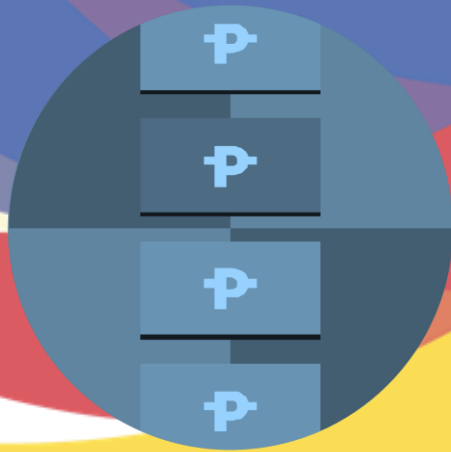




Implementing the Cash Budgeting System (CBS)



**Philippine Association for Government
Budget Administration (PAGBA), Inc.**

1st Quarterly Seminar and Meeting

Punta Villa Resort, Iloilo City

March 13, 2020

Amanella D. Arevalo

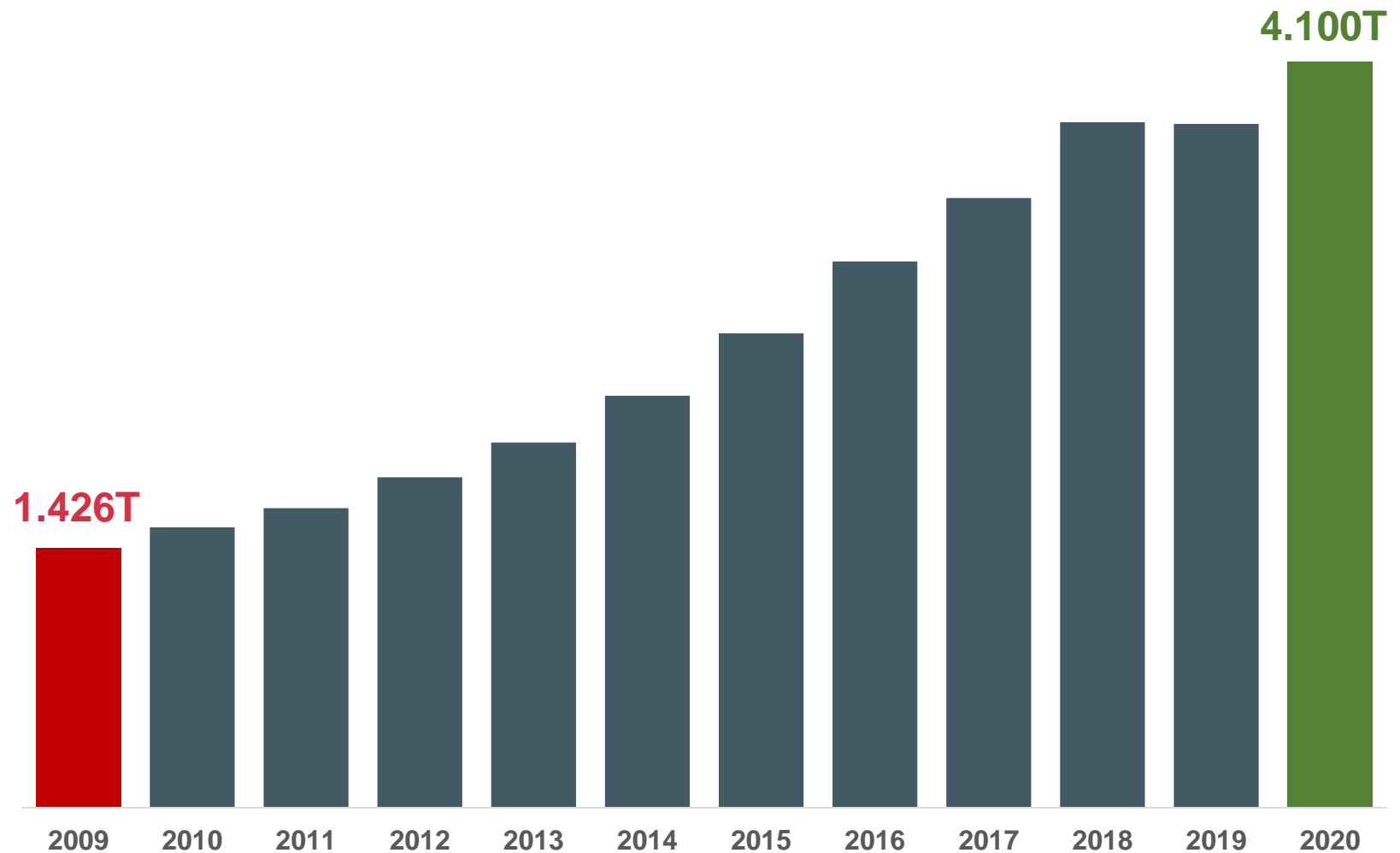
Director IV, DBM

Outline

1. Defining Annual Cash-based Appropriations
2. Differentiating Obligation Budgeting and Cash Budgeting
3. Treatment of Transferred Funds
4. Time Horizon of Transfers to GOCCs & LGUs
5. Multi-Year Contracts
6. Transition in FY 2019-2020

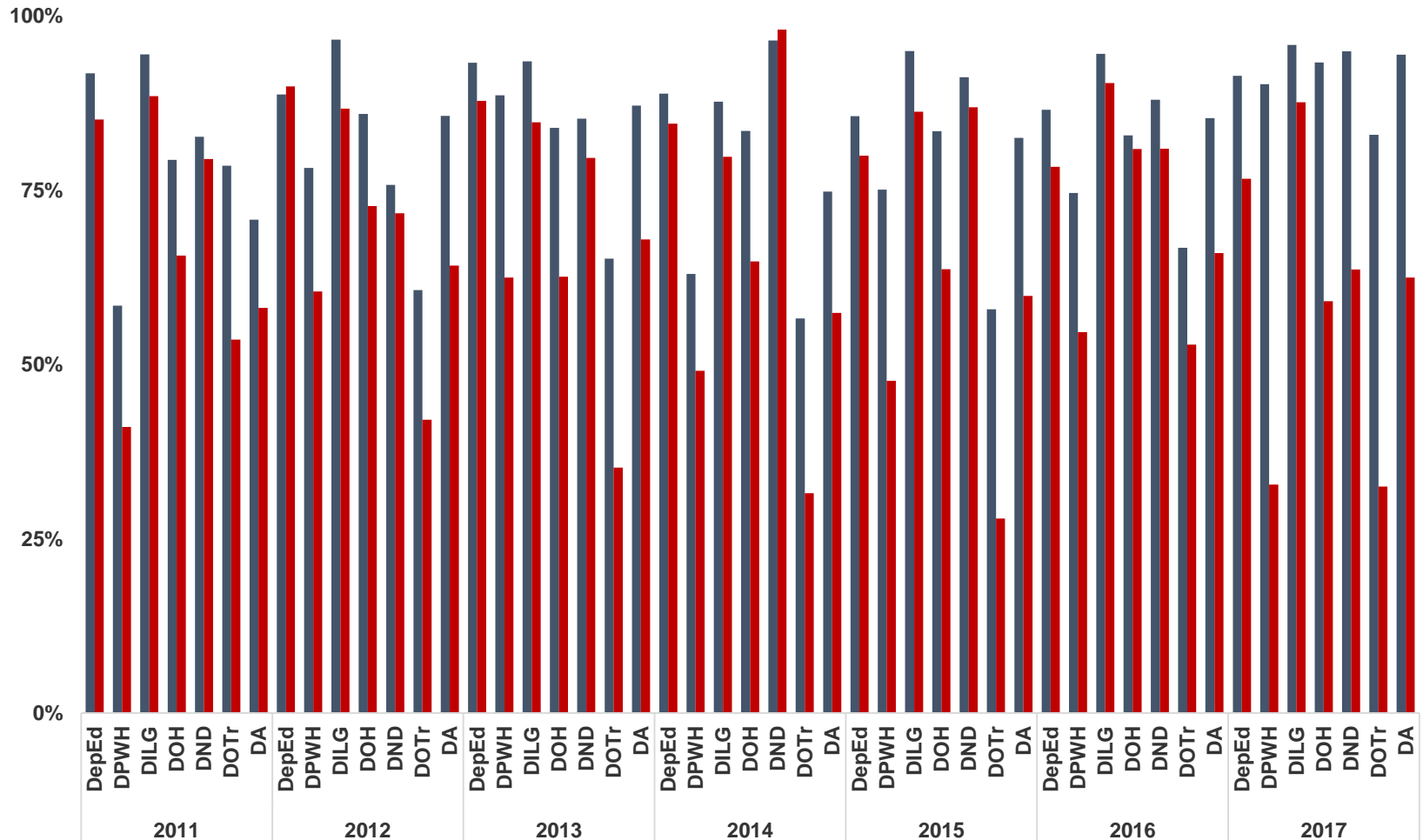
Objective of the CBS

Supporting the expansionary fiscal policy of government



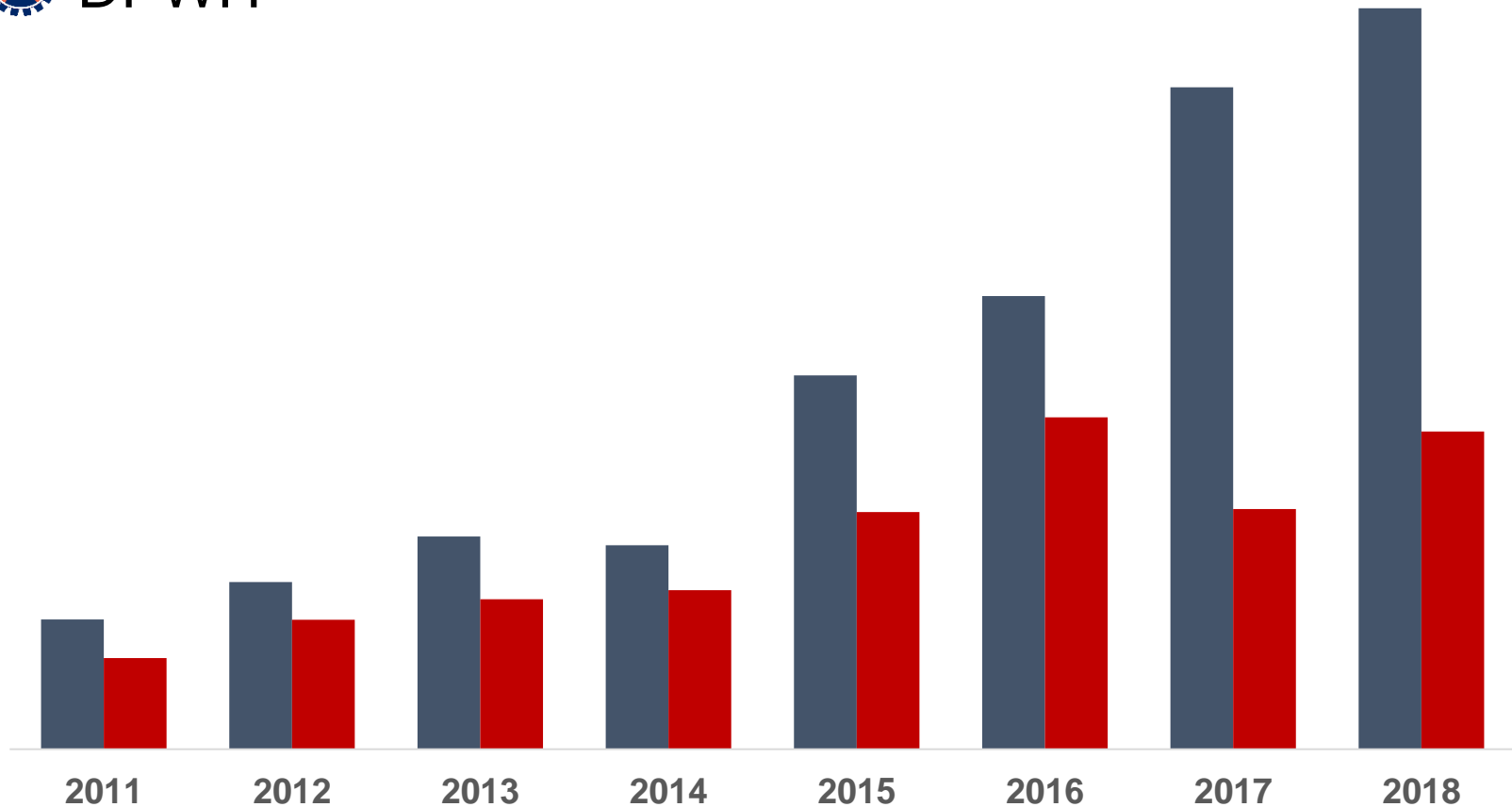
The Principle of Annuality

A credible budget should be fully executed on an annual basis



Obligation vs. Disbursements

Implementation lags behind the level of obligations

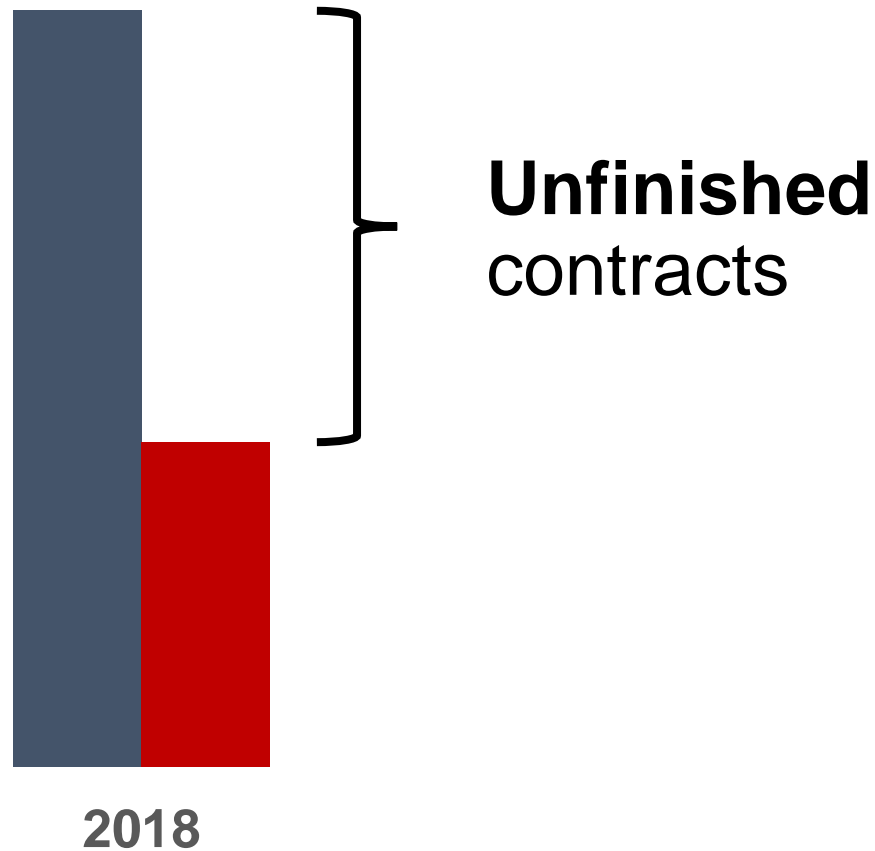


Snowballing of Continuing Obligations

Carry-overs affect implementation capacity in the following year



DPWH



Annual Cash-Based Appropriations

Shifting to a one-year implementation horizon

Limits incurring contractual obligations and disbursing payments, to goods delivered and services rendered and inspected within the fiscal year.

Payments of these obligations should be settled within the fiscal year of the budget.

TIMELINE

1. **FY 2019 GAA**

- GP 65 – obligations until Dec. 31, 2019
- Veto Message – Cash Budgeting (operational cash budget for FY 2019 except infrastructure projects – until December 31, 2020)

2. **EO No. 91** dated September 9, 2019

- Adopting the Cash Budgeting System Beginning FY 2019

3. **RA No. 11464** dated December 26, 2019

- (Extending the availability for release and obligation of the FY 2019 GAA from Dec. 31, 2019 to Dec. 31, 2020)

Executive Order No. 91, s.2019

Adopting the CBS beginning FY 2019

Last **9 September 2019**, the President signed **EO No. 91**, ordering the national government to adopt the Cash Budgeting System **effective 1 January 2019**.

Cash Budgeting System (CBS)

Section 1 of EO 91, s.2019

- a. All authorized appropriations shall be available for **obligation** and **disbursement** only until the **end of each FY**;
- b. Obligations incurred by the NG within each FY shall be **implemented during the same FY**; and
- c. Payments for obligations incurred shall be made until the end of the **Extended Payment Period (EPP)**, which shall be three (3) months after the end of the validity of appropriations against which they were obligated

Obligation Budgeting vs. Cash Budgeting

When can goods and services be delivered and rendered?

Obligation Budgeting – 24 months & beyond



- Contracts awarded before the end of the FY can be delivered even after the FY; government has a running balance of not-yet-due-and-demandable obligations (NYDDO)

Cash Budgeting – 12 months



- 12-month contracts should be fully delivered by the end of the FY.

Obligation Budgeting vs. Cash Budgeting

When can obligations be paid?

Obligation Budgeting – 24 months & beyond



- Inspection, verification, and payment can be done even after the FY; government has a running balance of due-and-demandable accounts payables (DDAP)

Cash Budgeting – 15 months



- Payment can only be done within a 15-month period; contracts delivered at the end of the FY can be paid during the 3-month EPP

Treatment of Transferred Funds

Only payments will be considered as disbursements

*All funds transferred between or among government agencies and LGUs **shall not be considered disbursed** under this Section, until the transferred amounts have been actually utilized to pay for goods delivered and services rendered, inspected and accepted.*

Time Horizon of Funds Provided to GOCCs & LGUs

Fund downloads from the NG should be disbursed within the FY

- Download of funds shall be done within the FY
- Period of Disbursements:
 - Budgetary Support to **GOCCs** – **until the end of the FY**
 - Funds provided to LGUs:

| | |
|---|---|
| Program Funds from NGAs | Until end of the FY |
| Financial assistance & other support to LGUs (LGSF) | Until end of the following FY (obligation & disbursement) |
| Internal Revenue Allotment (IRA) | Until fully spent |
| Special Shares from Proceeds of National Taxes & Fees | |

Multi-Year Contracts (MYCs)

Multi-year projects should be covered by the annual budget

- MYC has an **implementation period exceeding 12 months**
- Even under CBS, agencies may enter into MYCs
- Agencies should secure a Multi-Year Contracting Authority (**MYCA**) before commencing procurement activities for MYCs
- GOCCs should secure an equivalent authority from its governing board

Multi-Year Contracts (MYCs)

Multi-year projects should be covered by the annual budget

- MYCA should accurately show the schedule of the annual cash requirements of the MYP
- MYPs' annual cash requirements should be included in the agency budget proposals and consequently, the GAA, annually
- Certificate of Availability of Funds (**CAF**) should be issued annually for MYPs based on the budget for the purpose
- Contracts with implementation periods that are 12 months or shorter should not spill-over to the next FY

MYCA for Research / Scientific Projects

Special exemption on particular single-year projects

A MYCA or an equivalent authority may likewise be issued for single-year projects that are either research or scientific in nature, and by design necessitates implementation covering two (2) fiscal years.

Issuance of a “Zero CAF”

For MYPs with no funding requirements in a given year

RA 11260 GP Sec. 29. In case of Multi-year Projects with no funding requirement on any given year, instead of the CAF, the Chief Accountant shall issue a certification that no fund is needed for the year, as indicated in the approved MYCA.

Clarifying Common Misconceptions

Procurement strategy & existing budgeting rules ease the transition

1. That it converts all projects into one-year contracts
2. That all projects should be converted into multi-year contracts so that these are “protected” by a MYOA/MYCA

SOLUTION: Choose the proper procurement strategy for the project

Clarifying Common Misconceptions

Procurement strategy & existing budgeting rules ease the transition

3. That delayed projects that were not finished within the year will require rebidding

SOLUTION 1: Inclusion in the succeeding year's NEP

SOLUTION 2: Using the Transitory SPF

CLARIFICATION: The NDRRMF and QRF shall also be used for obligation and payment of Spill-over Projects approved or funded from the NDRRMF or QRF of the immediately preceding Fiscal Year.

Spill-Over Projects

Continuing delayed projects in the succeeding FY

- These are contracts authorized & undertaken in the immediately preceding GAA which were not fully implemented, including any unpaid obligations, after the end of the EPP
- FY 2021 Budget Call includes BP Form No. 201-G where agencies shall propose funding requirements for the continued implementation of 2020 procurement projects that will not be fully implemented by 31 December 2020 due to delays

Clarifying Common Misconceptions

Procurement strategy & existing budgeting rules ease the transition

4. That contracts unfinished by the end of 2018 will no longer be honored upon the start of the new budgeting system

CLARIFICATION: All obligations incurred before the start of FY 2019 will be honored and shall be issued NCAs for, provided that they are (a) delivered according to specifications and (b) accepted by the agency

These NCAs shall not be counted against their 2019 appropriations

Clarifying Common Misconceptions

Procurement strategy & existing budgeting rules ease the transition

5. It's impossible for single-year contracts to finish within the fiscal year

SOLUTION: Early Procurement shall be the rule and not the exemption.

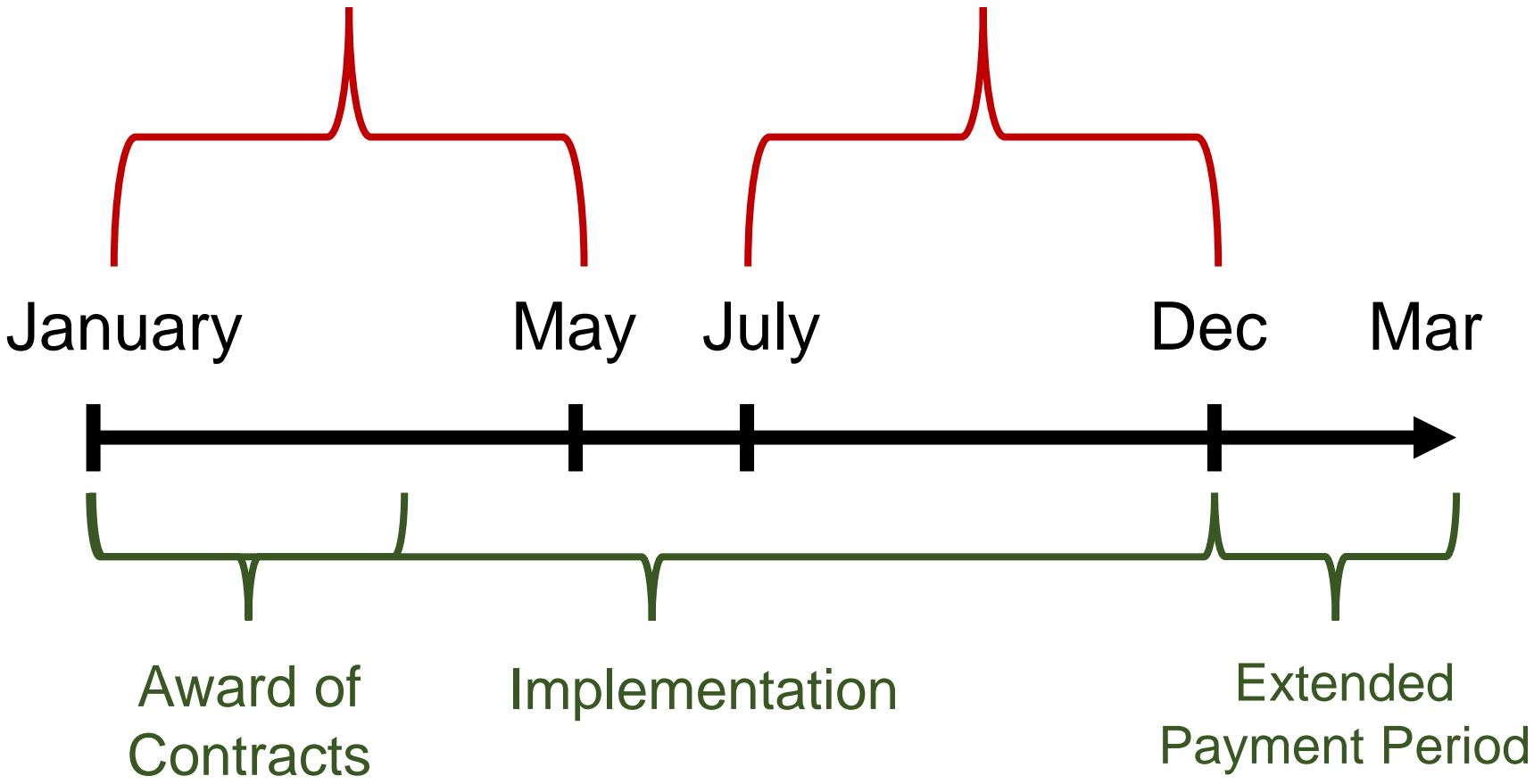
RA 11260 GP Sec. 20. Notwithstanding mandatory procurement timelines under RA 9184 and its revised IRR, agencies are authorized to undertake early procurement activities, from pre-procurement conference until post-qualification of bids, as soon as the proposed national budget is submitted to Congress.

Early Procurement Activities

| | |
|--|---|
| When should PEs undertake EPA? | Upon submission of NEP to Congress |
| Is the CAF required to start EPA? | No. The amount in the indicative APP consistent with the NEP or MYOA/MYCA shall be the basis of certification or confirmation of the availability of funds. |
| What procurement modalities are not covered by EPA? | Projects undertaken through: <ul style="list-style-type: none">• Repeat Order• Shopping• Emergency Cases• Take-Over of Contracts• Small Value Procurement |
| What must an Invitation to Bid contain? | The PE shall indicate in the Invitation to Bid and in the Bidding Documents that the project is an EPA. |

Preparation of
Budget Proposals
& Procurement
Plans

Early Procurement
Activities



Remedying a Reenacted Budget

New contracts may still be awarded amidst budget reenactment

GPPB Circular No. 09-2018 clarifies that even on a reenacted budget, procurement projects that underwent Early Procurement may still be awarded provided that these are funded by recurring items in the budget.

Transition in FY 2019-2020

A modified version of the system will be implemented

| FY | EXPENSE CLASS | OBLIGATION | IMPLEMENTATION | EPP |
|-------------|----------------------|-------------------|-----------------------|---------------------------------------|
| 2019 | PS | Until 31 Dec 2020 | Until 31 Dec 2020 | Included in the Implementation Period |
| | MOOE & Non-Infra CO | | Until 30 June 2021 | |
| | Infra CO | | Until 31 Dec 2021 | |
| 2020 | PS | Until 31 Dec 2020 | Until 31 Dec 2020 | 1 Jan – 31 March 2021 |
| | MOOE & Non-Infra CO | | Until 30 June 2021 | Included in the Implementation Period |
| | Infra CO | | Until 31 Dec 2021 | |

UPDATES ON CBS per EO 91, s. 2019

REVERSION OF UNEXPENDED BAL.

At the End of FY

- Unreleased appropriations
- Unobligated allotments

At the End of EPP

- Unpaid obligations
- Undisbursed funds

Important Reminders for Agencies

1. Ensure that funds are obligated by December 31, 2020
2. Clarify implementation arrangements for transferred funds
3. Settle PS-related payables
4. Reassess implementation timelines for contracts continuing in 2021
5. Project Requirements for Spill-Over Projects in 2021
6. Conduct planning and early procurement activities for the 2021 budget

Conclusion

1. CBS is a reform that will **decrease** administrative burden & increase **implementation** capacity of agencies
2. CBS emphasizes that **planning comes first** before budgeting
3. CBS instills **discipline** in preparing and implementing the budget
4. CBS is closely linked with proper **procurement management**
5. Success of the reform depends on **close coordination** among budget, planning, procurement, and operations units

Thank You

