

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTENAL REVENUE

Quezon City

May 14, 2009

REVENUE MEMORANDUM CIRCULAR NO. 35-2009

SUBJECT: Publishing the full text of NATIONAL BUDGET CIRCULAR No. 519 dated March 27, 2009 by the Secretary of the Department of Budget and Management, entitled Guidelines on the Release of Funds for FY 2009

TO : All Internal Revenue Officials, Employees and Others Concerned

For the information and guidance of all concerned, quoted hereunder is the full text of National Budget Circular No. 519 dated March 27, 2009 by the Secretary of the Department of Budget and Management:



"REPUBLIC OF THE PHILIPPINES
Department of Budget and Management
Malacañang, Manila

NATIONAL BUDGET CIRCULAR

NO. 519
March 27, 2009

TO : All Heads of Departments / Agencies / State Universities and Colleges and Other Offices of the National Government, Government Owned or Controlled Corporations and Local Government Units; Budget Officers; Heads of Accounting Units and All Others Concerned

SUBJECT : Guidelines on the Release of Funds for FY 2009

1.0 PURPOSE

- 1.1 To provide the budgetary policies, rules and regulations on the release and utilization of funds for FY 2009;
- 1.2 To prescribe the procedural guidelines on the treatment of fund releases and utilization prior to and after the approval of the FY 2009 General Appropriations Act (GAA) under R.A. No. 9524; and,
- 1.3 To reiterate existing policies and procedures on fund release/utilization as well as the required budgetary reports.

2.0 COVERAGE

All government agencies, including Local Government Units (LGUs) and Government Owned or Controlled Corporations (GOCCs) receiving budgetary support from the national government in FY 2009.

3.0 GENERAL GUIDELINES

- 3.1 The effectivity date of the FY 2009 GAA under R.A. No. 9524 is **April 1, 2009**. Thus, all unutilized allotments of agencies as of March 31, 2009 out of the SAROs issued chargeable against the FY 2008 GAA (R.A. No. 9498 as reenacted) shall no longer be available for obligation.
- 3.2 Consistent with the Fiscal Program set for FY 2009, allotment releases during the year from all sources shall be within the FY 2009 Allotment Release Program (ARP). The ARP of each department/agency shall be an amount equal to the level of the department/agency budget under the FY 2009 GAA or the National Expenditure Program (NEP), whichever is lower, to wit:
 - 3.2.1 New GAA; and,
 - 3.2.2 Automatic appropriations i.e., Retirement and Life Insurance Premiums (RLIP) which shall be computed at twelve percent (12%) of the itemized salaries except for agencies which are not covered by the GSIS Retirement Law and Special Accounts in the General Fund (SAGF), among others.
- 3.3 The following items shall likewise be charged against the agency ARP and shall **not** be considered as an "add-on":
 - 3.3.1 Obligations of the agency during the following periods:
 - 3.3.1.1 Overdraft in obligations from January 2 to March 31, 2009 charged against R.A. No. 9498 as reenacted pursuant to Circular Letter (CL) Nos. 2009-1, 2009-3 and 2009-5;

- 3.3.1.2 Obligations from January 2 to March 31, 2009 charged against SAROs issued under R.A. No. 9498, as reenacted pursuant to CL No. 2009-2; and,
 - 3.3.1.3 Obligations to be incurred by agencies starting April 1, 2009, as authorized under item **3.6** of this Circular.
 - 3.3.2 Releases from the Continuing Appropriations, R.A. No. 9498; and,
 - 3.3.3 Releases from the Unprogrammed Fund (UF) under R.A. No. 9524.
- 3.4 To provide departments/agencies with budgetary support for expenditure items not provided in their regular budget, they may avail of additional budgetary provisions from the multi-user Special Purpose Funds (SPFs) such as Calamity Fund, Contingent Fund, E-Government Fund, International Commitments Fund, Miscellaneous Personnel Benefits Fund (MPBF), National Unification Fund, Priority Development Assistance Fund and Pension and Gratuity Fund (PGF). Releases from these SPFs are considered **over and above** the department/agency ARP.
- 3.5 The obligational authorities for agencies to enter into commitments or incur obligations during the year shall be issued comprehensively thru the Agency Budget Matrix (ABM) and thru issuance of SAROs. On the other hand, the disbursement authorities for agencies to pay the goods/services delivered and projects completed shall be thru issuance of Notice of Cash Allocation (NCA), Non Cash Availment Authority (NCAA) and Cash Disbursement Ceiling (CDC).
- 3.6 Upon effectivity of the FY 2009 GAA i.e., **April 1, 2009** and pending approval of the ABM, departments/agencies are authorized to incur obligations which shall be charged against the amount to be comprehensively released through the ABM.
- 3.7 To strengthen performance evaluation during budget execution, the level of agency performance in terms of physical outputs as well as utilization of funds in the production/delivery of goods/services to the public vis-à-vis plans/targets for the same period shall be measured thru the conduct of the Agency Performance Review (APR).
- 3.7.1 Under this process, departments/agencies are required to prepare and submit to DBM, the **Budget Execution Documents (BEDs)** containing the financial and physical plans/targets and **Budget Accountability Reports (BARs)** containing their accomplishments for FY 2009, prescribed under NBC Nos. 507 and 507-A.
 - 3.7.2 Results of the APR will be used as basis for deciding the necessity of any of the following:

- 3.7.2.1 Release of the balance of the “For Later Release” under Not Needing Clearance portion of the approved ABM;
 - 3.7.2.2 Additional release from SPFs;
 - 3.7.2.3 Withdrawal of released allotment;
 - 3.7.2.4 Approval of requests for realignment; or,
 - 3.7.2.5 Revision of plans/targets as reflected in their submitted BEDs.
 - 3.7.3 In the release of additional funds, the “no report, no release” policy (as it applies to the submission of BEDs and BARs) shall be strictly enforced.
- 3.8 Agencies are authorized the following flexibilities under certain provisions of the FY 2009 GAA (R.A. No. 9524):
- 3.8.1 Use of Savings under Agency Specific Budget
 - 3.8.1.1 Augmentation of any item of expenditure within Maintenance and Other Operating Expenses (MOOE) without prior approval of the DBM with the exception of confidential and intelligence fund, in accordance with General Provision (GP) No. 61 of R.A. No. 9524.
 - 3.8.1.2 Payment of any deficiency in the actual requirements for compensation, Year-End Benefits, Retirement Gratuity and Terminal Leave (RG/TL), pensions and other personnel benefits which shall be given priority in the use of savings as defined under GP No. 60 of R.A. No. 9524. In no case, however, can any excess provision or release for RLIP be considered as savings of the agency.
 - 3.8.1.3 Payment of honoraria in accordance with GP No. 46 of R.A. No. 9524, Budget Circular Nos. 2003-5, 2007-1 and 2, National Budget Circular No. 2007-510 and other guidelines that may be issued by DBM.
 - 3.8.1.4 Payment of Collective Negotiation Agreement benefits if these resulted in improved systems and efficiencies and thus enabled agencies to meet and deliver their required plans/targets as reflected in their BEDs.
 - 3.8.2 Use of Fees and Excess Income

- 3.8.2.1 Use of fees collected from seminars, trainings and conferences for the purpose of conducting said activities, in accordance with GP No. 9 of R.A. No. 9524.
- 3.8.2.2 Use of proceeds from sale of official publications for the purpose of defraying the cost of preparing, printing and disseminating such publications provided that the agency was not provided any amount or had insufficient funds programmed under their regular budget for the said purpose, in accordance with GP No. 10 of R.A. No. 9524.
- 3.8.2.3 Use of proceeds of sale of obsolete, unnecessary equipment for the purchase of new ones and the rehabilitation of existing vital equipment, in accordance with GP No. 11 of R.A. No. 9524.
- 3.8.2.4 Use of service fees collection from BIR, GSIS, HDMF and PHIC, mutual benefits associations/cooperatives for the operation of a Provident Fund established in favor of all its employees, in accordance with GP No. 41 of R.A. No. 9524.
- 3.8.2.5 Use of excess income realized and deposited with the Bureau of the Treasury pursuant to Special Provision No. 9 of the Unprogrammed Fund under R.A. No. 9524 to augment their operating requirements except Personal Services (PS). It must be emphasized, however, that agencies already authorized by law to retain all or portion of their income collections for their operating requirements are no longer qualified to avail of use of excess income.

3.9 The following budgetary policies are hereby reiterated:

3.9.1 Validity of Funds Available to the Agency in FY 2009

- 3.9.1.1 Continuing Appropriations for MOOE and Capital Outlay (CO) under the FY 2008 GAA, R.A. 9498 shall be available for release and obligation **up to December 31, 2009.**
- 3.9.1.2 Appropriations under FY 2009 GAA, R.A. 9524 shall be available for release and obligation **up to December 31, 2010** with the exception of PS, which shall lapse at the end of the current year.
- 3.9.1.3 All SAROs issued chargeable against the FY 2008 GAA (R.A. 9498, as reenacted) shall be valid for obligation **up to March 31, 2009 only**, while the FY 2009 GAA is not yet in effect.

3.9.1.4 NCAs issued shall be available to the agencies, as follows:

- o NCA issued and credited to the Regular MDS Accounts of agencies for their regular operations which are programmed for a specific month shall be valid only **until the last working day of the said month**. To maximize the available NCAs of the agency, the Common Fund System policy shall continue to be used. Under this System, cash allocation balances of agencies under the Regular MDS Account may be used to cover payment of current years' A/Ps i.e., goods and services which have been delivered during the year charged against their prior year's budget, after satisfying their regular operating requirements as reflected/ considered in their Monthly Cash Program (MCP).
- o NCA issued and credited to the Special MDS Accounts of agencies for payment of retirement gratuity/terminal leave benefits as well as prior years' accounts payable shall be valid **until the last working day of the following month** when the NCA was issued.

3.9.2 To provide DBM sufficient time to evaluate agency requests and enable the agencies to implement their projects/activities within schedule, the following deadlines shall be observed:

3.9.2.1 Requests for realignment of released allotment under the **FY 2008** Budget shall be submitted to DBM **until June 30, 2009**.

3.9.2.2 The deadline for the submission of requests for any release requiring issuance of SARO and NCA in FY 2009 shall be on **November 15, 2009**.

4.0 SPECIFIC GUIDELINES

To facilitate the release of funds for FY 2009 chargeable against the New GAA (R.A. No. 9524) and Automatic Appropriations, the following procedures shall be adopted:

4.1 Preparation of the ABM

- 4.1.1 The ABM , which shall be prepared by DBM, in coordination and consultation with agencies (format shown in **Annex A**), shall be presented by:

- 4.1.1.1 Funding source i.e.,
 - o Agency specific budget under the FY 2009 GAA; and,
 - o Automatic Appropriations under the FY 2009 BESF (Table H) i.e., RLIP, SAGF and other items classified as such.
- 4.1.1.2 Operating unit (OU) i.e., agency receiving NCA directly from DBM;
- 4.1.1.3 Allotment class i.e., PS, MOOE and CO; and,
- 4.1.1.4 Programs/Activities/Projects (P/A/Ps), consistent with the presentation under the FY 2009 GAA.

For Foreign Assisted Projects (FAPs) allocation, the ABM should be further broken down into Peso Counterpart (PC)/Loan Proceeds (LP) and project/category/component per allotment class basis.

- 4.1.2 The ABM shall reflect the following disaggregation of the agency budget under the FY 2009 GAA:

- 4.1.2.1 **Withheld Portion** – pertains to the amount programmed for operating requirements of OUs from January 2 to March 31, 2009 under the FY 2009 GAA. This includes the total amount of SAROs issued chargeable against FY 2008 GAA (R.A. 9498, as reenacted); and,

- 4.1.2.2 **Net Program** – pertains to the amount programmed for the operating requirements of OUs from April 1 to December 31, 2009 under the FY 2009 GAA. (The Net Program is the difference between the FY 2009 GAA and the Withheld Portion of the ABM).

- 4.1.3 The Net Program portion of the ABM shall be segregated into Needing Clearance (NC) and Not Needing Clearance (NNC).

- 4.1.4 The **NC portion** of the ABM which refers to the following budgetary allocation in the agency specific budgets shall be released upon compliance of certain documentary requirements:

- 4.1.4.1 Confidential and Intelligence Fund which is subject to prior approval of the President of the Philippines;

- 4.1.4.2 Procurement of motor vehicles and motorized equipment which are subject to prior approval either by the DBM or the President of the Philippines, as the case maybe, pursuant to existing and other guidelines that may be issued for the purpose;
 - 4.1.4.3 Lump-sum appropriations or centrally-managed items (CMIs) under the agency's approved budget corresponding to items or activities which do not have specific details thereby necessitating the submission of certain documentary requirements prior to its release, such as:
 - o Creation or expansion of new agencies and organizational units;
 - o Creation of new positions;
 - o Reclassification of positions;
 - o Newly legislated schools;
 - o Amount appropriated for the Equivalent Record Form and Master Teacher;
 - o Nationwide, region-wide and district-wide lump-sum for infrastructure and non-infrastructure projects;
 - o Special Purpose Funds of the Regional Governor and Vice Regional Governor as well as the share in internal revenue collections under the budget of the Autonomous Region of Muslim Mindanao; and,
 - o All other lump-sum amounts under agency specific budgets.
 - 4.1.4.4 Budgetary provision for unfilled positions under the budgets of agencies;
 - 4.1.4.5 Annually appropriated SAGF built-in under the agency budget;
 - 4.1.4.6 Budgetary support/assistance of the national government to the GOCCs and LGUs;
 - 4.1.4.7 Budgetary allocation by the legislature which provided additional amounts for programs or projects or which introduced new items in the budgets of some departments, bureaus, offices and agencies; and
 - 4.1.4.8 Budgetary items/provisions for Conditional Implementation under the President's Veto message, which are subject to specific guidelines to be issued by the appropriate agencies.
- 4.1.5 The **NNC portion** of the ABM refers to items in the agency budget under the FY 2009 GAA **not** included under item **4.1.4** of this Circular. This shall further be disaggregated into

two portions: “**This Release**” i.e., which accounts the comprehensive release of allotment and “**For Later Release**” which corresponds to the difference between the NNC and the “This Release” column of the ABM.

4.1.6 The allotments to be comprehensively released which shall be reflected in the “**This Release**” of the ABM shall be equivalent to the following:

- o For **PS – 100%** of the NNC portion of the OU's ABM, pertaining to filled positions only (consistent with item 4.1.4.4 of this Circular); and,
- o For **MOOE and CO – at least 50%** of the NNC portion of the OU's ABM. For appropriation items, however, for which entering into contracts cannot be made on a piecemeal or by phase basis, release for the same may be made in full.

4.1.6.1 The total amount of comprehensive release shall be highlighted in bold words on the last page of the ABM and broken down by allotment class i.e., PS, MOOE and CO.

4.1.6.2 It is emphasized that since the effective date of the approved ABM is April 1, 2009, obligations incurred by OUs under item **3.6** of this Circular shall be charged against the amount comprehensively released under the ABM.

4.1.7 The following built-in appropriation items under the FY 2009 GAA, although part of the comprehensive release of the NNC portion of the ABM, can only be obligated by the OU subject to compliance with the required clearance/approval/documentation:

- 4.1.7.1 Computers and other information technology equipment which need clearance/approved Information Systems Strategic Plan from the National Computer Center under the Commission on Information and Communications Technology of the Office of the President;
- 4.1.7.2 Communication equipment which require clearance from the National Telecommunications Commission;
- 4.1.7.3 Firearms which need the prior approval of the Philippine National Police;
- 4.1.7.4 Research and development in the natural, agricultural, technological and engineering sciences which has not yet been approved by the Department of Science and Technology and/or the Department of Agriculture;

- 4.1.7.5 Books to be produced by agencies other than schools and The National Library exceeding the authorized five (5) copies per title, which need prior approval from DBM;
- 4.1.7.6 On-going FAPs which require the attainment of certain conditionalities; and,
- 4.1.7.7 Grants, subsidies and contributions which must be supported by details indicating among others, the purpose, amount intended for each beneficiary and the list of recipients.

4.2 Approval of the ABM

- 4.2.1 The ABMs i.e., for agency specific budget as well as automatic appropriation shall be signed/approved by the DBM Secretary or his authorized representative. ABMs of SUCs, MMDA, the Pasig River Rehabilitation Commission and the regionalized portion of the DPWH, DepEd, DOH, TESDA and CHED shall be signed/approved by the concerned DBM Regional Director.
- 4.2.2 The original copy of the approved ABM shall be issued by the DBM to the agency/OU.

4.3 Release of SARO

- 4.3.1 The allotments for the following items shall be issued thru SAROs:
 - 4.3.1.1 Overdraft in obligations incurred from January 2 to March 31, 2009 chargeable against FY 2008 GAA (R.A. 9498 as reenacted) authorized under CL Nos. 2009-1, 2009-3 and 2009-5;
 - 4.3.1.2 Adjustments of the SAROs issued from January 2 to March 31, 2009 chargeable against FY 2008 GAA (R.A. 9498 as reenacted):
 - o Withdrawal of unutilized allotments as of March 31, 2009 out of the said SAROs; and,
 - o If necessary, re-issuance of the withdrawn unutilized allotments chargeable against FY 2009 GAA, R.A. 9524.
 - 4.3.1.3 "For Later Release" portion of the ABM;
 - 4.3.1.4 Items categorized under NC portion of the ABM;
 - 4.3.1.5 CMIs or lump-sum appropriations under the agency specific budget;

- 4.3.1.6 Realignments between the NNC and NC Portions of the ABM; and,
- 4.3.1.7 Charges against Multi-user SPFs.
- 4.3.2 For overdraft in obligations incurred from January 2 to March 31, 2009:
 - 4.3.2.1 OUs shall submit to DBM their Financial Report of Operations (FRO) or Statement of Allotments, Obligations and Balances (SAOB) for the period January 2 to March 31, 2009 reflecting total overdrafts in allotment and overdrafts in obligations authorized pursuant to the Circulars cited under item 4.3.1.1, segregated as follows:
 - o Regular operating expenditures;
 - o RLIP and SAGFs.
 - 4.3.2.2 DBM shall issue separate SAROs to cover said overdrafts in allotments and overdraft in obligations, chargeable against the following:
 - o Agency Regular Budget, R.A. 9498, as reenacted – for regular operating requirements; and,
 - o Automatic Appropriations – for RLIP and SAGFs.
 - 4.3.2.3 OUs shall, upon receipt of the SAROs covering the overdraft incurred for the period January 2 to March 31, 2009, adjust the authorized/recorded overdraft in allotments and overdraft in obligations in their books.
- 4.3.3 For the adjustments of the SAROs issued from January 2 to March 31, 2009 chargeable against the FY 2008 GAA (R.A. 9498 as reenacted):
 - 4.3.3.1 OUs shall submit separate FRO or SAOB reflecting the actual allotment releases, obligations incurred and unutilized allotments as of March 31, 2009.
 - 4.3.3.2 If unutilized allotment is still needed by the agency concerned, DBM may:
 - o Issue SARO to cover withdrawal of the said unutilized allotment reported by the agency.

- o Issue another SARO chargeable against the FY 2009 GAA, R.A. 9524, for the amount corresponding to the withdrawn unutilized allotment.
- 4.3.4 Release of the "For Later Release" portion of the ABM shall be subject to the results of the APR conducted by DBM **while** release of the items categorized under NC portion of the ABM shall be subject to the submission of Special Budget Requests (SBRs) duly supported with the required documentary requirements cited under item **4.1.4** of this Circular.
- 4.3.5 For CMIs or lump-sum appropriations under the agency specific budget.
 - 4.3.5.1 Departments/agencies concerned shall submit to DBM, their SBR supported with the following:
 - o Specific OUs identified to implement the project and amount allocated to each OU;
 - o Financial Program i.e., Obligational Program and MCP; and,
 - o Physical targets to determine the specific activities to be undertaken during project implementation.
 - 4.3.5.2 DBM shall issue the SARO directly to the OUs indicated in the list submitted by the departments/agencies.
- 4.3.6 For realignments between the NNC and NC Portions of the ABM
 - 4.3.6.1 Once the approved ABM has been issued to the agency, any adjustment or revision in the amounts classified under the NNC and NC columns will necessitate the issuance of SARO by DBM.
 - 4.3.6.2 Request for realignments shall be submitted to DBM-Central Office or the concerned DBM-Regional Office, as the case may be.
- 4.3.7 For charges against Multi-user SPFs
 - 4.3.7.1 Agencies shall submit to DBM, an SBR for expenditures eligible to be charged against the multi-user SPFs.
 - 4.3.7.2 DBM shall, after thorough evaluation of the SBR, issue SARO consistent with the Special Provisions of the SPFs.

4.3.7.3 As a general rule, certain PS requirements/deficiencies of agencies are authorized to be charged against the following SPFs:

- o **MPBF** shall be used to fund PS deficiencies of employees who are still in the government service such as: authorized bonuses, allowances, premium payments and deficiency arising from the filling up of vacant positions.

For fund requirements resulting from filling up of vacant positions, the deficiency shall initially be charged against the available allotment of the agency. Release from the MPBF for the purpose shall only be made after the APR and if it has been determined that the PS deficiency can not be accommodated within the agency's available allotment.

- o **PGF** shall be used to fund PS requirements of retired government personnel such as: RG/TL, pension benefits authorized under existing laws and additional benefits authorized under the Rationalization Plan per E.O. No. 366. For retirement gratuity benefits, agencies are reminded to urge their retirees who are qualified to retire under R.A. No. 1616 to avail of the GSIS retirement package under R.A. No. 8291 or CA No. 660. In the event said retirees opt to avail of the benefits under R.A. No. 1616, their gratuity benefits shall be charged against available savings.

4.4 Issuance of Disbursement Authorities

4.4.1 As basis for DBM in determining the disbursement requirements of OUs in the implementation of their programs and projects, they shall submit their MCPs reflecting the monthly requirements.

4.4.2 Separate MCPs shall be prepared and submitted by the OUs corresponding to their available allotments, as follows:

4.4.2.1 Amounts comprehensively released under the ABM for FY 2009.

4.4.2.2 Additional releases thru SAROs from:

- o Specific agency appropriations under the FY 2009 GAA particularly the amounts under the "For Later Release" and NC portions of the approved ABM;
- o Claims against multi-user SPFs under the FY 2009 GAA;
- o Automatic Appropriations i.e., RLIP and SAGFs;

4.4.2.3 Continuing Appropriations (unobligated allotment) as of December 31, 2008. In this instance, copy of the last page of the Registries of Allotments and Obligations showing the Continuing Appropriations (MOOE and CO), prepared by the Budget Officer, should be submitted as supporting document.

4.4.3 The MCP of OUs shall reflect the following information:

4.4.3.1 Portion to be funded from the different types of disbursement authorities i.e., NCA, NCAA and CDC;

4.4.3.2 Breakdown of requirements by program/project and allotment class i.e., PS, MOOE and CO. Identification/segregation shall also be made as to Regular Programs including Locally Funded and Foreign Assisted Projects. For FAPs, the breakdown by PC and LP component portion should be reflected, with the LP portion further broken down into its cash and non-cash components.

4.4.3.3 For the period January 2 to March 31, 2009, the amount to be reflected in the MCP shall be the **actual** disbursements for the period.

4.4.4 On the release of NCA

4.4.4.1 The comprehensive NCAs to OU under the Regular MDS Account shall be based on their submitted MCP which should take into consideration the following:

- o The amount for PS should fully provide for all filled positions inclusive of the government counterpart contributions and timing of the grant of year-end benefits and other similar items of expenditures, including pensions for uniformed/military personnel and veterans.

- o Seasonal periods or peak and slack times in the provision of MOOE (when agencies' activities/work program require adjustment in operating expenses) should always be taken into consideration.
- o CO must likewise be programmed in accordance with scheduled work targets e.g., initial construction activities will only entail fifteen percent (15%) mobilization costs and the balance shall be in accordance with the work program. Likewise, equipment will require cash only on the expected delivery date and not at the bidding and procurement stages.
- o For FAPs, the release of the PC and LP components shall be synchronized. Moreover, the cash portion of the LP component shall be released only upon receipt of the BTr certification re: availability of LP from the foreign lending institution.

4.4.4.2 The cash requirements of **prior year's accounts payable (A/Ps)** i.e., for goods, services, projects delivered/rendered/completed and accepted during the previous years which remained unpaid up to the end of December 31, 2008 shall follow the guidelines prescribed under CL Nos. 2002-17, 2004-2 to 3 and 2005-2.

4.4.4.3 Cash requirement for **current year A/Ps** i.e., for goods/services/projects to be delivered/rendered/completed and accepted during the year (charged against FY 2009 and prior years' budget) shall be paid pursuant to the procedures prescribed under the circulars cited under item 4.4.4.2 above.

4.4.5 On the release of NCAA

4.4.5.1 Departments/agencies/OUTs availing of foreign loan proceeds through direct payment (i.e., creditors/suppliers directly paid by the lending institution upon request of the Implementing Agency) charged against available allotment, shall submit a request for the issuance of NCAA prior to submission of availment application to Foreign Lending Institutions.

4.4.5.2 Requests for NCAA shall be supported by the following as prescribed under CL No. 2003-12 dated December 4, 2003:

- o Photocopy of Application for Withdrawal or equivalent document covering the amount requested;
- o Certified list of obligated allotments issued for the project against which the disbursements shall be applied; and,
- o Details of disbursements expressed both in peso and equivalent foreign currency as indicated in the application.

4.4.6 On the release of CDC

- 4.4.6.1 CDC is an authority issued by DBM to DFA and DOLE to utilize their income collected/retained by their foreign service posts (FSPs) to cover its operating requirements but not to exceed the released allotment to the said post.
- 4.4.6.2 The agency shall submit a request for issuance of CDC, to be supported with the following:
 - o Accountability reports as consolidated by the DFA or DOLE Home Office; and,
 - FSP Monthly Report of Income
 - FSP Status of Working Fund
 - Projected Annual Report of Income
 - o BTr certification on actual income collected.

4.5 Conduct of the APR

- 4.5.1 Consistent with the policy on performance-based budgeting, the APR shall be conducted by comparing agency plans and targets vis-à-vis actual accomplishments. The APR shall cover the OU's physical, revenue collection and fund utilization performances.
- 4.5.2 Results of the APR are primarily used as basis for additional release or withdrawal of funds to the OU, as input in the evaluation of agency budget proposals during budget preparation, and in reporting accomplishments of departments/agencies to the President.
- 4.5.3 Performance of the agency/OU shall be evaluated by DBM by correlating its actual accomplishments contained in the BARs vis-à-vis plans and targets contained in the BEDs. Thus, the timely submission of said reports is hereby emphasized:

4.5.3.1 **BEDs** – to be submitted to DBM on or before **May 15, 2009**.

- o FY 2009 Physical and Financial Plan (PFP) – reflects the OU's physical and financial (budgetary allocation) performance/targets in FY 2009 broken down by quarter;
- o Monthly Cash Program – reflects the monthly disbursement requirements of the OU by type of disbursement authority; and,
- o Estimate of Monthly Income - reflects the estimated monthly income of the OUs for the current year consistent with the FY 2009 BESF.

4.5.3.2 **BARs** – to be submitted on the dates prescribed under NBC 507 dated January 31, 2007.

- o Quarterly Physical Report of Operations – reflects the OUs' actual physical accomplishments for a given quarter, in terms of the performance measures indicated in their PFP.
- o Quarterly Financial Report of Operations – reflects the OUs' actual obligations/expenditures incurred by **PIA/IP** and allotment class for a given quarter, corresponding to the reported physical accomplishments for the same period.
- o Quarterly Report of Actual Income – reflects the OUs' actual income collections from all sources for a given quarter broken down by month.
- o Statement of Allotment, Obligations and Balances – reflects the OUs' summary report of allotments received and corresponding obligations/expenditures incurred during the month, from all sources by object of expenditure.
- o Monthly Report of Disbursements – reflects all the disbursements of the OUs during the month, arising from NCA, NCAA, CDC issued.

4.5.4 The OU's Quarterly Physical Report of Operations and Financial Report of Operations shall be analyzed against the same quarter, as reflected in the FY 2009 Physical and Financial Plan. In addition, the Statement of Allotments, Obligations and Balances (which reflects funds from all

sources and the expenditure items) shall also be used for the purpose.

- 4.5.5 The OU's actual disbursements per Monthly Report of Disbursements i.e., according to type of disbursement authority, shall be evaluated with the program for the same month as reflected in the Monthly Cash Program. The composition of OU's disbursements by allotment class i.e., PS, MOOE and CO shall be determined by DBM so as to come up with a more realistic cash program.
- 4.5.6 The FY 2009 Quarterly Report of Income shall be compared with the same period covered under the Estimate of Monthly Income.

4.6 Use of Excess Income

- 4.6.1 Excess income is generated once actual income collected and deposited by the OU with the Bureau of Treasury (BTr) during the year exceeds the revenue estimates under the FY 2009 BESF.
- 4.6.2 OUs may submit to DBM a request for use of excess income once its targeted revenue level for the year per FY 2009 BESF has been realized and exceeded. The reason(s) for generating excess revenues shall be highlighted in the request (e.g., collection of new fees and charges not considered in the original revenue estimate).
- 4.6.3 DBM shall determine the level of excess income based on the following:
 - 4.6.3.1 If collections of the OU from existing fees and charges exceed the annual revenue estimates reflected in the FY 2009 BESF due to improved efficiency in operation or upgraded service delivery;
 - 4.6.3.2 If an OU has collections coming from new fees and charges due to implementation of new or additional activity/program started during the year, hence not considered in the original income targets per FY 2009 BESF; and,
 - 4.6.3.3 If the level of the 2009 revenue estimate of the OU per FY 2009 BESF is consistent with the normal trend of increases in actual collections for the past years.
- 4.6.4 In the event that the original revenue estimate of an OU per FY 2009 BESF is reduced as a result of their representation during budget preparation that they are unable to maintain the normal trend of increase in their revenue, their request for use of excess income shall be reevaluated by DBM, to wit:

- 4.6.4.1 DBM shall establish the trend of the annual revenue collection generated from regular fees and charges/recurring income by the agency during the immediately preceding years (i.e., FYs 2008, 2007 and 2006).
- 4.6.4.2 DBM shall re-estimate the appropriate revenue level for FY 2009 by applying the average growth rate of actual revenue collections in the preceding years.
- 4.6.4.3 In computing the amount of excess income that can be availed of by the OU, DBM shall, in lieu of the original revenue estimate per FY2009 BESF, use the following levels for purposes of comparison with the actual revenues for 2009, whichever is higher:
 - Actual collections for recurring revenues of the preceding year i.e., FY 2008 level; or,
 - Re-estimated revenue level for FY 2009.

5.0 RESPONSIBILITY OF THE HEAD OF AGENCY

The Head of Agency/OU shall be held personally liable for any payment of expenditures not in accordance with the provisions of the Circular.

6.0 EFFECTIVITY

These guidelines shall take effect immediately.

(SGD) **ROLANDO G. ANDAYA, JR.**
Secretary"

All concerned are hereby enjoined to be guided accordingly and give this Circular a wide publicity as possible.

(Original Signed)
SIXTO S. ESQUIVIAS IV
Commissioner of Internal Revenue