

Republika ng Pilipinas
PAMBANSANG PANGASIWAAN NG PATUBIG
(National Irrigation Administration)
Lungsod ng Quezon

MC No. 17, Series of 2002

MEMORANDUM CIRCULAR

TO : THE DEPUTY ADMINISTRATOR, ASSISTANT ADMINISTRATORS,
DEPARTMENT/REGIONAL IRRIGATION/PROJECT/OPERATIONS
MANAGERS, STAFFS, PROVINCIAL IRRIGATION ENGINEERS, IRRIGATION
SUPERINTENDENTS, COA PERSONNEL, AND ALL OTHER CONCERNED.

SUBJECT : **DBM NATIONAL BUDGET CIRCULAR NO. 478 DTD FEBRUARY 5, 2002**

Quoted hereunder in full for the information and guidance of all concerned is the Department of Budget and Management National Budget Circular No. 478 dated February 5, 2002 to wit:

" REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
Malacañang, Manila

NATIONAL BUDGET CIRCULAR

No. 478
February 5, 2002

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

SUBJECT : **Guidelines on the Releases of FY 2002 Funds**

1.0 PURPOSE

- 1.1 To define the pertinent budgetary policies relative to the implementation of the FY 2002 budget, RA No 9162;
- 1.2 To provide the procedural guidelines on the release of funds for FY 2002; and
- 1.3 To prescribe the required reports prior to the release of funds.

2.0 COVERAGE

- 2.1 The Circular covers all government agencies, including Government Owned or Controlled Corporations (GOCCs) and Local Government Units (LGU's) receiving budgetary support from the national government in FY 2002.

3.0 GENERAL GUIDELINES

- 3.1 The release of funds appropriated in RA 9162, the FY 2002 General Appropriations Act shall be in accordance with the old COA Chart of accounts. Agencies, however, are authorized to make the necessary conversion to the appropriate allotment/object class of

expenditure to conform with the prescribed chart of accounts under the New Government Accounting System.

- 3.2 The overall financial plan of the FY 2002 budget shall be prepared by DBM, in coordination and consultation with agencies, using the Agency Budget Matrix (ABM) format shown in Annex A, disaggregated into Needing Clearance (NC) and Not Needing Clearance (NNC):

- 3.2.1 The NC column pertains to the portion of the agency budget which can only be released upon compliance with certain documentary requirements, as follows:

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

- 3.2.1.2 Agency built-in lump-sum appropriation of the following purposes:

- Creation or expansion of new agencies and organizational units;
- Creation of new positions;
- Reclassification of positions;
- Newly legislated schools;
- Amount appropriated for the Equivalent Record Form and Master Teacher;
- Nationwide and region wide lump sum for infrastructure projects; and
- Terminal Leave Benefits (TLB)

- 3.2.1.3 Built in agency appropriation for use of income or Special Accounts in the General Fund (SAGF); and

- 3.2.1.4 Budgetary reallocations which provided additional allocations for programs or projects or which introduced new items in the budgets of some departments, bureaus, offices and agencies, including special purpose funds.

- 3.2.2 The NNC column refers to budgetary items not enumerated in item 3.2.1 above including the following Special Purpose Funds (SPFs):

- Agriculture and Fisheries Modernization Program
- Internal Revenue Allotment
- Area Development Assistance Fund, and
- Local Government Empowerment Fund.

- 3.2.2.1 The NCC column shall be further disaggregated into:

- This Release – which represents the initial allotment release; and
- For Later Release – which represents the amount to be released after the conduct of the agency performance review, as prescribed under Section 4.0 below.

- 3.3 The following built-in appropriation items under the FY 2002 budget, although part of the NNC column can only be obligated by the agency, subject to certain clearance/approval/limitation/documentation requirements:

- 3.3.1 Motor vehicles and motorized equipment which need prior approval from the Office of the President, or the DBM Secretary in case the authority to purchase has been delegated to DBM;
 - 3.3.2 Computers and other information technology equipment which need clearance from the National Computer Center;
 - 3.3.3 Communication equipment which require clearance from the National Telecommunications Commission;
 - 3.3.4 Firearms which need the prior approval of the Philippines National Police (PNP);
 - 3.3.5 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.
 - 3.3.6 Procurement of more than five (5) copies of books per title, except those bought by schools and The National Library;
 - 3.3.7 On-going Foreign-Assisted projects (FAPs) which specify the attainment of certain conditionalities prior to any release of funds; and,
 - 3.3.8 Grant, subsidies and contributions which must be supported by details indicating among other, the purpose, amount intended for each beneficiary and the list of recipients.
- 3.4 The ABM shall be prepared by appropriation/financing sources to support expenditures during the year, to wit;
- Current year agency appropriations (RA No. 9162 and,
 - Automatic Appropriations such as Special Accounts in the General fund (SAGF), Retirement and Life Insurance Premiums (RLIP) and other items classified as such.
- 3.5 The payment of retirement gratuity and terminal leave benefits shall be in accordance with the procedures prescribed in Circular Letter No. 99-4 dated February 9, 1999, i.e., Revised Procedure in the Payment of Terminal Leave and Retirement Gratuity Benefits, except the provisions relative to funding source, which are further revised as follows:
- 3.5.1 The Miscellaneous Personnel Benefits Fund shall be the funding source of the following:
- TLB requirements of compulsory and optional retirees in excess of the built-in appropriations of agencies for the purpose;
 - Retirement gratuity benefits which cannot be accommodated within available agency savings, for employees with separate retirement laws (uniformed personnel of the Department of Interior and Local Government (DILG), Department of Transportation and Communications (DOTC) and National Mapping and Resource Information Authority (NAMRIA), Military personnel of the Department of National Defense (DND), Members of the Judiciary, Chairs and Members of constitutional Commissions and Energy Regulatory Commissions (ERC) and others not covered by the GSIS retirement law.

3.5.2 Retirees belonging to agencies not enumerated under Item 3.5.1 but who are qualified to retire under RA No. 1616 are urged to avail of the GSIS retirement package. In the event said retirees opt to avail of the benefits under RA No. 1616, their gratuity benefits shall be charged against available savings.

3.6 The computation of the TLB of retirees whose effective date of retirement is January 1, 2002 or thereafter shall be in accordance with Memorandum Circular No. 14, series of 1999 as provided in Budget Circular No. 2002-1 dated January 14, 2002, as follows:

$$TLB = S \times D \times CF$$

Where: TLB – Terminal Leave Benefits
S – Highest Monthly Salary Received
D – No. of Accumulated Vacation and Sick Leave Credits
CF – Constant Factor is .0478087

For retirees whose effective date of retirement is before January 1, 2002, the basis for the computation of the TLB is twenty-two (22) days.

3.7 Agencies are hereby reminded that realignment of unobligated allotment as of December 31, 2001 authorized to be treated as continuing appropriations pursuant to Circular Letter No. 2001-25 and 2001-25A both dated December 14, 2001, shall only be allowed until June 30, 2002.

3.8 Agencies shall prepare an Annual Cash Program (ACP), format shown in Annex B, which shall serve as the basis of the DBM in determining the cash allocation requirement of the agency vis-à-vis available obligational authority. The deadline for the submission shall be on or before February 28, 2002.

3.9 The deadline for the submission of requests for the release of Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) during FY 2002 shall be on November 15, 2002.

3.10 Agencies are hereby reminded that the “no report, no release” policy, as it applies to the submission of accountability reports enumerated under Section 7.0 shall be strictly enforced.

4.0 FUND RELEASE SYSTEM AND PERFORMANCE EVALUATION

4.1 For FY 2002 at least 75% of the amount under the NNC portion of the ABM shall immediately be made available to the agency for obligation including the items enumerated in Section 3.3 if the agency has secured the necessary clearances/completed the documentation requirements. The balance shall be released through a SARO after the completion of the evaluation of the agency physical and financial performance as of June 30, 2002.

4.1.1 Agencies shall provide the DBM with their Quarterly Performance Targets (format shown in annex C) to include the Major Final Outputs (MFO) used to measure said targets. Major final Outputs are defined as “goods or services produced/provided by the agencies for external clients”. These targets should be duly approved by the Department Secretary or Heads of GOCCs governing boards, to signify their commitment to attain the same.

4.1.2 As additional input to DBM evaluation of agency performance, agencies are also required to submit their FY 2002 Estimates of Monthly Income (Annex D).

- 4.1.3 The estimates should consider the increase of fees and charges authorized under EO No. 197 dated January 13, 2000. The total estimated income should tally with the amounts reflected in the FY 2002 Budget of Expenditures and Sources of Financing.
- 4.1.4 The Quarterly Performance Targets and Monthly Estimates of Income should be submitted to DBM on or before February 28, 2002.

5.0 SPECIFIC GUIDELINES

5.1 On the release of allotment

- 5.1.1 DBM in coordination and in consultation with agencies, shall prepare the ABMs broken down by P/P/A and allotment class i.e., PS, MOOE, CO, and operating unit. An operating unit pertains to the "agency receiving NCA directly from the DBM". For FAPs, the ABM should be further broken down in to Pesos Counterpart (PC)/Loan Proceeds (LP) and project/component/allotment class basis. A separate ABM shall be prepared for each appropriation/financing source enumerated under item 3.4 of this Circular.

5.1.1.1 The NCC portion of the ABM shall include the following:

- Agency appropriation under the FY 2002 budget, other than those enumerated under items 3.2.1.1 to 3.2.1.4 of this Circular; and,
- RLIP which is computed at 12% of the comprehensively released itemized salaries, except for the following:
 - (i) Members of the Judiciary, Chair and Members of Constitutional Commissions and the ERC for which 3% shall be computed corresponding only to the Life Insurance Premium;
 - (ii) Military Personnel of the DND, uniformed personnel of the DILG, DOTC and NAMRIA for which there shall be no provision for RLIP; and
 - (iii) Other agencies not covered by the GSIS Retirement Law.

- 5.1.1.2 The NC portion of the ABM shall reflect items enumerated in Sections 3.2.1.1 to 3.2.1.4 of this Circular which are to be released to the agency through a SARO.

- 5.1.1.3 The total of the NNC and the NC columns of the ABM pertaining to current year appropriations shall be equal to the agency's FY 2002 budget under RA 9162.

- 5.1.2 The ABM shall be signed/approved by the DBM Secretary or her authorized representative.

- 5.1.3 The initial release corresponding to at least 75% of the NNC portion shall be evidenced by the machine validated amount on the last page of the ABM.

- 5.1.4 The original copy of the approved ABM shall be issued by the DBM to the agency. Any revision on the amounts classified under the NNC and NC columns after the ABM has been approved will necessitate the issuance of a SARO by the DBM.

- 5.1.5 Pending the receipt of the approved ABM, agencies can obligate their actual requirements up to the amount corresponding to the released component of the NNC portion of the ABM.

5.2 On the release of NCA

- 5.2.1 Initially, the ACP to be submitted by agencies shall cover their nine (9) months operating requirements representing the following:
- 5.2.1.1 The cash requirement of the allotments released under the NNC portion of the ABM corresponding to the current year appropriation;
 - 5.2.1.2 RLIP computed at 12% of the initial release for itemized salaries, except for agencies under Item 5.1.1.1 (i) to (iii) and,
 - 5.2.1.3 Continuing appropriations (unobligated allotment) as of December 31, 2001 authorized to be treated as such pursuant to Circular Letter Nos. 2001-25 and 2001-25A. In this instance, the corresponding Journal Voucher should be submitted as supporting document.
- 5.2.2 The ACP should be broken down by program/project and allotment class i.e., PS, MOOE and CO. Identification/segregation shall also be made as to Locally Funded Projects (on a by project and allotment class basis) as well as, FAPs (on a project/component and allotment class basis with breakdown by Peso Counterpart (PC)/Loan Proceeds (LP) portion. The LP portion should further be identified into its cash and non-cash components.
- 5.2.3 The following issues must be considered in the preparation of the ACP:
- 5.2.3.1 The program for PS should fully provide for all filled positions inclusive of fixed expenditures; and, must take into consideration the timing of the grant of mid-year and year-end benefits, productivity incentive benefits and other similar items of expenditures.
 - 5.2.3.2 Seasonal periods of peak and slack times in the provision of MOOE (when agencies' activities/work program require adjustment in operating expenses).
 - 5.2.3.3 CO must likewise be programmed in accordance with scheduled work targets e.g., initial construction activities will only entail 15% mobilization fees 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.
 - 5.2.3.4 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 Bureau of the Treasury certification re: availability of LP from the foreign lending institution.
- 5.2.4 Separate ACPs shall be submitted whenever the following items are requested for release:
- 5.2.4.1 Current year agency appropriations under the FY 2002 budget specifically the amounts under the NC portion of the ABM;

5.2.4.2 Actual claims against SPFs under the FY 2002 budget;

5.2.4.3 SAGF; and,

5.2.4.4 The balance of the NNC portion.

It is understood that the cash program shall correspondingly be revised if the amount approved/released is less than the amount requested.

5.3 On the conduct of performance evaluation

5.3.1 Performance evaluation of agency physical and financial accomplishments shall be undertaken by the DBM. This evaluation shall be based on the agency's Quarterly Performance Targets vis-à-vis the Quarterly Physical and Financial Reports of Operations for the quarters ending March 31 and June 30, 2002. In addition, the Quarterly Report of Actual Income for the same period shall be compared with the Estimate of Monthly Income.

5.3.2 From the reported obligations as of June 30, 2002 (net of one-time expenditures and advance costs which could not be attributed to the MFO), the DBM shall determine the costs incurred in the production of the MFO for the given period.

5.3.3 The average unit cost for each output shall be used as basis for determining the second semester requirements vis-à-vis the agency targets for the same period.

5.3.4 The result of the performance review will be the basis for deciding the necessity of any of the following:

- Release of the balance of the NNC portion of the ABM;
- Additional release from SPFs;
- Withdrawal of released allotment
- Approval of requests for realignment;
- Revision of cash program; or
- Revision of targets.

6.0 REITERATION OF EXISTING POLICIES

6.1 The Common fund System shall continue to apply to cash allocation issued to cover the regular operating requirements of agencies. Regular operating requirements refer to "all FY 2002 commitments/obligations chargeable against allotment released from all sources." However, the policy of having separate MDS sub-accounts for retirement gratuity/terminal leave benefits and prior years' accounts payable as well as trust liability accounts (under E.O. No. 338) shall be maintained.

7.0 REPORTING REQUIREMENTS

7.1 Agencies are required to submit the following accountability reports on the due dates hereunder prescribed:

7.1.1 For NGAs:

	Report	Due Date
7.1.1.1	Summary List of Checks Issued and Cancelled (SLCIC)	On or before the 10 th day of the following month.

7.1.1.2	Statement of Allotment, Obligations and Balances	- do -
7.1.1.3	Monthly Statement of Charges of Accounts Payable	- do -
7.1.1.4	Quarterly Report of Actual Income	On or before the 20 th day of the month of following quarter reported
7.1.1.5	Quarterly Financial Report of Operations	- do -
7.1.1.6	Quarterly Physical Report of Operations	- do -
7.1.1.7	FY 2001 Preliminary and Final Trial Balance	On or before February 28
7.1.1.8	Statement of Accounts Payable	- do -
7.1.2	For GOCCs:	
7.1.2.1	Corporate Operating Budget duly approved by the Governing board pursuant to EO No. 518 series of 1979	
7.1.2.2	Statement of Cash Balances	On or before the 10 th day of the month following the quarter reported
7.1.2.3	Cash Flow	- do -
7.1.2.4	Balance Sheet	- do -
7.1.2.5	Profit and Loss Statement	- do -

8.0 EFFECTIVITY

These guidelines shall take effect immediately.

(Sgd.) EMILIA T. BONCODIN
Secretary

Please be guided accordingly.


JESUS EMMANUEL M. PARAS
Administrator

March 15, 2002

 current year appropriation

 automatic appropriation

[illegible]

Recommending Approval:

Approved:

ANNUAL CASH PROGRAM FY 2002

Department/Agency: _____
Fund Code: _____

 Current year appro.
 Automatic appro.
 Continuing appro.

PROGRAM/PROJECT/ACTIVITY	TOTAL CASH PROGRAM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I. REGULAR													
PS													
MOOE													
CO													
SUB-TOTAL													
II. LOCALLY FUNDED PROJECT													
PS													
MOOE													
CO													
SUB-TOTAL													
TOTAL													

Prepared by:

Approved by:

Head of Agency

**QUARTERLY PERFORMANCE TARGETS
FY 2002**

DEPARTMENT / AGENCY : _____

PROGRAM/PROJECT/ACTIVITY	Major Final Output	2001 Actual Accomplishments	2002 Targets					Remarks
			Q1	Q2	Q3	Q4	Total	

Prepared by:

Approved by:

Planning Officer

Budget Officer

Head of Agency

FY 2002 ESTIMATE OF MONTHLY INCOME

Department/Agency: _____
Fund Code: _____

NATURE OF INCOME	LEGAL BASIS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Prepared by:

Approved by:

Head of Agency