



UPDATES on DBM REFORMS

2014 Budget Execution



Budget Transformation Agenda



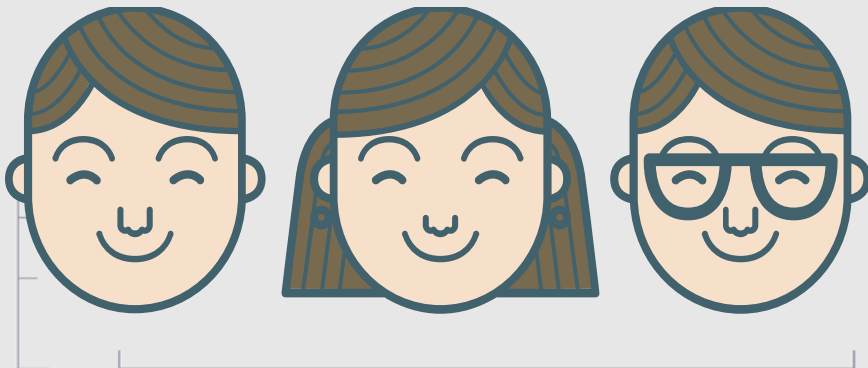
Spending **within** means



Spending on the **right** priorities



Spending with **measurable** results



In an **empowering**
regime of **transparency,**
accountability and
citizen's engagement

Rolling-Out Key PFM Reforms

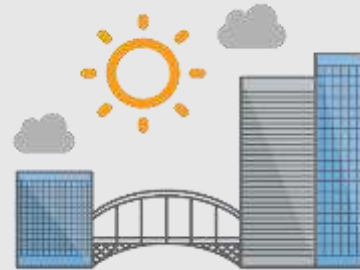
In 2014: 



Unified Account Code Structure (UACS) **1**



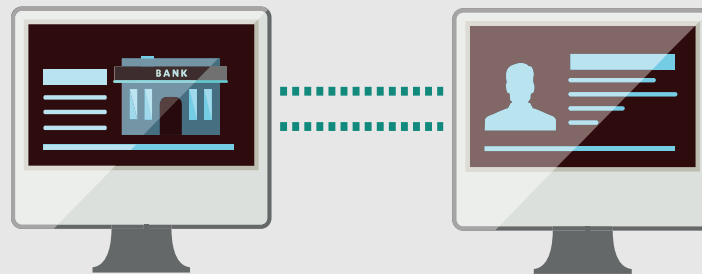
Performance Informed Budgeting (PIB) **2**



Early Procurement for Infrastructure **3**



GAA as Release Document (GAARD) **4**



Checkless Payments thru Advice to Debit Account (ADA) **5**

Towards:



Government Integrated Financial Management System (GIFMIS)



Treasury Single Account (TSA)



Budget Execution:

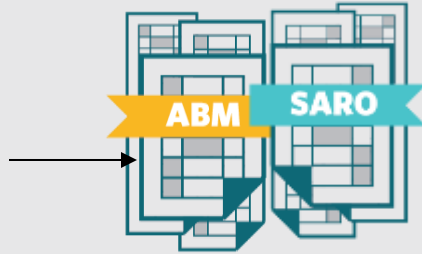
Then and **Now**

Changes in budget implementation -Infrastructure

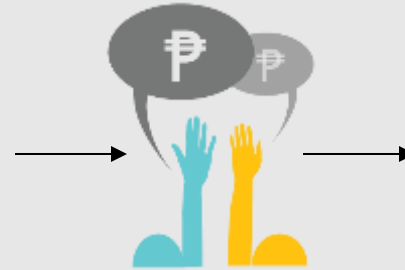
BEFORE



GAA is Enacted Late (March)



Allotment Releases (April)



Bidding (April-June)



Award (June)



Delayed Implementation June onwards

NOW



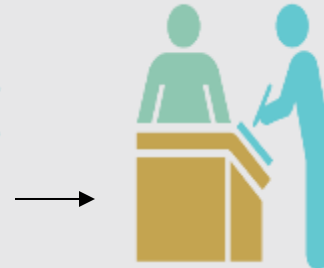
Early Bidding Oct-Dec (PY)



GAA is Enacted Early (January)



Allotment Releases (January)



Award (January)

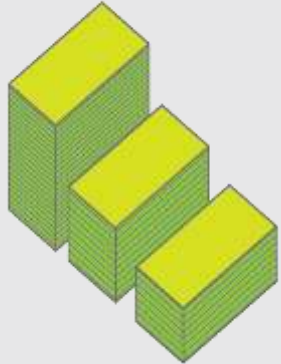


Early Implementation Feb/March onwards

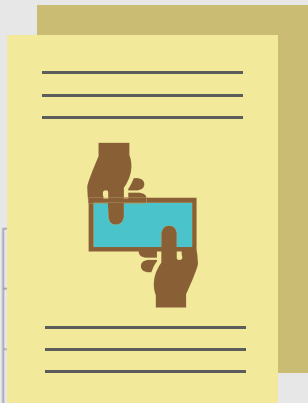
Changes in the Release of Funds – FY 2014



Early enacted of the GAA
GAA as Release Document (GAARD)



Notice of Cash Allocation
- comprehensive with quarterly lapsing



Full Implementation of Checkless Payment
thru Advice to Debit Account (ADA)

- Accounts Payable of National Government Agencies
- Transfers to Local Government Units

Key Issuances – FY 2014 Budget Execution

Guidelines on the Release of Funds for 2014

- **NBC No. 551 / 551-A**

Validity of NCAs for Regular MDS Account

- **CL No. 2013-12**

Checkless Payment Procedures thru Advice to Debit Account (ADA)

A. National Government Agencies

- **CL No. 2013-16**

Implementation of the Expanded Modified Direct Payment Scheme for Accounts Payable (A/Ps)

- **CL No. 2013-16 A and 2013-16 B**

Addendum/Clarification on the Expanded MDPS

B. Local Government Units -

- **DOF-DBM JC No. 2013-1**

Use of ADA for Transfers to LGUs

The **GAA** as Release Document (GAARD)



The budgets of agencies or “appropriations”—**except** those included in the **negative list**—are considered released as allotments when the General Appropriation takes effect.

Challenge

The Negative List



- 1) Lump sum funds within agency budgets
- 2) Special Purpose Funds
- 3) Other items subject to conditions
- 4) All automatic appropriations

Obligational Authorities

BEFORE

For Comprehensive Release (FCR)



Agency Budget Matrix (ABM)

For Budget items Not
Needing Clearance (NNC)

For Later Release (FLR)



Special Allotment Release Order (SARO)

For budget items needing
clearance/supporting docs

NOW

FCR



The GAA Itself

For budget items under FCR



General Allotment Release Order (GARO)

For RLIP only

FLR or Negative List



SARO

For budget items needing
clearance/supporting docs

Annexes to NBC 551 / 551A

Comprehensive Release (FCR) Via GAA

For Later Release (FLR) Via SARO

- **Annex A** - Agency-specific budgets
- **Annex A-I** - Transferred Appropriations, department-to-department or within the department
 - Health Facilities Enhancement Program (DoH to DPWH)
 - Basic Education Services (DepEd to ARMM & DepEd ROs to CO)
 - Basic Educ. Madrasah (DepEd ROs to CO)
 - GASTPE (DepEd ROs to CO)
- **Annex B** – Agency specific budgets in the negative list
- **Annex B I** - Transferred appropriations, department-to-department (no details)
 - NHIP for Indigents (DOH to PHIC)
 - PAMANA and Bangsamoro Programs (DoH to PHIC)
 - Basic Education Facilities Fund (DepEd to DPWH)

Annexes to NBC 551 / 551A - Automatic Appropriations

Comprehensive Release (FCR)

Annex C

Via GARO

- Annual requirements for RLIP (but 50% only for agencies with recently approved RatPlan)

Via SARO

- Interest Payments
- Internal Revenue Allotment
- Special Accounts in the General Fund (SAGFs) of certain agencies
DOTC-OTS, DOF-IC, DOJ-LRA,
DepEd-ECCDC)

For Later Release (FLR)

Annex C- 1

Via SARO

- 50% RLIP balance for newly-rationalized agencies
- SAGFs of other agencies
- Adjustments on IRA
- Others – Tax Expenditure Fund, Grant Proceeds, Pensions for President's Wives, etc

Annexes to NBC 551 / 551A – GOCCs and LGUs

Comprehensive Release (FCR)

GOCCs

- 1st quarter subsidy for heavily subsidized GOCCs

LGUs

- Annual IRA

For Later Release (FLR)

- Remaining subsidy for the year
- Equity contributions

- IRA adjustments
- Special shares in the proceeds of national taxes
- Local Gov't. Support Fund

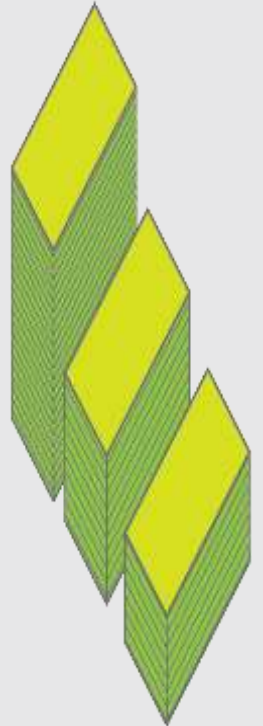
Disbursement Authorities

- **Notice of Cash Allocation (NCA)**
 - for cash disbursements

- **Others:**
 - **Non-Cash Availment Authority (NCAA)**
 - for direct payments, loans in kind

 - **Cash Disbursement Ceiling (CDC)**
 - for foreign posts' expenses (DFA/DOLE)

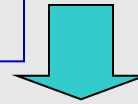
 - **Tax Remittance Advice**
 - for remittance of taxes withheld, issued by agencies



Budget Execution Process Flow

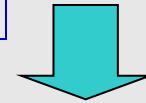
Approval of the Budget

GAA, BESF



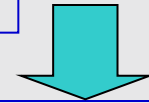
Issuance/Recording of Budget

Authorities (*GAARD, SARO, NCA*)



Obligation / Procurement

Goods, Services, Projects



Payment to Contractors/Creditors/Payees

MDS Checks / Advice to Debit Account (ADA)

Checkless Payment System thru Advice to Debit Account

What is an Advice to Debit Account (ADA) ?

ADA is an accountable form equivalent to the MDS check. It is a disbursement document issued by the agency to its MDS servicing bank authorizing the latter to:

1. debit the agency's MDS account for payments made for A/Ps and retirement benefits
2. credit the payments directly to the Current or Savings Account of the creditor/payee

Advantages of the use of ADA

Uniform payment system across government



more transparent, accountable & efficient!

Less red tape and paperwork



80% checkless in 2014!

Faster & more predictable processing



payment to creditors in 2 days!
no more outstanding checks!

Supports shift to Treasury Single Account



more predictable NG cash management!

ADA shall be used to cover :

▪ **Transfers from NG to Local Government Units**

- ❖ IRA
- ❖ Special shares from the proceeds of national taxes
- ❖ Releases from special purpose funds, e.g. Calamity Fund
- ❖ Local Government Support Fund

▪ **Accounts Payable (A/Ps) of National Government Agencies**

- ❖ External creditors such as contractors, suppliers, etc.
- ❖ Internal creditors such as employees, other government agencies
- ❖ Remittance of social insurance premium contributions to GSIS, HDMF, Philhealth
- ❖ Utility companies, i.e., supplier of petroleum, oils and lubricants, water, power, telephone, internet, communication services

ADA for NG Transfers to LGUs

DBM RO prepares the ff:



2 days before value date

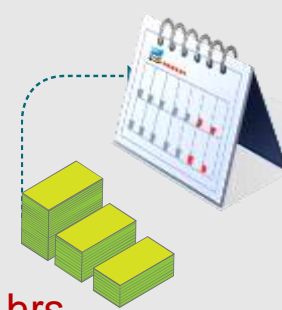
1 day before ADA submission

DBM submits ADA/AAIC to GSB and BTr



GSB:

1. Credits LGUs' account on **value date** 24 hrs to 48 hrs.



2. Advise BTr of total ADA 1 day before value date



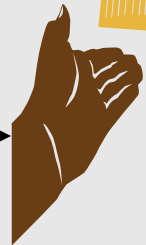
BTr replenishes the MDS Seed Fund with GSB

For non-GSB (e.g.PNB): GSB effects bank transfer. PNB shoulders fee.



DBM informs LGUs of amount for transfer to their accounts and value date

Notice of ADA Issued



Challenges

- One time transfer of IRA to LGUs on monthly basis, instead of 2 value dates per month;
- Comprehensive issuance of ADA;
- Maintenance of all depository accounts of LGUs with authorized MDS-GSBs

ADA – for Accounts Payable (A/Ps) of NGAs

thru the

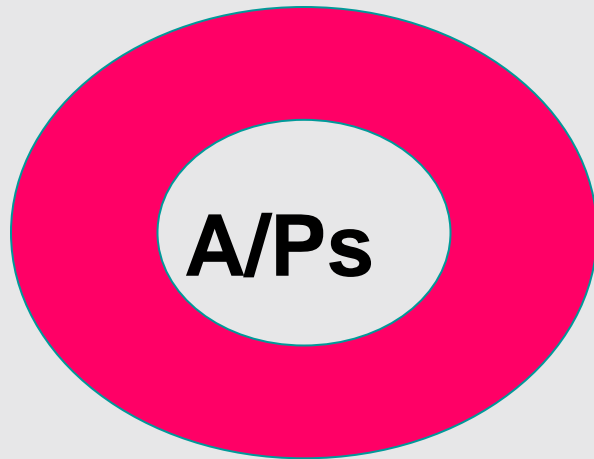
Expanded Modified Direct Payment Scheme

Allotments, Obligations, A/Ps

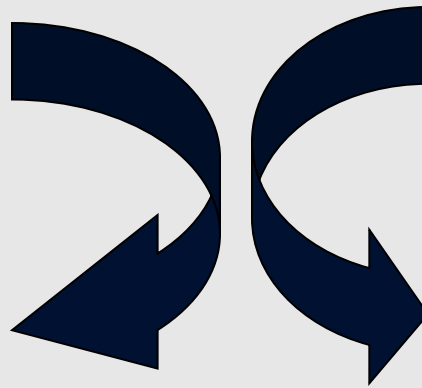
Allotments
(GAARD and SAROs)



Procurement (Obligations)
(Goods, Services, Projects)



Delivered Goods/Services
(current year and prior years)



Undelivered Goods/Services

Payment Schemes for Accounts Payable

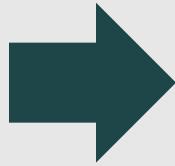
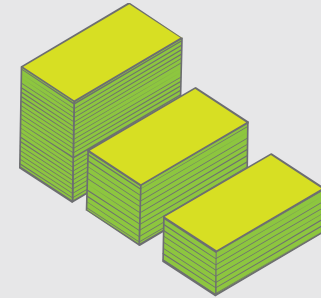
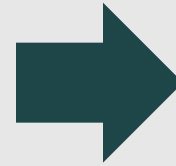
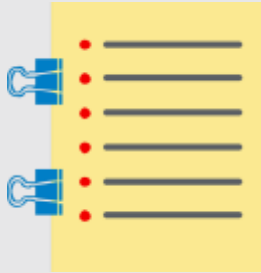
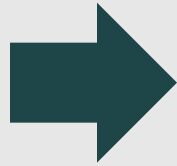
Particulars	MDS Check	ADA	
		Direct Pyt. Scheme (DPS)	Modified DPS
Coverage	Current and Prior years' A/Ps	Nonpilot Prior Years	Pilot (since 2004) current & prior years
Creditors	Internal /external	External	External
MDS account	Regular MDS	Special MDS	Special MDS
NCA Validity	1 month	2 months	2 months
Disbursement instrument	MDS Check	ADA consistent w/ LDDAP	pre-signed ADA per LDDAP
Issuance	Upon follow-up / due date of A/P	Upon receipt of ANCAI	Upon submission of LDDAP-ADA
Payment to Creditors	wait for check upon NCA release	wait for ADA upon NCA release	automatic payment upon NCA release

MDPS now becomes the Expanded MDPS

Payment System	Coverage	MDS	NCA and Validity	Disbursement	Payment to Creditors
MDPS	Pilot Departments; External Creditors	Special MDS	NCA is issued as Needed; 2 month validity	LDDAP-ADA submitted to DBM. DBM forwards to GSB w/ NCA	Automatic Payment upon Release of NCA
Expanded MDPS	All Departments; Internal and External Creditors	Regular MDS	Part of Comprehensive NCA 1 quarter validity	LDDAP-ADA and Summary of LDDAP-ADA submitted to GSB	Automatic Payment upon Release of NCA

How Expanded MDPS works?

Expanded MDPS Process- Notice of Cash Allocation

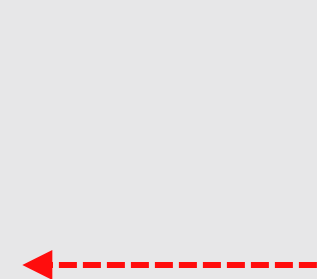


Agency projects due & demandable A/Ps for FY for inclusion in Monthly Disbursement Program (MDP)

Agency submits MDP to DBM (by **Nov 30 of prior FY**)

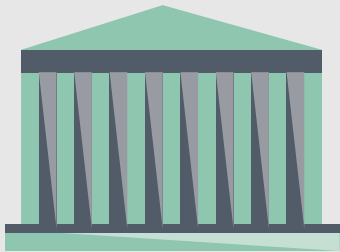
DBM releases comprehensive NCA (Jan.-June)

DBM posts reports on MDPs and NCAs released on its website

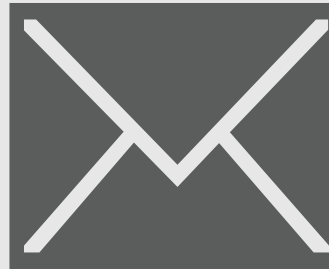
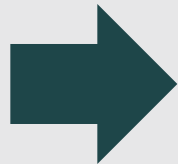


For Starters:

Creditors Get Bank Account w/ GSB



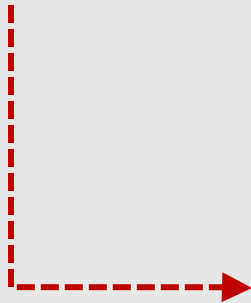
Agency encourages Creditors to get GSB account



Agency issues Letter of Introduction to creditors addressed to GSB

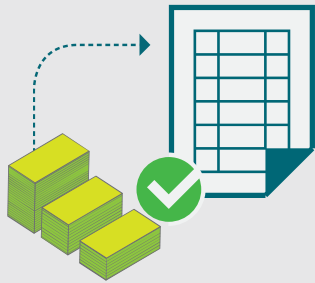


GSB verifies existing account. If no existing account, Agency advises Creditor to open new account

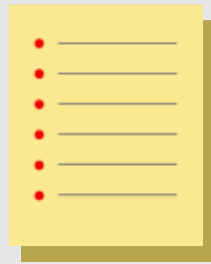


Creditors may opt for bank transfer (EPCS) but will shoulder transfer fees

Expanded MDPS Process Payment of A/Ps



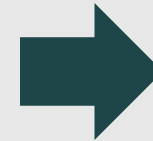
GSB credits
NCA to
Agency's MDS
account



Agency submits
LDDAP-ADA (with
Summary of LDDAP-
ADA Issued) to GSB



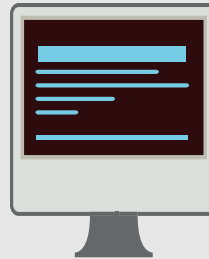
GSB provides BTr
w/ copy of
Summary of
LDDAP-ADA
Issued



GSB credits payment
to Creditor's GSB
account **within 48
hours**



Agency posts LDDAP-
ADA nos. on website &
provides to Creditors



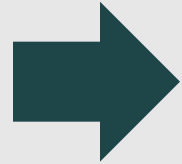
For non-GSB/EPCS:
GSB effects bank
transfer. Creditor
shoulders fee.



Expanded MDPS Process Recording of Payments



GSB provides Agency with duly-validated LDDAP-ADA **on next banking day**



Creditor issues Official Receipt to Agency



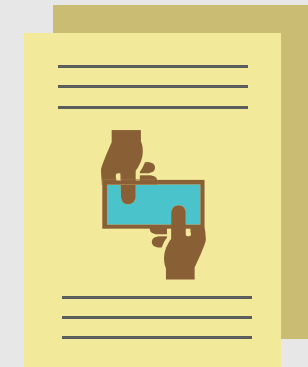
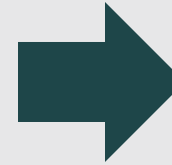
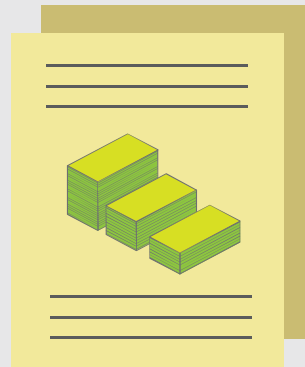
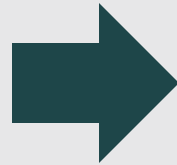
Agency records payments in its books



GSB advises Agency of non-payment due to inconsistent information*



Expanded MDPS Process Accountability Reporting



GSB provides BTR with copies of Summary of LDDAP-ADA Issued **on the same day as receipt of LDDAP-ADA from agency**

GSB provides DBM with monthly report on NCAs credited & utilized **by the 2nd working day after end of the month**

Agency submits Summary Report on Disbursements **by the 30th day after end of the quarter**

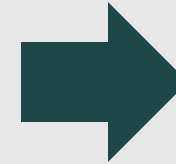
Correcting Typographical Errors



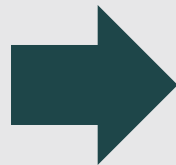
GSB advises Agency of non-payment due to inconsistent information through the validated LDDAP-ADA



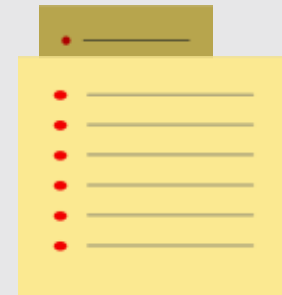
typo errors covered by circular



Agency issues letter of authority to GSB for correction



errors not covered by circular



Agency includes A/P in upcoming LDDAP-ADA

Issues / Challenges

- Early completion of adjustments on the IT systems of MDS-GSBs, utility companies and social insurance corporations (i.e., GSIS, Philhealth, HDMF)
- Applicability of the ADA system to creditors with small transactions
- Acceptability of the GSB validated LDDAP-ADA as evidence of payment (in lieu of official receipt)
- Expansion of the coverage of the ADA system to include other transactions, i.e., cash advances



and have a nice day !!!

Dir. Carmencita P. Mahinay, BTS
Department of Budget and Management

PAGBA, 24 April 2014