



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
Boncodin Hall, Gen. Solano St., San Miguel, Manila



BUDGET CIRCULAR

No. 2016 - 7
December 1, 2016

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); Local Water Districts (LWDs), Local Government Units (LGUs); and All Others Concerned

SUBJECT : Guidelines on the Grant of Collective Negotiation Agreement (CNA) Incentive for FY 2016

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 for its implementation.
- 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 a 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 77 of the General Provisions of the FY 2016 General Appropriations Act (GAA) authorizes the payment of CNA Incentive sourced from the allowable Maintenance and Other Operating Expenses (MOOE) allotments identified by the DBM, as follows:

"Sec. 77. Rules in the Grant of Collective Negotiation Agreement Incentives. Department, bureaus, and offices of the National Government, including Constitutional Offices

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

enjoying fiscal autonomy and SUCs may grant collective negotiation agreement (CNA) Incentive sourced from the allowable MOOE allotments identified by the DBM, subject to the following:

- (a) There is a valid CNA executed between the agency and the recognized employee organization which includes a provision on cost-cutting measures to be undertaken collectively by the agency and its personnel;*
- (b) 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;*
- (c) The CNA Incentive that may be granted shall be limited to the amount determined by the DBM; and*
- (d) The payment of CNA Incentive shall be subject to approval by the DBM. Any excess amounts from the allowable MOOE allotments after payment of the CNA Incentive shall revert to the General Fund.*

GOCCs and LGUs may likewise grant CNA Incentive to their respective personnel, subject to the policies, rules and regulations issued by the DBM.”

- 1.4 Section 3 of AO No. 25³ s. 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 to harmonize the same with the provisions of AO No. 25 and the Congress-approved Performance-Informed Budget (PIB) in the GAA for FY 2016.

3.0 Coverage

This Circular covers civilian personnel occupying regular, contractual, or casual positions rendering services on full-time or part-time basis in NGAs, including SUCs, GOCCs, GFIs, LWDs, and LGUs, whether or not covered by RA No. 6758⁴, as follows:

- 3.1 Rank-and-file employees who are members of an employees' organization 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 Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems

⁴ An Act Prescribing a Revised Compensation and Position Classification in the Government and for Other Purposes

- 3.2 Rank-and-file employees who are non-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. 1⁵, 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, LWD or LGU.

(b) The grant of the CNA Incentive must be stipulated in the CNA or in supplements thereof.

4.1.2 *Accomplishment of Targets* – (a) NGAs, SUCs, and GOCCs not covered by RA No. 10149⁶ should have accomplished, by October 31, 2016, at least an average of 70% of all the targets under the FY 2016 Major Final Outputs (MFOs) as specified in Annex 1 (Form A) of Memorandum Circular (MC) No. 2016-1⁷ dated May 12, 2016, issued by the AO No. 25 Inter-Agency Task Force (IATF).

(b) GOCCs covered by RA No. 10149 should have accomplished, by October 31, 2016, at least an average of 70% of all the targets under their respective Performance Scorecard as agreed upon between the Governance Commission for GOCCs (GCG) and the GOCC pursuant to GCG Memorandum Circular No. 2013-02⁸ (Re-issued) dated June 24, 2014.

(c) LWDs should have a positive net balance in the average net income for the period January 1 to October 31, 2016, to be validated by the Local Water Utilities Administration (LWUA).

(d) Similarly, an LGU should have accomplished, as of October 31, 2016, at least an average of 70% of all the targets under its programs/activities/projects approved in the LGU budget for FY 2016.

⁵ Agency Fee from Non-Members of the Accredited/Recognized Collective Negotiation Agent

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 Guidelines for the Grant of the Performance-Based Bonus for Fiscal Year 2016 under Executive Order (EO) No. 80 and EO No. 201

⁸ Performance Evaluation System (PES) for the GOCC Sector

4.1.3 *Submission of Accountability Reports* – The NGA and SUC should have submitted to DBM their respective accountability reports as of October 31, 2016 pursuant to COA-DBM Joint Circular No. 2014-1⁹ 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 hereof 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 cases, the CNA Incentive shall not exceed ₱25,000 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 2016, 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 thereof. Such fund sources shall be limited to the following MOOE items as defined under the Government Accounting and Auditing Manual:

- 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

⁹ 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 use of available MOOE allotments for the payment of the CNA Incentive shall, pursuant to Section 76 of the General Provisions of the FY 2016 GAA, 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 2016 as enumerated in sub-item 4.3.1 under their respective approved Corporate Operating Budgets (COBs), provided that the following conditions are complied with:
 - a. Actual operating income for the period January 1 to October 31, 2016 shall, at least, meet the targeted operating income in the approved COB for the same period. For GOCCs/GFIs, which by the 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 as of October 31, 2016, are less than the DBM-approved level of operating expenses in the COB so as to generate sufficient source of funds for the payment of CNA Incentive; and
 - c. For income generating GOCCs/GFIs required to remit earnings, an amount equivalent to at least 50% of the annual earnings of the immediately preceding year should have been remitted to the National Treasury in accordance with Section 3 of RA No. 7656¹⁰.
- 4.3.5 *For LWDs* – The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2016 as enumerated in sub-item 4.3.1, under their Board of Directors-approved COBs, subject to the provision of Item 4.1.2(c) hereof.
- 4.3.6 *For LGUs* – The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2016 as 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, 2016.
 - 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

¹⁰ An act Requiring Government-Owned or –Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for Other Purposes

CNA Signing Bonus which the Supreme Court, in the case of *Social Security System vs. Commission on Audit*¹¹, 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 from which the available MOOE allotments shall be sourced.

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 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.

5.1.3 As provided in Section 77(d) of the General Provisions of the FY 2016 GAA, any excess amount from the allowable MOOE allotments after payment of the CNA Incentive shall revert to the General Fund.

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.

¹¹ 384 SCRA 548

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, 2017, 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 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.


BENJAMIN E. DIOKNO
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 Incentive:

Number of Qualified Personnel

Regular

xxx

Contractual

xxx

Casual

xxx

Total

xxxx

Rate of CNA Incentive

Total Amount Paid

Fund Sources:

Object of Expenditures

xxx

xxx

xxx

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