



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

NATIONAL BUDGET MEMORANDUM

No. 143
Date: April 28, 2022

For : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Other Instrumentalities of the National Government, and all Others Concerned

Subject : **BUDGET PRIORITIES FRAMEWORK FOR THE PREPARATION OF THE FY 2023 AGENCY BUDGET PROPOSALS UNDER TIER 2**

1.0 PURPOSE

This FY 2023 National Budget Memorandum (NBM) is being issued to provide the departments, agencies, and other entities with the following:

- 1.1 The key strategies and programs/projects which will be prioritized for funding under the fiscal space for Tier 2 as they respond to either a deficiency in the current targets and/or emerging directions in the different sectors; and
- 1.2 The specific guidelines in the formulation of the Tier 2 proposals which shall be submitted on May 31, 2022.

The final macroeconomic assumptions and fiscal aggregates for the FY 2023 Budget as approved by the Development Budget Coordination Committee (DBCC), as well as the information on the resulting fiscal space, shall be issued separately.

2.0 EXPENDITURE DIRECTIONS FOR FY 2023

As we move forward, resuming economic activity, and start rebuilding after more than two (2) years of being in the coronavirus disease (COVID-19) pandemic, priority will be given to health-related expenditures, disaster-risk management, social security, digital economy/government, local government support, and growth-inducing expenditures such as crucial and shovel-ready infrastructure projects, among others. These will be pursued considering environmental and social aspects, as we enter the Anthropocene or the Age of Humans, and continue being committed to the United Nations' Sustainable Development Goals¹ (SDGs).

The expenditure directions for FY 2023 are crafted based on the priorities identified by the National Economic and Development Authority (NEDA) which are aligned with the Updated Philippine Development Plan 2017-2022. These are likewise consistent with the

¹ To support the attainment of SDGs by 2030, the DBCC created the Sub-Committee on SDGs. It monitors the country's progress in attaining the 17 development goals, reviews SDG-related programs and policies, and submits recommendations to the cabinet level of the DBCC. Likewise, the Senate Committee on SDGs, Innovation, and Futures Thinking has been established to assess the country's performance in attaining these development goals.

objectives outlined in Executive Order No. 166 s. 2022², which adopts the ten-point policy agenda to accelerate and sustain economic recovery from the COVID-19 pandemic.

2.1 Infrastructure Development

2.1.1 Sustaining the Build, Build, Build Program

The National Government's (NG) massive investments in infrastructure development, through the Build, Build, Build (BBB) Program, continues as the bedrock strategy supporting the country's economic growth. However, the COVID-19 emergency health situation brought unprecedented challenges resulting in significant delays in the completion of projects and the reduction in the available fiscal space that can be allocated for the infrastructure portfolio. This called for a review and reprioritization of the BBB Program, with the government taking into account emerging priorities under the new normal as well as those with high economic impact.

While the pandemic remains a major shock to economic activities since 2020, its impact is seen to become less pronounced in the coming years. Hence, the government shall continue the country's infrastructure program to sustain economic recovery and build greater resiliency.

2.1.2 Addressing Risks for Infrastructure Projects

The Plan-Program-Budget linkage will continuously be strengthened, and only shovel-ready infrastructure programs/activities/projects (PAPs) shall be considered in the FY 2023 National Budget. Implementing agencies (IAs) shall ensure that their proposals are included in the NEDA programming documents as prescribed under NBM No. 142. The proposals shall also be aligned with existing master plans and roadmaps for the infrastructure sector aimed at a more integrated development planning responsive to the country's needs.

Operational issues hampering project implementation shall be identified and the early resolution of bottlenecks shall be aimed for the timely movement and completion of priority PAPs.

2.1.3 Promoting Convergence Programs for Infrastructure Development

The concerned IAs shall strengthen program convergence efforts and inter-agency collaborations to fully realize the optimal benefits of infrastructure PAPs. Tapping the efficiency and expertise in project delivery and management of the private sector shall also be encouraged to supplement government efforts and augment public resources, especially for air and water transport projects.

2.1.4 Climate Change Adaptation and Disaster Resilience

Disaster risk resilience and climate change adaptation measures shall be incorporated in the design of proposals. Asset management planning and innovative maintenance strategies shall also be implemented to improve the infrastructure system's performance.

2.1.5 Strategic Infrastructure for the Priority Subsectors

2.1.5.1 Transport Infrastructure

Investments in transport infrastructure shall be anchored on the National

² Adopting the Ten-Point Policy Agenda to Accelerate and Sustain Economic Recovery from the COVID-19 Pandemic, and Directing a Whole-of-Government Approach to Align All Economic Recovery Programs and Measures of the National Government

Transport Policy (NTP)³ and must secure the unimpeded flow of people, goods, and services, especially during emergencies. Hence, the provision of an efficient and reliable mass public transport system and alternative modes of transport must be prioritized.

2.1.5.2 Social Infrastructure

The construction, renovation and rehabilitation of educational facilities shall be at the forefront to: (1) support the students and teachers in geographically isolated and disadvantaged and conflict-afflicted areas (GIDCAs); and (2) ensure learning continuity, whether through limited face-to-face classes or alternative education platforms. Meanwhile, infrastructure proposals for the health sector must follow the objectives laid out in the Philippine Health Facility Development Plan (PHFDP) 2020-2040.

2.1.5.3 Energy

The energy sector must continue its transition to the low carbon energy future envisioned in the Philippine Energy Plan (PEP) 2020-2040 by encouraging the development of downstream natural gas, renewable energy, and alternative sources of energy.

2.1.5.4 Information and Communication Technologies (ICT) Infrastructure

The increased demand for quality internet connection calls for the simultaneous implementation of an enhanced common towers policy and the establishment of a one-stop shop facility in securing permits and clearances for digital infrastructures. The NG shall also encourage and capacitate LGUs in promoting wider use of ICT to improve both public and private services.

2.2 Human Capital Development

According to the World Bank's Systematic Country Diagnostic, the Philippines has a Human Capital Index (HCI) score⁴ of 0.55 in 2018, which implies that deficiency in education, health, and nutrition will affect the future productivity of an average Filipino child to fall 45.0 percent below his or her potential. However, in the midst of the COVID-19 pandemic, the country's HCI has further declined to 0.52 in 2020. To prevent the pandemic from further reversing our gains, the government shall continue to support and strengthen the following sectors:

2.2.1 Health

The government shall continue to support reforms in nutrition and health consistent with landmark legislations such as the Universal Health Care Act (RA No. 11223) and the *Kalusugan at Nutrisyon ng Mag-Nanay Act* (RA No. 11148). Likewise, this will also cover the implementation of the Mental Health Act (RA No. 11036) made more relevant by the involuntary shifts in lifestyle and working conditions brought about by the COVID-19 pandemic.

The country's recent experience during the pandemic has highlighted the need to strengthen our health systems. Specifically, focusing on the enhancement of primary health care facilities as the entry point of patients with the health system pursuant to the framework of the UHC Act. To supplement the infrastructure

³The NTP was formulated to help achieve the Transport Vision of a "safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system that ensures improved quality of life of the people".

⁴ Provides an indication of the impact of human capital on future growth prospects, measured through five index components: enrollment data, child mortality, harmonized test scores, stunting rates, and adult mortality.

requirements, the collective capacity of the health system to provide health services should also be improved.

Furthermore, the importance of health and living a healthy lifestyle will be emphasized. In line with this, the government shall continue to promote nutrition and health-related interventions and services, especially during the first 1,000 days⁵ of life for mother and child. To address the country's nutrition crisis, the government shall adopt a multisectoral approach to the causes of childhood malnutrition by providing nutrition-specific and nutrition-sensitive interventions. These interventions are meant to reduce the hunger incidence in the country, wherein the recent Social Weather Stations (SWS) survey has shown that 11.8 percent or an estimated 3.0 million Filipino families experienced involuntary hunger⁶ during the last quarter of 2021.

The government shall also continue to accelerate and expand the COVID-19 Vaccination Program, a priority identified in the Ten-Point Policy Agenda, and encourage acquiring the routinely recommended vaccination for infants and children to reduce morbidity and mortality among children against the most common vaccine-preventable diseases. Lastly, the government shall intensify the implementation of the Family Planning Program, focusing on sexual and reproductive health services for women-of-reproductive age to prevent adolescent or early pregnancy.

2.2.2 Education

Several concerns on access and quality of education emerged as flexible learning is implemented, including the decline in enrollment and completion rates, and low student performance. To address this, there is a need to continue and effectively implement online and blended learning modalities in basic and higher education, and technical vocational education and training (TVET). Alternative assessment and certification methods shall also be developed and institutionalized to evaluate student performance, determine skills gaps, and validate skills acquired.

As restrictions become less stringent, it is important to ensure the safe return to in-person schooling (i.e., vaccination, well-ventilated classrooms, availability of water, sanitation, and hygiene [WASH] facilities), while continuously strengthening and providing for the requirements of distance learning. Crucial to the success of these efforts is addressing the worsening inequality, especially due to digital divide⁷. Part of the solution can be through the aggressive implementation of the DepEd Computerization Program, Last Mile Schools Program, and Alternative Learning System (ALS) Program.

Moreover, the implementation of student financial programs⁸ shall be enhanced and its sustainability shall be ensured. Various scholarship and grants-in-aid programs shall be harmonized and monitoring of tuition and other school fees being charged by higher education institutions (HEIs) and technical vocational institutions (TVIs) to the government shall be pursued.

⁵ Covering pregnancy and the first two years of life

⁶ Being hungry and not have anything to eat

⁷ Issues of expensive, slow, and unreliable internet connection, and added expenses for devices are major challenges to enable the use of flexible learning modalities, especially for those who are poor and in GIDAs.

⁸ Government Assistance to Students and Teachers in Private Education (GATSPE); Student Financial Assistance Programs (Universal Access to Quality Tertiary Education, TESDA Scholarship Programs), among others

Meanwhile, a recent study¹⁰ of the NEDA showed that the increase in investment in education in the Philippines resulted in improved access but did not translate to better learning outcomes. The government should address the low student performance which can be attributed to: a) passive student attitude; b) parental involvement and parents' educational attainment; c) shortage of subject-specialized and high-quality teachers, inadequate/lack of school facilities and learning materials, congested curriculum, and inability of school leaders to innovate; and d) school location and limited local government support.

Similarly, the NEDA estimated that distance learning in the Philippines is only 37.0 percent¹¹ as effective as face-to-face learning. The implementation of catch-up programs and innovative approaches are necessary to manage the impact of the prolonged remote learning on outcomes.

2.2.3 Social Protection

The pandemic, volatile fuel prices, and natural and human-induced disasters and emergencies have amplified the vulnerability of the poor and near-poor in the country, as seen in their difficulty in accessing food and other essential goods and services and earning sufficient income. According to the Philippine Statistics Authority (PSA), poverty incidence among the Filipino population stood at 23.7 percent for the first semester of 2021, which compares to the 21.1 percent recorded in the same period of 2018.

As part of the government's strategy during the said crises and moving forward, social protection shall be continually provided especially in the form of subsidies for affected individuals and households from disadvantaged sectors. Related to this, the creation and use of registries is crucial for the effective implementation of targeted social protection programs. The fasttracking of the implementation of the Community-Based Monitoring System (CBMS) Act and the Philippine Identification System (PhilSys) Act, and the integration of the data from the CBMS and other existing registries and configuration to be interoperable with the PhilSys are critical at this point.

In addition, due to the higher National Tax Allotment (NTA) that the LGUs receive starting 2022 pursuant to the Supreme Court's ruling on the Mandanas-Garcia Case¹², the LGUs shall be capacitated to deliver devolved social protection assistance and services¹³.

2.2.4 Labor and Employment

The labor and employment sector is beset with concerns on long-term scarring in the labor market, which includes rising informal employment (i.e., shift from wage and salary or formal employment to informal employment, majority of which are self-employment), and disproportionate impact of the COVID-19 pandemic disruptions in education, employment, and earning for young and prime-age workers. Also, large reallocation of jobs across sectors, and

¹⁰ Factors Affecting Learning Outcomes of Filipino Students

¹¹ This assumes that the module system is around as effective as the ratio of the Philippines' Programme for International Student Assessment (PISA) score to the USA's PISA score. The resulting ratio is 71.0 percent and gives us the estimated effectivity of module learning as: $52\% \times (100 - 29) = 37\%$

¹² SC ruling expands the Internal Revenue Allotment base computation to include ALL national taxes, encompassing NIRT and customs duties with a prospective application, starting 2022.

¹³ Devolved programs/activities/projects to LGUs that are evaluated to have sufficient resources and capacities include programs for rebel returnees; relief operations and population development services; programs for child and youth, family and community; welfare programs for women, elderly, and persons with disabilities; community-based rehabilitation programs for vagrants, beggars, street children, juvenile delinquents; livelihood and other pro-poor projects; and social welfare services such as maintenance of day-care centers (FY 2022 National Budget Call)

modification of firms' business models (i.e., digital transformation and automation) could also create long-term effects on the labor market, and may exacerbate jobs and skills mismatch.

The NG shall be on top of upskilling and reskilling of the labor force through implementing measures that support continuing education, digital learning, training, and redeployment. Moreover, the NG shall continue to strengthen financial and technical assistance programs for workers, and capacitate critical groups severely-hit by the pandemic, such as those engaged in tourism, transport, agriculture, and information and technology, as well as young entrepreneurs, start-ups, and overseas Filipino workers for a more adaptive workforce post pandemic.

2.3 Food Safety and Security

Given the impact of the pandemic and other persisting issues (i.e., climate and weather disturbances, and pest and animal diseases) in the Agriculture, Forestry, and Fisheries (AFF) sector, food safety and security become more paramount. Thus, the need to ensure a safer, more sustainable, and resilient production through the adoption of relevant technology. The intensification of research and development (R&D) in the AFF sector shall be pursued, particularly those activities supporting the development and commercialization of climate and disaster-resilient technologies and the development of eco-friendly pest and disease management control strategies.

IAs must also prioritize the development of innovative technologies for processing and packaging to prolong the shelf-life and improve the nutritional content of agriculture and fishery products. In addition, the strict implementation of food safety, quality, and quarantine measures across all segments of the value chain must be ensured to strengthen the government's regulatory actions.

Activities that aim to link small farmers and fisherfolks (SFFs) with industrial level agribusiness enterprises shall be strengthened. In order to expand the access of SFFs to markets, interventions that provide efficient transport and logistics systems of goods and services to GIDAs shall be prioritized. Further, the utilization of online or digital channels for marketing, sales, and delivery of services shall be pursued and developed.

2.4 Climate and Disaster Risk Resilience, and Environmental Management and Protection

In 2021, the Philippines ranked as the fourth most affected country by extreme weather events for the period 2000-2019 in the Global Climate Risk Index¹⁴. As the country is exposed to risks caused by extreme climate events and natural/biological hazards, efforts in increasing climate and disaster risk resilience and environment protection must also be intensified. Support shall be given to programs and interventions that underpin building Climate Change Adaptation, Mitigation, and Disaster Risk Reduction (CCAM-DRR) resilience.

Concerned IAs shall continue PAPs that contribute to different convergence programs aimed to intensify law enforcement, protection and management measures of different environment and natural resources. Likewise, support shall also be given to those which will increase the use of innovative technologies and the development of digital platforms. The streamlining of policy and capacity development in handling and

¹⁴ Germanwatch. *Global Climate Risk Index 2021*.
https://germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf

management of bio-medical wastes (protocol on proper disposal and treatment) shall also be prioritized.

2.5 Enterprise Development

The reliance on digital transactions resulted in the rise of digital technology and digital transformation as key enablers of activities. However, the use of digital technologies in the Philippines is still below its potential, with the country's digital adoption trailing behind many regional peers. Hence, supporting the three major broad strategies¹⁵ of the National Broadband Plan (NBP), the country's blueprint in building information structures (infostructures) for a digital nation, shall be prioritized.

The government shall also provide the necessary interventions and incentives to accelerate investment in the telecommunications and ICT sector, particularly in remote areas. The full implementation of the Ease of Doing Business and the Efficient Government Service Delivery Act shall supplement this thrust. To sustain the momentum of pervasive infostructure development, measures to stimulate demand and increase broadband take-up rate shall also be established.

Equally important are investments in analog complements such as skills, regulations, and institutions to leverage the old economy (i.e., pre-digital transformation). Operationalizing the strategies¹⁶ under the Inclusive Innovation and Industrial Strategy (i3s) will contribute in increasing the competitiveness, innovativeness, and resilience in all sectors. Moreover, the adoption of appropriate technologies, with complementary training programs, will enable startups and micro, small and medium enterprises (MSMEs) to strengthen linkages to local and international markets.

Human capital development shall be supported with policies promoting the transformation of jobs, facilities, processes, and future skills needs. The reskilling and upskilling of workforce in the information technology (IT) and business process management sector and other labor-intensive manufacturing sectors must be pursued to leverage technological advancements.

The development of the country's digital financial infrastructure shall also be promoted to ensure the readiness of the financial system to shift towards a cash-lite economy, following the widespread use of financial technologies (fintechs). The government shall fasttrack the implementation of e-governance projects, which will help promote greater inclusivity, improve efficiency, and enhance security.

2.6 Science, Technology, and Innovation (STI)

The STI sector has been set back by several issues thereby preventing it from achieving its full potential over the past years. Hence, there is a need to advance and support the health and resilience of the country through the use of digital technology.

In order to scale up the adoption of technology in the agriculture, industry, services, and health sectors, there is a need to intensify the rollout of available technologies which can be used during pandemic, state of calamities, emergencies, among others.

¹⁵ (1) establishment of policy and regulatory reforms; (2) government investment in broadband infostructure; and (3) stimulation of broadband demand

¹⁶ The i3s is based on five major pillars aimed at pursuing the following strategic actions in coordination with other government agencies, industry, and academe: (1) building new industry, clusters, and agglomeration; (2) capacity-building and human resource development; (3) MSME growth and development; (4) innovation and entrepreneurship; and (5) ease of doing business and investment environment.

The field of health research and development shall be further strengthened by prioritizing investments in the country's health research institutes including the Virology Science and Technology Institute of the Philippines and the Philippine Genome Center, among others. This shall be supported by the government's aggressive promotion of the enhanced benefits and incentives under the Balik Scientist Program along with the Department of Science and Technology's (DOST) strategic international collaboration with scientists, virology centers, and institutes. In addition, state universities and colleges (SUCs) are also encouraged to invest in the enhancement of the quality of program offerings, through improvements in facilities and faculty development, in order to explore offering science and engineering programs.

2.7 Transition to Full Devolution

As the transition to the implementation of the full devolution of certain functions from the Executive branch to the LGUs continues, agency programs shall be consistent with DBM approved Devolution Transition Plans (DTPs), or the DTPs duly endorsed by its Devolution Transition Committee if the plans are still for approval by the DBM.

Specifically, the National Government Agencies (NGAs) and Government-Owned or Controlled Corporations (GOCCs) shall focus on the development of service delivery standards and the provision of technical assistance for LGUs. This is in line with the strengthening of their oversight functions, shifting from "rowing" to "steering". NGAs and GOCCs concerned shall coordinate with LGUs to ensure alignment of national, regional, and local priorities and objectives, as well as the smooth implementation of the NGA and LGU DTPs. NGAs and GOCCs may come up with mechanisms to incentivize LGUs to take on the devolved functions and services, such as entering into memoranda of agreement with the LGUs for the provision of technical assistance. Consistent with this, NGAs are also enjoined to design programs that will complement LGU programs instead of duplicating them.

NGAs shall also treat LGUs as partners in development and consider cost-sharing arrangements in the implementation of local projects. Funding support for local projects shall be limited to LGUs belonging to the 5th and 6th income classes, the GIDAs as well as those with the highest poverty incidences, ranked in top third highest. In addition, agencies implementing functions and services for devolution shall include in their budget proposals the funding requirements for capacitating their agencies and said LGUs to deliver the devolved services under agency supervision and/or monitoring.

3.0 FORMULATING THE TIER 2 PROPOSALS

3.1 Composition of Tier 2 Proposals

The agency proposals under Tier 2 for FY 2023 shall consider the following expenditure components, including their multi-year requirements for FY 2024-2025:

- 3.1.1 Proposals for high priority new and expanded PAPs which are implementation-ready, included in the Public Investment Program and FY 2023-2025 Three-Year Rolling Infrastructure Program (TRIP), and with Investment Coordination Committee (ICC) approval by March 31, 2022.

Importance shall be given to infrastructure projects that will provide for basic services such as adequate access to electricity, water supply and sanitation, and health infrastructures, upgrading and expansion of the transportation facilities to address the mobility requirements, and expansion of the country's digital infrastructure to ensure digital transformation;

- 3.1.2 Proposals for the scaling up of activities in terms of policy change not previously approved such as scope, beneficiaries, design or implementation schedule; and
- 3.1.3 Essential operations, maintenance, asset replacement and minor capital cost, including funding required for technical assistance programs to LGUs and those under the Organizational Effectiveness Proposals (OEPs) of agencies as a result of the devolution of functions to LGUs¹⁶.

A list of Tier 2 inclusions by allotment class are detailed in Annex A of NBM No. 142 – National Budget Call for FY 2023. Agencies are reminded to tightly prioritize their proposals given the limited fiscal space.

3.2 Formulating the Tier 2 Proposals

- 3.2.1 The foreign exchange rate of **P50.50:\$1.00** shall be used for the computation of the peso equivalent of dollar-denominated requirements of Tier 2 proposals for FYs 2023-2025.
- 3.2.2 The departments/agencies, as well as the DBM Budget and Management Bureaus (BMBs) and Regional Offices (ROs), shall do the necessary analysis/evaluation to reflect the budgetary requirements of their Tier 2 proposals. To determine the budgetary requirements of such items in Tier 2 proposals for FYs 2023-2025, the FY 2022 National Expenditure Plan (NEP) shall be used as the base figure in the formulation.
- 3.2.3 With the continuing shift to cash budgeting, the Tier 2 proposals shall be limited to the PAPs or goods and services that are to be delivered and paid within the year. Accordingly, the intended appropriations for these proposals shall only pertain to the cash requirements to be fully disbursed within the fiscal year, including their impact to the two out-years.
- 3.2.4 To properly allocate the limited fiscal space, Tier 2 proposals shall be evaluated based on the following considerations:

- 3.2.4.1 Available fiscal space set by the DBCC

- 3.2.4.2 Implementation Readiness

- The PAPs to be included in the budget must be implementation-ready, and to be delivered and executed within the year. Proposals must include clear, comprehensive, and complete submission of relevant supporting documents such as:

- a. Feasibility Studies;
 - b. Detailed Engineering Designs;
 - c. Annual Procurement Plans;
 - d. Relocation Action Plans;
 - e. Right of Way Acquisitions;
 - f. Agency Operational Plans;
 - g. Agency Sector Roadmaps;
 - h. Network Plans;
 - i. Inter-agency Clearances and Permits; and,
 - j. Proofs of coordination with LGU implementers.

¹⁶ In adherence to EO No. 138, as implemented by DBM-DILG Joint Memorandum Circular No. 2021-2 dated August 12, 2021

Other necessary information like monitoring and evaluation (M&E) plans and risk management plans indicating efforts done to ensure PAPs implementation or execution are encouraged.

If preparatory works are still required prior to actual execution, particularly for the new programs and projects, the necessary funding requirement shall only cover the first phase of implementation.

3.2.4.3 Agency Absorptive Capacity

The agency absorptive capacity as indicated by the recent budget utilization rates, represent the likelihood that the new allocation can be utilized by the agency. A low absorptive capacity reflects that the agency is unlikely to utilize additional funds.

3.2.4.4 Consistency with the Priorities in the BPF

Proposals that address the identified gaps through the strategies indicated in this BPF will be prioritized for funding.

3.2.4.5 Indicative Annual Procurement Plan (APP)

An indicative APP shall be prepared alongside the budget proposal to enable the agency's conduct of the early procurement process once the NEP is submitted to Congress in July 2022.

The Budget Preparation (BP) Forms 202 and 203 issued in NBM No. 142, as well as BP Forms 709 and 710 for GOCCs issued in Corporate Budget Memorandum (CBM) No. 44, and other relevant supporting documents shall be the bases for the evaluation. Hence, clear, comprehensive, and complete submissions are required.

3.2.5 Agencies shall include prioritization of their budget proposals by straight ranking (i.e., only one PAP per rank and without subranking).

3.2.6 Submission of Tier 2 proposals shall be done on or before May 31, 2022.

3.3 Full Devolution of Certain Functions of the Executive Branch to LGUs

The proposals under Tier 2 may:

3.3.1 Include the funding requirement for capacity building programs for LGUs to enable them to assume the devolved functions and services;

3.3.2 Prioritize subsidies for local projects of LGUs belonging to the 5th and 6th income classes, the GIDA as well as those with the highest poverty incidences, ranked in top third highest; and

3.3.3 Be consistent to the DBM-approved DTPs, or the DTP duly endorsed by its Devolution Transition Committee if the plan has not yet been approved by the DBM.

3.4 Planning and Budgeting Linkage

3.4.1 The 2023 budget also aims to strengthen the vertical and horizontal linkages of the government. The strategic regional needs are to be prioritized in the national plans while ensuring that regional plans are aligned with the national priorities. Regional agency programs must also be responsive to the needs of the poorest, disadvantaged but well-performing LGUs in their sectors.

- 3.4.1.1 Coordination between Agency Central Offices (ACOs) with their respective Agency Regional Offices (AROs) for the medium-term shall be undertaken, subject to the following:
- a. The department priorities in the different regions;
 - b. The assessment of implementation-readiness of the priority PAPs in the regions; and
 - c. The consideration of the likely resource constraints for the regional planning and budgeting as a result of the Supreme Court Ruling on Mandanas-Garcia Case.

In turn, AROs shall craft annual regional plans and budgets anchored to these priorities and criteria, coordinating their efforts with the Regional Development Councils (RDCs) to ensure convergence of regional programs.

- 3.4.2 Agency programs to be implemented by LGUs shall have been coordinated with the targeted LGUs as to the resource availabilities and should be responsive to local and regional needs.
- 3.4.3 The ACOs through their AROs and SUCs shall finalize their agency budget proposals and should provide timely feedback to the RDCs on the items that were and were not included in the submitted proposals.

Hence, the Department Secretary/Head of Agency shall be held accountable in ensuring that its budget proposals have undergone the proper RDC review process.

3.5 Reviewing Entities

Agency proposals shall undergo the review process/es of the following entities before they are recommended for funding:

- 3.5.1 The NEDA Board ICC for review of the Project proposals with total project costs of at least P2.5 billion, except as otherwise provided by law, such as, but not limited to:
- 3.5.1.1 Projects covered by the Build-Operate-Transfer (BOT) law and its IRR¹⁷, regardless of amount;
 - 3.5.1.2 Projects which will require NG borrowing or guarantee covered by RA No. 4860, as amended, otherwise known as the Foreign Borrowings Act, and RA No. 8182, as amended, otherwise known as the Official Development Assistance Act;
 - 3.5.1.3 Projects which will require Presidential or NEDA Board approvals based on existing laws, rules, and regulations; and,
 - 3.5.1.4 All proposed projects for funding with the Chinese Government, regardless of amount.
- 3.5.2 The NEDA Board Committee on Infrastructure (INFRACOM) for review of all infrastructure projects which shall undergo the TRIP process. This is to ensure merit and implementation readiness when being proposed for budget inclusion.

¹⁷ Section 2.6 of the BOT Law IRR

3.5.3 The Office of the Presidential Adviser on the Peace Process (OPAPP) for review of budgetary requirements of the Payapa at Masaganang Pamayanan (PAMANA) Program.

3.5.4 Other endorsing entity for review of budget proposals involving specific concerns as detailed in Section 5.2 and 5.3 of the National Budget Call for FY 2023.

Only proposals that pass the respective review process/es shall be considered for funding under the FY 2023 Budget.

4.0 For immediate compliance.


TINA ROSE MARIE L. CANDA
Officer-in-Charge, DBM

