



5 November 2020

**MEMORANDUM NO. 454**  
Series of 2020

**T O: Dr. Remberto A. Patindol**  
**Dr. Beatriz S. Belonias**  
**Ms. Connel B. Antipaso**  
**Regent Bon Anthony F. Costillas**  
**Ms. Louella C. Ampac**  
**Ms. Ma. Roberta S. Miraflor - Secretary**

**R E: Composition of the Employees' Organization-Management Consultative Committee Per Budget Circular No. 2020-5 dated November 4, 2020**

With Dr. Remberto A. Patindol as Chairperson and Ms. Ma. Roberta S. Miraflor as Secretary, please constitute yourselves into an Employees' Organization-Management Consultative Committee to determine if the university is qualified for the grant of the 2020 CNA incentive based on the compliance with the provision of Budget Circular No. 2020-5 dated November 4, 2020 providing for the Guidelines on the Grant of Collective Negotiation Agreement (CNA) Incentive for FY 2020. Your committee is requested to review financial records and make recommendations for the following:

1. Amount of MOOE funds saved and available due to cost cutting and systems improvement;
2. Apportionment of the available funds;
3. Internal guidelines and specific criteria in determining who are entitled and the rate of CNA incentive.

Please submit your recommendations/resolution to this office not later than November 20, 2020 so that the necessary request for approval in the release of said incentive can be immediately submitted to the Department of Budget and Management.

Please be guided accordingly.

  
**EDGARDO E. TULIN**  
President



REPUBLIC OF THE PHILIPPINES  
**DEPARTMENT OF BUDGET AND MANAGEMENT**  
BONCODIN HALL, GENERAL SOLANO STREET, SAN MIGUEL, MANILA

**BUDGET CIRCULAR**

No. 2020 - 5  
November 4, 2020

**TO :** Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including Constitutional Offices Enjoying Fiscal Autonomy; State Universities and Colleges (SUCs); Government-Owned or -Controlled Corporations (GOCCs); Local Water Districts (LWDs); Local Government Units (LGUs); and All Others Concerned

**SUBJECT :** Guidelines on the Grant of the Collective Negotiation Agreement (CNA) Incentive for FY 2020

**1.0 Background**

- 1.1 Administrative Order (AO) No. 135<sup>1</sup>, s. 2005 authorizes the grant of the CNA Incentive to government employees and directs the Department of Budget and Management (DBM) to issue the necessary policy and procedural guidelines for its implementation.
- 1.2 Item (4)(h)(ii)(aa) of the Congress Joint Resolution (JR) No. 4, s. 2009<sup>2</sup>, institutionalizes the grant of the CNA Incentive as a form of reward to motivate employee efforts toward higher productivity, to wit:

*"(aa) Collective Negotiation Agreement (CNA) Incentive - This may be granted to both management and rank-and-file employees of agencies with approved and successfully implemented CNAs in recognition of their efforts in accomplishing performance targets at lesser cost, in attaining more efficient and viable operations through cost-cutting measures and systems improvement xxx."*

<sup>1</sup> Authorizing the Grant of Collective Negotiation Agreement (CNA) Incentive to Employees in Government Agencies  
<sup>2</sup> Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and for Other Purposes



- 1.3 Section 71 of the General Provisions of the FY 2020 General Appropriations Act (GAA) provides the rules in the grant of the CNA Incentive, as follows:

*"Sec. 71. Rules in the Grant of Collective Negotiation Agreement Incentive. Departments, bureaus, and offices of the National Government, including Constitutional Offices enjoying fiscal autonomy and SUCs may grant collective negotiation agreement (CNA) Incentive sourced from the allowable MOOE allotments identified by the DBM, subject to the following:*

- (a) *There is a valid CNA executed between the agency and the recognized employee organization which includes a provision on cost-cutting measures to be undertaken collectively by the agency and its personnel;*
- (b) *The one-time annual payment of CNA Incentive shall be made through a written resolution signed by agency representatives from both labor and management, and approved by the agency head;*
- (c) *The CNA Incentive that may be granted shall be limited to the amount determined by the DBM; and*
- (d) *The use of MOOE for the payment of CNA Incentive shall be subject to approval by the agency head and made only during the validity of appropriations. Any excess amounts therefrom after payment of the CNA Incentive shall revert to the General Fund.*

*GOCCs and LGUs may likewise grant CNA Incentive to their respective personnel, subject to the policies, rules, and regulations issued by the DBM."*

- 1.4 Section 3 of AO No. 25<sup>3</sup> dated December 21, 2011 mandates that the harmonized Results-Based Performance Monitoring System shall be used as a basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel, including the CNA Incentive.

## **2.0 Purpose**

This Circular is issued to provide the policy and procedural guidelines on the grant of the CNA Incentive for FY 2020, pursuant to the laws and executive issuances stated in Item 1.0 hereof.

## **3.0 Coverage**

This Circular covers the following civilian personnel occupying regular, contractual, or casual positions rendering services on full-time or part-time basis in national government agencies (NGAs), including Constitutional

<sup>3</sup> Creating an Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems



Offices enjoying fiscal autonomy, SUCs, GOCCs, LWDs, and LGUs, whether or not covered by Republic Act (RA) No. 6758<sup>4</sup>:

- 3.1 Rank-and-file employees who are members of an employees' organization accredited by the Civil Service Commission (CSC) as the sole and exclusive negotiating agent (hereinafter referred to as "*negotiating agent*") in accordance with the rules and regulations issued by the Public Sector Labor Management Council (PSLMC);
- 3.2 Rank-and-file employees who are non-members of the CSC-accredited sole and exclusive negotiating agent but want to enjoy or accept benefits under the CNA, subject to payment of agency fee to the negotiating agent in accordance with PSLMC Resolution No. 1<sup>5</sup>, s. 1993; and
- 3.3 Those who perform managerial functions.

#### **4.0 Policy Guidelines**

##### **4.1 Conditions for the Grant of the CNA Incentive**

###### **4.1.1 Existence of a CNA**

- (a) There should be a valid and subsisting CNA executed between the representatives of the management and the employees' organization accredited by the CSC as the sole and exclusive negotiating agent for the purpose of collective negotiations with the management of a department, line bureau, attached agency, Constitutional Office, SUC, GOCC, LWD, or LGU.

The registration of the employees' organization of its respective CNA with the CSC is not a condition precedent for the grant of the CNA Incentive.

- (b) The grant of the CNA Incentive must be stipulated in the CNA or in supplements thereof.

###### **4.1.2 Accomplishment of Targets**

- (a) The NGAs, including Constitutional Offices enjoying fiscal autonomy, SUCs, and GOCCs not covered by RA No. 10149<sup>6</sup> should have accomplished, by September 30, 2020, at least an average of 70% of all the targets for all the organizational outcomes/performance indicators under their respective FY 2020 budget

<sup>4</sup> An Act Prescribing a Revised Compensation and Position Classification in the Government and for Other Purposes

<sup>5</sup> Agency Fee from Non-Members of the Accredited Recognized Collective Negotiation Agent

<sup>6</sup> An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes



approved by Congress, or the approved FY 2020 Corporate Operating Budget (COB), whichever is applicable.

- (b) GOCCs covered by RA No. 10149 should have accomplished, by September 30, 2020, at least an average of 70% of all the targets under their respective Performance Scorecard, as agreed upon between the Governance Commission for GOCCs (GCG) and the GOCC pursuant to GCG Memorandum Circular No. 2017-02<sup>7</sup> dated June 30, 2017.
- (c) LWDs should have a positive net balance in the average net income for the period January 1 to September 30, 2020, to be validated by the Local Water Utilities Administration.
- (d) LGUs should have accomplished, as of September 30, 2020, at least an average of 70% of all the targets under their programs/activities/projects approved in their LGU budget for FY 2020.

The accomplishment by the NGAs, GOCCs, LWDs, and LGUs of at least 70% of its targets is without prejudice to the exclusion of those targets/outputs critically affected by the imposed restrictions/limitations due to COVID-19.

#### 4.1.3 *Submission of Accountability Reports*

The NGAs, including Constitutional Offices enjoying fiscal autonomy and SUCs, should have submitted to DBM their respective accountability reports as of September 30, 2020 pursuant to Commission on Audit (COA)-DBM Joint Circular (JC) No. 2014-1<sup>8</sup> dated July 2, 2014, as amended by COA-DBM JC No. 2019-1<sup>9</sup> dated January 1, 2019.

#### 4.2 **Rate of the CNA Incentive**

- 4.2.1 The rate of CNA Incentive shall not be pre-determined in the CNA since it is subject to compliance with the conditions in Item 4.1 hereof and the availability of the allowable allotments.
- 4.2.2 The CNA Incentive may be given equally to all qualified employees under Item 3.0 hereof or at varying rates in consideration of the employee's or his/her office's contribution to the accomplishment of performance targets, efficiency, productivity, or profitability, as determined by the agency head

<sup>7</sup> Interim Performance Evaluation System for the GOCC Sector

<sup>8</sup> Guidelines Prescribing the Use of Modified Formats of the Budget and Financial Accountability Reports

<sup>9</sup> Updated Guidelines Relative to Budget and Financial Accountability Reports (BFARs) Starting FY 2019



upon recommendation of the Employees' Organization-Management Consultative Committee.

- 4.2.3 In all cases, the CNA Incentive shall **not exceed P25,000** per qualified employee.

#### 4.3 **Fund Sources of the CNA Incentive**

##### 4.3.1 *For NGAs, Including Constitutional Offices and SUCs*

The CNA Incentive shall be sourced solely from the available balances of allowable Maintenance and Other Operating Expenses (MOOE) allotments after considering the FY 2020 requirements and compliance with the COVID-19 measures prescribed under Republic Acts No. 11469 and No. 11494, provided further that the same have become available as a result of cost-cutting and systems improvement measures undertaken collectively by the agency and its personnel, as identified in their respective CNA and supplements thereof. Such fund sources shall be limited to the following MOOE items defined under the Government Accounting and Auditing Manual:

- (a) Advertising Expenses;
- (b) Communication Expenses;
- (c) Printing and Publication Expenses;
- (d) Repairs and Maintenance;
- (e) Subscription Expenses;
- (f) Supplies and Materials Expenses;
- (g) Transportation and Delivery Expenses;
- (h) Traveling Expenses; and
- (i) Utility Expenses.

##### 4.3.2 The following shall, in no case, be used as fund source of the CNA Incentive:

- a. Balances of allotment for programs/activities/projects which were later discontinued or deferred; and
- b. Released allotments intended for acquisition of goods and services to be distributed/delivered to, or to be used by agency clients.

##### 4.3.3 Items under Personnel Services, other MOOE, and/or Capital Outlay shall not be used to increase the allowable MOOE items as fund source for the FY 2020 CNA Incentive.

##### 4.3.4 *For GOCCs*

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2020, as enumerated in Item 4.3.1



hereof, under their respective approved COBs, provided that the following conditions are complied with:

- (a) Actual operating income for the period January 1 to September 30, 2020 shall, at least, meet the targeted operating income in the approved COB for the same period. For GOCCs, which by the nature of their functions consistently incur losses, the current year's operating loss should have been minimized or reduced compared to or at most equal to that of the prior year's level;
- (b) Actual operating expenses as of September 30, 2020 are less than the DBM-approved level of operating expenses in the COB so as to generate sufficient source of funds for the payment of CNA Incentive; and
- (c) For income generating GOCCs required to remit earnings, an amount equivalent to at least 50% of the annual earnings of the immediately preceding year should have been remitted to the National Treasury in accordance with Section 3 of RA No. 7656<sup>10</sup>.

#### 4.3.5 For LWDs

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2020, as enumerated in Item 4.3.1, under their Board of Directors-approved COBs, subject to the provisions of Item 4.1.2(c) hereof.

#### 4.3.6 For LGUs

The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2020, as enumerated in Item 4.3.1, under their respective approved LGU budgets.

### 4.4 Payment of the CNA Incentive

- 4.4.1 The CNA Incentive for the year shall be a **one-time benefit** to be granted not earlier than December 15, 2020.
- 4.4.2 It cannot be given immediately upon signing and ratification of the CNA as this will transform the CNA Incentive into a CNA Signing Bonus which the Supreme Court, in the case of *Social Security System vs. COA*<sup>11</sup>, has prohibited for not being a truly reasonable compensation.

<sup>10</sup> An Act Requiring Government-Owned or -Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for Other Purposes

<sup>11</sup> 384 SCRA 548

4.4.3 The CNA Incentive for the year shall be granted only during the validity of appropriations from which the available MOOE allotments shall be sourced.

4.4.4 The amount paid as CNA Incentive shall be recorded in the agency books under the account code "Collective Negotiation Agreement Incentive-Civilian," "Other Benefits," and "Collective Negotiation Agreement Incentive" for NGAs, LGUs, and GOCCs, respectively.

## 5.0 Procedural Guidelines

5.1 An Employees' Organization-Management Consultative Committee (Committee, for brevity) or a similar body composed of representatives from management and the negotiating agent shall determine if the agency is qualified for the grant of CNA Incentive based on compliance with the requirements under this Circular.

If qualified, the Committee shall review the agency's financial records and submit recommendations on the following matters, through a written resolution, for approval by the agency head:

5.1.1 The total amount of allowable MOOE allotments in Item 4.3 hereof which has become available as a result of cost-cutting and systems improvement measures identified in the CNAs and supplements thereof, and which was the result of the joint efforts of management and employees;

5.1.2 The internal guidelines to be followed in the grant of the CNA Incentive, such as: (i) *the specific criteria for determining who are entitled*; and (ii) *the distribution of the amount available and the rate of the CNA Incentive in accordance with Item 4.2 hereof*.

5.1.3 As provided under Section 71(d) of the General Provisions of the FY 2020 GAA, the payment of the CNA Incentive shall be subject to approval by the Agency head and made only during the validity of appropriations. Any excess amount from the allowable MOOE allotments after payment of the CNA Incentive shall revert to the General Fund.

5.2 In large departments wherein employees' organizations in the regional offices have been accredited by the CSC as the negotiating agent/s, the Department Secretary or his duly authorized representative should provide internal guidelines to ensure uniformity and equity in the negotiation process, monitor the progress of simultaneous negotiations, and ensure compliance with the provisions of this Circular.



## **6.0 Reportorial Requirement**

Each NGA and SUC shall submit to the DBM's Budget and Management Bureau or Regional Office concerned not later than January 31, 2021, the annual report on the grant of the CNA Incentive by following the template in Annex "A."

## **7.0 Responsibility of Agencies**

Agency heads and accountable officers shall be responsible for the proper implementation of the provisions of this Circular in their respective offices. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of the CNA Incentive not in accordance with the provisions of this Circular, without prejudice to refund by the employees concerned of any unauthorized or excess payment thereof.

## **8.0 Repealing Clause**

All existing circulars or issuances on the grant of the CNA Incentive which are inconsistent herewith are hereby repealed or modified accordingly.

## **9.0 Effectivity**

This Circular shall take effect immediately.

  
**WENDEL E. AVISADO**  
*Secretary*



**Report on the Payment  
of Collective Negotiation Agreement (CNA) Incentive For  
FY \_\_\_\_\_**

**Department/Agency:** \_\_\_\_\_

**I. If CNA Incentive Was Granted**

**Total Amount Paid for the CNA Incentive:**

Number of Qualified Personnel

Regular

xxx

Contractual

xxx

Casual

xxx

Total

xxxx

Rate of CNA Incentive

\_\_\_\_\_

Total Amount Paid

\_\_\_\_\_

**Fund Sources:**

Object of Expenditures

xxx

xxx

xxx

xxx

xxx

Total

xxxx

**II. If the CNA Incentive Was Not Granted**

Please state reason/s for non-grant

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Submitted by:

Certified Correct:

\_\_\_\_\_  
Head, Finance/Administrative Unit

\_\_\_\_\_  
Agency Head