

The proposed

Budget Reform Bill (BRRB)

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Citystate Asturias Hotel, Puerto Princesa City, Palawan

The Proposed Budget Reform Bill (BRB)

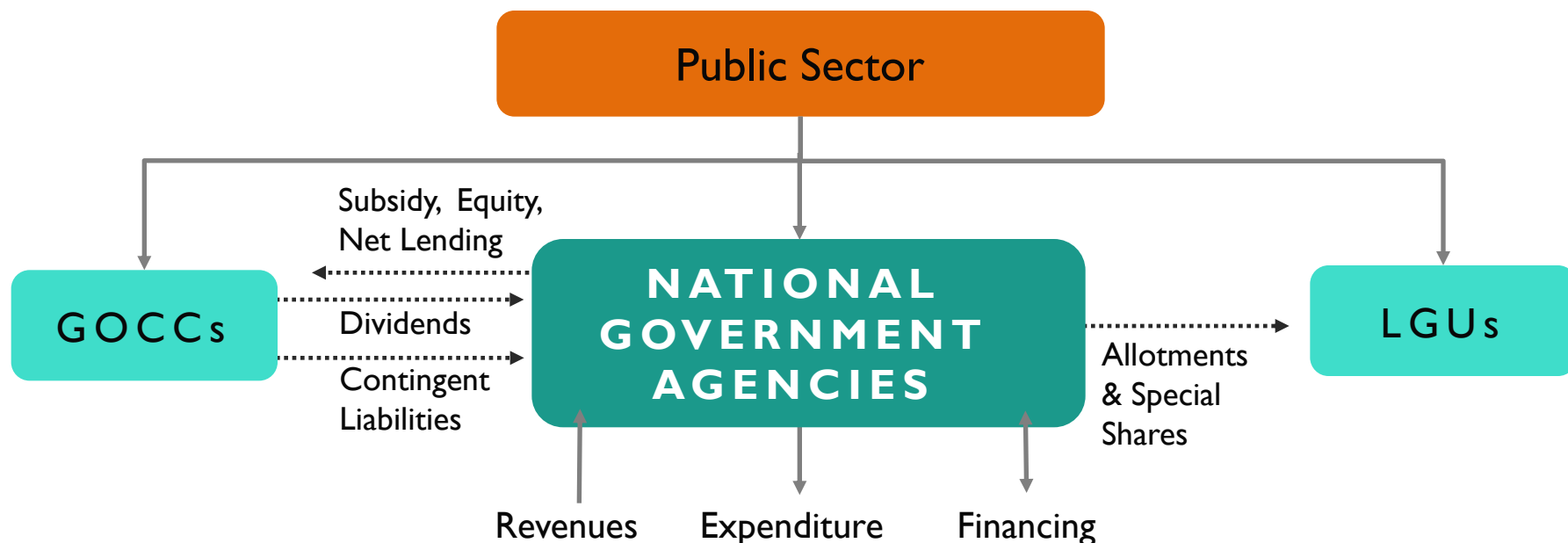
This Act strengthens government's accountability to the people for its use of public funds through greater transparency and facilitates the delivery of public goods and services through a more efficient budget system

1. It is a landmark law that modernizes the public financial management system by addressing key gaps and aligning with international standards and best practices
2. It strengthens Congress' power over the purse and enables it to better authorize and oversee the Budget
3. It secures the irreversibility of budget reforms so far established by COA, DBM, DOF, NEDA.
4. It supports the implementation of the New Budget Reform.
5. It supports citizens participation and access to public information.



Coverage of the Budget Reform Bill

Revenues, expenditures, financing arrangements, and assets & liabilities of NGAs, GOCCs, and LGUs (Sec. 3)



Part 1

Overview of the Reforms on the Budget Process

Objective of the Budget Reform

Fully execute the Budget to deliver goods and services which promotes Growth and reduces Poverty

Target: Economic Growth of 7 to 8% per annum

Target: Reduction of Poverty from 21.6% to 14%



The New Budget Reform: Cash-Based Appropriations

BUDGETS ARE POLICY

The most important
document of a government

The Spending Policy of the Duterte Administration is:

- Double Infrastructure Spending
- Increase Social Sector Spending

Infrastructure Spending	Social Sector Spending
5.3% of GDP in 2017	8.5% of GDP in 2017
7.4% of GDP in 2022	9.2% of GDP in 2022
P8.4 Trillion in 6 years	P10.33 Trillion in 6 years

UNDERSPENDING:

A Major Flaw of the Present Budget System

Underspending in Last 3 Years

2014 - P302.7B or 13.3 % of budget

2015 - P328.3B or 12.8 % of budget

2016 - P96.3B or 3.6 % of budget



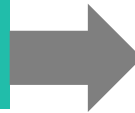
The Key Changes: Annual Cash Appropriations

CURRENT SYSTEM

Multiyear
appropriations



Multiyear **obligations**



Multiyear **contracts** tied
to continuing
appropriations



NEW SYSTEM

One year
appropriations

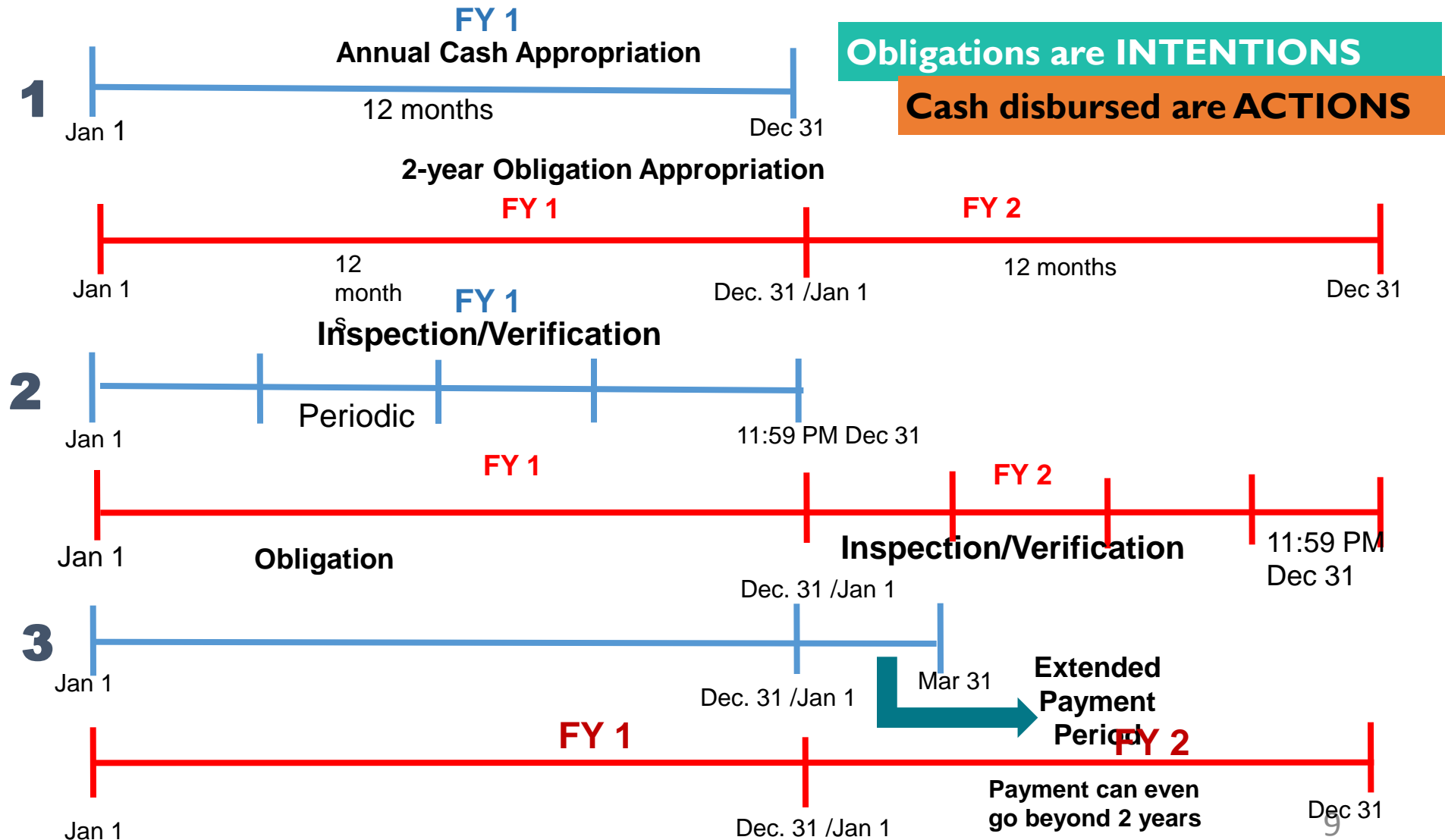
One year **Obligations**
supported by one year cash
appropriations

Multiyear **contracts** tied
to annual cash
appropriation

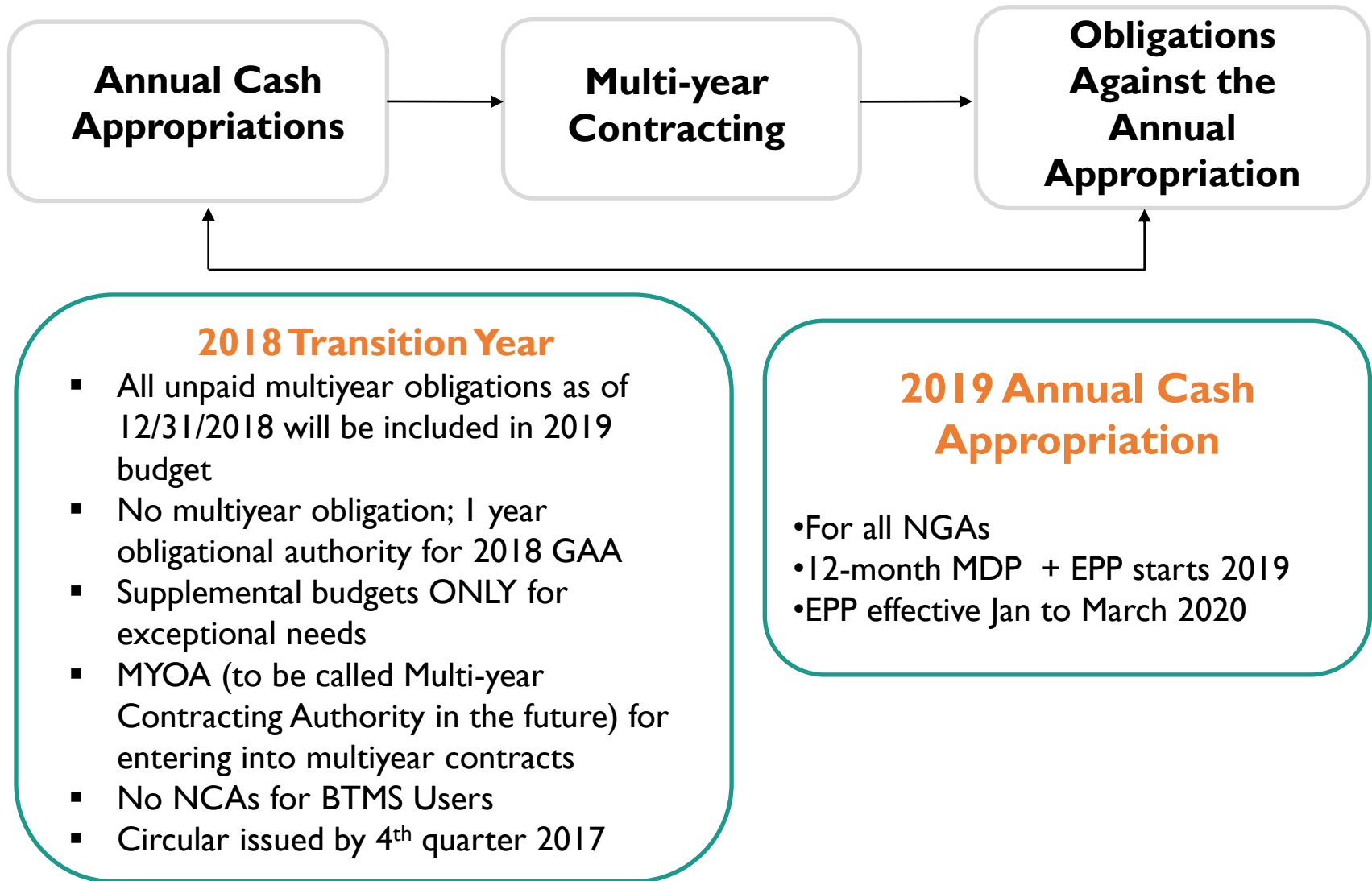


How will the Annual Cash Appropriations Work?

Discipline based on a one-year cash plan (the budget is an annual PLAN)



The Transition



Effects of Annual Cash Appropriations to Key Players

- **Congress and President**
 - Agencies are more accountable
 - Budget is more transparent in cash terms; simpler to track
- **Agencies**
 - Better management
 - Timely implementation
- **Contractors and suppliers**
 - faster and greater certainty of payment

FASTER Budget Execution and Service Delivery



Part 2

The Proposed Budget Reform Bill

Key Features of the Budget Reform Bill

1. Fiscal Responsibility Principles

Part III-Secs. 14-20

2. Financial Management

Annual Cash Appropriations

Part IV – [Sections 21, 26, 32, 25, 35-38];

Part V – [Sections 44-47]

3. Planning, Budgeting and Performance

Agency Plans and Budget

Part IV – [Section 21-43];

Part VI – [Sections 62-74]

4. Budget execution & Congress' Power of the Purse

Unprogrammed Appropriations & Special Funds Savings

Part IV – [Sections 21,25,33,34-36,39-43];

Part V – [Sections 44-46]

5. Automation of PFM Processes

IFMIS and TSA

Part V – [Sections 50-53];

Part VI – [Section 63]

6. Accountability and Reporting

OCG and Reporting

Part II – [Sec 7];

Part VI – [Secs 62-74]

7. Enforcement and Implementation

Sanctions & Penalties

Transition to New System

Part VIII – [Sections 78-79];

Part IX – [Secs. 80-81]

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1. Fiscal Responsibility Principles

(Part III - Secs. 14-20)

State shall pursue policy objectives in line with (Sec. 14):

1. Macroeconomic stability and inclusive economic development
2. Fiscally and environmentally sustainable resource management
3. Prudent levels of public debt
4. Appropriate balance between revenues and expenditures
5. Manage fiscal risks in a prudent manner

2. Financial Management

•Part IV (Secs. 21, 26, 32, 25, 35-38)

•Part V (Secs. 44-47)

Faster Budget Execution & Service Delivery

- **Shift from obligation- to cash-based budgeting (Sec. 21, 35 & 36)**
 - Appropriation Law as authority to contract and disburse funds (Sec. 35)
- **Shift from 2 yr appropriations validity to 1 yr validity (Sec 21 & 36)**
- **Introduction of Extended Payment Period (EPP) (Sec 4(d), 21(e) & 36)**
- **Unified Accounts Code Structure (UACS) (Sec. 32)**
- **GAA as Allotment Order (Sec. 35)**
- **Multi-Year Contracts (Sec. 37)**
- **Early Procurement (Sec. 38)**
- **Program Budget Structure (Sec.4(m) & 26)**



2. Financial Management

•Part IV (Secs. 21, 26, 32, 25, 35-38)

•Part V (Secs. 44-47)

Budget Process, Form and Content

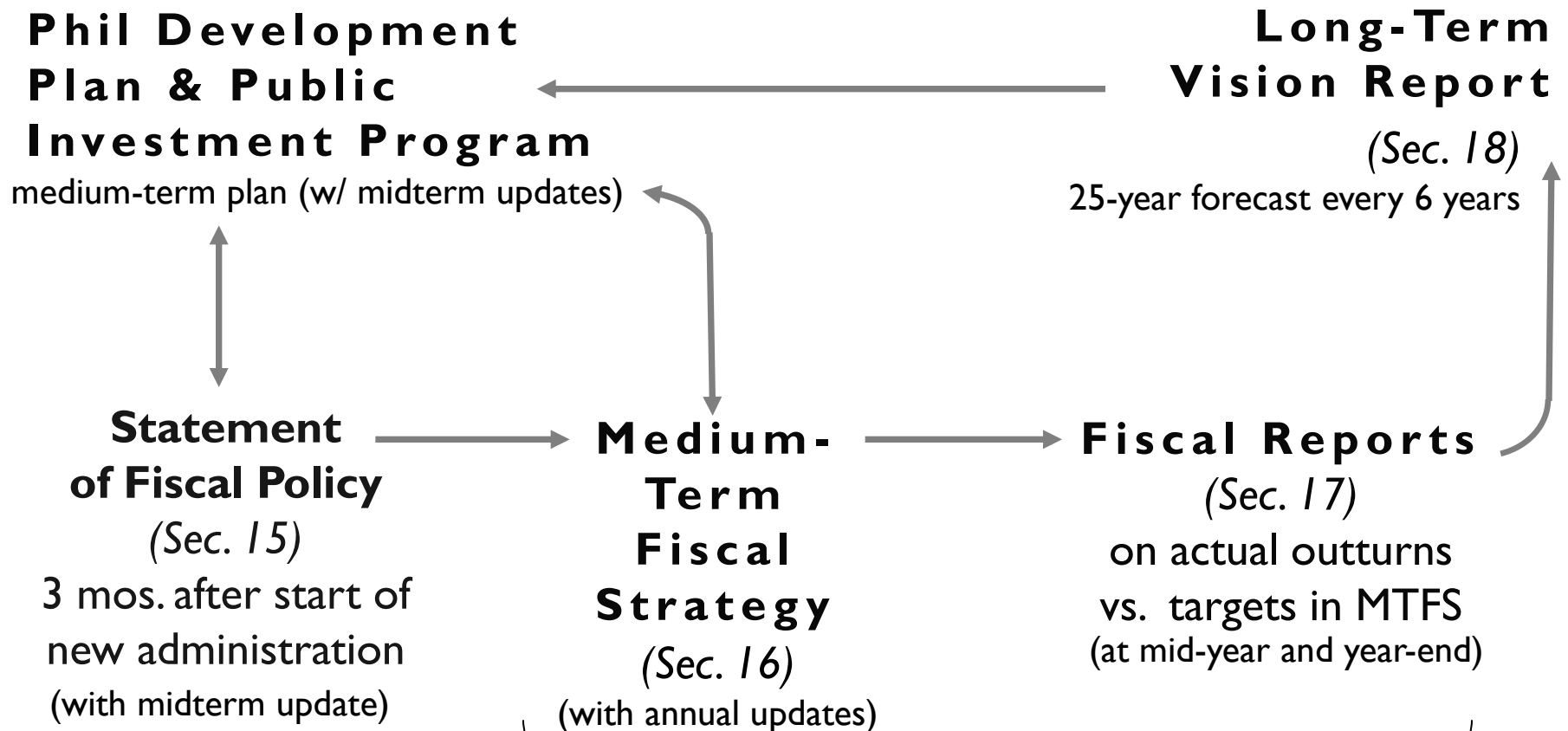
- DBM to determine budget preparation process and calendar (Sec 24).
- President shall submit to Congress the **Proposed National Budget** w/in 30 days after SONA (Sec 25). At the minimum:
 - President's Budget Message
 - National Expenditure Program
 - Budget of Expenditures and Sources of Financing (BESF)
 - Fiscal Risks Statement
 - Annual Fiscal Report for preceding year
 - Mid-year Fiscal Report for current year submitted by September 30



3. Planning, Budgeting, Performance

- Part IV (Section 21-43)
- Part VI (Sections 62-74)

Fiscal Planning and Reporting



3. Planning, Budgeting, Performance

- Part IV (Section 21-43)
- Part VI (Sections 62-74)

Agency and GOCC Plans and Budgets

- NGAs produce **Annual Plan and Proposed Budgets** (Sec. 64 & 22)
 - Contains strategic priorities consistent w/ PDP & sector plans; performance information, significant capital projects; budget; etc.
 - Submitted to DBM to support budget requests; updated to reflect NEP and submitted to Congress to support budget deliberations; updated to reflect GAA.
 - M&E of projects to cover planned vs actual performance, citing reasons for deviation and/or poor absorptive capacity; results of evaluation to be used to inform plans and budget proposals.
- GOCCs submit **Corporate Operating Budget** to overseeing NGA, DBM & DOF before start of fiscal year (Sec. 67)
- Upholds people empowerment through Participatory Budgeting (Sec. 77)



3. Planning, Budgeting, Performance

- Part IV (Section 21-43)
- Part VI (Sections 62-74)

Budget Priorities Framework

DBM, with NEDA, DOF & OP in DBCC, shall present a **Budget Priorities Framework** to President & Cabinet which shows (Sec. 23):

1. Medium-Term Fiscal Strategy requirements
2. Calculation of fiscal space
3. Aggregate budget ceilings and agency budget ceilings for upcoming budget year and forward estimates for two (2) forward years
4. Priority areas for expenditure vis-à-vis PDP and PIP
5. Fiscal policies (revenue, debt, expenditure, risk management.)

4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

Congress' Power to appropriate

- No money shall be paid out of the Treasury except in pursuance of an appropriation made by law (*1987 Constitution; BR Bill Sec. 44*)
- Congress may not increase the appropriations submitted by the President (*1987 Constitution; BR bill Sec. 25*)

4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

Rationalization of Funds

- Lump Sum Appropriations/Special Purpose Funds limited to (Sec. 27):
 - NDRRM (Calamity) Fund (Sec. 28)
 - Contingent Fund (Sec. 29)
 - Statutory Shares of LGUs (Sec. 30)
 - Other SPFs (for funds whose details cannot be determined during budget preparation)
- Unprogrammed Appropriations (Sec. 31)
 - Standby appropriation for other priority and unforeseen needs, as well as to cover foreign-assisted projects not in programmed approximately.
 - Not exceeding 2% of programmed portion of appropriations law.
 - Can be used if there are excess revenue collections and new foreign projects loans; both needing BTr certification
 - Cannot be used if deficit will be breached or violate fiscal responsibility targets in Statement of Fiscal Policy and Medium Term Fiscal Strategy



4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

Rationalization of Funds

- Special Appropriations Bill (Sec. 34)
 - Provides authorization for expenditures for a specific purpose not included or not covered under the annual appropriations law
 - Refers to additional appropriations for existing or new programs, activities or projects of an NGA or GOCC with fast in-year disbursement rate
- SAGFs and Special Funds reviewed every 3 years for termination. 3-year sunset for new SAGF (Sec. 44 & 46).



4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

The One Fund Concept

- **One Fund Concept:** All monies accrue to General Fund and remitted to Treasury (Sec. 44)
- **Special Funds** limited to Trust Funds, Revolving Funds, and Retained Funds (Sec. 45).
- **Escrow Funds** from bonds etc. where government has legal right to use upon a contingent future event (Sec. 47)



4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

Savings and Modification

- Constitutional officers authorized to declare and use savings must report the same to Congress (Sec. 40)
- Savings can only be declared due to (Sec. 41):
 - Completion, discontinuance or abandonment
 - ☐ such discontinued or abandoned program, activity or project shall no longer be proposed for funding in the next 2 fiscal years.
 - Improved systems and efficiencies
- Cannot be declared as savings (Sec. 41):
 - If attributable to fault or negligence of agency
- Augmentation can only be made if (Sec. 42):
 - There is an existing item of appropriation that is deficient (unforeseen modifications or adjustments; adjustments to costs due to justifiable causes)
- Modification in the allotment (Sec 43) can be made to change allotment within existing program, activity or project



4. Budget Execution & Congress' Power of the Purse

- Part IV (Sections 21,25,33,34-36,39-43)
- Part V (Sections 44-46)

Congress' Shared Responsibility

1. **Shared Fiscal Discipline** for expenditure bills (Sec. 20):

- Bills shall be accompanied by **Financial and Budgetary Information Sheet** estimating bill's implications for medium-term.

2. **Re-enacted Budget**(Sec. 33)

- Enforced under strict parameters

3. **Impoundment** of Appropriations (Sec 39)

- With Congressional approval



5. Automation of PFM Processes

- Part VI (Section 63)
- Part V (Sections 50-53)

TSA

- Treasury Single Account
 - is a banking arrangement managed by the BTr, where the government transacts using one bank account or a set of limited bank accounts, and gets a consolidated view of its cash position in real time (Sec. 50)
 - unified structure of government bank accounts enabling consolidation and optimum utilization of the National Government's cash resources
 - Objectives of TSA:
 - Greater control and oversight over NG cash resources
 - Reduces borrowing pressure due to timely info on cash at hand
 - Unifies NG's fragmented banking arrangement

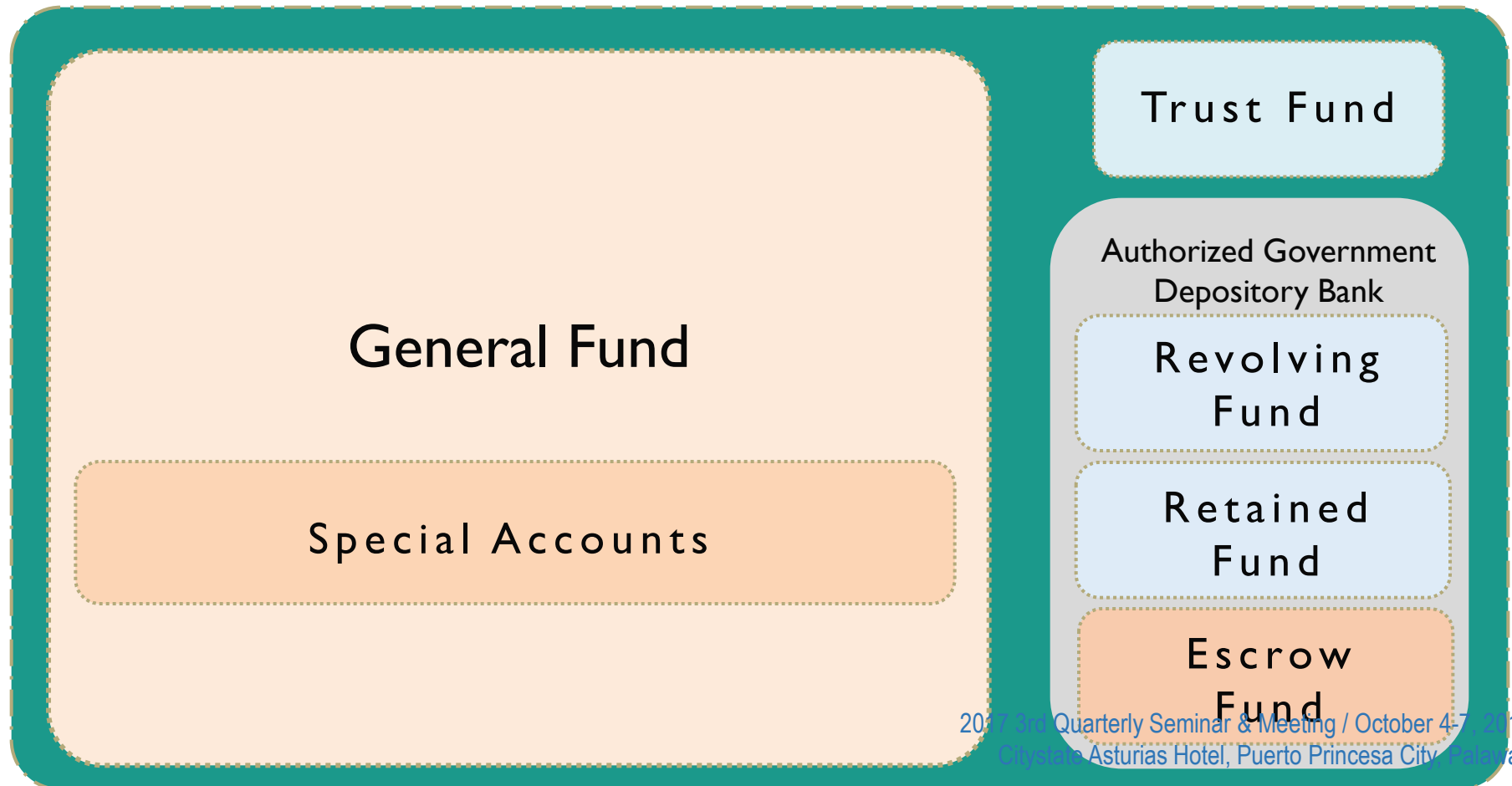


5. Automation of PFM Processes

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- Part V (Sections 50-53)

The One Fund Concept and TSA

TREASURY SINGLE ACCOUNT (TSA)



5. Automation of PFM Processes

- Part VI (Section 63)
- Part V (Sections 50-53)

IFMIS

Integrated Financial Management Information System-
the single portal of all financial transactions and reports
to be used by NGAs, LGUs and GOCCs to integrate
budgeting, cash management, accounting and auditing
purposes (Sec. 63)



6. Accountability and Reporting

- Part II (Sec 7)
- Part VI (Sections 62-74)

The Office of the Comptroller General (OCG)

- Formulate measures for the implementation of financial management controls and appropriations reporting by agencies (Sec. 7, 72 & 74)
- Enforce accounting and auditing rules and regulations promulgated by COA (Sec. 7 & 72)
- Enforce agency compliance with required reports and consolidates accounts for reporting to President, Congress & COA (Sec. 7, 72, 73)



6. Accountability and Reporting

- Part II (Sec 7)
- Part VI (Sections 62-74)

The Office of the Comptroller General (OCG)

- Others (Sec. 7):
 - To prepare periodic reports on NGA disbursements against their appropriation balance
 - Oversee operations of Integrated Financial Management Information System
 - Formulate competency-based HR policies for PFM
 - Coordinate with agency comptrollers/other counterparts



6. Accountability and Reporting

- Part II (Sec 7)
- Part VI (Sections 62-74)



Congress



Commission on Audit

Comptroller General



Agency Comptroller

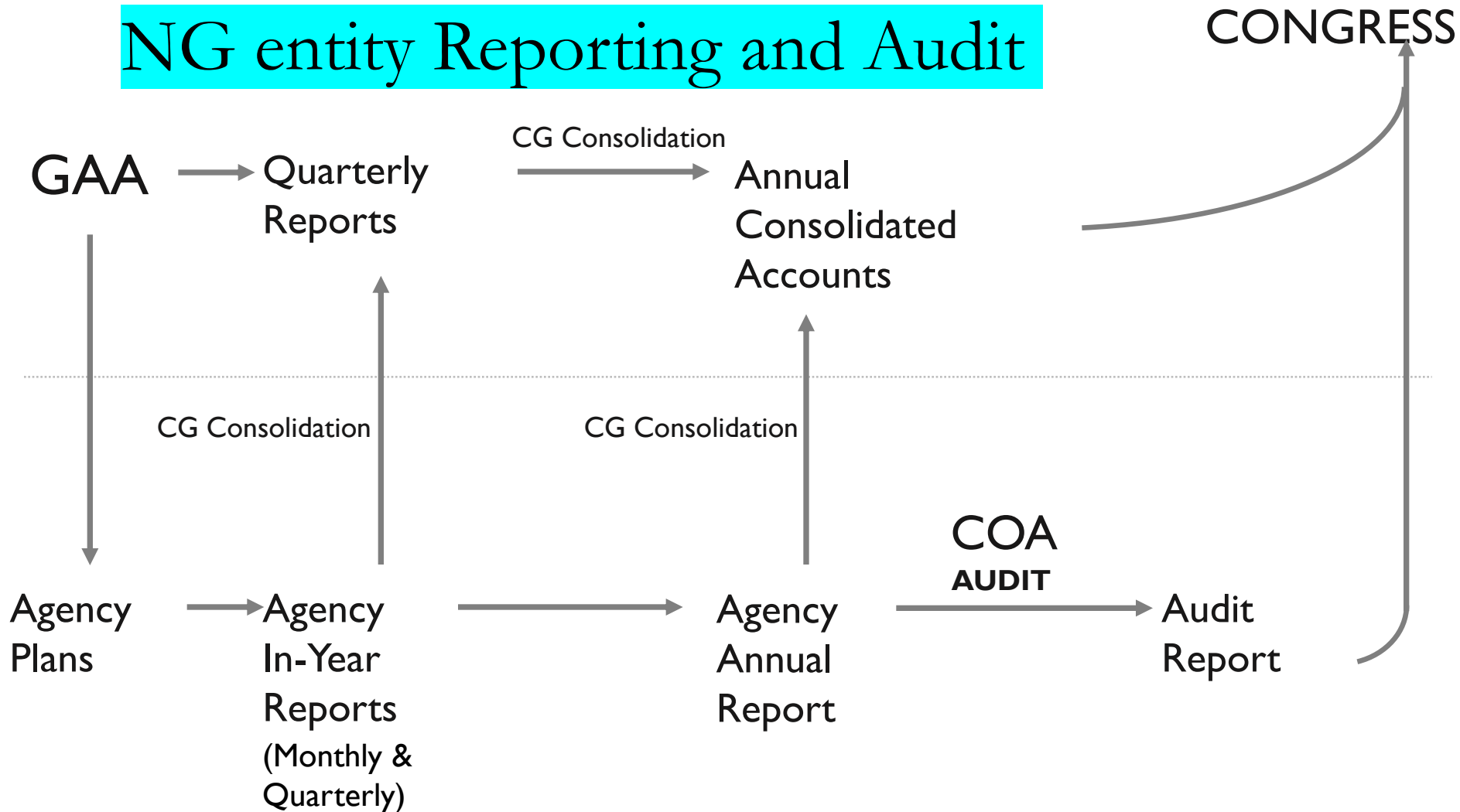
- Hold agencies accountable
- Scrutinize reports
- Consider performance in legislating new budgets
- Accounting Standards Setter
- Independent Auditor
- Formulate Measures for Internal Control and Appropriation Reporting
- Accounting Standards Enforcer
- Accounts Consolidator for management purposes, in year-and fiscal year-end
- Produce Reports
 - ✓ Annual Plan,
 - ✓ In-Year Reports
 - ✓ Annual Report
- Implement Standards



6. Accountability and Reporting

- Part II (Sec 7)
- Part VI (Sections 62-74)

NG entity Reporting and Audit



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Transparency

- DBM promulgates a **Calendar of Disclosures** and reports agency compliance to Congress and public (Sec. 75)
 - **Electronic publication** of all documents and information, but citizens may request for physical copies when practicable
 - **Open data format** for current and historical statistics
- **People's Budget** published by DBM to summarize (Sec. 76):
 - Statement of Fiscal Policy
 - Proposed National Budget
 - General Appropriations Law
 - Annual Fiscal Report

7. Accountability and Reporting

- Part II (Sec 7)
- Part VI (Sections 62-74)

Participation (Sec. 77)

- Government to establish suitable participatory budgeting mechanisms to facilitate open, inclusive, and meaningful engagement throughout the budget process.
- Policies and regulations promulgated and enforced by:
 - DBM: preparation, execution, accountability
 - Congress: legislation
 - COA: audit

7. Enforcement and Implementation

• Part VIII (Sections 78-79)

Sanctions and Penalties

- Failure to comply with the reporting and posting requirements will be subject to certain sanctions and penalties under the Bill and existing laws. (Sec. 78)
 - DBM will not approve any request for release of allotments under the negative list; modifications or use of savings
 - COA may disallow any expenditure
 - Disbursements may be rendered void



7. Enforcement and Implementation

•Part IX (Sections 80-81)

Smooth Implementation Process

- **Implementing Rules & Regulations** produced by DBM in consultation with DOF, BTR, NEDA and COA, and in coordination with agencies concerned (Sec.80)
- **Transitory Plan** submitted by DBM, DOF, BTR, NEDA and COA to Joint Congressional Committee on Public Expenditures within 30 days from IRR, for provisions which may not be immediately implemented (Sec. 81)



Effects of Annual Cash Appropriations to Key Players

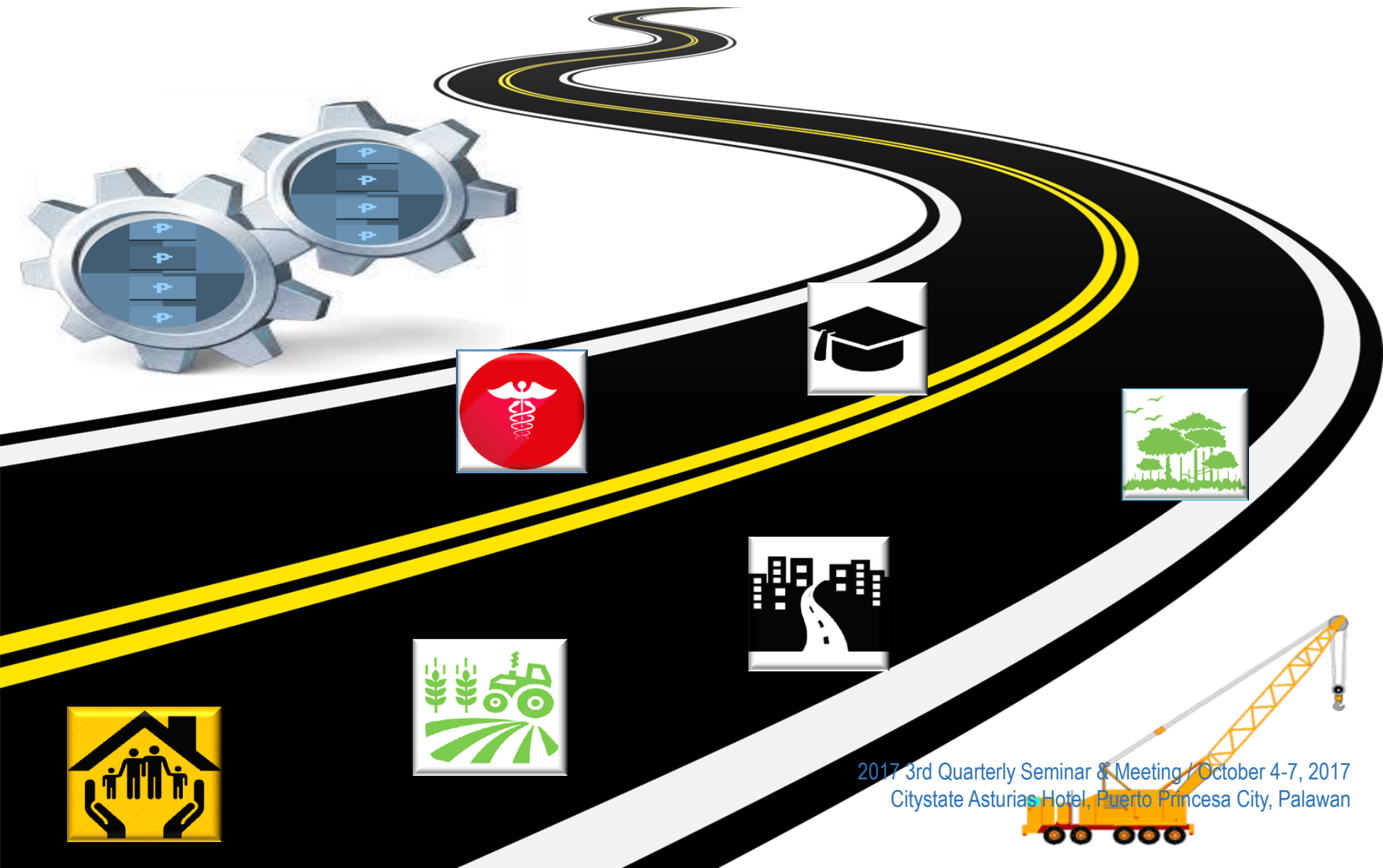
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Faster budget execution and service delivery



Thank you for listening!

For queries, please email pmo@pfm.gov.ph



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