

EIGHTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

2807
House Bill No. _____

EXPLANATORY NOTE

This bill was filed in the 17th Congress and was consolidated with other bills.

This is now the consolidated bill which was approved by the House of Representatives.

This bill restructures and redesigns the existing outmoded government accounting system. While studies have been made in the past, including one commissioned to a US consulting firm in the early 1950s by the Budget Commission, the system essentially dates back to the colonial period. This will be the first time the country will have a law to govern Government Accounting.

The draft of this bill was prepared by the Technical Working Group consisted of seasoned Certified Public Accountants (CPAs) representing professional accounting associations, a representative from the Department of Justice advising on legal aspects, and CPAs from the Economic Affairs staff. Advice was also kindly provided by former Budget Secretaries. The professional accounting associations represented in the Technical Working Group were the Philippine Institute of CPAs (PICPA), Association of CPAs in Commerce and Industry (ACPACI), Association of CPAs in Public Practice (ACPAPP), Government Association of CPAs (GACPA), and Institute of Internal Auditors Philippines (IIAP).

The bill introduced reforms in the accounting service so that accounting may serve as an effective tool for managing government offices, as it does in private business. Accurate, relevant and timely financial information from the accounting system is essential for monitoring of programs and projects, budget control, economic analysis, policy formulation, decision-making, and spotting possible areas for anomalies.

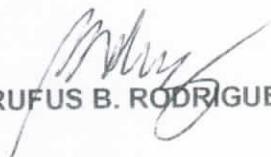
Salient features of the bill include the following:

1. Reorganization of the Department of Budget and Management;
2. Identification of the purposes to be served by the government accounting system;
3. Institution of internal control systems as a primary responsibility of heads of agencies, government corporations and local government units;
4. Vesting responsibility in the Executive Branch for the accounting function as an essential element in management of the financial and fiscal affairs of Government;
5. Delimitation of the accounting jurisdiction of the Commission on Audit to:
 - a. Promulgation of general government accounting principles;
 - b. Keeping of the general accounts or unappropriated surplus accounts.
6. Creation of a Central Government Accounting Authority to be solely responsible for administration of the government accounting service and preparation of government wide financial reports.
7. Adoption of the "accrual basis" of accounting in addition to the "obligation" and "cash accounting," so as to generate more useful financial information.
8. Delineation of accounting responsibilities of different agencies involved in the various functional accounting areas.

The bill will streamline and improve effectiveness of the financial and internal control system at different levels of the bureaucracy. At present, such control is not available to managers in government such that reliance is placed mainly on the Commission on Audit for the control on expenses and on use of the government's resources. The internal control system set up in this bill will provide government managers with the information and tools for more efficient, economical and effective management of government operations and resources. This should contribute to reducing red tape and, by providing timely and accurate information on transactions, help minimize the causes and incidence of graft and corruption in government offices.

The management tools that the system established in this bill are made available for the sincere and competent administrators to reduce graft and corruption in government offices.

In view of the foregoing considerations, early passage of this bill is earnestly sought.



RUFUS B. RODRIGUEZ

EIGHTEENTH CONGRESS)
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HOUSE OF REPRESENTATIVES

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House Bill No. 2807

AN ACT

TO REFORM THE BUDGET PROCESS BY ENFORCING GREATER ACCOUNTABILITY IN PUBLIC FINANCIAL MANAGEMENT (PFM), PROMOTING FISCAL SUSTAINABILITY, STRENGTHENING CONGRESS' POWER OF THE PURSE, INSTITUTING AN INTEGRATED PFM SYSTEM, AND INCREASING BUDGET TRANSPARENCY AND PARTICIPATION

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

PART I PRELIMINARY PROVISIONS

SECTION 1. Short Title. – This Act shall be known as the “Budget Reform Act”.

SEC. 2. Declaration of Policy and Objectives. – It is hereby declared the policy of the State to ensure accountability and integrity in the use of public resources by ensuring transparency, fiscal responsibility, results-orientation, efficiency, and effectiveness. This shall be upheld through the establishment of an integrated system of planning, programming, budgeting, management, internal control, accounting, reporting and review of public finances. In light of these requirements, the State shall pursue the following specific objectives:

- (a) To enforce the power of Congress to authorize all appropriations and hold government accountable in the use of public resources, as well as to ensure the responsibility of all government agencies to propose, execute and deliver committed results mandated under appropriations laws in a timely, predictable, and economic manner;
- (b) To promote people's involvement in the management of public resources by enforcing their right to access information on, and to contribute in the formulation and implementation of, the financial affairs of the government; and
- (c) To strengthen the integration of planning, programming, budgeting, accounting, disbursement, reporting and performance management and ensure ample safeguards in managing public finances through internal controls and risk management.

SEC. 3. Scope and Coverage. – The provisions of this Act shall apply to the management of revenue, expenditure, financing arrangements, and assets and liabilities of national government agencies (NGAs), government-owned or -controlled corporations (GOCCs), and local government units (LGUs) to the extent provided herein.

SEC. 4. Definition of Terms. – As used in this Act and the implementing rules and regulations (IRR) to be issued pursuant thereto:

- (a) *Activity* refers to a recurring work process that contributes to the implementation of a program or subprogram;
- (b) *Allotment* refers to the authorization issued by the Department of Budget and Management (DBM) in order for NGAs, GOCCs, or LGUs to incur contractual commitments

and disburse funds up to a certain amount, for a specified public purpose, and within a specified period of time, in accordance with the Appropriations Law;

(c) *Annual Cash-Based Appropriations* refer to the annual appropriations that limit incurring obligations and disbursing payments to goods delivered and services rendered, inspected and accepted within the current fiscal year, payments, of which, may be settled within the Extended Payment Period;

(d) *Appropriations Law* refers to the legislative authorization used as basis to incur contractual commitments by NGAs, GOCCs, or LGUs and actual disbursement of public funds for specific public purposes covering a specified period of time. This may refer to either a general or special appropriations law;

(e) *Cabinet* refers to the Executive Secretary and the Secretaries of the Departments under the Executive Branch;

(f) *Extended Payment Period* refers to the three (3)-month period in the following fiscal year when payments, chargeable against the Appropriations Law of the previous fiscal year, can be processed and disbursed for goods received and services rendered, inspected and accepted by the end of the previous fiscal year;

(g) *Fiscal Year* refers to a period of twelve (12) months commencing on January 1 until December 31;

(h) *Government Agencies* refers to all NGAs, GOCCs and LGUs;

(i) *Government-Owned or -Controlled Corporations* refer to agencies with corporate powers, whether or not organized as a stock or nonstock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Republic of the Philippines either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. This includes Government Financial Institutions (GFIs), government instrumentalities with corporate powers/government corporate entities and related corporations;

(j) *Government Financial Institutions* refer to financial institutions in which the government directly or indirectly owns the majority of the capital stock and which are either: registered with, or directly supervised by, the Bangko Sentral ng Pilipinas (BSP); or authorized to collect or transact funds or contributions from the public and place them in financial instruments or assets such as deposits, loans, bonds and equity;

(k) *Head of Agency* refers to the head of the department or agency in the case of NGAs, the Board of Directors or Trustees in the case of GOCCs, as well as certain agencies which are structured as such, and the local chief executive in the case of LGUs;

(l) *Item of Appropriation* refers to the amount appropriated for an activity or project in the Appropriations Law;

(m) *Local Government Units (LGUs)* refer to provinces, cities, municipalities, and barangays, as well as autonomous regions authorized to be created in the Constitution and by law;

(n) *Multi-Year Contracting Authority (MYCA)* refers to the authority issued by the DBM to agencies, covering the full contract cost, for the procurement of multiyear projects;

(o) *Multiyear Projects* refer to projects undertaken by agencies for a period of more than one (1) fiscal year, or exceeding twelve (12) months;

(p) *National Government Agencies (NGAs)* refer to units of the national government, as distinguished from GOCCs and LGUs, which include any of the departments, bureaus, offices or instrumentalities of the Executive, Judicial and Legislative branches of government, as well as the Constitutional Commissions, and the Office of the Ombudsman;

(q) *Program* refers to a group of activities and projects that contribute to a common particular outcome;

(r) *Project* refers to a special undertaking carried out within a definite time frame and intended to result in some predetermined measure of goods and services;

(s) *Proposed National Budget* refers to a financial plan of annual revenue and expenditures to be submitted by the President to Congress that reflect national policies;

(t) *Public Officials and Employees* refer to elective and appointive officials and employees, in a permanent or temporary capacity, whether in the career or noncareer

service, including military and uniformed personnel, regardless of the rank, form or amount of compensation;

(u) *Public Funds* refer to the monies of all Government Agencies received, collected, receivable from taxes, fees, charges, penalties, income, dividends, interest earnings, domestic loan proceeds, external loans and grants, proceeds from the sale of assets, that the government has a legal right to retain and use and shall not include any money received in error;

(v) *Subsidiary* refers to a corporation where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly and through one (1) or more intermediaries, by a GOCC; and

(w) *Treasury Single Account (TSA)* refers to the account maintained by the Bureau of the Treasury (BTr) with the BSP or agent bank for a unified structure of government bank accounts to enable consolidation and optimum utilization of government cash resources.

PART II ADDITIONAL ROLES AND RESPONSIBILITIES

SEC. 5. Congress. – The Congress shall perform the following roles and responsibilities:

(a) Monitor and review government performance against the requirements of appropriations and related laws, and hold Government Agencies accountable for their financial and nonfinancial performance;

(b) Review reports on planned and actual performance, including the Statement of Fiscal Policy, the Medium Term Fiscal Strategy, fiscal reports, annual plans of government agencies, periodic and annual reports on government performance and performance of government agencies; and

(c) Consider the consolidated annual financial statements and the audited government agency reports by the Commission on Audit (COA).

Congress shall undertake the foregoing through any of its existing committees, support offices or such bodies as it may be created for the purpose to strengthen the oversight role of Congress.

SEC. 6. President. – The President shall perform the following roles and responsibilities:

(a) Approve the Statement of Fiscal Policy, and the Medium Term Fiscal Strategy for submission to Congress;

(b) Approve the Budget Priorities Framework to identify the priority areas for government spending and guide the budget preparation exercise; and

(c) Authorize changes in the functional, operational and organizational structure within and among the DBM, Department of Finance (DOF), and National Economic and Development Authority (NEDA), as may be necessary, to ensure the effective implementation of this Act and the additional roles of the foregoing agencies.

SEC. 7. Commission on Audit (COA). – The COA shall ensure the proper enforcement of timely accounting and reporting of public finances.

SEC. 8. Department of Budget and Management (DBM). – The DBM shall perform the following roles and responsibilities:

(a) Formulate policies and develop standards and guidelines to enhance effectiveness and efficiency of methods, management systems, procedures and processes, organizational structure and staffing complement of agencies;

(b) Monitor and evaluate the financial and nonfinancial performance of NGAs;

(c) Evaluate and review the financial and nonfinancial performance of GOCCs with special laws and charters, in coordination with the DOF and the Governance Commission for GOCCs (GCG), and approve the annual corporate operating budgets (COBs) of the GOCCs;

(d) Monitor and review, together with the Bureau of Local Government Finance (BLGF) under the DOF and the Department of the Interior and Local Government (DILG), the financial and nonfinancial performance of LGUs;

(e) Assess, together with the BLGF under the DOF and the DILG, the Public Financial Management (PFM) systems of LGUs and assist them in designing and implementing PFM improvement measures;

(f) Monitor the performance of the annual cash appropriations of NGAs in terms of in-year and end-of-year appropriation reports that compare disbursements to appropriations for management purposes;

(g) Oversee the financial reporting of Government Agencies for fund management purposes, including: (1) the monitoring of the periodic and annual management and financial accounts with regard to accuracy, timeliness, completeness, and compliance with this Act, standards, rules and regulations; and (2) the consolidation and provision of financial reports and necessary data required by the President, Congress and COA;

(h) Lead, in collaboration with the DOF, BTr and COA, the integration of the government's financial management information system; and

(i) Formulate, in coordination with the Civil Service Commission (CSC), a competency-based human resource policies for positions in PFM and oversee the capacity development requirements on PFM.

To ensure the effective formulation and execution of fiscal policies, the Secretary of Budget and Management shall lead the Development Budget Coordination Committee (DBCC), with the Secretary of Finance, the Director General of the NEDA Secretariat and a representative from the Office of the President (OP) as members, and the Governor of the BSP as resource person.

SEC. 9. Department of Finance (DOF). – The DOF shall perform the following roles and responsibilities:

(a) Monitor and manage fiscal risks to the government, including those from public-private partnerships;

(b) Compile and publish government fiscal statistics in accordance with international standards; and

(c) Formulate policies and standards for the acquisition and management of nonfinancial assets by NGAs.

SEC. 10. Bureau of the Treasury (BTr). – The BTr shall perform the following roles and responsibilities:

(a) Manage the TSA maintained at the BSP or an agent bank, with the prior approval of the Secretary of Finance;

(b) Put in place arrangements for the execution of duly authorized payments from the TSA, which may include the appointment of banks to operate as agents of the National Government with the prior approval of the Secretary of Finance;

(c) Manage the financial assets and liabilities of the government, including: (1) banking arrangements for, and bank accounts of, the government; (2) hedging and other risk management activities associated with debt management, cash management and financial investment; (3) appointment of dealers, assets managers and other agents to support debt, cash and investment management activities; (4) maintenance of an accurate record of the stock and flow of financial assets and liabilities; (5) tracking and reporting on fiscal risks related to the management of financial assets and liabilities; and (6) preparation of in-year disbursement reports based on the TSA for submission to the DBM and the COA;

(d) Issue instructions on the management of financial assets and liabilities of the government;

(e) Authorize the opening and closing of bank accounts of NGAs;

(f) Assist the NGAs in providing credible and realistic cash forecasts for timely and accurate cash programming;

(g) Administer the release of cash requirements covering all types of transfers to LGUs; and

(h) Establish and maintain, in coordination with the DBM, a consolidated registry of nonfinancial assets of the National Government.

SEC. 11. National Economic and Development Authority (NEDA). – The NEDA shall perform the following roles and responsibilities:

(a) Coordinate with the Regional Development Councils (RDCs), through the NEDA Regional Offices, on the formulation of regional development plans and policies that are consistent with the established national priorities;

(b) Coordinate the formulation and implementation of an annual and medium-term public investment program consistent with the approved Medium Term Fiscal Strategy and in the context of the preparation of the National Budget;

(c) Set standards for Government Agencies in proposing, assessing, monitoring and evaluating development policies, plans and projects including those financed by grants and concessional loans; and

(d) Assist and support the capacity building of RDCs and LGUs in development planning and investment programming.

SEC. 12. Heads of Government Agencies. – The heads of NGAs, GOCCs and LGUs shall perform the following roles and responsibilities:

(a) Inform the DBM and DOF of significant changes, issues, and risks that could impact on the finances of the government;

(b) Participate in the processes to develop the Medium Term Fiscal Strategy, the Budget Priorities Framework, and the Proposed National Budget as required by the DBM;

(c) Manage their respective agencies and other resources placed under their supervision, in an efficient, effective and economic manner in order to deliver the outputs and attain the outcomes set in their respective budgets;

(d) Monitor the physical and financial implementation of their programs, activities and projects;

(e) Take appropriate measures to ensure that cash disbursements and contractual commitments do not exceed the amounts appropriated in their respective budgets;

(f) Ensure that their respective agencies settle all contractual commitments or approve payment thereon within the time prescribed by law;

(g) Institute effective and efficient management systems, procedures and practices for assets, liabilities, and personnel, including internal controls, risk management, and performance review to safeguard the agency resources;

(h) Ensure that due regard has been taken on the recommendations provided in internal and external audit evaluation reports, to the extent authorized in their respective budgets;

(i) Provide credible and realistic cash forecast for timely and accurate cash programming; and

(j) Provide accounting and reporting of public finances through the integrated financial management information system and/or other preparatory online information systems as required in this Act.

SEC. 13. Capacity Development Requirements on Public Financial Management. – The NGAs concerned shall continue to formulate capacity development requirements on PFM and conduct training programs on the same. The DBM shall oversee the formulation of the said capacity development requirements to ensure alignment of the objectives.

PART III FISCAL RESPONSIBILITY

SEC. 14. *Fiscal Responsibility Principles.* – The State shall pursue its policy objectives in accordance with the following Fiscal Responsibility Principles:

- (a) Implement fiscal policies and strategies consistent with the achievement of macroeconomic stability and inclusive economic development;
- (b) Manage resources in a fiscally and environmentally sustainable way;
- (c) Maintain prudent levels of public debt;
- (d) Maintain an appropriate balance between government revenue and expenditure; and
- (e) Manage fiscal risks in a prudent manner.

SEC. 15. *Statement of Fiscal Policy.* – The DBCC shall prepare, subject to the approval of the President, the Statement of Fiscal Policy which shall contain measurable medium-term macroeconomic and fiscal objectives and forecasts consistent with the Fiscal Responsibility Principles and the Inter-generational Report required under Section 18 hereof.

The President shall submit for the information of Congress, the Statement of Fiscal Policy not later than ninety (90) days upon commencement of the President's term of office and update the measurable fiscal objectives set forth therein three (3) years thereafter.

SEC. 16. *Medium Term Fiscal Strategy.* – The DBCC shall prepare, subject to the approval of the President, a Medium Term Fiscal Strategy and its annual updates. The Strategy and its updates shall be consistent with the approved Statement of Fiscal Policy and Inter-generational Report. It shall include a summary of the fiscal policies for revenue, debt, deficit, expenditure, and fiscal risk management, supported by a medium-term fiscal sustainability analysis, consistent with the measurable fiscal objectives established in the approved Statement of Fiscal Policy. The IRR of this Act shall detail the other specifications for the Medium Term Fiscal Strategy and its updates.

The President shall submit for the information of Congress, the Medium Term Fiscal Strategy for the following fiscal year not later than March 15 of the current year and shall publish the said report on the government website not later than seven (7) days after it is submitted to Congress.

SEC. 17. *Fiscal Reports.* – The DBCC shall produce a Mid-year Fiscal Report (MFR), covering the first half of the current fiscal year and an Annual Fiscal Report (AFR) on the government's macroeconomic and fiscal performance covering the preceding fiscal year.

The MFR and AFR shall include information on macroeconomic and fiscal outturns for the period covered as compared against forecasts and objectives stated in the Medium Term Fiscal Strategy, as well as reporting on budget execution, at least in the aggregate and by agency level, compared against approved appropriations and other spending authorities. The IRR of this Act shall detail the other specifications for the contents of the MFR and AFR.

The President shall submit the MFR to Congress not later than September 30 of each year while the AFR shall be submitted together with the Proposed National Budget. Said reports shall be published on a government website not later than seven (7) days after submission to Congress.

SEC. 18. *Inter-generational Report.* – The DBCC shall submit an Inter-generational Report to the President and Cabinet, and Congress not later than October 31 and November 30, respectively. Said Report shall assess the long-term sustainability of existing government policies over the next twenty-five (25) years, taking into account demographic, environmental, and other changes.

The first Inter-generational Report shall be submitted to the President and Cabinet, and Congress within two (2) years from the effectivity of this Act, to be updated every six (6) years thereafter.

The NEDA shall cause the publication of the Inter-generational Report on the government website not later than seven (7) days upon submission to Congress.

SEC. 19. Deviations from Fiscal Objectives. – The government may deviate from the medium-term fiscal objectives in the approved Statement of Fiscal Policy on a temporary basis, where such deviation is due to a major natural or human-induced disaster, unanticipated and severe economic shock, or other significant unforeseeable event that cannot be adequately responded to, through the Contingent Fund and/or the National Disaster Risk Reduction and Management Fund (NDRRMF), as may be applicable or prudent fiscal policy adjustments, or the use of other flexibilities provided in this Act.

The President shall submit a report to Congress, stating the reasons for such deviations, the plans and the expected time to address such deviations, as part of the succeeding Medium Term Fiscal Strategy or its annual update, or in the MFR or AFR, whichever is the next report due and within the prescribed period under this Act.

SEC. 20. Shared Fiscal Discipline. – As much as practicable, all proposed revenue eroding and expenditure bills shall include a Financial and Budgetary Information Sheet containing an estimate of the financial and budgetary implications of said proposal for the initial year of implementation. Expenditure bills refer to those which will result in a reduction of revenue collections or an increase in national government expenditures, including those mandating the creation of recurring expenditures.

Each House of Congress shall provide guidelines prescribing the form, content of the Financial and Budgetary Information Sheet, as well as the appropriate offices from which such information shall be acquired, and the implications of noncompliance with said submission.

PART IV BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT

SEC. 21. Governing Principles in Budget Preparation. – There is hereby established a set of governing principles to be observed by NGAs and GOCCs in the preparation of their annual budget proposals, and by the DBM in the preparation, and the presentation to Congress, of the Proposed Annual National Budget:

(a) Cash-based estimates shall be adopted in the proposed general and special appropriations bills to promote faster and more effective delivery of services;

(b) The overall expenditure program of the government for a given fiscal year shall be included, identifying those requiring approval by Congress and those authorized under existing laws;

(c) All sources of funds and authorized uses available to the agency shall be considered in the evaluation of agency proposals and determination of agency budget levels, and shall likewise be disclosed in the Proposed National Budget and reports;

(d) Evaluation of agency proposals may include the analysis of a development plan, master plan or road map, agency capability as demonstrated by previous years' performance, its contribution to projects and activities of other agencies, utilization of funds appropriated or released, and such other criteria as may be determined by the DBM. Agency performance shall be evaluated based on the actual disbursements and contractual commitments as compared to the appropriations;

(e) All appropriations shall be valid for one (1) fiscal year, reckoned from the effectiveness of the Appropriations Act until the end of the fiscal year concerned. When necessary or appropriate, a three (3)-month Extended Payment Period into the following fiscal year may be availed of to allow agencies to settle payments for goods and services delivered, inspected and accepted during the previous fiscal year;

(f) In evaluating the performance of an agency, programs, activities and projects shall be presented in such a way that the entity responsible for the expenditure and the intended results from the use of the appropriation are both identified;

(g) Both the financial and nonfinancial performance of agencies shall be presented in the Proposed National Budget and the General Appropriations Act to ensure a performance-informed budget; and

(h) Programs, activities and projects shall be reflected by departments, agencies, bureaus, and offices, and shall be presented for information purposes, by region and province, and eventually, by city or municipality.

SEC. 22. Planning-Programming-Budgeting Linkage. – Development strategies identified in the Philippine Development Plan (PDP) shall be a primary consideration in the formulation of the Budget Priorities Framework. These shall also be the basis for drawing up strategic and prioritized programs and projects in the multiyear Public Investment Program (PIP), which in turn will be considered in the formulation of the annual agency budgets that conform to the annual budget ceilings approved by the President.

The implementation of programs and projects funded under the annual agency budgets shall be monitored to ensure economy, efficiency, and effectiveness in the use of public funds. Monitoring and evaluation of these projects shall cover, among others, the planned and actual performance of agencies, citing reasons for deviation or poor absorptive capacities. The results of the project evaluation shall inform the assessment of subsequent plans and budget proposals of agencies.

SEC. 23. Budget Priorities Framework. – The DBCC shall present to the President and Cabinet, on or before April of each year, a Budget Priorities Framework which shall guide the formulation of the Budget for the following year by stating the Medium Term Fiscal Strategy and targets underlying the budget; the priority areas for government spending reflected in the PDP and PIP, estimated amount and planned allocation of the fiscal space; and other requirements laid down in the IRR.

SEC. 24. The Budget Preparation Process. – The DBM shall determine the budget preparation process and calendar. The budget preparation process shall cover: (a) NGAs; (b) GOCCs with respect to their impact on revenue, expenditure, assets, and liabilities, and risks of the government; and (c) LGUs as to their impact on revenue and expenditure of the government.

SEC. 25. The Proposed National Budget. – The President shall submit to Congress, not later than thirty (30) days from the fourth Monday of July of every year, the Proposed National Budget, which shall be the basis of the General Appropriations Bill.

The President shall determine the form and content of the Proposed National Budget which shall include the following:

(a) President's Budget Message – provides a preview of the Proposed National Budget, explaining the principles, objectives and policy framework adopted and the spending priorities for the fiscal year;

(b) Budget of Expenditures and Sources of Financing (BESF) – contains the macroeconomic parameters; dimensions of three (3)-year expenditure program, revenue, financing, and outstanding debt; overview of the financial positions of GOCCs, LGUs, and public-private partnership projects, list of new multiyear projects and contractual authorities issued, as well as the other items listed in the IRR;

(c) National Expenditure Program (NEP) – includes the strategic objectives, details of the three (3)-year expenditure program, performance information, such as key strategies, outputs and outcomes for agencies in relation to their budgets, and staffing summary; and

(d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that may affect the performance of the National Government, including those from the contingent liabilities of Government Agencies and other items listed in the IRR.

As required under Section 17 of this Act, the President shall likewise submit for consideration of Congress, the AFR for the preceding fiscal year not later than thirty (30) days from the fourth Monday of July of every year, and the MFR for the current year not later than September 30 of every year.

Congress may not increase the appropriations recommended by the President for the operations of government as specified in the Proposed National Budget.

The President shall publish the Proposed National Budget on the government website on the same day it is presented to Congress.

SEC. 26. Program Classification. – The Proposed National Budget shall adopt a structure based on a program classification that groups line items under the objectives or outcomes which they contribute to. Performance information shall be provided for each program to facilitate the evaluation of the cost effectiveness of the programs and provide better information for analysis and feedback for planning purposes and the prioritization of expenditures.

In addition, the performance information and targets contained in the Proposed National Budget shall be updated after the passage of the General Appropriations Act, taking into consideration the approved appropriations for each program. For this purpose, Government Agencies shall propose adjustments in its outputs and outcomes for the consideration and approval of the DBM.

SEC. 27. Special Purpose Funds. – To promote the transparent and detailed disclosure of all proposed government spending, Special Purpose Funds (SPFs) in the Proposed National Budget shall be limited to: (a) the NDRRMF; (b) the Contingent Fund; (c) Statutory Shares of LGUs; and (d) other SPFs not falling under any of the preceding purposes, the details of which could not be determined during the budget preparation stage, and based on the parameters to be set in the IRR.

SEC. 28. National Disaster Risk Reduction and Management Fund. – The NDRRMF shall be used for: (a) disaster risk reduction or mitigation, prevention and preparedness activities, such as training of personnel, procurement of equipment, and capital expenditures; and (b) relief, recovery, reconstruction and other work or services in connection with natural or human-induced calamities which may occur during the budget year or those that occurred in the preceding two (2) years.

The NDRRMF shall include the Quick Response Fund (QRF) of agencies, which shall be used as a standby fund in order that the situation and living conditions of people in communities or areas stricken by calamities, epidemics, crises, and catastrophes may be normalized as quickly as possible. The QRF shall be provided in the budgets of the implementing agencies in such amounts deemed appropriate based on prior years' data to meet public calamities/emergencies. The QRF shall be released directly to the agencies concerned upon approval of the DBM.

Releases from the NDRRMF, other than the QRF, shall be subject to the prior approval of the President, who may take into consideration the recommendation of the National Disaster Risk Reduction and Management Council for local disasters and calamities and the appropriate agency for international crises.

SEC. 29. Contingent Fund. – The Contingent Fund shall cover the funding requirements of new and/or urgent projects and activities of NGAs and GOCCs that need to be implemented or paid during the year, such as legal obligation of the government arising from the decisions of competent authorities which are final and executory, including arbitration awards, mediation settlement, or compromise agreements, requirements of newly created offices, or deficiencies in the appropriations for local and external travels of the President of the Philippines.

Releases from the Contingent Fund shall be subject to approval by the President of the Philippines, other than payment resulting from the decisions of competent authorities which are final and executory, which shall be subject to approval by the DBM.

The DBM shall inform Congress of all releases from the Contingent Fund in the quarterly and annual fiscal reports including information on the date of release, the amount covered, corresponding purpose/s and recipient agency.

SEC. 30. Statutory Shares of Local Government Units. – The shares of LGUs in the proceeds from national taxes and other transfers to LGUs authorized by law shall be released to the LGUs in accordance with the provisions on the use, allocation, and release of the funds as may be provided in pertinent laws, rules and regulations.

SEC. 31. Unprogrammed Appropriations. – Congress may authorize standby appropriations to cover the funding requirements of other priority projects and activities or contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs) not specifically included in the programmed component of the Appropriations Act. The Unprogrammed Appropriations shall have the same level of detail as in the programmed component of the Appropriations Act. The amount authorized under the Unprogrammed Appropriations shall not exceed two percent (2%) of the total proposed expenditure in the programmed component of the Appropriations Act.

Expenditures to be funded under the Unprogrammed Appropriations may be authorized only when supported by: (a) excess revenue collections in any one of the particular nontax revenue sources from its corresponding revenue collections target in the BESF as certified by the BTr; (b) new revenue collections or those arising from new tax or nontax revenues which are not part of the original revenue sources in the BESF; or (c) when there are approved loan proceeds for FAPs which were not included in the proposed budget. In no case shall the Unprogrammed Appropriations be activated or released when there is a risk of breaching the measurable fiscal objectives for the budget balance (including a deficit) or debt for the financial year or future years as provided in the Statement of Fiscal Policy and Medium Term Fiscal Strategy or if there is a risk of breaching any of the Fiscal Responsibility Principles as determined by the DBCC.

Release from the Unprogrammed Appropriations shall be subject to the prior approval of the President of the Philippines, other than the decisions of competent authorities which are final and executory, which shall be subject to approval of the DBM.

Priority projects and activities or contingencies shall pertain to expenditures, the payment of which are not covered under the Contingent Fund and could not be delayed until the succeeding budget years without harming public interest or those arising from the government's legal obligation such as compliance with a government guarantee or settlement of final and executory decisions by competent authorities.

The DBM shall inform Congress of all releases from the Unprogrammed Appropriations in the quarterly and annual reports including information on the date of release, the amount covered, corresponding purpose/s and recipient agency.

In no case shall the Unprogrammed Appropriations be released for purposes not specified in the annual or special Appropriations Law.

SEC. 32. Budget with Accounts Codes. – All appropriations in the Appropriations Law shall be given accounts codes by the DBM pursuant to the Unified Accounts Code Structure that applies to all the assets, liabilities, equities, income, and expenses of the government. This accounts code structure shall be used in the release of the appropriations in the Appropriations Law for a unified accounting, auditing and reporting of all the financial transactions of the government.

SEC. 33. Reenacted Budget. – If, by the end of any fiscal year, Congress shall have failed to enact the General Appropriations Act for the ensuing fiscal year, the General Appropriations Act of the preceding fiscal year shall be deemed reenacted and shall remain in force and effect until the said General Appropriations Act for the Fiscal Year is passed by Congress.

Consistent with the Fiscal Responsibility Principles, the reenacted budget shall be enforced as follows:

(a) The aggregate level of the reenacted budget shall be limited to the total amount appropriated in the preceding year's Appropriations Law, but shall in no case exceed the level of the sources of financing under the BESF of the Proposed National Budget;

(b) The appropriations for the following shall be limited to the amount authorized under the reenacted budget, but in no case exceed the amount proposed by the President in the Proposed National Budget:

- (1) Ongoing programs, projects and activities;
- (2) Personnel benefits, including retirement gratuities, pensions, terminal leave pays and related expenses;
- (3) NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPF's; and
- (4) Budgetary support to GOCCs for their operational requirements;
- (c) In no case shall the following be considered part of the reenacted budget:
- (1) Completed programs, projects and activities funded in the General Appropriations Law for the preceding fiscal year;
- (2) Budgetary support for GOCCs for support to programs, activities or projects; and
- (3) Equity contribution of the National Government to GOCCs.

The items and/or amount of appropriations not covered under the reenacted budget as provided above shall not be released, disbursed, or utilized for the purpose previously authorized.

The DBM shall issue guidelines on the aggregate and agency levels of appropriations authorized under the reenacted budget in accordance with the foregoing, supporting requirements to determine actual needs, and other pertinent rules in the implementation of the reenacted budget.

Upon enactment of the General Appropriations Act anytime during the current fiscal year, all releases under a reenacted budget consistent with this section shall be considered valid obligations and deemed to have been implemented pursuant to, and charged against, for account recording purposes, the General Appropriations Act for the current fiscal year.

SEC. 34. Special Appropriations Bill. – A Special Appropriations Bill is a proposal submitted by the President, as recommended by the DBM, before Congress to provide authorization for expenditure for a specific purpose not included or not covered under the annual Appropriations Laws. It shall specify the purpose/s for which it is intended and the validity period which shall not exceed one (1) year from its enactment.

A Special Appropriations Bill shall be supported by funds actually available or those which are not included in the fiscal year's sources of financing under the BESF as certified by the National Treasurer, or to be raised by a corresponding revenue measure proposed therein. It may only be proposed after the passage of the General Appropriations Act, except for the following: (a) disaster-related purposes; (b) urgent projects and/or activities; and (c) unforeseen requirements of the government.

A Special Appropriations Bill may likewise refer to a proposal submitted by the President, as recommended by the DBM, before Congress for additional appropriations for existing or new programs, activities or projects of an NGA or GOCC with fast in-year disbursement rate. In this case, the bill may be supported by the current fiscal year's sources of financing as certified by the National Treasurer due to reversion of unexpended balances of appropriations to the unappropriated surplus of the General Fund by NGAs or GOCCs resulting from slow implementation of programs, activities or projects.

SEC. 35. Release and Expenditure of Public Funds. – The government shall commence releases of Public Funds covered by an Appropriations Law as soon as such Law comes into force to ensure timely and efficient disbursement by the appropriate implementing agencies, subject to pertinent budgeting, accounting and auditing rules and regulations. Upon the implementation of cash-based appropriations, the Appropriations Law shall be considered the authority of the agencies to contract out and disburse funds, except for: (a) appropriations that by virtue of law, general or special provisions in the Appropriations Act have conditions or requirements before release; (b) those requiring special budget as may be provided in the general and special provisions in the Appropriations Act; or (c) in the case of authority to disburse funds, until such time that agencies are able to provide credible and realistic cash forecasts as may be determined by the DBM and the BTr.

SEC. 36. Availability of Annual Cash-Based Appropriations. – All annual appropriations, including the GOCCs' program subsidies, shall be available for release, contractual commitment and disbursement until the end of the fiscal year. However, Government Agencies may still disburse funds not later than the three (3) months extended payment period from the end of the fiscal year for goods or services which have already been delivered or rendered, inspected and accepted within the fiscal year. Said payments shall be chargeable against the authorized appropriations of the said preceding fiscal year.

LGUs receiving budgetary support and/or assistance from the National Government shall utilize the funds released to them for the purpose/s specified until the end of the following fiscal year reckoned from the year of receipt from the National Government. The LGUs' statutory shares shall be valid until fully expended, while funds downloaded to LGUs from NGA program components shall be valid until the end of the fiscal year of receipt.

After the end of validity period, any unspent appropriations shall lapse, while unexpended balances of funds shall revert to the unappropriated surplus of the General Fund.

SEC. 37. Government Funding Commitment. – In accordance with the Constitution, no money shall be paid out of the Treasury except in pursuance of an appropriation made by law.

Accordingly, a Certification of Availability of Funds (CAF) shall be required prior to entering into contract. The CAF shall be issued by the chief accountant or the highest accounting officer in the agency. In the case of multiyear projects, the CAF shall be issued annually based on the annual budget for the purpose. The CAF shall be stamped or appended to the contract and shall become an integral part thereof.

SEC. 38. Multiyear Projects. – All multiyear projects, other than those undertaken pursuant to Republic Act No. 6957, as amended by Republic Act No. 7718 or Public-Private Partnership (PPP) Projects, shall be covered by a MYCA or an equivalent authority as issued by the following:

- (a) The DBM, in case of NGAs and qualified GOCCs;
- (b) The governing board for GOCCs, except those covered above; and
- (c) The Sanggunian for LGUs.

The MYCA and equivalent authorities shall cover the full cost of the multiyear project. It shall be secured prior to the procurement of the multiyear project and shall be the basis of the Approved Budget for the Contract.

Multiyear PPP projects shall require the issuance by the DBM of a letter of commitment to cover the National Government funding commitment.

The implementing agency shall ensure that the annual funding requirements for the multiyear projects shall be included in its budget proposals for the covered years, consistent with the funding schedule in the MYCA and equivalent authorities, and letter of commitment. Said proposals shall be given due consideration by Congress in the case of NGAs and qualified GOCCs, the governing board for GOCCs, or the Sanggunian for LGUs.

Disbursement to be incurred for all multiyear projects shall in no case exceed the cash-based appropriations for the purpose during the fiscal year.

SEC. 39. Early Procurement Activities. – To ensure full budget utilization, timely contract implementation and efficient delivery of services, agencies are authorized to undertake procurement activities from pre-procurement conference until recommendation to the head of the procuring entity as to the award of contract, based on their proposed budget in the NEP, COBs or Appropriations Ordinance, in accordance with the guidelines issued by the Government Procurement Policy Board (GPPB).

For multiyear projects, the issuance of a MYCA by the DBM is required prior to commencement of any procurement activity. All existing Multi-Year Obligational Authority shall be understood to refer to MYCA.

Agencies may only proceed with the issuance of the notice of award of contract upon approval or enactment of their respective appropriations or budget authorization document, as the case may be, and based on the amount authorized therein.

SEC. 40. *Impoundment of Appropriations.* – The President of the Philippines, upon recommendation of the DBM, may propose the rescission of appropriations from both Houses of Congress, under any of the following circumstances:

- (a) If the appropriations are no longer required to fulfill the objectives originally sought to be achieved by the programs, activities and projects covering the same; or
- (b) In case of an unmanageable National Government budget deficit.

Unmanageable National Government budget deficit as used in this section shall be construed to mean that: (1) the actual National Government budget deficit has exceeded the quarterly budget deficit targets consistent with the full-year target deficit as indicated in the BESF submitted by the President to Congress pursuant to Section 22, Article VII of the Constitution; or (2) there are clear economic indications of an impending occurrence of such condition, as determined by the DBCC.

Both Houses of Congress shall act on the proposed rescission within thirty (30) session days after the receipt of an impoundment proposal from the President by issuing a Joint Impoundment Resolution. Within the same period of thirty (30) session days, the appropriations covered by the Impoundment Proposal shall not, in any way, be rescinded in relation to the purposes and objectives for which it was appropriated. Congressional inaction after the thirty (30)-day period is equivalent to an approval of the impoundment proposal.

Approved impounded appropriations shall not thereafter be available for expenditure except by subsequent legislative enactment.

SEC. 41. *Authority to Declare and Use Savings.* – The President of the Philippines, the President of the Senate of the Philippines, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the Ombudsman, and the Heads of the CSC, the Commission on Elections, and the COA are hereby authorized to declare and use savings in their respective appropriations to augment actual deficiencies incurred for the current year in any item of their respective appropriations.

SEC. 42. *Meaning of Savings.* – Savings refer to portions or balances of any released appropriations in this Act which have not been obligated as a result of any of the following:

- (a) Completion, final discontinuance, or abandonment of an activity or project for which the appropriation is authorized; or
- (b) Implementation of measures resulting in improved systems and efficiencies and thus enabled an agency to meet and deliver the required or planned targets at a lesser cost.

In case final discontinuance or abandonment is used as basis in the declaration of savings, such discontinued or abandoned activity or project shall no longer be proposed for funding in the next two (2) fiscal years.

Allotments that were not obligated due to the fault of the agency concerned shall not be considered savings.

SEC. 43. *Rules on Augmentation.* – Augmentation is the act of the constitutional officers authorized to use savings in their respective appropriations to cover a deficiency in any existing item of appropriation within their respective offices. A deficiency in an item of appropriation may result from:

- (a) Unforeseen modifications or adjustments in the item of appropriation; or
- (b) Reassessment in the use, prioritization and/or distribution of resources.

The particulars of the expenditure to be funded from savings should be within the scope of, or be covered by an existing item of appropriation. The existence of an item of appropriation regardless of the availability of allotment class or classes is sufficient for the purpose of augmentation.

In no case shall a nonexistent item of appropriation be funded by augmentation from savings or by the use of an appropriations authorized in the General Appropriations Act or special Appropriations Laws.

SEC. 44. Rules on Modification in the Allotment. – Limited flexibility shall be given to NGAs in modifying the allotment within an existing item of appropriation: *Provided*, That such modification shall not entail any augmentation of the amount appropriated for the said item of appropriation during budget execution.

The DBM shall issue rules and procedures to govern allotment modifications, specifying the cases or circumstances when such modifications may be undertaken to ensure the uniform implementation among the various branches of government, the proper recording of modifications, and the timely submission of reports by all the offices concerned.

PART V FINANCIAL MANAGEMENT

SEC. 45. General Fund. – All monies received by NGAs, whether coming from taxes, fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants, donations, asset sale proceeds and such other receivables, shall accrue to the General Fund and be remitted to the National Treasury, unless otherwise provided by law or stipulated by covering loan or grant agreements. Monies under the General Fund shall be made available to support the requirements of the National Government authorized in an Appropriations Law.

A Special Account in the General Fund (SAGF) shall be established by law only under exceptional circumstances to recognize taxes, fees, charges, penalties, income, dividends, interest earnings, grants, and donations collected, earned or received by NGAs for specified purposes. All laws authorizing the establishment of SAGFs shall specify the period of use for such accounts: *Provided*, That if no period is specified, the period shall be deemed to be until the fulfilment of the purpose for which the SAGF was authorized. All interests earned by SAGFs shall accrue to the General Fund. The balance of SAGFs upon their termination shall form part of the General Fund.

All earmarked revenues with significant inflows, a large portion of which are not or not expected to be programmed for disbursement during the year, shall be treated as Trust Funds and recorded as trust receipts. Proceeds from these Trust Funds shall be recognized only as revenue inflow in the General Fund when programmed to be spent for the year.

The Permanent Committee created under Executive Order No. 292, s. 1987, composed of the Secretary of Finance as Chairperson, the Secretary of Budget and Management and the Chairperson of the COA as members, shall identify SAGFs that shall be converted into Trust Funds. The recognition of revenue inflows from these SAGFs converted into Trust Funds shall be governed by the guidelines to be issued by the Permanent Committee. In all cases, the authorized uses or purposes shall continue to be those specified in the law creating the SAGFs.

SEC. 46. Special Funds. – In exceptional cases when a SAGF is not suitable for the operations of a fund, Special Funds shall be authorized by law and limited to the following:

(a) Trust Fund – constituted from identified revenue sources and other receipts by NGAs or public officials or employees acting as trustees, agents, or administrators for the fulfillment of commitments or accomplishment of specified purposes. Trust Funds shall be deposited in the TSA;

(b) Revolving Fund – constituted from receipts derived from business-type activities of NGAs to be used for the operating requirements of said business-type activities and as such are considered self-perpetuating and self-liquidating. Revolving Funds shall be deposited in the TSA or in an Authorized Government Depository Bank (AGDB) upon authority of the National Treasurer; and

(c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends, or interest earnings collected, earned or received by NGAs which are expressly

authorized by law to be retained by NGAs and utilized for specified purposes. Retained Funds shall be deposited in the TSA or in an AGDB upon authority of the National Treasurer.

Notwithstanding the provisions of laws to the contrary, Special Funds may only be established after evaluation by the Permanent Committee, as to their proper category and compliance with the foregoing conditions. Any interest earned by Special Funds shall accrue to the General Fund unless otherwise authorized by law.

SEC. 47. Review by the Permanent Committee. – The Permanent Committee shall review all existing SAGFs and Special Funds to validate their compliance with the foregoing requirements. Upon evaluation, the Permanent Committee shall recommend for the approval of the President, the modification or termination of any of the said funds based on any of the following grounds:

- (a) When there is no legal basis for its creation;
- (b) When its terms have expired;
- (c) When it is no longer necessary for the attainment of the purposes for which said Funds were established;
- (d) When it is needed to augment the General Fund in times of calamities and emergencies;
- (e) When it is used in violation of the rules and regulations issued by the Committee; or
- (f) When it has remained dormant for an unreasonable length of time.

It shall likewise review all SAGFs created upon the passage of this Act and may recommend to extend their validity period, subject to the approval of the President.

The Permanent Committee shall issue guidelines for the establishment, review and evaluation, accounting and reporting, and termination of SAGFs and Special Funds.

SEC. 48. Escrow Fund. – Escrow Funds are constituted from funds for which the government's legal right to use is contingent upon a future event which may or may not occur. Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the National Treasurer, and shall subsequently be included in the General Fund upon the occurrence of the future contingent event. Any interest earned by an Escrow Fund shall accrue to the said Fund. The amounts under escrow, including interest earned shall form part of the General Fund upon the occurrence of the future contingent event.

SEC. 49. Waiver, Abatement, Refund and Compromise Agreements. – No public official shall waive, abate, refund, or enter into a compromise agreement on a tax liability or the payment of fees or charges except in accordance with law. All waivers, abatements, refunds or compromise agreements made by an NGA shall be properly accounted for and reported. Refund of taxes and other revenues shall be treated as a reduction in current year's revenue collections for budgeting and fiscal reporting purposes.

SEC. 50. Grants. – NGAs may accept, with prior coordination with the DOF, grants, in cash or in kind, from domestic or foreign sources, for purposes relevant to their functions. In the case of grants, in cash or in kind, from governments of foreign countries, their agencies and instrumentalities and international or multilateral institutions or organizations, acceptance thereof shall be subject to the prior clearance and approval by the President or the President's authorized representative, based on the recommendation of the Secretary of Finance.

The provisions of this section shall not apply to: (a) any grant received by LGUs or GOCCs, except where the grant is received by them on behalf of the National Government; or (b) any grant authorized or covered in accordance with existing law.

Grants received shall be valued, in the case of grants received in kind, and recognized on the books of the recipient agency of the National Government.

SEC. 51. Treasury Single Account. – The TSA refers to the banking arrangement managed by the BTr wherein the government transacts all monies collected, received or paid by NGAs

in one bank account or a set of linked bank accounts and gets a consolidated view of its cash position on at least, a daily basis.

The TSA shall cover remittances, releases or disbursements from the General Fund, SAGFs, Special Funds, and any other fund managed by the BTr, except in any of the following instances:

- (a) When monies under the General Fund are placed under investments;
- (b) When the BTr is required to hold foreign currency accounts; and
- (c) When authorized by the Secretary of Finance.

The BTr, in coordination with NGAs authorized by law to undertake revenue collection and administration, shall make the necessary arrangements with authorized agent banks (AABs) to facilitate the collection and transfer of said revenues to the TSA. AABs shall deposit said collections to TSA within the period and in the manner prescribed by laws, rules and regulations.

SEC. 52. Oversight on Government Bank Accounts. – Notwithstanding any provision of law to the contrary, the BTr shall undertake any of the following in case of violation of a provision in this Act and guidelines issued on the implementation of the TSA:

- (a) Transfer balances of bank accounts to the TSA;
- (b) Close any bank account; and
- (c) Revoke the authority to open any bank account.

The government agency which has opened a bank account, as well as the bank concerned, shall promptly disclose information regarding such account to the BTr.

SEC. 53. Treasury Cash Management. – The BTr shall issue orders for the conduct of cash management including the requirement to provide projections on the timing of future transactions of NGAs, taking into consideration that the Appropriations Law is considered the authority of the agencies to contract out and disburse funds, except for those instances stated in Section 35 of this Act.

SEC. 54. Investments. – The BTr may invest portions of the funds held in the TSA for such periods as the BTr may deem prudent considering cash management requirements and based on terms and conditions as may be determined by the DOF. Investments are authorized to be made in any of the following:

- (a) Bank deposit with any highly reputable bank following a selection criteria to be issued by the Secretary of Finance and money market instruments with well recognized and established financial institution;
- (b) Sovereign-issued securities with an investment grade rating; and
- (c) Other fixed income securities with an AAA credit rating issued by at least two (2) reputable international credit rating agencies acceptable to the Secretary of Finance.

The BTr may appoint a fund manager as an agent of the National Government to undertake the investment of the funds.

Interest earned and other income from investments shall accrue to the General Fund, unless otherwise provided by law.

SEC. 55. Management of National Government Borrowings. – Borrowings by the National Government shall be for purposes provided by law including any of the following:

- (a) Financing budget deficits and liquidity shortfalls;
- (b) Refinancing and pre-financing maturing debts;
- (c) Undertaking liability and risk management transactions;
- (d) Supporting the BSP in maintaining external and monetary stability;
- (e) On-lending to an approved entity;
- (f) Financing all sums of money paid to fulfill guarantees;
- (g) Increasing liquidity and promoting stability of the government securities market;
- (h) Financing developmental activities and projects of the National Government;

(i) Providing financing to address or remedy the effects or impacts of natural or human-induced disasters; or

(j) Defraying expenditures covered by appropriations.

Borrowing under this Act should adhere to the Fiscal Responsibility Principles and measurable fiscal objectives embodied in the Statement of Fiscal Policy.

SEC. 56. Borrowings by Government-Owned or -Controlled Corporations. – Before the end of each fiscal year, the Head of a GOCC shall prepare a borrowing program for the following fiscal year which shall support the COB and for the medium-term, both of which shall include a full financial plan with the details of the loans, refinancing and repayment that the GOCC intends to take. Said borrowing program, including changes thereon, shall be subject to the approval of the Head of the NGA overseeing the GOCC, shall be submitted to the DOF for information, and published in the concerned GOCC website.

GOCCs shall seek approval of the DOF and the opinion of the Monetary Board for their borrowing activities as defined in the IRR.

Nothing in this section shall be construed as creating a government guarantee on any borrowing, loans or refinancing and repayment that the GOCC intends to take.

SEC. 57. Local Government Borrowings. – An LGU may borrow funds from domestic and foreign sources in accordance with the Local Government Code of 1991 or any other applicable law. The financial plan including borrowing program shall be published in the appropriate government website within seven (7) days after the borrowing program has been approved.

SEC. 58. Debt Reporting. – The DOF, through the BTr, shall ensure that the records include information on the principal, terms of repayment, amounts drawn, interests and service charges accrued, principal and interests paid, and the balance outstanding, and shall make the records available in a timely way to the President, Congress, and COA and in accordance with the reporting requirements in this Act.

Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as required by relevant laws, rules and regulations. The DOF shall submit to Congress the status of LGU loans contracted and the repayments made by each LGU, upon the effectivity of this Act.

SEC. 59. Guarantees. – Guarantee, indemnity or security shall be provided to an NGA or a GOCC as provided by law, and subject to the annual guarantee ceiling prescribed in the General Appropriations Law, and upon such terms and conditions as the Secretary of Finance may recommend consistent with relevant laws, rules and regulations. The overall level of guarantee, indemnity or security shall adhere to the Fiscal Responsibility Principles laid down in this Act and the fiscal objectives in the Statement of Fiscal Policy.

The DOF shall charge a risk-based fee for any guarantee, indemnity, security, relending or similar financial accommodation it may extend to a GOCC.

In no case shall the National Government be liable for any borrowing by any agency of the government except for explicit guarantees as provided by law.

SEC. 60. Limitation on the Liability of the National Government for Debts of Other Entities. – The National Government shall not be liable for any implied guarantee asserted by any person or entity, but only for explicit guarantees extended in accordance with existing laws, and guarantees in favor of the Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), Philippine Health Insurance Corporation (PhilHealth), and the Social Security System (SSS) in their respective charters.

SEC. 61. Payments Made for Contingent Liabilities. – Any money paid by the DOF pursuant to any guarantee, indemnity, or security authorized by law and the expenses

associated with the same shall constitute a debt due the National Government from the entity for whose benefit the payment on the guarantee, indemnity, or security was made.

SEC. 62. Information on Contingent Liabilities. – The DOF shall keep a complete and updated registry of all contingent liabilities of the National Government, and provide the DBM with a report on contingent liabilities as of the fiscal year.

PART VI ACCOUNTABILITY AND REPORTING

SEC. 63. Financial Management and Internal Control. – The Head of Agency shall be responsible and accountable for the financial management of the agency which shall include meeting performance targets, controlling costs, mitigating adverse risks to agency operations, and ensuring that budgets are managed with integrity and in compliance with applicable laws. Adequate internal controls shall be ensured and an internal audit function shall be maintained.

SEC. 64. Integrated Financial Management Information System. – There shall be an integrated financial management information system, which shall be the single portal of all financial transactions and reports to be used by NGAs, GOCCs and LGUs to integrate budgeting, cash management and accounting processes.

SEC. 65. NGA Annual Plans and Proposed Budgets. – The Head of each NGA shall produce an Annual Plan which shall have a medium-term scope, with details for the following fiscal year, and shall include information on the strategic priorities for the medium-term, consistent with the PDP; performance information; summary proposed budget including financial forecast assumptions and highlighting significant capital projects; and other information as required in the IRR, as well as the Budget Call and other related orders from the DBM. The Annual Plan shall be submitted to DBM during the budget preparation process consistent with the timetable and other guidelines in the Budget Call.

The Annual Plan of a Department shall incorporate the Annual Plans of its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

SEC. 66. NGA Reporting Requirements. – For greater transparency and accountability, each Head of an NGA shall:

(a) Submit monthly and quarterly reports on the agency's financial and nonfinancial performance to the DBM, not later than thirty (30) days after the end of every month and quarter in the format specified by the DBM and shall publish the same on a government website within the same reglementary period; and

(b) Prepare an Annual Report which shall include year-end financial statements, reporting on nonfinancial performance compared against the Annual Plan, and other information as required in the IRR; submit the said Report to the DBM and Congress not later than six (6) months after the end of the fiscal year; and to COA within the reglementary period and publish the said Report in a government website not later than seven (7) days after its submission to Congress.

The monthly, quarterly, and annual reports of a Department shall incorporate the reports of its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.

SEC. 67. Report on Savings and Augmentation. – The DBM shall submit to the Committee on Appropriations of the House of Representatives and the Committee on Finance of the Senate on or before the 31st of January every year an annual report on the overall savings and all augmentations in the use of savings, or at such time or interval as may be required by said committees.

SEC. 68. Service Agreements. – The Head of an NGA may enter into a service or performance agreement with another agency for the latter to provide services charged against the budget of said principal agency.

SEC. 69. Corporate Operating Budget. The Board of Directors or Trustees of a GOCC shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the DBM, and the DOF not later than ninety (90) days prior to the commencement of the fiscal year, which shall include, the objectives of the GOCCs and its subsidiaries, the activities to be undertaken, performance targets and risks; forecasts of financial statements for the next three (3) years; and other information as may be required in the IRR.

The Head of the NGA overseeing said GOCC shall endorse the Board-approved COB to the DBM for the latter's approval. The COBs of the National Electrification Administration (NEA), National Power Corporation (NPC) and Philippine National Oil Company (PNOC) shall be subject to further approval of Congress in accordance with Republic Act No. 7638. The Head of a GOCC shall publish the DBM or Congress-approved COB, as the case may be, of the GOCC on the official website of the Corporation not later than fourteen (14) days after the approval of the COB.

SEC. 70. GOCC Reporting Requirements. – For greater transparency and accountability, the Heads of GOCCs shall:

(a) Provide quarterly reports on financial and nonfinancial performance to the DOF, GCG, DBM and COA, not later than thirty (30) days after the end of the quarter, in the format and time specified by the DOF, GCG, DBM and COA, and shall publish it on their official website within the same period; and

(b) Prepare an Annual Report, which shall include year-end financial statements, reporting on nonfinancial performance compared against the COB, and other information as required in the IRR; submit the same to the overseeing NGA, DBM, GCG, DOF and Congress not later than six (6) months after the end of the fiscal year; and to COA within the reglementary period; and publish the said Report in a government website not later than seven (7) days after its submission to Congress.

GOCCs with subsidiaries shall reflect in its quarterly and annual reports the aforementioned required information for the whole corporate group, consistent with guidelines prescribed in the IRR.

SEC. 71. Service Agreement for a GOCC. – Where GOCCs implement government noncommercial programs, such as provision of housing, irrigation and electrification services and facilities, and receive government funding, a service agreement with the NGA overseeing said GOCC shall specify the terms of delivery of goods or services that the GOCC must provide, and the funds that the government will pay.

SEC. 72. Local Government Units. – The Local Chief Executives (LCEs) shall ensure that adequate internal controls and an internal audit function are maintained.

The LCEs shall provide financial and nonfinancial performance information of their respective LGUs to the DBM, COA, DILG, and the BLGF under the DOF, subject to the guidelines to be issued thereon.

SEC. 73. Application of Accounting and Auditing Requirements. – Any expenditure of public money, including government assets or liabilities incurred by and for the government regardless of the source of funding, shall be subject to accounting and auditing rules and regulations promulgated by the COA.

SEC. 74. Accounting Standards. – The DBM shall specify the basis, standards and guidelines for appropriations reporting while the COA shall continue to set the basis, standards and guidelines for financial accounting to be used by the NGAs, GOCCs and LGUs.

The Heads of Agencies shall ensure that full, accurate and proper records are kept for their respective agencies on financial matters and for performance in the production of goods and services.

The DBM and COA shall keep complete, accurate and appropriate records on the financial and nonfinancial performance of government.

SEC. 75. Government Consolidated Reporting. – The DBM shall submit to the President and the COA a quarterly report on the consolidated financial performance of the government which shall include information showing the performance of Government Agencies against the respective programs, activities and projects mandated under the Appropriations Law not later than sixty (60) days after the end of each quarter. This report shall be published in a government website within seven (7) days after the report is submitted to the President and COA.

PART VII TRANSPARENCY AND PARTICIPATION

SEC. 76. People's Access to Public Financial Information. – Before the start of each fiscal year, the DBM shall promulgate a Calendar of Disclosures, and shall publish this on the government website. Such calendar shall contain the schedule for the publication of all budget documents and information required by this Act and its IRR. The DBM shall monitor and periodically report to Congress and the public on the compliance of agencies with the Calendar of Disclosures and other fiscal transparency requirements under this Act and its IRR.

All documents and reports required to be published by this Act and its IRR shall automatically be made available electronically in the government website. Current and historical data on government revenues, expenditures, and borrowings shall be made available electronically, in open data format, on the government website, subject to guidelines established in the IRR.

SEC. 77. The People's Budget. – The DBM shall, for every fiscal year, publish citizen-friendly summaries of the following, subject to guidelines and other specifications in the IRR:

- (a) The Statement of Fiscal Policy in the year of the President's election and any updates thereafter within thirty (30) days from submission to Congress;
- (b) The Proposed National Budget, to be published in electronic format within thirty (30) days from submission to Congress of the Proposed National Budget;
- (c) The annual General Appropriations Act and special Appropriations Laws, to be published in electronic format in the government website within thirty (30) days from its effectiveness; and
- (d) The Annual Fiscal Report, to be published in electronic format in the government website within thirty (30) days from submission to Congress.

SEC. 78. Participatory Budget Process. – The government shall establish and implement suitable participatory budget mechanisms to facilitate the open, inclusive, and meaningful engagement of citizens throughout the budget process. The DBM, together with other relevant agencies, shall formulate policies and regulations towards the implementation of a participatory budget process.

Such participatory mechanisms may include consultations and partnerships with civil society organizations (CSOs), academics and experts, and other individual and organized stakeholders in the budget process including collaboration with LGUs to jointly identify local priority poverty reduction and development needs which will serve as input to the budget process.

PART VIII ENFORCEMENT

SEC. 79. Sanctions and Penalties. – (a) Without prejudice to the provisions of other laws, the following sanctions and liabilities, in case of failure to comply with the reporting and posting requirements under this Act, shall be imposed:

(1) The DBM shall not approve any request for release of allotments for items of appropriations covered in the negative list or any modification in the allotment nor recommend the use of savings by the President until such time as the noncompliant agency has submitted the report/s required under this Act;

(2) The COA may suspend or disallow any expenditure charged against augmentation using savings, and any expenditure due to modification in the allotment, which were made within the period succeeding the reporting period when the agency failed to comply with the reporting requirements under this Act;

(3) Failure to report on the income and/or funds retained at the end of a reporting period shall render all disbursements against such income or funds in subsequent reporting periods as void, and will render the responsible official liable under existing laws; and

(4) The Congress may *motu proprio* or upon the request of COA and DBM, through its appropriate oversight committee, compel the head of the noncompliant agency, under pain of contempt, to produce the required report/s and to explain reasons for failure to submit and disclose said report/s.

(b) Without prejudice to the provisions of other laws:

(1) Every contractual commitment, expenditure or payment authorized or incurred in violation of the provisions of this Act shall be void and shall render the public official or employee authorizing or making such payment and every person in collusion with said official or employee jointly and severally liable to the government for the full amount so paid or received. The public official or employee who knowingly delays the implementation of any contractual agreement shall be liable and imposed the appropriate administrative sanctions based on existing laws and civil service rules. A public official or employee who knowingly incurs any contractual commitment or authorizes any expenditure in violation of the provisions of this Act or takes part therein shall likewise be removed or dismissed from office, after due notice and hearing, even if no criminal charge is instituted against such public official or employee;

(2) Any public official or employee holding office or employment in a casual, temporary, holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent information in any accountability report, shall be penalized with imprisonment not exceeding five (5) years, or a fine not exceeding One million pesos (₱1,000,000.00), or both, without prejudice to disallowances by the COA against expenditures related to such fraudulent information: *Provided*, That this fine is reviewed and adjusted periodically to be reasonable;

(3) A conviction under this Act shall carry with it civil liability, which may either consist of restitution for the damage done or forfeiture in favor of the government of any unwarranted benefit derived from the act or acts in question, or both, at the discretion of the courts, in addition to possible administrative liability; and

(4) Private individuals who shall conspire with the erring public officials or employees, whether as co-principals, accomplices or accessories, in the commission of any violation of this Act shall be subject to the same penalties as the public officials or employees and shall be tried jointly with them.

SEC. 80. Jurisdiction. – Actions under this Act shall be cognizable by the courts, tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.

PART IX FINAL PROVISIONS

SEC. 81. Implementing Rules and Regulations. – The DBM, in consultation with the DOF, BTr, NEDA and COA, and in coordination with the agencies concerned, shall issue the rules

and regulations necessary for the proper implementation of this Act within ninety (90) days from the effectivity of this Act. The IRR may be amended by the DBM, in consultation with the DOF, BTr, NEDA and COA and in coordination with the agencies concerned, as the need arises.

SEC. 82. Transitory Provisions. – The DBM, DOF, BTr, NEDA and COA shall prepare and submit to the Joint Congressional Oversight Committee on Public Expenditures within thirty (30) days from the promulgation of the IRR, a Transitory Plan to ensure the proper implementation of the provisions of this Act, presenting the sections that will not be implemented upon the passage of this Act or the IRR, and those requiring compliance with certain conditions or events before the provisions herein may be implemented. The Transitory Plan shall likewise include interim measures to ensure a smooth transition into a regime of annual cash-based appropriations. In addition, for the initial year of implementation in FY 2019, the cash-based appropriations for infrastructure projects shall be available for release, contractual commitment, and disbursement until December 31, 2020.

SEC. 83. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, proclamation, charter, rule or regulation, and/or parts thereof contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SEC. 84. Separability Clause. – If, for any reason, any section or provision of this Act is declared unconstitutional or invalid, the other sections or provisions which are not affected hereby shall continue to be in full force and effect.

SEC. 85. Effectivity. – This Act shall take effect fifteen (15) days following its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,