

The proposed
**Budget Reform
Bill (BRB)**

The People's Agenda for Budget Reform
4 May 2018



PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018

Status of the BRB

The BRB is expected to be enacted into law in time for the SONA

House Bill No. 7302

- The House of Representatives has passed the BRB on 20 March 2018

Senate Bill No. 1761

- Second Reading commenced on 21 March 2018

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



The Budget Reform Bill (BRB)

The BRB strengthens government's accountability to the people for its use of public funds 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 Budget Reform Program.
5. It supports citizens participation and access to public information.

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Institutionalizing Current Reforms

Many of the provisions are based on on-going policies

1. Citizen-friendly budget documents – 2011
2. Participatory budgeting – 2011 & Citizen Participatory Audit – 2012; Open Government Partnership programs from 2011
3. Budget Priorities Framework (BPF) - 2012
4. Unified Accounts Code Structure (UACS) – 2014
5. GAA as Allotment Release Document – 2014
6. Treasury Single Account (TSA) – 2014
7. Performance-Informed Budgeting (PIB) - 2014 & Program Expenditure Classification (PREXC) - 2018
8. One-year validity of appropriations – 2017
9. Financial Management Information System – 2012
10. Tighter rules on the meaning and use of savings - 2017



Objective of the BRB

Supporting the expansionary fiscal policy of government

Medium-term Goals:

1. Economic Growth of 7-8% per year
2. Poverty Reduction from 21.6% to 14% by 2022

Infrastructure Spending	Social Sector Spending
5.4% of GDP in 2017	8.5% of GDP in 2017
7.3% of GDP in 2022	9.2% of GDP in 2022
P8.4 Trillion in 6 years	P10.33 Trillion in 6 years

Fully execute the Budget to deliver goods and services that promote Growth and reduce Poverty

Key Features of the BRB

Modernizing the whole PFM process

1. Fiscal Responsibility Principles
2. Financial Management – Shifting to an annual cash-based budgeting system
3. Planning, Budgeting, and Performance
4. Budget Execution & Congress' Power of the Purse
5. Automation of PFM Processes through IFMIS & TSA
6. Accountability and Reporting – Internal Controls
7. Enforcement, Sanctions, & Transition



Government Agencies Roles & Responsibilities

1. Inform the DBM and DOF of significant changes, issues, and risks that could impact on the finances of government;
2. Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Proposed National Budget as required by the DBM;

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Government Agencies Roles & Responsibilities

3. Manage their respective agencies and other resources placed under their supervision, in an efficient, effective and economic manner in order to deliver the outputs and attain the outcomes set in their respective budgets;
4. Monitor the physical and financial implementation of their programs, activities and projects **using appropriate software and technology for timely reporting;**

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Government Agencies Roles & Responsibilities

5. Take appropriate measures to ensure that cash disbursements and contractual commitments do not exceed the amounts appropriated in their respective budgets;
6. Ensure that their respective agencies settle all contractual commitments or approve payment thereon within the time prescribed by law;

Government Agencies Roles & Responsibilities

7. Institute effective and efficient management systems, procedure and practices for assets, liabilities, and personnel, including internal controls, risk management, and performance review to safeguard the agency resources;

- 8. Implement the external audit recommendations and demonstrate that due regard has been taken on the recommendations provided in internal audit evaluation reports;**

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Government Agencies Roles & Responsibilities

9. Provide credible and realistic cash forecast for timely and accurate cash programming; and
10. Provide accounting and reporting of public finances through the integrated financial management information system and/or other preparatory online information systems as required in this Act.

Fiscal Responsibility: Reports

The President, through the DBCC, shall submit the following reports to Congress

- Statement of Fiscal Policy – Within 90 days upon commencement of term of office
- Medium-Term Fiscal Strategy for the following Fiscal Year – March 15
- Inter-generational Report – November 30, 2 yrs after effectivity and every 6 years thereafter
- Mid-Year Fiscal Report – September 30
- Annual Fiscal Report – Together with the NEP

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Shared Fiscal Discipline

- All proposed revenue eroding and expenditure bills shall include a Financial and Budgetary Information Sheet (FBIS) prepared by Congress
 - Expenditure bills refer to those which increase national government expenditures, including those mandating the creation of recurring expenditures.
 - Revenue eroding bills refer to those which will result in a reduction of revenue collections.
- The FBIS shall contain an estimate of the financial and budgetary implications of said proposal for the initial year of implementation

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Financial Management: Budget Process, Form and Content

Expanding the minimum required budget documents

- 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
- Program Classification (Sec. 26)
- Unified Accounts Code Structure (UACS) (Sec. 32)



Financial Management: Faster Budget Execution & Service Delivery

Improving spending through key reforms

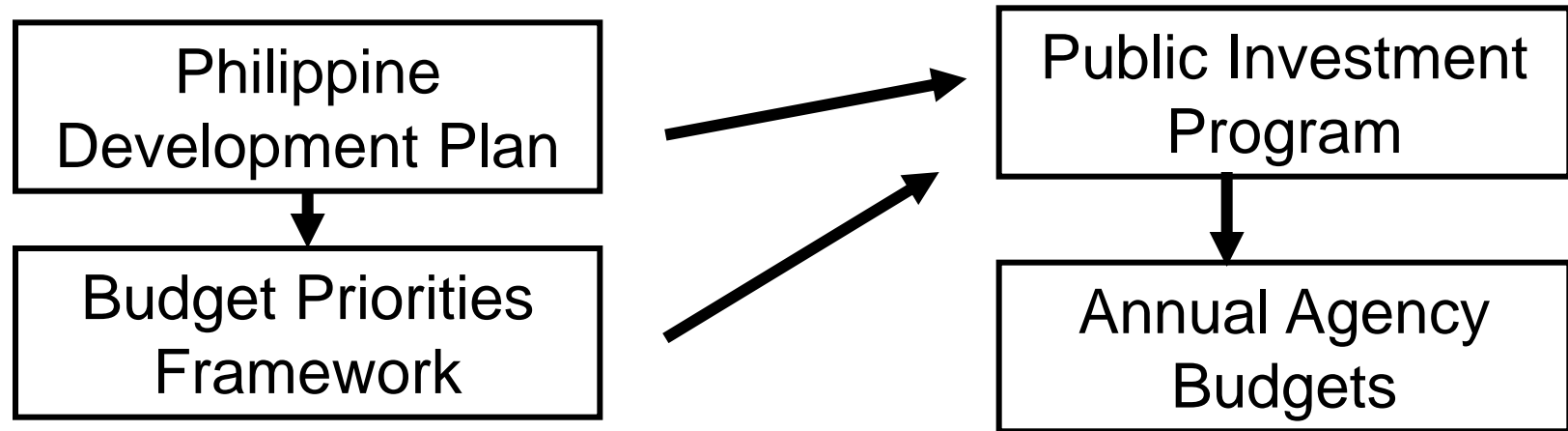
- Shift to an annual cash-based budget (Secs. 21, 35 & 36)
- Introduction of the Extended Payment Period (EPP) (Secs. 4(f), 21(e) & 36)
- Immediate release of public funds (Sec. 35)
- Multi-Year Contracting (Sec. 38)
- Early Procurement (Sec. 39)

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Planning, Budgeting, & Performance

Strengthening planning-programming-budgeting linkage



- Annual plans of agencies, shall contain:
 - Medium-term priorities
 - Performance targets
 - Summary proposed budget including financial forecasts
- Annual plans shall be submitted to the DBM during budget preparation

Power of the Purse: Rationalizing Funds

Ensuring that a greater portion of public funds go through annual 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 and within the parameters set out in the IRR)

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Power of the Purse: Rationalizing Funds

Ensuring that a greater portion of public funds go through annual appropriations

- **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

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Power of the Purse: Rationalizing Funds

Ensuring that a greater portion of public funds go through annual appropriations

- **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 routinely reviewed for possible termination. Fixed period for new SAGF (Sec. 45 & 47).**

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Power of the Purse: Savings

Ensuring that a greater portion of public funds go through annual appropriations

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

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Power of the Purse: Modification

Ensuring that a greater portion of public funds go through annual appropriations

- Modification in the allotment (Sec. 44) can be made to change allotment within existing program, activity or project

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Financial Mgt: One Fund Concept

Improving the financial resources of government

- **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)

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Automation of PFM: TSA

Consolidation of bank accounts for better fund management

- Treasury Single Account
 - 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

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Automation of PFM: IFMIS

A unified portal for PFM

- **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 and accounting and auditing (Sec. 64)

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Accountability Reports: NGAs

Requiring NGAs to report to DBM & Congress

■ NGA Reporting Requirements

- Monthly & quarterly reports on the agency's financial and non-financial performance to the DBM, not later than thirty (30) days after the end of every month & quarter in the format specified by the DBM
- Annual Report which shall include year-end financial statements, reporting on non-financial performance compared against the Annual Plan, and other information as required in the IRR;
 - To be submitted to the DBM and Congress no later than four months after the end of the fiscal year & publish the said Report in a government website no later than seven (7) days after its submission to Congress

PACBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Accountability Reports: GOCCs

Requiring GOCCs to report to DBM, DOF, GCG, & COA

■ GOCCs Reporting Requirements

- Quarterly reports on the agency's financial and non-financial performance to the DOF, GCG, DBM, & COA, not later than thirty (30) days after the end of every quarter
- Annual Report which shall include year-end financial statements, reporting on non-financial performance compared against the COB, and other information as required in the IRR;
 - To be submitted to the overseeing NGA, DBM, GCG, DOF, & Congress no later than six months after the end of the fiscal year & publish the said Report in a government website no later than seven (7) days after its submission to Congress

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Transparency in the Budget

BRB institutionalizes transparency in the budget process

- **Section 75. People's Access to Public Financial Information**
 - DBM shall promulgate before the start of every year, a calendar of release of budget documents

- **Section 76. The People's Budget**
 - DBM shall publish citizen-friendly summaries of the following PFM documents:
 - Statement of Fiscal Policy
 - Proposed National Budget
 - General Appropriations Law
 - Annual Fiscal Report

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Sanctions & Penalties

Inclusion of penalties to ensure compliance

- Failure to comply with the reporting and posting requirements will be subject to certain sanctions and penalties under the Bill and existing laws. 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
- Contractual commitment, expenditure or payment authorized or incurred in violation of the provisions of the BRB may result in administrative, civil or criminal penalties. (Sec. 78)

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Transitory Provisions

To ensure smooth implementation of the BRB

- Implementation of interim measures in order to ensure a smooth transition into a regime of annual cash-based appropriations;
- Completion of the BTMS and IFMIS within five (5) years;
- The phasing out of NCAs will not be applied until agencies are capable of realistic and credible forecasting as determined by the DBM and BTr, and until the agencies' proper execution of the BTMS;
- Pending the completion of the BTMS and IFMIS, the sanctions regarding the failure to post and submit reports shall be suspended for a period of two (2) years from enactment of the law;

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Transitory Provisions

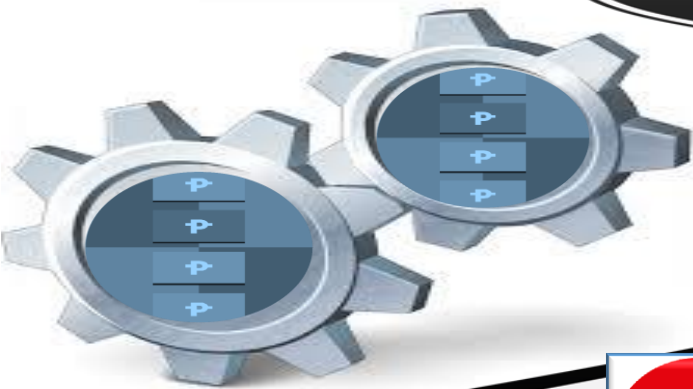
To ensure smooth implementation of the BRB

- The requirement of agencies to prepare an Annual Plan in support of their budget proposals shall be fully implemented in three (3) years; and
- Transitory special purpose fund that will be used to cover spill-over obligations from the previous fiscal year due to the implementation of the cash-based appropriations.

PAGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018



Thank you for listening!



AGBA 2018 2nd Quarterly Seminar & Meeting
Crown Legacy Hotel, Baguio City
May 2-5, 2018

