



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management  
Malacañang, Manila



**NATIONAL BUDGET CIRCULAR**

No. 485  
March 13, 2003

**TO :** Heads of Departments, Bureaus, Offices and Agencies of the National Government, State Universities and Colleges, Government-Owned and/or Controlled Corporations, All Agencies Concerned

**SUBJECT :** RATIONALIZATION OF PROJECT MANAGEMENT OFFICES (PMOs)

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**1.0. PURPOSE**

The establishment, restructuring and operation of Project Management Offices (PMOs) shall be rationalized:

- 1.1.** To provide for the integration of existing project offices in the regular structure, systems and functions of the agency and ensure operational sustainability and alignment of project concerns with the overall agency program;
- 1.2.** To ensure optimum use of physical and financial resources towards an efficient and effective implementation of priority development projects; and,
- 1.3.** To strengthen overall project performance monitoring and accountability and promote the development of and strengthen in-house agency capability in the operation and management of projects.

**2.0. Coverage**

This Circular covers national government agencies and instrumentalities, government-owned and/or controlled corporations and government financial institutions implementing locally-funded and/or foreign-assisted projects.

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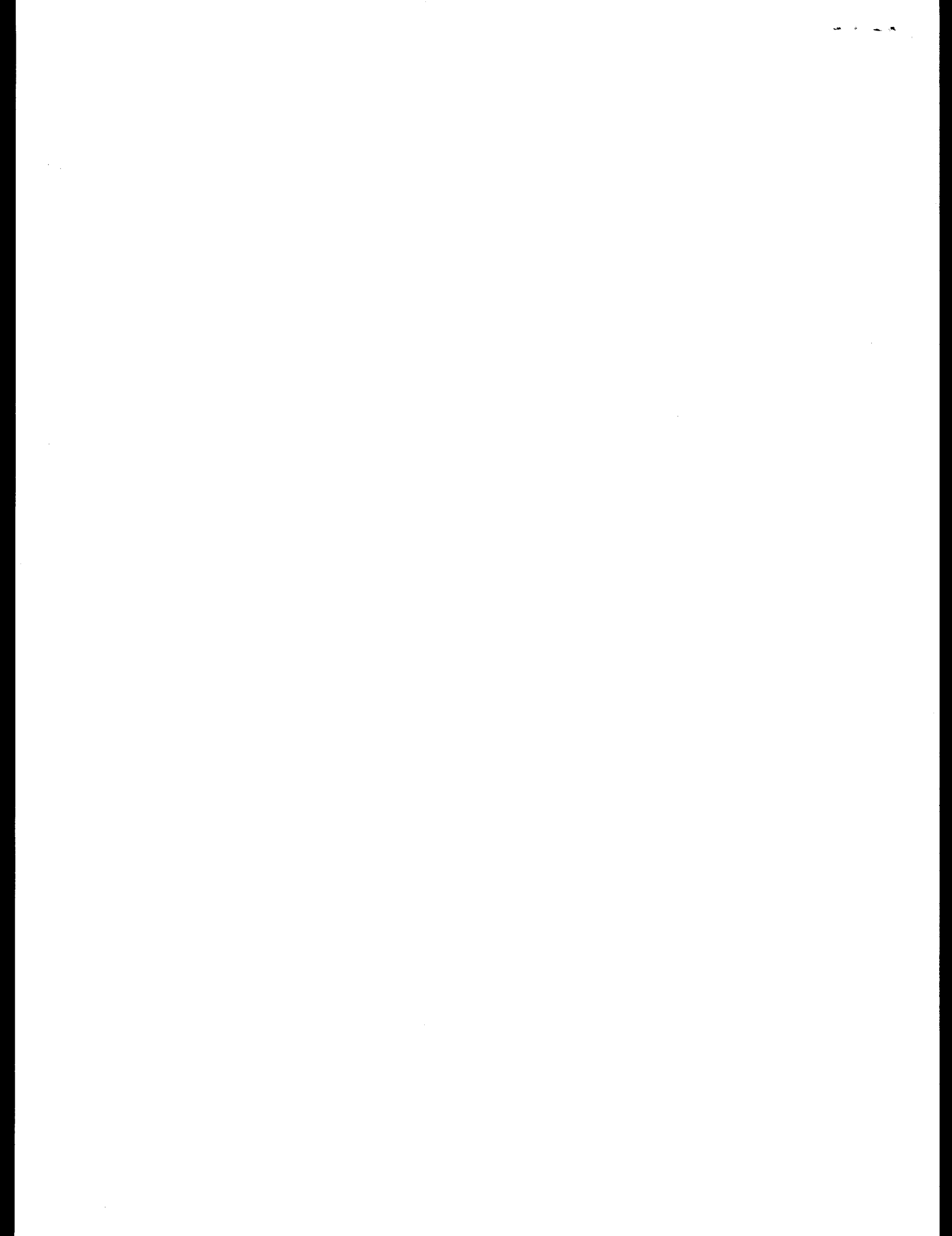
### **3.0. Definition of Terms**

- 3.1.** Project Management Office – a unit in an implementing agency, complementing its regular or organic units, directly responsible for the implementation, coordination and monitoring of project activities.
- 3.2.** Unified PMO – a PMO characterized by consolidated structures and resources to oversee, operate and ensure efficient and effective implementation of all development projects in an implementing agency.
- 3.3.** Implementing Agency – any of the various units of government, i.e., Office of the Secretary (OSEC) of a department, an agency attached to a department, line bureau, or government-owned or controlled corporation implementing development projects.
- 3.4.** Scrap and build – a strategy which involves the creation of new units and/or positions corresponding to the equivalent cost of structures or staffing reduced or abolished. This includes deactivation of organizational units and/or the conversion of vacant positions, in exchange for new units or positions of equivalent cost.
- 3.5.** Development Project – a set of special or priority activities committed to be implemented over a fixed period of time aimed at attaining specific objectives that will contribute to the enhancement of agency outputs and outcomes. These activities need immediate implementation, are non-recurring in nature and may involve inter-structures implementation.

### **4.0. General Policies**

- 4.1.** Agencies shall endeavor to undertake the management and implementation of development projects within its regular operations and through its existing organic structures and staff.
- 4.2.** Where necessary, a Project Management Office (PMO) may be established in the implementing agency when there are two or more development projects which need focused implementation to comply with expressed commitments and ensure attainment of target sectoral and agency outputs and outcomes.

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**4.3.** However, a unified PMO may be established starting with a single development project provided the following conditions are present:

4.3.1. Project components are "capital-intensive", i.e., will involve infrastructures/civil works and other capital outlays (exception, however, are those purely procurement projects);

4.3.2. Implementation will involve two or more agencies either within the department, across departments, GOCCs and other government instrumentalities, and/or sectors; and,

4.3.3. Physical implementation will be in two or more areas.

**4.4.** Once a PMO has been established, said PMO shall be responsible for the management and operation of the projects of the agency in a consolidated and unified manner. It may be activated/deactivated and its staffing may contract or expand based on the project operations needs of the implementing agency.

**4.5.** PMOs shall not be created for each and every project, except in cases provided under this circular.

## **5.0. Policy Guidelines**

**5.1.** The unified PMO shall serve as the overall manager of the various projects undertaken by the agency. It shall ensure that projects are properly coordinated and are consistent with the agency's regular or core functions.

**5.2.** Implementing agencies shall propose the appropriate internal structure considering reasonable general functional groupings and staffing complement. Such structures and staffing requirements shall closely adhere to the policy of scrap and build, shall be within the agency budget ceiling and shall be covered by existing organization and staffing standards and position classification and compensation system.

**5.3.** The unified PMO shall be headed by a responsible senior official of the implementing agency or the Project Implementation Officer (PIO) as may be designated by the agency head.

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## 5.4. PMO Functions

5.4.1. The PMO shall have at least the following key functions:

- a. **Project operations planning**  
Detailed mapping-out of specific component or activity objectives, deliverable outputs, measures of performance, monitoring and evaluation systems, work and financial plans, activity scheduling, implementation strategies and other day to day requirements for efficient and effective project management
- b. **Project monitoring/evaluation**  
The tracking and assessment of physical and financial progress per component or activity vis a vis set targets and schedules, identification of problem areas and corresponding measures to address issues.  
  
Under the PIO set-up, said PIOs shall be responsible for the conduct of a regular assessment of PMO performance to determine whether target outputs are being achieved, bottlenecks addressed and implementation schedules met.
- c. **Project coordination/"oversight"**  
The overall project supervision and coordination at both hierarchical (for policy and program consistency) and functional (for interagency/project/component harmonization and "complementarity")
- d. **Project operation and management**  
The day-to-day business of project implementation to include decision and operational policy making in technical, financial and administrative matters
- e. **Trouble shooting**  
The formulation and adoption of emergency and/or permanent measures or interventions to address problem areas and disruptions in project operations

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- f. **Financial Management**  
The whole gamut of financial responsibilities in support to project implementation and which includes, budgeting, accounting, cash management, and internal audit. This also covers coordination with appropriate oversight agencies and/or ODA institutions, where necessary and applicable concerning project financial matters
- g. **Coordination with various stakeholders**  
All activities which require policy, activity linking, before, during and after project implementation with oversight entities, other implementing agencies, funding institutions and project beneficiaries/clientele.
- h. **Post project completion/mainstreaming of project concerns in regular activities**  
The formulation, adoption and installation of measures, systems and structures to ensure the continuous and sustained implementation of project activities which have been integrated in the regular structure and system of the implementing agency.

## **5.5. PMO Structure**

- 5.5.1 The unified PMO shall have a core structure to undertake the administration, finance, project monitoring and evaluation and project operations and management functions.
- 5.5.2. Agencies shall determine the detailed structure of the unified PMO which shall best respond to their individual agency and operational needs. Consolidation shall be done in the following areas: finance and administration, project monitoring and evaluation and, technical operations and management.
- 5.5.3. Said core PMO shall be manned by organic personnel. They shall be complemented by contractual positions as may be necessary depending on the size and complexity of projects being undertaken.

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5.5.4. Agencies may establish substructures i.e., sectoral groupings and field units under the unified PMO as may be deemed necessary considering the number, magnitude, complexity and "diversity" of project nature, structure and implementation strategy of projects. However, field units shall be under the overall supervision of the implementing agency regional/-provincial offices where applicable.

5.5.5. A PMO for inter-agency projects shall be lodged in the lead agency. Participating implementing agencies shall subsume the implementation of a component of an interagency project under the existing/ unified PMO. In its absence, the existing organic personnel shall be tapped for the project component's operation and management.

## **5.6. PMO Staffing**

5.6.1. PMO staffing shall be composed of positions available in the agency, whether from regular plantilla positions and existing/ongoing/completing projects with approved structures and staffing pattern.

5.6.2. The core PMO, shall be manned by regular/organic personnel either on concurrent, full time detail, or secondment basis and/or thru the transfer of positions from other organic units of the agency to the PMO. The transfer of positions may involve conversion and/or lateral transfer of positions based on the staffing needs of the project.

5.6.3. Agencies may offer to "freeze" the filling of vacant regular positions to give way to the creation of contractual positions. Said regular positions should be identified in the proposed PMO staffing pattern.

5.6.4. Existing vacant contractual positions of ongoing projects may be "scrapped" or abolished to create other position/s, provided that this action will not require additional personal services costs.

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5.6.5. Additional contractual positions, not subject to the scrap and build policy may be created, charged against grant funds (Fund 171) as agreed upon with the donor for Foreign-assisted projects or the regular budget/lumpsum funds (Fund 101) of the agency. As a general rule, such additional positions shall only be for technical positions not readily available from the regular plantilla or existing contractual positions of the implementing agency.

5.6.6. PMO contractual positions shall be co-terminus with the project activity.

## **5.7. PMO Compensation**

### **5.7.1. Regular Personnel on Detail to the PMO**

Existing salary rules shall apply to regular/organic personnel of an implementing agency detailed to the PMO. Such employees occupying regular positions in their mother agency, authorized by the head of the agency to be detailed to a PMO of that agency or to another agency, may be entitled to incentives and other benefits authorized under existing laws, rules and regulations.

### **5.7.2. Seconded Employees**

Regular/organic personnel may be seconded to the PMO. The salaries, allowances and other benefits of a seconded employee shall be borne by the receiving agency and shall be in accordance with existing laws, rules and regulations.

### **5.7.3. Contractual Personnel**

Contractual personnel shall be paid the salary of an equivalent regular position as determined by the Department of Budget and Management, but not to exceed the salary of the immediate supervisor. Salaries received under a contractual employment shall not be considered "previous" salaries for purposes of appointment to regular positions. Contractual personnel shall be entitled to allowances and other benefits under existing laws, rules and regulations.

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## **6.0. Transitory Provisions**

- 6.1. Existing PMOs of ongoing projects due for completion in 2004 shall be allowed to continue to exist until project termination. However, projects due for completion/termination in 2005 and beyond shall consolidate/unify its existing PMOs on or before 2004. The attendant costs resulting from such consolidation shall be submitted for funding evaluation.
- 6.2. Implementing agencies with existing project offices shall no longer establish new project offices. However, they will be allowed to utilize i.e., convert or transfer existing vacant contractual positions from ongoing or completing projects to the new project/s.
- 6.3. Implementing agencies with a distinct project office undertaking a single development project with a termination period in 2005 or beyond and is not covered by section 4.3 of this circular shall shift or mainstream the management and supervision of the said project to an appropriate regular unit/structure. The attendant costs, if any, resulting from such mainstreaming shall be submitted for funding evaluation.
- 6.4. Positions about to be phased out under completing projects may be considered for transfer or conversion to positions for new projects. This shall be submitted to the DBM for evaluation of actual staffing needs of the new project. However, positions deemed no longer necessary shall be phased out upon project termination. A phasing - in and out of positions shall accompany the requests for "transfer" to the new projects under the unified PMO.
- 6.5. For foreign-assisted projects, the budgetary requirements for the unified PMO representing GOP counterpart shall be shifted/sourced from Fund 101.

## **7.0. Agency PMO Rationalization Plan**

- 7.1. Agencies with more than one existing project office shall submit to DBM for approval a PMO Rationalization Plan within three months from the issuance of this circular. Said rationalization plan shall lay down the phased structuring of a unified PMO. This shall include the following:
  - 7.1.1. Existing PO organizational structures down to division level;

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- 7.1.2. Updated PO plantilla of personnel (as of March 2002)
- 7.1.3. Duration per position based on project activities.
- 7.1.4. Proposed unified structure and staffing complement;
- 7.1.5. "Sources" (origin of transfers/detail/secondment and/or conversion) of positions/personnel for the core PMO;
- 7.1.6. Staff augmentation from the phasing in and out of positions to show abolition of positions in completed projects and creation or transfer to new projects, consistent with the abovementioned guidelines and parameters; and,
- 7.1.7. timetable of rationalization.

**8.0. Proposal for the Creation of a PMO**

- 8.1. Agencies may propose the creation of a PMO, consistent with Section 4 and other pertinent provisions of this Circular. The proposal shall be submitted to the DBM for approval and shall include the applicable documentation per section 7.1 above.

**9.0. Saving Clause**

Cases not covered by the provisions of this Circular shall be referred to the Department of Budget and Management.

**10.0. Effectivity**

This Circular shall take effect immediately.



**EMILIA T. BONCODIN**  
**Secretary**