



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

**CORPORATE BUDGET MEMORANDUM**

**No. 35**

December 27, 2013

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

**SUBJECT** : **BUDGET CALL FOR FY 2015**

---

**1.0 INTRODUCTION**

The Budget Priorities Framework for 2015 was issued under NBM 119 on December 27, 2013 to inform agencies of the objectives, strategies and programs which will be supported in the FY 2015 Budget to achieve the Administration's goals of rapid growth and inclusive development. This subsequent issuance prescribes the other guidelines and procedures to be observed in accomplishing the various budget proposal documents. The technical guidelines and computational processes are presented in detail in the annexes, such guidelines being supportive of the strategies/policies enumerated in the NBM on Budget Priorities Framework (BPF) to assist in the formulation of focused, transparent and accountable budget allocations.

**2.0 PURPOSES**

- 2.1 To prescribe the guidelines and procedures in the preparation of the FY 2015 Budget in accordance with the ongoing Public Financial Management (PFM) and Public Expenditure Management (PEM) reforms;
- 2.2 To strengthen the conduct of agency consultations at the central and regional levels and those with civil society organizations (CSOs), the private sector, the Regional Development Councils (RDCs) and other stakeholders to secure feedback on proposed programs and projects of departments and corporations; and
- 2.3 To provide the calendar of activities for the preparation of the FY 2015 Budget.

**3.0 EXPENDITURE MANAGEMENT FRAMEWORK**

- 3.1 Ongoing reforms in Public Expenditure Management (PEM) and Public Financial Management (PFM) provide the tools to strengthen the links between planning, budgeting and implementation and must be used by the agency in developing their budget submissions.

3.2 An effective PEM, which includes the tools of Medium-Term Expenditure Framework (MTEF), Performance-Informed Budgeting (PIB) and its associated Organizational Performance Indicator Framework (OPIF), Zero-Based Budgeting (ZBB), Program Budgeting (PB), and Grassroots Participatory Budgeting (GPB), achieves the following objectives:

- "*Spending within means*", or aggregate fiscal discipline - resources should be used in a planned and deliberate medium-term strategy within the aggregate resource constraints.
- "*Spending on the right priorities*", or allocative efficiency - spending should be aligned with socio-economic priorities, as spelled out in the Philippine Development Plan (PDP) and the Budget Priorities Framework under NBM 119.
- "*Spending with value-for-money*", or operational efficiency - all public goods and services must be provided at the most reasonable cost and considers the absorptive capacity of the agency in view of the shift to a one year validity of appropriations.

3.2.1 MTEF - the planning-budgeting framework used by the government to provide a three-year forward perspective to the decision making process during budget preparation. The framework facilitates the determination of the fiscal space (available uncommitted funds) available for allocation among the key programs taking into account the future cost of approved and ongoing programs under the forward estimates (FE) process and the fiscal consolidation targets of the National Government. As contained in NBM 119, the GOCC will ensure that its FE includes only the priority programs of the Administration and weeds out postponable and unnecessary items to make room for the Reconstruction Assistance on Yolanda (RAY) program. Programs will be evaluated to assess their continuing merit, efficiency and effectiveness.

3.2.2 PIB - a budgeting approach that uses performance information to inform Congress and the public about the outputs and outcomes a GOCC is committing to deliver in exchange for its budget. The performance information is presented alongside the budget in the NEP and includes: a) the purposes/objectives for which the funds are required; b) the outputs that would be produced or the services that would be rendered; and c) the quantity, quality and timeliness targets for the outputs and/or services.

The PIB focuses more on outputs and outcomes and places less emphasis on the inputs. It links funding to results, and provides a framework for more informed resource allocation and management.

An outcome-based PIB will be adopted for the FY 2015 Budget as opposed to the current MFO or output-based 2014 budget (a separate guideline shall be issued for the purpose). The objectives of the outcome-based PIB are:

- 3.2.2.1 To align the PIB with the OP Planning Tools and the commitments made by department/agency heads with the President;
  - 3.2.2.2 To provide the GOCC management a better basis/strategy for prioritizing its programs/activities/projects by aligning it more explicitly with government priorities and targets;
  - 3.2.2.3 To provide the GOCC with the framework for the conduct of management monitoring and evaluations (like the zero based budgeting studies) to improve program performance;
  - 3.2.2.4 To build a better outcome accountability framework for the grant of Performance Based Bonus (PBB); and
  - 3.2.2.5 To facilitate the development by the GOCC of systems and databases which will ease the data requirements of the DBM, NEDA and the other oversight agencies.
- 3.2.3 ZBB - program evaluation approach through which major GOCC programs and projects are assessed/evaluated primarily by third party entities to:
- 3.2.3.1 Assess the continuing relevance of these programs and projects;
  - 3.2.3.2 Explore alternatives and better ways to achieve their objectives;
  - 3.2.3.3 Determine whether the resources for a program/project should be kept at the present level, increased, reduced or discontinued; and
  - 3.2.3.4 Guide GOCCs in scaling down funding for activities which are not aligned with priorities or which are inefficient, ineffective and fraught with leakages.
- 3.2.4 PB and GPB as explained in NBM 119.
- 3.2.4.1 **PB** is a budgeting approach to facilitate and incentivize inter-agency collaboration along the Social Contract Results Areas and ensure that priority programs are planned, budgeted and implemented in a coordinated manner.

Annex B of NBM 119 and Annex C of this CBM list down the major programs for the program budgeting approach which will include the programs under RAY.

3.2.4.2 **GPB** is a budgeting approach which ensures that the prioritized list of programs and projects required by poor cities/municipalities are incorporated into the 2015 indicative budget levels of participating agencies. It promotes responsiveness of agencies and ensures convergence of the services of departments/agencies/GOCCs to the needs of the poorest LGUs and communities'. It also strengthens the capacity of the LGUs to plan, budget and execute programs.

3.3 A sound PFM system includes the Government Integrated Financial Management Information System (GIFMIS) that will automate, streamline and speed up the processing and the flow of funds and financial management information within government. The GIFMIS is currently being contracted out for development and pilot testing for 2014 and 2015. Among the major budgeting reforms under the PFM regime to be incorporated in the GIFMIS to wit:

3.3.1 Unified Accounts Code Structure (UACS) - a government-wide harmonized budgetary, treasury and accounting code classification introduced in the FY 2014 Budget which facilitates the reporting, tracking and monitoring of all financial transactions of agencies. The submission of the FY 2015 Budget will use these codes which have been enhanced to include the requirement to track the location of projects, and identify climate change adaptation and mitigation measures as well as RAY programs.

3.4 Other Budget Policies

3.4.1 Disaggregate all remaining lump sum amounts in the GOCC budgets into component projects to enhance the credibility of the GAA and enable it to function as a budget release document. The **no lump sum policy** will continue to be enforced for the 2015 budget. The detailed project components and geographic locations (up to provincial and municipal levels) of GOCC proposals need to be specified;

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.

The geographic focus of the 2015 Budget as laid out in NBM 119 must be followed to maximize employment generation and poverty

reduction in the provinces with the most number of poor families, those with the highest incidence and those with multiple climate and geo hazard vulnerabilities. The RDCs, CSOs, LGUs and other stakeholders can be consulted on the proposed strategies of the GOCC and can be encouraged to provide technical assistance; and

3.4.4 Sustain 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; Feasibility studies funds have been provided for DPWH and the PPPCP which can be accessed for the preparatory studies and build the market case for the proposed projects. For the NEDA Board approved projects, strategic support in terms of right-of-way acquisition, access roads, and other contract conditions can be incorporated in the budget proposal to better ensure successful projects.

3.4.5 Promote open data to increase public access and awareness on budget data/information to facilitate appreciation for purposes of analysis, transparency and accountability. Accordingly, the posting of bids and awards on the Philgeps, and the publication of the Transparency Seal and ARTA Citizen Charter will continue to be Good Governance Conditions under the PBB to institutionalize these transparency conditions.

3.5 Medium-Term Information Technology Harmonization Initiative (MITHI) - a coherent process, jointly undertaken by DBM, DOST - Information and Communications Technology Office (ICTO), and NEDA, for the planning, budgeting, implementation, monitoring and evaluation of proposed government-wide information and communication technology programs and projects. These project proposals as indicated in the agencies' Information Systems Strategic Plans shall be subject to evaluation by the MITHI steering committee in accordance with DBM-DOST-NEDA JMC 2012-01.

3.6 Other Public Financial Management Policies

As a means for further improving transparency, efficiency and effectiveness in government operations, GOCCs shall also incorporate the budgetary implications of the following public sector reforms on their proposals:

3.6.1 Cost recovery measures to assist in the revenue enhancement efforts and improve service delivery, pursuant to Administrative Order No. 31 dated October 1, 2012.

3.6.2 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;

3.6.3 Pursuit of ISO 9001:2008 (Quality Management System) certification and implementation of other quality management improvement programs to further institutionalize and enhance government processes, systems and operations as mandated under EO No. 605 dated February 23, 2007. The setting up of a Quality Management System following ISO guidelines will be among the conditions required for the PBB in 2014 and 2015 GOCCs will have to target the accreditation of at least one front line service under ISO each year;

#### 3.6.4 Total Resource Budgeting

3.6.4.1 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.

3.6.4.2 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.

3.6.4.3 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 and private initiatives will complement each other.

3.6.4.3.1 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.

#### 3.6.5 Financial Independence of GOCCs

3.6.5.1 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.

### 3.6.6 Gender and Development (GAD)

3.6.6.1 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.

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

## 4.0 SPECIFIC GUIDELINES AND BUDGET PREPARATION FORMS

In support of the strategies/policies enumerated in NBM No. 119, the technical guidelines and computational processes are presented in detail in the following annexes:

- 4.1 Annex A - Specific Guidelines
- 4.2 Annex B - Budget Preparation Forms
- 4.3 Annex C – Matrix of Priority Programs and Participating Agencies
- 4.4 Annex D – Summary of RDCs/CSOs Feedback on GOCCs On-going Programs and Projects
- 4.5 Annex E - Budget Preparation Calendar

## 5.0 SUBMISSION REQUIREMENTS AND TIMETABLE

- 5.1 GOCCs shall accomplish/submit the pertinent Budget Preparation (BP) forms containing FYs 2012 to 2015 required data/information.
- 5.2 GOCCs shall also submit to DBM the Board Resolution approving the proposal, together with the following additional information:
  - Outcomes and Outputs (Targets) using Performance-Informed Budget Structure;
  - Program/Project Implementation Strategies for FY 2015
  - FY 2013 Actual Accomplishment;
  - FY 2013 Annual Report

- 5.3 Energy Corporations whose budgets are required to be submitted to Congress under Republic Act 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 2015 NEP.
- 5.4 The FY 2014 portion/column of the FY 2015 Budget Proposal under this Budget Memorandum shall already be considered as the GOCC COB of the said year which shall observe the guidelines prescribed under Corporate Budget Circular No. 20 dated April 27, 2005.
- 5.5 Amounts indicated in the FY 2012-column of the prescribed Forms should be consistent with the available Annual COA Audited Financial Statements.
- 5.6 DBM will not schedule Technical Budget Hearing (TBH) until the GOCC complies with the submission.
- 5.7 All GOCCs shall submit their 2015 budget proposals and supporting forms/documents directly to the Budget and Management Bureau-F (BMB-F), 4<sup>th</sup> Floor, DBM Boncodin Hall, General Solano St., San Miguel, Manila.

---

**FLORENCIO B. ABAD**

Secretary *lw*

