



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

BUDGET CIRCULAR

No. 2013 - 4

November 25, 2013

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including State Universities and Colleges (SUCs), Government-Owned or -Controlled Corporations (GOCCs); Heads of Local Government Units (LGUs); and All Others Concerned

SUBJECT : Guidelines on the Grant of Collective Negotiation Agreement (CNA) Incentive for FY 2013

1.0 Background

1.1 Administrative Order (AO) No. 135¹ dated December 27, 2005, directs the Department of Budget and Management (DBM) to issue the necessary policy and procedural guidelines to implement the AO.

1.2 Item (4)(h)(ii)(aa) of the Senate and House of Representatives Joint Resolution (JR) No. 4, s. 2009², approved on June 17, 2009, provides as follows:

“(aa) Collective Negotiation Agreement (CNA) Incentive – This may be granted to both management and rank-and-file employees of agencies with approved and successfully implemented CNAs in recognition of their efforts in accomplishing performance targets at lesser cost, in attaining more efficient and viable operations through cost-cutting measures and systems improvement xxx.”

1.3 Pursuant to the above-cited provisions of JR No. 4 and in view of the need to rationalize the grant of the CNA Incentive, additional guidelines pertaining to the accomplishment of performance targets, specific fund sources, and ceiling on the amount of the said incentive are prescribed under Budget Circular (BC) No. 2012-4 dated December 17, 2012 and BC No. 2011-5 dated December 26, 2011, to supplement the policy and procedural guidelines under BC No. 2006-1 dated February 1, 2006 and DBM Circular (CL) No. 2011-9 dated September 29, 2011.

¹ “Authorizing the Grant of Collective Negotiation Agreement (CNA) Incentive to Employees in Government Employees”

² “Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule on Military and Uniformed Personnel in the Government, and For Other Purposes”

- 1.4 AO No. 25³, issued by President Benigno S. Aquino III on December 21, 2011, stipulated under Section 3 thereof that the harmonized Results-Based Performance Monitoring System (RBPMS) shall be used as basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel.
- 1.5 Section 55 of the General Provisions of Republic Act (R.A.) No. 10352, the FY 2013 General Appropriations Act (GAA) states that the rules on the realignment of savings for the payment of CNA Incentives by agencies with duly executed CNAs "shall be governed by DBM Budget Circular Nos. 2006-1 and 2011-5 and such other issuances that may be issued by the DBM for the purpose."

2.0 Purpose

This Circular is issued to consolidate and update the policy and procedural guidelines on the grant of the CNA Incentive, and to harmonize the same with the provisions of AO No. 25, and the one-year validity of appropriations starting with the 2013 Budget.

3.0 Coverage

The Circular covers the following government personnel occupying regular, contractual, or casual positions, rendering services on full-time or part-time basis in National Government Agencies (NGAs), including SUCs, GOCCs, and GFIs, and in LGUs, whether or not covered by R.A. No. 6758⁴, as amended:

- 3.1 Rank-and-file employees who are members of an employees' organization which is accredited by the Civil Service Commission (CSC) as the sole and exclusive negotiating agent in accordance with the rules and regulations issued by the Public Sector Labor-Management Council (PSLMC);
- 3.2 Rank-and-file employees who are not members of the CSC-accredited sole and exclusive negotiating agent referred to in item 3.1, but enjoy or accept benefits under the CNA subject to assessment and collection of agency fee in accordance with PSLMC Resolution No. 1, s. 1993; and
- 3.3 Those who perform managerial functions.

4.0 Policy Guidelines

4.1 Pre-Conditions for the Grant of the CNA Incentive

- 4.1.1 There should be a valid and subsisting CNA executed between the representatives of management and the employees' organization accredited by the CSC as the sole and exclusive negotiating agent for the purpose of collective negotiations with the management of an organizational unit listed in Annex "A" of PSLMC Resolution No. 01, s. 2002, as updated.

³ "Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems"

⁴ Compensation and Position Classification Act of 1989

4.1.2 The grant of the CNA Incentive is provided for in the CNA or in supplements thereto.

4.1.3 The NGA, SUC, GOCC, GFI, or organizational unit has accomplished at least 70% of its FY 2013 targets on the average by October 31, 2013 under the Major Final Outputs (MFOs) as specified in Annex 3 "Form A" of Memorandum Circular No. 2013-01 (MC) dated August 2, 2013, issued by the Inter-Agency Task Force (IATF) created under AO No. 25.

Duly accomplished Form A-1 of the IATF MC No. 01 dated August 2, 2013 should be used for basis in determining compliance with the above requirements on the organizational unit level.

4.1.4 Similarly, an LGU may grant the CNA Incentive only if, as of October 31, 2013, it has completed at least 70% of the targets under its programs/activities/projects approved in the LGU budget for the current year.

4.1.5 The NGA, SUC, GOCC, GFI, LGU or organizational unit has realized savings from specific Maintenance and Other Operating Expenses (MOOE) enumerated under items 4.3.1 to 4.3.6 hereof as of October 31, 2013.

4.2 Rate of the CNA Incentive

4.2.1 The rate of the CNA Incentive shall not be pre-determined in the CNA since it is dependent on the amount of savings generated as of October 31, 2013 from cost-cutting measures and systems improvement, and also from improvement actions for productivity and income of GOCCs and GFIs. Said rate can be determined after following the procedural guidelines under item 7.0.

4.2.2 The CNA Incentive shall not exceed P25,000.00 per qualified employee.

4.2.3 The CNA Incentive for employees in offices or organizational units which contributed more in the accomplishment of performance targets, cost savings, productivity, and/or profitability may be higher than the rest of the employees, but not to exceed P25,000.

4.3 Fund Sources of the CNA Incentive

The CNA Incentive for personnel in the NGAs shall be sourced solely from respective agency savings from released allotments for MOOE for FY 2013. In GOCCs, GFIs, and LGUs, the CNA Incentive shall be sourced solely from their respective savings from MOOE budgets for FY 2013. Such savings are limited only to the following MOOE items:

4.3.1 Travelling Expenses;

4.3.2 Communication Expenses;

4.3.3 Repairs and Maintenance;

4.3.4 Transportation and Delivery Expenses;

- 4.3.5 Supplies and Materials; and
- 4.3.6 Utility Expenses.

4.4 When to Grant the CNA Incentive

- 4.4.1 The CNA Incentive for the year shall be a one-time benefit to be granted not earlier than December 13, 2013, consistent with the DBM policy on the one-year-validity of appropriations and allotments provided under Section 63 of the General Provisions of the FY 2013 GAA, and pursuant to sub-items 3.2 and 3.12.1 of National Budget Circular No. 545⁵ dated January 2, 2013.
- 4.4.2 The CNA Incentive shall be granted only after an NGA or SUC has submitted to DBM accountability reports as of October 31, 2013 for the year pursuant to NBC Nos. 507 and 507-A, s. 2007.
- 4.4.3 It shall not be given upon signing and ratification of the CNA, as this would transform the CNA Incentive into a CNA Signing Bonus which the Supreme Court has ruled against, for not being a truly reasonable compensation (Social Security System vs. Commission on Audit, 384 SCRA 548, July 11, 2002).
- 4.4.4 The amount paid as CNA Incentive shall be recorded in the agency books under the account code, "Collective Negotiation Agreement Incentive – Civilian."

5.0 Conditions on the Use of Savings

The use of savings as of October 31, 2013 from the MOOE items listed under item 4.3 shall be subject to the following conditions:

- 5.1 The savings were generated out of improvement/streamlining of systems and procedures and cost-cutting measures identified in the CNA.
- 5.2 The savings are net of the priorities in the use thereof such as, augmentation of the amounts set aside for compensation, year-end bonus and cash gift, retirement gratuity, terminal leave benefits, old-age pension of veterans and other personnel benefits authorized by law, and those expenditure items authorized in agency special provisions and in the pertinent general provisions of the GAA for the year.
- 5.3 The specific expenditure item/s to be used as fund source of the CNA Incentive shall not be augmented from other items under the Personal Services, MOOE, or Capital Outlay.

6.0 Not Allowed as Fund Sources

Savings generated from the following circumstances are not allowed to be used as fund sources of the CNA Incentive:

- 6.1 Savings from balances of allotments for programs/activities/projects which were later discontinued or deferred;

⁵ "Guidelines on the Release of Funds for FY 2013"

- 6.2 Savings from released allotments intended for acquisition of goods and services to be distributed/delivered to, or to be used by agency clients; and
- 6.3 Savings from released allotments from Special-Purpose Funds such as, E-Government Fund, International Commitments Fund, etc.

7.0 Procedural Guideline

- 7.1 An Employees' Organization-Management Consultative Committee or a similar body composed of representatives from management and the accredited employees' organization shall determine if the agency or organizational unit is qualified for the grant of the CNA Incentive based on compliance with the requirements under this Circular. If qualified, the Committee shall review the agency's financial records at the end of the fiscal year, and submit recommendations on the following, for approval of the agency head:
 - 7.1.1 The total amount of unencumbered savings from the MOOE items in 4.3.1 to 4.3.6 hereof which were realized out of cost-cutting and systems improvement measures identified in the CNAs and supplements thereto, and which were the results of the joint efforts of management and employees;
 - 7.1.2 The apportioned amounts of savings, to cover the following items:
 - 50% - for the CNA Incentive;
 - 30% - for improvement of working conditions and other programs, and/or to be added as part of the CNA Incentive; and
 - 20% - for NGAs, to be reverted to the General Fund
 - For LGUs, to be reverted to their General Funds;
 - For GOCCs and GFIs, to be reverted to their corporate funds.
 - 7.1.3 The internal guidelines to be followed in the grant of the CNA Incentive such as the criteria for determining who are entitled, and how to distribute the amount available for CNA Incentive.
- 7.2 In the case of GOCCs and GFIs, the following additional conditions should be complied with:
 - 7.2.1 Actual operating income at least meets the targeted operating income in the approved Corporate Operating Budget (COB) for the year. For GOCCs/GFIs, which by the nature of their functions consistently incur operating losses, the current year's operating loss should have been minimized or reduced compared to or at most equal that of the prior year's level;

7.2.2 Actual operating expenses are less than the DBM-approved level of operating expenses in the COB as to generate sufficient source of funds for the payment of the CNA Incentive; and

7.2.3 For income generating GOCCs/GFIs, dividends amounting to at least 50% of their annual earnings have been remitted to the National Treasury in accordance with the provisions of R.A. No. 7656 dated November 9, 1993.

7.3 In large departments with regional, provincial, district, and local offices, and wherein regional unions have been accredited by the CSC, the Department Secretary or his authorized representative should provide internal guidelines to ensure uniformity and equity in the negotiation process, monitor the progress of simultaneous negotiations, and ensure compliance with the provisions of this Circular.

8.0 Reportorial Requirement

Each NGA and SUC shall submit to the DBM's Budget and Management Bureau or Regional Office concerned, on or before January 31, 2014, the annual report on the grant of the CNA Incentive by following the template in Annex "A."

9.0 Responsibility of Agency Heads

Agency heads shall be responsible for the implementation of the provisions of this Circular. They shall be held personally liable for any payment of the CNA Incentive not in accordance with the provisions of this Circular without prejudice, however, to the refund by the employees concerned of any unauthorized or excess payment thereof.

10.0 Repealing Clause

All provisions of existing circulars or issuances on the grant of the CNA Incentive which are inconsistent herewith are repealed or modified accordingly.

11.0 Effectivity

This Circular shall take effect immediately.



FLORENCIO B. ABAD
Secretary

**Report on the Payment
Of the Collective Negotiation Agreement (CNA) Incentive
For FY _____**

Department/Agency : _____

I. IF CNA Incentive Was Granted

Total Amount Paid for the CNA Incentive:

Number of Qualified Personnel	
Regular	xxx
Contractual	xx
Casual	xx
Total	xxxx
Rate of CNA Incentive	xxxxxxx
Total Amount Paid	xxxxxxxxx

Fund Sources:

Object of Expenditure	Amount
_____	xxx
_____	xxx
_____	xxx
_____	xxx
_____	xxx
_____	xxx
Total	xxxx

Apportionment of Savings:

50% - for the CNA Incentive	xxx
30% - for the improvement of working conditions and other programs	xxx
20% - to be reverted to the xxx	xxx
Total	xxxx

II. If the CNA Incentive Was Not Granted

Please state reason/s for non-grant:

Submitted by:

Certified Correct:

Head, Finance/Administrative Unit

Agency Head