



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

**BUDGET CIRCULAR**

No. 2014 - 2  
December 2, 2014

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

**SUBJECT :** Guidelines on the Grant of Collective Negotiation Agreement (CNA) Incentive for FY 2014

**1.0 Background**

- 1.1 Administrative Order (AO) No. 135<sup>1</sup> dated December 27, 2005, directs the Department of Budget and Management (DBM) to issue the necessary policy and procedural guidelines to implement the AO which authorized the grant of the CNA Incentive to government employees.
- 1.2 Item (4)(h)(ii)(aa) of the Senate and House of Representatives Joint Resolution (JR) No. 4, s. 2009<sup>2</sup>, approved on June 17, 2009, institutionalized the grant of the CNA Incentive as one form of reward to motivate employee efforts toward higher productivity, 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."

<sup>1</sup> "Authorizing the Grant of Collective Negotiation Agreement (CNA) Incentive to Employees in Government Agencies"

<sup>2</sup> "Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and For Other Purposes"

- 1.3 Section 71 of the General Provisions of Republic Act (R.A.) No. 10633, the FY 2014 General Appropriations Act (GAA), reiterates the basic provisions on the grant of CNA Incentive.

"Savings from allowable MOOE allotments, generated out of cost-cutting measures undertaken by the agencies of the government and their respective personnel, which are identified in their respective Collective Negotiation Agreements (CNAs) and supplements thereto may be used for the grant of CNA Incentives by agencies with duly executed CNAs: PROVIDED, That, the one-time annual payment of CNA Incentive shall be made through a written resolution signed by agency representatives from both labor and management, and approved by the agency head: PROVIDED, FURTHER, That the funding sources and amount of CNA Incentive shall in all cases be limited to the allowable MOOE allotments and rates determined by the DBM, respectively: PROVIDED, FINALLY, That the realignment of savings from the allowable MOOE allotments shall be subject to approval by the DBM. Implementation of this provision shall be subject to guidelines issued by the DBM."

- 1.4 AO No. 25<sup>3</sup> dated 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, which includes the CNA Incentive.

## **2.0 Purpose**

This Circular is issued to consolidate and update the various policies and guidelines on the grant of the CNA Incentive and to harmonize the same with the provisions of AO No. 25 and the Congress-approved Performance-Informed Budget in the General Appropriations Act for FY 2014.

## **3.0 Coverage**

The Circular covers the following civilian 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. 6758<sup>4</sup>, as amended:

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

<sup>4</sup> "Compensation and Position Classification Act of 1989"



- 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 (hereinafter referred to as "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 wants to enjoy or accept benefits under the CNA subject to payment of agency fee to the "negotiating agent" in accordance with PSLMC Resolution No. 1, s. 1993; and
- 3.3 Those who perform managerial functions.

#### **4.0 Policy Guidelines**

##### **4.1 Conditions for the Grant of the CNA Incentive**

###### **Existence of a CNA**

- 4.1.1 There should be an existing valid CNA (hereinafter referred to as the "Agreement") executed between the representatives of management and the employees' organization accredited by the CSC as the "negotiating agent" for the purpose of collective negotiations with the management of a department, line bureau, attached agency, GOCC/GFI or LGU.
- 4.1.2 The grant of the CNA Incentive should be provided for in the "Agreement" or in supplements thereto.

###### **Accomplishment of Targets**

- 4.1.3 The NGA, SUC, GOCC, or GFI, should have accomplished, by October 31, 2014, at least an average of 70% of its FY 2014 targets under the Major Final Outputs (MFOs) as specified in Form A (Annex 1) of Memorandum Circular (MC) No. 2014-01 dated April 21, 2014, issued by the Inter-Agency Task Force (IATF) created under AO No. 25.
- 4.1.4 Similarly, an LGU should have accomplished, as of October 31, 2014, at least an average of 70% of the targets under its programs/activities/projects approved in the LGU budget for FY 2014.

###### **Submission of Accountability Reports**

- 4.1.5 The NGA or SUC should have submitted to DBM accountability reports as of October 31, 2014 pursuant to COA-DOF-DBM Joint Circular No. 2014-1 dated July 2, 2014.

## 4.2 **Rate of the CNA Incentive**

- 4.2.1 The rate of the CNA Incentive shall not be pre-determined in the "Agreement" since it is dependent on compliance with the conditions in item 4.1 above and the availability of the allowable allotments.
- 4.2.2 The CNA Incentive may be given equally to qualified employees or at varying rates in consideration of the employee's or his/her office's contribution to the accomplishment of performance targets, efficiency, productivity, or profitability, as determined by the agency head upon recommendation of the Employees' Organization-Management Consultative Committee.
- 4.2.3 In all instances, the CNA Incentive shall not exceed P25,000.00 per qualified employee. Qualified employees shall pertain to those covered under item 3.0 hereof whose agencies have complied with the conditions set forth in item 4.1.

## 4.3 **Fund Sources of the CNA Incentive**

### 4.3.1 **For NGAs**

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2014, provided the same have become available as a result of cost-cutting and systems improvement measures undertaken by the agencies and their respective personnel, which are identified in their respective "Agreements" and supplements thereto. Such fund sources shall be limited to the following MOOE items:

- a. Traveling Expenses;
- b. Communication Expenses;
- c. Repairs and Maintenance;
- d. Transportation and Delivery Expenses;
- e. Supplies and Materials; and
- f. Utility Expenses.

In no case shall the following be used as fund sources of the CNA Incentive:

- i) balances of allotments for programs/activities/projects which were later discontinued or deferred; and, ii) released allotments intended for acquisition of goods and services to be distributed/delivered to, or to be used by agency clients.

**The use of the abovementioned available MOOE allotments for payment of the CNA Incentive shall be subject to approval of the Department of Budget and Management.**



#### **4.3.2 For GOCCs and GFIs**

The CNA Incentive shall be sourced solely from savings in the MOOE items enumerated in sub-items a to f in 4.3.1, under their respective approved Corporate Operating Budgets (COBs), provided the following additional conditions are complied with:

- a. Actual operating income at least meets the targeted operating income in the approved 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;
- b. 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
- c. 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.

#### **4.3.3 For LGUs**

The CNA Incentive shall be sourced solely from savings in the MOOE items enumerated in sub-items a to f in 4.3.1, under their respective approved local government budgets.

#### **4.4 Payment of 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 15, 2014.
- 4.4.2 It cannot be given immediately upon signing and ratification of the CNA, as this would transform the CNA Incentive into a CNA Signing Bonus which the Supreme Court, in the case of the Social Security System vs. Commission on Audit, 384 SCRA 548, July 11, 2002, has ruled against for not being a truly reasonable compensation.
- 4.4.3 The CNA Incentive for the year shall be granted only during the validity of appropriations for the same year.
- 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 Procedural Guidelines**

- 5.1 An Employees' Organization-Management Consultative Committee or a similar body composed of representatives from management and the "negotiating agent" shall determine if the agency 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, and submit recommendations on the following, for approval of the agency head:
- 5.1.1 The total amount of allowable MOOE allotments in item 4.3 hereof which has become available as a result of cost-cutting and systems improvement measures identified in the CNAs and supplements thereto, and which was the result of the joint efforts of management and employees;
  - 5.1.2 The apportionment of the available amount identified in item 5.1.1 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.
  - 5.1.3 The internal guidelines to be followed in the grant of the CNA Incentive, such as: i) the specific criteria for determining who are entitled, and ii) the distribution of the amount available and the rate of the CNA Incentive in accordance with item 4.2.
- 5.2 In large departments with regional, provincial, district, and local offices, and wherein regional unions have been accredited by the CSC as the "negotiating agent," 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.

## **6.0 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, 2015, the annual report on the grant of the CNA Incentive by following the template in Annex "A."

## **7.0 Responsibility of Agency Heads**




Agency heads shall be responsible for the implementation of the provisions of this Circular in their respective offices. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of the CNA Incentive not in accordance with the provisions of this Circular without prejudice to the refund by the employees concerned of any unauthorized or excess payment thereof.

## **8.0 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.

## **9.0 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	<u>xx</u>
Total	xxxx
Rate of CNA Incentive	_____
Total Amount Paid	_____

**Fund Sources:**

Object of Expenditure	Amount
_____	xxx
_____	xxx
_____	xxx
_____	xxx
_____	xxx
_____	<u>xxx</u>
Total	xxxx

**Apportionment of:**

50% - for the CNA Incentive	xxx
30% - for improvement of working conditions	xxx
20% - to be reverted to the xxx	<u>xxx</u>
Total	<u>xxxx</u>

**II. If the CNA Incentive Was Not Granted**

Please state reason/s for non-grant:

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**Submitted by:**

**Certified Correct:**

\_\_\_\_\_  
Head, Finance/Administrative Unit

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Agency Head