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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. 2022-03

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 2023 BANGSAMORO BUDGET PROPOSALS**

DATE : 26 April 2022 | 24 Ramadhan 1443 AH

1.0 RATIONALE

The FY 2023 Budget will be the fourth budget of the Bangsamoro Government and the first budget following the extension of the validity of the Bangsamoro Transition Authority. As the Bangsamoro Government moves forward, the FY 2023 budget shall serve as a key instrument towards realization of inclusive, efficient and productive development outcomes.

The FY 2023 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 2023 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 enhanced 12-Point Priority Agenda;
- 2.2 Macroeconomic targets and assumptions and the budget ceiling of the funding requirements for the Tier 1 budget; and,

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2.3 Specific guidelines and procedures in the formulation of the FY 2023 budget.

3.0 MACROECONOMIC TARGETS, AND ASSUMPTIONS

BARMM Macroeconomic Assumptions

For FY 2023, as provided by the Bangsamoro Planning and Development Authority (BPDA), the BARMM Macroeconomic Assumptions are as follows:

Figure 1. BARMM Macro-Economic Assumptions

MACRO-ECONOMIC INDICATORS	BASELINE	2021 ACTUAL & TARGET		2022 TARGET	2023 TARGET
		ACTUAL	TARGET		
Increased Gross Regional Domestic Product Growth Rate	-1.9%	(For release April 2022)	6.0-6.5%	7.0-7.5%	6.0-6.5%
Reduced Unemployment Rate	3.8%	7.6% as of Q1 2021	3.5%	3.0%	3.0-4.0%
Reduced Underemployment Rate*	9.0%	8.2% as of July 2021	-	-	5.0-7.0%
Managed Inflation Rate	2.4%	2.7%	4.0-4.5%	4.5-5.0%	2.0-4.0%
Reduced Poverty Incidence	53.6% as of 2018	39.4%	50.6%	49.6%	39.0-35.0%

*New Indicator (replacing Labor Participation Rate)

Source: PSA-BARMM Website

3.1 BARMM GRDP

In 2020, the economic performance of the BARMM dropped by -1.9 percent due to the outbreak 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 percent of the total 9.6 percent contraction in the country's economy. This caused the region to be ranked 17th, the lowest region in terms of shares of the country's total GDP.

The industries that registered the steepest declines were: Mining and Quarrying; 54.7 percent; Other Services with 54.2 percent; Accommodation and food service activities with 47.9 percent; Construction with 37.5 percent; and Transportation and storage with 20.9 percent. The Main contributors to the decline in the regional growth rate were Transportation and Storage; Mining and Quarrying; while construction pulled down the most.

The region's GDP growth rates were mainly contributed by major industries such as Agriculture, Forestry, and Fishery (AFF) with 2.7

percent, the Industry sector with -3.9 percent, and the Services sector with -4.6 percent.

With a 39.2 percent contribution, Service Sector has the largest share of the region's economic performance. It is followed by AFF with 36.2 percent and the industry sector with 24.6 percent. Among those major contributors, only the AFF showed an increase from 34.6 percent in 2019 to 36.2 percent in 2020. This implied that the Agriculture, Forestry, and Fishery (AFF) with 2.7 percent contributed the most to GRDP growth while the service sector has the biggest share of the region's economy with 39.2 percent.

Also, BARMM posted positive growth in government spending in 2020 at 11.3 percent. Household spending recorded the smallest decline at 6.4 percent. The region's real per capita GDP in 2020 was registered at -3.9 percent, the smallest decline among all the regions in the country.

While waiting for the 2021 GRDP which will be released in April 2022, the Bangsamoro government is hoping to recover at 7.0-7.5 percent and 6.0-6.5 percent growth rates in 2022 and 2023, respectively. This can be done by accelerating the implementation of both regular and special projects funded under the Block Grant, Special Development Fund (SDF), Transitional Development Impact Fund (TDIF), and other fund sources especially huge investments in infrastructure projects. The BARMM shall encourage a large portion of new investments coming into the region especially in Industry and Services to create more job opportunities for the Bangsamoro.

It shall continue to prioritize measures on health, education, and social protection services. The BARMM government shall manage the COVID-19 pandemic through public health measures including vaccination rollout as not to hamper economic activities in the region if a resurgence of the pandemic occurs in the region. Investment in digital technology is a major consideration starting with investments in digital infrastructure to help ensure business continuity and delivery of off-site public services.

3.2 Unemployment

The unemployment rate substantially increased to 7.6 percent in the year 2021 from the 3.8 percent rate in 2020. This may be attributed to the pandemic and the lockdown restrictions that led to intermittent operation and recession of businesses and layoffs of workers.

3.3 Underemployment Rate

The Underemployment rate is a new indicator used, replacing the labor force participation rate in order for the Bangsamoro Government to better strategize in making the labor force strong and stable. The region's underemployment rate in July 2021 is 8.2 percent which is slightly lower

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in 2020 with 9.0 percent. The decrease may be attributed to the easing of the level of quarantine restrictions, alternating or partial lockdowns of business companies, and the increase in demand for workers on a limited basis in the region.

3.4 Inflation rate

BARMM was able to manage its inflation rate from 2020 to 2021. Based on the data released by the Philippine Statistics Authority, BARMM recorded an inflation rate of 2.4 percent in 2020 and 2.7 percent in 2021, lower than the targets of 3.5-4.0 percent in 2020 and 4.0-4.5 percent in 2021, respectively. In 2023, the BARMM hopes to manage the inflation rate within 2.0-4.0 percent. This can be achieved by improved connectivity between and across markets as a result of large-scale investments in infrastructure.

3.5 Poverty Incidence

Surprisingly, BARMM's poverty incidence had plummeted to 39.4 percent as compared to 55.9 percent in the first semester of 2021. However, this rate is still high when compared to the national poverty incidence posted at 23.7 percent in the first semester of 2021.

The BARMM's per capita poverty threshold or the average monthly income required for a family of five to meet the basic food and non-poverty requirements had increased from Php 13,599.00 in 2018 to Php 14,126.00 in 2021.

Given the significant reduction in poverty incidence in the first semester of 2021, the Bangsamoro Government has proven to be effective in its poverty alleviation initiatives. Thus, by 2023, the BARMM aims to reduce poverty incidence by 35.0 to 39.0 percent. To realize this, the Bangsamoro Government must sustain the implementation of programs, activities, and projects that contributed to raising the total income of a significant number of families or households in BARMM. A sustained implementation and expanded coverage of social protection programs will greatly benefit the poorest and disadvantaged communities in the region.

4.0 BARMM SPENDING PROGRAM

A significant portion of the total fund source of the Bangsamoro Appropriations comes from the Block Grant as provided in Section 15, Article 12, of RA 11054, otherwise known as the Bangsamoro Organic Law (BOL). Along with this, the BOL also provides for the share of the BARMM in the taxes, fees and charges collected within the BARMM¹.

¹ Section 10. Sharing of Taxes Collected by the National Government, Article XII. Fiscal Autonomy of Republic Act No. 11054, An Act Providing for the Organic Law for the Bangsamoro Autonomous Region

The Block Grant and the share of the BARMM in the taxes, fees and charges collected within the Bangsamoro Autonomous Region are anticipated to take drastic cuts from the impact of the COVID-19 Pandemic to the revenue collections during FY 2020, and the Mandanas ruling already taken effect on FY 2022.

The amount of the Block Grant shall be equivalent to 5% of the net national internal revenue tax collections of the Bureau of Internal Revenue and the net collection of the Bureau of Customs from the third fiscal year immediately preceding the current fiscal year. For the FY 2023 Block Grant, the computation base shall be FY 2020 during the emergence of the COVID-19 Pandemic.

Furthermore, the Mandanas ruling adjusts the just share of the National Tax Allocation of LGUs by including all collection of national taxes, except those accruing to special purpose funds and special allotments for the utilization and development of the national wealth, to the base amount of computation for the share of LGUs. In effect, the adjustment of the base amount of computation for the LGU share takes away from the base amount of computation for the Block Grant.

Following a Balanced Fiscal Budget, the Bangsamoro Budget shall continue to include all fund sources as the basis of the FY 2023 Budget Expenditure Program. A balanced fiscal budget assures zero net borrowings (i.e., zero public debt), which is apt for the Bangsamoro Government that is pursuing fiscal prudence.

Moreover, the Bangsamoro Budget shall continue to abide to the considerations provided by the BOL, assigning the highest budgetary priority to Education, Health, and Social Services, as well as following a 45% Personnel Services Budget Ceiling based on total revenue source.

The FY 2023 budget shall strive to be an instrument in achieving the vision where the Bangsamoro is united, enlightened, self-governing, peaceful, just, morally upright, and progressive.

Figure 2. FY 2022 Spending Program

Particulars	FY 2022
Personnel Services	27,423,617,055.55
Maintenance and Other Operating Expenses	23,611,810,126.93
Capital Outlays	28,826,587,817.52
Total	79,862,015,000.00

in Muslim Mindanao, Repealing for the Purpose Republic Act No. 6734, Entitled "An Act Providing for An Organic Act for the Autonomous Region in Muslim Mindanao," As Amended by Republic Act No. 9054, Entitled "An Act to Strengthen and Expand the Organic Act for the Autonomous Region in Muslim Mindanao" approved on July 27, 2018.

5.0 TIER 1 CEILING

- 5.1 The Tier 1 budget ceiling for each Ministry/Office for the FY 2023 were provided to each Ministry and Office through the issuance of Bangsamoro Budget Memorandum 2022-02 dated April 18, 2022. The Tier 1 budget ceilings were determined in consideration of the following factors:
- a. Alignment and consistency with the priorities of the Chief Minister;
 - b. **FY 2021 performance and implementation capacities** of the Ministries and Offices; and,
 - c. Identification of **2022 funded Programs/Activities/Projects (P/A/Ps)** with recurrent maintenance and other operating expenses.
- 5.2 The Personnel Services (PS) level shall be based on the total number of authorized positions as of March 31, 2022. 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 and Offices after the Tier 2 deliberations. PS requirements as indicated in the Ministry/Office ceiling **cannot be reallocated** to other expenditure items.

6.0 GUIDELINES FOR BUDGET PROPOSALS/SUBMISSIONS

- 6.1 Details of Tier 1 Budget Ceiling
- 6.1.1 Ministries and Offices shall program the details of the ceiling provided in the **Confirmation Letter** per P/A/P in the corresponding Bangsamoro Budget Preparation (BBP) Forms. Ministries and Offices shall strictly comply with the specific instructions in accomplishing the BBP Forms, issued under the Bangsamoro Budget Memorandum 2022-01, dated March 25, 2022, otherwise known as the *Bangsamoro Budget Call for FY 2023*.
 - 6.1.2 To streamline the assessment of the proposed expansion of Tier 1 P/A/Ps, Ministries and Offices shall accomplish the **BBP Form 310-a** to reflect adequate details of the Tier 1 P/A/Ps.
- 6.2 Requirements of Tier 2 Proposals
- 6.2.1 For the FY 2023 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.

- 6.2.2 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 proposal².
- 6.2.3 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.
- 6.2.4 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.
- 6.2.5 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.
- 6.2.6 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 2023.
- 6.2.7 In view of the above requirements, close coordination is important and necessary among the Budget Officers of the Ministries and Offices and their counterparts in the Planning and Operations Units in the crafting and formulation of the proposed program/project and its accompanying BBP 310-b and other forms.

7.0 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 2023.

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

² 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.

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:

7.1.1 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 consistent with Item 5.4 of Bangsamoro Budget Call for FY 2023, 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.

7.1.2 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.

8.0 PROCEDURE FOR PROCESSING OF PROPOSALS

8.1 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:

8.1.1 Endorsing Authorities

All information and communication technology-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 Item 5.9 of Bangsamoro Budget Call for FY 2023 and the respective guidelines presented during the Bangsamoro Budget Forum for FY 2023.

In addition, all environment-related P/A/Ps in the budget proposals shall be subject to the Climate Change Expenditure tagging of the endorsing authority stated under Item 5.9 of the Bangsamoro Budget Call for FY 2023.

8.1.2 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 enhanced 12-Point Priority Agenda.

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

8.3 Only the proposals that pass the respective review process/es **will be considered** for funding and inclusion in the FY 2023 Bangsamoro Expenditure Program.

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

9.0 For immediate compliance.


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MINISTER



MINISTRY OF FINANCE, AND
BUDGET AND MANAGEMENT-BARMM

RELEASED

BY: S. L. J. DATE: 04/25/22 TIME: 1:48