III. The Budgeting Process

1. **W**hat is government budgeting?

allocating revenues and borrowed funds

Government budgeting is the allocation of public funds to attain the economic and social goals of the country. It also entails the management of government expenditures to create the most impact from the production and delivery of goods and services.

2. **W**hy is government budgeting important?

prioritise plans and program

Government budgeting is important because it enables the government to plan and manage its financial resources to support the implementation of various programs and projects that best promote the development of the country. Through the budget, the government can prioritize and put into action its plans, programs and policies within the constraints of its financial capability.

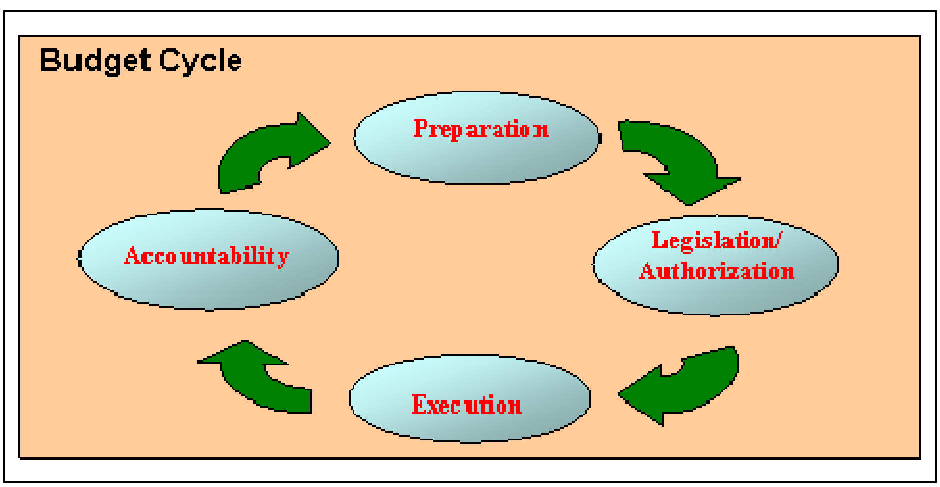
3. **W**hat are the major processes involved in national government budgeting?

budget cycle

Budgeting for the national government involves four (4) distinct phases: budget preparation, budget legislation or authorization, budget execution or implementation and budget accountability.

While distinctly separate, these processes overlap in implementation during a budget year.

Budget preparation for the next budget year proceeds while government agencies are executing the budget for the current year. At the same time, the state is engaged in budget accountability as it reviews the past year's budget.



4. **W**hat is budget

The budget preparation phase starts with the Development

preparation?	Budget Coordination Committee (DBCC). It is headed by the DBM Secretary and its members are the Secretary of Finance, the NEDA Director-General, and the Bangko Sentral Governor, with the Office of the President for general oversight.
NEDA	The NEDA provides the over-all macro-economic assumptions with which budgetary levels are to be determined. They involve the projected Gross National Product (GNP) real growth rates, inflation rates, 91-day treasury bill rates, the London Interbank Offered Rates (LIBOR) rates, foreign exchange rates, population growth, and other economic parameters.
DOF	The Department of Finance (DOF), the Bureau of the Treasury, the Bureau of Internal Revenue and the Bureau of Customs help the DBCC in determining the sources of financing. They project the revenues that will be generated for the budget year as well as the borrowings that may have to be tapped.
DBCC	The DBCC determines the overall economic targets, expenditure levels, the revenue projection, deficit levels and the financing plan. It submits them to the President and the Cabinet for approval.
Budget Call	Once these are approved, the DBM issues the Budget Call. This requires agencies to prepare their budgets in accordance with the said guidelines, macro-economic assumptions, and ceilings. The DBM spells out guidelines, procedures, and timetables.
Agencies	Agencies undertake their own internal consultations. They rank programs, projects and activities using the capital budgeting approach. Then they submit their budget estimates, taking into account their own priorities and those of the national government under the Medium-term Public Investment Program (MTPIP).
DBM	The DBM then conducts technical budget hearings where agencies defend and justify their proposals. Organizational and budgetary issues are clarified.
	The proposed expenditure programs are confirmed by the agency heads.
	The DBM consolidates the budget proposals and then submits them to the Cabinet where the budget is discussed with the President.
submission to Congress	Once the budget is approved by the President and the Cabinet, the President submits it to Congress. This must be done no more than thirty days after the opening of its regular session, as required under the Constitution.

The budget preparation phase is guided by budget calendar.

BUDGET PREPARATION CALENDAR FY 2002	
v Issuance of the Budget Call	April 6, 2001
v Budget Forum on the FY 2002 National Budget	
1. DBM	April 17, 2001
2. GOCCs/GFIs	April 17, 2001
3. National Government Agency Representatives	April 18, 2001
v Issuance of the Baseline Budget	April 18, 2001
v DBM-RO/Agency ROs Budget Forum on the FY 2002 National Budget	April 20, 2001
v Deadline of Submission of Past Year’s Actual Obligation and Current Year	
Appropriations (FY 2000-2001)	April 20, 2001
v Deadline of Submission of Budget Proposals	May 2, 2001
v Technical Budget Hearings on Department/Agency GOCCs/GFIs Budget	
Proposals	May 15-18, 2001
v FAPs Consultation Meetings with Donors and Oversight/Implementing	
Agencies	May 21-25, 2001
v DBM Budget Review	
v Presentation to the Cabinet of the FY 2002 Proposed	May 25-June 22, 2001
v Budget Levels of Department/Agency/Special Purpose Funds	
v Finalizing of National Expenditure Program (NEP), BESF Tables, Staffing	
Summary, Budget Message	June 25, 2001
v Printing of FY 2002 Budget Documents	
Submission of the FY 2002 Budget Documents to the President	June 25 - July 5, 2001
v Submission of the President’s Budget to Congress	July 5-19, 2001
	July 20, 2001
	July 24, 2001

5. **W**hat is budget legislation?

House of the Representatives

Senate of the Philippines

Bicameral Conference Committee

GAA

The President submits to Congress the National Expenditure Program (NEP), the Budget of Expenditures and Sources of Financing (BESF), and the President's Budget Message. The BESF is the document which reflects the annual budget and the estimates and sources of financing. The document is presented by the Executive branch to the Legislative branch.

The proposed budget is first reviewed by the Committee on Appropriations of the House of Representatives. The Committee summons the agencies to justify their budgets, with the DBM assisting and providing technical inputs. The Appropriations Committee then presents to the House body the proposed budget and passes it at the Third Reading.

This then goes to the Senate Finance Committee for another round of hearings and deliberations. The Committee presents the proposed amendments to the House Budget Bill to the Senate for approval.

Then a Bicameral Conference Committee, composed of members of both Houses, is convened to resolve differences. The committee arrives at a common version, and it is then submitted to the President. If there are items which he/she disagrees with, then the President can exercise line-item veto power. The President then signs it into law as the General Appropriations Act.

The law contains the new appropriations in terms of specific amounts: for salaries, wages and other personnel benefits; for maintenance and other operating expenses; for capital outlays, all authorized to be spent by the government for a given year.

The approved budget becomes effective on the first day of the budget year concerned, or when it is signed by the President, whichever comes later.

6. **W**hat is budget execution?

issuance of allotment releases

It is at the budget execution stage that the expenditure program is implemented. Allotments are issued, chargeable against the regular agency budgets. It is also at this stage where agencies may submit requests for availment from SPFs. Agencies are often required to submit additional reports and documents to support their requests.

In 2001, the Congress failed to pass the FY 2001 budget, thus the FY 2000 GAA was automatically reenacted.

cash release program

Cash releases are made to agencies to cover obligations that are current or carried over from the previous year.

However, not all allotment releases require the issuance of Notice of Cash Allocation releases or NCAs. Examples of these are debt service, customs duties and taxes, the conversion of liability to equity, or the subsidy to government corporations. The Cash

Release Program is also based on actual obligations of an agency, as reported in the quarterly trial balance submitted to DBM. Hence, it will not issue NCAs for unobligated balances of allotments.

7. **W**hat is budget accountability?

performance indicators

assessment of agency performance

The accountability phase is the final phase of the budget process. This is when the agencies report their actual physical and financial performance.

The assessment of the physical achievements of an agency is aided by performance indicators. These are yardsticks for determining how well an agency has accomplished its objectives. They measure outcome, output, process efficiency and client satisfaction. They may be quantitative or qualitative in nature.

At this phase, the Commission on Audit (COA) figures prominently in the assessment of agency performance. The COA is the government body tasked with looking at the legality, propriety and accuracy of government financial transactions. The COA has auditors assigned to each government agency and it has regional offices to review these transactions. Those that are considered excessive, inappropriate or illegal are not passed in audit. COA can recommend means for setting them right, if such is still possible.

Trial balances of agencies, which are submitted to DBM and COA on a quarterly and annual basis, report how agencies use up their allotments and cash allocations.

8. **W**hy does the government prepare a new budget every year?

ensures continuous evaluation and review

The preparation of the government's budget every year is in accordance with the Constitution. The Charter requires the President to submit a budget of expenditures and sources of financing within 30 days from the opening of every regular session of Congress.

The yearly preparation of the budget also follows the principle that all government spending be justified anew each year. This ensures that government continuously evaluates and reviews the allocation of resources for cost efficiency and effectiveness.

9. **H**ow does the budget become a law?

In accordance with the requirements of the Constitution, the President submits his/her proposed annual budget in the form of a Budget of Expenditures and Sources of Financing (BESF) supported by details of proposed expenditures in the form of a National Expenditure Program (NEP) and the President's Budget Message which summarizes the budget policy thrusts and priorities for the year.

Republic of the Philippines
Department of Justice
PAROLE & PROBATION ADMINISTRATION
Region I
San Fernando City

T R I A L   B A L A N C E
Fund 101
March 31, 2001

ACCOUNTS			Account Symbol	DEBIT Balance	DEBIT TOTALS
A S S E T S					
Cash – Disbursing Officer			8–70–500	1,500.00	78,700.00
Cash – Treasury Account – Checks Disbursement (MDS)			8–70–707	(4,298,369.40)	
Treasury/Agency Acct. Current – Non – Cash Deposits (TRA/AP)			8–70–707	0.00	
Treasury/Agency Acct. Current – Non – Cash Deposits (TRA)			8–70–710	(312,505.08)	
Inventories – Supplies & Mats. – Charged to Appropriations			8–72–700		41,609.30
TOTAL CURRENT ASSETS				(4,609,374.48)	120,309.30
FIXED ASSETS:					
Fixed Assets:Furnitures, Equipment & Work Animals			8–79–100	901,940.00	901,940.00
Furnitures, Equipment & Work Animals In – Process/Transit – General Public Services			8–79–900	102,000.00	102,000.00
TOTAL FIXED ASSETS				1,003,940.00	1,003,940.00
TOTAL ASSETS				(3,605,434.48)	1,124,249.30
L I A B L I T I E S					
Payables – Unliquidated Obligation – Due and Demandable			8–81–440		258.30
Obligations Incurred			0–82–000		
A.111.1 Regional Operations		4,611,115.28			
A.1.a.1 Gen. Adm. Services		198,209.79			
100–00		0.00			
100–10		0.00			
200–00		196,209.79			
–02	10,155.00				
–03	28,226.72				
–07	38,214.25				
–08	54,900.00				
–14	14,109.42				
–17	18,750.00				
–18	14,000.00				
–24	5,253.00				
–29	12,601.40				
A.111.a.1 Adm. of the Parole & Probation System:		3,428,122.12			
100–00		3,085,737.61			
100–10		199,650.00			
200–00		142,734.51			
–02	75,532.00				
–03	26,343.72				
–07	3,395.05				
–08	13,200.00				
–14	1,737.74				
–17	9,338.00				
–29	13,188.00				
A.1.1.111		986,783.37			
FERA		97,000.00			
ACA		97,000.00			
PIB		130,000.00			
Year – End Benefits		0.00			
ECIP		5,850.00			
Health Insurance		7,312.50			
Pag – IBIG		19,500.00			
Clothing Allowance		260,000.00			
RLIP		370,120.87			
Obligations Liquidated			0–83–000		4,609,124.12
A.1.111 Reg'l Operations		4,609,124.12			
a.1.b.1 Gen. Adm. Services		194,607.93			
100–00		0.00			
100–10		0.00			
200–00		194,607.93			
–02	10,155.00				
–03	28,226.72				
–07	38,214.25				
–08	54,900.00				
–14	14,007.56				
–17	18,750.00				
–18	14,000.00				
–24	5,253.00				
–29	11,101.40				
A.111.a.1 Adm. of the Parole & Probation System		3,427,732.82			
100–00		3,085,737.61			
100–10		199,630.00			
200–00		142,345.21			
–02	75,532.00				
–03	26,174.42				
–07	3,395.05				
–08	12,980.00				
–14	1,737.74				
–17	9,338.00				
–29	13,188.00				

APR 10 2001

In Congress, the proposed budget goes first to the House of Representatives, which assigns the task of initial budget review to its Appropriations Committee.

The Appropriations Committee together with the other House SubCommittees conduct hearings on the budgets of departments/agencies and scrutinizes their respective programs/projects. Consequently, the amended budget proposal is presented to the House body as the General Appropriations Bill.

While budget hearings are on-going in the House of Representatives, the Senate Finance Committee, through its different subcommittees also starts to conduct its own review and scrutiny of the proposed budget and proposes amendments to the

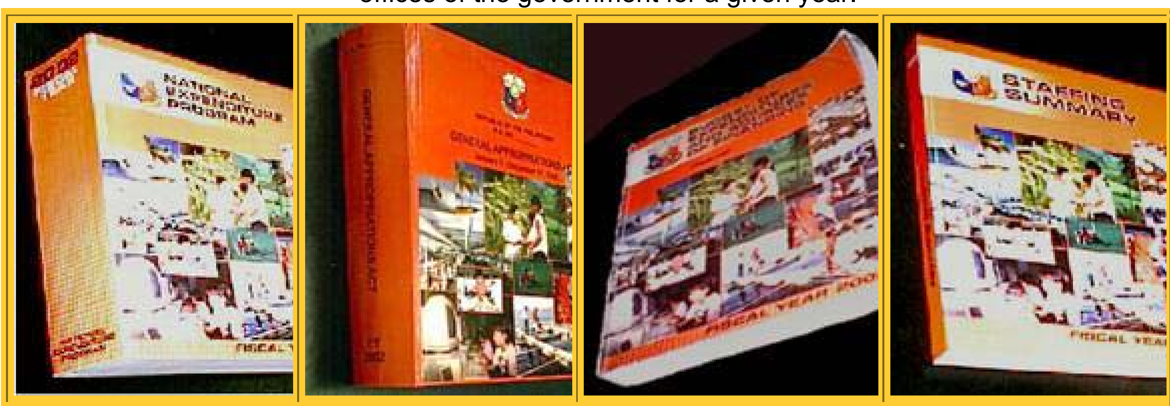
House Budget Bill to the Senate body for approval.

To thresh out differences and arrive at a common version of the General Appropriations Bill, the House and the Senate creates a Bicameral Conference Committee that finalizes the General Appropriations Bill.

Once a common budget bill has been approved by both Houses, it is submitted to the President for signing into law, at which time it becomes the General Appropriations Act.

10. What is the General Appropriations Act?

The General Appropriations Act (GAA) is the legislative authorization that contains the new appropriations in terms of specific amounts for salaries, wages and other personnel benefits; maintenance and other operating expenses; and capital outlays authorized to be spent for the implementation of various programs/projects and activities of all departments, bureaus and offices of the government for a given year.



11. How is the budget implemented?

Simplified Fund Release System

agency budget matrix

allotment release program

GARO/SARO

notice of cash allocation

Summary Lists of Check Issued

Budget implementation starts with the release of funds to the agencies. To accelerate the implementation of government programs and projects, and to ensure the judicious use of budgeted government funds, the government adopted the Simplified Fund Release System (SFRS) beginning 1995.

In contrast to the previous system of releasing funds based on individual agency requests, the SFRS standardized the release of funds across agencies which are similarly situated in line with specific policy initiatives.

Following the SFRS, DBM requires the submission of individual agency budget matrix (ABM) at the beginning of each budget year, upon approval of the annual General Appropriations Act. The ABM is a disaggregation of all the programmed appropriations for each agency into various expenditure categories. As such, the ABM serves as a blueprint which provides the basis for determining the timing, composition and magnitude of the release of the budget.

Based on updated resources and economic development thrusts, and consistent with the cash budget program, the Allotment Release Program (ARP) is prepared. It prescribes the guidelines in the prioritization of fund releases.

In previous years, the ARP serves as basis for the issuance of either a General Allotment Release Order (GARO), or a Special Allotment Release Order (SARO). Both authorize agencies to incur obligations. The GARO was subsequently replaced by the ☐what you see is what you get☐ policy or WYSIWYG. Currently, DBM no longer adopts the WYSIWYG instead authorizes the incurrence of obligations through the approval of the different ABM.

Subsequently, DBM releases the Notice of Cash Allocation (NCA) on a monthly or quarterly basis. The NCA specifies the maximum amount of withdrawal that an agency can make from a government bank for the period indicated. The Bureau of the Treasury replenishes daily the government servicing banks. The replenished funds are equivalent to the amount of negotiated checks presented to the said banks by implementing agencies.

The release of NCAs by DBM is based on:

1) the financial requirements of agencies as indicated in their ABMs, cash plans, and reports, such as the Summary List of Checks Issued (SLCI); and

2) the cash budget program of government and updates on projected resources.

Common Fund

Agencies utilize the released NCAs following the ☐Common Fund☐ concept. Under this, agencies are given maximum flexibility in the use of their cash allocations. The proviso is that the authorized allotment for a specific purpose is not exceeded. Projects thus run faster.

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MAN
MALACAÑANG, MANILA

SPECIAL ALLOTMENT RELEASE OR
For Fiscal Year 2001

DEPARTMENT: JUSTICE
CODE
AGENCY: Commission on the Settlement of Land Problems
CODE B
LOCALITY/REGIONS:
APPROPRIATION SOURCE: Miscellaneous Personnel Bene FY 2001 budget (RA 8760, as
PURPOSE: To cover payment of salaries and other compensation of five (5) posit FY 2000 and one (1) filled-up in FY 2001

APPRO. CODE	PARTICULARS
A.1	PERSONAL SERVICES Salaries Other Compensation TOTAL

Cancelled
DBM-BUDGET AND FINANCE BUREAU C

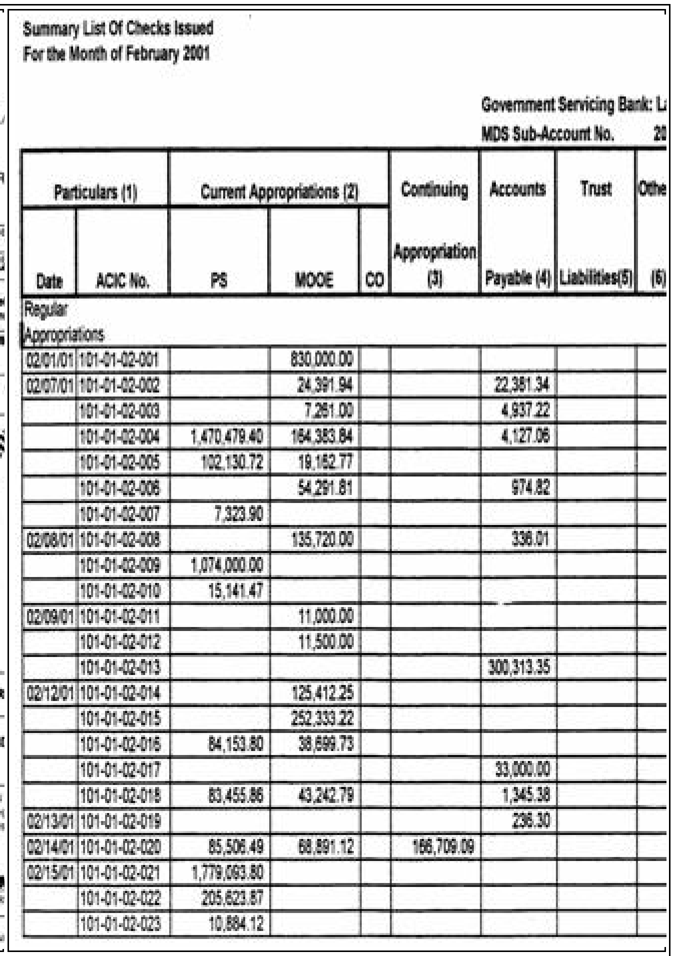
AMOUNT IN WORDS:
***TWO MILLION ONE HUNDRED THIRTY TWO THOUSAND NINE HUNDR

NOTES:
The allotment herein released shall be valid for obligation up to

The allotments herein authorized shall be used solely for the purposes indicated made in accordance with existing budgeting, accounting and auditing rules and re of the head of the Department, Bureau or Agency concerned to keep expenditures

March 12, 2001
DATE OF ISSUE
SECRETAR

Page _ of _ page (s)
SARO N



Summary List Of Checks Issued
For the Month of February 2001

Government Servicing Bank: L
MDS Sub-Account No. 20

Particulars (1)		Current Appropriations (2)			Continuing	Accounts	Trust	Othe
Date	ACIC No.	PS	MOOE	CO	Appropriation (3)	Payable (4)	Liabilities(5)	(6)
Regular Appropriations								
02/01/01	101-01-02-001		830,000.00					
02/07/01	101-01-02-002		24,391.94			22,381.34		
	101-01-02-003		7,261.00			4,937.22		
	101-01-02-004	1,470,479.40	164,383.84			4,127.06		
	101-01-02-005	102,130.72	19,162.77					
	101-01-02-006		54,291.81			974.82		
	101-01-02-007	7,323.90						
02/08/01	101-01-02-008		135,720.00			336.01		
	101-01-02-009	1,074,000.00						
	101-01-02-010	15,141.47						
02/09/01	101-01-02-011		11,000.00					
	101-01-02-012		11,500.00					
	101-01-02-013					300,313.35		
02/12/01	101-01-02-014		125,412.25					
	101-01-02-015		252,333.22					
	101-01-02-016	84,153.80	38,699.73					
	101-01-02-017					33,000.00		
	101-01-02-018	83,455.86	43,242.79			1,345.38		
02/13/01	101-01-02-019					236.30		
02/14/01	101-01-02-020	85,506.49	68,891.12		166,709.09			
02/15/01	101-01-02-021	1,779,093.80						
	101-01-02-022	205,623.87						
	101-01-02-023	10,884.12						

12. **W**hy are adjustments made on the budget program?

Adjustments are made on the budget even during implementation primarily because of the following:

revisions in macroeconomic targets

- **Enactment of new laws** -- Within the fiscal year, new legislation with corresponding identified new revenue sources are passed.

budgetary adjustments

- **Adjustments in macroeconomic parameters** -- The macroeconomic targets considered in the budget are periodically reviewed and updated to reflect the impact of recent economic developments. The relevant indicators affecting the budget include the following: the Gross National Product (GNP), inflation rates, interest rates, foreign exchange rates, oil prices, and the level of imports. Sensitivity measures will determine whether recent macroeconomic developments have a negative or favorable effect on the budget.
- **Change in resource availabilities** -- Budget adjustments are undertaken when additional resources become available such as new grants, or proceeds from newly negotiated foreign loans and grants. Corresponding budget adjustments are also needed when resource

generation falls below target.

13. **W**hat mechanisms ensure that funds have been properly allocated and spent?

COA's audit

Systems and procedures are set in place to monitor the performance and cost effectiveness of agencies. These activities belong to the fourth and last step of the budget process: the budget accountability phase. At the agency level, this takes the form of management's review of actual work accomplished compared to work targets, vis-a-vis the financial resources made available.

Also, detailed examinations of each agency's books of accounts are undertaken by a resident representative of the Commission on Audit (COA). They ensure that all expenses have been disbursed in accordance with accounting regulations and authorized funding purposes.

14. **I**s the role of the DBM in the budgeting process limited to national government agencies?

corporate operating budgets

local annual/supplemental budgets

No, the role of DBM here is not limited to national government agencies. It coordinates all levels of government

-- national government departments/agencies, government-owned and controlled corporations, and local government units -- in the preparation, execution and control of expenditures.

DBM reviews the corporate operating budgets of GOCCs and ensures the proper allocation of cash. DBM likewise recommends the budget policy covering the allowable deficits. It sets the criteria for determining the appropriate subsidy, equity and net lending of GOCCs.

For LGUs, DBM reviews the annual and supplemental budgets of provinces and highly urbanized cities. It also manages the proper allocation and release of the Internal Revenue Allotment (IRA) of LGUs and their share in the utilization of national wealth.