

# **FUNDING THE TRANSITION TO BARMIM: MANDATES, MYTHS AND REALITY**

This policy report is a product of a series of round table discussions organized by:



For questions or concerns regarding the findings of this report, you may contact:

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## Executive Summary

The primary question on the smooth transition of the Autonomous Region in Muslim Mindanao (ARMM) to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) is the availability of funds. Are funds readily available for the operation of the BARMM government and the Bangsamoro Transition Authority (BTA)? What are the sources of these funds? To provide answers to these questions, the Institute of Autonomy and Governance (IAG) in partnership with Konrad Adenauer Stiftung (KAS) carried out a roundtable discussion in Cotabato City on 29 April 2019 to shed light on relevant provisions of the Bangsamoro Organic Law (BOL) and the ARMM existing practices on how to access resources vis-a-vis financing the transition. Among the participants were members of the Bangsamoro Transition Authority (BTA) and employees of the previous ARMM.

**Are funds available for BTA/BARMM operations?** The BARMM has taxing powers and mandated revenue shares, as follows: (a) 50% of revenues from utilization of strategic minerals, (b) 70% of internal revenue taxes, and (c) 50% of the yearly incremental VAT. However, these are not yet in effect at the moment.

**How does BARMM fund the transition?** None is specifically provided for a *Transition Fund* under the FY 2019 GAA. However, Section 16 of the BOL suggests that the BTA-BARMM may utilize “any available fund from the current GAA of the National Government or from the current appropriations provisions intended for the ARMM which—as provided under BOL—shall be transferred to the BARMM.

There are budgetary provisions for ARMM in the Fiscal Year (FY) 2019 GAA that should now be transferred to the BARMM. But the BTA-BARMM cannot just disburse it based on what it deems fit, because these key budgetary allotments are provided through legislation—the General Appropriations Act—in the form of line-item budgeting intended for ARMM agencies that are still there and have implemented and still implementing continuing programs.

As to the ARMM local funds for 2019, the BTA-BARMM can access that and the BTA (as a Parliament) has the authority to make use of those funds, because ARMM is already abolished. But the BTA (as Parliament) can make representation with the Philippine Congress through Resolution and dialogue on the transfer of ARMM funds provided under GAA to the BTA-BARMM Government, pursuant to the BOL.

Pending availability of the Block Grant, OPAPP funds for Normalization can be sourced out. It is important that the Normalization Process will be implemented already.

**What is the Block Grant?** This is equivalent to: (a) 5% of the BIR’s net *Internal Revenue Tax Collection* and BOC’s *Net Collections* (from the *Third Fiscal Year* immediately preceding the *Current Fiscal Year*); and (b) automatically appropriated and shall be released directly and comprehensively to the Bangsamoro Government, without need of any further action. It is the share of the Bangsamoro Government from the national internal revenue collections, based on

the prior third fiscal year immediately preceding the current. For 2019, BARMM-BTA does not have a Block Grant, but in 2020, it will be appropriated by Congress.

**How does budget preparation in the BARMM work?** In the budget preparation the following steps have to be observed: (a) *National Budget Call (National Budget Memorandum 129 dated Jan 3, 2018 for FY 2019; and National Budget Memorandum 131 dated Feb 26, 2019 for FY 2020)*; (b) *Budget Priorities Framework under Tier 2 (National Budget Memorandum 130 dated April 13, 2018 for FY 2019; National Budget Memorandum 130 dated April 12, 2019 for FY 2020)*.

The disbursement, spending of funds allocation by BARMM or the BTA (in the Transition Period) will not be technically and legally in order unless an Appropriations Law is passed by the BTA (as a Parliament).

The BARMM government has to assert the mandated shares in FY 2020: (a) 50% of revenues from utilization of strategic minerals, (b) 70% of internal revenue taxes, and (c) 50% of the yearly incremental VAT. There are articles in the BOL that spelled out on how to generate funds for the operation of the BARMM government and the BTA (Parliament) such as: Article XII's Section 10; Section 11, Sections 12 and 37.

The Intergovernmental Fiscal Policy Board shall promulgate rules to determine the income that shall be subject to the sharing scheme between the National Government and the Bangsamoro Government. Article XII, Section 38 indicates the composition of the IFPB, which includes the Secretary of Finance and appropriate Ministry in Bangsamoro (co-chairpersons), the Secretaries of DBM and DTI and NEDA, and heads or representatives of appropriate departments, agencies of the National Government and Ministries of the Bangsamoro Government.

This roundtable resulted in the following policy recommendations:

**1. The phase out plan or the Transition Plan should be submitted to the BTA (the Parliament) for approval.** The Transition Plan contains the Phase-out Plan that the ARMM government has already been abolished. The BTA should deliberate on and approve the proposal.

**2. Set up the intergovernmental relations (IGR) bodies as soon as possible.** IGR bodies and mechanisms will help resolve issues like sources of funds, guidelines on how to prepare the budget proposal and how to utilize the Block Grant.

One of these IGR bodies is the Intergovernmental Fiscal Policy Board (IFPB). The BTA as a Parliament should discuss with the Interim Chief Minister the need to request the Office of the President to initiate the formation of the board, while at the same time nominating representatives of the BTA-BARMM Government to the IFPB.

**3. Fast-track establishment of ministries replacing corresponding ARMM agencies.** With the establishment of relevant ministries on fund sourcing, proposed actions that the BTA as a parliament have to consider: (a) Adopt the current Operating Expenditure (COE) provisions intended for the ARMM in the GAA which covers budgetary allotment for General Administrative Support (GAS), Support to operations (STO), and General Operations (GO), as

well as nationally-funded programs in the amount of Php31.9B; (b) Authority from BTA to disburse the remaining ARMM Local Funds in FY 2018, and FY 2019; (c) Operationalize the Ministry of Finance, Budget and Management to fast track budgeting process; (d) The setting-up of Bureau of Local Government Finance (BLGF) in the BARMM should follow the standards set by the BLGF and Department of Finance; (e) Preparation of the Regional Expenditure Program (REP) for the BTA and BARMM agencies for FY 20191; and (f) Use existing funds from the ARMM such as the funds of the ARMM HELPS and ARMM BRIDGE to construct houses for the ex-combatants of MILF and MNLF for the normalization purpose.

## **Introduction**

Are there transition funds for the BTA-BARMM? To answer this question, the Institute for Autonomy and Governance (IAG) in partnership with Konrad Adenauer Stiftung (KAS) Philippines held the second of its Roundtable Discussion Series on Transition and the Bangsamoro Transition Authority (BTA) in Cotabato City on April 29, 2019. The three-part roundtable discussion series aims to enhance understanding of the Bangsamoro Organic Law (BOL) and the ways and means to implement it in a meaningful, efficient and relevant way. As such, the series will examine the context, resources and capacities of institutions that will implement the BOL.

Dr. Romulo Miral Jr., the Executive Director of the Congressional Policy and Budget Research Department, and BTA Member of Parliament Atty. Laisa M. Alamia were tapped as resource persons for this roundtable. Among the participants were BTA Members of Parliament and employees of the erstwhile ARMM.

Dr. Miral presented a comparative analysis of the fiscal provisions of the ARMM Organic Act (RA 9054) and in the current Bangsamoro Organic Law of the Bangsamoro Autonomous Region in Muslim Mindanao. His is an outsider's perspective, and by one who has known the Muslim Mindanao Region in years of close engagements in budget planning, studies and research works.

Atty. Alamia had the complementing insider's insights, being a resident authority on the functions, mandates and workings of the autonomous region, and having worked for the National Economic Development Authority (NEDA) prior to her stint with the defunct ARMM.

Both resource persons presented similar issues and concerns on fiscal autonomy, its strengths and challenges to the BTA-BARMM and its transition officials, as well as to the Bangsamoro public.

For the purpose of distinction in the use of the term Bangsamoro Transition Authority or BTA, the word "Parliament" is enclosed in parenthesis whenever the term BTA refers to the Interim Parliamentary Legislative Body. Where there is none, a mention of the Bangsamoro Transition Authority, abbreviated as "BTA" would mean the Bangsamoro Interim Government. (BOL Section 3, Article XVI)

## **Background**

In the ARMM experience under Organic Act (RA 9054), the Regional Government (RG) would prepare and submit to DBM a *Proposed Budget* which is not subjected to the Regional Legislative Assembly's (RLA) budget authorization.

The Regional Government was mandated to justify its proposed budget with the DBM which has the power to decide on the region's annual budget for inclusion into the National Expenditure Program (NEP) submitted by the President to Congress every July.

The Regional Government also defended its budget before Congress which has the power to decide on the level of annual appropriations and the programs, projects and services of the Regional Government.

Effective February 22, ARMM has been abolished, and BARMM has begun to exist. Under the BOL, the authority and power to prepare budget proposals, plans, the authority to disburse, the authority to create offices and ministries, the authority to appoint, create structure, create plantilla positions per structure, pursuant to staffing pattern that is also approved by the BTA— all of these powers are vested in the Bangsamoro Transition Authority (BTA). [Article XVI of Republic Act 11054]

The processes designed to ensure that those funds are appropriated; disbursed and managed, will be followed by the BTA in the transition from ARMM to BARMM.

The BTA is deemed the BM Government which will now negotiate and meet the national government on the setting up of the Intergovernmental Relations (IGR) bodies.

One of the IGR bodies, the Fiscal Policy Board (FPB) is, on the part of the National Government, composed of high-level officials (The Finance Secretary, the Trade and Industry Secretary, the NEDA Economic and Planning Secretary) who have heavy workloads as heads of the national government agencies.

BTA (the Parliament) can delegate, authorize or give those powers (over ARMM agencies plantilla positions, everything, assets including liabilities) to the Interim Chief Minister (ICM) by passing a *Resolution* or by full legislation on the approval of a *Transition Plan* or the passage of an *Administrative Code*—whichever comes first.

## **Issues and Challenges**

### **Are there available funds for BTA/ BARMM operations?**

Regional Revenue Generation as per ARMM experience had limited expansion of the revenue base. Many of the exceptions from taxes continue to be imposed by the National Government. Taxes imposed under MMAA 49 are mostly add-ons to LGU impositions under RA 7160.

During the time of the ARMM, internally-generated revenues comprised only of about four (4) percent of total receipts of the Regional Government. But throughout its existence, the ARMM had not fully received its mandated shares of internal revenues.

BARMM has taxing powers and mandated revenue shares, as follows:

- (a) 50% of revenues from utilization of strategic minerals,
- (b) 70% of internal revenue taxes
- (c) 50% of the yearly incremental VAT

In the case of the ARMM, Joint Circular No. 2004-1 covers only withholding taxes collected by national government agencies (NGAs), and cash collections of revenue collecting officers in ARMM. It did not cover taxes paid through banks, and from large taxpayers with consolidated returns.

The erstwhile ARMM was not mandated to receive shares from incremental Value-Added Tax and revenues from strategic minerals.

The legal framework of this covers the 2019 GAA (RA 11260), the Bangsamoro Organic Law (RA 11054) and pertinent Joint Circulars and Memorandums of Agreements (MOAs) between the national and regional agencies concerned and relevant regional laws that BTA may pass;

### **Slow-Pace Efforts at Accessing Funds Resulting to Delay in Releases of Salaries**

One main issue is how to access available funds as soon as possible, following the guidelines set-forth by existing laws and memorandum circulars.

Similarly, the region's dependence on annual appropriations from the National Government is a fact notwithstanding political autonomy.

Currently available budget intended for the defunct ARMM has been prepared since January 2018, as per 2019 Budget Call by the National Government. Subsequent passage of GAA by Congress (for FY 2020) will include the Block Grant.

### **The Block Grant**

The Block Grant is the share of the Bangsamoro Government from the national internal revenue collections, based on the prior third fiscal year immediately preceding the current. For 2019, BARMM-BTA does not have a Block Grant, but in 2020, it will be appropriated by Congress.

But there is a misperception, a miscomprehension or a mis-appreciation of the spirit and intent behind the provision of the Block Grant. (Article XII, Section 15)

The Block Grant is definitely the reason why RA 11054 is a much better law than RA 9054. Studies have been made on this and there is a conclusive analysis that having had no fiscal autonomy, there was no real autonomy in the ARMM. The Block Grant provision in the BOL, on the other hand, promises fiscal autonomy for the present BARMM.

Section 17 says the annual Block Grant shall be automatically appropriated in the GAA by Congress to the Bangsamoro Government.

But even if Section 18 states that the Block Grant will be "regularly released" without any further action by the Bangsamoro Government, the next question that the national government wants to see answered is "where and how will the Bangsamoro Government put it to good use."

The following legal framework will enable one to explore further on such questions and be equipped with substantial answers, thus:

1. Local Budget Circular No. 112 issued on June 10, 2016. This is the Bible of the Local Government Units when it comes to budgeting – the Budget Operations Manual for LGUs (*Alamia*);
2. There is a Budgeting Framework for LGUs under that Local Budget Circular: Participatory Budgeting, Policy-Based Budgeting, and Performance-Informed Budgeting.

### **Full-Disclosure Policy (Article XII Section 14)**

BARMM-BTA is not exempted from the FDP notwithstanding its autonomous status and even if it is mandated by law with revenue shares in the form of a Block Grant. The national government and every Bangsamoro constituent are entitled to right-to-know, and be ensured that the BARMM develops and establishes a mechanism of transparency, bearing full disclosure of its budget, finances, bids and public hearings.

It is then conclusive under the BOL that BARMM is also subject to RA 9184, the Procurement Law. Any expense should follow the process of procurement set-forth by existing national laws.

### **Possible Sources of Funds**

#### **A. Funding for the Transition**

None is specifically provided for a *Transition Fund* under the FY 2019 GAA. However, Section 16 of the BOL suggests that the BTA-BARMM may utilize “any available fund from the current GAA of the National Government or from the current appropriations provisions intended for the ARMM which—as provided under BOL—shall be transferred to the BARMM.

There are budgetary provisions for ARMM in the FY 2019 GAA that should now be transferred to the BARMM. But the BTA-BARMM cannot just disburse it based on what it deems fit. Because these key budgetary allotments are provided through legislation—the General Appropriations Act—in the form of line-item budgeting intended for ARMM agencies that are still there and have implemented and still implementing continuing programs.

As to the ARMM local funds for 2019, the BTA-BARMM can actually access that and the BTA (as a Parliament) has the authority to make use of those funds, because ARMM is already abolished.

The ARMM share from the 2018 national revenues is provided in the FY 2018 GAA under “Unprogrammed Funds” items in the amount of P800-M, and is being downloaded annually by Department of Budget and Management.

In 2018, the National Government had remitted but only a part of this fund to the ARMM. That can also be accessed or utilized by BTA-BARMM.

### **ARMM Program Funds**

Budget allocations for Nationally-funded programs and projects aside from the COE of the ARMM provisions in the GAA, which include Infrastructure Programs under the DPWH or the

five programs under the DSWD: such as CCTP, Livelihood Program, Social Pension, Supplemental Feedings; or under DepEd, the School Building Program, and the TF Bangon Marawi, the Funding for the Rehabilitation of Marawi ... under Section 13..

BTA (as Parliament) can make representation with the Philippine Congress through Resolution and dialogue on the transfer of ARMM funds provided under GAA to the BTA-BARMM Government, pursuant to the BOL.

This will be taken into primary consideration in the formation of the Intergovernmental Fiscal Policy Board (IGFPB) along with nationally-funded programs and projects co-implemented by ARMM counterpart agencies of lead implementing national line agencies, aside from the regular Budget of the ARMM.

Pending availability of the Block Grant, OPAPP funds for *Normalization* can be sourced out. But it is important that the *Normalization* Process will be implemented already.

## **B. Long Term Funds**

For it to attain economic self-sufficiency and genuine development, the BARMM government is entitled to funds based on the sources enumerated in the BOL:

- Budgetary allocations from the National Government through provisions of national law legislated by Congress through the GAA;
- All national and local funds, revenue shares, including the Block Grant provided in the BOL;
- Mandated shares from revenue collections of the Bureau of Internal Revenue and the Bureau of Customs (Block Grant);
- GAA and NEP (National Expenditure Programs) provisions on OPAPP have funds provision for the Normalization. Its provision in the GAA started last year 2018 and it is a continuing appropriation until 2022.

These are sources of revenues that BTA-BARMM can generate, aside from the Block Grant, from the National Government:

- The P50-B Special Development Fund: The utilization of this fund should be based on the Bangsamoro Development Plan (BDP). BDP is the national government's requisite and basis for the release of this fund to the Bangsamoro;
- The OPAPP Funds for Normalization amounts to as much as P 3.8 Billion. It can be some of the sources of funds, if only to "make ends meet" until December for BTA-BARMM.

## **ARMM Employees Separation**

In case employees will be separated, from now up to December, ARMM employees benefits package are not specifically included under the current GAA.

But under the GAA are several related budget line items such Miscellaneous Benefits Funds; and Pension and Gratuity Funds under the "Unprogrammed" budgetary provisions.

Based on dialogue with DBM prior to the start of the transition to BARMM, a DBM representative assured the allocation of up to 200 percent in offered benefit package for ARMM employees who will be separated during the transition.

### **Budget Preparation**

*National Budget Call (National Budget Memorandum 129 dated Jan 3, 2018 for FY 2019; and National Budget Memorandum 131 dated Feb 26, 2019 for FY 2020).*

*Budget Priorities Framework under Tier 2 (National Budget Memorandum 130 dated April 13, 2018 for FY 2019; National Budget Memorandum 130 dated April 12, 2019 for FY 2020)*

Securing funds from the national government other than the *Block Grant*, goes through the national budget procedure like any national line agency.

Two-tier Budgeting System:

Tier 1- amounts are required to continue ongoing Programs, Activities and Projects (PAPs) at the same scope and quality

Tier 2- is allocation of the fiscal space for new or expansion of Programs, Activities and Projects (PAPs) or realignments

### **The Shift from Obligation-Based Budget to Cash-Based Budget**

In an Obligation-Based Budget there is continuity of obligation and payment up to the next Fiscal Year.

Under the Cash-Based Budget, a government entity like BTA-BARMM needs to spend the funds and is only given three months extension to make the payments of the services and goods already delivered. Otherwise, if funds are unused, they are reverted back to the Bureau of Treasury.

Budget Preparation would now have to be PREXC (Program Expenditure Classification)-compliant under DBM Performance-Based Budgeting and Guidelines.

Performance-Based Budgeting is a restructuring on an agency's budget by grouping them under different programs or tool strategies pursued by the agency.

In Budget Preparation Process, BTA-BARMM is not to be exempt from complying with the Guidelines on PREXC as the Bangsamoro Government has the Office of the Chief Minister, the BTA as a Parliament, and has the Ministries.

Within the Ministries, the Bangsamoro Government needs to be guided based on the Guidelines on PREXC.

Under PREXC, Budget Preparation factors in determinants on Societal Outcome, Sector Outcome, Organizational Outcome, Program Outcome and Outputs and Activities and Projects, per agency (per Ministry in the case of the BTA-BARMM).

This leads to determining budgetary provisions for General Administrative Services (GAS); Support to Operations (STO) and Operations. That is the shape of the whole Budget Preparation per office that is submitted to the process of the Budget Call, initiated by the RBMO with authority from the Ministry of Finance which will submit it to the BTA (the Parliament) for approval.

This means that the process that is taking place every year in Congress (submitting the Budget Plan) will now happen at the level of the BTA (the Parliament) which will deliberate with its Committee on Finance the Budget (Regional Expenditure Program) that the Executive Branch will be submitting every year to the BTA (the Parliament).

Following the same process, the BTA (as a Parliament) will see and determine by the PREXC as to where the money will go per sector and with clear indicators such as performance targets and with clear milestones based on outcomes.

The Budget Preparation is done by the Executive Branch which is submitted to the BTA working as a Parliament to review and approve it through the passage of an Appropriations Law. And then it goes back to the Executive, to the Minister of Finance, to the RBMO (for budget execution) before being released to the Ministry level for implementation (guided by the principles of budget accountability).

The Framework of Participatory Budgeting is Transparency by which representative stakeholders (RDC-initiated) take part in the deliberation for its preparation, including agencies and LGUs (BEDC Level) within the BARMM territory.

Budgeting Expenditure, and corresponding Sources of Financing Program are determined, and it has to be Appropriation and Obligations by Object of Expenditure. Not lump sum.

Being the foremost Economic Development Council (Article XII) in the Bangsamoro, the BEDC Membership includes, among others, Provincial LGUs, as they have to approve projects that the regional government may implement in their locality.

Bangsamoro Development Plan as the basis of the Budget Preparation is the requisite for the grant of the Bangsamoro Special Development Fund. (Article XIV, Section 2 of RA 11054)

The process starts with Participatory Budgeting (RDC Level) guided by the principles of Policy-Based Budgeting, by which planning toes the line of the national government policies, direction, and by Performance-Informed Budgeting from established (data) performance indicators.

As provided under the Local Government Manual, these are the forms that need to be filled up:

- 1) LBP Form No.1 – Budget of Expenditures and Sources of Financing (Annex C);

- 2) LBP Form No.2 – Program Appropriation and Obligation by Object of Expenditure (Annex B);
- 3) LBP Form No. 2-A – Program Appropriation and Obligation for Special Purpose Appropriations (Annex E);
- 4) LBP Form No. 3 – Plantilla of LGU Personnel (Annex F);
- 5) LBP Form No. 3 – A Personnel Schedule (Annex G);
- 6) LBP Form No.4 – Mandate, Vision/Mission, Major Final Output, Performance Indication and Targets (Annex H);
- 7) LBP Form No.5 – Statement of Indebtedness (Annex I);
- 8) LBP Form No. 6 – Statement of Statutory and Contractual Obligations and Budgetary Requirements (Annex J) and;
- 9) LBP Form No. 7 – Statement of Fund Allocation by Sector (Annex K)

While it is said that LGUs are more fiscally autonomous with their shares of the Internal Revenue Allotments, appropriations level can always depend on the generosity of the Executive or ability of the BTA-BARMM to lobby.

### **Policy Framework**

- Formation, organization, activation of the Intergovernmental Fiscal Policy Board by the National Government and by the Bangsamoro Government, as provided for under the Bangsamoro Organic Law (BOL);
- BARMM-BTA line agencies would have to submit Program Investment Plans as implementing partners of National Government line agencies of their National Programs, and for the utilization of corresponding Program Funds;
- General Appropriations Act; National Expenditure Programs (NEP);
- The President-approved Joint-Resolution passed by the House of Representatives and the Senate, extending the lifespan of the FY 2018 National Budget for MOOE and Capital Outlay until December 31, 2019, the BTA-BARMM may still be able to find sources of funds in the FY 2018 General Appropriations Act;
- Activation of BIR District Office whose operations would be focused only on the Bangsamoro Region, as well as the creation of a Bangsamoro Revenue Office; Bangsamoro Treasury Office; Bangsamoro Internal Audit Office, and a Bangsamoro Economic and Development Council (BEDC);

- Article XII, Sections 12 and 37 of RA 11054 (BOL). The BIR and the BRO (through the Intergovernmental Fiscal Policy Board) shall agree on the modalities for the filing of Income Tax Returns for corporations whose head offices are located outside the BARMM territory;
- The IFPB shall promulgate rules to determine the income that shall be subject to the sharing scheme between National Government and the Bangsamoro Government;
- Section 38 Composition of the IFPB: Secretary of Finance and appropriate Ministry in the Bangsamoro Government (co-chairpersons), the Secretaries of the Department of Budget and Management, Department of Trade and Industry, and of the National Economic Development Authority (NEDA), and heads or representatives of appropriate departments, agencies of the National Government and Ministries of the Bangsamoro Government;
- The matter of urgent need to access funds to be appropriated by the BTA (Parliament) for its General Administrative Support (GAS), Support to Operation (STO) and General Operations (GO) was taken up in a session, members came up with a propose title of a *Resolution* as required by the DBM, and for the Bangsamoro Treasury Office to also came up with a separate Resolution allowing the release of local funds amounting to P 230 M to add to the P 2.127 *Transition Funds* from the DBM to complete the P 1.5 estimated required BTA Parliament Budget for FY 2019;
- Creation of an Ad-Hoc Committee by the BTA Parliament, chaired by Edward Guerra to discuss on and prepare the necessary requirements as stated in the letter of the DBM. Members actually saw the insufficiency of the available National Fund at P 1.27 Billion from the DBM to cover the administrative and operational budget of the BTA (Parliament) for 2019;
- The amount of P 1.5 billion includes Salaries and Wages of Staff/ Personnel (Personal Services); Maintenance and Other Operating Expenditures and funding the organizing of Committees and the cost of their activities;
- Two resolutions have been adopted: One passed by the RBMO, pertaining to the release of Local Funds in the amount of P 230 Million, and the other adopted by BTA (the Parliament) for the release of national funds amounting to P 2.127 Billion from the Presidential Contingency Fund;
- BTA mandate to passing of a Regional Appropriations Law or a Resolution or a legislation authorizing the Chief Minister to spend based on a Budget submitted to the BTA (the Parliament) for consideration—provided that the expenditures and spending shall be: Programmatic, Transparent, Performance-based, Policy-Based manner, plus the

Auditing provisions of the BOL under Fiscal Autonomy (Article XII). Funds disbursements are subject to auditing rules, pursuant to National Auditing Rules, Policies and Regulations.

The Budget Plan shall be in conformity with the form, the contents and manner that is prescribed by law and acted by the Parliament. But since, BTA-BARMM does not have that law yet, it has to follow existing Rules and Regulations of the National Government.

This leads one to the fact that the BTA-BARMM needs to create a Bangsamoro Budget Office. But pending the creation of a Bangsamoro Budget Office, the RBMO can assume those functions. However, before the RBMO can assume the mandates and functions of a BBO, it has to have the authority from the BTA (the Parliament).

The RBMO will issue based on written official instructions from the Minister of Finance, as approved by the Chief Minister and presented to and approved by the BTA (the Parliament) into an Appropriations Law, then it goes back. The same process annually takes place at the national level.

### **Passage of Annual Appropriations Law**

Under the BOL (Article 12), in the process of allocating the Block Grant, the Parliament shall pass an annual Appropriations Law for Fiscal Year 2020. But as a requisite, aside from those provisions on allocating the highest priority on Education, Health, Social Welfare, there to be a *Development Plan* of the BTA-BARMM which will be submitted to the Department of the Interior and Local Government.

In ARMM, this had been done every year and in every budget planning session and that the performance standard had been deemed a primary indicator.

While there is still no Bangsamoro Local Government Code, Bangsamoro Internal Revenue Code, Civil Service Law, or Administrative Code as BTA references, national references should be taken into consideration when doing the Budgeting Planning Process.

For the Block Grant, there is a need to implement and follow performance standards—and targets for each sector.

The *Block Grant* is an automatic appropriation, but before the *Block Grant* can be released, the BARMM/BTA needs to have these documents, and it has to follow the Local Budgeting Process: DBM and DILG Local Government Budget Memorandum Circulars on the preparations of budget proposals for the national government and for LGUs.

In May 2019 the DILG is set to issue the latest Local Budget Memorandum Circular on the preparation of budget proposals for LGUs for 2020.

As a matter of policy, the *Block Grant* is based on the prior *Third Fiscal Year* immediately preceding the *Current Fiscal Year*.

The Budget Memorandum Circular contains information for the LGUs on their IRA shares—so the DILG can now incorporate in that Memorandum Circular to include the BARMM for its appropriation of the *Block Grant* in the succeeding years, based on the certification or the computation of the BIR of the share, not just of the LGUs but also of the BARMM, pursuant to the Local Government Code which now should either be amended to attune to the BARMM development, or for BARMM to have its own Local Government Code.

### **Features of the Block Grant**

- Equivalent to 5% of the BIR's net *Internal Revenue Tax Collection* and BOC's Net *Collections* (from the *Third Fiscal Year* immediately preceding the *Current Fiscal Year*);
- Automatically appropriated and shall be released directly and comprehensively to the Bangsamoro Government, without need of any further action

### **Conclusion**

Disbursement, spending of funds allocation by BARMM or the BTA (in the Transition Period) will not be technically and legally in order unless an Appropriations Law is passed by the BTA (as a Parliament).

Assertion of the Mandated Shares in FY 2020:

- (a) 50% of revenues from utilization of strategic minerals,
- (b) 70% of internal revenue taxes
- (c) 50% of the yearly incremental VAT

Article XII, Section 10 increases the Bangsamoro shares from taxes collected by the National Government in the Autonomous Region (AR) from 70% to 75% (inclusive of the share of constituent LGUs).

Twenty-five percent (25%) share of the National Government shall accrue to the Bangsamoro Government in the first ten years (and may be extended as deemed necessary) (Section 11).

Article XII, Sections 12 and 37. The BIR and the BRO (through the IFPB) shall agree on the modalities for the filing of Income Tax Returns for corporations whose head of offices are located outside the BARMM.

The Intergovernmental Fiscal Policy Board shall promulgate *Rules* to determine the income that shall be subject to the sharing scheme between the National Government and the Bangsamoro Government.

Section 38 Composition of the IFPB: Secretary of Finance and appropriate Ministry in Bangsamoro (co-chairpersons), the Secretaries of DBM and DTI and NEDA, and heads or representatives of appropriate departments, agencies of the National Government and Ministries of the Bangsamoro Government.

