



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

BUDGET CIRCULAR

No. 2015 - 2
November 23, 2015

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including State Universities and Colleges (SUCs), Government-Owned or -Controlled Corporations (GOCCs) and 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 2015

1.0 Background

- 1.1 Administrative Order (AO) No. 135¹ s. 2005, authorizes the grant of CNA Incentive to government employees and directs the Department of Budget and Management (DBM) to issue the necessary policy and procedural guidelines to implement the said AO.
- 1.2 Item (4)(h)(ii)(aa) of the Congress Joint Resolution (JR) No. 4, s. 2009², institutionalizes the grant of the CNA Incentive as one form of reward to motivate employee efforts toward higher productivity, to wit:
- “(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 Section 74 of the General Provisions of Republic Act (RA) No. 10651 or the FY 2015 General Appropriations Act (GAA) authorizes the payment of CNA Incentive from the allowable Maintenance and Other Operating Expenses (MOOE) allotments generated out of cost cutting measures, subject to the conditions stated therein and guidelines issued by the DBM, as follows:

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

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 of Military and Uniformed Personnel in the Government, and for Other Purposes

“Sec. 74. Rules in the Payment of Collective Negotiation Agreement Incentives. The amount sourced 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 supplement 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 the amount of CNA Incentive shall in all cases be limited to the allowable MOOE allotments and rates determined by the DBM, respectively: PROVIDED FURTHERMORE, That the payment of CNA Incentive sourced from the allowable MOOE allotments shall be subject to approval by the DBM. PROVIDED FINALLY, That any excess amounts from the allowable MOOE allotments after payment of the CNA Incentive shall revert to the General Fund.

Implementation of this provision shall be subject to guidelines issued by the DBM.”

- 1.4 Item 3.6.2.3 of National Budget Circular (NBC) No. 559³ dated June 26, 2015 provides for the guidelines in the realignment of MOOE items for the payment of CNA Incentive to be approved by the DBM Secretary.
- 1.5 Section 3 of AO No. 25⁴ dated December 21, 2011, mandates that the harmonized Results-Based Performance Monitoring System (RBPMS) shall be used as a 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 policy and procedural guidelines on the grant of the CNA Incentive, and harmonize the same with the provisions of AO No. 25 and the Congress-approved Performance-Informed Budget (PIB) in the GAA for FY 2015.

3.0 Coverage

This Circular covers the following civilian personnel occupying regular, contractual, or casual positions rendering services on full-time or part-time basis in NGAs, including SUCs, GOCCs, and GFIs, and in LGUs, whether or not covered by RA No. 6758⁵.

³ Guidelines in the Realignment of Funds under the FY 2015 General Appropriations Act (GAA), and Other Purposes
⁴ Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems
⁵ An Act Prescribing a Revised Compensation and Position Classification in the Government and for Other Purposes.

- 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 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 but want 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

4.1.1 *Existence of a CNA* – (a) There should be a valid and subsisting CNA executed between the representatives of the 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 a department, line bureau, attached agency, GOCC/GFI or LGU.

(b) The grant of the CNA Incentive should be provided in the CNA or in supplements thereto.

4.1.2 *Accomplishment of Targets* – (a) NGAs, SUCs, and GOCCs not covered by RA No. 10149⁶ should have accomplished, by October 31, 2015, at least an average of 70% of all the targets under the FY 2015 Major Final Outputs (MFOs) as specified in Annex 1 (Form A) of Memorandum Circular (MC) No. 2015-1 dated August 12, 2015, issued by the Inter-Agency Task Force (IATF) created under AO No. 25.

(b) GOCCs covered by RA No. 10149 should have accomplished, by October 31, 2015, at least an average of 70% of all the targets under the Performance Scorecard as agreed upon between the Governance Commission for GOCCs (GCG) and the GOCC pursuant to GCG Memorandum Circular No. 2013-02⁷ (Re-issued) dated June 24, 2014.

(c) Similarly, an LGU should have accomplished, as of October 31, 2015, at least an average of 70% of all the targets under its programs/activities/projects approved in the LGU budget for FY 2015.

⁶ An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or –Controlled Corporations and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes

⁷ Performance Evaluation System (PES) for the GOCC Sector

4.1.3 *Submission of Accountability Reports* – The NGA and SUC should have submitted to DBM its accountability reports as of October 31, 2015 pursuant to COA-DBM Joint Circular No. 2014-1⁸ dated July 2, 2014.

4.2 Rate of the CNA Incentive

4.2.1 The rate of CNA Incentive shall not be pre-determined in the CNA since it is subject to compliance with the conditions in item 4.1 hereof and the availability of the allowable allotments.

4.2.2 The CNA Incentive may be given equally to all qualified employees under item 3.0 or at varying rates in consideration of the employee's or his/her office's contribution to the accomplishment of performance target, efficiency, productivity, or profitability, as determined by the agency head upon recommendation of the Employees' Organization-Management Consultative Committee.

4.2.3 In all cases, the CNA Incentive shall not exceed P25,000 per qualified employee.

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 2015, provided the same have become available as a result of cost-cutting and systems improvement measures undertaken by the agencies, which are identified in their respective CNA 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.

4.3.2 The following shall, in no case, be used as fund source of the CNA Incentive:

- a. Balances of allotment for programs/activities/projects which were later discontinued or deferred; and

⁸ Guidelines Prescribing the Use of Modified Formats of the Budget and Financial Accountability Reports (BFARs)

- b. Released allotments intended for acquisition of goods and services to be distributed/delivered to, or to be used by agency clients.
- 4.3.3 The realignment of the aforementioned available MOOE allotments for the payment of the CNA Incentive shall, pursuant to NBC No. 559, be subject to the approval of the Secretary of DBM.
- 4.3.4 *For GOCCs and GFIs* – The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2015 as defined and enumerated in sub-item 4.3.1 under their respective approved Corporate Operating Budgets (COBs), provided the following conditions are complied with:
- a. Actual operating income shall, at least, meet the targeted operating income in the approved COB for the year. For GOCCs/GFIs, which by nature of their functions consistently incur losses, the current year's operating loss should have been minimized or reduced compared to or at most equal to 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, an amount equivalent to at least 50% of the annual earnings should have been remitted to the National Treasury in accordance with Section 3 of RA No 7656⁹.
- 4.3.5 *For LWDs* – The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2015 as defined and enumerated in sub-item 4.3.1 under their COBs duly approved by their respective Board of Directors, provided that they have a positive net balance in the average net income for the 12 months of operations as of October 31, 2015, to be validated by the Local Water Utilities Administration (LWUA).
- 4.3.6 *For LGUs* – The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2015 as defined and enumerated in sub-item 4.3.1, under their respective approved LGU 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, 2015.

⁹ An act Requiring Government-Owned or –Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for Other Purposes

- 4.4.2 It can not be given immediately upon signing and ratification of the CNA as this will transform the CNA Incentive into a CNA Signing Bonus which the Supreme Court, in the case of *Social Security System vs. Commission on Audit*¹⁰, has prohibited 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," "Other Benefits," and "Collective Negotiation Agreement Incentive" for NGAs, LGUs, and GOCCs/GFIs, respectively.

5.0 Procedural Guidelines

- 5.1 An Employees' Organization-Management Consultative Committee (Committee, for brevity) or a similar body composed of representatives from management and the "negotiating agent" shall determine if the agency is qualified for the grant of 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 sub-item 5.1.1, guided as follows:
 - 50% - For the CNA Incentive
 - 30% - For improvement of working conditions subject to budgeting policies, rules and regulations, 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 respective General Fund
For GOCCs/GFIs, to be reverted to their respective corporate fund.
 - 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 hereof.

¹⁰ 384 SCRA 548

5.2 In large departments wherein regional offices have been accredited by the CSC as the negotiating agent, the Department Secretary or his duly 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 not later than January 31, 2016, the annual report on the grant of the CNA Incentive by following the template in Annex "A".

7.0 Responsibility of Agency Heads

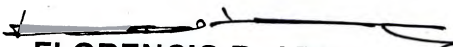
Agency heads shall be responsible for the implementation of the provisions of this Circular in their respective offices. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of the CNA Incentive not in accordance with the provisions of this Circular, without prejudice to 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 hereby repealed or modified accordingly.

9.0 Effectivity

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary

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

Department/Agency: _____

I. If CNA Incentive Was Granted

Total Amount Paid for the CNA Incentives:

Number of Qualified Personnel	
Regular	xxx
Contractual	xxx
Casual	xxx
Total	<u> xxx</u>
	xxxx
Rate of CNA Incentive	
Total Amount Paid	<u>_____</u>

Fund Sources:

Object of Expenditures	
_____	xxx
_____	xxx
_____	xxx
_____	xxx
Total	<u> xxx</u>
	xxxx

Apportionment of:

50%	for the CNA Incentive	xxx
30%	for improvement of working condiditons	xxx
30%	to be reverted to the xxx	xxx
Total		<u> xxx</u>
		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