



Republic of the Philippines  
**DEPARTMENT OF BUDGET AND MANAGEMENT**  
Malacañang, Manila

**CORPORATE BUDGET MEMORANDUM**

**No. 34**

December 28, 2012

**F O R** : All Heads of Government-Owned or Controlled Corporations (GOCCs), Including Government Financial Institutions (GFIs) and all Others Concerned

**SUBJECT** : **POLICY GUIDELINES AND PROCEDURES IN THE PREPARATION AND SUBMISSION OF THE FY 2014 BUDGET PROPOSALS**

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**1.0 POLICY STATEMENT**

In line with the policy of transparency and accountability, the 2014 budget process shall be undertaken within the context of the **GAA as a budgetary release document** and **one year validity of appropriations**. In the release of public funds with respect to agency-specific budgets: *what is appropriated is considered released*. Agencies, instead of being concerned with the "when" of budget release, can focus on the "what" and "how" of public spending and service delivery. This will assist the strengthening of the implementation systems of agencies, as the drive to deliver and perform will be at the center of concerns.

**2.0 PURPOSE**

- 2.1 To provide the overall fiscal policy framework and priority thrusts of the FY 2014 Budget, based on the Philippine Development Plan (PDP) 2011-2016;
- 2.2 To prescribe the guidelines and procedures in the preparation of the FY 2014 GOCC/GFI budget in accordance with the ongoing Public Expenditure Management (PEM) reforms;
- 2.3 To prescribe the guidelines and procedures in the preparation of financial and related data to be incorporated in the Budget of Expenditures and Sources of Financing (BESF) for FYs 2012-2014 and the Corporate Operating Budget (COB) for FY 2013;
- 2.4 To lay down the procedures for the conduct of GOCC/GFI consultations at the central and field office levels with civil society organizations (CSOs), the private sector, the Regional Development Councils (RDCs) and other stakeholders to secure feedback on programs and projects of selected departments and corporations;
- 2.5 To sustain/expand the adoption of the following budgeting approaches to ensure the inclusion of their funding requirements in the budget proposals of GOCCs/GFIs:
  - 2.5.1 Bottom-up budgeting approach for the development needs of poor/focus cities and municipalities; and

2.5.1 Program budgeting approach supportive of the five Key Results Areas (KRAs) under the President's Social Contract with the Filipino People as laid out in E.O. 43, s 2011.

2.6 To set the schedule of budget preparation activities.

### **3.0 BUDGET FRAMEWORK**

3.1 The FY 2014 Budget will uphold the fiscal policy framework of fiscal consolidation and the priority thrusts of the PDP 2011-2016. Accordingly, the budget shall focus on the five (5) KRAs to achieve a more inclusive economic growth founded on good governance.

3.2 In view of the economic uncertainties prevailing in Europe and the United States, it will be prudent for the government to strictly abide with its medium-term deficit and debt reduction targets. Thus, generating room for greater spending under the FY 2014 Budget will depend on the success of the government's strategy of aggressively pursuing tax administration reforms to improve tax compliance, expanding its revenue base, and further sharpening its sectoral and geographical expenditure prioritization.

3.3 Ongoing reforms in PEM will be sustained to strengthen the links between planning, programming and budgeting. An effective PEM system is an essential component of good governance, given its proven outcomes of strengthening fiscal discipline, promoting strategic resource allocation, and improving operational management. The following reforms aim to maintain the focus on results as well as achieve their respective objectives:

#### **3.3.1 Medium-Term Expenditure Framework (MTEF)**

The MTEF shall continue to be adopted for a more objective determination of the fiscal space (available uncommitted funds), taking into account the future cost of approved and ongoing programs as well as valid commitments under the forward estimates process and fiscal consolidation strategy of the National Government.

#### **3.3.2 Organizational Performance Indicator Framework (OPIF)**

The OPIF shall be integrated in the National Expenditure Program (NEP) through the ongoing refinement of the Major Final Outputs (MFOs), and Performance Indicators (PIs) and the restructuring of programs/activities/projects (P/A/Ps) per NBC 532. An **MFO** is a good or service that a department/agency is mandated to deliver to external clients through the implementation of programs, activities and projects. **PI** is a characteristic of performance, such as quality, quantity, timeliness and cost that is to be measured to show how efficiently the GOCC has delivered its MFOs.

This will strengthen the linkage between development planning and budgeting and increase the likelihood of accomplishing development goals by considering the resource requirements of key agencies as reflected in the PDP and the Public Investment Program (PIP) for FYs 2011-2016.

### 3.3.3 Zero-Based Budgeting (ZBB)

Periodic review/evaluation of major ongoing programs and projects through ZBB shall be sustained to assess the continuing relevance of these programs and projects or determine whether the resources for a program/project should be kept at the present level, increased, reduced or discontinued. Likewise, alternatives and better ways to achieve their objectives shall be explored.

### 3.3.4 Bottom-up Budgeting (BuB)

In line with the goal to significantly reduce poverty, the Human Development and Poverty Reduction Cluster (HDPRC) shall continue to consider the development needs of poor cities/municipalities as identified in their respective local poverty reduction action plans that shall be formulated with strong participation of basic sector organizations and other civil society organizations. Convergence of the services of the following participating departments/agencies/GOCC shall be ensured by incorporating the validated priority list of programs and projects of these cities/municipalities into their 2014 budget proposals:

- a) Departments of Agrarian Reform
- b) Department of Agriculture
- c) Department of Education
- d) Department of Energy
- e) Department of Environment and Natural Resources
- f) Department of Health
- g) Department of the Interior and Local Government
- h) Department of Labor and Employment/TESDA
- i) Department of Social Welfare and Development
- j) Department of Tourism
- k) Department of Trade and Industry
- l) National Electrification Administration

### 3.3.5 Program Budgeting (PB)

Allocation of the fiscal space or uncommitted resources shall continue to be focused on the key programs for a coordinated and holistic approach in the programming of needed funds across departments. A key program consists of an integrated group of activities that contribute to a continuing objective or output of a department/agency, particularly those supportive of the goals and KRAs set under the PDP 2011-2016 and the President's Social Contract.

## 3.4 Greater transparency and facilitative implementation mechanisms:

3.4.1 All remaining lump sum amounts in the GOCC budgets shall be disaggregated into component projects. This will also enhance the credibility of the GAA and enable it to function as a budget release document.

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.
- 3.4.4 Increase public access to data/information campaigns/communication effort through the use of agency funds to facilitate appreciation and analysis for purposes of transparency as well as accountability.

#### **4.0 GENERAL GUIDELINES**

##### **4.1 Macroeconomic and Fiscal Targets for FY 2014**

The preparation of the FY 2014 budget proposal shall be based on the macroeconomic assumptions and fiscal targets that shall be approved by the DBCC, for which the covering guidelines shall be issued separately.

##### **4.2 In order to maintain its focus on results, the MTEF, OPIF, ZBB, BuB and PB (cited under 3.3 of this Memorandum) will continue to be pursued in the coming years.**

###### **4.2.1 OPIF**

The FY 2014 budget proposals shall already reflect the MFOs and PIs as reviewed and approved by DBM and the Governance Commission for GOCCs (GCG), as the case maybe. The GOCC's performance targets for MFO-PIs shall be set using BP Form 700, while the budget shall be allocated by MFO using BP Form 706.

###### **4.2.2 BuB Approach**

- For FY 2014, the BuB shall cover **1,233** cities/municipalities including the original 609 focus cities/municipalities covered by BuB in 2013. The 2014 budget preparation guidelines and procedures for BuB is contained in DBM-DILG-DSWD-NAPC JMC No. 3 dated December 20, 2012.
- The National Electrification Administration (NEA) shall ensure complementation between national and LGU projects by closely coordinating with target LGUs. In accordance with joint BuB guidelines, the validated/qualified LGU projects shall be integrated in the GOCC budget proposal. Disclosure shall be made on the proposed LGU counterpart funds, if any. NEA shall identify/present each BuB project in the relevant budget forms to facilitate tracking and monitoring in all phases of budgeting.

###### **4.2.3 PB Approach**

- The priority programs supportive of the key targets and the PDP under the President's Social Contract with the Filipino People as well as the lead and participating departments/agencies/GOCCs that shall implement these identified priority programs are shown in **Annex B**.

- The participating GOCC shall:
  - Submit to the lead department its targets and funding requirements which in turn, shall review, consolidate and ensure that the targets and funding requirements for the program are reasonable, appropriate and supportive of the key targets under the PDP and the President's Social Contract with the Filipino People.
  - Specify the corresponding key annual targets, milestones, indicators and funding requirements for the programs. The annual targets and funding requirements refer to the targets and direct costs submitted by the lead and/or participating department/agency/GOCC under the Operations portion of the budget.
  - Indicate the details of the output targets and strategies/approaches to the extent possible and shall specify geographic locations, including regions and provinces.
  - Accomplish the required **BP Form 707** for the Program Expenditure Plan (PEP), to reflect its expected participation (i.e. in terms of specific component programs, activities and projects) contributing to the identified multi-agency priority programs as shown in Annex B.
- The lead departments shall consolidate the targets and funding requirements of identified programs for priority allocation for submission to DBM.
- DBM shall inform the lead and participating agencies/GOCCs of the schedule of the Technical Budget Hearings to discuss the program components and implications of various funding requirements.

#### 4.3 Constructive Engagement with CSOs/Private Sectors/Other Stakeholders

- 4.3.1 Participatory budgeting will be strengthened through active involvement of CSOs and private sector groups in budget-related conferences at the central office and in the regions, as well as representations in government agencies such as the NAPC, Presidential Agrarian Reform Council (PARC), and the RDCs, among others.
- 4.3.2 Consistent with National Budget Circular No. 536 s. 2012, the citizen participation in the preparation of agency/GOCC budget proposals shall be implemented through a Budget Partnership Agreement (BPA). BPA is a formal agreement entered into by an agency/GOCC and a partner CSO defining the roles, duties, responsibilities, schedules, expectations and limitations with regard to implementing the CSO participation in the budget preparation, execution, monitoring and evaluation of agencies'/GOCCs' specific programs, activities and projects.

4.3.3 CSOs may submit their feedback and recommendations as input to GOCC budget proposals based on rigorous analysis. CSO proposals should focus on the following:

- Providing detailed analysis of strengthening the links between inputs, outputs and policies/programs needed to achieve key priority development outcomes;
- Identifying poorly performing programs, and
- Providing a proposal for program expansion or addition matched with a proposal on what other inefficient/ineffective programs can be discontinued or downsized to make room for the expansion of effective P/A/Ps consistent with the ZBB approach.

#### 4.4 Information Communication Technology (ICT) Requirements

4.4.1 Most of government programs and projects feature systems and approaches that are ICT related, thus the need for a mechanism to ensure a systematic process for the planning, budgeting, implementation, monitoring and evaluation of a harmonized government-wide ICT blueprint. In line with this, the DBM, the Department of Science and Technology (DOST), and the National Economic Development Authority (NEDA) shall jointly undertake a Government-Wide Medium Term Information and Communication Technology Harmonization Initiative (MITHI) to ensure the coherence of ICT programs and projects with each other. Issuances, guidelines and procedures for this purpose will be issued separately.

4.4.2 GOCC submissions providing information on both existing and proposed ICT-related resources, programs, and projects, among other items, shall constitute a primary portion of GOCC participation to MITHI. All submissions shall be subject to the review and evaluation of the MITHI Steering Committee. The evaluated and approved programs and projects will be infused into the E-government Master Plan currently being formulated by the DOST-ICTO. It is also understood that the same are consistent with the five (5) KRAs of the Administration and the PDP 2011-2016.

4.4.3 The ISSP as required for submission to the DOST shall continue to be mandatory, except that the DOST may consider GOCC participation in MITHI and the corollary submission as sufficient compliance with the requirement.

#### 4.5 Other Public Sector Reforms

As a means for further improving transparency, efficiency and effectiveness in government operations, GOCCs shall consider the following public sector reforms in their budget proposals:

4.5.1 The approved Rationalization Plan under Executive Order (EO) No. 366 as the government's vehicle in conducting a strategic review and restructuring of GOCC/GFI operations for better service delivery;

- 4.5.2 Cost recovery measures to assist in the revenue enhancement efforts and improve service delivery, pursuant to Administrative Order No. 31 dated October 1, 2012.
- 4.5.3 Mandatory use of the Philippine Government Electronic Procurement System (PhilGEPS) for transparency and efficiency purposes as well as following the procurement rules under Republic Act (R.A.) No. 9184 and its Implementing Rules and Regulation (IRR);
- 4.5.4 Purchase of GOCCs'/GFIs' common-use office supplies, materials and equipment from the Procurement Service as directed under A.O. No. 17 dated July 28, 2011 and DBM Circular Letter (CL) Nos. 2011-6 and 2011-6A;
- 4.5.5 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;
- 4.5.6 Pursuit of ISO certification and quality management improvement programs as mandated under EO No. 605 dated February 23, 2007; and,
- 4.5.7 Sustaining Public-Private Partnerships (PPPs) (referring to BOT projects with the private sector financing/constructing and/or operating projects which traditionally would be within the ambit of the public sector) and minimizing the risks associated with these projects by building the environment for solicited bids and the capacity to identify and monitor contingent liabilities.
- 4.5.8. Disaggregating all lump-sum funds in GOCC budgets. Given the difficulties and inefficiencies still being encountered at both the macro and GOCC fiscal and cash budget management during 2012 budget execution and 2013 budget preparation as a result of the delay in fleshing out the remaining lump sum funds in GOCC budgets, the **no lump sum policy** will continue to be enforced for the 2014 budget. The detailed project components and geographic locations (up to provincial and municipal levels) of GOCC proposals need to be specified.

## 5.0 SPECIFIC GUIDELINES

In accordance with the budget framework and expenditure reforms contained in the preceding sections of this Budget Memorandum, GOCCs/GFIs shall follow the guidelines below to ensure the improved allocation of funds among competing sectors:

- 5.1 Consultations of GOCCs with LGUs and various stakeholders (i.e., matrix of activities) are shown in the **Gantt Chart** per **Annex C**.
  - 5.1.1 For BuB, NEA shall conduct its consultations in accordance with the procedures followed by the department/agencies involved in the said activity.

### 5.1.2 RDCs

- RDCs shall monitor and provide feedback on the impact and gaps of GOCC's **on-going** programs/projects in their localities, as well as suggest needed improvements in GOCC programs/projects.
- RDCs shall submit feedback/recommendation to GOCC Central Offices (COs), copy furnished the GOCC Field Offices (FOs) on the relevance, efficacy and propriety of the on-going programs and projects, using **Annex D**.
- Taking into consideration the RDC endorsement, the GOCC COs shall submit a consolidated report to DBM containing the feedback on the P/A/Ps endorsed by RDCs, following the form prescribed under **Annex D**.

### 5.1.3 CSOs, Private Sector and Other Stakeholders

- Consultations with partner and interested CSOs and other stakeholders shall be undertaken observing the principles of Transparency, Accountability, Integrity, Partnership, Consultation and Mutual Empowerment, Respect for internal processes, Sustainability and National Interest.
- CSOs and other stakeholders shall assess and evaluate the existing programs and projects of government agencies and submit a report to DBM containing the feedback on the existing P/A/Ps of agencies, using **BP Form D**.

5.2 After the conduct of consultations with stakeholders, GOCC shall give priority in the budget allocation, the project requests from the target LGUs.

#### 5.2.1 GOCC FOs shall:

- Incorporate the projects requested by the target LGUs, including BuB projects recommended by the Local Poverty Reduction Action Team (LPRAT)/Regional Poverty Reduction Action Team (RPRAT), into their budget allocations;
- Submit the budget proposal to the GOCC CO for incorporation into the budget and for resolution of problem areas; and
- Meet with their counterparts from the other national agencies/GOCCs in the region or province to discuss the convergence of the delivery of services to the target LGUs.

#### 5.3.2 GOCC CO shall:

- Consolidate and submit to DBM using **Annex D**, the reports of the different FOs incorporating the RDC recommendation and feedback (if deemed necessary) including recommendations of the LPRAT/RPRAT for BuB projects.



- Certify the acceptance or non-acceptance of the RDC recommendation and state the reason in the event of non - acceptance.
- Provide RDCs and DBM-ROs with feedback on RDC recommendations on programs/projects which are to be incorporated in the budget submission to DBM.
- Inform the RDC concerned of those programs/projects which are finally submitted for congressional approval.

### 5.3 PPP Funding

5.3.1 Pursuant to **NBC No. 538** dated March 22, 2012, agencies shall identify in their annual budget proposals, the project components to be funded from the PPP Strategic Support Fund (PPPSSF) and Project Development and Monitoring Facility (PDMF). **PPPSSF** refers to an appropriation lodged in the budget of GOCCs concerned to fund the government share for PPP project components. **PDMF** refers to the revolving fund constituted pursuant to EO 8 with financing from GOP and ADB for PPP related activities.

5.3.2 The PPP project components to be funded from PPPSSF and PDMF are categorized as follows:

#### 5.3.2.1 PPPSSF

- Right-of-way acquisition and related costs (including resettlement), government counterpart to be used for the construction and other related cost for potential and actual PPP projects identified by the GOCC provided these do not exceed 50% of the project cost pursuant to Section 2A of R.A. 7718.
- Cost of designing, building, and otherwise delivering any part of a PPP project which government decides to retain responsibility for. These include public infrastructures such as rural and access roads, utilities and other support facilities required for a PPP project to be viable.

#### 5.3.2.2 PDMF

- Preparation of project pre-feasibility and feasibility studies;
- Project structuring;
- Preparation of bid documents and draft contracts;
- Transaction advisory;
- Assistance in the tendering process, including bid evaluation and award;
- Activities required to determine the feasibility and viability of potential PPP projects;
- Preparation of various project documents as required for approval by the NEDA-ICC and other approving bodies; and

- Hiring of consultants and advisors to assist the implementing agency in the various aspects of the project preparation.

#### 5.4 Total Resource Budgeting

5.4.1 GOCCs shall fully reflect in the budget proposal all sources of funds such as corporate income, borrowings, other corporate funds, trust funds, special account in the general fund and budgetary support from the national government.

5.4.2 All funding requirements of the GOCCs, including contingent liabilities arising from BOT projects and similar sizeable liabilities due from previous years' suppliers' contracts and other multi-year obligations or multi-year projects, must be identified in the budget submissions.

5.4.3 GOCCs should also consider in their investment decisions all available resources within a specific area or locality, to the extent feasible. Hence, programs to be undertaken shall be consistent with the development plan of said area such that the resources from all stakeholders, namely: NGAs, GOCCs/GFIs, LGUs, congressional allocations and private initiatives will complement each other.

5.4.3.1 In the allocation of their budget, GOCCs shall undertake consultation with their major stakeholders to ensure that their concerns and priorities are addressed in their budget proposals.

#### 5.5 Financial Independence of GOCCs

5.5.1 Measures to enhance corporate revenue generation and improve operational efficiency, including privatization of certain GOCC operations and assets, should be undertaken. GOCCs are encouraged to supplement available resources, through other means, such as external financing, PPPs (BOT schemes and variant arrangements), sale/lease of assets, etc., before requesting budgetary support from the national government.

#### 5.6 Performance-Based Budgeting/OPIF

5.6.1 GOCCs shall allocate their proposed budget by MFO in **BP Form 706**. They shall set the performance targets for the MFOs-PIs using **BP Form 700**. GOCC P/A/Ps shall be attributed to appropriate MFOs. The method used for the attribution shall be attached to BP Form 706.

5.6.2 PIs pertain to measures to be used for the assessment of the delivery of MFOs contributing to organizational outcomes which can be expressed in three dimensions:

- Quantity Indicators - are measures of the volume of outputs.
- Quality Indicators - are measures of "how well" an MFO is delivered. These may include measures of timeliness, cost-efficiency, accuracy, completeness, accessibility, compliance with standards or satisfaction of client needs.

- Timeliness Indicators – are measures of the availability of the output as and when required by the client. Timeliness indicators may include turnaround time, average waiting time, distance/time travelled by clients to receive a service, etc.

5.6.2.1 For focus and manageability, **GOCCs are advised to present at most two (2) sets of PIs per MFO** showing quantity, quality and timeliness indicators, although they are not precluded from having several indicators/targets as they may find necessary to monitor and use.

5.6.2.2 **Performance targets** are the achievable levels of accomplishment pertaining to a GOCC's MFO - PI consistent with its budget allocation within a one-year period. It is generally expected that targets will rise with an increase in budget allocation.

## 5.7 Gender and Development (GAD)

5.7.1 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.

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

5.8 The specific guidelines in the preparation of the FY 2014 GOCC budget proposals are contained in **Annex A** of this Memorandum.

## 6.0 SUBMISSION REQUIREMENTS AND TIMETABLE

6.1 **All** budget forms prescribed under Annex A shall be accomplished by **all GOCCs/GFIs** in accordance with the general guidelines above mentioned and specific guidelines indicated in each form.

6.2 Energy corporations whose budgets are required to be submitted to Congress under R.A. No. 7638 (An Act Creating the Department of Energy, Rationalizing the Organization and Functions of Government Agencies Related to Energy, and for Other Purposes) shall likewise use the herein prescribed forms in submitting their operating budgets as part of the FY 2014 NEP.

6.3 The FY 2013 portion/column of the FY 2014 Budget Proposal under this Budget Memorandum shall already be considered as the GOCC/GFI COB of the said year which shall observe the guidelines prescribed under Corporate Budget Circular No. 20 dated April 27, 2005.

6.4 Amounts indicated in the FY 2012 column and previous years of the prescribed Forms should be consistent with the available Annual COA Audited Financial Statements.

- 6.5 The GOCCs'/GFIs' budget proposals shall include the following:
- 6.4.1 Approval of the Governing Board through a duly certified Board Resolution;
  - 6.4.2 Letter of endorsement by the head of GOCC/GFI;
  - 6.4.3 Five (5) complete sets of properly accomplished Budget Forms; and,
  - 6.4.4 Five (5) copies each of the FY 2011 and FY 2012 Accomplishment Report.
- 6.6 The FY 2014 budget proposals shall be submitted to the Budget and Management Bureau – F, 4<sup>th</sup> Floor, Boncodin Hall, General Solano Street, San Miguel, Manila on or before April 15, 2013.

**7.0 BUDGET PREPARATION CALENDAR**

- 7.1 GOCCs/GFIs are enjoined to adhere to the budget preparation calendar per **Annex E** of this Memorandum.

  
**FLORENCIO B. ABAD**  
Secretary