

Shifting to Annual Cash-Based Appropriations in FY 2019

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Forum on the FY 2019 Budget Preparation
17 January 2018



Outline

1. Defining Annual Cash-based Appropriations
2. Time Horizon of Transfers to GOCCs & LGUs
3. Multi-Year Contracts
4. Budget Proposals for FY 2019
5. Transition in FY 2018



Annual Cash-Based Appropriations

Shifting to a one-year implementation horizon

Limits incurring contractual obligations and disbursing payments, to goods delivered and services rendered and inspected within the fiscal year.

Payments of these obligations should be settled within the fiscal year of the budget.



Obligation-based vs. Cash-based

When can goods and services be delivered and rendered?

Obligation-based Appropriations – 24 months & beyond



- In an **obligation-based budget**, contracts awarded before the end of the FY can be delivered even after the FY; government has a running balance of not-yet-due-and-demandable obligations (NYDDO)

Cash-based Appropriations – 12 months



- In a **cash-based budget**, contracts should be fully delivered by the end of the FY.

Obligation-based vs. Cash-based

When can obligations be paid?

Obligation-based Appropriations – 24 months & beyond



- In an **obligation-based budget**, inspection, verification, and payment can be done even after the FY; government has a running balance of due-and-demandable accounts payables (DDAP)

Cash-based Appropriations – 15 months



- In a **cash-based budget**, payment can only be done within a 15-month period; contracts awarded at the end of the FY can be paid during the 3-month EPP

Time Horizon of Transfers

Most transfers from the NG should be disbursed within the FY

- Transfers from NG shall be done within the FY
- Period of Disbursements:
 - Budgetary Support to GOCCs – until the end of the FY
 - Transfers to LGUs:

Program Transfers from NGAs	Until end of the FY
Financial assistance & other support to LGUs (LGSF)	Until end of the following FY
Internal Revenue Allotment (IRA)	Until fully spent
Special Shares from Proceeds of National Taxes & Fees	

Multi-Year Contracts (MYCs)

Multi-year projects should be covered by the annual budget

- MYCs are for Multi-Year Projects (MYPs) with an implementation period exceeding 12 months
- Even under an annual cash-based budget, agencies may enter into MYCs
- Agencies should secure a Multi-Year Obligational Authority (MYOA) before entering into an MYC
- GOCCs should secure an equivalent authority from its governing board

Multi-Year Contracts (MYCs)

Multi-year projects should be covered by the annual budget

- MYOA should accurately show the schedule of the annual cash requirements of the MYP
- MYPs' annual cash requirements should be included in the agency budget proposals and consequently, the GAA, annually
- Certificate of Availability of Funds (CAF) should be issued annually for MYPs based on the budget for the purpose
- Contracts with implementation periods that are 12 months or shorter should not spill-over to the next FY

Budget Proposals for FY 2019

Agencies should only propose implementation-ready PAPs

- Agencies should only propose programs, activities, and projects that can be fully implemented within FY 2019
- Budget and Planning Officers should work closely with Program and Project Managers to ensure that the proposals are aligned with their implementation schedules
- Indicative Annual Procurement Plan (APP) should be prepared alongside the budget proposal



Budget Proposals for FY 2019

Agencies should only propose implementation-ready PAPs

- Lump-sums should be disaggregated to operating units (OUs) and centrally-managed items (CMIs) should be coordinated with OUs when preparing budget proposals
- Prospective contracts should be structured so that they do not spill-over to the next FY
- Agencies should prepare a budget proposal with the intent to conduct Early Procurement once the National Expenditure Plan (NEP) is submitted to Congress in July

2-Tier Budget Approach (2TBA)

Both Tier 1 & Tier 2 proposals should be cash-based

- Tier 1 should be based on the actual cash requirements of on-going programs & projects.
- In formulating the Tier 1 Forward Estimates, the cash requirements for the 2 out-years (2020 & 2021) should also be provided
- Likewise, Tier 2 proposals should reflect the annual cash requirements of the expanded or new program or project, including its impact on the 2 out-years



2-Tier Budget Approach (2TBA)

Both Tier 1 & Tier 2 proposals should be cash-based

- Tier 2 proposals should be implementation-ready:
 - Applicable pre-requisite authorities should have been secured (e.g. ICC approval, DENR clearance)
 - ROW issues should have been settled
 - Beneficiaries & specific locations of implementation should have been identified
- If preparatory work is still needed, the proposal for the first year of implementation should only reflect the requirement for this

Transition in FY 2018

FY 2018 will still be obligation-based

- Obligations may still be incurred until end-2018
- All unpaid obligations as of end-2018 will be paid and issued NCAs subject to validation by DBM even after FY 2018
- Agencies should (a) conduct an inventory of all unpaid obligations and unfunded allotments (for GOCCs) and (b) ensure prompt delivery and payment for these



Transition in FY 2018

FY 2018 will still be obligation-based

- MYOAs for on-going MYPs should be reviewed & adjusted, if necessary, to reflect the actual requirements per year
- Agencies are recommended to implement the FY 2018 budget as if it is a cash-based budget



Conclusion: Discipline in Budgeting

Expanding the budget requires greater discipline

- Substantial increases in investments in infrastructure (7.4% of GDP in 2022) and social sector (9.2% of GDP in 2022) require greater fiscal and transactional discipline
- The shift enforces the original intent of the appropriation law - for the budget, as it was planned and legislated, to be fully executed within the year.
- This shift is expected to quicken program delivery, as well as strengthen the focus and accountability of government as target outputs of government programs become more clearly linked to their appropriated budget.