



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA

BUDGET CIRCULAR

No. 2022 - 3
October 19, 2022

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including Constitutional Offices Enjoying Fiscal Autonomy; State Universities and Colleges (SUCs); Government-Owned or -Controlled Corporations (GOCCs); Local Water Districts (LWDs); Local Government Units (LGUs); and All Others Concerned

SUBJECT : Guidelines on the Grant of the Collective Negotiation Agreement (CNA) Incentive for FY 2022

1.0 Background

- 1.1 Administrative Order (AO) No. 135¹, s. 2005 authorizes the grant of the 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 Authorizing the Grant of Collective Negotiation Agreement (CNA) Incentive to Employees in 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

- 1.3 Section 79 of the General Provisions of the FY 2022 General Appropriations Act (GAA) provides the rules in the grant of the CNA Incentive, to wit:

“Sec. 79. Rules in the Grant of Collective Negotiation Agreement Incentive. Departments, bureaus, and offices of the National Government, including Constitutional Offices 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 use of MOOE for the payment of CNA Incentive shall be subject to approval by the agency head and made only during the validity of appropriations. Any excess amounts therefrom 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 dated December 21, 2011 mandates that the harmonized Results-Based Performance Monitoring System shall be used as a basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel, including the CNA Incentive.

2.0 Purpose

This Circular is issued to provide the policy and procedural guidelines on the grant of the CNA Incentive for FY 2022, pursuant to the laws and executive issuances stated in Item 1.0 hereof.

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 national government agencies (NGAs), including Constitutional Offices

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

enjoying fiscal autonomy, SUCs, GOCCs, LWDs, and LGUs, whether or not covered by Republic Act (RA) No. 6758⁴ dated August 21, 1989:

- 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);
- 3.2 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, Constitutional Offices, SUC, GOCC, LWD, or LGU.

The registration of the employees' organization of its respective CNA with the CSC is not a condition precedent for the grant of the CNA Incentive.

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

4.1.2 Accomplishment of Targets

- (a) The NGAs, including Constitutional Offices enjoying fiscal autonomy, SUCs, and GOCCs not covered by RA No. 10149⁶ dated June 6, 2011 should have accomplished, by September 30, 2022, at least an average of 70% of all the targets for all the organizational outcomes/performance indicators under their respective

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

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

FY 2022 budget approved by Congress, or the approved FY 2022 Corporate Operating Budget (COB), whichever is applicable.

- (b) GOCCs covered by RA No. 10149 should have accomplished, by September 30, 2022, 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. 2017-02⁷ dated June 30, 2017.
- (c) LWDs should have a positive net balance in the average net income for the period January 1 to September 30, 2022, to be validated by the Local Water Utilities Administration.
- (d) LGUs should have accomplished, as of September 30, 2022, at least an average of 70% of all the targets under their programs/activities/projects approved in the LGU budget for FY 2022.

4.1.3 *Submission of Accountability Reports*

The NGAs, including Constitutional Offices enjoying fiscal autonomy and SUCs, should have submitted to DBM their respective accountability reports as of September 30, 2022 pursuant to Commission on Audit (COA)-DBM Joint Circular No. 2014-1⁸ dated July 2, 2014, as amended by COA-DBM JC No. 2019-1⁹ dated January 1, 2019.

4.2 **Rate of the CNA Incentive**

- 4.2.1 The rate of the 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.

⁷ Interim Performance Evaluation System for the GOCC Sector

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

⁹ Updated Guidelines Relative to Budget and Financial Accountability Reports (BFARs) Starting FY 2019

4.3 Fund Sources of the CNA Incentive

4.3.1 *For NGAs, Including Constitutional Offices and SUCs*

The CNA Incentive shall be sourced solely from the available balances of allowable Maintenance and Other Operating Expenses (MOOE) allotments, as originally appropriated, after considering the FY 2022 requirements, provided further that the same have become available as a result of cost-cutting and systems improvement measures undertaken collectively by the agency and its personnel, as identified in their respective CNA and supplements thereof. Such fund sources shall be limited to the following MOOE items defined under the Government Accounting and Auditing Manual:

- (a) Communication Expenses;
- (b) Repairs and Maintenance;
- (c) Supplies and Materials Expenses;
- (d) Transportation and Delivery Expenses;
- (e) Traveling Expenses; 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
- 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 Items under Personnel Services, other MOOE, and/or Capital Outlay shall not be used to increase allowable MOOE items as fund source for the FY 2022 CNA Incentive.

4.3.4 *For GOCCs*

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2022, as enumerated in Item 4.3.1 hereof, under their respective approved COBs, provided that the following conditions are complied with:

- a. Actual operating income for the period January 1 to September 30, 2022 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 September 30, 2022 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 dated November 9, 1993.

4.3.5 *For LWDs*

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2022, as enumerated in 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 2022, as enumerated in 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, 2022.**
- 4.4.2 It cannot 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. COA*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, GOCCs, and LWDs, respectively.

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

¹¹ 384 SCRA 548

- 4.4.5 Agencies are advised that additional funds can no longer be provided during the remainder of the current year for those program, projects, and activities covered by the MOOE allotments which are to be modified to fund the CNA Incentive.

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 under Section 79(d) of the General Provisions of the FY 2022 GAA, the payment of the CNA Incentive shall be subject to the approval by the Agency head and made only during the validity of appropriations. 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 employees' organizations in the regional offices have been accredited by the CSC as the negotiating agent/s, 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.
- 5.3 Agencies shall utilize the Modification Advice Form (MAF) for recording purposes of the payment of CNA Incentive in the agency books, as prescribed under National Budget Circular No. 587¹² dated January 3, 2022.

¹² Guidelines on the Release of Funds for FY 2022

6.0 Reportorial Requirement

Each NGA and SUC shall submit online to the DBM's Budget and Management Bureau or Regional Office concerned not later than January 31, 2023, the annual report on the grant of the CNA Incentive by following the template in Annex "A."

In this regard, the NGAs and SUCs shall encode the required details/information, as well as upload the scanned copy of the report using the following link <https://www.dbm.gov.ph/add-cna-report>.

Agencies are enjoined to fully abide by the aforementioned reportorial requirement. The Budget and Management Bureau or Regional Offices concerned shall ensure strict compliance of the agencies with the reportorial requirement set forth in this Circular.

7.0 Responsibility of Agency Heads

Agency heads and accountable officers shall be responsible for the proper 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 after publication in the Official Gazette or in a newspaper of general circulation.


AMENAH F. PANGANDAMAN
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	XXX
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

Tally of Recipients per Amount/Range:

	Amount of CNA Incentives						Total
	Below P5,000	P5,001- P10,000	P10,001- P15,000	P15,001- P20,000	P20,001- P24,999	P25,000	
No of Recipients							

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