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**BANGSAMORO AUTONOMOUS REGION IN MUSLIM MINDANAO**  
**MINISTRY OF FINANCE, AND BUDGET AND MANAGEMENT**  
BANGSAMORO GOVERNMENT CENTER, COTABATO CITY

**BANGSAMORO BUDGET MEMORANDUM**

No. 2021-03

**F O R** : All Ministers, BTA Parliament, and Heads of Offices of the Bangsamoro Government, Budget Officers, Accountants; and all Others Concerned

**SUBJECT** : **BUDGET PRIORITIES FRAMEWORK FOR THE PREPARATION OF THE FY 2022 BANGSAMORO BUDGET PROPOSALS**

**DATE** : **17 May 2021 | 5 Shawwal 1442 AH**

### 1.0 Rationale

The FY 2022 Budget will be the third budget of the Bangsamoro Government. As the Bangsamoro Government moves forward, the FY 2022 budget shall serve as a key instrument for translating strategic priorities into concrete programs and projects which are anchored to the 12-Point Priority Agenda as articulated in the 1st Bangsamoro Development Plan (1<sup>st</sup> BDP) 2020-2022, and consistent with the National Government's AmBisyon Natin 2040, Philippine Development Plan (PDP) 2017-2022 and the 0-10 Socioeconomic Agenda, and Sustainable Development Goals (SDG) Agenda for 2030 that altogether lead towards realization of inclusive, efficient and productive development outcomes.

The FY 2022 Budget will be crafted under the guiding principles of *fiscal discipline*, *allocative efficiency*, and *operational efficiency* so that it continues to be strategic, responsive and responsible, in line with the Bangsamoro Government's thrust on moral governance and in pursuit of a genuine and meaningful autonomy.

### 2.0 Purpose

The issuance of this FY 2022 Budget Priorities Framework (BPF) aims to guide Ministries and Offices in the crafting of their budget proposals through the identification of the following:

- 2.1 A benchmark for ensuring a healthy fiscal position in prioritizing programs and projects link to the societal goals of the Bangsamoro Government;



2.2 Macroeconomic targets and assumptions based on the 1<sup>st</sup> BDP 2020-2022 and the budget ceiling of the funding requirements for the Tier 1 budget; and,

2.3 Specific guidelines and procedures in the formulation of the FY 2022 budget.

### 3.0 Macroeconomic Targets, Assumptions, and the Opportunities for Economic Growth

#### 3.1 BARMM Macroeconomic Targets

3.1.1 The 1<sup>st</sup> BDP 2020-2022 is guided by the following macroeconomic forecasts/targets which the Bangsamoro Government aims to attain:

- ❖ **Improved gross regional domestic product (GRDP) growth rate** to 5.5-6.0 in 2020, 6.0-6.5 and 7.0-7.5 percent in 2021 and 2022;
- ❖ **Increased labor force participation rate** to 46.0-47.0 percent in 2020 and 46.0-48.0 and 50.0 percent in 2021 and 2022;
- ❖ **Reduced unemployment rate** by 3.5 percent in 2020 and 2021, and 3.0 percent in 2022;
- ❖ **Managed inflation rate** at 3.5-4.0 percent in 2020, 4.0-4.5 percent in 2021 and 4.5-5.0 percent in 2022; and
- ❖ **Reduced poverty incidence** among families at 51.6 percent in 2020, 50.6 percent in 2021 and 49.6 percent at the end of transition.

3.1.2 **Improved GRDP Growth rate.** The Bangsamoro Government expects to improve each GRDP growth rate to 5.5-6.0 percent in 2020, 6.0-6.5 percent and 7.0-7.5 percent in 2021 and 2022, respectively. This will be done through establishing a favorable environment conducive for investment opportunities and economic development as well as more investment for economic programs and projects and strategic infrastructure support facilities to boost the Agriculture, Forestry and Fishing sector, Industry sector and Service sector which are the three contributing sectors to the BARMM's GRDP.

3.1.3 **Increased labor force participation rate.** The target seeks to increase labor force participation rate in the region to 46.0-47.0 percent in 2020 and 46.0-48.0 percent and 50.0 percent in 2021 and 2022, respectively. These targets have taken into consideration the influx of job seekers in the newly established Bangsamoro Government in its Transition Period.

3.1.4 **Reduced unemployment.** The Bangsamoro Government aims to reduce unemployment rate by 3.5 percent in 2020 and 2021, and 3.0 percent in 2022 considering the separation of the ARMM employees and the gradual opening of new job opportunities through the structuring of the BARMM bureaucracy that will give more employment opportunities.





3.1.5 **Managed inflation rate.** The Bangsamoro Government will strive to manage inflation rate at 3.5-4.0 percent in 2020, 4.0-4.5 percent in 2021 and 4.5-5.0 percent in 2022 to help slowdown the decline of the purchasing power of the Philippine currency in the region.

3.1.6 **Reduced poverty incidence among families.** The target is to reduce poverty incidence among families at 51.6 percent in 2020, 50.6 percent in 2021 and 49.6 percent at the end of the transition. The Bangsamoro Government will invest more on human capital development particularly on health, education, employment, and social services as well as strategic infrastructure development that will support economic activities to improve individual income.

### 3.2 BARMM Regional Macroeconomic Assumptions

For FY 2022, the BARMM Regional Macroeconomic Assumptions as set in the 1<sup>st</sup> BDP 2020-2022 are as follows:

Figure 1. BARMM Regional Macro-Economic Assumptions

MACRO-ECONOMIC INDICATORS	BASELINE	2020 ACTUAL & TARGET		2021 TARGET	2022 TARGET
		ACTUAL	TARGET		
Increased Gross Regional Domestic Product Growth Rate	5.9% as of 2019	-1.9%	5.0-6.0%	6.0-6.5%	7.0-7.5%
Increased Labor Force Participation Rate	56.35% as of 2019	62.3%	46.0-47.0%	46.0-48.5%	50.0%
Reduced Unemployment Rate	4.36% as of 2019	3.8%	3.5%	3.5%	3.0%
Managed Inflation Rate	2.6% as of 2019	2.4%	3.5-4.0%	4.0-4.5%	4.5-5.0%
Reduced Poverty Incidence	53.6% as of 2018	Data to be released this year	51.6%	50.6%	49.6%

Source: PSA-BARMM Website

#### 3.2.1 BARMM GRDP

In 2019, the BARMM recorded 5.9% improvement of GRDP which, though lower than 7.2% in 2018 account, ranked seventh in the whole country and second in Mindanao after Davao region according to PSA-BARMM. This is nearly close to the target 5.0-6.0 percent in 2020.

For 2020, the economic performance of the BARMM dropped by -1.9 percent because of the COVID-19 pandemic, posting the lowest decline among all regions in the country. With the 1.4 percent of the total GDP



of the country, BARMM contributed only 0.02 percentage point of the total 9.6 percent contraction in the country's economy.

The following are the industries that registered the steepest declines: Mining and Quarrying at 54.7 percent; Other Services at 54.2 percent; Accommodation and food services at 47.9 percent; Construction at 37.7 percent; and Transportation and storage at 20.9 percent. In terms of contributors to the drastic decline, the Mining and Quarrying, Transportation and storage; and Construction pulled down the most.

### 3.2.2 BARMM GRDP Contributing Sectors

The Agriculture, Forestry, and Fishing (AFF) posted 2.7 percent growth and contributed the most to the GRDP growth. In terms of share, Services had the biggest share to the BARMM's economy at 39.2 percent. However, growth in these industries were weighted down by the impacts of industries that declined this 2020 because of the pandemic.

The industries that contributed positively to the region economy are the following: Financial and insurance activities, which grew by 14.8 percent; Human health and social work activities by 11.8 percent; Information and communication by 8.4 percent; Electricity, steam, water and waste management by 6.7 percent; and Public administration and defense, compulsory social activities, which grew by 3.5 percent.

### 3.2.3 Labor force participation rate

The labor force participation rate increased from 56.35% in 2019 to 62.3% in 2020. This may be attributed to the opening of new hope brought about by the creation of the Bangsamoro Government.

The unemployment rate decreased substantially from 4.36 percent in 2019 to 3.8 percent in the year 2020 which is near to 3.5 percent target in the same year. Again, this may be attributed to the opening of more job opportunities with the establishment of the new Bangsamoro Government.

### 3.2.4 Inflation rate

Based on data released by the Philippine Statistics Authority, the Bangsamoro Government was able to realize its dream to manage the inflation rate in the region during the Transition Period. The BARMM recorded 2.6 percent inflation rate in 2019 and 2.4 percent in 2020, lower than the plan targets at 3.5-4.0 percent from 7.09 percent baseline in 2018.



### 3.3 GRDP Growth Opportunities based on the Current Spending Program

The FY 2021 Spending Program strived to pursue a **balanced fiscal budget**. A balanced fiscal budget assures zero net borrowings (i.e., zero public debt), which is apt for the Bangsamoro Government that is starting a clean slate of its financial accounts.

For FY 2021, the Spending Program broken down by Expense Class has provided a considerable share to *Capital Outlays* pouring public investment in the construction and renovation of regional infrastructures and fixed assets as well as upgrading of transportation and machinery equipment. Closely followed by *Personnel Services* to fill up the approved positions of the Bangsamoro Government, with the remainder falling to *Maintenance and Other Operating Expenses* to support the delivery of public services and Ministry/Office mandates and functions.

Figure 2. FY 2021 Spending Program breakdown by Expense Class

Personnel Services	26,582,906,786.72
Maintenance and Other Operating Expenses	20,837,021,093.78
Capital Outlays	28,208,753,867.76
<b>Grand Total</b>	<b>75,628,681,748.26</b>

Source: General Appropriations Act of the Bangsamoro FY 2021

It is expected that with the huge amount of public investment appropriated for different programs and projects coupled with substantial increase of budget for infrastructure support facilities as well as human resources, as shown in *Figure 2*, GRDP of the BARMM is expected to improve further in the coming year. However, due to adverse effect of COVID-19 Pandemic, the contributions of industry and service sectors are expected to decline. In like manner, Agriculture, Forestry and Fishery will also weaken, Hence, the effect of the bulk spending may not be immediately experienced.

## 4.0 Tier 1 Ceiling

- 4.1 The Tier 1 budget ceiling for each Ministry/Office for the FY 2022 will be provided through a **Confirmation Letter** sent to each Ministry and Office. The Tier 1 budget ceilings were determined in consideration of the following factors:
- Alignment and consistency with priorities and strategies in the **1<sup>st</sup> BDP 2020-2022** and its corresponding **Results Matrices (RMs)**;
  - FY 2020 performance and implementation capacities** of the Ministries and Offices; and,
  - Identification of **2021 funded P/A/Ps** with recurrent maintenance and other operating expenses.





- 4.2 The Personnel Services (PS) level shall be based on the total number of authorized positions as of May 31, 2021. Other necessary adjustments such as those items previously lodged under the Miscellaneous Personnel Benefits Fund (MPBF) and Pension and Gratuity Fund (PGF) will be included in the budgets of the ministries/offices after the Tier 2 deliberations. PS requirements as indicated in the ministry/office ceiling **cannot be reallocated** to other expenditure items.

## 5.0 Guidelines for Budget Proposals/Submissions

### 5.1 Details of Tier 1 Budget Ceiling

- 5.1.1 Ministries and Offices shall program the details of the ceiling provided in the **Confirmation Letter** per P/A/P in the corresponding BBP Forms. Ministries and Offices shall strictly comply with the specific instructions in accomplishing the BBP Forms, issued under the Bangsamoro Budget Memorandum 2021-01, dated March 25, 2021.
- 5.1.2 To streamline the assessment of proposed expansion of Tier 1 P/A/Ps, Ministries and Offices shall accomplish the **Bangsamoro Budget Proposal (BBP) Form 310-a** to reflect adequate details of the Tier 1 P/A/Ps.

### 5.2 Requirements of Tier 2 Proposals

- 5.2.1 For the FY 2022 Budget Preparation, the BBP Form 310-b has been issued for Ministries and Offices to accomplish for each proposed new/expansion of program or project. The forms will explain the basic justifications of the Ministry/Office for the proposals and indicate the implementation readiness of the proposals.
- 5.2.2 The **BBP Form 310-b** shall be accomplished for every new program/project proposal and every expanded program/project. Failure to do so can lead to the non-consideration of the Tier 2 proposals. Hence it is important that the Ministry/Office accomplishes these clearly, comprehensively, and completely for every new and expanded P/A/P proposal<sup>1</sup>.
- 5.2.3 Ministries and Offices **shall rank** the Tier 2 proposals. The ranking of the Tier 2 proposals will facilitate the assessment of priority P/A/Ps within the Ministry/Office budget proposal.
- 5.2.4 Ministries and Offices shall guide and coordinate with their Provincial/Sub-Offices on the focus areas in each province/municipality, interventions required, and magnitude of resource allocation.

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<sup>1</sup> Some project categories like farm-to-market roads, repair and construction of local and national roads or bridges, water supply, forestry replanting, health facilities enhancement projects which are presented as a P/A/P can be treated as one (1) project. They need to be justified by an explanation of their objectives, rationale, and prioritization criteria relative to this BPF, location, and the basic individual project design or specifications.



- 5.2.5 Consistent with the "no lump sum budget policy", budget proposals shall be disaggregated into detailed project components and geographic locations up to at least provincial level locations. Proposals without the said disaggregation (by province if city and municipality locations are not yet available) and required documentation will not be included in the Tier 2 deliberations.
- 5.2.6 Ministries and Offices are required to comply with the specific guidelines and instructions in accomplishing the other relevant BBP forms as provided in the Bangsamoro Budget Call for FY 2022.
- 5.2.7 In view of the above requirements, close coordination is important and necessary among the Budget Officers of the Ministries/Offices and their counterparts in the Planning and Operations Units of the Ministry/Office in the crafting and formulation of the proposed program/project and its accompanying BBP 310-b and other forms.

## 6.0 Considerations for Tier 2 Proposals

### 6.1 Considerations for Tier 2 Proposals

With the adoption of the annual cash-based budget, the Tier 2 proposals shall be limited to the P/A/Ps or goods and services that can be delivered or rendered within FY 2022.

Ministries and Offices are encouraged to submit program convergence plans to ensure that priority inter-ministry/office programs are planned, budgeted and implemented in a coordinated manner. Likewise, Ministries and Offices must ensure that their proposed P/A/Ps are within their mandate and function avoiding duplication of similar P/A/Ps with other Ministries and Offices.

Accordingly, the intended appropriations for these proposals shall only pertain to the cash requirements that is to be fully disbursed within the fiscal year. In order to properly allocate the limited fiscal space, Tier 2 proposals will be evaluated based on the following considerations:

#### 6.1.1 Implementation-readiness

Programs/Activities/Projects (P/A/Ps) that will be included in the budget must be implementation-ready to be delivered and executed within the year. Proposals must include clear, comprehensive, and complete submission of relevant supporting documents such as, but not limited to the following:

- Feasibility Studies;
- Detailed Engineering Design (for infrastructure project);
- Annual Procurement Plans;
- Resettlement Action Plans;
- Right of Way Acquisition Plans;
- Ministry/Office Operational Plans;
- Ministry/Office Sector Roadmaps;
- Network Plans;





- Inter-ministry/office Clearances and Permits;
- Proofs of coordination with LGU implementers; and
- Other necessary information on what has already been done to prepare the P/A/P for implementation or execution.

If preparatory works are still needed before the proposed project's actual execution, the first phase of implementation shall only reflect the requirements for such preliminary activities.

#### 6.1.2 Indicative Annual Procurement Plan (APP)

Well-planned projects and proposals are the most effective and are most likely to be implemented on time. An indicative APP shall be prepared alongside the budget proposal to enable the Ministry/Office to conduct early procurement process once the Bangsamoro Expenditure Program (BEP) is submitted to the Parliament.

BBP Form 310-b, and relevant supporting documents will be the bases for the evaluations. As such, MFBM requires **clear, comprehensive, and complete submissions**. Ministries and Offices must remember to properly rank their proposals to determine the level of priority of the proposals that may be included in the final recommendation for funding. Proposals for funding under Tier 2 shall be submitted to MFBM on or before May 25, 2021.

### 7.0 Procedure for Processing of Proposals

7.1 To ensure objectivity, balance, and use of technical expertise in the review of the Ministry/Office proposals, the following evaluation process for the proposals will be implemented:

#### 7.1.1 Endorsing Authorities

All information and communication-related, environment-related, and infrastructure-related P/A/Ps in the budget proposals shall be subject to the endorsement of the endorsing authorities stated under 5.9 of Bangsamoro Budget Memorandum 2021-01.

In addition, all environment-related P/A/Ps in the budget proposals shall be subject to the tagging of the endorsing authority stated under 5.9 of Bangsamoro Budget Memorandum 2021-01.

#### 7.1.2 Reviewing Entity

The Bangsamoro Planning and Development Authority (BPDA) shall certify all proposed P/A/Ps of the Ministry/Office Budget Proposals to ensure that these are aligned with the 12-Point Priority Agenda, 1<sup>st</sup> Bangsamoro Development Plan and Bangsamoro Response and Recovery Plan.

7.2 Certifications and endorsements **shall be attached** to the Ministry/Office budget proposal upon submission to the MFBM.





7.3 Only the proposals that pass the respective review process/es **will be considered** for funding and inclusion in the FY 2022 Bangsamoro Budget Expenditure Program.

7.4 All endorsed/reviewed projects **shall still be subject** to MFBM evaluation for financial assessment.

**8.0 For immediate compliance.**



**AHOD BALAWAG EBRAHIM**  
BARM M CHIEF MINISTER  
CONCURRENT MFBM MINISTER

MINISTRY OF FINANCE, AND  
BUDGET AND MANAGEMENT-BARM M

**RELEASED**

BY: fd DATE: 5/18/2021 TIME: 10:15