



Introduction to
Asset Management (AM)
and the Implementation of the
Philippine Government Asset Management Policy (PGAMP)

DOF-DBM-NEDA Joint Memorandum Circular No. 2020 -1

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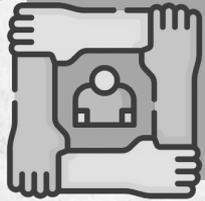
COURSE OUTLINE



Introduction to
Asset Management



Overview of the
PGAMP



Institutionalization of
Asset Management



Asset Management
Support Programs



Continued
Implementation

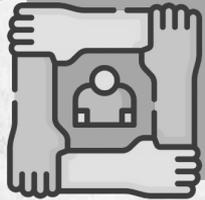
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WHAT IS ASSET MANAGEMENT?



“The **combination** of management, financial, economic, technical, and other practices applied to **physical assets** with the objective of providing the required level of service in the most cost-efficient manner

-International Infrastructure Management Manual

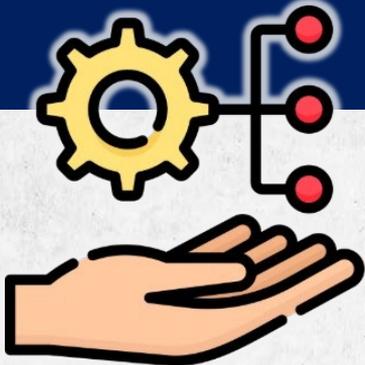


“The **coordinated activity** of an organization to realize **value from assets...**” where assets are defined as an “item, thing, or entity that has potential and actual value to an organization”

-ISO 55000 Asset Management

WHAT IS ASSET MANAGEMENT?

Asset Management involves the **balancing of costs, opportunities, and risks** against the desired performance of assets, to achieve the organizational objectives. The balancing might need to be considered **over different timeframes.**



- *Philippine National Standard ISO 55000:2017*

ASSET MANAGEMENT IS...



Maximize
utilization of
assets



Mitigate risks
affecting
assets



Ensure assets can
perform intended
purposes



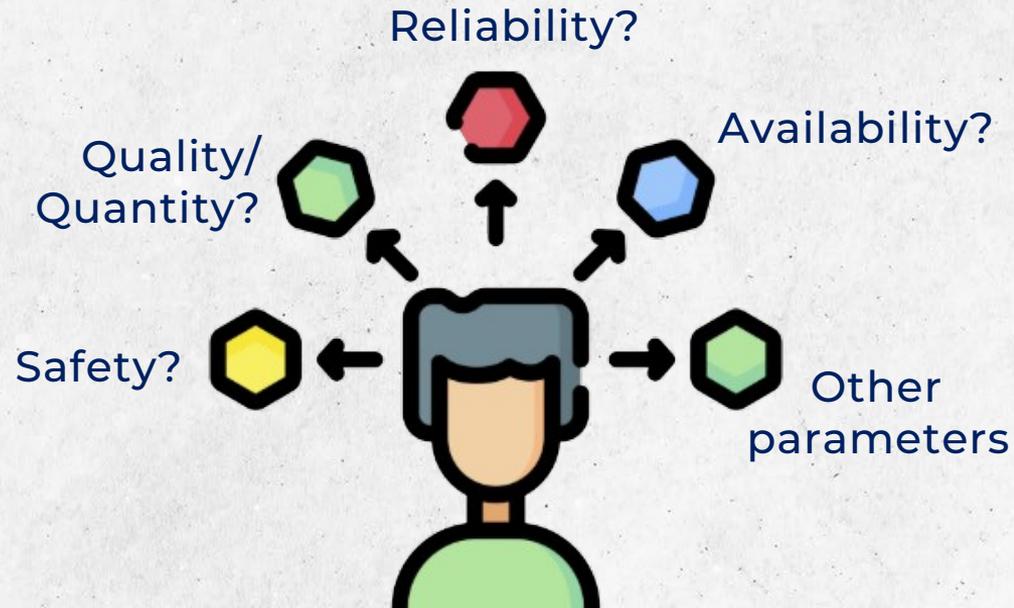
Achieve goals of the organization

OBJECTIVES OF ASSET MANAGEMENT

Meeting the required level of service in the most cost-effective manner, through management of assets for present and future customers

LEVEL OF SERVICE

Refers to parameters, or combination of parameters, that reflect the social, political, environment, or economic outcomes that an organization is expected to deliver to customers and stakeholders



KEY FUNCTIONS OF ASSET MANAGEMENT



Understand state of agency assets



Providing and monitoring defined level of service



Forecasting and managing demand for services

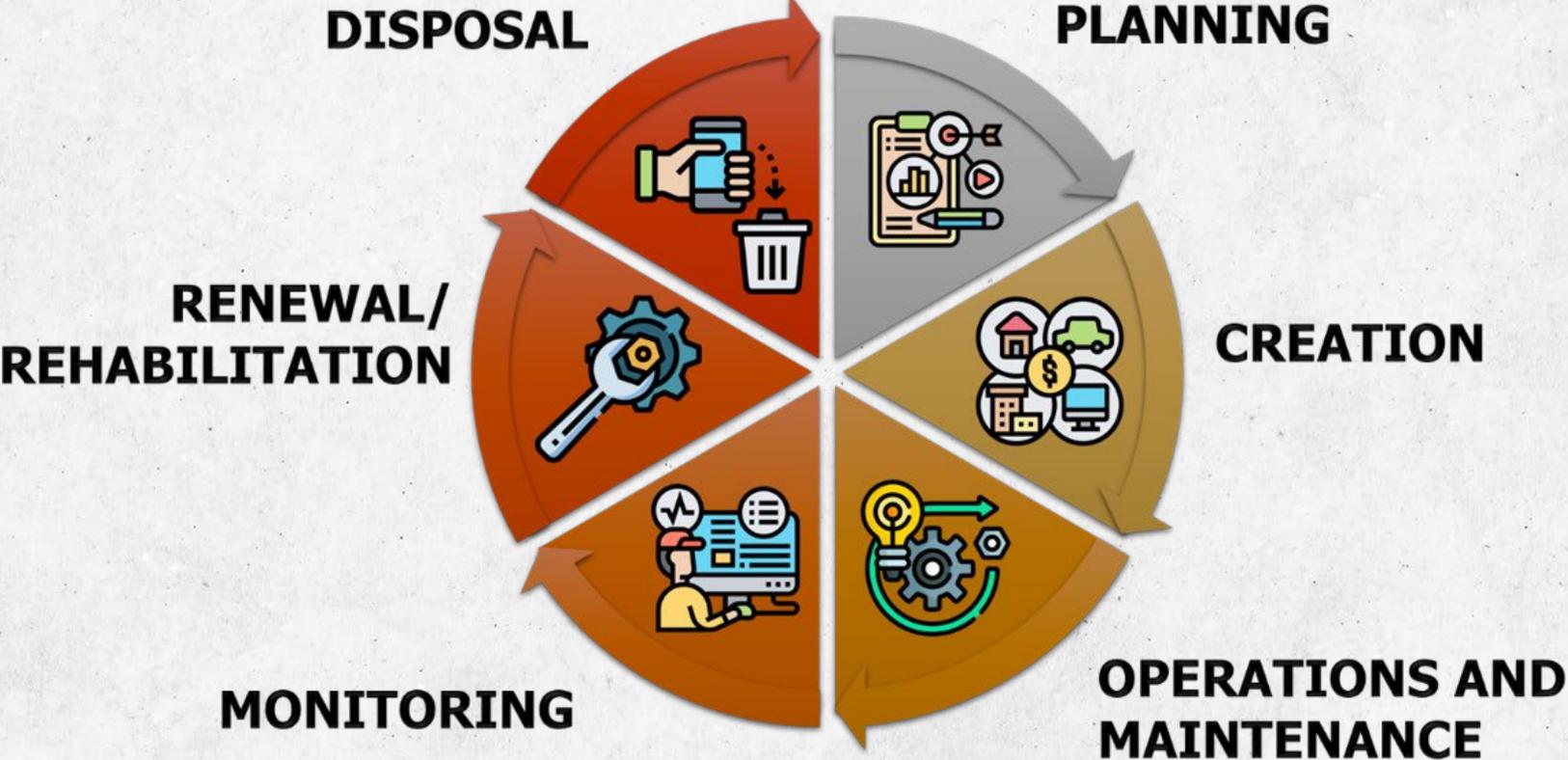


Identifying and managing risk



Long-term planning

ASSET LIFECYCLE STAGES



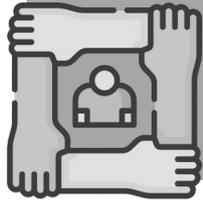
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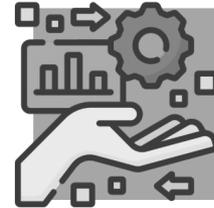
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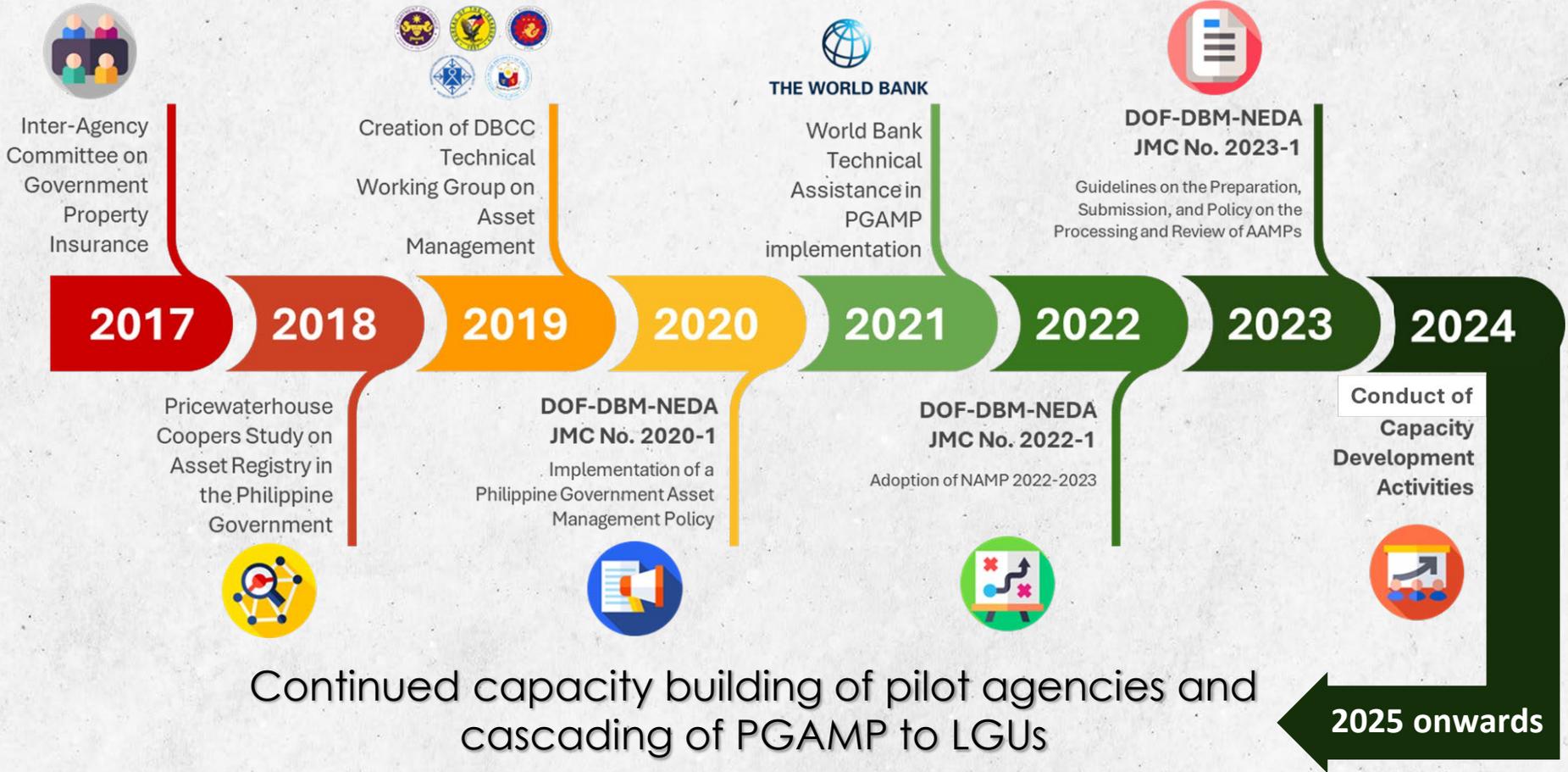


Asset Management
Support Programs



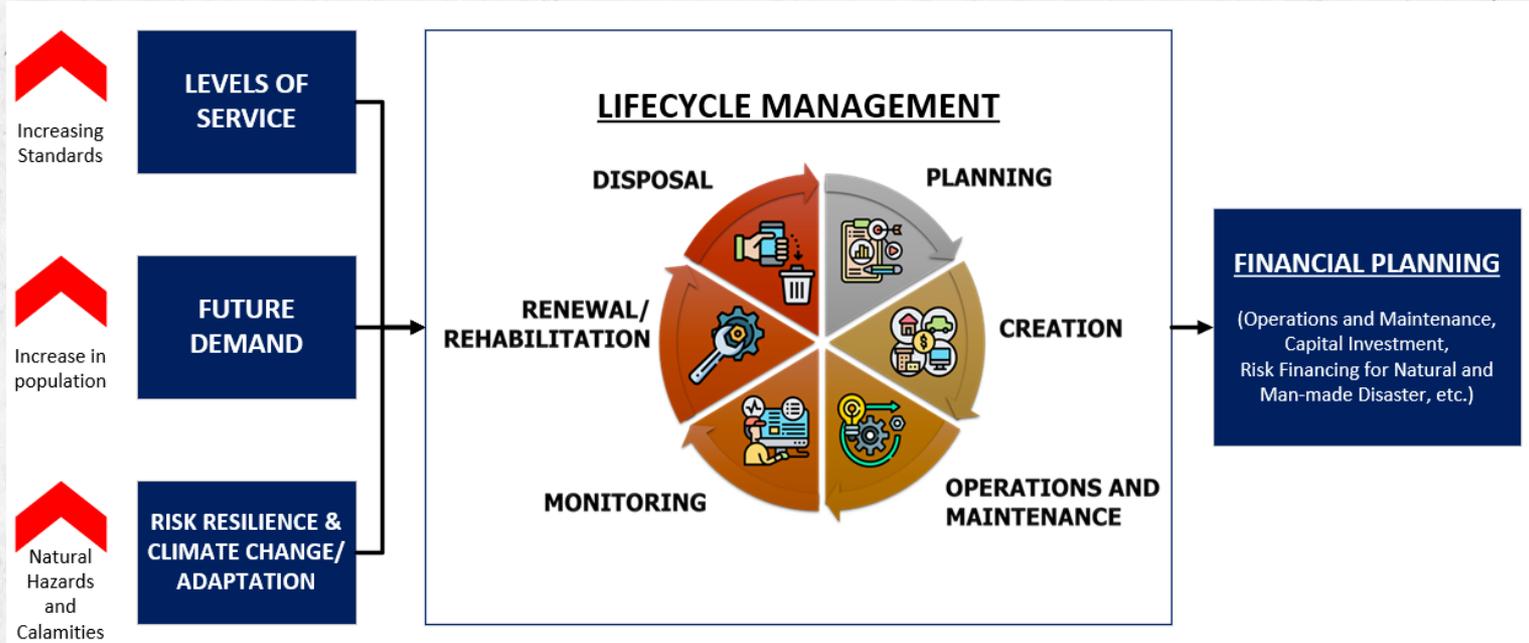
Continued
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TIMELINE OF ASSET MANAGEMENT IN THE GOVERNMENT



Adoption of the PGAMP (DOF-DBM-NEDA JMC No. 2020-1)

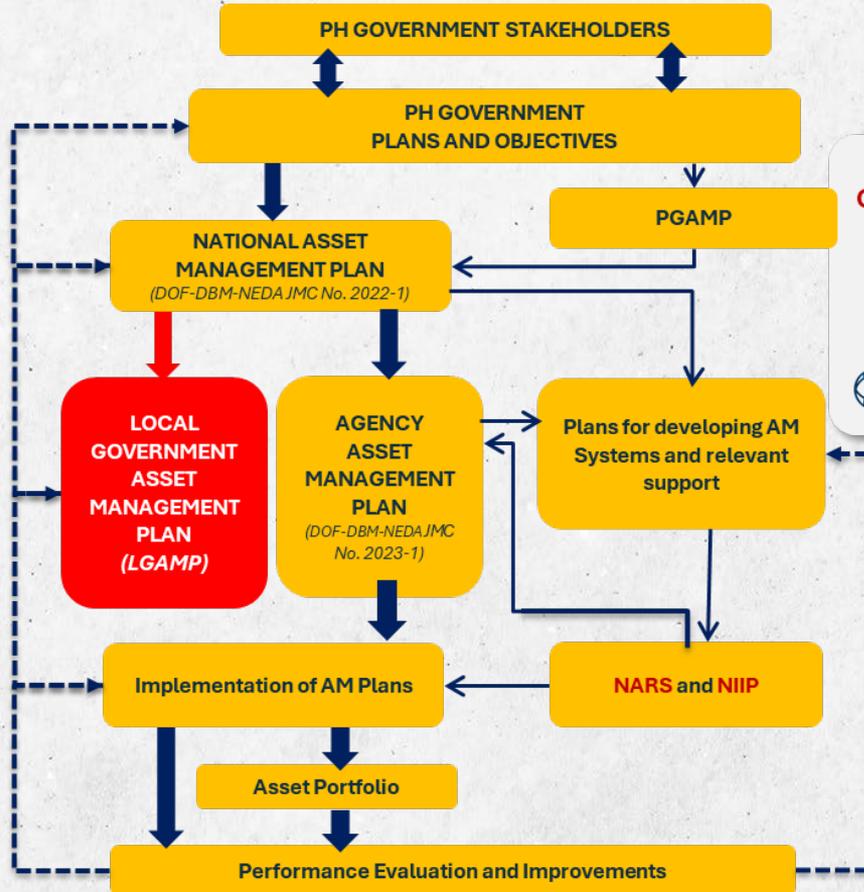
Operationalize an **asset management system** to ensure the **cost-effective** management of assets by analyzing the **lifecycle, capacity, and utilization of non-financial assets** individually and collectively, and to maximize government funds by targeting scarce resources to the most critical asset needs



National Asset Registry System (NARS)

Primary inventory of the non-financial assets of the government which stores **geographical, legal and financial data, asset attributes, risk mitigation features, and insurance information.**

PGAMP FRAMEWORK



Development Budget Coordination Committee Technical Working Group on Asset Management

THE WORLD BANK **development academy of the philippines**

Pilot and Second Batch of NGAs for PGAMP roll-out

PSALM

COVERED ASSETS UNDER THE PGAMP

STRATEGICALLY IMPORTANT ASSETS

- a. Assets providing a specific function, capacity, level of service
- b. Specific complex assets or single assets with high financial value



CRITICAL ASSETS

- a. A specific infrastructure that, if to fail unexpectedly, would have severe consequences on the community or their users



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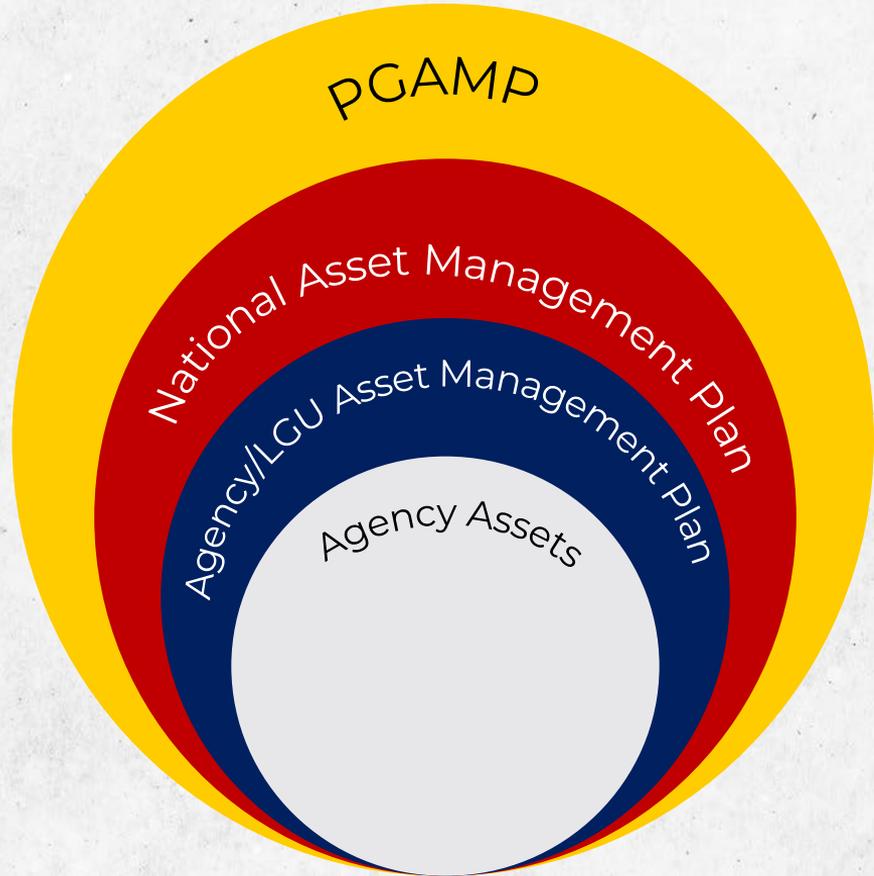
Asset Management
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OBJECTIVES OF ASSET MANAGEMENT PLANS



Management and **protection** of government assets



Mapping of asset investments



Phasing of AM programs



Open data and public **disclosure** of asset information



Provision of resources and **capability development** interventions

COMPARATIVE VIEW OF THE NATIONAL AND AGENCY AMP COVERAGE

NAMP OUTLINE	AAMP OUTLINE
<ul style="list-style-type: none"> • Strategic Alignments • Asset Management Structure and Mechanisms in the Government 	<ul style="list-style-type: none"> • Asset Management Practice
<ul style="list-style-type: none"> • Asset Management Information System 	<ul style="list-style-type: none"> • State of [Agency] Assets
<ul style="list-style-type: none"> • Levels of Service 	<ul style="list-style-type: none"> • Levels of Service
<ul style="list-style-type: none"> • Sustainable Planning 	<ul style="list-style-type: none"> • Lifecycle Management Planning • Sustainable Planning • Natural Hazard Resilience Planning • Infrastructure Risk Management Planning
<ul style="list-style-type: none"> • Financial Planning 	<ul style="list-style-type: none"> • Financial Planning
<ul style="list-style-type: none"> • Performance Planning and Continual Improvement 	<ul style="list-style-type: none"> • Performance Planning and Continual Improvement

PILOT AGENCIES FOR THE IMPLEMENTATION OF THE PGAMP

Pilot Agencies



2nd Batch of Agencies



CAPACITY-BUILDING FOR NGAs FOR AMP DEVELOPMENT

Executive Level Briefing and WG Orientations

- Executive Level Briefings
- Orientations on PGAMP, NAMP, and AAMP

Capacity-Building on NARS

- Webinar/ Workshop on NARS by Bureau of the Treasury

MAQ Initial and Follow-Up Interviews

- Initial meeting on MAQ
- Submission of accomplished MAQ
- Follow-up interview
- Meeting on MAQ results and analysis

AAMP Consultation and Writeshop

- One-on-one consultation/ writeshop session/s
- Brief review and provision of high-level comments on AAMP from World Bank



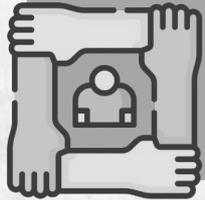
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NATIONAL ASSET REGISTRY SYSTEM

- Provide a trusted, single view of public assets
- Implement PGAMP and support development of National and Agency Asset Management Plans
- Use trusted, authoritative and verified datasets - Current asset information: geographical, legal, financial, insurance and other attributes
- Support preparation of the National Indemnity Insurance Program for critical assets
- Support decisions about public assets and improve asset lifecycle management
- Integrate and interoperate with other government systems, such as DOST's GeoRisk



Asset information in the NARS

General Information

Asset Number,
Organization/Agency,
Asset Name
Asset Type
Asset Description

Local Information

Longitude,
Latitude
Address (Region, Province,
Municipality, City)

Legal/Ownership Information

Ownership,
Acquisition/Conveyance
details,
Impediments

Financial Information

Accounting value,
Appraised value,
Sound Market value,
Assessed value,
Replacement value,
Improvements,
Disposal information

Insurance Information

Insurance Details
Sum Insurable (uninsured
assets)
Policy coverage

Technical Specifications

Asset Condition,
Occupancy,
Structural Information,
Land information,
Mitigation measures,
Security



NATIONAL INDEMNITY INSURANCE PROGRAM



RA No. 656 or the Property Insurance Law

Sec. 5. Every **government**, except a municipal government below first class, is hereby required to insure its properties with the Fund against any insurable risk herein provided and pay the premiums thereon xxx

IAC-GPI Findings:

Majority of strategically important assets of the government are **underinsured** or **not insured** at all

NARS

- Inventory of asset data
- Asset data analytics (disaster risk modelling, asset prioritization, risk portfolio development)



Provide adequate and comprehensive insurance protection to socio-economically important government assets against **perils**, such as **typhoons, earthquakes, volcanic eruptions, storm surges, and floods, and human-induced calamities, epidemics, crises, and catastrophe**



National Indemnity Insurance Program (NIIP)

SP of the NDRRM Fund (Parametric)		SP No. 2 of the BTr (Indemnity)		SP No. 1(c) of the NDRRMF (Indemnity)	None (Realigned for COVID response)		SP No. 1 of the NDRRMF (Parametric)	SP No. 2 of the BTr (Indemnity)	SP No. 2 of the BTr (Indemnity)
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2024	FY 2025
Php 1B	Php 2B	Php 2B	Php 2B	Php 2B			Php 1B	Php 2B	GAA Php 2B
Typhoons and earthquakes		for SIAs (school buildings, roads, and bridges) against perils		for CSIAs against perils	N/A		For government facilities against peril	for CSIAs against perils	

Allocations for insurance premiums under the General Appropriations Act (GAA) or the NEP

BTr Special Provision No. 2, FY 2025 GAA (RA No. 12116)

2. Insurance Premium for Government Assets. The amount of **Two (2) Billion Pesos (P2,000,000,000)** shall be used for the payment of premiums and related expenses to insure strategically important and critical government assets against natural or human-induced calamities, epidemics, crises, and catastrophes by adopting global best practices in risk transfer mechanism.

MEDIUM-TERM GOVERNMENT ASSET RISK TRANSFER PLAN 2024-2028

Year	Assets Covered	Coverage
FY 2024	DepEd Uninsured Good Quality Schools - 132,862 school buildings worth PhP 843.11 Billion	<ul style="list-style-type: none"> • Fire and Allied Perils (typhoon, earthquake, storm surge, landslide, flood, lightning)
FY 2025	DepEd schools DOH facilities	<ul style="list-style-type: none"> • Fire and Allied Perils (typhoon, earthquake, storm surge, landslide, flood, lightning) • Asset and contents for DOH facilities
FY 2026	<p style="color: red;">DepEd schools DOH facilities</p> Department of Public Works and Highways roads/bridges Critical assets that are not yet insured	<ul style="list-style-type: none"> • Fire and Allied Perils (typhoon, earthquake, storm surge, landslide, flood, lightning) • Asset and contents for DOH facilities • Potential use of parametric covers for uninsurable assets or for assets that cannot be covered under an indemnity structure.
FY 2027		<ul style="list-style-type: none"> • Fire and Allied Perils (typhoon, earthquake, storm surge, landslide, flood, lightning)
FY 2028		<ul style="list-style-type: none"> • Asset and contents for DOH facilities • Incorporation of hybrid covers (indemnity + parametric), as necessary

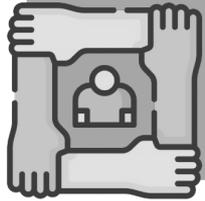
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Assist and enable selected pilot LGUs in the **DEVELOPMENT** of their respective

LOCAL GOVERNMENT ASSET MANAGEMENT PLAN

(LGAMP)

Serves as the LGU's written representation of intended capital, maintenance and operational programs for its existing asset base, and investment in new infrastructure which is based on its understanding of demand, stakeholder requirements, and details of its network or portfolio of assets



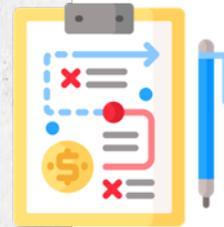
SHOW EXISTING AM PRACTICES



Provide insights on prevailing **challenges** and **opportunities** in asset management at the LGU level



KNOW NEEDED SUPPORT



Serve as input and guide in the preparation of an **action plan** on asset management for LGUs.

KEY ACTIVITIES AND OUTPUTS OF THE INITIATIVE

Coordination/Enlisting
Activities

Briefings and
Orientations

MAQ Initial and
Follow-Up
Interviews

LGAMP
Consultation and
Writershop

**MATURITY
ASSESSMENT**



**LGU ASSET
INVENTORY**



**LGAMP
OF PILOT LGUs**



PILOT LGUs

Six Pilot LGUs

PROVINCE

CITIES

MUNICIPALITIES

CRITERIA FOR PILOT LGU SELECTION

- Willingness** of LGU leadership to participate in the technical assistance and prepare its LGAMP;
- Financial capability** of LGU to finance the TA activities, including preparation of its LGAMP;
- Availability** of appropriate LGU technical staff who will be assigned as LGU focal staff for the TA; and
- Minimum level of AM maturity** of LGU (*data availability and planning capabilities*).

Ideally, the pilot LGUs should have varying...



LOCATION



**LEVEL OF
URBANIZATION**



**INCOME
CLASS/CATEGORY**

Revised Manual on the Disposal of Government Properties

COA – DBM Joint Circular No. 1, s. 2024

Part I *Introduction*

- Background and Purpose
- Legal Bases
- Coverage
- Scope of the Guidelines
- Definition of Terms

Part II *Disposal Activities/ Processes*

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
- Submission of Documents on Properties for Disposal
- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
- Dropping of Books of Accounts

Part III *Guidelines and Procedures on the Sale of Properties*

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting

Coverage of the Manual

- Departments and Agencies under the Executive Branch
- Government Corporations and Subsidiaries
- State Universities and Colleges



MANDATED

 **Local Government Units**

 **Local Water Districts**



ENCOURAGED

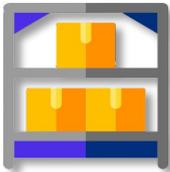
- **Judiciary**
- **Legislature**
- **Office of the Ombudsman**
- **Constitutional Commissions**

Coverage of the Manual



COVERED

All government properties that are **moveable or personal properties**, such as



SUPPLIES



MATERIALS



EQUIPMENT

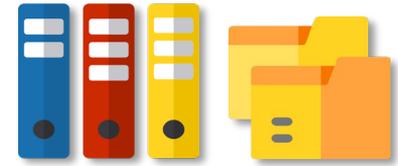
including those donated to, stocked, and used by the government in its operations, which can be transported from place to place without impairment of the real properties



EXCLUDED



REAL PROPERTIES



 PUBLIC RECORDS



 IMPORTED PROPERTIES

Consigned to the GoP through government agencies

Part II

Disposal

Activities/Processes

- Constitution of the Disposal Committee
- Determination of Properties for Disposal
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- Inspection
- Condition Factor and Rating of the Properties
- Appraisal and Appraisal Formulae
- Modes of Disposal
- Specific Guidelines on the Disposal of Certain Properties
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Constitution and Composition of the Disposal Committee



CHAIRPERSON

An official with a rank or function not lower than

- *Assistant Secretary* for a Department;
- *Director III* for an agency lower than a Department;
- *Department Manager* for a GC;
- *Department Head I for an LGU*; OR
- Equivalent rank for SUC.



MEMBERS

- *Head, Administrative Service/Division* of Department/Agency **OR** head of **equivalent unit** for GC/SUC/LGU; AND
- *Head, Property Section/Unit*



COMMITTEE SECRETARIAT

Department/Agency unit handling asset management (i.e., Property Division/Section/Unit, or its equivalent)



Representative/s

from previously constituted Inventory Committee
e.g., property, accounting division/section/unit.

Powers and Functions of the Disposal Committee

- Inspect, appraise, and undertake **valuation activities**
- Set **final appraised value**
- Determine **mode of disposal** for recommendation to authorities
- Undertake **disposal proceedings**
- Ensure that properties for disposal do not include materials not intended for disposal
- Ensure **extraction, proper storage, and security of confidential data** in ICT equipment before disposal
- Perform other related functions

Approving Authorities

OFFICE	APPROVING AUTHORITY FOR THE CONSTITUTION OF THE COMMITTEE	APPROVING AUTHORITY FOR THE RECOMMENDATION FOR DISPOSAL
<p>NGAs</p> <ul style="list-style-type: none"> Central Office RO and FO* 	<ul style="list-style-type: none"> Department Secretary 	<ul style="list-style-type: none"> Department Secretary Head of the RO concerned
<ul style="list-style-type: none"> <u>Attached Agency*</u> 	<ul style="list-style-type: none"> <u>Head of Agency or duly authorized official</u> <i>(including RO and/or FO under the agency)</i> 	<ul style="list-style-type: none"> <u>Head of the Agency</u>
<p>GCs</p> <ul style="list-style-type: none"> Central Office RO and FO* 	<ul style="list-style-type: none"> Governing Board or duly authorized official 	<ul style="list-style-type: none"> Governing Body or duly authorized official Head of the RO concerned
<p>SUCs</p>		<ul style="list-style-type: none"> Governing Board or duly authorized official
<p>LGUs</p>	<ul style="list-style-type: none"> Local Chief Executive 	<ul style="list-style-type: none"> Local Chief Executive

*Subject to regular reporting to the Department Secretary/Head of the Agency concerned

Properties for Disposal

Any of the following conditions shall constitute the properties for disposal:



Can no longer be repaired or reconditioned



Obsolete or outmoded



Serviceable but **rendered unnecessary** due to changes in agency's mandate, functions, or programs



Unused properties deemed **dangerous** due to long storage or use of which is determined **hazardous**



Exceeded estimated useful life



Beyond economic repair



No longer needed



Abandoned properties



Properties issued to officials/employees **about to retire**

Modes of Disposal

Properties may be disposed through **any** of the following modes:

(as appropriate and deemed most advantageous to the government)



Condemnation/Destruction



Transfer to
another *government agency*



Barter



Donation to *foreign governments*
and *local/foreign institutions*



Public Auction



Negotiated Sale



Return to the Supplier/Vendor



Sale to Government Officials/
Employees of the Agency



Sale of Junk or Scrap
and/or Recycling



Direct Negotiation



Modes of Disposal



On the Sale to Government Officials/Employees of the Agency

Properties that may be sold to employees may include motor vehicles, cellular phones, laptop/desktop computers, and other issued items.



Sale to any official/employee

- ❖ Property has **reached** useful life
- ❖ Any official/employee to whom the property was issued to has the **right of first refusal**.
- ❖ If said individual refuses to buy the property, only then can it be sold to other employees.



Sale to retiring official/employee

- ❖ Property is issued **at least two and a half (2.5) years or 30 months prior** to the employee's retirement
- ❖ Property that has **already reached half** of useful life



VERIFICATION OF COA

For properties issued to Disposal Committee and head of agency



NO WINNING BIDDER = FAILED AUCTION

Agency to proceed with public auction

Modes of Disposal



On **donation** to...



Foreign
governments



Local and foreign
**charitable, scientific,
cultural, and educational**

MAY BE PURSUED IF:

- Property is deemed appropriate for disposal
- Case is deemed exceptional and meritorious (subject to evaluation of the DFA and **DBM** for **foreign** institutions and the **DBM** for **local** institutions)
- Submission of documentary requirements

DOCUMENTARY REQUIREMENTS:

- ❖ Justification from the head of agency;
- ❖ Agency Disposal Committee Resolution recommending the disposal of the properties;
- ❖ Proof of the composition of the Disposal Committee;
- ❖ Duly accomplished IIRUP; and
- ❖ Certified copy of pertinent procurement documents or other documents as proof of acquisition, as applicable.

Disposal Process



1

SUBMISSION OF DOCUMENTS

Submit documents pertaining to properties for disposal:

- *Inventory and Inspection Report of Unserviceable Property (IIRUP)*
- *Waste Materials Report (WMR)*
- *Property Transfer Report (PTR)*



2

INSPECTION

- Obtain **first-hand observation** of the physical and operational condition of the properties and its **marketability**
- **Supplement** the theoretical computations of the value of the properties to be disposed



3

APPRAISAL

- Set the **minimum selling price** to receive fair compensation for the items
- Appraised value shall be computed using information/data on the IIRUP, WMR, and PTR or their equivalent documents as basis



CONDITION FACTOR AND RATING OF PROPERTIES

80% to 100%
VERY GOOD (VG)

- Capable of being used to its fully specified utilization/designed purpose **without modification**
- Not requiring any repairs or abnormal maintenance

55% to 75%
GOOD (G)

- Used at/near its fully specified utilization but effects of age and/or utilization indicate that **minor repairs** must be made
- Item may have to be used to some slightly lesser degree than its fully specified utilization

35% to 50%
FAIR CONDITION (F)

- Being used below its fully specified utilization
- Requires **general repairs** and some **replacement of minor elements/components** in the foreseeable future.

15% to 30%
POOR CONDITION (P)

- Can only be used at some point well below its fully specified utilization
- Not possible to realize full capability in its current condition without **extensive repairs** and/or **replacement of major elements** in the very near future.

0% to 10%
SCRAP CONDITION (S)

- No longer serviceable nor can be utilized regardless of repairs/modifications
- Have **used up 100% of their useful life** or are 100% technologically, functionally, economically or statutorily **obsolete**.

Disposal Process

80% to 100%
VERY GOOD (VG)

55% to 75%
GOOD (G)

35% to 50%
FAIR CONDITION (F)

15% to 30%
POOR CONDITION (P)

0% to 10%
SCRAP CONDITION
(S)

COMPONENT RATING TABLE

A. VEHICLES

	%
Engine	23
Body and Chassis	35
Transmission	7
Differential	5
Others	30

**CONDITION
FACTOR =**

WEIGHTED AVERAGE of the
individual component rating
as prescribed by COA

Disposal Process



APPRAISAL FORMULAE...

I. When properties are **still operational/functional** or **can be repaired**

1. If the **Current Market Value (CMV)** of a comparable property is available:

$$AV = \frac{CMV \times CF1}{CF2}$$

2. If the **Acquisition Cost (AC)** is available (for imported properties):

a.1 Imported directly purchased from abroad

$$AV = (AC \times CFF) \times CF$$

a.2 Purchased locally

$$AV = (AC \times CF)$$

3. If the **AC** is available (for locally-manufactured properties):

$$AV = (AC \times PIF) \times CF$$

II. When properties can **no longer be repaired/reconditioned**

$$AV = \text{Junk Value}$$

Legend:

AV – Appraised Value

CMV – Current Market Value

CF – Condition Factor of Properties

CF1 – CF of the properties being appraised

CF2 – CF of the advertised/canvassed properties

AC – Acquisition Cost

CFF – Currency Fluctuation Factor

PIF – Price Index Factor

$$CFF = \frac{P/\text{dollar exchange rate on year of appraisal}}{P/\text{dollar exchange rate on year of acquisition}}$$

$$PIF = \frac{\text{Price Index on year of Appraisal}}{\text{Price Index on year of Acquisition}}$$

*Other notes on this formula can be found in the Manual

Illustrative Example

I. When properties are **still operational/functional** or **can be repaired**

a. If the **Current Market Value (CMV)** of a comparable property is available:

Property Description

- Nissan NV350 Urvan 2.5 Manual
- Acquisition Date = 2020
- **CMV** = Advertised prices from used car dealers of similar brand & year model:
 - a. Website A: Php 890,000.00
 - b. Website B : Php 850,000.00**
 - c. Website C: Php 916,000.00



THUS:

$$AV = \frac{CMV \times CF1}{CF2}$$

$$AV = \frac{850,000 * 0.6705}{0.6925}$$

$$AV = \underline{\underline{\text{Php } 822,996.39}}$$

Component	CF1 (Government)			CF2 (Similar Brand and Model)		
	%Weight	CF	Total	%Weight	CF	Total
Engine	0.23	0.8	0.184	0.23	0.85	0.1955
Body and Chassis	0.35	0.70	0.245	0.35	0.70	0.245
Transmission	0.07	0.75	0.0525	0.07	0.85	0.0595
Differential	0.05	0.90	0.045	0.05	0.85	0.0425
Others	0.30	0.48	0.144	0.30	0.50	0.15
			0.6705			0.6925

Specific Guidelines on the Disposal of Certain Properties

 Specific **guidelines** on the following shall be **issued** by the agency concerned



Department of Information and Communications Technology
on the disposal of **ICT** properties;



Department of Health
on the disposal of **hospital** properties; and



Department of Environment and Natural Resources
on the disposal of **hazardous** properties

Part III

Guidelines and Procedures on the Sale of Properties

- Adjustment of Appraised Value when Auction Bids are Low
- Auction Procedures
- Blacklisting

AUCTION PROCEDURES



**Preparation of
Invitation to Bid
(ITB)**



**Publication
of ITB**

**Accomplishment
and Submission of
Bid Tender**



**Preparation of
Abstract of Bidding**



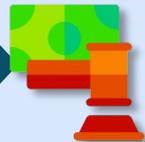
**Opening of
Auction
Tender**



**Posting of
Auction Bond**



**Public
Auction**



**Awarding
of Sale**



Payment

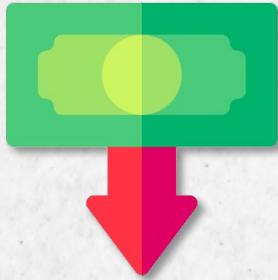


**Claiming
of Award**



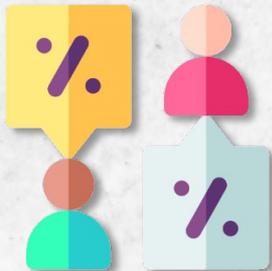
Adjustment of Appraisal Value when Auction Bids are Low

APPRAISED VALUE may be adjusted when the auction bids are low.



If the **difference** between the highest auction and the floor price is **greater than 10%** of the floor price **plus** the cost of calling another auction, the agency shall **call for another public auction** with the floor price **reduced by 10%**.

Otherwise, the agency may **continue with the sale**.



If the **second auction still fails**, the properties may be sold through a **negotiated sale**.

Adjustment of Appraisal Value when Auction Bids are Low



NEGOTIATED SALE

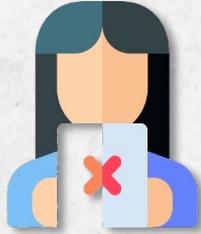
Scenarios for negotiations from the date of the second failed auction

	Within one (1) month	After one (1) month	After six (6) months
 PARTICIPANTS	Bidders of the first and/or second failed auction and other prospective bidders*	Potential buyers other than those earlier mentioned	All potential buyers
 PRICE	Sold at a price not lower than 80% of the appraised value		Properties shall be reappraised Sold at a price not lower than 90% of the reappraised value

*Such as those who obtained bid forms but did not submit bid tenders

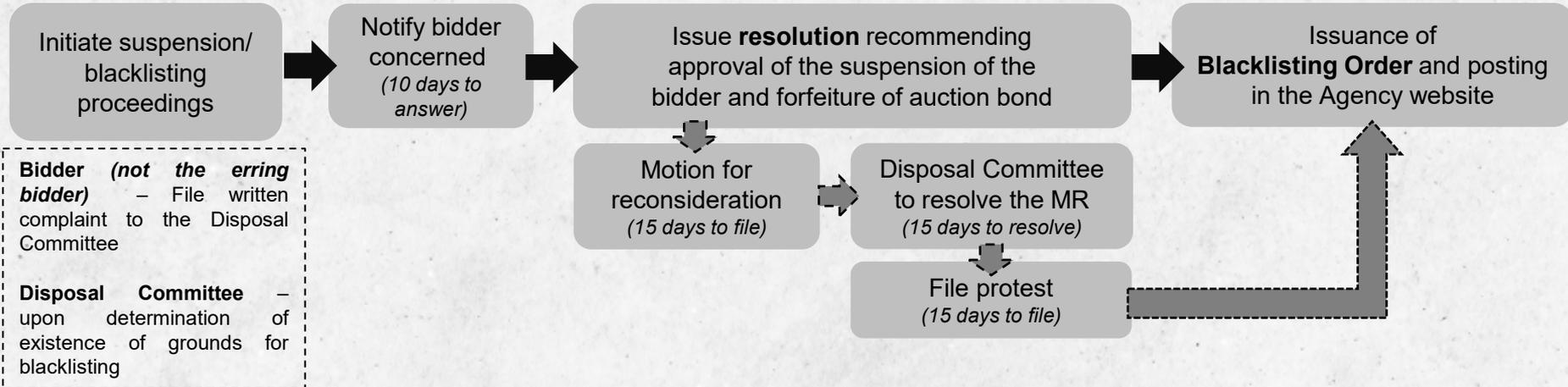
Blacklisting

 Individuals or entities who have participated in disposal activities but have committed **any** of the following shall be blacklisted from participating within **one (1) to two (2)** years:



- Submission of **falsified documents** containing false information;
- Withdrawal** of an auction tender, or **refusal to accept an award without justifiable cause** after the tender has been declared as the highest offer; or
- Non-compliance** to the provisions stipulated under the agency's ITB, Instructions to Bidders, or Terms of Reference.

PROCEDURES FOR BLACKLISTING:





BARANGAY PLANNING AND BUDGETING PROCESS

Process and Significance to Sustainable Local Development





BARANGAY PLANNING PROCESS

"As the basic political unit, the barangay serves as the primary planning and implementing unit of government policies, plans, programs, projects, and activities in the community, and as a forum wherein the collective views of the people may be expressed, crystallized and considered, and where disputes may be amicably settled"



- Section 384 (b), R.A. No. 7160



LEGAL BASIS

- Local budget plans and goals shall be harmonized with national development plans, goals, and strategies

- Section 305 (h) of RA No. 7160

- LGUs are enjoined to align their PPAs with the priorities of the National Government, specifically those embodied under the updated Philippine Development Plan for 2023-2028.

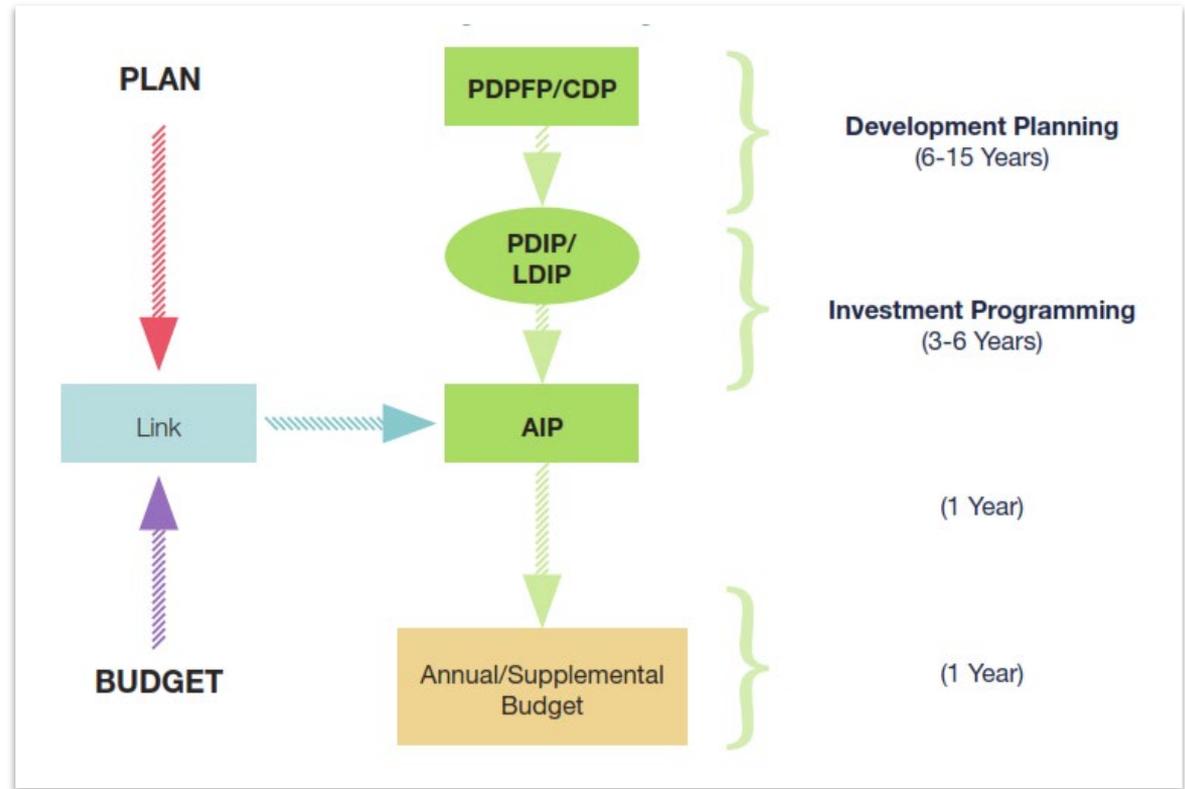
- The PPAs of LGUs shall have a results-oriented focus on national development goals and shall be in line with AMBISYON NATIN 2040, the 2030 Agenda for Sustainable Development, and the President's 8-Point Socio-Economic Agenda.



SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



LINKING HARMONIZED PLANS AND POLICIES TO THE BUDGET



BARANGAY PLANNING



- Article 410, IRR, R.A. No. 7160, mandates three (3) important points relative to the relationship between the barangay development plan and barangay budget, as follows:
 1. The *barangay development plan* and *Annual Investment Program (AIP)* shall be prepared and approved during the fiscal year before the calendar for budget preparation;
 2. The **AIP** shall specify projects for inclusion in the barangay budget as well as in the budget of NGAs and GOCCs; and
 3. The **plan** shall be used to ensure that the projects proposed for local funding are included in the barangay budget.

BARANGAY PLANNING



The Barangay Development Council (BDC) shall prepare the **barangay development plan** and shall assist the sanggunian in setting the direction of economic and social development, and coordinating development efforts within its territorial jurisdiction.

Composition:

1. Punong Barangay – Head
2. Members of the sangguniang barangay
3. Representatives of non-governmental organizations operating in the barangay, who shall constitute not less than one fourth (1/4) of the members of the fully organized council
4. A representative of the congressman

FY _____ Annual Investment Program (AIP)
By Program/Project/Activity by Sector

Barangay: _____
City/Municipality: _____
Province: _____

AIP Reference Code	Program/Project/Activity Description	Implementing Office/Unit	Schedule of Implementation		Expected Outputs	Funding Source	AMOUNT (In Thousand Pesos)			
			Start Date	Completion Date			Personal Services (PS)	Maintenance and Other Operating Expenses (MOOE)	Capital Outlay (CO)	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) 8+9+10
General Services (1000)										
Social Services (3000)										
Economic Services (8000)										
Other Services (9000)										

Prepared by: _____

Attested by: _____

Barangay Secretary
Date: _____

Barangay Treasurer
Date: _____

Punong Barangay
Date: _____



BARANGAY BUDGETING PROCESS





WHAT IS BUDGET?

"A financial plan embodying the estimates of income and expenditures for a given period of time (usually for one fiscal year)."

“

- Section 306 (a), R.A. No. 7160



? **WHAT IS AN APPROPRIATION ORDINANCE?**

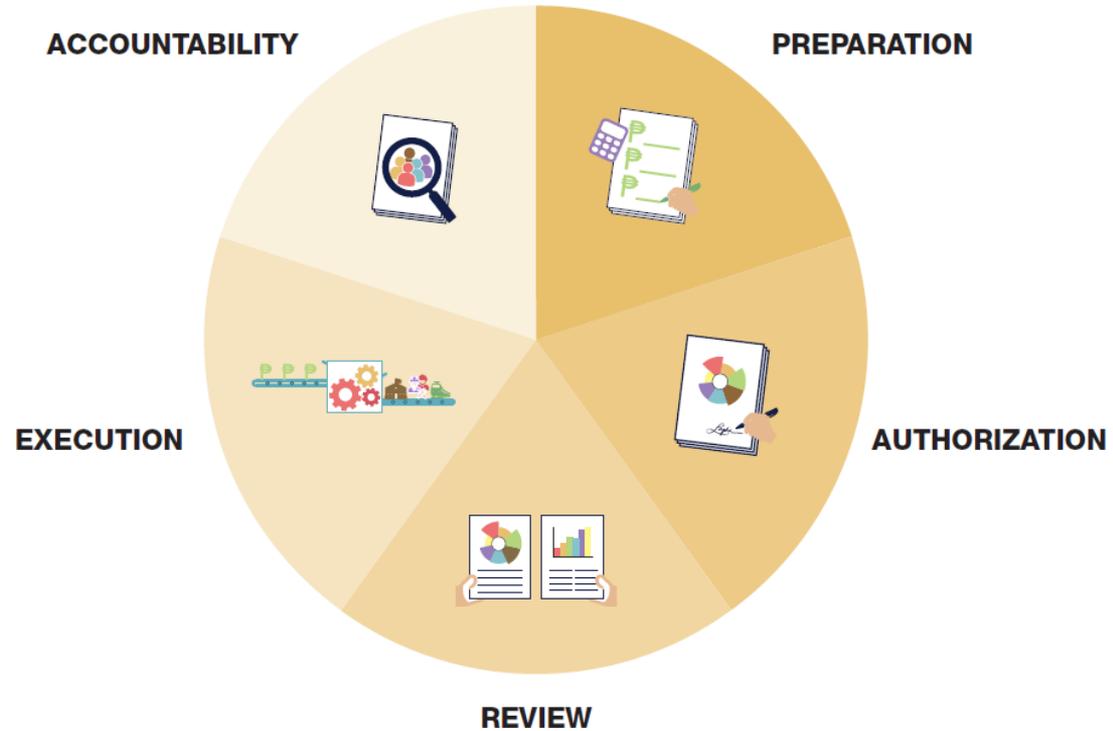
*"A legislative action **authorizing** the payment of goods and services from local government funds under specified conditions or for specific purposes."*

“

- Section 306 (b), R.A. No. 7160



THE LOCAL BUDGET PROCESS





BUDGET PREPARATION

"Upon receipt of the statement of income and expenditures from the barangay treasurer, the punong barangay shall prepare the barangay budget for the ensuing fiscal year in the manner and within the period prescribed in this Title and submit the annual budget to the sannguniang barangay for legislative enactment."

Section 331 (a), R.A. No. 7160



BUDGET PREPARATION

"In coordination with the barangay development council, the punong barangay shall prepare the annual executive and supplemental budgets of the barangay."

Section 331 (a), R.A. No. 7160

"Changes in the annual budget may be done through supplemental budgets."

Article 417, IRR, R.A. No. 7160

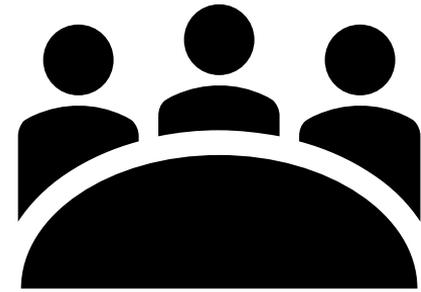
KEY PLAYERS



Punong Barangay



Barangay Treasurer



Barangay
Development Council



STEPS IN PREPARING THE ANNUAL BUDGET

Step 1 . Barangay Treasurer submits the detailed Statement of Income and Expenditure.

Article 423 (b), IRR of R.A. No. 7160

On or before September 5 - The city or municipal treasurer (together with the city or municipal accountant), shall issue a certified statement covering the actual income of the past year and estimates of income of the current and ensuing fiscal years from local sources for the barangay concerned.

On or before September 15 - The treasurer shall submit to the punong barangay a statement covering the estimates of income and expenditures for the past, current, and the ensuing fiscal years.



STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 1. The Punong barangay prepares the estimated income for the ensuing year upon receipt of the statement of income and expenditure from the barangay treasurer.

Task 2. Of the total general fund (estimated income), set aside 10% for the Sangguniang Kabataan and inform the SK Chairperson, as soon as possible, of the total amount representing the 10% SK fund.

Section 329, R.A. No. 7160

STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 3. Provide for budgetary requirements or Mandatory Allocations

- **Payment of debts** – must not exceed 20% of the regular income of the barangay.
- **BDRRMF** set aside not less than **five percent (5%) of estimated revenue from regular sources.**

**NDRRMC-DBM-DILG JOINT MEMORANDUM
CIRCULAR NO. 2013-1 DATED MARCH 25, 2013**

**GUIDELINES ON THE ALLOCATION
AND UTILIZATION OF THE LOCAL
DISASTER RISK REDUCTION AND
MANAGEMENT FUND**



**NATIONAL DISASTER RISK REDUCTION AND MANAGEMENT COUNCIL
DEPARTMENT OF BUDGET AND MANAGEMENT
and
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT**

Joint Memorandum Circular No. 2013-1

Date March 25, 2013

TO: PROVINCIAL GOVERNORS, CITY MAYORS, MUNICIPAL MAYORS, PUNONG BARANGAYS, MEMBERS OF THE SANGGUNIANG, LOCAL DISASTER RISK REDUCTION AND MANAGEMENT COUNCILS, LOCAL DEVELOPMENT COUNCILS, LOCAL FINANCE COMMITTEES, AND ALL OTHER NATIONAL AND LOCAL GOVERNMENT OFFICIALS CONCERNED

SUBJECT: **ALLOCATION AND UTILIZATION OF THE LOCAL DISASTER RISK REDUCTION AND MANAGEMENT FUND (LDRRMF)**

1.0 Background

Republic Act (RA) No. 10121 (Philippine Disaster Risk Reduction and Management Act of 2010) granted local government units (LGUs) greater flexibility towards disaster mitigation, preparation, response, rehabilitation and recovery.

2.0 Purpose

This Joint Memorandum Circular (JMC) is issued to serve as a guide to LGUs in the allocation and use of the LDRRMF and to enhance transparency and accountability in the use of the LDRRMF.

ALLOCATION FOR THE LDRRMF

LDRRMF amounting to **not less than five percent (5%)** of the estimated revenue from regular sources shall be set aside to support disaster risk management activities.

70%

Disaster prevention and mitigation,
preparedness, response, rehabilitation
and recovery

30%

Quick Response Fund (QRF)

UTILIZATION OF THE LDRRMF



STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 3. Provide for budgetary requirements or Mandatory Allocations

- **Statutory and other contractual obligations**
- **20% of IRA for development projects** shall be utilized in accordance with DILG-DBM Joint Memorandum Circular No. 2020-1 dated November 4, 2020

DBM-DOF-DILG JOINT MEMORANDUM CIRCULAR DATED NOVEMBER 4, 2020

REVISED GUIDELINES ON THE APPROPRIATION AND UTILIZATION OF THE 20% OF THE ANNUAL INTERNAL REVENUE ALLOTMENT FOR DEVELOPMENT PROJECTS



DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)
DEPARTMENT OF FINANCE (DOF)
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG)

Joint Memorandum Circular (JMC) No. 1
Date: November 4, 2020

- To : Local Chief Executives, Members of the Local Sanggunians, Members of the Local Finance Committees, Local Accountants, Heads and Directors of the Central and Regional Offices/Field Offices of the DBM, DOF-Bureau of Local Government Finance (BLGF), and DILG, and All Others Concerned
- Subject : **REVISED GUIDELINES ON THE APPROPRIATION AND UTILIZATION OF THE TWENTY PERCENT (20%) OF THE ANNUAL INTERNAL REVENUE ALLOTMENT FOR DEVELOPMENT PROJECTS**

1.0 BACKGROUND

Pursuant to Section 287 of the Local Government Code of 1991 (Republic Act [RA] No. 7160), "[e]ach local government unit (LGU) shall appropriate in its annual budget no less than twenty percent (20%) of its annual Internal Revenue Allotment (IRA) for development projects." The said required allocation of LGUs out of their respective annual IRA¹ shares has been commonly known as the 20% Development Fund (DF).

Previous circulars jointly issued by the DILG and DBM provided the guidelines and policies on the appropriation and utilization of the 20% DF.

GENERAL GUIDELINES

01

The 20% DF shall be utilized to finance the LGUs' priority development projects.

03

The LGUs shall ensure that the development projects are **well planned** and **procurement and implementation ready**.

02

The development projects that may be included under the 20% DF shall be **necessary, appropriate, or incidental** to efficient and effective local governance, and **essential to the promotion of the general welfare of the people**.

04

Technical assistance may be sought from NGAs for the determination of the more relevant and responsive development projects and to ensure compliance with the standards prescribed by the NGAs concerned.



GENERAL GUIDELINES

The following expenditure items shall not be allowed to be charged against the 20% DF:

- Personal Services expenditures;
 - Administrative expenses;
 - Traveling expenses;
 - Registration fees and other expenses related to the conduct of and participation to trainings, seminars, conferences or conventions;
 - Purchase, maintenance or repair of administrative office' furniture, fixtures, equipment or appliances; and
 - Purchase, maintenance or repair of motor vehicles used for administrative purposes.
- 

STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 4. Compute the mandatory requirements for PS, MOOE, and CO.

- Total PS requirement for 1 fiscal year **shall not exceed 55%** of the total annual income realized from local sources during the next preceding fiscal year.
- Essential expenditures shall be given priority in the allocation of funds.
- Any **available fund or resource of LGUs shall first be allocated for the provision of basic services and facilities** before using such fund or resource for other purposes, unless otherwise provided in the Code.



BASIC SERVICES AND FACILITIES INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

1. Agricultural support services
 2. Health and social welfare services;
 3. Services and facilities related to general hygiene and sanitation, beautification, and solid waste collection;
 4. Maintenance of Katarungang Pambarangay;
 5. Maintenance of Barangay roads and bridges and water supply systems;
 6. Infrastructure facilities
 7. Information and reading center; and
 8. Satellite or public market
- 



STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 4. Compute the mandatory requirements for PS, MOOE, and CO.

Task 5. Consolidates the estimated income and the proposed expenditures into:

Part 1 – Receipts Program

Part 2 – Expenditure Program





STEPS IN PREPARING THE ANNUAL BUDGET

Step 2. The Punong Barangay in coordination with the BDC prepares the barangay budget.

Section 389 (b) (7), R.A. No. 7160

Task 4. Compute the mandatory requirements for PS, MOOE, and CO.

Task 5. Consolidates the estimated income and the proposed expenditures

Task 6. Prepares the APP using the prescribed format.

Task 7. Prepares the Budget message.



STEPS IN PREPARING THE ANNUAL BUDGET

Step 3. Punong Barangay submits the proposed Annual Budget to the sangguniang barangay not later than October 16 of the current fiscal year.

Section 318, R.A. No. 7160

- Budget Message
- Plantilla of Personnel
- Approved AIP
- Annual Procurement Plan
- List of Projects chargeable against the 20% development fund
- DILG-endorsed GAP Plan and Budget
- Statement of Indebtedness (if any)

LIABILITY FOR FAILURE TO SUBMIT AN EXECUTIVE BUDGET

Failure to submit the budget within the prescribed period –

Subjects LCE to criminal and administrative penalties provided under the Code and other applicable laws

[Section 318, RA No. 7160]

- *Sec. 60 – Grounds for disciplinary actions*
- *(Secs. 61-68 – other rules on disciplinary actions)*
- [Villanueva vs. Ople, GR. 165125, Nov. 18, 2005](#)

BARANGAY BUDGET PREPARATION (BBP) FORMS

BBP Form No. 1	Budget of Expenditures and Sources of Financing
BBP Form No. 2	Programmed Appropriation by PPA, Expense Class, Object of Expenditure and Expected Results
BBP Form No. 2-A	List of Projects Chargeable Against the 20% Development Fund
BBP Form No. 3	Plantilla of personnel
BBP Form No. 4	Statement of Indebtedness



BUDGET AUTHORIZATION

"No money shall be paid out of the local treasury except in pursuance of an appropriations ordinance or law."

Section 305 [a], RA No. 7160

"The Sangguniang Barangay shall enact annual and supplemental budgets in accordance with the provisions of the Code"

Section 391(a) (3), R.A. No. 7160



LEGISLATIVE AUTHORIZATION OF THE BUDGET

*"On or before the end of the current fiscal year, the Sanggunian concerned shall enact, **through an ordinance**, the annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive."*

Section 319, RANo. 7160



HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 1: Present the Executive Barangay Budget to the Sangguniang Barangay.

- Deliver the State of the Barangay Address (SOBA)
- Follow Contents of Budget Message
- Certify as urgent the proposed executive budget





HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 1: Present the Executive Barangay Budget to the Sangguniang Barangay.

Step 2: Deliberate on the Executive Budget

- Discuss the allocation of income to the budgetary requirements;
- Discuss the allocation of income to other Priority Projects, Activities and Purposes
- Discuss Sources of Income

HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 3: Enact the General Appropriations Ordinance (GAO)

1. Effectivity of a General Appropriations Ordinance - beginning of the budget year
2. Period of Approval
 - If SB fails to enact the ordinance on time - the SB shall continue to hold sessions without additional remuneration until the ordinance is approved and no other business may be taken up during such sessions.



HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 3: Enact the General Appropriations Ordinance (GAO)

1. Effectivity of a General Appropriations Ordinance - beginning of the budget year
2. Period of Approval
 - If the SB fails to pass the budget - The ordinance authorizing the appropriations of the past year shall be deemed reenacted.

HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 3: Enact the General Appropriations Ordinance (GAO)

3. Reduction/Increase of Appropriations by the SB
4. Vote of the Punong Barangay on the Proposed Budget
 - The PB may vote against the appropriations ordinance if important items in his original proposal are not adopted substantially or there are unnecessary insertions or deletions.



HOW THE BARANGAY BUDGET IS AUTHORIZED?

Step 3: Enact the General Appropriations Ordinance (GAO)

Step 4: Approval of the GAO by the Punong Barangay

- The ordinance enacted by the SB, upon approval by the majority of its members, need to be approved and signed by the PB.
 - The PB does not have a veto power since he is also the presiding chairman of the SB.
- 



BUDGET REVIEW

*"Within 10 days from its approval, copies of the barangay ordinance authorizing the annual appropriations shall be furnished the sangguniang panlungsod or sangguniang bayan, as the case may be, **through the city or municipal budget officer.**"*

The sanggunian concerned shall have the power to review such ordinance in order to ensure that the provisions of this Title (Title Five – Local Fiscal Administration) are complied with."

Section 333, RA No. 7160



BUDGET REVIEW

“Within 10 days after its enactment, the sangguniang barangay shall furnish copies of all barangay ordinances to the sangguniang panlungsod or sangguniang bayan concerned for review as to whether the ordinance is consistent with law and city or municipal ordinances.”

Section 57, RANo. 7160; Article 111,IRR

“The sanggunian concerned shall review the barangay ordinance to ensure compliance thereof with all the budgetary requirements and limitations provided in this Rule (Rule XXXIV – Local Government Budgeting).”

Article 424 (b), IRR

HOW IS BUDGET REVIEW DONE?

Step 1: Review within 60 days upon receipt.

- If the Sangguniang Panglungsod/Bayan fails to review the barangay budget within the 60-day period the budget is deemed in full force and effect.

HOW IS BUDGET REVIEW DONE?

Step 1: Review within 60 days upon receipt.

Step 2: Check consistency of GAO with AIP and ELA and existing laws

Step 3: Declare the Review Actions.

- Declare the Barangay Budget Operative
- Declare the barangay budget inoperative in its entirety
- Declare the barangay budget inoperative in part

HOW IS BUDGET REVIEW DONE?

Step 1: Review within 60 days upon receipt.

Step 2: Check consistency of GAO with AIP and ELA and existing laws

Step 3: Declare the Review Actions.

Step 4: Appeal for reconsideration in case of Conflict in Budget Review



BUDGET EXECUTION

“The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed herein.”

“The Punong Barangay shall be primarily responsible for the execution... of the annual and supplemental budgets of the barangay.

Section 332, RANo. 7160

KEY PLAYERS



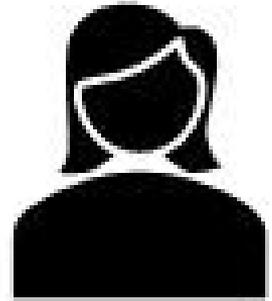
Punong
Barangay



Barangay
Treasurer



Chairman,
Committee on
Appropriations



City/Municipal
Accountant



BUDGET EXECUTION

APPROPRIATION

- An authorization made by ordinance, directing the payment of goods and services from local government funds under specified conditions or purposes.

ALLOTMENT

- The authorization issued by the Local chief Executive (LCE) to a Department / Office of the LGU which allows it to incur obligations for specified amounts within its appropriations.

OBLIGATION

- The specific amount within the allotment which is committed to be paid by the LGU for any lawful expenditure made by an accountable officer for and in behalf of the LGU concerned.
- 



BUDGET ACCOUNTABILITY

*The responsibility for the execution of the annual and supplemental budgets and the **accountability** shall be vested primarily in the LCE.*

- Sections 320, RA No. 7160

Fiscal responsibility shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the LGUs.

- Section 305 (I) , R.A. No. 7160

BUDGET ACCOUNTABILITY

01

Record all collections from taxes, fees, charges and contributions due or accruing to the barangay in the Income Books of Account under the General Fund.

02

Issue an official receipt for all taxes, fees, charges and contribution collected.

03

Deposit all collections in the depository account maintained in the name of the barangay within five (5) days after receipt.

04

Collect Real Property Taxes and such other taxes as may be imposed by province/city/municipality that are due in the barangay

05

Record all obligations and disbursements in the Expenditure Books of Accounts under the General Fund.

BUDGET ACCOUNTABILITY

06

Segregate all expenditure levels by sector.

07

Post in a conspicuous place in the Barangay the income earned for the quarter and where it was spent.

08

Post in a conspicuous place the three (3) Barangay Budget Accountability Forms No. 1 to 3.

09

- Monitor and evaluate performance
- Monitor actual results of service delivery and implementation of development projects.
- Compare actual results with planned targets.
- Provide corrective actions for negative deviations.



THANK YOU!

For questions and/or concerns, you may:
email the SPIB at dbm-spib@dbm.gov.ph, copy furnished
spib-amd@dbm.gov.ph, or
contact via (+63) 02 8657-3300 loc. 1228 or 1229 (AMD)

Systems and Productivity Improvement Bureau
Department of Budget and Management
General Solano St., San Miguel, Malacañang, Manila

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