



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



**NATIONAL BUDGET CIRCULAR**

No. 536  
January 31, 2012

**FOR:** 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 WITH CIVIL SOCIETY ORGANIZATIONS AND OTHER STAKEHOLDERS IN THE PREPARATION OF AGENCY BUDGET PROPOSALS**

---

**1.0 PURPOSES**

- 1.1 To institutionalize participatory budgeting in the bureaucracy and progressively broaden the constructive partnership with Civil Society Organizations (CSOs) and other stakeholders consistent with the Principles of Engagement as agreed upon and signed by the DBM and some CSOs on September 3, 2010; and
- 1.2 To provide guidelines on citizen participation as a component of the National Government's budget process particularly in the preparation and submission of agency budget proposals.

**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 2013 Budget, the consultation with CSOs and other stakeholders shall be mandated for the following selected NGAs/GOCCs:

Department of Agrarian Reform  
Department of Agriculture

Department of Education  
Department of Environment and Natural Resources  
Department of Health  
Department of the Interior and Local Government  
Department of Justice  
Department of Labor and Employment  
Department of Public Works and Highways  
Department of Social Welfare and Development  
Department of Tourism  
Department of Transportation and Communication  
Light Rail Transit Authority  
National Electrification Administration  
National Food Authority  
National Home Mortgage Finance Corporation/  
Social Housing Finance Corporation  
National Housing Authority  
National Irrigation Administration

- 2.3 NGAs and GOCCs to be covered in succeeding years shall be identified in subsequent issuances.
- 2.4 Other NGAs/GOCCs may also establish partnerships with CSOs in the preparation of their respective agency budget proposals 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 enhance its efficiency in performing its commitments in accordance with the Budget Partnership Agreement (BPA).
- 3.2 Bottom-Up Budgeting – an approach in formulating the budget proposal of agencies, taking into consideration the development needs of poor municipalities and cities as identified in their respective local development plan and/or local anti-poverty action plan formulated with the meaningful participation of CSOs.
- 3.3 Budget Partnership Agreement (BPA) – A formal agreement entered into by an NGA/GOCC and a Partner CSO defining the roles, duties, responsibilities, schedules, expectations and limitations with regard to implementing the CSO's participation in budget preparation, execution,

monitoring and evaluation of specific programs/ activities/ projects (P/A/Ps) of the Partner NGA/GOCC.

- 3.4 Budget Execution - The phase in the budget cycle where financial resources made available to an agency are utilized to implement P/A/Ps covered by the annual General Appropriations Act. For this purpose, a Partner CSO may participate in monitoring the implementation of specific P/A/Ps vis-à-vis the budget releases and expenditures made, and conduct impact analysis of P/A/Ps and procurement activities.
- 3.5 Citizen Participation – A democratic process involving people empowerment, whereby concerned citizens organized as CSOs, pursue their legitimate and collective interests by, among others, monitoring the effectiveness of P/A/Ps and in so doing become partners of the Government in the formulation, monitoring, evaluation and improvement of the national budget.
- 3.6 Civil Society Organizations (CSOs) - Include non-government organizations (NGOs), people's 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, to monitor government programs and projects, engage in policy discussions, and actively participate in collaborative activities with the Government.
- 3.7 Conflict of Interest – A condition which may occur when a CSO or any of its key officers are involved in multiple interests, thereby preventing an impartial or unbiased attitude toward the work to be done under the BPA.
- 3.8 Constructive Engagement – A partnership between Government and Partner CSO marked by sustained dialogue towards problem solving while respecting and retaining the focus on assertion to reforms.
- 3.9 Partner CSO – The CSO which is the Partner of an NGA/GOCC in the BPA. Conversely, a CSO which is not a Partner of an NGA/GOCC in a BPA shall be termed a Non-Partner CSO.
- 3.10 Stakeholders – Persons or organizations that can significantly affect, be affected by, or perceive themselves to be affected by a government decision or activity or have interest or can influence the effective performance of a particular P/A/P of an NGA/GOCC.

- 3.11 Zero-based Budgeting – 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 programs/projects 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 d) guide decision makers on whether or not the resources allotted for the P/A/Ps should continue at the present level or be increased, reduced or discontinued.

#### **4.0 ADHERENCE TO THE PRINCIPLES OF DBM-CSO ENGAGEMENT**

- 4.1 The parties to the BPA shall at all times adhere to the DBM-CSO Principles of Engagement, which are reiterated below:
- 4.1.1 Transparency – provide all parties as well as the general public, timely access to relevant and verified information/data subject to the limits of the law;
  - 4.1.2 Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfill commitments;
  - 4.1.3 Integrity - adhere to moral and professional standards in fulfilling commitments;
  - 4.1.4 Partnership - cooperate and share responsibilities to ensure that the objectives of the engagement are achieved.
  - 4.1.5 Consultation and mutual empowerment - enhance knowledge sharing and continuing dialogue;
  - 4.1.6 Respect for internal processes - understand and abide by the 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;
  - 4.1.7 Sustainability - ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote an environment of mutual trust; and
  - 4.1.8 National interest - uphold the national welfare above the interest of organizations or individuals.

- 4.2 Clarifications on the abovesited principles and additional principles as may be mutually agreed upon by NGA/GOCC with the Partner CSO may be incorporated in the BPA.

## **5.0 PARTNERSHIP WITH CSOs**

- 5.1 Citizen participation in the preparation of agency budget proposals shall be implemented through a BPA.
- 5.2 The NGA/GOCC shall hold consultation/s with Partner CSOs on specific P/A/Ps at the central and/or regional levels in accordance with the schedule set in the BPA.

### **5.2.1 Invitation to CSOs**

5.2.1.1 Immediately after the issuance of the Budget Call, the DBM shall publish in its website, and through press releases, invitations for CSOs and other stakeholders to participate in the preparation of agency budget proposals.

5.2.1.2 The NGAs/GOCCs shall widely disseminate the DBM invitation to existing and prospective CSO partners and shall prominently post the DBM invitation in their websites.

### **5.3 Eligible Partner CSOs**

#### **5.3.1 Eligibility Requirements**

Must have monitored, assessed and evaluated particular ongoing P/A/Ps of an NGA/GOCC, to be supported by duly substantiated findings, assessments or evaluation.

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

#### **5.3.2.1 The following proofs of existence:**

- Copy of Articles of Incorporation registered with the Securities and Exchange Commission or other similar documents registered with the Cooperative Development Authority,

Department of Labor and Employment or Housing and Land Use Regulatory Board or proof of existing partnership with an NGA/GOCC; and

- As necessary, copy of the duly executed Affiliation Agreement between the Partner CSO and Affiliate CSOs, and copies of the covering Board Resolutions from both Partner and Affiliate CSOs.

5.3.2.2 Board Resolution adopting and officially submitting to the Partner NGA/GOCC the following original or duly certified true copies of the following:

- Letter of Intent for the partnership;
- Extent of participation desired (e.g. specific activity to be undertaken, P/A/P, geographical location);
- Designation of the CSO signatory to the BPA; and
- A statement of no conflict of interest, indicating that the CSO and the Partner NGA/GOCC are not related by business or contractual relations, and that the CSO's officers are not related to the NGA/GOCC officers by consanguinity or affinity (up to the third degree), or by business or contractual relations; and a declaration of potential conflict of interest, as may be necessary.

5.3.2.3 Additional documentation as the NGA/GOCC may deem necessary to support the BPA.

5.3.2.4 However, a CSO which has entered into a BPA with the NGA/GOCC in the FY 2012 agency budget preparation shall only be required to comply with above item 5.3.2.2.

#### 5.4 Execution of the BPA

5.4.1 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, duties, responsibilities, schedules, expectations and limitations 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.

5.4.2 The Partner CSO and NGA/GOCC may mutually agree to add qualifying details to their BPA.

5.4.3 The duly designated representatives from the NGA/GOCC and Partner CSOs shall sign the BPA to signal the effectivity of the Agreement. The agency Central Office (ACO) may authorize the attached agencies/agency Regional Offices (AROs) to execute BPAs with CSOs/local CSOs, subject to its internal guidelines for the purpose.

5.4.4. Within two (2) days from the effectivity of the BPA, one (1) original copy thereof shall be submitted by the ACO or ARO to the DBM-CSO Desk at the central office (CO) or regional office (RO) level, as the case may be.

5.4.5 The BPA shall be made public by posting a copy thereof at the NGA/GOCC website.

5.5 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.

5.6 The CSO shall furnish the DBM and other partner agencies the list of officers and designated liaison officer in charge of all activities pertaining to CSO engagement.

## **6.0 PROCEDURES ON THE CONSULTATION PROCESS**

6.1 To provide the context for the discussion and facilitate the assessment and evaluation of existing P/A/Ps of the agency, the NGA/GOCC shall, immediately and no later than five (5) working days after the signing of the BPA, provide the Partner CSOs and Affiliate CSOs access to budget data and performance indicator as stipulated in the BPA such as but not limited to:

- 6.1.1 Summary of NGA/GOCC Budget for the current year, releases in the immediately preceding year (i.e., 2011 for a 2012 BPA) and funds actually obligated/spent in the past three (3) years before the immediately preceding year (e.g., 2008-2010) and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) covering the five (5) years before the budget year (e.g., 2008-2012);
- 6.1.2 Details of the P/A/P being reviewed/ monitored by the Partner CSO for the years abovementioned, by activity and allotment class (PS, MOOE, CO);
- 6.1.3 To the extent available and practicable, details of physical accomplishments of specific P/A/Ps.
- 6.1.4 Other pertinent information as enumerated in the BPA.
- 6.2 Central or Regional Consultations with CSOs
  - 6.2.1 The NGAs/GOCCs shall hold their consultations with CSOs not later than the dates prescribed in the Budget Call. To achieve transparency, an NGA/ GOCC shall hold at least one meeting with all Partner CSOs;
  - 6.2.2 The regional CSO consultations, as may be directed by the ACO, shall be conducted before the Regional Development Council (RDC) consultation;
  - 6.2.3 The NGAs/GOCCs, both at the RO and CO levels, as the case may be, shall take into consideration the feedback, findings and recommendations of Partner CSOs in the formulation of their respective budget proposals and shall reflect/present their decisions in Table 1 of the Budget Call (Annex B);
  - 6.2.4 The NGAs/GOCCs shall furnish Partner CSOs at the RO and/or CO level/s, as the case may be, with the results of the consultations as reflected in Table 1 immediately after submitting their budget proposals to the DBM;
  - 6.2.5 The NGAs/GOCCs at the RO level shall furnish the RDCs with a copy of the recommendations submitted by the CSO to supplement other inputs in evaluating the impact of specific P/A/Ps in the region. However, this submission should not delay the conduct of the RDC's consultations;

6.2.6 The NGA/GOCC shall inform Partner CSOs of the specific P/A/Ps and corresponding amounts included in the National Expenditure Program (NEP) or in the proposed budget submitted by the President to Congress; and

6.2.7 In the spirit of promoting objective reviews and assessments, the CSOs shall be responsible for the cost of participating in the consultations.

### **6.3 CSO Feedback and Recommendations**

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

6.3.2 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 outcomes, 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 discontinued or downsized to make room for the expansion of effective P/A/Ps consistent with the Zero-Based Budgeting approach.

## **7.0 INSTITUTIONALIZING CSO CONSULTATION**

The NGA/GOCC shall establish internal guidelines in implementing and facilitating CSOs' access to information and their constructive engagement at various levels of their organization.

## **8.0 BOTTOM-UP BUDGETING**

For the 2013 preparation of agency budget proposals, the bottom-up budgeting approach will reinforce/complement the CSO consultation process of the NGAs/GOCCs covered by this Memorandum.

Guidelines on bottom-up budgeting will be issued in a separate memorandum.

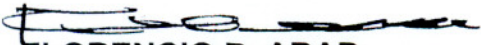
## **9.0 REPORT/FEEDBACK MECHANISM**

- 9.1 The NGAs/GOCCs shall document the conduct and results of the consultation with CSOs, in particular, and the citizen participation in the budget process, in general, and submit a copy thereof to the DBM.
- 9.2 The CSO shall likewise document their experience and lessons learned from the engagement with the NGA/GOCC.
- 9.3 To assess the effectiveness of and document the lessons learned from the implementation of this effort, the DBM shall organize fora after the submission of the Budget to Congress but not later than 30 November of each year.

**10.0** NGAs/GOCCs mandated by this NBM to undertake consultation with CSOs but fail to enter into a BPA shall provide a written justification to the DBM upon submission of the agency budget proposal.

**11.0** Cases/Matters not covered by these guidelines shall be referred to the DBM for resolution.

**11.0** For Compliance.

  
**FLORENCIO B. ABAD**  
Secretary

**Pro-Forma  
BUDGET PARTNERSHIP AGREEMENT**

Cognizant of the following recent milestone developments;

The Aquino Administration's thrust to strengthen democratic institutions through people empowerment, particularly in promoting the principles and practice of good governance;

The Department of Budget and Management's (DBM) commitment to integrate citizen participation in the budget process as a means of enhancing transparency and accountability in the allocation and utilization of public funds;

The overwhelming response of Civil Society Organizations (CSOs) to help enhance efficiency and effectiveness in Government and to curb corruption through its efforts in monitoring Government programs, activities and projects;

The execution of the Principles of Engagement signed by the DBM and some CSOs committed to budget reform on September 3, 2012; and

The issuance on December 29, 2011 of the Budget Call for FY 2013 (National Budget Memorandum No. 112 and Corporate Budget Memorandum No. 33) that seeks to *"To lay down the procedures for the conduct of agency consultations at the central and regional levels with civil society organizations (CSOs), the private sector, the Regional Development Councils and other stakeholders to secure feedback on programs and projects of selected departments and corporations."*

WE, the \_\_\_\_\_ (NGA or GOCC) \_\_\_\_\_ (acronym)  
represented by its (position title of signatory) \_\_\_\_\_ (Name of Signatory)

Agree to work in close partnership with each other in pursuit of our common objectives:

- in general, to make the national budget more responsive to the country's development needs and pressing concern to alleviate poverty and improve the quality of public services, and
- in particular, to enhance the quality of the budget process through citizen participation in the preparation of the FY 2013 National Budget.

In order to meaningfully complement and reinforce each other's efforts in the evaluation and assessment of ongoing programs, activities or projects in compliance with the FY 2013 Budget Call, we further agree to:

- cover the following particular programs/activities/projects in the specified regions:

a. (P/A/P)  
- Regions \_\_\_\_, \_\_\_\_, \_\_\_\_, . . . .

b. (PAP)  
- Regions \_\_\_\_, \_\_\_\_, \_\_\_\_, . . . .

c. (PAP)  
- Regions \_\_\_\_, \_\_\_\_, \_\_\_\_, . . . .

- faithfully fulfill the following respective roles and responsibilities:

**(Name of the NGA/GOCC)**

- adequately and promptly communicate within its respective bureaus/office, at both central and regional levels, the contents of this Memorandum. The same shall be made public by posting on the NGA/GOCC website;
- Issue guidelines to all bureaus/offices at central and regional offices on the process of providing prompt, adequate and accurate information to Partner CSOs, to include the following minimum information:
  - a. Summary of NGA/GOCC Budget for the current year, releases in the immediately preceding year (i.e., 2011 for a 2012 BPA) and funds actually obligated/spent in the past three (3) years before the immediately preceding year (e.g., 2008-2010) and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) covering the five (5) years before the budget year (e.g., 2008-2012);
  - b. Details of the P/A/P being reviewed/ monitored by the Partner CSO for the years abovementioned, by activity and allotment class (PS, MOOE, CO);
  - c. To the extent available and practicable, details of physical accomplishments of specific P/A/Ps; and
  - d. Other pertinent information as enumerated in the BPA.
- officially designate a contact person through whom all communications, both incoming and outgoing, pertaining to the BPA shall be coursed. Such designation shall be publicly disseminated at

least by posting the NGA website with the contact details to include, at a minimum, office mailing address, e-mail address, office telephone and fax numbers;

- observe the timelines and dates, time and venues of CSO consultations with partner CSOs (Annex A);
- adequately and promptly provide Partner CSOs updated budget documents at least five (5) working days after the signing of the BPA, to enable CSOs to send in substantive feedback, comments and recommendations as inputs to consultation;
- take into consideration the feedback, findings and recommendations of Partner CSOs in the formulation of their budget proposal and shall reflect/present their decisions in Table 1 of the FY 2013 Budget Call.
- Immediately after submission to the DBM, provide Partner CSOs copy of accomplished Table 1 of the FY 2013 Budget Call and endeavour to discuss these decisions with them; and
- Endeavour to furnish the Regional Development Councils (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.

**(Name of CSO)**

- promptly submit the following necessary documents to support the BPA (as may be required by the NGA/GOCC, on top of those already submitted prior to the signing of the BPA):
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
- ensure that the supporting documents are updated in the case of material changes within the CSO, to include issuance of declaration of potential conflict of interest as may be necessary;
- officially designate a contact person through whom all communications pertaining to the BPA, both incoming and outgoing, shall be coursed. Such designation shall be publicly disseminated, at least on the CSO website, containing the contact details to include, at a minimum, office mailing address, e-mail address, office telephone, fax and mobile numbers;
- promptly submit, in no less than five (5) working days before the date of the CSO consultation, copy of the completed review, assessment

or evaluation of specific program, activity or project, with an executive summary of the findings and specific recommendations of the Partner/Affiliate CSO. The evaluation report shall be duly substantiated, indicating the methodology used and the parties involved in the evaluation;

- endeavour to attend all consultation meetings (Annex A) and those that may later be set. When the CSO representative is unable to attend, send in at least five (5) working days prior to the consultation, via e-mail or fax, feedback, comments and recommendations as inputs to the consultation;
- strictly observe the timetable set by the DBM for submission of inputs to Partner NGA/GOCC, aware that the NGA/GOCC are legally bound to submit proposals on time, and will not be able to wait for delayed inputs; and
- affiliate with other CSOs in order to expand the scope of evaluation and assessment, and provide DBM a copy of such Affiliation/Partnership Agreement.

Lastly, we agree to adhere at all times to the following principles of constructive engagement (*add explanatory sentence to any or all of the principle when deemed necessary*):

- 4.1.1 Transparency – provide all parties as well as the general public, timely access to relevant and verified information/data subject to the limits of the law;
- 4.1.2 Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfill commitments;
- 4.1.3 Integrity - adhere to moral and professional standards in fulfilling commitments;
- 4.1.4 Partnership - cooperate and share responsibilities to ensure that the objectives of the engagement are achieved.
- 4.1.5 Consultation and mutual empowerment - enhance knowledge sharing and continuing dialogue;
- 4.1.6 Respect for internal processes - understand and abide by the 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;

- 4.1.7 Sustainability - ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote an environment of mutual trust; and
- 4.1.8 National interest - uphold the national welfare above the interest of organizations or individuals.

This Agreement takes effect immediately.

SIGNED BY:

(NAME OF SIGNATORY-NGA OR GOCC)	(NAME OF SIGNATORY-CSO)
(Position Title in NGA or GOCC)	(Position Title in CSO)
(Name of NGA or GOCC)	(Name of CSO)

(Date)

(Date)

**SUMMARY OF RDCs/CSOs FEEDBACK ON AGENCY MAJOR ONGOING PROGRAMS AND PROJECTS**  
**FY 2013 BUDGET**  
(In Thousand Pesos)

Annex B to NBM No. .  
Table 1

Department/Agency: \_\_\_\_\_

PROGRAMS/ACTIVITIES/PROJECTS ( 1 )	BUDGET ALLOCATION (Forward Estimates) ( 2 )	FEEDBACK ( 3 )		Budget Allocation Submitted		REMARKS ( 6 )
		Regional Development Councils	Civil Society Organizations	To Agency Central Office	To DBM	
				( 4 )	( 5 )	
Operations CAR Region I ..... Region XIII						
Projects 1. Locally Funded Projects CAR Region I ..... Region XIII						
2. Foreign Assisted Projects CAR Region I ..... Region XIII						
GRAND TOTAL						
PREPARED BY:			APPROVED BY:			
_____			_____			
Budget Officer			Planning Officer			
			Head of Office/Agency			

**SUMMARY OF RDCs/CSOs FEEDBACK ON  
AGENCY MAJOR ONGOING PROGRAMS AND PROJECTS  
Instructions**

This form shall reflect a summary of RDCs/CSOs feedback on agency major ongoing programs and projects for FY 2013. To be prepared by agency regional offices and consolidated by the agency central office.

- |          |   |   |
|----------|---|---|
| Column 1 | - | Reflect the specific program/activity/project for FY 2013. A detailed breakdown by regions per activity must be made.   |
| Column 2 | - | Reflect the amounts allocated by the central office by program/activity/project to the regional offices corresponding to the indicative budget ceiling (forward estimates).   |
| Column 3 | - | State in this column the feedback of the Regional Development Councils/Civil Society Organizations (RDCs/CSOs) as to: relevance, efficiency, effectiveness of the program/projects; where the resources are most needed; possible complementation of programs/projects with local government units; and, programs/ projects that would be scaled down, sustained or terminated. |
| Column 4 | - | The amounts in this column reflect the adjusted regional distribution by program/activity/project submitted by the Agency Regional Offices to the Agency Central Office.  |
| Column 5 | - | The amounts in this column reflect the adjusted regional distribution by program/activity/project submitted by the Agency Central Offices to the DBM.   |
| Column 6 | - | State in this column the assumptions/basis made in the revised budget allocation.   |