

ANNEX B

SPECIFIC GUIDELINES

Annex B

Part A – Related to Budget Framework

1.0 Proper Disaggregation of GOCC Budget Proposal

GOCCs shall use DBM **Form 706** to reflect the FY 2017 budget proposal under their P/A/Ps. They shall prepare budget proposals that are implementation ready and well-coordinated, to preclude budgetary realignments during the budget execution phase.

2.0 Adoption of Program Convergence Budgeting (PB) for Inter-agency Programs/Projects

2.1 The priority inter-agency programs supportive of the key targets under the PDP and the President's Social Contract as well as the lead and participating departments/agencies that shall implement these identified priority programs mentioned in this CBM.

2.2 The participating GOCC identified in Annex **D** shall:

- Actively participate in the meetings called by the lead department/agency;
- Submit to the lead department/agency their assumptions/criteria for prioritization, targets, beneficiaries, focus areas and implementation timelines and resources corresponding to their contribution to the program using **DBM Form 707** (Program Expenditure Plan for existing and new proposals);

2.3 The lead and participating departments/agencies shall:

- Coordinate the activities of the different programs by sequencing the different interventions, such as infrastructure, education, health, enterprises, among others; and
- Secure active participation of the Regional offices in budget planning of priority programs. Central offices of departments shall guide and coordinate with their Regional Offices in determining the focus areas in each region, intervention required, and the intensity of resource allocation. This approach will provide for a more targeted and rational basis of resource allocation for discussion with the RDC, LGUs, and ROs of agencies.

2.4 The lead departments shall:

- provide guidelines/advisories to all participating agencies/GOCCs, as necessary;

- convene all the participating agencies/GOCCs to ensure consistency on assumptions, targets, beneficiaries, focus areas, and implementation timelines and resources;
 - consolidate the targets and funding requirements of identified programs for priority allocation for submission to DBM;
- 2.5 DBM shall inform the lead and participating agencies/GOCCs of the schedule of the Technical Budget Hearings to discuss the program components and implications of various funding requirements.
- 3.0 Consultations of GOCC COs and ROs with LGUs and various stakeholders.
- 3.1 Region-wide Infrastructure Project
- 3.1.1 The NEDA shall provide a list of priority programs and projects included in the Public Investment Program (PIP), Regional Development Investment Program (RDIP) or Three-year Rolling Infrastructure Program (TRIP) if already available. The TRIP aims to synchronize and streamline the infrastructure planning, programming and budgeting processes of the government, as well as, ensure that the respective agency/GOCC budget ceilings are allocated to priority infrastructure or other regionally-initiated socio-economic programs/projects that are responsive to the Philippine Development Plan (PDP) outcomes and Results Matrices (RM) targets.
- 3.1.2 RDCs shall:
- determine priority region-wide infrastructure projects and regionally-initiated priority socio-economic projects supportive of the Philippine Development Plan and Regional Development Plans based on the PIP, RDIP or TRIP prepared by NEDA.
 - submit recommendations to GOCC COs, copy furnished the GOCC ROs, on the relevance, efficacy and propriety of newly-identified and prioritized regional infrastructure and socio-economic programs and projects.
 - monitor and provide feedback on the impact and gaps of national government agency's region-wide ongoing programs/projects in their localities, as well as, suggest needed improvements in agency programs/projects.
- 3.2 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.

- GOCC ROs and COs shall enjoin CSOs and other stakeholders to assess and evaluate the existing programs and projects of government agencies and submit a report to DBM containing the inputs on the existing/ongoing and new/expanded P/A/Ps of GOCCs, using **Annex E**.

3.3 After the conduct of consultations with stakeholders, the GOCC shall give priority in the budget allocation, the project requests from all cities/municipalities.

3.3.1 GOCC RO shall:

- Incorporate the projects requested by the target LGUs;
- Submit the regional budget proposal to the GOCC CO for incorporation into the budget of the GOCC 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.

3.3.2 GOCC CO shall:

- Consolidate and submit to DBM using **Annex E**, the reports of the different regional offices incorporating the CSO recommendation and feedback/inputs (if deemed necessary), including recommendations of the LPRAT/RPRAT for BuB projects and from the GOCC CO-led consultations.
- Take into consideration the RDC endorsements, the GOCC CO shall submit a consolidated report to DBM containing the feedback on the P/A/Ps endorsed by RDCs.
- 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.

3.3.3 A consultation forum of the RDCs with selected GOCC COs shall be conducted to discuss RDC priority projects, as well as the final programs/projects to be submitted for congressional approval.

4.0 Information Communication Technology (ICT) Requirements

- 4.1 All ICT-pertinent budgetary requests shall be included in the GOCC budget proposals embodied in the BP Forms contained in this Budget Call.
- 4.2 GOCC submissions providing information on both existing and proposed ICT-related resources, programs, and projects, among other items, shall constitute a primary portion of GOCC participation to MITHI.
- 4.3 The ISSP as required for submission to the DOST shall continue to be mandatory, except that the DOST may consider GOCC participation in MITHI and the corollary submission as sufficient compliance with the requirement.
- 4.4 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.

5.0 Provision for Negros Island Region (NIR)

- 5.1 The PS, MOOE, FinEx and CO requirements necessary for the full operation of the NIR office shall be integrated in the GOCC budgets (those with Regional Offices) pursuant to Executive Order No. 183 dated May 29, 2015.

6.0 Other PFM Policies

6.1 Cost Recovery Measure

- 6.1.1 Consistent with AO 31, GOCCs shall continue to rationalize the rates of their existing fees and charges, and if found necessary, increase such rates and impose new fees and charges.

6.2 Funding requirements related to the implementation of the following forms shall be included in DBM Form No. 706:

- Creation and Strengthening of an Internal Audit Service (IAS)/Unit and Management Division/Unit
- Pursuit of ISO 9001:2015 certification of the Agency's Quality Management System (e.g., conduct of trainings, seminars and/or workshops).

6.3 Unified Accounts Code Structure (UACS)

- 6.3.1 Pursuant to COA-DBM-DOF Joint Circular 2014-1 which took effect on January 1, 2015, the UACS MFO/PAP code was enhanced to 15 digits that include the Sector Outcome and Horizontal Program Codes. All P/A/Ps shall utilize the 3 digit sub-sector code for Sector

Outcome and the 2-digit horizontal program code as specified in the Joint Circular. The entire 15 digit MFO/PAP code is required to be utilized and included in DBM Form 700.

- 6.3.2 In line with the Government's actions to improve reporting of the geographical location of financial information the Agencies budget proposal shall now include location coding. To accomplish this, the UACS Location Code for Region and Province is required for all Capital Outlay (GASS and STO), all Operations P/A/Ps, and all Projects P/A/Ps. The location code utilized for these shall be the recipient (beneficiary region and province) of these expenditures. The UACS Location Code is required to be utilized and included in DBM Form 700.

Part B – Related to Formulation of Tier 1 (Forward Estimates)

1.0 GENERAL GUIDELINES

For purposes of the FY 2017 budget proposal, the Tier 1 (Forward Estimates) pertains to the annual funding requirements to implement activities, programs and projects which are on-going or approved as reflected in the 2016 General Appropriations Act (GAA). The GOCCs shall compute their Tier 1 (FEs) in consultation with their respective counterpart in the DBM, pursuant to the herein prescribed guidelines.

- 1.1 The Tier 1 (FEs) shall be used to determine the allocable amount remaining from the total obligation ceiling that will be set aside to fund new and expanded¹ development programs and projects for 2017 which are responsive to the BPF. The requirements of these new and expanded programs shall be limited to the annual percentage increase of the total obligation ceiling approved by the Development Budget Coordination Committee (DBCC) and shall be ranked according to priority/importance/urgency.
- 1.2 Any adjustment to the annual performance targets under Tier 1 shall be limited to those that are already approved by the President or the National Economic and Development Authority (NEDA) Board or other pertinent approving committees.
- 1.3 The FY 2016 GAA shall be the basis for determining only the list of on-going programs/projects as well as the level of targeted outputs and outcomes for the year.
- 1.4 The budgetary requirements of programs and projects for the three out-years (2017-2019) under Tier 1 shall be based on the absorptive capacity of the GOCC as indicated by the actual or estimated full year obligation for 2015 using the latest available report on obligations and historical data, adjusted for parameter changes related to foreign exchange and inflation, but net of the allocation for non-recurring expenditure items and completed projects and/or programs.
- 1.5 The estimated cost of ongoing programs for a three-year period shall also consider the assumptions adopted during the FY 2016 budget preparation or the assumptions used in the Medium-Term Expenditure Program (MTEP) approved by the DBCC for the GOCC if any, while the budgetary requirements of projects shall be based on the approved and updated project profiles reflecting the latest approved changes in implementing schedules and costs approved by the ICC/Head of GOCC, whichever is applicable.

¹ Refers to scaling up of activities in terms of policy change not previously approved such as scope, beneficiaries, and design or implementation.

1.6 Additional expenditure items and parameter changes that must also be included in the Tier 1 (FEs):

1.6.1 Adjustments arising from changes in macro-economic parameters, namely, foreign exchange rate and inflation rate changes.

1.6.1.1 The foreign exchange rate of P45.50 : \$1.00 shall be used in determining the peso equivalent of foreign currencies. This rate shall be applied until FY 2019.

1.6.1.2 The inflation rate of 3.0 percent shall be used to adjust indexed items which are those mandatory expenditure items that may be affected by the change in the prices of commodities. While non-indexed items² which are based on contract/rate and those with fixed amount shall not be indexed with inflation. The indexed MOOE items shall be multiplied to the cumulative indexation factor for the respective year, as shown below:

YEAR	INFLATION	FACTOR
2016 (Base)	3.0%	-
2017	3.0%	1.03
2018	3.0%	1.06090
2019	3.0%	1.09273

1.7 GOCCs shall also consider the following factors in formulating the Tier 1 (FEs) in consultation with DBM counterparts:

1.7.1 Implications of the existing policies and their consistency with the BPF and/or latest Results Matrices (RM) of the Philippine Development Plan (PDP) to determine the total or medium-term target outputs, if possible until 2019;

1.7.2 Cost assumptions or estimates such as but not limited to the standard cost per kilometer, per capita costs or other available standard cost or historical cost;

² As provided in item 4.1.1.3.1 of BPG 2015-1, non-indexed MOOE items include Rents, Professional Services, Subscription Expenses, Membership Dues and Contributions, Confidential and Intelligence, Extraordinary and Miscellaneous Expense, Awards and Indemnities, Subsidies and Donations, Taxes and Premiums, Labor and Wages, Rewards and Other Claims and other expenses based on contract/rate or with fixed amount.

- 1.7.3 Historical financial and physical performance of the GOCC to consider reasons for the delays or progress experienced in the implementation of activities; and
- 1.7.4 Estimated performance level for the budget year as indicated in the 2016 GAA.
- 1.8 The following items shall not be included in the computation of the Tier 1 (FEs):
 - 1.8.1 Budgetary requirements of the PAMANA and Bottom-Up Budgeting (BUB) program and Congressional initiatives, if any, including the activities and projects attributed to it. The requirements for the PAMANA and BUB projects shall be included and discussed during the Tier 2 budget preparation process; and
 - 1.8.2 On-going activities that are already terminating and other non-recurring items that will not require funding in the forward years.
- 1.9 The GOCC shall likewise determine the funding requirements for Capital Outlays based on the assumptions cited below and make the necessary adjustment, if needed:
 - 1.9.1 Capital Outlays due to on-going multi-year programs and projects shall be presented by infrastructure and non-infrastructure components, with the infrastructure outlays broken down by project and sub-project categories³. This will help the government map out its existing infrastructure outlay requirements and determine the investment gap necessary to meet its medium-term infrastructure program.

2.0 GENERAL FORMULA

- 2.1 Tier 1 = FE (Year 1) = Annual cost of on-going programs and projects based on actual obligation for FY 2015 less terminating program or projects less non-recurring expenditure items plus/minus change in parameter adjustments and other expenditure items enumerated under Section 1.7.

3.0 CONDUCT OF TECHNICAL DISCUSSIONS ON THE TIER 1

- 3.1 The GOCCs may coordinate with their counterparts in the DBM to clarify the basis and assumptions, including other concerns in formulating their Tier 1 (FEs).

³ For complete listing of categories under the infrastructure component consistent with the TRIP guidelines, please refer to Annex A

- 3.2 The formulated FYs 2017-2019 FEs shall be discussed during the Tier 1 TBH to finally confirm the assumptions used, the list of proposed policies and measures for the three-out years to improve performance, including the phasing of outputs and implementation schedules of programs and related activities and projects.

Annex A – Additional List of Infrastructure Outlays

- 1.0 In line with the preparation of the new expenditure proposals for budgeting, please be guided by the additional types of infrastructure programs/projects that shall be considered as Infrastructure Outlays.
 - 1.1 Transport Infrastructure
 - 1.1.1 Signage and markings, electrical systems (street lighting and traffic lights), edge treatments (curbs, sidewalks, landscaping), and maintenance depots and rest areas;
 - 1.1.2 Mass transit system including bus transportation;
 - 1.1.3 Lighthouses;
 - 1.1.4 Aircrafts including navigational systems;
 - 1.1.5 Bicycle paths and pedestrian walkways, including pedestrian bridges, pedestrian underpasses and other specialized structure for cyclists and pedestrians; and
 - 1.1.6 Ferries and watercrafts
 - 1.2 Water Management
 - 1.2.1 Coastal management including structure such as seawalls, breakwaters, floodgates, as well as the use of soft engineering techniques such as protection of mangrove forest and coastal wetlands and other related facilities
 - 1.3 Information and Communications Technology
 - 1.3.1 Internet including the internet backbone, core routers and server farms, local internet providers as well as the protocols and other basic software required for the system to function and other related IT equipment
 - 1.4 Solid Waste Management
 - 1.4.1 Garbage and recyclables collection major equipment/facilities;
 - 1.4.2 Solid waste incinerators and plasma gasification facilities;
 - 1.4.3 Materials recovery facilities; and
 - 1.4.4 Hazardous waste disposal facilities.
 - 1.5 Earth Monitoring and Measurement Networks
 - 1.5.1 Meteorological monitoring networks;
 - 1.5.2 Tidal/Storm surge monitoring networks;
 - 1.5.3 Seismometer networks;

- 1.5.4 Earth observation satellites; and
- 1.5.5 Global Positioning System.

1.6 Agriculture

- 1.6.1 Agricultural infrastructure, including specialized food and livestock transportation and storage facilities, agricultural warehouses, logistics and value chain support; and
- 1.6.2 IT and civil works of price support system, experimental farms and agriculture research centers, testing facilities and schools, IT and civil works of licensing and quota management system.

1.7 Natural Resources

- 1.7.1 Forestry and fisheries infrastructure, including IT and civil works of enforcement system against poaching, forest wardens and fire fighting and reforestation activities, and other related facilities.

1.8 Defense Infrastructure

- 1.8.1 Emergency services, such as police, fire protection and ambulance, including specialized vehicles, buildings, communications and dispatching systems; and
- 1.8.2 Military infrastructure¹, including military bases, arms depots, training facilities, command centers, communication facilities, major transport vehicles like trucks, aircraft and ships.

2.0 The following shall also be classified under Infrastructure Outlays:

- 2.1 Subsidy for GOCCs, which are in the nature of infrastructure;
- 2.2 Development Fund or the twenty percent (20%) from the Internal Revenue Allotment (IRA); and
- 2.3 Special Shares of LGUs, which are in the nature of infrastructure.

¹ In the case of confidential military infrastructure, the project title and lumped project costs shall be provided to the NEDA Secretariat.