



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



NATIONAL BUDGET CIRCULAR

No. 539
Date March 21, 2012

FOR : All Heads of Departments, Agencies, Bureaus, Offices, Commissions, State Universities and Colleges, Government-Owned and/or Controlled Corporations, Other Instrumentalities of the National Government and all Others Concerned

SUBJECT : **GUIDELINES ON PARTNERSHIP WITH CIVIL SOCIETY ORGANIZATIONS AND OTHER STAKEHOLDERS IN THE EXECUTION OF THE AGENCY BUDGET**

1.0 PURPOSES

- 1.1 To progressively broaden the constructive partnership with Civil Society Organizations (CSOs) consistent with the Principles of Engagement as agreed upon and signed by the Department of Budget and Management (DBM) and some CSOs on September 3, 2010; and
- 1.2 To provide guidelines on citizen participation as a component of the National Government's budget process particularly in the execution of an agency's budget.

2.0 COVERAGE

- 2.1 All National Government Agencies (NGAs), State Universities and Colleges, Government-Owned and/or Controlled Corporations (GOCCs), and other instrumentalities of the National Government shall be covered by this Memorandum.
- 2.2 For FY 2012 Budget Execution, consultation with CSOs and other stakeholders shall cover the following selected NGAs and GOCCs under National Budget Memorandum (NBM) 109 dated February 17, 2011:

Department of Agrarian Reform (DAR)
Department of Agriculture (DA)

Department of Education (DepEd)
Department of Health (DOH)
Department of Public Works and Highways (DPWH)
Department of Social Welfare and Development (DSWD)
National Food Authority (NFA)
National Housing Authority (NHA)
National Home Mortgage Finance Corporation (NHMFC)/Social Housing
Finance Corporation (SHFC)

- 2.3 Additional NGAs and GOCCs under National Budget Circular 536, Series of 2012 shall be covered in 2013 while others shall be covered in succeeding years to be identified in subsequent issuances.
- 2.4 However, these other NGAs/GOCCs may also establish partnership with CSOs and other stakeholders during the execution phase of their budgets, which to the extent possible, shall be subject to these guidelines.

3.0 DEFINITION OF TERMS

For purposes of this Memorandum, the following terms shall have the following significance:

- 3.1 Affiliate CSOs – CSOs entering into formal collaboration with a Partner CSO, which collaboration enables the Partner CSO to expand the scope of its budget monitoring and evaluation under the Budget Partnership Agreement (BPA).
- 3.2 Bottom-Up Budgeting – an approach in formulating the budget proposal of agencies, taking into consideration the development needs of poor municipalities and cities as identified in their respective local development plan and/or local anti-poverty action plan formulated with the meaningful participation of CSOs.
- 3.3 Budget Partnership Agreement (BPA) – A formal agreement entered into by an NGA/GOCC and a Partner CSO defining the roles, duties, responsibilities, schedules, expectations and limitations with regard to implementing the CSO's participation in budget preparation, execution, monitoring and evaluation of specific programs/activities/projects (P/A/Ps) of the Partner NGA/GOCC.
- 3.4 Budget Execution - The phase in the budget cycle where financial resources made available to an agency are utilized to implement programs and projects for which they were approved under the annual General Appropriations Act (GAA) which may start with pre-implementation activities prior to a current year. For this purpose, a Partner CSO may participate in

monitoring the implementation of programs and projects vis-à-vis budget releases and expenditures made, and in conducting impact analysis of P/A/Ps and procurement activities.

- 3.5 Citizen Participation – A democratic process involving people empowerment, whereby concerned citizens organized as CSOs, pursue their legitimate and collective interests by monitoring effectiveness of P/A/Ps and in so doing become partners of the Government in the formulation, monitoring, evaluation and improvement of the national budget.
- 3.6 Civil Society Organizations (CSOs) - Include non-government organizations (NGOs), people's organizations, cooperatives, trade unions, professional associations, faith-based organizations, media groups, indigenous peoples movements, foundations, and other citizen groups formed primarily for social and economic development, to monitor government programs and projects, engage in policy discussions, and actively participate in collaborative activities with Government.
- 3.7 Conflict of Interest – A condition which occurs when a CSO or any of its key officers are involved in multiple interests, which prevents an impartial or unbiased attitude toward the work to be done in relation to the BPA.
- 3.8 Constructive Engagement – A partnership between Government and partner CSO marked by sustained dialogue towards problem solving while respecting and retaining the focus on assertion to reforms.
- 3.9 Partner CSO – The CSO which is the partner of an NGA/GOCC in the BPA. Conversely, a CSO which is not a partner of an NGA/GOCC in a BPA shall be termed a Non-Partner CSO.
- 3.10 Stakeholders – Persons or organizations that can significantly affect, be affected by, or perceive themselves to be affected by a government decision or activity or have interest on or can influence the effective performance of a particular P/A/P of an NGA/GOCC.
- 3.11 Zero-based Budgeting – A budgeting approach which involves the review/ evaluation of major ongoing programs and projects implemented by different departments/agencies in order to: a) establish the continued relevance of programs/projects given the current developments/directions; b) assess whether the program objectives/outcomes are being achieved; c) ascertain alternative or more efficient or effective ways of achieving the objectives; and d) guide decision makers on whether or not the resources for the program/project should continue at the present level or be increased, reduced or discontinued.

4.0 ADHERENCE TO THE PRINCIPLES OF DBM-CSO ENGAGEMENT

- 4.1 The parties to the BPA shall at all times adhere to the DBM-CSO Principles of Engagement, which are reiterated below:
 - 4.1.1 Transparency – provide all parties as well as the general public, timely access to relevant and verified information/data subject to the limits of the law;
 - 4.1.2 Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfill commitments;
 - 4.1.3 Integrity – adhere to moral and professional standards in fulfilling commitments;
 - 4.1.4 Partnership – cooperate and share responsibilities to ensure that the objectives of the engagement are achieved;
 - 4.1.5 Consultation and mutual empowerment - enhance knowledge sharing and continuing dialogue;
 - 4.1.6 Respect for internal processes – understand and abide by the limitations of the stakeholders with respect to the nature of the information to be disclosed and the extent of involvement based on institutional/legally imposed limitations;
 - 4.1.7 Sustainability – Ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote an environment of mutual trust; and
 - 4.1.8 National interest – Uphold the national welfare above the interest of organizations or individuals.
- 4.2 Clarifications on the abovesited principles and additional principles as may be mutually agreed upon by NGA/GOCC with the Partner CSO may be incorporated in the BPA.

5.0 PARTNERSHIP WITH CSOs

- 5.1 Citizen participation during the execution of the NGAs/GOCCs budget shall be implemented through a BPA.
- 5.2 The NGAs/GOCCS may maintain their Partner CSO and other stakeholders already identified during the preparation of their budget proposal or engage other CSOs and other stakeholders. Existing partners may amend to expand the coverage of their BPA to avoid having to execute another BPA.
- 5.3 The NGAs/GOCCs shall ensure that proper screening has been undertaken

in the engagement of partner CSOs and other stakeholders for budget execution.

5.3.1 Invitation to CSOs

5.3.1.1 The DBM shall publish in its website and through press releases invitations for CSOs and other stakeholders to participate in the execution phase.

5.3.1.2 The NGAs/GOCCs shall widely disseminate the DBM invitation to existing and prospective CSO partners and shall prominently post the DBM invitation on their website.

5.4 Eligible Partner CSOs

5.4.1 Eligibility Requirements

5.4.1.1 Must have monitored, assessed and evaluated particular ongoing P/A/Ps of an NGA/GOCC, to be supported by duly substantiated findings, assessments or evaluation.

5.4.1.2 For CSOs who have no prior monitoring engagement with NGAs/GOCCs, they must monitor ongoing P/A/Ps relevant to their advocacies.

5.4.2 Partner CSOs shall submit the following supporting documents to be able to enter into a BPA with an NGA/GOCC:

5.4.2.1 The following proofs of existence:

- Copy of Articles of Incorporation registered with the Securities and Exchange Commission or other similar documents registered with the Cooperative Development Authority, Department of Labor and Employment or Housing and Land Use Regulatory Board or proof of existing partnership with an NGA/GOCC; and
- As necessary, copy of the duly executed Affiliation Agreement between the Partner CSO and Affiliate CSOs, and copies of the covering Board Resolutions from both Partner and Affiliate CSOs.

5.4.2.2 Board Resolution adopting and officially submitting to the Partner NGA/GOCC the following original or duly certified true copies of the following:

- Letter of Intent for the partnership;
- Extent of participation desired (e.g., specific activity to be undertaken, PAP, geographical location);
- Designation of the CSO signatory to the BPA; and

- A statement of no conflict of interest, indicating that the CSO and the Partner NGA/GOCC are not related by business or contractual relations, and that the CSO's officers are not related to the NGA/GOCC officers by consanguinity or affinity (up to the third degree), or by business or contractual relations; and a declaration of potential conflict of interest, as may be necessary.

5.4.2.3 Additional documentation as the NGA/GOCC may deem necessary to support the BPA.

5.4.2.4 However, a CSO which has entered into a BPA with the NGA/GOCC in the FY 2012 agency budget preparation shall only be required to comply with item 5.4.2.2 above.

5.5 Execution of the BPA

5.5.1 The NGA/GOCC shall meet with Partner CSOs at the central and/or regional level, whichever is appropriate, to discuss and finalize the BPA. This shall be patterned after the herein prescribed format as presented in Annex A. The BPA shall:

- Clarify roles, duties, responsibilities, schedules, expectations and limitations between the NGA/GOCC and CSO; and
- Provide the communication protocol, clearly establishing the NGA/GOCC-CSO counterparts and channels of communications.

5.5.2 The Partner CSO and NGA/GOCC may mutually agree to add qualifying details to their BPA.

5.5.3 All parties concerned shall agree to the establishment of a standard monitoring and evaluation system;

5.5.4 The duly designated representatives from the NGA/GOCC and Partner CSOs shall sign the BPA to signal the effectivity of the Agreement. The agency Central Office (ACO) may authorize the attached agencies/agency Regional Offices (AROs) to execute BPAs with CSOs/local CSOs, subject to its internal guidelines for the purpose.

5.5.5 Within two (2) days from the effectivity of the BPA, one (1) original copy thereof shall be submitted by the ACO to the DBM-CSO Desk at the central office (CO) and by the agency regional office (ARO) to the DBM regional office (RO), as the case may be.

5.5.6 The BPA shall be made public by posting a copy thereof in the

NGA/GOCC and CSO websites.

5.5.7 The NGA/GOCC concerned has the prerogative to use inputs from non-partner CSOs, provided such inputs are duly substantiated and may be made public.

5.6 The CSOs shall furnish the DBM and other partner agencies the list of officers and the designated liaison officer in charge of all activities pertaining to the CSO engagement.

6.0 PROCEDURES ON THE CONSULTATION PROCESS

6.1 To provide the context for the discussion and facilitate the assessment and evaluation of existing programs/activities/projects (P/A/Ps) of the agency, the NGA/GOCC shall immediately but no later than five (5) working days after the signing of the BPA, provide the Partner CSOs and Affiliate CSOs access to at least the following budget information:

6.1.1 Summary of NGA/GOCC Budget for the current year, releases in the immediately preceding year (i.e. for the 2012 Budget Execution Phase) and funds actually obligated/spent in the past 3 years before the immediately preceding year (e.g., 2008-2010) and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) covering the five (5) years before the budget year (e.g., 2008-2012);

6.1.2 Details of the P/A/Ps being reviewed/monitored by the Partner CSO for the years abovementioned, by activity and allotment class (PS, MOOE, CO); and

6.1.3 Other pertinent information as enumerated in the BPA.

6.2 Central or Regional Consultations with CSOs

6.2.1 The NGAs/GOCCs shall immediately hold their consultations with CSOs after the execution of the BPA to ensure a coordinated execution of plans and monitoring activities. To achieve transparency, the NGAs/GOCCs shall endeavor to hold at least one meeting with all Partner CSOs.

6.2.2 The regional consultations, monitoring, and assessment shall be conducted for locally situated CSOs and other stakeholders.

6.2.3 The NGAs/GOCCs, both at the RO and CO levels, as the case may be, shall take into consideration the feedback, findings and recommendations of Partner CSOs in the implementation and monitoring of P/A/Ps.

- 6.2.4 The NGAs/GOCCs shall inform Partner CSOs of the DBM-confirmed department/agency budget ceiling and the specific P/A/Ps and the corresponding amounts included in the General Appropriations Act (GAA) against at least their physical and financial performances and indicated timelines.
- 6.3 The BPA shall be the primary requirement for CSOs'/other stakeholders' engagement with the NGA/GOCC. The rules of engagement shall be strictly in accordance with the provisions of the BPA.
- 6.4 The NGA/GOCC shall furnish the DBM an original copy of the BPA, within five (5) working days from the execution of the BPA.

7.0 ROLES AND RESPONSIBILITIES

7.1 NGAs/GOCCs shall:

- 7.1.1 Invite and hold orientation activities for the CSOs prior to the engagement. The NGA/GOCC shall present the existing P/A/Ps that are ready for monitoring activities. The presentation shall include project status/updates, performances, budgets, timelines, and how these may be linked with the budget document, book of outputs and Organizational Performance Indicator (OPIF);
- 7.1.2 Ensure that their websites are easily accessible and user- friendly with relevant and consistently updated information;
- 7.1.3 Provide access to CSOs of budget data through their respective websites consistent with the transparency provisions in the Annual GAA (i.e. Sections 89 and 93 of the General Provisions of the GAA for the FY 2012 Budget Execution Phase);
- 7.1.4 Provide the list of P/A/Ps, project profiles, status of implementation, and other P/A/P details in their respective websites, such as, but not limited to Budget Execution Documents (BEDs) and Budget Accountability Reports (BARs), Annual Procurement Plans, and other relevant project details. Other requirements not previously identified and included in the BPA may also be provided;
- 7.1.5 Endeavor, particularly the lead agency, to present clear implementation guidelines for the CSOs' reference in case of convergence projects such as infrastructures, farm-to-market roads and the like (i.e., DAR-DA-DENR). The lead agency shall be the primary contracting party of the BPA;
- 7.1.6 Conduct capacity building programs for CSOs and other stakeholders on the budget process (monitoring and evaluation) in collaboration with DBM. It shall meet with CSOs and other

stakeholders to validate findings/complaints and all matters pertaining to the engagement; and

7.1.7 Take into consideration the feedback, findings and recommendation of the CSOs. Said reports shall be submitted to the DBM CSO-Desk, copy furnished the Partner CSO.

7.2 CSOs and Other Stakeholders shall:

7.2.1 Identify the P/A/Ps in line with their mandate and advocacy that shall be coordinated with the NGA/GOCC after the conduct of the orientation stipulated in 7.1.1. All areas of interest in the monitoring activities shall be presented to the NGA/GOCC for deliberation before the BPA is formally executed;

7.2.2 Attend consultations/meetings with their Partner NGA/GOCC in accordance with the stipulations of the BPA. The Partner CSOs shall regularly meet with their Partner NGAs/GOCCs to harmonize mandates, plans, and strategies;

7.2.3 Submit evidenced-based analysis and evaluation on issues regarding budget execution as stipulated in the BPA. All reports from the monitoring activities shall be presented to the NGA/GOCC prior to releasing them in public. The DBM shall be furnished copies of the final reports including the monitoring activities; and

7.2.4 Coordinate with the mother agency and with the attached agencies (i.e. DA-NIA, DA-NFA and the like). As necessary, CSOs in the regions/provinces without nationwide affiliations are encouraged to closely coordinate with the Agency Regional Offices (AROs).

7.3 CSO Recommendations

7.3.1 CSO recommendations as inputs to an agency's overall monitoring and/or progress reports shall be based on rigorous analysis and shall be duly substantiated. These reports shall be presented but not limited to best practices, implementation gaps and backlogs, physical and/or financial performances of specific P/A/Ps.

7.3.2 CSOs may submit other recommendations for NGA/GOCC consideration in improving P/A/Ps effectiveness. The CSO recommendations will receive priority attention when these focus on: a) providing detailed analysis of strengthening the links between inputs, outputs and policies/programs needed to achieve key priority development outcomes, b) identifying poorly performing programs, and c) providing a proposal for a program expansion or addition matched with a proposal on what other inefficient/ineffective programs can be discontinued or downsized to make room for the expansion of effective P/A/Ps consistent with

the Zero-Based Budgeting approach.

8.0 INSTITUTIONALIZING CSO CONSULTATION

The NGA/GOCC shall establish internal guidelines in implementing and facilitating CSOs' access to information and their constructive engagement at various levels of their organization.

9.0 REPORT/FEEDBACK MECHANISM

9.1 The NGAs/GOCCs shall document the conduct and results of the consultation with CSOs, in particular, and the citizen participation in the budget process, in general, and submit a copy thereof to the DBM.

9.2 The CSOs shall likewise document their experience and lessons learned from the engagement with the NGAs/GOCCs.

9.3 To achieve greater transparency, the NGAs/GOCCs and CSOs may publish final evaluation reports after the NGA/GOCC has accepted the CSO report either in print or through their websites.

9.4 To assess the effectiveness of and document the lessons learned from the implementation of this effort, the DBM shall organize fora not later than 30 November of each year.

10.0 NGAs/GOCCs covered by this NBC to undertake consultation with CSOs but fail to enter into a BPA shall provide a written justification to the DBM during the submission of physical and financial reports.

11.0 Cases/Matters not covered by these guidelines shall be referred to the DBM for resolution.

12.0 For Compliance.


FLORENCIO B. ABAD
Secretary

**Pro-Forma
BUDGET PARTNERSHIP AGREEMENT
(Budget Execution)**

Cognizant of the following recent milestone developments;

The Aquino Administration's thrust to strengthen democratic institutions through people empowerment, particularly in promoting the principles and practice of good governance;

The Department of Budget and Management's (DBM) commitment to integrate citizen participation in the budget process as a means of enhancing transparency and accountability in the allocation and utilization of public funds;

The overwhelming response of Civil Society Organizations (CSOs) to help enhance efficiency and effectiveness in Government and to curb corruption through its efforts in monitoring Government programs, activities and projects; and

The execution of the Principles of Engagement signed by the DBM and some CSOs committed to budget reform on September 3, 2010.

WE, the _____ (NGA or GOCC) _____ (acronym)
represented by its (position title of signatory) _____ (Name of Signatory)

Agree to work in close partnership with each other in pursuit of our common objectives:

- in general, to make the national budget more responsive to the country's development needs and pressing concern to alleviate poverty and improve the quality of public services, and
- in particular, to enhance the quality of the budget process through citizen participation in the execution of the FY 2012 National Budget.

In order to meaningfully complement and reinforce each other's efforts in the evaluation and assessment of ongoing programs, activities or projects (P/A/Ps), we further agree to:

- cover the following particular programs/activities/projects in the specified regions:

a. (P/A/P) _____
- Regions _____, _____, _____,

b. (PAP) _____
- Regions _____, _____, _____,

c. (PAP) _____
- Regions _____, _____, _____,

- faithfully fulfill the following respective roles and responsibilities:

(Name of the NGA/GOCC)

- adequately and promptly communicate within its respective bureaus/office, at both central and regional levels, the contents of this Memorandum. The same shall be made public by posting on the NGA/GOCC website;
- Issue guidelines to all bureaus/offices at central and regional offices on the process of providing prompt, adequate and accurate information to Partner CSOs, to include the following minimum information:
 - a. Summary of the NGA/GOCC Budget for the current year, releases in the immediately preceding year (i.e. for the 2012 Budget Execution Phase) and funds actually obligated/spent in the past 3 years before the immediately preceding year (e.g., 2008-2010) and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) covering the five (5) years before the budget year (e.g., 2008-2012);
 - b. Summary of NGA/GOCC Budget for the current year, releases in the immediately preceding year (i.e., 2011 for a 2012 BPA) and funds actually obligated/spent in the past three (3) years before the immediately preceding year (e.g., 2008-2010) and for the GOCC, the actual and proposed summary of corporate operating budgets (DBM Form 706 or its equivalent) covering the five (5) years before the budget year (e.g., 2008-2012);
 - c. Details of the P/A/P being reviewed/ monitored by the Partner CSO for the years abovementioned, by activity and allotment class (PS, MOOE, CO);
 - d. To the extent available and practicable, details of physical accomplishments of specific P/A/Ps; and
 - e. Other pertinent information as enumerated in the BPA.
- officially designate a contact person through whom all communications, both incoming and outgoing, pertaining to the BPA shall be coursed. Such designation shall be publicly disseminated at least by posting the NGA website with the contact details to include, at a minimum, office mailing address, e-mail address, office telephone and fax numbers;
- observe the timelines and dates, time and venues of CSO consultations with partner CSOs (Annex A);
- adequately and promptly provide Partner CSOs updated budget documents at least five (5) working days after the signing of the BPA, to enable CSOs to send in substantive feedback, comments and recommendations as inputs to consultation; and
- Endeavour to furnish the Regional Development Councils (RDCs) a copy of the recommendations submitted by the CSO to supplement other inputs in

evaluating the impact of specific NGA/GOCC programs/projects in the region.

(Name of CSO)

- promptly submit the following necessary documents to support the BPA (as may be required by the NGA/GOCC, on top of those already submitted prior to the signing of the BPA):
 - a. _____
 - b. _____
- ensure that the supporting documents are updated in the case of material changes within the CSO, to include issuance of declaration of potential conflict of interest as may be necessary;
- officially designate a contact person through whom all communications pertaining to the BPA, both incoming and outgoing, shall be coursed. Such designation shall be publicly disseminated, at least on the CSO website, containing the contact details to include, at a minimum, office mailing address, e-mail address, office telephone, fax and mobile numbers;
- promptly submit, in no less than five (5) working days before the date of the CSO consultation, copy of the completed review, assessment or evaluation of specific P/A/P, with an executive summary of the findings and specific recommendations of the Partner/Affiliate CSO. The evaluation report shall be duly substantiated, indicating the methodology used and the parties involved in the evaluation;
- endeavour to attend all consultation meetings (Annex A) and those that may later be set. When the CSO representative is unable to attend, send in prior to the consultation, via e-mail or fax, feedback, comments and recommendations as inputs to the consultation;
- strictly observe the timetable set by the DBM for submission of inputs to Partner NGA/GOCC, aware that the NGA/GOCC are legally bound to submit reports on time, and will not be able to wait for delayed inputs; and
- affiliate with other CSOs in order to expand the scope of evaluation and assessment, and provide DBM a copy of such Affiliation/Partnership Agreement.

Lastly, we agree to adhere at all times to the following principles of constructive engagement (*add explanatory sentence to any or all of the principle when deemed necessary*):

- 4.1.1 Transparency – provide all parties as well as the general public, timely access to relevant and verified information/data subject to the limits of the law;

- 4.1.2 Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfill commitments;
- 4.1.3 Integrity - adhere to moral and professional standards in fulfilling commitments;
- 4.1.4 Partnership - cooperate and share responsibilities to ensure that the objectives of the engagement are achieved;
- 4.1.5 Consultation and mutual empowerment - enhance knowledge sharing and continuing dialogue;
- 4.1.6 Respect for internal processes - understand and abide by the limitations of the stakeholders with respect to the nature of the information to be disclosed and the extent of involvement based on institutional/legally imposed limitations;
- 4.1.7 Sustainability - ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote an environment of mutual trust; and
- 4.1.8 National interest - uphold the national welfare above the interest of organizations or individuals.

This Agreement takes effect immediately.

SIGNED BY:

(NAME OF SIGNATORY-NGA OR GOCC)	(NAME OF SIGNATORY-CSO)
(Position Title in NGA or GOCC)	(Position Title in CSO)
(Name of NGA or GOCC)	(Name of CSO)

(Date)

(Date)