve.
- 3.11 Zero-based Budgeting (ZBB) - A budgeting approach which involves the review/evaluation of major ongoing programs and projects implemented by different departments/agencies in order to a) establish the continued relevance of program objectives given the current developments/directions; b) assess whether the program objectives/outcomes are being achieved; c) ascertain alternative or more efficient or effective ways of achieving the objectives, and ultimately; d) guide decision makers on whether the resources for the program/project should continue at the present level or be increased, reduced or discontinued.

4.0 CITIZEN PARTICIPATION

- 4.1 Citizen participation shall henceforth be a vital component of the entire budget process anchored on transparency and accountability. All NGAs and GOCCs shall plan on integrating citizen participation in budget preparation, execution and reporting through a constructive engagement with CSOs.

5.0 PARTNERSHIP WITH CSOs

- 5.1 For the FY 2012 budget preparation, citizen participation shall be implemented through the formal engagement of CSOs by NGAs/GOCCs, covered by a BPA.
- 5.2 NGA/GOCC shall hold consultation/s with Partner CSOs on specific P/A/Pss at the central and/or regional levels in accordance with the schedule set in the BPA.
- 5.3 The NGA/GOCC concerned has the prerogative to use inputs from Non-Partner CSOs, provided such inputs are duly substantiated and may be made public.
- 5.4 Invitation to CSOs
 - 5.4.1 The DBM has published in its website and through press releases invitations for CSOs and other stakeholders to participate in the FY 2012 budget preparation.
 - 5.4.2 The NGAs/GOCCs shall disseminate the DBM invitation to existing and prospective CSO partners and shall prominently post the DBM invitation on their websites.
 - 5.4.3 The invitation shall be extensively used by NGAs/GOCCs to get more CSOs interested in entering into constructive engagement. CSOs interested in participating in the budget process, but are not ready to participate in the 2012 budget preparation may start participating by monitoring and evaluating ongoing P/A/Ps of NGAs/GOCCs related to their advocacy, and by documenting these for the FY 2013 budget preparation or other phases of the FY 2012 budget process.

5.5 Identifying Partner CSOs

5.5.1 Interested CSOs who have monitored, assessed and evaluated particular ongoing P/A/Ps of an NGA/GOCC, who are willing and able to immediately submit duly substantiated findings, assessments or evaluation, in time for the central or regional consultation, may be involved in the FY2012 budget preparation.

5.5.2 Consistent with the principle of transparency and accountability, Partner CSOs and Affiliate CSOs should be willing to make public their submitted assessments, evaluations of and recommendations on ongoing P/A/Ps.

5.5.3 Partner CSOs shall submit the following supporting documents, to be able to enter into a BPA with an NGA/GOCC:

5.5.3.1 Board Resolution covering the following matters:

- Approval of the BPA;
- The counterparty NGA/GOCC and the particular P/A/Ps and geographic location covered by such participation;
- Approval of the evaluation of and recommendations on NGA/GOCC P/A/Ps for submission;
- Designation of the CSO signatory to the BPA; and
- A statement of no conflict of interest, indicating that the CSO and the counterparty NGA/GOCC are not related by business or contractual relations, and that the CSO's officers are not related to NGA/GOCC officers by consanguinity or affinity (up to third degree), or by business or contractual relations; and a declaration of potential conflict of interest, as may be necessary.

5.5.3.2 The following proofs of existence and intent:

- Copy of Articles of Incorporation registered with the Securities and Exchange Commission or proof of existing partnership with the NGA/GOCC concerned;
- Statement of Advocacy as certified by the CSO corporate or board secretary; and
- As necessary, copy of the duly executed Affiliation Agreement between Partner CSO and Affiliate CSOs, and copies of the covering Board Resolutions from both Partner and Affiliate CSOs.

- 5.5.3.3 Name of contact person with his or her contact details, such as the postal address, email address, office telephone and fax numbers and mobile telephone number.
- 5.5.3.4 Copy of the completed assessment/evaluation of and recommendations on the specific P/A/Ps covered by a BPA, with an executive summary of the major findings and specific recommendations of the Partner and Affiliate CSOs.
- 5.5.3.5 Additional documentation as the NGA/GOCC may deem necessary to support the BPA.

5.6 Execution of Partnership Agreement

- 5.6.1 The Partner CSOs and NGA/GOCC may mutually agree to add qualifying details to their BPA.
- 5.6.2 The NGA/GOCC shall meet with Partner CSOs at the central and/or regional level, whichever is appropriate, to discuss and finalize the BPA. This shall be patterned after the herein prescribed format as presented in Annex A. The BPA shall:
 - clarify roles, responsibilities and expectations between the NGA/GOCC and CSO;
 - plot out schedules and timelines, including the dates and venue of the consultations; and
 - provide the communication protocol, clearly establishing the NGA/ GOCC-CSO counterparts and channels of communications.
- 5.6.3 The NGA/GOCC, after ascertaining the Partner CSO's full compliance with the documentation requirements, shall cause the prompt execution with Partner CSOs of the BPA.
- 5.6.4 The duly designated representatives from the NGA/GOCC and Partner CSOs shall sign the BPA to signal the effectivity of the Agreement.
- 5.6.5 Within two days from the effectivity of the Agreement, one original copy of the BPA shall be sent to the DBM - CSO Desk.

5.6.6 The NGA/GOCC shall communicate the partnership forged with CSOs to the concerned officials and employees at the central and regional levels . The Agreement shall be made public by posting a copy of the BPA on the NGA/GOCC website.

6.0 EXPECTED CSO INPUTS

6.1 The Partner CSOs, on the basis of their own review/assessment/evaluation or those done by Affiliate CSOs of ongoing P/A/Ps, shall submit their recommendations to the pertinent central or regional level of the NGA/GOCC concerned , at least five (5) working days before the scheduled CSO consultation.

6.2 The evaluation report shall be duly substantiated by indicating the methodology used and the parties involved in the evaluation. Said report shall be accompanied by an Executive Summary of major findings and recommendations.

6.2.1 In case of grass-root Partner CSOs, with evaluations based more on observations and less on sophisticated analysis, the NGA/GOCC shall, to the extent possible, use their findings, provided these are duly substantiated and are clearly attributable to the Partner CSO.

6.3 CSO Recommendations

6.3.1 CSO recommendations as inputs to estimating the budget shall be based on rigorous analysis, duly substantiated.

6.3.2 Recommendations on P/A/Ps of the NGA/GOCC concerned shall generally be categorized as follows:

- effective, for expansion in terms of any or a combination of funding allocation, geographic scope, or additional activities;
- below optimum, for reduction in terms of any or a combination of funding allocation, geographic scope, or discontinuation of specific activities. This may include recommendations on the relevance of particular programs, projects and activities to the mandates of the NGA/GOCC; or
- ineffective, for phasing out or immediate discontinuation.

6.3.3 CSOs may submit other recommendations for NGA/GOCC consideration. CSO proposals will receive priority attention when

they focus on a) providing detailed analysis of strengthening the links between inputs, outputs and policies/programs needed to achieve key priority development outcome, b) identifying poorly performing programs, and c) providing a proposal for a program expansion or addition matched with a proposal on what other inefficient/ineffective programs can be cut to make room for the expansion of effective P/A/Ps.

7.0 PROCEDURES ON THE CONSULTATION PROCESS

- 7.1 In order to enhance the effectiveness of CSO participation, the NGA/GOCC shall adequately and promptly communicate within their respective bureaus/offices, at both central and regional levels, the contents of this Memorandum, the timelines to be observed, and dates, time and venues of the consultations with partner CSOs, in time for the CSO consultation for the FY 2012 budget preparation.
- 7.2 To provide the context for the discussions and facilitate the assessments and evaluations of existing programs and projects of the agency, the NGA/GOCC shall, immediately and no later than 5 working days after signing the BPA , provide the Partner CSOs and Affiliate CSOs access to at least the following budget information:
 - 7.2.1 Summary of NGA/GOCC Budget for FY2011, releases in 2010, and funds actually obligated/spent in 2007-2009, and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) for 2007-2011.
 - 7.2.2 Details of the program, project or activity being reviewed/monitored by the Partner CSO for FY 2007 to 2011, by activity and expenditure class/object;
 - 7.2.3 Other pertinent information as enumerated in the BPA.
- 7.3 Central or Regional Consultation with CSOs
 - 7.3.1 The NGAs/GOCCs shall hold their consultations with CSOs at the date, time and venue agreed upon in the BPA, within the months of February and March. To achieve transparency, an NGA/GOCC shall endeavour to hold at least one meeting with all Partner CSOs concerned.

- 7.3.2 The CSOs are encouraged to attend the consultations. They shall send in their reviews and assessments to the NGAs/GOCCs before the consultation date.
- 7.3.3 In the spirit of promoting objective reviews and assessments, the CSOs shall be responsible for the cost of participating in the consultations.
- 7.3.4 The regional consultations can either be done within or outside the budget sessions of the Regional Development Councils (RDCs).
- 7.3.5 The NGAs/GOCCs shall take into consideration the feedbacks, findings and recommendations of Partner CSOs in the formulation of their budget proposal and shall reflect/present their decisions in Table 1 of the FY2012 Budget Call (Annex B).
- 7.3.6 The NGAs/GOCCs shall furnish Partner CSOs the results of the consultations as reflected in Table 1 immediately after submitting their budget proposals to DBM on April 8, 2011.
- 7.3.7 The NGAs/GOCCs may furnish the RDCs a copy of the recommendations submitted by the CSO to supplement other inputs in evaluating the impact of specific NGA/GOCC programs/projects in the region. However, this submission should not delay the budget sessions of the RDCs.
- 7.3.8 The NGA/GOCC shall provide Partner CSOs access to pertinent budget estimates agreed with the DBM, which are finally submitted for Congressional approval.

8.0 ADHERENCE TO THE PRINCIPLES OF DBM-CSO ENGAGEMENT

- 8.1 The parties to the BPA shall at all times adhere to the DBM-CSO Principles of Engagement, which are reiterated below.
 - 8.1.1 Transparency – provide all parties as well as the general public, timely access to relevant and verified information/data subject to the limits set by law.
 - 8.1.2 Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfil commitments.

- 8.1.3 Integrity – adhere to moral and professional standards in fulfilling commitments.
- 8.1.4 Partnership – cooperate and share responsibilities to ensure the objectives of the engagement are achieved.
- 8.1.5 Consultation and mutual empowerment – enhance knowledge sharing and continuing dialogue.
- 8.1.6 Respect for internal processes – understand and abide by limitations of the stakeholders with respect to the nature of the information to be disclosed and the extent of involvement based on institutional/legally imposed limitations.
- 8.1.7 Sustainability – ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote an environment of mutual trust.
- 8.1.8 National interest – uphold the national welfare above the interest of organizations or individuals.
- 8.2 Clarifications on the abovesited principles and additional principles mutually agreed upon by NGA/GOCC with Partner CSO may be incorporated in the BPA.

9.0 ACCOUNTABILITY FOR BUDGET ESTIMATES

It is the responsibility and accountability of the NGA/GOCC, after duly considering CSO inputs at the regional and national levels, within the context of other considerations such as national/regional priorities and budget ceilings, to finalize the budget proposal for submission to the DBM. They shall, however, endeavour to meet with Partner CSOs to discuss these decisions with them.

In like manner, the DBM shall, in accordance with set parameters, consider all these in finalizing specific items in the proposed National Expenditure Program for consideration by the Congress.

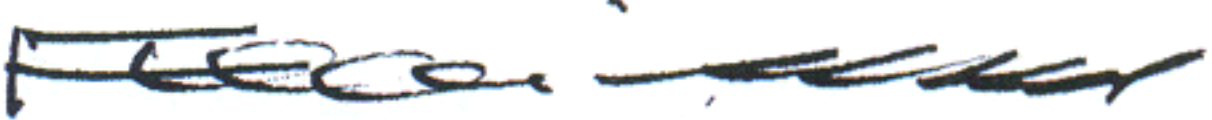
10.0 INSTITUTIONALIZING CSO CONSULTATION

- 10.1 The NGA/GOCC shall establish internal guidelines in implementing and facilitating CSO consultation at various levels and in coordination with counterpart RDCs and local government units (LGUs), where warranted.
- 10.2 All NGAs/GOCCs shall plan for the progressive expansion of citizen participation through more CSO partnerships and evaluations, towards covering all major critical P/A/Ps.
- 10.3 All NGAs/GOCCs which are not enumerated in Section 2.2, shall start developing their own system of implementing citizen participation, through consultations and engagement of CSOs in all phases of the budget process, beginning with the FY 2013 budget preparation.

11.0 REPORT/FEEDBACK MECHANISM

- 11.1 NGAs/GOCCs and CSOs may approach DBM CSO-Desk to clarify operational issues or suggest improvements in the implementation of these guidelines.
- 11.2 NGAs/GOCCS shall document the conduct and results of the consultation with CSOs, in particular, and citizen participation in the budget process, in general.
- 11.3 To assess the effectiveness of and to document lessons learned from the initial implementation of this effort, the DBM shall organize forums after the submission of the FY 2012 Budget to Congress but no later than 30 November, 2011.

12.0 FOR COMPLIANCE.


FLORENCIO B. ABAD

Secretary