

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

26 MAR -3 A10 :24

SENATE

RECEIVED BY: _____

S. NO. 1921



Introduced by **SEN. WIN GATCHALIAN**

AN ACT
TO CODIFY THE LAWS RELATIVE TO PHILIPPINE BUDGETING, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

Philippine Financial Management ("PFM") is "a set of laws, rules, systems, processes used by sovereign nations to mobilize revenue, allocate public funds, undertake spending, account for funds, and audit results."¹ In other words, it is the backbone for the effective management of the public funds to promote development.

In the Philippines, the PFM is governed by various laws, executive decrees and orders, implementing rules and regulations, and other policy issuances.² Thus, it appears that there is a lack of comprehensive legal framework on PFM in the Philippines.

In a study conducted by the International Monetary Fund, it has stated that the PFM legal framework suffers from fragmentation, as illustrated by the general provisions of the General Appropriations Act, which bears no permanence as it may change annually depending on the policy direction of the administration.³

¹ Department of Budget and Management, *Kuwento sa Bawat Kwenta – A Story of Budget and Management Reforms 2019-2016*, The Proposed Philippine Public Financial Accountability Act, June 2016, p. 169, available at: <https://www.dbm.gov.ph/wp-content/uploads/Executive%20Summary/2016/Reform%20Documentation%20Full%20Book.pdf> (date last accessed: February 25, 2026).

² *Id.*, p. 267.

³ International Monetary Fund, *Philippines Fiscal Transparency Evaluation*, June 2015, p. 41 available at: <https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2015/ cr15156.pdf> (date last accessed: March 1, 2026).

In addition, the IMF study noted that the Special Accounts in the General Fund and Off-Budget Accounts contribute to the segmentation, as these are “created by separate laws outside of the budget process... and do not always appear to be consistent with the overall budget framework”.⁴

Further, according to Asian Development Bank, the PFM system reveals a lack of integration as the PFM regulatory and oversight functions are distributed among several, and sometimes, overlapping government agencies.⁵

More importantly, landmark Supreme Court decisions, such as *Araullo v. Aquino* (G.R. No. 209287)⁶ on the definition and parameters on the use of savings and rules on augmentation, and the recent Supreme Court petitions on the definition of Unprogrammed Appropriations, highlights policy gaps that need to be addressed.

In a 2025 Public Expenditure and Financial Accountability (“PEFA”) Assessment Report, it found that while the Philippines’ PFM system demonstrated improvements in budget reliability, transparency, accounting, and reporting over the past three years (*i.e.*, 2021 to 2023), it continues to face challenges in expenditure management.⁷

Moreover, it is significant to note that the most recent comprehensive law on PFM is Book VI of the Executive Order No. 292, otherwise known as the Administrative Code of 1987, which is now nearly four decades old.

Thus, there is a need for a major comprehensive reform through adoption of a holistic and permanent law that will complement the General Appropriations Act. For reforms to be preserved, the reforms must be solidified through enactment of laws, in order to “guarantee the perpetuation of reforms notwithstanding changes in administration.”⁸

⁴ International Monetary Fund, Philippines Fiscal Transparency Evaluation, June 2015, p. 41 available at: <https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2015/ cr15156.pdf> (date last accessed: March 1, 2026).

⁵ Asian Development Bank, *Expanding Private Participation in Infrastructure Program, Subprogram 1: Report and Recommendation of the President, Annex - Public Financial Management Assessment in the Philippines*, October 2015, available at: <https://www.adb.org/sites/default/files/linked-documents/48458-001-sd-02.pdf> (date last accessed: February 26, 2026).

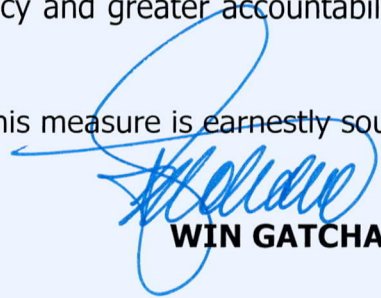
⁶ Dated July 1, 2024 and February 3, 2015.

⁷ PEFA, Public Expenditure and Financial Accountability (“PEFA”) Assessment Report, April 15, 2025, available at: <https://www.pefa.org/node/5360> (date last accessed: February 26, 2026).

⁸ Diokno, Benjamin (2014), *Recent Philippine budget reforms: separating the chaff from the grain, the whimsical from the real*, Philippine Review of Economics, Vol. LI No. 1, June 2014, p. 64, available at: <https://pre.econ.upd.edu.ph/index.php/pre/article/viewFile/903/803> (date last accessed: February 26, 2026).

In order to address the foregoing issues and gaps, there is a need to pass the Philippine Budgeting Code which will not only fill the gaps in the country's PFM system, but will also adhere to international standards and best practices. This measure will serve as a blueprint that will enforce transparency and greater accountability in the use of public funds.

In view of the foregoing, the passage of this measure is earnestly sought.




WIN GATCHALIAN

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SENATE
S. No. 1921

RECEIVED BY: 

Introduced by **SENATOR WIN GATCHALIAN**

**AN ACT
TO CODIFY THE LAWS RELATIVE TO PHILIPPINE BUDGETING, AND FOR
OTHER PURPOSES**

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

BOOK I

PRELIMINARY PROVISIONS

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3
4 **SECTION 1. Short Title.** – This Act shall be known as the “Philippine Budgeting
5 Code”.

6 **SEC 2. Declaration of Policy.** – It is hereby declared the policy of the State to
7 ensure equitable, prudent, and accountable allocation and use of public resources
8 through the promotion of transparency, fiscal responsibility, results-orientation,
9 allocative efficiency, and operational effectiveness. This shall be upheld through the
10 establishment of an integrated system of planning, programming, budgeting,
11 management, accounting, and reporting in public financial management.

12 **SEC 3. Scope and Application.** – This Act shall apply to the practice of public
13 financial management by all agencies and instrumentalities of the National
14 Government, and local government units (LGUs) to the extent provided herein.

15 Agencies of the National Government refer to all agencies, including State
16 Universities and Colleges (SUCs), of the National Government within the Executive,
17 Legislative and Judicial Departments, and other offices vested with fiscal autonomy,
18 the Commission on Human Rights, and the Office of the Ombudsman.

1 Instrumentalities of the National Government refer to agencies of the National
2 Government, including Government-Owned or Controlled Corporations (GOCCs), not
3 integrated within the department framework vested with special functions or
4 jurisdiction by law, endowed with some if not all corporate powers, administering
5 special funds, and enjoying operational autonomy, usually through a charter.

6 In the case of the Judicial Department of the Philippine Government, the
7 provisions under Republic Act (RA) No. 12233 or the *Judiciary Fiscal Autonomy Act*
8 shall be observed concurrently with this Act, as applicable.

9 **SEC 4. Definition of Terms.** – The following terms when used in this Act shall be
10 understood, as follows:

- 11 a) **Accounts Payable** refers to valid and legal obligations of agencies and
12 instrumentalities of the National Government for which goods, services, or
13 projects have been delivered, rendered, or completed and accepted within the
14 relevant validity period of the appropriations;
- 15 b) **Activity** refers to a work process that contributes to the implementation of a
16 program or sub-program, as applicable;
- 17 c) **Allotment** refers to the released appropriations which serve as the limit and
18 basis for incurring obligations in accordance with the purpose, the required
19 documents, and within the period of time as prescribed by the relevant budget
20 authorization document;
- 21 d) **Allotment Class** refers to the classification of expenditures under an item of
22 appropriation with the following categories: Personnel Services (PS),
23 Maintenance and Other Operating Expenses (MOOE), Financial Expenses, and
24 Capital Outlays (CO);
- 25 e) **Appropriation** refers to an authorization pursuant to law directing the
26 spending of public funds for a specific purpose, up to a specified amount under
27 specified conditions. This includes the following: General Appropriations,
28 composed of Programmed and Unprogrammed Appropriations (UA), Automatic
29 Appropriations, and Special Appropriations;
- 30 f) **Appropriations Law** refers to either a general, special, or automatic
31 appropriations law;

- 1 g) **Authorized Government Depository Bank** refers to a bank where agencies
2 and instrumentalities of the National Government, including LGUs, are allowed
3 by law to deposit government funds and maintain depository accounts, or by
4 way of exception, a bank allowed by the Department of Finance (DOF) and the
5 Monetary Board to hold government deposits subject to prescribed rules and
6 regulations;
- 7 h) **Automatic Appropriations** refer to a one-time legislative authorization to
8 provide funds for a specified purpose, for which the amount may or may not
9 be fixed by law and is made available, subject to budgeting, accounting, and
10 auditing laws, rules, and regulations. These appropriations are already covered
11 by a separate substantive law, which do not require periodic action by the
12 Congress of the Philippines and need not be included in the legislation of
13 general appropriations.
- 14 i) **Budget** refers to a financial plan of a government for a fiscal year, which shows
15 its resources, including income and sources of borrowings, and how they will
16 be generated, as well as expenditures to achieve national objectives, strategies,
17 and programs. The budget is the government's key instrument for promoting
18 its socio-economic objectives;
- 19 j) **Cabinet** refers to the Executive Secretary and the Secretaries of the
20 Departments under the Executive Department;
- 21 k) **Contingent Liabilities** refer to obligations that may or may not come due,
22 depending on whether particular events occur. These include but are not limited
23 to: (i) guarantees extended to GOCCs; (ii) insurance contract liabilities of social
24 security institutions; (iii) pension obligations to military and uniformed
25 personnel; and (iv) obligation that may or may not arise from events specified
26 in a Public-Private Partnership Contract, the occurrence, timing, and/or amount
27 of which are uncertain. These events include, but are not limited to, Material
28 Adverse Government Action, *force majeure*, breach of government warranties,
29 and failure to deliver contractual obligations;
- 30 l) **Disbursement** refers to the settlement, liquidation, or payment of an
31 obligation incurred, involving cash or non-cash transactions, and covered by
32 disbursement authorities;

- 1 m) **Errata** refers to official corrections issued by the Department of Budget and
2 Management (DBM) to rectify substantial and clerical, numerical, or factual
3 errors in the National Expenditure Program (NEP);
- 4 n) **Extended Payment Period** refers to the first three (3)-month period in the
5 following fiscal year when payments, chargeable against the general or special
6 appropriations law of the previous fiscal year, may be made for goods, services,
7 or projects that have been delivered, rendered, or completed, respectively, and
8 accepted by the end of the previous fiscal year;
- 9 o) **Fiscal Year** refers to the period beginning with the first day of January and
10 ending with the thirty-first day of December of each calendar year;
- 11 p) **General Appropriations** refer to a law appropriating funds to support the
12 expenditure requirements of the agencies and instrumentalities of the national
13 government within a specified fiscal year. It contains budgetary programs,
14 activities, and projects (P/A/Ps) for each agency of the government with the
15 corresponding appropriations for each P/A/P, including statutory provisions of
16 specific agency or general applicability.
- 17 q) **Government-Owned or -Controlled Corporation** refers to any agency
18 organized as a stock or nonstock corporation, vested with functions relating to
19 public needs whether governmental or proprietary in nature, and owned by the
20 Government of the Republic of the Philippines directly or through its
21 instrumentalities either wholly or, where applicable as in the case of stock
22 corporations, to the extent of at least a majority of its outstanding capital stock.
- 23 r) **Government Financial Institutions** refer to financial institutions or
24 corporations in which the government directly or indirectly owns the majority
25 of the capital stock and which are either: a) registered with or directly
26 supervised by the *Bangko Sentral ng Pilipinas* (BSP); or b) authorized to collect
27 or transact funds or contributions from the public and place them in financial
28 instruments or assets such as deposits, loans, bonds, and equity;
- 29 s) **Head of Agency** refers to the head of an agency or instrumentality of the
30 National Government. In case of GOCCs, including local water districts, and
31 SUCs, this term shall refer to the board of directors or trustees or its duly
32 authorized officials. For LGUs, this term shall refer to the local chief executive;

- 1 t) ***Item of Appropriation*** refers to the amount appropriated for a P/A/P or
2 purpose in the Appropriations Law;
- 3 u) ***Local Government Units*** refer to provinces, cities, municipalities, and
4 barangays, as well as autonomous regions created by law pursuant to the
5 Constitution;
- 6 v) ***Multi-Year Contractual Authority*** refers to the authority given to a
7 procuring entity to procure multi-year projects in accordance with the form and
8 conditions set by the DBM;
- 9 w) ***Multi-year Projects*** refer to projects undertaken by agencies and
10 instrumentalities of the National Government that extend beyond one fiscal
11 year, irrespective of whether the total implementation period exceeds twelve
12 (12) months;
- 13 x) ***Obligation*** refers to a commitment by an agency or instrumentality of the
14 National Government arising from an act of a duly authorized official which
15 binds the government to the eventual payment of a sum of money in
16 accordance with budgeting, accounting, and auditing laws, rules, and
17 regulations. The agency or instrumentality of the National Government is
18 authorized to incur obligations only in the performance of activities which are
19 in pursuit of its functions and programs authorized in Appropriations Laws
20 within the limit of the allotment released by the DBM;
- 21 y) ***Philippine Cash Budgeting System*** refers to the budgeting system adopted
22 by the Philippines where the annual appropriations shall only be for obligation
23 until the end of the fiscal year, and disbursements shall be limited to payment
24 for goods, services, or projects that have been delivered, rendered, or
25 completed, respectively, and accepted within the same fiscal year. Payments
26 can be made within the Extended Payment Period (EPP), as applicable;
- 27 z) ***Program*** refers to a group of activities and/or projects that contribute to a
28 particular outcome. A program should have the following: i) unique expected
29 results or outcomes; ii) a clear target population or client group external to the
30 agency; iii) a defined method of intervention to achieve the desired result; and
31 iv) a clear management structure that defines accountabilities;

- 1 aa) **Project** refers to a special undertaking carried out within a definite timeframe
2 and intended to result in some pre-determined measure of goods and services;
- 3 bb) **Proposed National Budget** refers to a financial plan of annual revenue and
4 expenditure to be submitted by the President to Congress that reflects national
5 policies, pursuant to Section 22, Article VII of the 1987 Constitution. The
6 President shall determine the form and content of the Proposed National
7 Budget which shall include, but not limited to, the following: Budget of
8 Expenditure and Sources of Financing (BESF), NEP, President's Budget
9 Message, and Staffing Summary;
- 10 cc) **Public Funds** refer to the monies of all agencies and instrumentalities of the
11 National Government, including LGUs, received, collected, receivable from
12 taxes, fees, charges, penalties, income, dividends, interest earnings, domestic
13 loan proceeds, external loans and grants, and proceeds from the sale of assets
14 that the Government has a legal right to retain and use for public purposes;
- 15 dd) **Special Appropriations** refers to an additional appropriation authorized by
16 law to augment the original appropriations which proved to be inadequate or
17 insufficient for the particular purpose intended due to current economic,
18 political, or social conditions. It may also involve the creation of new offices,
19 programs, or activities and may only be enacted if accompanied and supported
20 by funds actually available as certified by the National Treasury, or new revenue
21 sources. This may otherwise be known as "Supplemental Appropriations."
- 22 ee) **Spill-over Projects** refer to projects covered by contracts authorized and
23 undertaken in the immediately preceding general appropriations law which
24 were not completed and accepted within the validity of the appropriations
25 authorized in the said law due to exceptional circumstances, such as the
26 occurrence of *force majeure*, through no fault or negligence of the contracting
27 parties, as duly certified by the head of the agency; and
- 28 ff) **Treasury Single Account** refers to the account maintained by the Bureau of
29 the Treasury (BTr) with the BSP which serves as the core of the TSA framework.
30 The Treasury Single Account (TSA) framework consists of a set of banking
31 arrangements managed by the BTr that enable the centralized management,
32 control, and reconciliation of National Government revenues and

1 disbursements. It is a unified structure of government bank accounts, enabling
2 consolidation and optimum utilization of government cash resources.

3 In this Act, the singular may be read as the plural and the plural may be read
4 as the singular, as the context requires.

5 **SEC 5. Governing Principles of the Budget and Management Processes.** – All
6 phases of the budget and management processes, as participated in by all agencies
7 and instrumentalities of the National Government, shall be governed by these
8 principles:

- 9 a) **Fiscal discipline** through prudent management of public resources while
10 ensuring timely delivery of public services in accordance with relevant laws,
11 rules, and regulations. In pursuit of this, the National Government shall
12 implement fiscal policies that promote macroeconomic stability, sustainable
13 resource use, prudent debt levels, balanced revenue and expenditure, and
14 effective risk management;
- 15 b) **Shared fiscal responsibility** across all branches of government to ascertain
16 that the funding of P/A/Ps through Appropriations law, should be based on
17 availability of resources, in relation to the capacity of agencies to implement
18 said P/A/Ps, and the annual budgetary framework and priorities of the
19 Government;
- 20 c) **Universality** by ensuring that the Total Expenditure Program (TEP) for a
21 given fiscal year shall comprehensively cover the relevant General and
22 Automatic Appropriations, in line with the priorities of the National
23 Government;
- 24 d) **Transparency** where the relevant information in all stages of the budget cycle
25 is proactively disclosed, as may be practicable, and where citizen participation
26 is integral in all phases of the budget cycle to promote informed, equitable,
27 and responsive allocation and use of public resources;
- 28 e) **Diligence** in the evaluation of agency proposals, requests, and performance
29 accomplished through thorough review of required forms, reports, and
30 supporting documents as may be determined by the DBM;
- 31 f) **Budget realism** in proposing a budget, and authorizing appropriations which
32 is commensurate to the absorptive capacity of the agency or instrumentality

1 of the National Government and aligned with the relevant financial and
2 physical targets committed;

3 g) **Accountability** where all heads of agencies and instrumentalities of the
4 National Government are held responsible for the proper use, management,
5 and safeguarding of government funds and property pertaining to their
6 institutions, ensuring that all actions and expenditures comply with authorized
7 appropriations, laws, rules, and regulations;

8 h) **Inclusivity and sustainability** by giving value to budget proposals of
9 agencies which incorporate gender-responsive, age-responsive, climate-
10 responsive, and disaster-resilient considerations, as may be appropriate to their
11 mandates and programs;

12 i) **Digitalization** geared towards the interoperability of public financial
13 management systems with the Integrated Financial Management Information
14 System (IFMIS) and its data platform to enable integration across planning,
15 budgeting, accounting, and performance monitoring processes; and

16 j) **Public service orientation** to ensure that all decisions and actions
17 undertaken by public officers are in pursuance of the good of the Filipino
18 people.

19 In case of doubt in the application, interpretation, and construction of any of the
20 provisions under this Act, the same shall be resolved in line with the governing
21 principles provided herein.

22 **BOOK II**

23 **FUNDING SOURCES AND CATEGORIES**

24 **CHAPTER I**

25 **GENERAL, CUSTODIAL, AND OFF-BUDGETARY FUNDS**

26
27
28 **SEC 6. General Fund.** – Unless otherwise provided by law or stipulated by
29 covering loan or grant agreements, all taxes, fees, charges, penalties, income, interest
30 earnings, loan proceeds, grants, donations, asset sale proceeds, and such other
31 receivables collected by the agencies and instrumentalities of the National

1 Government, except GOCCs, shall be deposited in the National Treasury and shall
2 accrue to the General Fund.

3 **SEC 7. *Unappropriated Surplus of the General Fund.*** – The Unappropriated
4 Surplus of the General Fund shall refer to the portion of the General Fund not
5 earmarked by law for specific purposes. Such surplus may be appropriated through
6 the enactment of a general or special appropriations.

7 **SEC 8. *Special Funds.*** - All money collected on any tax levied for a special
8 purpose shall be treated as a special fund and paid out for such purpose only. If the
9 purpose for which a special fund was created has been fulfilled or abandoned, the
10 balance, if any, shall accrue to the general fund of the Government.

11 **SEC 9. *Special Account in the General Fund.*** – A Special Account in the General
12 Fund (SAGF) shall refer to an account within the General Fund wherein proceeds from
13 specific revenue sources, automatically appropriated by law for specific purposes, are
14 recorded.

15 A law authorizing the establishment of an SAGF shall expressly earmark
16 proceeds from specific revenue sources and ensure that annual appropriation of the
17 earmarked funds is not required for its utilization. Such law shall likewise provide the
18 period of the SAGF's use; in the absence of a specified period, it shall remain valid
19 until the fulfilment of the purpose for which the SAGF was established, as determined
20 by the Permanent Committee.

21 Unless otherwise provided by law, any interest earned from an SAGF and, upon
22 closure of an SAGF, any remaining balance shall accrue to the Unappropriated Surplus
23 of the General Fund.

24 **SEC 10. *Earmarked Income of the General Fund.*** – The income of the General
25 Fund that is earmarked by law to be used for a specific purpose but is not to be
26 recorded as a SAGF, or that expressly requires appropriations.

27 The balance of the Earmarked Income of the General Fund, not covered by
28 appropriations, shall not accrue to the Unappropriated Surplus of the General Fund.
29 Such balance shall be accounted for and remain available for appropriation exclusively
30 for the same purpose in the succeeding fiscal years, subject to legislative
31 authorization.

1 **SEC 11. Custodial Funds.** – This refers to receipts or cash received by any agency
2 or instrumentality of the National Government, whether from a private source or
3 another government agency, to fulfill a specific purpose. This includes the following:

4 a) Trust receipts which are classified as follows:

5 1) Inter-agency transferred funds (IATF). Receipts or fund transfers from any
6 government agency or GOCC to another agency, and which are deposited
7 in the National Treasury to facilitate project implementation;

8 2) Receipts, other than IATF, from sources, including private persons or foreign
9 institutions, which are deposited with the National Treasury for the
10 fulfillment of some obligations; or

11 3) Receipts from sources, including private persons or foreign institutions,
12 authorized to be deposited in an Authorized Government Depository Bank
13 (AGDB) for the fulfillment of some obligations.

14 Trust receipts shall be constituted into a Trust Fund if expressly authorized
15 by law. A Trust Fund shall remain valid until the purpose for which it was
16 established is accomplished.

17 b) Escrow Fund – constituted from funds for which the government’s legal right
18 to use is contingent upon a future event which may or may not occur. Escrow
19 Funds shall be deposited in the National Treasury or an AGDB. Any interest
20 earned by an Escrow Fund shall accrue to the said Fund. The amounts under
21 escrow, including interest earned, shall form part of the Unappropriated Surplus
22 of the General Fund upon the occurrence of the future contingent event.

23 c) Endowment Fund – constituted from funds established by law for a specific
24 purpose, wherein the principal amount is preserved and only the interest or
25 income from its investments is used to support the implementation of the
26 purpose for which it was created.

27 Unless otherwise provided by law or the provisions herein, any interest earned
28 from Custodial Funds deposited in the National Treasury shall, as applicable, accrue
29 to the Unappropriated Surplus of the General Fund.

30 **SEC 12. Off-Budget Accounts.** – This refers to receipts for expenditure items that
31 are not covered by any appropriation and, by operation of law, are retained by

1 agencies and instrumentalities of the National Government and deposited in an AGDB,
2 subject to scrutiny by the Commission on Audit (COA). This includes the following:

3 a) Revolving Funds are constituted from the following:

4 1) Receipts as expressly created and authorized by law;

5 2) Rentals for the use of buildings and facilities or from fees imposed for board
6 and lodging, by agencies to be used for the MOOE or CO requirements of said
7 buildings and facilities, subject to any guidelines issued by the agency
8 concerned and to budgeting, accounting, and auditing rules and regulations;
9 and

10 3) Receipts from other business-type activities of agencies, including sale of
11 products, which are authorized by the Permanent Committee to be utilized for
12 the operational expenses of said business-type activity, subject to any
13 conditions prescribed under the relevant special provision of the agency
14 concerned in the annual GAA and the rules and regulations as may be
15 prescribed by the Permanent Committee.

16 Revolving funds shall be separately recorded and deposited in an AGDB, in
17 accordance with the law authorizing their creation. Such funds shall be considered
18 self-perpetuating and self-liquidating in nature. All eligible obligations or
19 expenditures incurred for the operations of the foregoing activities shall be charged
20 against the Revolving Fund; and

21 b) Retained Income – constituted from collections of agencies and instrumentalities
22 of the National Government which are expressly authorized by law or by the
23 Permanent Committee to be retained by agencies and instrumentalities of the
24 National Government and utilized for specified purposes. Retained Income shall be
25 deposited in an AGDB in accordance with the law authorizing their creation.

26 Unless otherwise provided by law or the provisions herein, any interest earned
27 from Off-Budget Accounts deposited in the National Treasury or AGDB shall, as
28 applicable, accrue to the Unappropriated Surplus of the General Fund.

29 **SEC 13.** *The Permanent Committee.* – The Permanent Committee composed of
30 the Secretary of Finance as Chairperson, the Secretary of Budget and Management,
31 and the Chairperson of the COA as members, shall have a continuing authority to
32 review and direct the closure, reversion, reclassification, merger, consolidation, and

1 the reversion or transfer of balances of SAGFs, Custodial Funds, Off-Budget Accounts,
2 and any unauthorized account, including those established pursuant to laws enacted
3 after the effectivity of this Act.

4 The Permanent Committee shall direct the closure of SAGFs, Custodial Funds, and
5 Off-Budget Accounts, and the reversion of their balances to the Unappropriated
6 Surplus of the General Fund, based on the following grounds:

- 7 a) The purposes of the funds are fulfilled or accomplished;
- 8 b) There is no legal basis for the creation of the funds;
- 9 c) The term of the funds has expired;
- 10 d) The funds are no longer necessary for the attainment of the purposes for
11 which said funds were established;
- 12 e) The purpose of the fund is duplicative or unnecessarily overlaps with the
13 purposes of other funds;
- 14 f) The utilization of funds no longer achieves the objectives and purposes
15 for which they were established;
- 16 g) The funds are used in violation of the rules and regulations issued by the
17 Permanent Committee;
- 18 h) The funds have remained dormant for an unreasonable length of time,
19 as determined by the Permanent Committee; and
- 20 i) The funds are needed by the General Fund in times of emergency, as
21 declared by the President.

22 Further, the Permanent Committee may direct the closure of SAGFs, Custodial
23 Funds, and Off-Budget Accounts, and the transfer of remaining balances to the
24 appropriate fund, based on the following grounds:

- 25 a) When the fund established is not classified in accordance with the
26 provisions of this Act; and
- 27 b) When the fund is established in a manner inconsistent with the nature
28 prescribed in its enabling statute.

29 In order to ensure the optimal utilization of the covered funds created for special
30 purposes, the Permanent Committee is further authorized to direct the merger and/or
31 transfer of the funds from one agency to another, having mandate or jurisdiction over
32 the same object for which the fund was created.

1 The Permanent Committee, in recommending the merger, consolidation, and/or
2 transfer of funds, shall consider the following factors:

- 3 a) Purposes for which the fund was created;
- 4 b) Mandates and functions of the agencies;
- 5 c) Absorptive capacities of the agencies relative to the historical utilization
6 of the funds;
- 7 d) Programs, activities and projects relative to the fulfillment of the purposes
8 of the fund can be properly implemented through convergence and
9 programmatic approach; and
- 10 e) Other circumstances that would warrant the merger/consolidation of
11 funds in one agency.

12 In case of reclassification of SAGFs, Custodial Funds, and Off-Budget Accounts,
13 the authorized uses or purposes shall continue to be those specified in the law creating
14 them.

15 The Permanent Committee shall issue guidelines for the implementation of this
16 provision, including its accounting and reporting requirements.

17
18 **CHAPTER II**
19 **SPECIAL PURPOSE FUNDS**
20

21 **SEC 14. *Special Purpose Funds.*** – The Special Purpose Funds (SPFs) included in
22 the annual Proposed National Budget shall be limited to the following:

- 23 a) National Disaster Risk Reduction and Management Fund (NDRRMF);
- 24 b) Contingent Fund (CF);
- 25 c) Allocations to LGUs;
- 26 d) Miscellaneous Personnel Benefits Fund (MPBF);
- 27 e) Pension and Gratuity Fund (PGF);
- 28 f) Spill-Over Fund; and
- 29 g) Other SPFs not falling under any of the preceding enumeration but proposed
30 by the President and authorized by Congress, subject to the following
31 parameters or conditions:

- 1 i. The SPF shall be used to cover expenditures for specific purposes for which
2 recipient agencies and instrumentalities of the National Government have
3 not yet been identified during budget preparation and legislation. These
4 shall be available for allocation to agencies and instrumentalities of the
5 National Government in addition to their built-in appropriations, during
6 budget execution, pursuant to special conditions per SPF;
- 7 ii. The SPF shall be administered by the DBM;
- 8 iii. The SPF must be for a specific purpose;
- 9 iv. The SPF may be accessed by multiple agencies; and
- 10 v. The use and allocation of the SPF shall not be subject to post-enactment
11 legislative measures.

12 The DBM shall submit to Congress the quarterly and annual reports of the total
13 releases attributed to the foregoing SPFs.

14 The release and utilization of the foregoing SPFs shall be subject to the
15 guidelines to be issued by the DBM.

16 **SEC 15. *National Disaster Risk Reduction and Management Fund.*** – The
17 NDRRMF shall be used for: a) disaster risk reduction or mitigation, prevention, and
18 preparedness activities, such as, but not limited to, training of personnel, procurement
19 of equipment, and capital expenditures; and b) relief, recovery, reconstruction, and
20 other work or services in connection with natural or human-induced calamities which
21 may occur during the budget year or those that occurred in the past two (2) years
22 from the budget year.

23 Of the amount appropriated for the NDRRMF under the general appropriations
24 law, up to thirty percent (30%) shall be allocated as the ceiling amount for the
25 replenishment of the Quick Response Fund (QRF). The QRF shall be used as a standby
26 fund for relief and recovery programs in order that the situation and living conditions
27 of people in communities or areas stricken by disasters, calamities, epidemics, or
28 complex emergencies, may be normalized as quickly as possible.

29 When the balance of the QRF of the implementing agency concerned, as
30 appropriated in the general appropriations law, reaches fifty percent (50%), the same
31 may be replenished from the NDRRMF, subject to the approval of the DBM, copy
32 furnished the National Disaster Risk Reduction Management Council (NDRRMC).

1 In no case shall the QRF be used for pre-disaster activities, such as conduct of
2 training, insurance of assets, and public information and education initiatives, or any
3 other purpose not authorized in this provision.

4 Releases from the NDRRMF, other than the replenishment of the QRF, shall be
5 subject to the prior approval of the President, who may take into consideration the
6 recommendation of the NDRRMC for local disasters and calamities and the appropriate
7 agency for international crises.

8 **SEC 16. *Contingent Fund.*** – The CF shall cover the funding requirements of
9 new or urgent projects or activities of agencies and instrumentalities of the National
10 Government, including LGUs, that need to be implemented or paid during the year,
11 such as, but not limited to, the following: a) legal obligation of the agencies and
12 instrumentalities of the National Government arising from the final and executory
13 decisions of competent authorities, such as compromise agreements, including arbitral
14 awards, mediation settlement agreements, and professional services in connection
15 thereto; b) requirements of newly created offices; or c) deficiencies in the
16 appropriations for local and external travels of the President.

17 Releases from this Fund shall be subject to approval by the President, other
18 than those for payment resulting from final and executory decisions of competent
19 authorities, which shall be released by the DBM subject to availability of funds.

20 **SEC 17. *Allocations to Local Government Units.*** – The shares of LGUs in the
21 proceeds from national taxes and other transfers to LGUs authorized by appropriations
22 shall be released to the LGUs in accordance with the provisions on the use, allocation,
23 and release of the funds under pertinent laws, rules, and regulations.

24 **SEC 18. *Miscellaneous Personnel Benefits Fund.*** – The MPBF shall be used for
25 the following purposes: a) to cover the payment of PS deficiencies of those who are
26 still in the government service; and b) to cover actual expenses, including payment of
27 premiums for posting of bail bonds and cash advance for expense of officials and
28 employees of the agencies under the Executive Department, in relation to the defense
29 of administrative, civil, or criminal cases filed against them in courts for acts committed
30 in the performance of their actual functions.

1 In no case shall this Fund be utilized to cover PS deficiencies resulting from the
2 filling of existing and newly-created positions already provided under the regular
3 budget of the agencies and instrumentalities of the National Government.

4 **SEC 19. Pension and Gratuity Fund.** – The PGF shall cover the payment of the
5 following:

- 6 a) Pension requirements for military uniformed personnel and other eligible retired
7 personnel of agencies of the National Government covered by special laws;
- 8 b) Retirement benefits of the following:
 - 9 1) Optional retirees of the agencies of the National Government;
 - 10 2) Retired personnel of GOCCs, which are financially unable to pay said
11 benefits, subject to the submission of the streamlining program and
12 measures that will enhance efficiency and effectiveness; and
 - 13 3) Personnel devolved to LGUs in accordance with applicable laws, rules,
14 and regulations;
- 15 c) Separation benefits or incentives of affected personnel pursuant to the
16 implementation of reorganization, streamlining, optimization,
17 merger/consolidation, abolition, privatization, and other forms of organizational
18 restructuring authorized under applicable laws, rules and regulations;
- 19 d) Monetization of leave credits of national government personnel and transferred
20 leave credits of national government personnel devolved to the LGUs in
21 accordance with RA No. 7160; and
- 22 e) Other deficiencies in the authorized appropriations for retirement and terminal
23 leave benefits.

24 In no case shall this Fund be used to pay any additional compensation component
25 of pension or retirement and terminal leave benefits, such as year-end bonus, cash
26 gifts, bonuses, per diems, allowances, overtime pay, or such other benefits, unless
27 otherwise specifically authorized under relevant laws.

28 **SEC 20. Spill-over Fund.** – Agencies and instrumentalities of the National
29 Government shall ensure that all goods, services, and projects are fully delivered,
30 rendered, or completed, respectively, and accepted by the end of the fiscal year.

31 As a general rule, P/A/Ps that are delivered, rendered, or completed, and accepted
32 within the period of validity of the appropriations, but remain unpaid until after the

1 EPP shall be governed by the rules on money claims. In exceptional circumstances,
2 such as the occurrence of *force majeure*, through no fault or negligence of the
3 contracting parties, the Spill-over Fund may cover the funding requirements for Spill-
4 over Projects.

5
6 **BOOK III**
7 **THE BUDGET CYCLE**

8
9 **CHAPTER I**
10 **GENERAL POLICIES**

11 **SEC 21.** *Constitutional Policies on the Budget.* -

- 12 a) All appropriations, revenue or tariff bills, and bills authorizing increase of the
13 public debt shall originate exclusively in the House of Representatives, but the
14 Senate may propose or concur with amendments;
- 15 b) The Congress may not increase the appropriations recommended by the
16 President for the operation of the government as specified in the budget. The
17 form, content, and manner of preparation of the budget shall be prescribed by
18 law;
- 19 c) No provision or enactment shall be embraced in the General Appropriations Bill
20 (GAB) unless it relates specifically to some particular appropriation to which it
21 relates;
- 22 d) The procedure in approving appropriations for the Congress shall strictly follow
23 the procedure for approving appropriations for other departments and
24 agencies;
- 25 e) A Special Appropriations Bill shall specify the purpose for which it is intended
26 and shall be supported by funds actually available, as certified by the National
27 Treasurer, or to be raised by a corresponding revenue proposal therein;
- 28 f) No law shall be passed authorizing any transfer of appropriations. However,
29 the President, the President of the Senate, the Speaker of the House of
30 Representatives, the Chief Justice of the Supreme Court, and the heads of
31 Constitutional Commissions may, by law, be authorized to augment any item in

1 the general appropriations laws for their respective offices from savings in other
2 items of their respective appropriations;

3 g) Discretionary funds appropriated for particular officials shall be disbursed only
4 for public purposes to be supported by appropriate vouchers and subject to
5 such guidelines as may be prescribed by law;

6 h) If, by the end of any fiscal year, the Congress shall have failed to pass the GAB
7 for the ensuing fiscal year, the General Appropriations Law for the preceding
8 fiscal year shall be deemed reenacted and shall remain in force and effect until
9 the GAB is passed by the Congress;

10 i) No money shall be paid out of the Treasury except in pursuance of an
11 appropriation made by law. No public money or property shall be appropriated,
12 applied, paid, or employed, directly or indirectly, for the use, benefit, or support
13 of any sect, church, denomination, sectarian institution, or system of religion,
14 or of any priest, preacher, minister, other religious teacher, or dignitary as such,
15 except when such priest, preacher, minister, or dignitary is assigned to the
16 armed forces, or to any penal institution, or government orphanage or
17 leprosarium;

18 j) All money collected on any tax levied for a special purpose shall be treated as
19 a special fund and paid out for such purpose only. If the purpose for which a
20 special fund was created has been fulfilled or abandoned, the balance, if any,
21 shall be transferred to the general funds of the Government;

22 k) Fiscal Autonomy shall be enjoyed by the Judiciary, Constitutional Commissions,
23 Office of the Ombudsman, Local Governments, and Commission on Human
24 Rights; and

25 l) The President shall submit to the Congress, within thirty (30) days from the
26 opening of every regular session as the basis of the GAB, a budget of
27 expenditures and sources of financing, including receipts from existing and
28 proposed revenue measures.

29 **SEC 22.** *Planning-Programming-Budgeting Linkage.* – Development strategies
30 identified in the Philippine Development Plan (PDP) shall be the primary consideration
31 in the formulation of the Budget Priorities Framework (BPF). These shall also be the
32 basis for drawing up strategic and prioritized programs and projects in the multi-year

1 Public Investment Program (PIP), which in turn will be considered in the formulation
2 of the annual agency budgets.

3 The PIP and the Regional Development Investment Programs (RDIPs) shall be
4 coherent through the conduct of the RDC National Investment Programming
5 Dialogues, which will ensure that regional and local development priorities are aligned
6 with national plans.

7 The Philippine Development Plan (PDP) is formulated by the Department of
8 Economy, Planning, and Development (DEPDev), in consultation with public agencies,
9 civil society organizations (CSOs), non-government organizations (NGOs), people's
10 organizations (POs), the academe, the private sector, and LGUs. Meanwhile, the PIP
11 translates the PDP into priority P/A/Ps that are responsive to its sectoral goals and
12 outcomes. The RDIPs are based on the Regional Development Plans (RDPs), which is
13 formulated after the PDP, and should also be aligned therein, and defines the region's
14 development direction.

15 The implementation of P/A/Ps funded under the annual agency budgets shall be
16 monitored to ensure economy, efficiency, and effectiveness in the use of public funds.
17 The monitoring and evaluation of these P/A/Ps shall cover, among others, the actual,
18 physical, and financial performance of agencies, citing reasons for deviation and/or
19 poor absorptive capacities.

20 **SEC 23.** *Budget with Unified Accounts Codes* – All items of appropriations in
21 the NEP and Appropriations Law shall be assigned with a Unified Accounts Code
22 Structure (UACS) Code by the DBM.

23 The UACS shall be the official and mandatory classification system for all
24 financial transactions of the agencies and instrumentalities of the National
25 Government.

26 The UACS shall serve as the backbone of the IFMIS. It shall facilitate the
27 integration of budget and accounting classification systems, reporting standards, and
28 chart of accounts across government.

29 **SEC 24.** *Integrated Financial Management Information System.* – There shall
30 be an IFMIS which shall be the single portal of all financial transactions and reports to
31 be used by agencies and instrumentalities of the National Government, including

1 LGUs, as the case may be, to integrate budgeting, cash management, and accounting
2 processes.

3 To support responsive and efficient budget execution, government financial
4 systems shall be designed to anticipate and accommodate budgetary adjustments
5 arising from the enactment of Appropriations Laws or the operation of a reenacted
6 budget.

7 **SEC 25. *Program Classification.*** – The proposed National Budget shall adopt a
8 structure based on a program classification as may be approved by the President.
9 Performance information shall be provided for each program to facilitate the
10 evaluation of its cost effectiveness and provide better information for analysis and
11 feedback for planning and prioritization of expenditures.

12 In addition, the performance information and targets contained in the proposed
13 National Budget shall be updated after the passage of the general appropriations law
14 taking into consideration the amount appropriated for each program. For this purpose,
15 agencies and instrumentalities of the National Government shall propose adjustments
16 in its outputs and outcomes for submission to the DBM.

17 **SEC 26. *Program Convergence Budgeting*** – Program Convergence Budgeting
18 (PCB) is an approach that aims to focus government resources on key programs and
19 projects which shall be coordinated in a holistic approach across agencies and
20 instrumentalities of the National Government working towards the same goals. This
21 shall rationalize similar, overlapping, and/or redundant P/A/Ps.

22 **SEC 27. *Participatory Approach in the Budget Process.*** – The government shall
23 establish and implement suitable participatory budget mechanisms to ensure open,
24 inclusive, transparent, and meaningful engagement of citizens and stakeholders
25 during budget preparation process. The DBM and Department of the Interior and Local
26 Government, together with other relevant agencies, shall formulate and periodically
27 update policies and P/A/Ps to strengthen participation in the planning, budgeting, and
28 accountability processes.

29 These participatory mechanisms include a) consultations with the Regional
30 Development Councils (RDCs) and Local Development Councils (LDCs) in the
31 formulation of the national and local government budgets, respectively; and b)
32 partnerships and consultations with Civil Society Organizations (CSOs), academic

1 institutions, and experts on programs that monitor and help improve agency or local
2 government budget preparation, execution, and monitoring.

3 Furthermore, these mechanisms shall be conducted within the annual national
4 budget preparation cycle and aligned with the timelines prescribed under the
5 applicable guidelines or issuance. For this purpose, the following activities shall be
6 undertaken within the following indicative periods, or within such period as may be
7 prescribed under the annual DBM Budget Call: (a) announcement of the CSO
8 assembly, not later than January; (b) conduct of the CSO assembly, from January to
9 February; (c) organization of local action teams and local action plan workshops, in
10 February; (d) submission of the initial list of priority projects, not later than the end
11 of February; (e) consolidation of proposed projects, in March; (f) validation of projects,
12 from March to April; (g) submission of the revised list of priority projects together with
13 the corresponding Sanggunian resolution, not later than April; and (h) actual
14 integration of the approved local government unit projects into the budgets of
15 participating agencies, from April to May.

16 To ensure program complementation, the RDCs shall identify local P/A/Ps that
17 support national and regional development objectives, and recommend to the
18 concerned NGA the local priorities for consideration in NGA's planning and budgeting.
19 The RDCs and LDCs shall ensure compliance with Sections 109 and 114, respectively,
20 of RA No. 7160, and other applicable laws, rules and regulations.

21 **SEC 28.** *Alignment of National Budget with Local Development Priorities.* – To
22 promote inclusive, equitable, and responsive development, the National Budget shall,
23 to the extent practicable and consistent with national development goals and fiscal
24 policy, be aligned with and responsive to the identified development priorities of LGUs,
25 as identified through duly constituted local and regional planning mechanisms.

26 For this purpose, the alignment of national budget process and local
27 development priorities shall be undertaken in accordance with the following guiding
28 principles and operational mechanisms:

29 (a) The development priorities and P/A/Ps identified by LGUs through their
30 approved Local Development Plans (LDPs) and Local Development Investment
31 Programs (LDIPs), and endorsed through the RDCs, shall constitute a primary
32 input in the formulation of the National Government's annual budget.

1 (b) The RDCs shall serve as the convergence and validation mechanisms for local
2 development priorities. In this capacity, the RDCs shall: (i) consolidate,
3 evaluate, and prioritize LGU-endorsed programs and projects, ensuring their
4 alignment with regional development goals and national development
5 outcomes; (ii) endorse priority local programs and projects to the concerned
6 NGAs, through their Regional Line Agencies (RLAs) and Agency Regional
7 Offices (AROs), for funding consideration; and (iii) ensure that endorsed
8 priorities reflect the development needs and investment gaps of the region.

9 (c) The NGAs, through their Central Offices, shall: (i) integrate RDC-endorsed local
10 priorities in the preparation of their respective budget proposals, subject to
11 technical feasibility and consistency with national development objectives; (ii)
12 demonstrate, as part of their budget submissions, how proposed expenditures
13 respond to identified local and regional development priorities; and (iii) provide
14 written justification for the exclusion or modification of RDC-endorsed priorities
15 in the final agency budget proposals.

16 (d) A mandatory feedback mechanism shall be institutionalized, whereby NGAs
17 shall inform the RDCs and concerned LGUs of the actions taken on endorsed
18 local priorities, including the basis for approval, deferment, or non-inclusion,
19 to strengthen accountability and evidence-based planning.

20 (e) The alignment of local, regional, and national development priorities under this
21 section shall follow a two-year rolling planning and budgeting cycle, as follows:

22 (i) Year One – Plan Alignment and Endorsement. LGUs shall align their LDPs
23 and LDIPs with regional and national development frameworks, and the RDCs
24 shall consolidate and endorse priority programs and projects to concerned
25 NGAs; and

26 (ii) Year Two – Budget Preparation. NGAs shall integrate the RDC endorsed
27 priorities in the preparation of their budget proposals for the ensuing fiscal
28 year. The processes under Year One shall be completed prior to the issuance
29 of the National Budget Call for the corresponding fiscal year.

30 The DBM, in coordination with the DEPDev and the DILG, shall issue the
31 necessary policy guidelines to operationalize this section, including mechanisms to

1 ensure that the National Budget meaningfully reflects local government development
2 priorities.

3 The proposed provision/section establishes a clear framework by which locally
4 identified development P/A/Ps are generated through approved LDPs and LDIPs, and
5 subsequently consolidated and validated through the RDCs. It also clarifies the roles
6 and responsibilities of RDCs as convergence and validation mechanisms, and of NGAs
7 in considering RDC-endorsed priorities in the preparation of their annual budget
8 proposals, including the requirement to provide justification where such priorities are
9 not adopted.

10 It further integrates a defined planning and budgeting timelines through a
11 rolling two (2)-year cycle to ensure that local and regional priorities are identified,
12 endorsed, and considered before the issuance of the National Budget Call.

13 Lastly, it designates the DBM, in coordination with the DEPDev and the DILG,
14 to issue the necessary policy guidelines to operationalize the process, which ensures
15 consistent implementation and institutional support across agencies.

16 **SEC 29. Total Resource Budgeting.** – In evaluating budget proposals, all
17 resources, including Special Funds, of the agencies or instrumentalities of the National
18 Government shall be taken into account.

19 **SEC 30. Total Expenditure Program** - The TEP is the approved ceiling on the
20 total obligations that could be incurred by the government in a given fiscal year. The
21 said ceiling is supported by estimated financial resources, as reflected in the BESF.
22 The TEP shall include all programmed and automatic appropriations, and shall not
23 cover the UA.

24 For programmed appropriations, which is subject to legislative authorization,
25 the Congress may increase the appropriation of any P/A/P of an agency or
26 instrumentality of the National Government over the amount submitted by the
27 President in his budget proposal, if there is a corresponding reduction in other P/A/Ps
28 of agencies and instrumentalities of the National Government.

29 **SEC 31. Adoption of the Philippine Cash Budgeting System.** – The Philippine
30 Cash Budgeting System shall be adopted to improve the fiscal planning and cash
31 management of the National Government by setting deadlines for obligation and

1 disbursement of funds, in order to facilitate the implementation of programs and
2 prompt delivery of goods and services to the Filipino people.

3 **SEC 32. Budget Proposals.**- Each head of agency or instrumentality of the
4 National Government, as applicable, shall submit a request for appropriations to the
5 DBM in accordance with the rules and regulations as may be issued for the purpose.

6 The budget proposals of agencies shall include, among others, the following
7 information:

- 8 (1) Objectives, functions, activities, programs, and projects showing the general
9 character and relative importance of the work to be accomplished or the
10 services to be rendered, and the principal elements of cost involved;
- 11 (2) Linkage of the work and financial proposals to approved development plans;
- 12 (3) Estimated current operating expenditures and COs, with comparative data for
13 the preceding and current fiscal years;
- 14 (4) Financial sources, reflecting all revenues, proceeds of foreign and domestic
15 borrowings, and other sources, particularly those which accrue to the General
16 Fund;
- 17 (5) Brief description of the major thrusts and priority programs and projects for
18 the budget year, results expected for each budgetary program and project,
19 the nature of work to be performed, estimated costs per unit of work
20 measurement, including the various objects of expenditure for each project;
- 21 (6) Organization charts and staffing patterns indicating the list of existing and
22 proposed positions with corresponding salaries, and proposals for position
23 classification and salary changes, duly supported by adequate justification.

24 **SEC 33. Budgetary Support to Government Corporations.** - Income and
25 revenues collected by GOCCs from all sources shall be used to cover all its operating
26 requirements. Any deficiency may be augmented by the budgetary support from the
27 National Government, which may either be:

- 28 a) Subsidy which shall be used in accordance with the purposes identified in the
29 annual GAA: *Provided*, That unless otherwise stated in the special provisions,
30 subsidy releases may be used by GOCCs which are financially unable to pay for
31 the separation or retirement benefits and incentives resulting from an approved

1 reorganization, merger, streamlining, abolition, or privatization plan under RA
2 No. 10149, other laws and issuances; or

3 b) Equity which shall be used as capital investment of the National Government in
4 accordance with the capitalization requirement under pertinent laws. In no case
5 shall equity investments be used for the payment of salaries, allowances,
6 incentives, and retirement and separation benefits, except in cases authorized
7 by the DBM.

8 **SEC 34.** *Submission of Corporate Operating Budgets and Other Related*
9 *Financial Statements.* - All GOCCs, including Government Financial Institutions,
10 whether or not receiving budgetary support from the National Government, shall
11 prepare their annual Corporate Operating Budgets (COBs) following the procedure and
12 guidelines as to be determined by the DBM. Said COBs, together with their supporting
13 financial statements, shall be approved by their governing boards, and submitted to
14 the DBM for review and evaluation as part of the budget process.

15
16 **CHAPTER II**
17 **BUDGET PREPARATION**
18

19 **SEC 35.** *Additional Functions and Reconstitution of the Development Budget*
20 *Coordination Committee.* – The DBCC shall be primarily responsible for the review and
21 approval of the macroeconomic targets, revenue projections, borrowing level,
22 aggregate budget level, and expenditure priorities and the recommendation to the
23 Cabinet and the President of the consolidated public sector financial position and the
24 National Government fiscal program.

25 In addition to the foregoing, the DBCC, pursuant to this Act, is tasked to
26 formulate the Medium-Term Fiscal Framework (MTFF). It shall conduct periodic
27 reviews of fiscal and macroeconomic targets, as well as the revenue and expenditure
28 projections of the government, including general examination of costs,
29 accomplishments, and performance standards applied in undertaking development
30 projects. Further, the Secretaries of the DBM and the DOF shall serve as co-
31 chairpersons, and the DEPDev shall serve as the vice chairperson of the DBCC.

1 **SEC 36. *Medium Term Fiscal Framework.*** – The DBCC shall prepare, subject
2 to the approval of the President, the MTFF which shall contain the Statement of Fiscal
3 Policy, measurable medium-term macroeconomic and fiscal objectives, and forecasts
4 consistent with the fiscal responsibility principles. The MTFF shall be submitted to
5 Congress for its information not later than one hundred eighty (180) days from the
6 commencement of the President’s term of office and update the measurable fiscal
7 objectives set forth therein three (3) years thereafter.

8 **SEC 37. *Budget Ceiling.*** – The DBCC, on the basis of the MTFF, shall determine
9 the budget ceiling during the last quarter immediately preceding the budget year,
10 which shall serve as the basis of the budget call for the succeeding year. The DBCC
11 may review and revise the said ceiling based on emerging macro-fiscal developments
12 as may be necessary, in alignment with the fiscal objectives set forth in the MTFF.

13 **SEC 38. *Budget Call.*** – The budget call issued by the DBM shall contain budget
14 parameters earlier set by the DBCC as well as policy guidelines and procedures to aid
15 government agencies in the preparation and submission of their budget proposals.
16 The budget call is of two (2) kinds, namely: a) a national budget call, which is
17 addressed to all agencies and instrumentalities of the National Government, except
18 GOCCs; and b) a corporate budget call, which is addressed to all GOCCs.

19 **SEC 39. *Budget Priorities Framework.*** – The DBM shall issue a BPF to guide
20 the formulation of the Proposed National Budget for the following fiscal year. It shall
21 contain, among others, the targets underlying the budget; the priority areas for
22 government spending reflected in the PDP and PIP; and estimated amount and
23 planned allocation of the fiscal space.

24 **SEC 40. *Implementation of Program Convergence Budgeting.*** – Prior to the
25 submission of budget proposals, agencies and instrumentalities of the National
26 Government shall have undertaken inter-agency coordination, employing a holistic
27 approach, to ensure alignment on key programs and projects with other departments
28 pursuing similar objectives.

29 In order to plan and implement a PCB program, a lead agency shall be
30 designated to perform oversight and steering functions of planning, direction setting,
31 and monitoring, among others, as set forth in the legal and/or policy framework of
32 the program.

1 The designation of lead agency shall be in accordance with the legal basis of
2 the specific PCB program and/or the magnitude of the involvement of an agency in
3 said PCB program, consistent with its legal mandates.

4 **SEC 41.** *The Proposed National Budget.* – The President shall submit to
5 Congress, not later than thirty (30) days from the fourth Monday of July of every year,
6 the Proposed National Budget, which shall be the basis of the GAB.

7 The President shall determine the form and content of the Proposed National
8 Budget which shall include, but not limited to, the following:

- 9 a) BESF contains, among others, the macroeconomic parameters, dimensions of
10 three (3)-year expenditure program, revenue, financing, and outstanding debt,
11 overview of the financial positions of GOCCs, LGUs, and public-private
12 partnership projects, list of new multi-year projects, including the project
13 duration, the total project cost, and contractual authorities issued;
- 14 b) NEP details the agencies and instrumentalities of the national government's
15 proposed P/A/Ps, under the programmed and unprogrammed appropriations,
16 submitted to Congress in the review and deliberation of the proposed national
17 budget for the legislation of the general appropriations law for the next fiscal
18 year;
- 19 c) President's Budget Message provides a preview of the Proposed National
20 Budget, explaining the principles, objectives, policy framework adopted, and
21 the spending priorities for the ensuing fiscal year; and
- 22 d) Staffing Summary contains the overall staffing summary of the national
23 government, indicating the number and salaries of the permanent filled and
24 unfilled positions.

25 The Proposed National Budget shall be published in a searchable and open data
26 format on the DBM official website immediately after the submission thereof by the
27 President to Congress.

28 The Proposed National Budget shall in no case exceed the TEP.

29 **SEC 42.** *Unprogrammed Appropriations.* – Congress may authorize standby
30 appropriations to cover the following funding requirements for foreign-assisted
31 projects (FAPs) without perfected loan agreements as of preparation of the NEP:

1 (i) The fund source for foreign loan proceeds counterpart shall be charged against
2 the loan proceeds from the perfected contract.

3 (ii) or the Government of the Philippines counterpart not included in the
4 programmed appropriations, expenditures thereof shall be supported by,
5 subject to compliance with Section 46 herein, the excess revenue collections in
6 any one of the particular non-tax revenue sources from its corresponding
7 revenue collections target in the BESF as certified by the BTr, or by new revenue
8 collections or those arising from new tax or non-tax revenues which are not
9 part of the original revenue sources in the BESF.

10 The total UA shall not exceed two percent (2%) of the TEP. In no case shall
11 the UA be released when the DBCC determines that there is a risk of breaching the
12 fiscal objectives set forth in the MTFE.

13 In view of the nature of the sources of funding for UA, the validity period of
14 releases, obligations, and disbursements therefrom shall be subject to the rule under
15 Section 51 of this Act.

16 It is understood that the appropriations for the new FAPs included in the current
17 fiscal year's UA should be included in the programmed appropriations of the agencies
18 concerned for the succeeding fiscal years.

19 **SEC 43. *Errata.*** – Notwithstanding the transmittal of the NEP by the President
20 to the House of Representatives, the DBM, upon approval of the President, as
21 applicable, *motu proprio* or upon request of the concerned agencies, may introduce
22 errata for the purpose of effecting necessary corrections either clerical or substantial,
23 clarifications, or adjustments to the NEP: *Provided,* That for substantial errors, the
24 same shall be subject to the prior approval of the President. The errata shall be
25 submitted by the Office of the President, through the DBM, to the House of
26 Representatives at any time prior to the conversion of the NEP into the GAB.

27
28 **CHAPTER III**
29 **BUDGET LEGISLATION**
30

31 **SEC 44. *General Appropriations Bill.*** – The GAB shall be presented in the form
32 of P/A/Ps for each agency of the government, with the corresponding appropriations

1 for each P/A/P, including statutory provisions of specific agency or general
2 applicability.

3 **SEC 45. *Special Appropriations Bill.*** – A special appropriations bill shall specify
4 the purpose for which it is intended, and shall be supported by funds actually available
5 as certified by the National Treasurer, or to be raised by a corresponding revenue
6 proposal therein. The validity of appropriations under the said bill shall be prescribed
7 therein which shall in no case exceed one (1) year from its enactment.

8 A Special Appropriations Bill may be passed while the Government is operating
9 under a reenacted budget.

10 **SEC 46. *Use of New or Excess Revenue Sources.*** – Excess revenue collections
11 in any one of the identified non-tax revenue sources from its corresponding revenue
12 collection target, as reflected in the BESF, or new revenue collections or those arising
13 from new tax or non-tax sources which are not part of, nor included in, the original
14 revenue sources reflected in the BESF, may be used for the UA or for special
15 appropriations. However, if a special appropriations law is enacted, any certification
16 of excess or new revenue collection specifically attributed to the fund source identified
17 in the special appropriations law shall be exclusively utilized for the fulfillment of the
18 purpose expressly provided therein.

19 **SEC 47. *Automatic Appropriations.*** - All expenditures for a) personnel
20 retirement premiums, government service insurance, and other similar fixed
21 expenditures, b) principal and interest on public debt, c) national government
22 guarantees of obligations which are drawn upon, d) other appropriations that, by their
23 nature, do not require periodic legislative action by the Congress and need not be
24 included in the legislation of the general appropriations law, are automatically
25 appropriated: *Provided*, That no obligations shall be incurred, nor any payments made,
26 from funds automatically appropriated unless duly supported by the corresponding
27 obligational and disbursement authorities.

28
29 **CHAPTER IV**
30 **BUDGET EXECUTION**
31

1 **SEC 48. *Use of Appropriations.*** – All monies appropriated for P/A/Ps shall be
2 available solely for the specific purposes for which these are appropriated.

3 **SEC 49. *Reenacted Budget.*** – If, by the end of the current fiscal year, a general
4 appropriations law for the ensuing fiscal year is not enacted, the general
5 appropriations law of the current fiscal year shall be deemed reenacted and shall
6 remain in force and effect until the end of the fiscal year unless a general
7 appropriations law for the ensuing fiscal year is enacted.

8 The reenacted budget shall be enforced as follows:

9 a) The aggregate level of the reenacted budget shall be limited to the total amount
10 appropriated in the preceding year’s general appropriations law, but shall in no
11 case exceed the level of the sources of financing under the BESF of the
12 Proposed National Budget for the current fiscal year;

13 b) The appropriations for the following shall be limited to the amounts authorized
14 under the reenacted budget, subject to the applicable general and special
15 provisions therein, but in no case exceed the amounts in the Proposed National
16 Budget for the current fiscal year:

17 1) Personnel benefits, including retirement gratuities, pensions, terminal leave
18 pays and other related expenses;

19 2) Ongoing P/A/Ps;

20 3) NDRRMF, CF, Allocations to LGUs, MPBF, PGF, and other SPFs;

21 4) Budgetary support to GOCCs for their operational requirements and ongoing
22 P/A/Ps; and

23 5) UA.

24 c) In no case shall the following items of the reenacted budget be considered for
25 release, disbursement, and utilization:

26 1) Completed P/A/Ps funded in the general appropriations law of the preceding
27 fiscal year;

28 2) Equity contribution of the National Government to GOCCs; and

29 3) Non-recurring P/A/Ps.

30 Releases against automatic appropriations shall likewise be included in, and
31 charged against, the TEP based on the reenacted budget.

1 All releases during the fiscal year whether under the reenacted budget or the
2 new general appropriations law shall be within the TEP for the current fiscal year. Said
3 new general appropriations law shall be valid from its enactment until the end of the
4 current fiscal year.

5 The DBM shall issue guidelines on the aggregate and agency levels of
6 appropriations authorized under the reenacted budget.

7 **SEC 50. *Release of Appropriations.*** – The government shall commence the
8 release of appropriations covered by the general or special appropriations law as soon
9 as it becomes effective to ensure timely and efficient disbursement by the appropriate
10 implementing agencies, subject to pertinent budgeting, accounting, and auditing rules
11 and regulations. The general or special appropriations law shall be considered the
12 authority of the agencies and instrumentalities of the National Government to obligate,
13 except for the following instances: a) Appropriations that by virtue of law, general or
14 special provisions, and rules and regulations have conditions or requirements before
15 release; b) Lump-sum appropriations in the agency budget and SPFs; and c) Special
16 Appropriations.

17 **SEC 51. *Implementation of the Philippine Cash Budgeting System.*** – All
18 appropriations authorized in the general appropriations law for agencies and
19 instrumentalities of the National Government shall be available for release, obligation,
20 and disbursement only until the end of each fiscal year. In exceptional circumstances,
21 payments for completed construction, goods, and services delivered and accepted
22 may be allowed until the end of EPP which shall be not later than March 31 of the
23 succeeding year. Payments during the EPP shall be chargeable against the general
24 appropriations law of the preceding fiscal year.

25 After the end of the validity period, all unreleased appropriations, unobligated
26 allotments, and obligated allotments for goods/services/projects not yet delivered,
27 rendered, or completed, and accepted shall revert to the Unappropriated Surplus of
28 the General Fund and shall not thereafter be available for expenditure except by
29 subsequent legislative enactment. Agencies and instrumentalities of the National
30 Government shall strictly observe the validity of appropriations and the reversion of
31 funds.

1 Notwithstanding this provision and any other issuance, subsidies released to
2 LGUs and GOCCs under this Act shall be valid until fully expended.

3 All funds transferred between agencies of the National Government, or by
4 agencies of the National Government to GOCCs and vice versa, or by agencies of the
5 National Government to LGUs shall not be considered disbursed under this Section by
6 the source Agency until the transferred amounts have been actually utilized to pay for
7 completed construction, goods delivered, and services rendered, inspected, and
8 accepted, within the validity period. It is understood that transfer of funds shall strictly
9 be in accordance with pertinent budgeting, accounting, auditing, and existing
10 government procurement laws, rules, and regulations.

11 The DBM is authorized to issue the necessary guidelines for the continued
12 implementation of the Philippine Cash Budgeting System.

13 **SEC 52. *Government Funding Commitment.*** – No obligations chargeable
14 against any authorized allotment shall be incurred by agencies and instrumentalities
15 of the National Government without first securing a certification of availability of funds
16 (CAF) for the purpose from the agency chief accountant. The CAF sufficient to cover
17 the cost of the contracted activities shall be contained in, and made part of, the
18 contract duly signed by the chief accountant of the contracting agency.

19 For multi-year Projects, the CAF shall be issued annually based on the annual
20 budget for the year. In case of multi-year projects with no funding requirement on
21 any given year, instead of the CAF, the chief accountant shall issue a certification that
22 no fund is needed for the year, as indicated in the approved Multi-Year Contractual
23 Authority (MYCA).

24 The CAF shall be stamped or appended to the contract and shall become an
25 integral part thereof.

26 **SEC 53. *Multi-Year Contractual Authority.*** - For projects to be undertaken
27 through multi-year contractual arrangements, the corresponding MYCA, or any
28 equivalent document, shall be secured from the DBM or other appropriate body, as
29 may be applicable, only after the inclusion of the subject projects in the proposed
30 budget of the agency and strictly prior to the commencement of any procurement
31 activity.

1 The implementation of this provision shall be subject to the guidelines issued
2 for the purpose.

3 **SEC 54. *Meaning of Savings.*** – Savings refer to portions or balances of any
4 released appropriations in the general or special appropriations law which have not
5 been obligated as a result of any of the following:

6 a) Completion, final discontinuance, or abandonment of a P/A/P for which the
7 appropriation is authorized; or

8 b) Implementation of measures resulting in improved systems and efficiencies and
9 thus enabled an agency to meet and deliver the required or planned targets,
10 programs, and services approved in the general or special appropriations law
11 at a lesser cost.

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

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

17 **SEC 55. *Authority to Declare and Use Savings.*** – The President of the
18 Philippines, the President of the Senate of the Philippines, the Speaker of the House
19 of Representatives, the Chief Justice of the Supreme Court, the Heads of the Civil
20 Service Commission, the Commission on Elections, and the COA are hereby authorized
21 to declare and use savings in their respective appropriations in the current year to
22 augment actual deficiencies incurred for the current year in any item of their respective
23 appropriations.

24 The foregoing constitutional officers authorized to declare and use savings shall
25 be responsible for ensuring that a semestral and annual report on their respective use
26 of savings shall be submitted to the President of the Senate of the Philippines and the
27 Speaker of the House of Representatives, copy furnished the DBM. The report shall
28 indicate, among others, the amount of savings generated, the sources and grounds
29 used therefore, and the existing P/A/P in their respective appropriations augmented.
30 They shall likewise ensure that said reports are posted in their respective websites.

31 **SEC 56. *Rules on Augmentation.*** – Augmentation is the act of the constitutional
32 officers authorized to use savings in their respective appropriations in a general or

1 special appropriations law to cover a deficiency in any existing item of appropriation
2 within their respective offices. A deficiency in an item of appropriation may result
3 from:

- 4 a) Unforeseen modifications or adjustments in the P/A/P; or
- 5 b) Reassessment in the use, prioritization, and/or distribution of resources.

6 An item of appropriation shall pertain to the amount appropriated for an activity
7 or project authorized in the general or special appropriations law.

8 The particulars of the expenditure to be funded from savings should be within
9 the scope of, or be covered by, an existing activity or project. The existence of an
10 activity or project regardless of the availability of allotment class/es is sufficient for
11 the purpose of augmentation.

12 In no case shall a non-existent activity or project be funded by augmentation
13 from savings or by the use of appropriations authorized in the general or special
14 appropriations law.

15 **SEC 57. Rules on Modification in the Allotment.** – As a general rule, agencies
16 and instrumentalities of the National Government shall spend what is programmed in
17 their respective appropriations in the general or special appropriations law. In
18 exceptional circumstances, agencies and instrumentalities of the National Government
19 may modify the allotment issued within an activity or project, subject to approval of
20 the following ensued by the timely submission of reports by all offices concerned:

- 21 a) The heads of agencies or their duly authorized representatives who shall be the
22 official next-in-rank, for the following: 1) change in the details of an activity or
23 project without changing its nature and within the same operating unit; and 2)
24 change in the object of expenditure (travelling expenses or investment outlays)
25 within an allotment class (MOOE or CO);
- 26 b) The DBM, in the following modifications: 1) from one allotment class to another;
27 and 2) from one operating unit to another;
- 28 c) The President of the Philippines, for the payment of intelligence funds within
29 the Executive Department; and
- 30 d) The Senate President or the Speaker of the House of Representatives, as the
31 case may be, for the modification by a member of Congress of his/her allotment
32 for operational expenses to any other expense category;

1 All modification in the allotment shall not entail any increase in the total amount
2 appropriated for an activity or project.

3 **SEC 58.** *Allocation for Reorganized Departments, Bureaus, and Offices of the*
4 *National Government, including Constitutional Offices Enjoying Fiscal Autonomy and*
5 *State Universities and Colleges.* - The amount appropriated in the general or special
6 appropriations law for departments, bureaus, and offices of the National Government,
7 including Constitutional Offices enjoying fiscal autonomy and SUCs, which were
8 reorganized during the immediately preceding fiscal year and the current year, shall
9 be released to the successor agency subject to any transitory provision in the issuance
10 authorizing its reorganization, and budgeting, accounting, and auditing rules and
11 regulations.

12 **SEC 59.** *Use of Appropriations within Special Purpose Funds.* – As a general
13 rule, the amounts appropriated for SPFs shall be utilized in accordance with the
14 purposes specified in the general or special appropriations law; *Provided,* That in
15 exceptional cases, any available amount in one purpose may be used to cover a
16 deficiency in another purpose within the same SPF, subject to the approval of the
17 DBM.

18 **SEC 60.** *Centrally-Managed Items.* – Funds or items in the agencies' budgets
19 with: a) unidentified recipient regional offices (ROs) or operating units (OUs); and/or
20 b) unspecified allocation per recipient in the general appropriations. Such CMIs shall
21 be released directly to the appropriate OU as identified in the general appropriations
22 law.

23 **SEC 61.** *Impoundment of Appropriations.* – The President, with notice to the
24 Head of Agency concerned, is authorized to withhold the release of appropriations,
25 except for PS, for any agency within the Executive Department, subject to conditions
26 as may be provided in the relevant appropriations law.

27
28 **CHAPTER V**
29 **BUDGET ACCOUNTABILITY**
30

31 **SEC 62.** *Submission of Post Fiscal Year Budget Status.* – The DBM shall submit
32 to the Speaker of the House of Representatives, the President of the Senate of the

1 Philippines, the House Committee on Appropriations and the Senate Committee on
2 Finance a post Fiscal Year budget status report not later than May 31 of the succeeding
3 year.

4 **SEC 63.** *Agency Performance Review.* – The President, through the DBM
5 Secretary, shall evaluate on a continuing basis the quantitative and qualitative
6 measures of agency performance as reflected in the units of work measurement and
7 other indicators of agency performance, including the standard and actual costs per
8 unit of work.

9 The agencies and instrumentalities of the National Government shall submit a
10 semi-annual report of their accomplishments, both physical and financial results, in
11 accordance with such content and format as may be prescribed by the DBM Secretary.
12 These reports shall be designed and used for the purpose of monitoring the efficiency
13 and effectiveness of budget utilization, and generally for verifying the attainment of
14 the goals established during the budget process.

15 **SEC 64.** *Monitoring of Expenditures.* – Expenditures of agencies and
16 instrumentalities of the National Government shall be recorded so as to identify
17 expenditures as classified into such categories as may be determined by the DBM,
18 including but not limited to the following: (1) agency incurring the obligation, (2)
19 P/A/P, (3) object of expenditure, including allotment class, (4) region or locality of
20 use, (5) economic or functional classification of the expenditure, (6) obligational
21 authority and cash transactions arising from fund releases, and such other
22 classifications as may be necessary for the budget process. The DBM shall determine
23 the data and information requirements thus needed and the COA shall formulate the
24 accounting rules and regulations, including changes in the Chart of Accounts and the
25 general or subsidiary accounting records, as may be necessary to generate the desired
26 data and information. The Chief Accountants of agencies and where necessary,
27 accountants of regional offices, shall submit the data needed by the DBM in
28 accordance with such rules and regulations as it may formulate.

29 **SEC 65.** *Accountability of Head of Agency.* – The Head of Agency shall be
30 responsible and accountable for the financial management of the agency which shall
31 include meeting performance targets, controlling costs, mitigating adverse risks to

1 agency operations, and ensuring that budgets are managed with integrity and in
2 compliance with applicable laws.

3
4 **BOOK IV**
5 **MANAGEMENT AND OVERSIGHT**

6
7 **CHAPTER I**
8 **INTERNAL CONTROL AND INTERNAL AUDIT**

9
10 **SEC 66. *Internal Control System.*** - Internal control is an integral process
11 adopted and implemented within the agencies and the instrumentalities of the
12 National Government, including LGUs, designed to provide reasonable assurance
13 regarding the achievement of objectives relating to operations, compliance, reporting,
14 and safeguarding of assets.

15 It shall be the direct responsibility of the heads of agencies to install,
16 implement, and monitor a sound system of internal control.

17 The DBM shall promulgate the necessary rules and regulations for the
18 strengthening of internal control systems of agencies under the Executive Department.

19 **SEC 67. *Internal Audit System.*** – As part of the strengthening of the internal
20 control systems in government, the heads of agencies, including the LGUs, shall
21 establish and maintain an internal audit system, which shall include the creation and
22 establishment of an internal audit unit and the concomitant internal auditor positions,
23 subject to the rules and regulations promulgated by the DBM, based on the standards
24 and principles prescribed by the COA, and also the pertinent provisions of RA No.
25 7160, in the case of LGUs

26 To preserve its independence, the internal audit unit shall be detached from
27 the regular operations or functions of routine operating character of the agency.

28 **SEC 68. *Capacity Development on Internal Control and Internal Audit.*** – The
29 DBM shall establish and implement a sustained capacity development program on the
30 implementation of internal control and internal audit.

1 **CHAPTER II**

2 **MANAGEMENT OF NON-FINANCIAL ASSETS OF THE GOVERNMENT**

3
4 **SEC 69.** *Management of Non-Financial Assets of the Government.* - The head
5 of the agencies and instrumentalities of the National Government shall be responsible
6 and accountable for the management of the non-financial assets of the government
7 under their jurisdiction, such as, but not limited to, lands, buildings, and other
8 infrastructure, motor vehicles, and other movable or personal properties, regardless
9 of their value. The cost-effective management of these assets shall be ensured
10 through the analysis of their lifecycle, capacity, utilization, and maximization of
11 government funds by targeting scarce resources to the most critical asset needs.
12 Agencies and instrumentalities of the National Government shall ensure that costs
13 throughout the lifecycle of the assets, from planning to disposal, are linked with their
14 planning and budgeting processes to maintain the required levels of service of these
15 assets.

16 The DBM shall issue the necessary rules and regulations on the implementation
17 of management of non-financial assets of the agencies and instrumentalities of the
18 National Government, such as, but not limited to, real property management, and the
19 acquisition, use, rental, and replacement of government motor vehicles.
20

21 **CHAPTER III**

22 **FINANCIAL MANAGEMENT**

23
24 **SEC 70.** *Waiver, Abatement, Refund, and Compromise Agreements.* – No
25 public official shall waive, abate, refund, or enter into a compromise agreement on a
26 tax liability or the payment of fees or charges except in accordance with law. All
27 waivers, abatements, refunds, or compromise agreements shall take effect and, in any
28 case, shall be properly accounted for and reported. Refund of taxes and other
29 revenues shall be treated as a reduction in current year’s revenue collections for
30 budgeting and fiscal reporting purposes.

1 The waiver of penalties of the tax obligations of the agencies and
2 instrumentalities of the National Government, in relation to properties owned or
3 conveyed to them, shall be allowed.

4 **SEC 71. *Grants and Donations.*** – NGAs and GOCCs may accept, upon prior
5 coordination with the DOF and/or the Department of Foreign Affairs, grants or
6 donations, in cash or in kind, from domestic or foreign sources, for purposes relevant
7 to their functions. In the case of grants, in cash or in kind, from governments of
8 foreign countries, their agencies and instrumentalities, and international or multilateral
9 institutions or organizations, acceptance thereof shall be subject to the prior clearance
10 and approval by the President or the President’s authorized representative, based on
11 the recommendation of the Secretary of Finance, unless the Secretary of Finance
12 otherwise determines that the nature or scope of the agreement does not require such
13 authorization from the President. On the other hand, other donations, in cash or in
14 kind, from foreign governments shall require prior clearance and approval by the
15 President or his authorized representative based on the recommendation of the
16 Secretary of Foreign Affairs, unless the Secretary of Foreign Affairs otherwise
17 determines that the nature or scope of the agreement does not require such
18 authorization from the President. Grants received shall be valued in the case of grants
19 received in kind and recognized in the books of the recipient agency of the National
20 Government.

21 In case of financial grants or donations in kind given to LGUs by local or foreign
22 assistance in support of the basic services or facilities, such grants or donations shall
23 be governed by the relevant provisions of RA No. 7160.

24 **SEC 72. *Treasury Single Account.*** – The TSA refers to the banking arrangement
25 managed by the BTr wherein the government transacts all monies collected, received,
26 or paid by the agencies and instrumentalities of the National Government in one bank
27 account or a set of linked bank accounts and gets a consolidated view of its cash
28 position on at least, a daily basis.

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

- 32 a) When monies under the General Fund are placed under investments;

- 1 b) When the BTr is required to hold foreign currency accounts; or
- 2 c) When authorized by the Secretary of Finance.

3 The BTr, in coordination with agencies and instrumentalities of the National
4 Government authorized by law to undertake revenue collection and administration,
5 shall make the necessary arrangements with authorized agent banks (AABs) to
6 facilitate the collection and transfer of said revenues to the TSA. AABs shall deposit
7 said collections to TSA within the period and in the manner prescribed by laws, rules
8 and regulations.

9 **SEC 73. Oversight on Government Bank Accounts.** – Notwithstanding any
10 provision of law to the contrary, the BTr shall undertake any of the following in case
11 of violation of a provision in this Act or guidelines issued on the implementation of the
12 TSA:

- 13 a) Transfer balances of bank accounts of agencies and instrumentalities of the
14 National Government to the TSA;
- 15 b) Order/direct the closing of any bank account; and/or
- 16 c) Revoke the authority to open any bank account.

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

19 **SEC 74. Treasury Cash Management.** -The BTr shall issue orders for the conduct
20 of cash management including the requirement to provide projections on the timing
21 of future transactions of agencies and instrumentalities of the National Government
22 taking into consideration that the appropriations law is considered the authority of the
23 agencies to contract out and disburse funds, except for those instances stated in
24 Section 50 of this Act.

25 Cash management operations shall be supported by the IFMIS to enable real-time
26 monitoring of cash positions, timely aggregation of agency cash forecasts, and
27 automated scheduling of fund releases.

28 The BTR, in coordination with the DBM and implementing agencies, shall ensure
29 that agency compliance with cash forecasting requirements is facilitated through
30 digitalized processes and systems that enable the timely submission and consolidation
31 of cash forecasts.

1 **SEC 75. *Investments.*** – The BTr may invest portions of the funds held in the TSA
2 for such periods as the BTr may deem prudent considering cash management
3 requirements. Investments are authorized to be made in any of the following:

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

10 The BTr may appoint a fund manager as an agent of the National Government to
11 undertake the investment of the funds. Fund Manager refers to person responsible for
12 implementing a fund's investing strategy and managing its portfolio trading activities.

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

15 **SEC 76. *Creation of Appropriation Reserves.*** - The DBM Secretary may establish
16 reserves against appropriations to provide for contingencies and emergencies that
17 may arise later in the calendar year and which would otherwise require deficiency
18 appropriations.

19 The establishment of appropriation reserves shall not necessarily mean that such
20 portion of the appropriation will not be made available for expenditure. Should
21 conditions change during the fiscal year justifying the use of the reserve, necessary
22 adjudgments may be made by the DBM Secretary when requested by the agencies
23 and instrumentalities of the National Government concerned.

24 **SEC 77. *National Government Borrowings.*** – Borrowings by the National
25 Government shall be for purposes provided by law including the following:

- 26 a) Financing budget deficits and liquidity shortfalls;
- 27 b) Refinancing and pre-financing maturing debts;
- 28 c) Undertaking liability and risk management transactions;
- 29 d) Supporting the BSP in maintaining external and monetary stability;
- 30 e) On-lending to an approved entity;
- 31 f) Financing all sums of money paid to fulfill guarantees;

- 1 g) Increasing liquidity and promoting stability of the government securities
- 2 market;
- 3 h) Financing developmental activities and projects of the National Government;
- 4 i) Financing to address or remedy the effects or impacts of natural or human-
- 5 induced disasters; or
- 6 j) Defraying expenditures covered by appropriations.

7 Borrowing under this Act should adhere to the measurable fiscal objectives in the
8 MTF.

9 **SEC 78. *Government -Owned or -Controlled Corporations Borrowings.*** – Before
10 the end of each fiscal year, the Head of a GOCC shall prepare a borrowing program
11 for the following fiscal year which shall support the COB and for the medium term.
12 The borrowing program shall include a full financial plan with the details of the loans,
13 refinancing, and repayment that the GOCC intends to take. Said borrowing program,
14 including changes thereon, shall be subject to the approval of the Head of the NGA
15 overseeing the GOCC, shall be submitted to the DOF for information, and published
16 on the concerned GOCC website.

17 Notwithstanding any provision regarding borrowings in the charter of a GOCC,
18 all GOCCs shall secure the approval-in-principle of the DOF for their borrowings from
19 domestic or external sources that shall require or result in a guarantee or other form
20 of financial security from the National Government, prior to securing the President's
21 approval or issuing of the Republic's guarantee. The standards and processes in
22 evaluating such requests shall be provided in the IRR.

23 **SEC 79. *Local Government Borrowings.*** – An LGU may borrow funds from
24 domestic sources in accordance with RA No. 7160 and other pertinent laws. LGUs may
25 also be allowed to access foreign sources for major infrastructure projects, through
26 multilateral financial institutions, subject to the guidelines issued by the DOF, and
27 other applicable laws, rules, and regulations.

28 When the LGUs' expected revenues are not sufficient to fund their proposed
29 expenditure programs, LGUs shall develop their borrowing programs to be considered
30 in the preparation of their Local Development Investment Programs, which shall be
31 published on the LGU websites.

1 **SEC 80. *Debt Reporting.*** – The DOF, through the BTr, shall ensure that the
2 records include information on the principal, terms of repayment, amounts drawn,
3 interests, penalties, and service charges accrued, principal and interests paid, and the
4 balance outstanding, and shall make the records available in a timely manner to the
5 President, Congress, and COA and in accordance with the reporting requirements as
6 prescribed in the IRR.

7 Each LGU and GOCC shall maintain records and provide reports to the DOF on
8 loans as required by relevant laws, rules, and regulations.

9 **SEC 81. *Debt Audit.*** - Upon the effectivity of this Act, the COA shall conduct a
10 debt audit of all loans contracted or guaranteed by the National Government. For
11 those loans contracted or guaranteed after the passage of this Act, the COA shall
12 review the said loans five (5) years from the date of consummation or guarantee.

13 **SEC 82. *Guarantees.*** – Guarantee or other forms of financial security may be
14 provided to a GOCC or SUC upon such terms and conditions as the Secretary of
15 Finance may recommend consistent with relevant laws, rules, and regulations.
16 Notwithstanding any automatic guarantee provision in the charter of a GOCC or SUC,
17 the GOCC or SUC concerned shall obtain the approval-in-principle of the DOF prior to
18 entering into arrangements that shall require or result in a guarantee or other form of
19 financial security from the National Government. The standards and processes for
20 evaluation of such requests shall be provided in the IRR.

21 The overall level of guarantee or other form of financial security shall adhere
22 to the fiscal objectives in the MTF.

23 The DOF shall charge a risk-based fee for any guarantee or other form of
24 financial security that may be extended to a GOCC or SUC.

25 **SEC 83. *Payments Made for Contingent Liabilities.*** – Any money paid by the
26 DOF pursuant to any guarantee, indemnity, or security authorized by law and the
27 expenses associated with the same shall constitute a debt due the National
28 Government from the entity for whose benefit the payment on the guarantee,
29 indemnity, or security was made.

30 **SEC 84. *Information on Contingent Liabilities.*** – The DOF shall keep a complete
31 and updated registry of all contingent liabilities of the National Government and
32 provide the DBM and Congress with a report on contingent liabilities. Subject to

1 existing laws, rules, and regulations, the DOF shall have the power to compel any
2 national government agency and instrumentality, including GOCCs, to submit
3 documents and other pertinent information necessary for the completion of such
4 registry.

5 **BOOK V**

6 **TRANSPARENCY AND PARTICIPATION**

7
8 **SEC 85.** *People's Access to Public Financial Information.* – Every person has
9 the right to access information, official records, public records, and documents
10 pertaining to official acts, transactions, decisions, or matters of public concern under
11 the control of a government agency, regardless of the format in which such
12 information is contained. There exists a legal presumption in favor of access to
13 information, and no request shall be denied unless it clearly falls within the exceptions
14 provided by law.

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

20 All such documents, reports, and information shall, whenever practicable, be
21 published in machine-readable and non-proprietary open formats, with accompanying
22 metadata and version histories, in accordance with government open data standards.

23 **SEC 86.** *The People's Budget.* – The DBM shall, for every fiscal year, publish
24 citizen-friendly summaries of the following, subject to guidelines and other
25 specifications in the IRR:

- 26 a) The MTFE in the year of the President's election and any updates thereafter
27 within thirty (30) days from submission of MTFE to Congress;
- 28 b) The Proposed National Budget, to be published in electronic format within thirty
29 (30) days from submission to Congress of the Proposed National Budget;
- 30 c) The general or special appropriations laws, to be published in electronic format
31 in the government website within thirty (30) days from the approval of the
32 President; and

- 1 d) The Annual Fiscal Report of the preceding fiscal year, to be published in
2 electronic format in the government website within twelve (12) months from
3 the last completed fiscal year.
4

5 **BOOK VI**

6 **OVERSIGHT COMMITTEES FOR PUBLIC FINANCIAL MANAGEMENT**
7

8 **SEC 87.** *Public Financial Management Committee.* – The Public Financial
9 Management (PFM) Committee, composed of the Secretary of Budget and
10 Management as Chairperson, the Secretary of Finance, the Treasurer of the
11 Philippines, and the Chairperson of the COA as members, shall be responsible for PFM
12 processes which necessitate the coordination and participation of the member
13 agencies. It shall likewise be tasked to undertake the activities for the completion,
14 installation, and oversight of the following PFM systems:

- 15 a) The IFMIS which shall enable real-time, online accounting, monitoring and
16 control of obligations and disbursements and their direct links to cash
17 management for more effective financial control and accountability;
18 b) A TSA that provides BTr a more effective way of cash management and
19 rationalizing agency bank accounts, a more economical system for cash
20 disbursements which will remove revenue and expenditure floats, and a more
21 efficient reconciliation of bank balances;
22 c) An efficient budget release system with predictable and streamlined allotment
23 and cash release programs throughout the year to support the operations of
24 implementing agencies based on reliable cash forecasting and programming by
25 DBM and BTr;
26 d) Regular in-year reporting system on the status of budget execution, and timely
27 year-end audit reporting of agency financial and physical operations which will
28 be used in the budget preparation process, the congressional debate on agency
29 budgets and performance, and the public's participation in the budget process;
30 and

1 e) Systematic recording and reporting of all liabilities of government entities
2 including real and contingent liabilities to enable national government to
3 manage its financial exposure.

4 For this purpose, the PFM Committee, assisted by its Technical Support Office
5 (TSO), shall serve as the process owner of the foregoing systems, responsible for
6 defining functional requirements, ensuring alignment with fiscal policies and
7 standards, and validating financial data and workflows.

8 The PFM committee shall have the following authority and functions:

- 9 a) Devise a five-year plan for the development and implementation of an IFMIS
10 that links PFM systems to enable the generation of comprehensive, accurate,
11 reliable, and timely consolidated financial status reports for the oversight and
12 the implementing agencies;
- 13 b) Oversee, coordinate, and develop integration, simplification, and harmonization
14 of the government's financial management processes and information systems
15 that shall cover all transactions of government in a phased and systematic
16 manner, and which shall apply uniformly to all government oversight and
17 implementing agencies to generate reliable and accurate reports in a timely
18 manner;
- 19 c) Develop and oversee the implementation of the Philippine PFM reforms
20 roadmap;
- 21 d) Shepherd and champion the passage of supporting legislation needed in
22 Congress;
- 23 e) Coordinate budgetary and donor funding to support PFM reform efforts and the
24 IFMIS;
- 25 f) Provide a comprehensive annual report on all project milestone activities and
26 its findings and recommendations to the Office of the President; and
- 27 g) Issue the necessary implementing policies, mechanisms and procedures to
28 carry out the mandate of the PFM Committee.

29 The PFM Committee shall be responsible for ensuring the alignment of PFM
30 systems with established fiscal policies.

31 **SEC 88.** *PFM Committee-Technical Support Office.* - In the performance of its
32 functions, the PFM Committee shall be supported by a TSO, an agency attached to

1 the DBM. The TSO shall be headed by an Executive Director with a rank equivalent to
2 an Undersecretary and supported by Deputy Executive Directors with a rank equivalent
3 to an Assistant Secretary, to be appointed by the President, as endorsed by the
4 Secretary of the DBM, all of whom should be of good moral character, honesty,
5 probity, and unquestionable integrity.

6 **SEC 89.** *Establishment of Public Financial Management Institute* -There is
7 hereby established in the PFM-TSO a Public Financial Management Institute (PFMI),
8 which shall be responsible for the formulation of capacity development requirements
9 of public financial management, through the conduct of seminars, workshops, and
10 other training programs for the government agencies' personnel concerned.

11 The PFMI shall also be responsible for ensuring that the programs and curricula
12 of existing capacity-building institutions offering courses in public finance are
13 harmonized and aligned with the standards and policy objectives established under
14 this Act.

15 The PFMI is hereby authorized to charge and collect training or seminar fees
16 from the participants. The funds generated from these collections shall be retained by
17 the PFM-TSO to be used exclusively for its operations.

18 **SEC 90.** *Oversight for Public Financial Management.* – In the conduct of its
19 functions defined in this Act, the PFM Committee, through its TSO, shall coordinate
20 and align with the DBCC and PC, for effective monitoring and oversight of PFM
21 processes and systems in the government.

22
23 **BOOK VII**
24 **FINAL PROVISIONS**
25

26 **SEC 91.** *Liability of Public Officers.* - Any public officer who is found to have
27 committed any act in violation of the provisions of this Act shall be held criminally,
28 civilly, or administratively liable in accordance with applicable laws, rules, and
29 regulations.

30 **SEC 92.** *Implementing Rules and Regulations.* – The DBM, in consultation with
31 the DOF, BTr, DEPDev, and COA, and in coordination with other agencies concerned,
32 shall issue the rules and regulations necessary for the proper implementation of this

1 Act within one hundred eighty (180) days from the effectivity of this Act. The IRR may
2 be amended by the DBM, in consultation with the DOF, BTr, DEPDev and COA and in
3 coordination with the agencies concerned, as the need arises.

4 **SEC 93. *Congressional Oversight.*** – The Senate and the House of
5 Representatives shall constitute a Joint Congressional Oversight Committee on Public
6 Expenditures which shall primarily monitor compliance by agencies with the
7 requirements or conditions in the utilization of public funds under this Act and
8 pertinent laws.

9 The Joint Congressional Oversight Committee shall be co-chaired by the
10 Chairperson of the Committee on Finance of the Senate and the Chairperson of the
11 Committee on Appropriations of the House of Representatives. The President of the
12 Senate and the Speaker of the House of Representatives shall each designate seven
13 (7) Senators and seven (7) Members of the House of Representatives, respectively,
14 as members of the Joint Congressional Oversight Committee. The minority group in
15 the Senate and the House of Representatives shall each have at least one (1) seat in
16 the Joint Congressional Oversight Committee.

17 The Joint Congressional Oversight Committee on Public Expenditures shall not
18 intervene, participate, or undertake any role or function in any of the various post-
19 enactment stages of the budget execution, such as, but not limited to, project
20 identification or modification, fund releases, and other activities beyond its
21 congressional oversight functions as defined under applicable laws or jurisprudence.

22 **SEC 94. *Transitory Provision.*** – For the next three (3) fiscal years, as part of
23 the initial implementation of this Act, the completion of construction of infrastructure
24 projects of agencies and instrumentalities of the National Government and
25 disbursement of funds for the purpose shall be authorized until the end of the
26 succeeding fiscal year.

27 After the above-mentioned three-year transitory period, the completion of
28 construction of infrastructure projects of agencies and instrumentalities of the National
29 Government and disbursement of funds for the purpose shall be governed by the
30 period prescribed under Section 50 of this Act.

31 All agencies and instrumentalities of the National Government shall submit to
32 the DBM a certified financial report detailing their outstanding accounts payable and

1 unpaid obligations, regardless of the year when these obligations were incurred.
2 Unpaid obligations shall refer to the following: a) obligations of government agencies
3 for which goods, services, or projects have been delivered, rendered, or completed,
4 respectively, but have not yet been accepted; and b) obligations of government
5 agencies for which goods, services, or projects have not yet been delivered, rendered,
6 or completed, respectively. Such submission shall be made in the form and manner
7 prescribed by the DBM, within sixty (60) days from the effectivity of this Act.

8 An SPF, to be known as the Transitory Fund, shall be established in the annual
9 GAA for the next three fiscal years following the effectivity of this Act. The Fund shall
10 be utilized to cover, to the extent allowed by available appropriations, the payment of
11 said accounts payable and unpaid obligations, subject to applicable budgeting,
12 accounting, and auditing laws, rules, and regulations.

13 The amounts not identified in the certified financial reports submitted by the
14 agencies or obligations that remain unsettled after three fiscal years shall be filed by
15 the party concerned before the COA as money claims to seek payment for sums of
16 money due from, or owing to, a government agency.

17 **SEC 95. *Repealing Clause.*** – Any law, presidential decree (PD) or issuance,
18 executive order, letter of instruction, administrative order, proclamation, charter, rule
19 or regulation and/or parts thereof contrary to or inconsistent with the provisions of
20 this Act is hereby repealed, modified, or amended accordingly. This includes, among
21 others, the following: Section 43, Subtitle B, Title I, Book V, Chapter 7 of EO No. 292;
22 Book VI of EO No. 292, s. 1987; Section 4 of RA No. 3456, as amended; Sections 123
23 and 124 of PD No. 1445; Section 22 (c) of RA No. 10121; and RA No. 3526.

24 **SEC 96. *Separability Clause.*** – If for any reason, any section or provision of
25 this Act is declared unconstitutional or invalid, other sections or provisions which are
26 not affected thereby shall continue to be in full force and effect.

27 **SEC 97. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days
28 following its publication in the Official Gazette or in a newspaper of general circulation.

Approved,