The Updated Budget Operations Manual on Local Government Units

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Updated Budgeting Operations Manual (UBOM)

Rationale and Objectives:

- to provide supplementary guidelines to the published manuals embodied in the DBM-COA Joint Circular No. 93-2 (June 8, 1993) & the Local Government Budgeting Manual published by DBM in 1998;
  
  * Section 354 of the Local Government Code authorizes DBM & COA to promulgate a Budget Operations Manual for LGUs to systematize methods and procedures in budget preparation, authorization, execution & accountability;

- to introduce improvements, updates & innovations on local budgeting; and

- to keep LGUS on track with the most recent developments affecting local fiscal administration (i.e. new government accounting and procurement systems)
Features of the UBOM

New Order of Local Governance in relation to planning and budgeting as provided in the Local Government Code.

1. Introduce participative governance

2. Adopted account titles and numbers consistent with the National Government Accounting System (NGAS)

3. Clarifies vertical linkage among levels of LGUs
Participative governance

- Allows genuine participation of people in the planning and budgeting stages.
- Enable and empowers people to participate more directly in decision-making processes. (particularly in the planning & budgeting stages)
- Provides for consultation with multi-stakeholders and civil society.
- Encourages local leaders to espouse transparency in the management with local government resources

Updated Budget Operations Manual
Role of the Stakeholders in the Budget Process

Budget Preparation

- As adhoc members of the local finance committee, civil society, NGOs & the private sector, stakeholders shall represent the aggregate needs of the people.

- Stakeholders may also influence in the formulation of policy decisions that are embodied in the AIP.

- Stakeholders may also influence department heads of line functions in determining beneficiaries of their service delivery.
Role of the Stakeholders in the Budget Process

Budget Authorization and Review

- Stakeholders may actively participate in Sanggunian deliberations of the Executive Budget during public hearings and consultations.

- Stakeholders have the right to questions insertions or new items in the budget not found in the AIP.

- They may relay information to the reviewing authority as to the consistency of the budget with the AIP.
Role of the Stakeholders in the Budget Process

Budget Execution and Accountability

- Stakeholders may assist P/A/Ps implementers in advocating its benefit to prospective clients.

- They may assist LGUs in providing service gaps w/c cannot be provided in the budget due to budget constraints.

- Stakeholders shall see to it that standards in the delivery of service are rightly observed by LGUs.

- They shall serve as monitors during project implementation to ensure that goods and services are delivered to target beneficiaries.
Harmonization of development goals.

- Annual/supplemental budgets of LGUs shall be consistent with the national development plans, goals and agenda.

- The LGUs shall prepare a Local Development Plan (LDP), a Local Development Investment Program (LDIP) and an Annual Investment Program (AIP) which serves as basis in the budget preparation.
The plan-budget linkage.

- The Code provides a clear linkage between approved Local Development Plans and the Budget.
- A budget is a plan expressed in financial terms which describes the sources and uses of funds.
- It is the blueprint of the financial and policy decisions that the local government will implement during a fiscal year.
- It is also a document for establishing control over the direction of change and determining the future.
Improvements on the form and content of the executive budget.

- The new AIP includes projects to be funded from outside sources and its implementation are contingent to the availability of funds.

- The new AIP also is a unique combination of long-term and annual investment scheme.

Presentation of the budget by program/project/activity
Local Expenditure Program (LEP) & Budget of Expenditures and Sources of Financing (BESF)

- Components of the LEP
  1. estimates of income
  2. proposed appropriations covering the current operating expenditures and capital outlays

- Budget of Expenditures and Sources of Financing (BESF)
  - detailed and graphical presentation of the expenditure program of an LGU covering actual obligation for the past year, actual & estimated expenditure for the current year, & the proposed budget program for the ensuing year
The use of the local budget matrix and allotment release order (ARO) as release documents

- The Local Budget matrix includes the imposition of reserves, withholding of funds for clearance, earmarking of funds for later release and the non-release of unprogrammed funds.

Performance review tools.

LGU Budgeting system that is consistent with the NGAS
DILG-NEDA-DBM-DOF
Joint Memorandum Circular No. 1
Series of 2007

Guidelines on the Harmonization of Local Planning, Investment Programming, Revenue Administration, Budgeting and Expenditure Management
Roles and Responsibilities of Oversight Agencies

- Harmonize existing guides and policies on local planning, investment programming, budgeting, revenue administration and expenditure management at the local levels.

- DILG, pursuant to Sec. 5 (e) of RA 6975 shall establish and formulate plans, policies and programs to strengthen the technical, fiscal and administrative capabilities of local governments and shall continue its advocacy towards a rationalized planning system for adoption by all cities and municipalities (Sec.5 (e) RA 6975).

- Pursuant to Par. K, Rule 23, Art. 182, IRR of RA 7160, DILG shall issue the Rationalized Planning System (RPS) Sourcebook for cities and municipalities.
Roles and Responsibilities of Oversight Agencies

- The NEDA shall be responsible for coordinating the formulation of continuing and integrated socioeconomic development plans, policies and programs which are embodied in the Medium-Term Philippine Development Plan (MTPDP), including the formulation of annual and medium-term public investment programs and the monitoring and evaluation of plan implementation (Executive Order 230, series of 1987).

- Pursuant to Section 114 of the LGC, the NEDA shall integrate the approved plans of provinces, highly urbanized cities and independent component cities in the Regional Development Plan and the MTPDP.

- Issue the Provincial/Local Planning and Expenditure Management (PLPEM) guidelines for provinces.
Roles and Responsibilities of Oversight Agencies

- The DILG and NEDA shall ensure that specific guides developed within the framework of the RPS and the PLPEM will strengthen links between the province and its component cities and municipalities.

- The DBM shall promote the sound, efficient and effective management and utilization of government resources as instrument in the achievement of national socioeconomic and political development goals (Executive Order No. 21, Series of 1936).

- It shall promulgate a budget operations manual for LGUs jointly with the Commission on Audit (COA) to improve and systematize methods, techniques and procedures employed in budget operation, preparation, authorization, execution and accountability (Section 354, RA 7160). The said manual shall be updated as the need arises in order to integrate recent developments in budgeting and expenditure management.
Roles and Responsibilities of Oversight Agencies

- The DOF shall be responsible for the supervision of the revenue operations of all local government units (Section 2, Book IV of EO 292 and Article 287, IRR of RA 7160).

- It shall promulgate a Manual of Operations for Treasurers that shall serve as guidepost for LGUs in their revenue generation and resource mobilization activities.

- It shall also formulate standards, rules and regulations for the proper classification, appraisal and assessment of real property (Section 201 of RA 7160 and Article 291 of the IRR of RA 7160), as contained in an Assessment Operations Manual and in consultation with the DBM (Section 288 of RA 7160).

DILG-NEDA-DBM-DOF JMC No. 1 s. 2007
Roles and Responsibilities of Oversight Agencies

- In consultation with the DBM, DOF shall provide for simplified disbursement scheme designed for the speedy and effective enforcement of the internal revenue allotment shares of LGUs (Section 288 of RA 7160).

- The DILG, NEDA, DBM and DOF shall constitute an interagency body that shall reconcile existing and subsequent policies and guides consistent with this JMC.

- These agencies shall coordinate with each other for the purpose of providing continuous capacity building programs for LGUs whether individually or through a composite team to institutionalize and sustain the synchronization of planning, investment programming, and budgeting, expenditure management activities.
Synchronization Procedure

Synchronization of Local Planning, Investment Programming, Budgeting, Revenue Administration and Expenditure Management

- All LPDCs, local budget officers and local treasurers shall update their respective planning databases including, among others, the socioeconomic, physical resources, time series revenue and expenditure data, and project profiles/status from January to March of every year

DILG-NEDA-DBM-DOF JMC No. 1 s. 2007
Synchronization Procedure

- All LCEs shall convene their newly reconstituted LDCs not later than 15 July 2007 and every 3-6 years thereafter to sustain the formulation or updating of their PDPFP/CDP.

- LGUs shall align/harmonize the plans with national development goals taking into consideration their resource endowments, financial capability and distinct development needs.
LDCs shall...

- prioritize and in coordination with the LFCs, match the PPAs with available financing resources, in the process formulating the multi-year LDIP.
- firm up the PPAs targeted for implementation within the first three years coinciding with the LCEs’ 3-year term of office
- cull out the AIP from the current slice of the LDIP, which upon approval by the Sanggunian, shall serve as the basis for preparing the executive budget
- prior to the next preparation/updating of the PDPFP/CDP, in consultation with the LFC, update the LDIP and cull out an AIP for use as input in the annual budget preparation
Local budgeting activities shall proceed following the Local Budget Memorandum issued by DBM providing among others the initial Internal Revenue Allotment (IRA) shares of LGUs

- other special shares or revenue sources
- the guidelines in the preparation of local budgets
- including submission of the comparative statements of income and expenditure.
Province/City/Municipality Complementation

- During the preparation of the PDPFP/CDP, the LPDCs of provinces and their component cities and municipalities shall coordinate with each other, following the Synchronized Local Planning and Budgeting Calendar (SLPBC).

- The governor shall spell out and initiate the harmonization and complementation of the goals, strategic directions and PPAs of the province and its component cities and municipalities as indicated in their PDPFPs/CDPs.

- The province may develop and undertake joint programs or augment the financial resources of its component cities and municipalities in implementing programs and projects that have significant impacts on the province as a whole.
NGA – LGU Interface

- The LPDCs may coordinate with national/regional line agencies (N/RLAs), including international donor agencies, for technical inputs and guidance for the purpose of dovetailing sectoral targets in the PDPFP/CDP and LDIP.

- LGUs are enjoined to provide venues for N/RLAs’ interface in local planning, investment programming, budgeting, revenue administration and expenditure management during the various stages of the planning cycle.
Thank You