



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

NATIONAL BUDGET MEMORANDUM

No. 115

December 28, 2012

**F O R** : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Other Instrumentalities of the National Government and all Others Concerned

**SUBJECT** : **POLICY GUIDELINES AND PROCEDURES IN THE PREPARATION 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**. This shift will promote the full development of agency planning, programming and execution capabilities enhancing the predictability of and certainty in the flow of public funds.

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 "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. This complements the other institutional mechanisms which have been recently put into place such as the Account Management Teams and Performance Based Incentive System (PBIS).

The FY 2014 Budget preparation process will also try to build on the results of the mid-term review of the Philippine Development Plan (PDP) 2011-2016 and the updated developments in the PBIS under EO 99 "Reconstituting the Office of the Cabinet Secretary", issued October 31, 2012. The linking of these processes will hone and sharpen the focus on and the accountability for the execution of key priority programs to ensure the attainment of the Administration's commitments and targets under the President's Contract with the Filipino People.

**2.0 PURPOSE**

- 2.1 To provide the overall fiscal policy framework and priority thrusts of the FY 2014 Budget, based on the mid-term review of the PDP 2011-2016;
- 2.2 To prescribe the guidelines and procedures in the preparation of the FY 2014 agency budget in accordance with the ongoing Public Financial Management (PFM) and Public Expenditure Management (PEM) reforms;

- 2.3 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 (RDCs) and other stakeholders to secure feedback on programs and projects of selected departments and corporations;
- 2.4 To sustain the adoption of the following budgeting schemes introduced in FY 2013 budget preparation to ensure the inclusion of their funding requirements in the budget proposals of agencies:
  - 2.4.1 Bottom-up budgeting scheme in the identification and converging with the development needs of poor/focus cities and municipalities; and
  - 2.4.2 Program budgeting scheme to promote the focus on the critical program targets underlying 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.
- 2.5 To set the schedule of budget preparation activities and prescribe the budget preparation (BP) forms to be accomplished by agencies which shall be submitted not only in hard copies but also encoded for the first time in the Online System for Budget Preparation (OSBP).

### **3.0 BUDGET FRAMEWORK**

- 3.1 The FY 2014 Budget will continue the policy of fiscal consolidation which call for the downscaling of the national government budget deficit to 2 percent of GDP from 2013 to 2016, and the continued increase of the tax effort to around 17 percent by 2016. The ultimate objective is to reduce the public debt and increase the government's tax take to levels comparable with peer countries for a stronger and healthier fiscal position.
- 3.2 In view of the continuing economic weakness of Europe and the United States, it will be prudent for the government to strengthen its fiscal position and sustain its fiscal reforms. Coupled with the shift to a regime of the one-year validity of appropriations and the "use of the GAA as a release document", which promote the faster utilization of appropriations, ensuring certainty in the inflow of revenues has become more pressing. Thus, the success of these reforms under the FY 2014 Budget will depend on 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 and execution. These reforms will also determine the extent of government's ability to use its expenditures to push domestic economic activity.

It is fortunate that the FY 2014 Budget will be the first budget to incorporate the programming of the proceeds of the Excise Tax Reform Bill slated for approval in Congress in early 2013 for the universal health program and the livelihood, training, and assistance needs of tobacco farmers and workers in the alcohol industry.

- 3.3 Ongoing reforms in PFM and PEM will provide the tools to strengthen the links between planning, budgeting and implementation execution. They will streamline processing and reporting by removing the duplications with cash management and auditing; enable the development of a government integrated financial management information system (GIFMIS); and facilitate transparency and accountability. Effective PFM and PEM systems are essential components of good governance, given its proven outcomes of strengthening fiscal discipline, promoting strategic resource allocation, and improving operational management. Hence, the following budgeting schemes aim to strengthen the focus on results and the delivery of outputs expected by the Filipino people from its government:

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

The MTEF facilitates the systematic 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 as well as valid commitments under the forward estimates (FE) process and the fiscal consolidation strategy of the National Government.

- 3.3.1.1 The improving economic performance of the country despite the weak global environment and the increased ability to harness and collect government resources will enable the following: **a)** closing long-felt gaps and deficiencies in basic education, health and welfare services to speed up poverty reduction; **b)** sustaining the focus on the most promising economic activities like tourism, agribusiness, infrastructure build-up, and small and medium scale enterprises to expand and sustain livelihood opportunities for the many; and **c)** prioritizing climate change programs and activities to identify and protect the most vulnerable communities and strengthen the country's pro-active response to climate change disasters. These in general, shall remain the government's priority concerns during this Administration.

- 3.3.1.2 To strengthen the linkage between development planning and budgeting and increase the likelihood of accomplishing the President's commitments in his Social Contract, the 2014 expenditure program will be based on the progress in attaining the targets as reflected in the PDP and the Public Investment Program (PIP) for FYs 2011-2016.

- 3.3.1.3 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.

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

The OPIF shall be reflected and integrated in the FY 2014 National Expenditure Program (NEP), in accordance with the PFM Roadmap to make the budget truly output-oriented, even in structure. This shall be based on 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



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 department/agency has delivered its MFOs. The objectives of the exercise are to:

- 3.3.2.1 Link P/A/Ps to MFOs for better cost estimation and expenditure prioritization such that each P/A/P shall support only one MFO and is properly classified by cost structure.
- 3.3.2.2 Ensure that all agency programs and projects directly support the President's Social Contract and focus on the five (5) KRAs. All programs and projects of agencies which do not support any of these will be reprogrammed or restructured.
- 3.3.2.3 Pilot the implementation of the Unified Accounts Code Structure (UACS) which harmonizes the classification of accounts for budgeting, accounting and cash management as well as the Online System of Budget Preparation (OSBP) which will automate the encoding of the agency budget preparation submission. Agencies shall be trained in the use of the UACS and the OSBP starting February, 2013.

### 3.3.3 Zero-Based Budgeting (ZBB)

The periodic review/evaluation of agencies' major ongoing programs and projects through ZBB will be continued to achieve the following:

- 3.3.3.1 Assess the continuing relevance of these programs and projects;
- 3.3.3.2 Explore alternatives and better ways to achieve their objectives; and
- 3.3.3.3 Determine whether the resources for a program/project should be kept at the present level, increased, reduced or discontinued.

### 3.3.4 Program Budgeting (PB)

As in the FY 2013 Budget, the allocation of the fiscal space or uncommitted resources shall continue to be focused on the key programs of this Administration for a coordinated and holistic approach in the programming of funds across the departments and agencies. A key program consists of an integrated group of department programs and projects that are central to the achievement of the 5 Key Result Areas of the Administration set under the PDP 2011-2016 and the President's Social Contract. These programs can be within one department/agency or across departments/agencies. They consist of the Tourism Development Program; Infrastructure Development Program; Basic Education for All; Universal Health Program; Small and Medium Enterprises (SME) Development Program; Agriculture Development Program; Conditional Cash Transfer (CCT) Program; and Climate Change Adaptation Program.

### 3.3.5 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 to be formulated with strong participation of basic sector organizations and other civil society organizations in order to ensure the following:

- 3.3.5.1 Expand the number of focal poor cities/municipalities from 609 in the FY 2013 Budget Preparation exercise to cover more LGUs and increase the ceiling per city/municipality, depending on the extent of poverty.
- 3.3.5.2 Promote responsiveness in and ensure convergence of the services of departments/agencies/GOCC to LGU and communities' needs by incorporating the prioritized list of programs and projects of the identified cities/municipalities into the 2014 indicative budget levels of participating agencies.

### 3.4 Prioritization of Information Communication Technology (ICT) Requirements

Most of government programs and projects feature systems and approaches that are ICT related. Thus, there is 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, pursuant to Joint Memorandum Circular No. 2012-01 dated November 28, 2012.

### 3.5 For greater transparency and facilitative implementation mechanisms:

- 3.5.1 All remaining lump sum amounts in the agency 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.
- 3.5.2 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.
- 3.5.3 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.
- 3.5.4 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.

### 3.6 Total Resource Budgeting

In preparing the national budget, as much as possible, all revenue sources and other receipts of government agencies, i.e., deposited with the Bureau of the Treasury (BTr) and with authorized government depository banks (outside the BTr) must be taken into consideration, in order to provide a holistic view for assessing agency performance. Earmarked funds of agencies which support identified P/A/Ps and their corresponding MFOs/Pis must be disclosed in the budget proposal.

## 4.0 GENERAL GUIDELINES

### 4.1 Macroeconomic and Fiscal Targets for FY 2014

The fiscal levels approved by the Development Budget Coordination Committee (DBCC) for 2014 and beyond as well as the indicative budget levels of the agencies will be presented in a supplementary issuance in January, 2013.

### 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 restructured P/A/Ps and enhanced MFOs and PIs as approved by DBM, pursuant to NBC 532. Proposed agency budget for Operations shall be allocated by MFO using the **MFO Budget Matrix**, shown as **BP Form A**, while the performance targets for the MFO-Pis shall be set using the **Agency Performance Measures**, shown as **BP Form B**.

As in the past years, hard copies of these BP forms shall be submitted to DBM and also encoded by the agency in the OSBP. To facilitate encoding for this first year, the department/agency central office shall be tasked to accomplish this for all the attached agencies.

#### 4.2.2 BuB Scheme

- 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.
- Participating departments/GOCCs for the FY 2014 BUB exercise are:
  - 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

- Departments/Agencies 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 agency budget proposal. Disclosure shall be made on the proposed LGU counterpart funds, if any. Departments/agencies concerned shall identify/present each BuB project in the relevant budget forms such as **BP Forms 201-A, B and C** (whichever is applicable) to facilitate tracking and monitoring in all phases of budgeting.

#### 4.2.3 PB Scheme

- The priority programs supportive of the key targets and the PDP under the President's Social Contract as well as the lead and participating departments/agencies that shall implement these identified priority programs are shown in **Schedule D-1**.
- The participating department/agency 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 President's Social Contract.
  - 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 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 201-D** 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 Schedule D-1.
- 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 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 budget proposals shall still 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' specific programs, activities and projects.
- 4.3.3 CSOs may submit their feedback and recommendations as input to agency 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 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 ZBB approach.

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

- 4.4.1 Agency submissions providing information on both existing and proposed ICT-related resources, programs, and projects, among other items, shall constitute a primary portion of agency 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.
- 4.4.2 Programs and projects so approved by the MITHI Steering Committee shall then form part of the budget proposals of each agency. These shall undergo the same processes as required by this Budget Call.
- 4.4.3 Following the regular process, the DBM Executive Review Board (ERB) shall have final authority to make decisions on programs and projects in relation to budgetary allocation, except that programs and projects that were approved under the auspices of MITHI shall be considered as evaluated and endorsed by recognized technically proficient government stakeholders, thereby facilitating ERB examination.



- 4.4.4 Programs and projects heretofore requiring NEDA Investment Coordination Committee (ICC) review and endorsement, and other similar processes requiring the review and endorsement of other agencies, shall likewise undergo the same processes cited above.
- 4.4.5 The ISSP as required for submission to the DOST shall continue to be mandatory, except that the DOST may consider agency participation in MITHI and the corollary submission as sufficient compliance with the requirement.
- 4.4.6 Agencies shall include/reflect in their budget proposals only those ICT related resources, programs and projects which have been processed through the MITHI, using **BP Form 202**.

#### 4.5 Identification and Prioritization of Climate Change Related Activities

With the assistance of the Climate Change Commission and the Cluster of Climate Change Mitigation and Adaptation, a separate effort shall be undertaken to identify and take stock of all climate change related activities being undertaken in the national government. The objective is to better sequence and prioritize these projects and activities to maximize their benefits in the light of government's limited resources and capacities and given the worsening impact of the climate change phenomenon.

#### 4.6 Other Public Sector Reforms

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

- 4.6.1 The approved Rationalization Plan under Executive Order (EO) No. 366 as the government's vehicle in conducting a strategic review and restructuring of agency operations for better service delivery;
- 4.6.2 Cost recovery measures to assist in the revenue enhancement efforts and improve service delivery, pursuant to Administrative Order No. 31 dated October 1, 2012.
- 4.6.3 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 (RA) No. 9184 and its Implementing Rules and Regulation (IRR);
- 4.6.4 Purchase of agencies' 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;
- 4.6.5 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;

- 4.6.6 Pursuit of ISO certification and quality management improvement programs as mandated under EO No. 605 dated February 23, 2007; and,
- 4.6.7 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.
- 4.6.8 Disaggregating all lump-sum funds in agency budgets. Given the difficulties and inefficiencies still being encountered at both the macro and agency 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 agency 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 agency 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, departments/agencies shall follow the guidelines below to ensure the improved allocation of funds among competing sectors:

### 5.1 Department Budget Ceilings for FY 2014

- 5.1.1 The indicative budget ceiling of each Department/Agency for FY 2014 shall be based on the Forward Estimates (FEs) level for FY 2014 per CL 2011-11 dated November 28, 2011, as updated. The FEs shall be used to determine the magnitude of the annual costs of all **ongoing** budgetary programs and projects, set aside to ensure their continuous funding. The indicative budget ceilings, together with the macroeconomic assumptions and fiscal targets, shall be issued under a separate Memorandum.
- 5.1.2 Consistent with the performance-based budgeting approach, the indicative budget ceiling may be adjusted based on demonstrated capacity to implement programs and projects as well as credible, adequate and justified catch-up plan and improvements in budget utilization in relation to the agency MFOs.
  - 5.1.2.1 Agency indicative budget ceiling shall be fully disaggregated into specific programs and projects according to geographic coverage/location/beneficiaries, for transparency and for better monitoring.
    - The Agency Central Office (ACO) shall consult/coordinate with their Agency Regional Offices (AROs) to derive an appropriate regional distribution of these existing P/A/Ps under agency budget and to consider the comparative advantage or vision of each region;

### Illustrations:

1. DA, in the regional distribution of its FY 2014 production targets for agricultural programs (e.g. 200,000 metric tons of rice) shall focus in regions where there is high agricultural potential and favorable climate to staple production that will boost agricultural yields (e.g. Regions 3 and 6). Correspondingly, the regional allocation in terms of funding requirements as well as the necessary support (such as construction/rehabilitation of farm-to-market road, irrigation canals, technical assistance) to be able to meet the targets should be higher in the focus regions.
  2. Tourism related and support projects/activities should be maximized in tourism strategic destination areas such as Cebu, Bohol, Palawan, Boracay, Samar, Siargao, Dumaguete, Camarines Sur, Baguio, among others.
- The ACOs shall inform the respective AROs on their indicative regional ceilings to guide them in their discussions with target LGUs (under the BuB), CSOs, and RDCs relative to their evaluation of existing programs and projects; and
  - ACOs and AROs shall base the formulation of budget proposals above the ceiling on the resulting funding gaps. Above the ceiling proposals shall consist of the agencies' new budgetary items, projects or any increase/expansion of ongoing budgetary programs.

5.1.2.2 Agencies shall prepare budget proposals that are focused and well-coordinated, **to preclude budgetary realignments** during the budget execution phase.

5.1.3 **For agencies which are unable to submit BP Forms A and B, their proposed budget levels shall be limited to the FY 2012 actual expenditure levels, net of non-recurring expenditure items and completed projects.**

5.2 Consultations of AROs with LGUs and various stakeholders (i.e., matrix of activities) are shown in the **Gantt Chart per Annex B.**

5.2.1 Target LGUs i.e., Poor Cities/Municipalities on BuB Projects

- AROs thru the Local Poverty Reduction Action Team (LPRAT) and Regional Poverty Reduction Action Team (RPRAT) shall provide technical assistance in the formulation of plans and identification of poverty reduction projects and strategies.
- Convergent agencies together with the Human Development and Poverty Reduction Cluster (HDPRC) and DILG shall orient and discuss the plans with the municipal core teams, providing guidance on the conduct of bottom-up budget preparation and execution process.

### 5.2.2 RDCs

- RDCs shall monitor and provide feedback on the impact and gaps of national government agency's **on-going** programs/projects in their localities, as well as suggest needed improvements in agency programs/projects.
- RDCs shall submit feedback/recommendation to ACOs copy furnished the AROs on the relevance, efficacy and propriety of the on-going programs and projects, using **BP Form C**.
- Taking into consideration the RDC endorsement, the ACOs shall submit consolidated report to DBM containing the feedback on the P/A/Ps endorsed by RDCs, following the form prescribed under **BP Form C**.

### 5.2.3 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 C**.

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

#### 5.3.1 ARO shall:

- Incorporate the projects requested by the target LGUs, including BuB projects recommended by the LPRAT /RPRAT, into their regional budget allocations;
- Submit the regional budget proposal to the ACO for incorporation into the budget of the department and for resolution of problem areas; and
- Meet with their counterparts from the other national agencies in the region or province to discuss the convergence of the delivery of services to the target LGUs.

#### 5.3.2 ACO shall:

- Consolidate and submit to DBM using **BP Form C**, the reports of the different regional offices 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.

#### 5.4 PPP Funding

5.4.1 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 agencies 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.

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

##### 5.4.2.1 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 agency provided these do not exceed 50% of the project cost pursuant to Section 2A of RA 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.

##### 5.4.2.2 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 IA in the various aspects of the project preparation.

## 5.5 Total Resource Budgeting

5.5.1 Agencies shall reflect in their budget proposal, other sources of funds as authorized under specific provisions of law, i.e., use of income and collections which are accounted under Special Accounts, Revolving Funds and Trust Funds and are earmarked to support identified P/A/Ps and their corresponding MFOs/PIs, using the following forms:

- **BP Form 100 A** - Statement of Revenues and Expenditures for Special Accounts in the General Fund.
- **BP Form 100 B** - Statement of Other Receipts/Expenditures for Revolving Funds, Use of Income and Trust Receipts;
- **BP Forms A and B** - for MFO Budget Matrix and Agency Performance Measures.

5.5.2 Pursuant to DOF-DBM-COA Permanent Committee Joint Circular No. 4-2012 and DOF-DBM-COA Joint Administrative Order Nos. 2012-01 and 2012-01-A, all NGAs including SUCs and Other Executive Offices, are required to submit **a complete list of their existing bank account balances pertaining to funds maintained outside the BTr.** Consistent with this requirement, agencies shall reflect under BP Form 100-B their latest cash in bank balances for these accounts. The submitted data will be included by DBM in the consolidated list of all Off-Budget funds/accounts maintained by departments/agencies.

5.6 P/A/Ps which are not funded out of the regular budget of the agency but have the probability of becoming real liabilities such as contingent liabilities arising from BOT projects and other multi-year obligations or multi-agency projects must be identified through a footnote in the agency budget proposal in **BP Form 201 (Schedules A,B,C,D).**

## 5.7 Performance-Based Budgeting/OPIF

5.7.1 Departments/agencies shall allocate their proposed budget by MFOs as reviewed per NBC 532 using **BP Form A** - MFO Budget Matrix. They shall set the performance targets for the MFOs using **BP Form B** - Agency Performance Measures/Pis.

5.7.1.1 Agency P/A/Ps shall be attributed to appropriate MFOs. The method used for the attribution shall be attached to Form A.

5.7.1.2 P/A/P attribution for the purpose of MFO costing shall cover only those falling under Operations.

5.7.1.3 Funds for GASS, STO and projects shall be presented separately and not allocated across MFOs.

5.7.1.4 Unlinked P/A/Ps and/or non-strategic/low priority component activities shall be identified and corresponding savings may be reallocated to on-going policies supporting core mandates

5.7.2 Performance Indicators (PIs) which pertain to measures to be used for the assessment of the delivery of MFOs contributing to organizational outcomes, 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.

5.7.2.1 For focus and manageability, **agencies 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.

5.7.2.2 Performance targets are the achievable levels of accomplishment pertaining to an agency'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.

## 5.8 Gender and Development (GAD)

- 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.
- The GPB shall respond to the gender gaps/issues faced by the agency's clients and constituencies and their women and men employees. Agency shall allocate at least five percent (5%) of the total agency budget proposal for activities supporting GAD plans and programs. The GAD budget shall be part of the agency's MOOE, CO and PS requirements. It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.

5.9 The specific guidelines in the preparation of the FY 2014 Agency budget proposals are contained in **Annex A** of this Memorandum. Under this Section, DBM made some modifications in the expenditure and object account titles, descriptors and groupings, consistent with the Unified Account Code Structure (UACS) that shall be adopted for the 2014 budget preparation. This is in line with the on-going harmonization efforts between COA, DBM and DOF (Btr) for the Government Integrated Financial Management Information System. Separate guidelines will be issued for this purpose.

## 6.0 SUBMISSION REQUIREMENTS AND TIMETABLE

- 6.1 Agencies shall accomplish the pertinent Budget Preparation (BP) forms containing FYs 2012 to 2014 information in accordance with the expenditure and income accounts under the New Government Accounting System (NGAS) prescribed under COA Circular No. 2003-01 dated June 17, 2003. DBM shall issue another Circular/Memorandum to prescribe the modifications on the accounts and BP forms specifically for the **FY 2014** budget information.
- 6.2 The budget proposals must be duly endorsed by the Department Secretary/OEO Head and shall highlight the agency's:
- Thrust for the budget year/Priorities;
  - Outcomes and Outputs (Targets) using OPIF log frame;
  - Program/Project Implementation Strategies for FY 2014
  - FY 2012 Actual Accomplishment
- 6.3 In addition, the budget proposals of agencies involving specific concerns shall require the endorsement of the following:

Endorsing Agency	Subject of Endorsement
CHED	SUCs Budget
TESDA	Technical education and skills development programs
DA	Research and Development (R&D) in Agriculture and Fisheries
DOST	R&D in natural resources, environment, technological and engineering sciences
NSCB	Systems of Designated Statistics pursuant to EO 352
DOST-ICTO	Information Systems Plan in support of IT-related proposals
PCW	GAD Plan
DENR-NAMRIA	Procurement of Data from Airborne and Space borne platforms and other related products and services for mapping purposes

- 6.4 Agency budget proposals shall include **five (5)** copies/sets of the following:
- 6.4.1 Properly accomplished Budget Preparation (BP) Forms No. 100 to 400-A as enumerated under **Annex C**;
- 6.4.2 BP Forms A and B for the MFO Budget Matrix and Agency Performance Measures, respectively; and
- 6.4.3 BP Form C – Summary of RDC/CSO Feedback on Major On-going Programs and Projects (for selected departments);
- 6.4.4 Inventory of equipment as required under NBC Nos. 438, 446 and 446-A; and,
- 6.4.5 Agency's FY 2012 Accomplishment Report.



- 6.5 The deadline for the submission of the required BP Forms under Annex C, Forms A/B and Table I for FY 2014 budget proposals shall be as follows:

6.5.1 March 15, 2013

- FY 2012 Actual Obligations and FY 2013 Current Year Program by allotment class using BP Form 201 Schedules A, B, C and D; and
- FYs 2012 and 2013 physical and performance/targets using Forms A and B.

6.5.2 April 15, 2013

- FY 2014 Budget Proposals.

- 6.6 All national government agencies shall submit their 2014 budget proposals and supporting forms/documents to the Budget Technical Service (BTS), Ground Floor, DBM Boncodin Hall, General Solano St., San Miguel, Manila. SUCs shall submit these aforementioned forms to their counterpart DBM-RO concerned.

## 7.0 BUDGET PREPARATION CALENDAR

The Department Secretary/Head of the OEO shall ensure that the budget proposals submitted by their respective bureaus, offices and attached agencies are in accordance with these guidelines and **budget preparation calendar per Annex D** of this Memorandum.

  
**FLORENCIO B. ABAD**  
Secretary