

[PRESIDENTIAL DECREE NO. 1177, July 30, 1977]

REVISING THE BUDGET PROCESS IN ORDER TO INSTITUTIONALIZE THE BUDGETARY INNOVATIONS OF THE NEW SOCIETY.

WHEREAS, the national budget is a major instrument for development, requiring careful design of the preparation, legislation, execution, and accountability phases of budgeting;

WHEREAS, the experience of the years has been reflected in various improvements in the budget process, and embodied in C.A. No. 246, R. A. No. 992, and P. D. No. 999;

WHEREAS, the budget process as implemented prior September 21, 1972 was not able to fully support national objectives and plans;

WHEREAS, national interest calls for the institutionalization of budgetary innovation realized during the New Society and developed within the context of the Constitution of 1973.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. Title.-This Decree shall be known as Budget Reform Decree of 1977".

SEC.2. Definition of Terms.-When used in this Decree:

a "Budget" refers to the budget required to be prepared pursuant to Section Sixteen (1), Article VIII of the Constitution, and which is repeated in Section 13 of this Decree.

b. "Government" means the National Government, including the Executive, the Legislative and the Judicial Branches, and the Constitutional Commissions.

c. "Department and agency" and "department or agency" mean all departments, bureaus, offices, boards, commission, courts, tribunals, councils, authorities, administrations, centers, institutes, state colleges and universities, and all other establishment and instrumentalities of the National Government as defined in the preceding paragraph.

d. "Current operating expenditures" refer to appropriations for the purchase of goods and services for current consumption or within the fiscal year, including the acquisition of furniture and equipment normally used in the conduct of government operations, and for temporary construction for promotional, research and similar purposes.

e. "Capital outlays" or "capital expenditures" refer to appropriations for the purchase of goods and services, the benefits of which extend beyond

the fiscal year and which add to the assets of Government, including investments in the capital of government-owned or controlled corporations and their subsidiaries.

f. "Expected results" mean services, products, or benefits that will accrue to the public, estimated in terms of performance measures or targets.

g. "Government-owned or controlled corporations" are corporations created by law as agencies of the State for narrow and limited purposes, either owned wholly by the State or wherein the Government is a majority stockholder, in cases of stock corporations, or otherwise, agencies so created where no stocks are issued but whose affairs are conducted by a duly constituted board and which perform proprietary functions.

h. "Continuing appropriations" refer to appropriations available to support obligations for a specified purpose or project even when these obligations are incurred beyond the budget year.

i. "Appropriation" is an authorization under past Acts of Congress, Presidential Decrees or other legislative enactment, for payments to be made with funds of the government, under specified conditions and/or for specified purposes.

j. "Allotments" are authorizations issued by the Budget Commission to an agency, which allows it to incur obligations within a specified amount that is within a legislative appropriation.

k. "Obligations" are amounts which are committed to be paid by government which arise from an act of a duly authorized administrative officer which binds the government to the immediate or eventual payment of a sum of money.

l. "Program" refers to the functions and activities necessary for the performance of a major purpose for which a government entity is established.

m. "Project" means a component of a program covering a homogenous group of activities that result in the accomplishment of an identifiable output.

n. "Commissioner" refers to the Commissioner of the Budget,

BUDGET POLICY AND APPROACH

SEC. 3 *Declaration of Policy.*-It is hereby declared the policy of the State to formulate and implement a National Budget that is an instrument of national development, reflective of national objectives, strategies and plans. The budget shall be supportive of and consistent with the socio-economic development plan and shall be oriented towards the achievement of explicit objectives and expected results, to ensure that funds are utilized and operations are conducted effectively, economically

and efficiently. The national budget shall be formulated within the context of a regionalized government structure and of the totality of revenues and other receipts, expenditures and borrowings of all levels of government and of government-owned or controlled corporations. The budget shall likewise be prepared within the context of the national long-term plan of a long-term budget program.

SEC. 4. *Planning and Budgeting Linkage.*-The Budget shall be formulated as an instrument for the attainment of national development goals and as part of the planning-programming-budgetting continuum. Levels of revenue, expenditure and debt shall be established in relation to macro-economic targets of growth, employment levels, and price level change, and shall be developed consistent with domestic and foreign debt, domestic credit and Balance of Payments objectives for the budget period. The aggregate magnitudes of the budget shall be determined in close consultation among the planning and fiscal agencies of government. Budgetary priorities shall be those specified in the approved national plans, keeping in mind the capability and performance of the implementing agencies concerned. Agency budget proposals shall explicitly state linkages to approved agency plans.

SEC. 5. *National Resource Budget.*-The finances of government shall be analyzed and determined as the aggregate of revenue, expenditure and debt of all units of government, including the national government and its agencies and instrumentalities, local government units and government-owned or controlled corporations. The national government budget shall be evolved within the framework of the total impact of government activity on the national economy. The budgets of government corporations and local governments shall be consistent in form and timing with that of the national government, to facilitate comprehensive evaluation.

SEC. 6. *Regional Budgeting.*-The budgets of national government agencies shall take into full and explicit consideration the goals, plans and requirements of their respective regional offices, in the interest of full government response to local thinking and initiative. The budget preparation process shall originate at regional and local levels, and shall be consolidated and reviewed by the central offices of the various national agencies. The regional development strategies and plans, including physical framework and resource use plans, shall be considered in the preparation of the budget.

SEC. 7. *Long-Term Budgeting.*-The annual budgets of the national government shall be prepared as an integral part of a long-term budget picture. The long-term economic and physical framework plans of government, multi-year requirements of approved development strategies, and other commitments entered into or otherwise assumed by government shall be specified in the budget process.

SEC. 8. *Development Projects.*-The development process requires the implementation of major development projects of such size as to significantly affect the infrastructure program, debt ceilings, the Balance of Payments, domestic credits, and government expenditure levels. The budget process shall formally consider the timing of major national projects, in order to ensure the observance of established fiscal, monetary, international payments, and other constraints.

SEC. 9. *Performance and Financial Review.*-The analysis of agency operating performance, the evaluation of performance relative to costs incurred and the

review of agency operating systems and procedures are inherent parts of the budget process. Agencies shall therefore design and implement (a) management information systems yielding both performance and financial information which will adequately monitor and control budget implementation, and (b) improvements in operating systems, procedures and practices, so as to ensure that the targets approved in budget authorization are in fact attained at minimum cost.

SEC. 10. *Compensation and Position Classification.*-The size of personnel services expenditure relative to the total budget and the number of agencies and personnel in government call for an effective national compensation and position classification policy. The constitutional principle of a single compensation scheme for the government and its instrumentalities is one of the bases of the government budget process.

SEC. 11. *Contingent Liabilities.*-The contingent liabilities of government shall be evaluated as part of the budget process, subject to such limits and guidelines as may be approved by the President.

BUDGET PREPARATION

SEC. 12. *Fiscal Year.*-The fiscal year for all branches, subdivisions, instrumentalities, departments, bureaus, offices and agencies of the Government of the Republic of the Philippines, including government-owned or controlled corporations and local governments shall be the period beginning with the first day of January and ending with the thirty-first day of December of each calendar year.

SEC. 13 *Submission of the Budget.*-The President shall , in accordance with section sixteen (1), Article VIII of the Constitution, submit within thirty days from the opening of each regular session of the National Assembly as the basis for the preparation of the General Appropriations Act, a national government budget of estimated receipts based on existing and proposed revenue measures, and of estimated expenditures.

The President shall include in his budget submission the proposed expenditure level of the Legislative and Juridical Branches and of Constitutional bodies, which shall have undergone the same process of evaluation and which shall have been subject to the same budgetary policies and standards applicable to agencies in the Executive Branch.

The President may transmit to the National Assembly, from time to time, such proposed supplemental or deficiency appropriations as are, in his judgement, (a) necessary on account of laws enacted after the transmission of the Budget, or (b) otherwise needed in the public interest.

SEC. 14 *Form and Content of the Budget.*-The budget proposal of the President shall include current operating expenditures and capital outlays. It shall comprise such funds as may be necessary for the operation of the programs, projects and activities of the various departments and agencies. The proposed General Appropriations Act and other Applications Acts necessary to cover the budget proposals shall be submitted to the National Assembly to accompany the President's budget submission.

The budget shall be presented to the National Assembly in such form and content as may be approved by the President and may include the following:

a. a budget message setting forth in brief the government's budgetary thrusts for the budget year, including their impact on development goals, monetary and fiscal objective, and generally on the implications of the revenue, expenditure and debt proposals; and

b. summary financial statements setting forth:

(1) estimated expenditures and proposed appropriations necessary for the support of the Government for the ensuing fiscal year, including those financed from operating revenues from domestic and foreign borrowings;

(2) estimated receipts during the ensuing fiscal year under laws existing at the time the budget is transmitted and under the revenue proposals, if any, forming part of the year's financing program;

(3) actual appropriations, expenditures, and receipts during the last completed fiscal year;

(4) estimated expenditures and receipts and actual or proposed appropriations during the fiscal year in progress;

(5) statements of the condition of the National Treasury at the end of the last completed fiscal year, the estimated condition of the Treasury at the end of the fiscal year in progress and the estimated condition of the Treasury at the end of the ensuing fiscal year, taking into account the adoption of financial proposals contained in the budget and showing, at the same time, the unencumbered and unobligated cash resources;

(6) essential facts regarding the bonded and other long-term obligations and indebtedness of the Government, both domestic and foreign, including identification of recipients of loan proceeds; and

(7) Such other financial statements and data as are deemed necessary or desirable in order to make known in reasonable detail the financial condition of the government.

SEC. 15. *Budget Levels.*-The ordinary income of government shall be used primarily to provide appropriations for current operations, except in cases of a national emergency or serious financial stress, the existence of which has been duly proclaimed by the President.

The level of aggregate revenue, expenditure and debt shall be jointly recommended to the President by the Budget Commission, the Department of Finance, the National Economic and Development Authority and the Central Bank of the Philippines, acting within the Development Budget Coordination Committee of the National Economic and Development Authority.

No. appropriations for current operations and capital outlays of the Government