



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

CORPORATE BUDGET MEMORANDUM

No. 38
January 15, 2016

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 2017**

1.0 INTRODUCTION

In order to facilitate the timely formulation and submission of GOCC budget proposals for FY 2017, budget preparation guidelines and procedures need to be prescribed to institutionalize the gains of the Public Financial Management Reforms, consistent with the following key principles:

1. Spending within means;
2. Investing in the right priorities;
3. Delivering measurable results; and
4. Empowering citizens through greater fiscal transparency, accountability and participation.
5. Deepening and expansion of the Bottom up Budgeting (BuB) approach including direct release of appropriation to LGUs, subject to certain requirements and conditions.

The FY 2017 budget proposals shall likewise incorporate latest policy directions and emerging priorities, among others:

1. Geographical focus of the budget to the poorest, lagging and most climate vulnerable areas;
2. The Two-Tier Budgeting Approach (2TBA) initially introduced in the preparation of the FY 2016 budget proposal;
3. Disaggregation (listing of projects) of lump-sum amounts within the GOCC specific budgets; and
4. The adoption of the Performance Informed Budget (PIB) Structure and the use of the Unified Accounts Code Structure (UACS).

2.0 PURPOSES

- 2.1 To sustain the 2TBA and inform the GOCCs of the procedures, schedules and guidelines to be adopted, including those for the updating of the FYs 2017-2019 Forward Estimates (FEs);
- 2.2 To strengthen the conduct of GOCC consultations at the central and regional levels, those with Civil Society Organizations (CSOs), the private sector, and the Regional Development Councils (RDCs) to secure feedback, inputs, among others, on programs and projects of GOCCs;
- 2.3 To prescribe the guidelines, procedures, Budget Preparation forms and calendar of activities to be followed in the preparation of the FY 2017 Budget Proposals; and
- 2.4 To update the geographical presentation of the budget reflecting the specific allocation for the Negros Island Region.

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 GOCC in crafting their budget submissions. These approaches are summarized in **Annex "A"**.
- 3.2 The 2TBA is an approach that separates the evaluation of GOCC proposals for: a) on-going/existing programs/projects under Tier 1; and b) for new proposals and the expansion of on-going/existing programs/projects, considered as Tier 2.

The objective is to decongest and systematize the decision-making process for these two different types of programs during budget preparation, thereby simplifying the process while still ensuring that the following are considered: a) Cabinet Cluster results per Sec. 3.2.4 hereof; and b) the requirements for monitoring and evaluation per Sec. 3.4 hereof.

The shift to the 2TBA will also strengthen the top-down oversight in the whole budget cycle, i.e., from preparation to accountability.

- 3.2.1 Under Tier 1, the budgetary requirements for on-going/existing programs/projects of GOCCs shall be submitted in hard and soft copies in January, 2016 (see Annexes B – Part B and F) consistent with the guidelines and schedules prescribed in this CBM.
- 3.2.2 Under Tier 2, GOCCs shall submit their new spending proposals in April, 2016 based on the spending areas and strategies which will be identified in the Budget Priorities Framework (BPF) approved by the President and shall be issued separately. These proposals shall undergo thorough deliberation by the Sub-Committee on

Program/Project Appraisal (SCPPA), DBM and the DBCC, in terms of relevance, impact, implementation readiness, and sustainability.

- 3.2.2.1 Tier 2 shall prioritize budget proposals corresponding to spending policies that were approved in FY 2015 after the submission of the latest NEP. These policies may include new projects or additional requirements of on-going activities due to changes in scope, beneficiaries, design and implementation period, based on any of the following:
- a. ICC-NEDA Board approval and issuance of a Forward Obligational Authority
 - b. DBCC-approved Medium Term Expenditure Program, based on policy assumptions
 - c. Multi-Year Obligational Authority (MYOA) or additional SAROs released by DBM
 - d. Information Systems Strategic Plan (ISSP) endorsed by the Department of Science and Technology – Information and Communications Technology Office (DOST-ICTO) and Medium-Term Information Technology Harmonization Initiative (MITHI).
- 3.2.3 The approved budgetary requirements for Tiers 1 and 2 shall constitute the total budget proposals of GOCCs that will be submitted to Congress for authorization.
- 3.2.4 Complementing the 2TBA, National Economic and Development Authority (NEDA) Infrastructure Committee and the Investment Coordination Committee (ICC) shall continue to require member agencies and government corporations to develop rolling pipeline investment programs, such as:
- the Three Year Rolling Infrastructure Program (TRIP); and
 - the Public Private Partnership (PPP) Projects Pipeline.
- 3.2.5 For FY 2017, agencies/GOCCs shall prioritize funding for strategic local infrastructure projects (e.g., arterial, provincial roads and bridges, ports and airports).
- 3.2.6 Funds can be proposed for feasibility studies for projects that require detailed design and engineering works, pre-construction activities, land acquisition and monitoring, duly supported with documentation and justifications as to implementation readiness.
- 3.3 GOCCs are strongly encouraged to establish and/or strengthen the continuous cycle of planning, execution, monitoring and evaluation in order to ensure well prepared, implementation-ready projects and

programs are incorporated in the National Budget to continuously provide new and improved services to the Filipino people.¹

- 3.4 A well-functioning M and E system provides evidence-based information on the efficiency or cost-effectiveness of the resources allocated or focused on the set of priorities selected by government in the following ways:
 - 3.4.1 Monitoring involves establishing measures of efficiency, effectiveness and impact, with corresponding indicators, and the continuous process of collecting, recording and analyzing data to inform the project manager and stakeholders of the progress and achieved results and resources allocated to the development initiatives.
 - 3.4.2 Evaluation deals with the questions of the relevance of the development initiatives, and their effectiveness in attaining their objectives; their efficiency in producing the outputs; their impact, both positive and negative, direct or indirect, intended or unintended, and the sustainability of these benefits, financially and environmentally, even beyond the life of the initiatives. It must provide useful information on the experience, making it possible to integrate lessons for future decision-making.
 - 3.4.3 A results-based M and E System will illustrate the results chain of inputs, activities, outputs, outcomes and impacts and will be introduced by phase towards full integration into the PFM system. The process of integration will cover five (5) areas, namely: planning for results, budgeting for results, budget execution for results, and monitoring and evaluation of results.
 - 3.4.4 As part of the “planning and budgeting for results” phase, each new program and project proposed for funding will be supported not only by project profile but also complemented with a credible M and E plan and robust baseline information or statistics, without which, budget allocation proposals will not be entertained. Proposals for program and project expansion (with increases in the budget allocation), will not be approved if they do not have a credible M and E plan and clear baseline information or statistics.
 - 3.4.5 With regard to “budget execution for results,” the monthly or quarterly conduct of M and E sessions within the GOCC, and between the GOCCs and DBM, as needed, will be beneficial in identifying and jointly resolving program bottlenecks to be able to meet committed/budgeted performance targets.
- 3.5 To promote the transparent and detailed disclosure of all proposed government spending and facilitate program/project implementation, lump sum appropriations in GOCC budgets will no longer be considered.

¹ “A Guide to Producing Successful Budget Proposals” is forthcoming from the DBM

- 3.5.1 The disaggregation of all remaining lump sum amounts in the GOCC budget (e.g., component projects, intended beneficiaries, location) enhances the credibility of the GAA and enables it to function as a budget release document. The **“no lump sum policy”** will continue to be enforced for the 2017 budget. The detailed project components and geographic locations up to provincial level GOCC proposals will have to be specified.
- 3.6 The submission of the FY 2017 Budget proposal shall utilize the enhanced UACS codes and will also require the use of the existing UACS Location Code (regional and provincial) to improve reporting of geographical financial information.
- 3.7 The RDCs, LGUs, CSOs, and other stakeholders shall be consulted on the proposed strategies of the GOCC for new and expanded programs and projects in the specific provinces, cities and municipalities. GOCCs under the Office of the President are encouraged to provide technical assistance and coordination in conducting these stakeholder sessions while for GOCCs attached to a department, this shall be done in conjunction with the consultation to be done by the mother department. In both cases, the recommendations of RDCs shall be focused on programs and projects which have region-wide benefits and impact.
 - 3.7.1 The geographic focus of the 2015 Budget (both ongoing and new programs and projects) shall continue to 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.
 - 3.7.2 To optimize its strategic role and membership, the RDCs shall be used as venues for identifying and confirming strategic regionwide or inter-provincial interventions in the form of new programs and projects

These regionwide or inter-provincial programs and projects benefiting provinces, cities, districts and municipalities as identified/coordinated with LGUs and CSOs shall be incorporated in the GOCC budgets with supporting documentations under Tier 2.

4.0 MACROECONOMIC ASSUMPTIONS, BUDGET AGGREGATES AND FISCAL SPACE

The Macroeconomic assumptions, budget aggregates and fiscal space shall be covered by a separate Corporate Budget Memorandum.

5.0 DEPARTMENT/AGENCY/GOCC BUDGET CEILINGS

- 5.1 Under the 2TBA, the Cabinet-approved Tier 1 (FEs) for on-going programs/projects shall be the prescribed GOCC budget ceilings which may be increased using available funds from the fiscal space to finance

the major expansion² and new development programs/projects under Tier 2 in accordance with the BPF.

- 5.2 The policies and guidelines to be followed relative to the preparation of Tier 1 are presented in **Annex B - Part B** of herein CBM.

6.0 SPECIFIC GUIDELINES AND BUDGET PREPARATION FORMS

In support of the strategies/policies, the technical guidelines and computational processes are presented in detail in the following annexes:

- 6.1 **Annex "B"** - Specific guidelines for the following:
- 6.1.1 Part A - Related to Budget Framework
 - 6.1.2 Part B – Related to Formulation of Tier 1 (Forward Estimates)
- 6.2 **Annex "C"** - Budget Preparation Forms
- 6.3 **Annex "D"** - Matrix of Priority Programs and Participating Agencies
- 6.4 **Annex "E"** – Report of CSOs Inputs on GOCCs Ongoing and New Spending Projects and Activities
- 6.5 **Annex "F"** - Budget Preparation Calendar

7.0 SUBMISSION REQUIREMENTS AND TIMETABLE

- 7.1 GOCCs shall accomplish/submit the pertinent Budget Preparation (BP) forms containing FYs 2015 to 2017 required data/information using the specific guidelines attached as Annex B and C.
- 7.2 GOCCs shall submit to DBM four (4) hard copies of their Board-approved budget proposals, together with the Board Resolution approving the same, and the following additional information:
- 7.2.1 Outcomes and Outputs (Targets) using Performance-Informed Budget Structure;
 - 7.2.2 Program/Project Implementation Strategies for FY 2017;
 - 7.2.3 FY 2015 Actual Accomplishment;
 - 7.2.4 FY 2015 Annual Report; and
 - 7.2.5 Inventory of Equipment as required under NBC Nos. 438, 446 and 446-A.
- 7.3 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 2017 NEP.

² Refers to scaling up of activities in terms of policy change not previously approved such as scope, beneficiaries, and design or implementation.

- 7.4 The FY 2017 portion/column of the FY 2017 Budget Proposal under this Budget Memorandum shall already be considered as the GOCC COB of the said year, subject to updating/revisions in accordance with the final version of the NEP, for GOCCs receiving budgetary support from the national government.
- 7.5 Amounts indicated in the FY 2014 column of the prescribed Forms should be consistent with the available Annual COA Audited Financial Statements.
- 7.6 DBM will schedule Technical Budget Hearings (TBH) only for GOCCs that comply with the submission requirements.
- 7.7 All GOCCs shall submit their 2017 budget proposals and supporting forms/documents directly to the Budget and Management Bureau-Good Governance Sector (BMB-GGS), 3rd Floor, DBM Boncodin Hall, General Solano St., San Miguel, Manila, on or before April 22, 2016.


FLORENCIO B. ABAD
Secretary