



REPUBLIC OF THE PHILIPPINES

## Department of Budget and Management

Malacañang, Manila

No. 2008-2 \_\_\_\_\_

Date April 22, 2008

### **BUDGET CIRCULAR**

**TO :** All Departments, Bureaus, Offices and Agencies of the National Government Including State Universities and Colleges, and Government-Owned or Controlled Corporations

**SUBJECT :** POLICY GUIDELINES AND PROCEDURES FOR NEW SPENDING PROPOSALS

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#### **1.0 Rationale**

The introduction of the Medium Term Expenditure Framework (MTEF) into the 2007 budget process sought to ensure the consistency and responsiveness of the expenditure program with the national development agenda of the government. Its important elements include the Paper on Budget Strategy (PBS)—a planning tool that allows better informed decisions on the allocation of resources-- the forward estimates (FEs)—the estimation of future costs of existing programs/policies of the government—and a more rigorous new program/project appraisal system. With the MTEF, the preparation of the budget is driven by strategic and policy priorities and disciplined by revenues.

For 2007 and 2008, and over the medium term, the priority areas approved by the President for funding include basic education, health, and infrastructure development which shall have the first claim against the available allocable fiscal space from forward estimates of revenues and expenditures.

#### **2.0 Purpose**

In line with the adoption of MTEF into the budget process, with focus on the priority areas as approved by the President, this circular is issued to prescribe the guidelines and procedures in preparing the proposed budget for additional or new spending requirements for inclusion into the 2009 Expenditure Program.

### 3.0 General Policy

It is the policy of the State to promote the optimum utilization of government resources in accordance with the Medium Term Philippine Development Plan (MTPDP). For this purpose, any available fiscal space shall be allocated to programs or projects which have been subjected to careful study and review by proponent government agencies, especially those agencies in the sectors or areas identified as priorities of the government.

### 4.0 Specific Guidelines

- 4.1 Any proposal for an additional budget allocation must cite a resulting increase in the major final outputs (MFOs) of the proponent agency or an increase in its efficiency with the adoption of technology improvements.
- 4.2 Agencies included in the priority sectors for 2009 may submit funding requirements for a new long-term program or a new single or multi-year project. The sectors which have priority funding for 2009 are **infrastructure, basic education, health, science and technology, and agriculture development** and other emerging priority areas which may be duly approved and pronounced by the President.
- 4.3 Agencies not included in the priority sectors for 2009 may *only* submit a proposal for an additional or new expenditure if the said proposal will address an urgent and compelling need. An urgent and compelling need, as defined in this circular, is a situation where non-implementation of the program or project would pose a risk to public safety and/or result to serious public inconvenience.
- 4.4 To help identify funding for the proposed new expenditure item, the proponent agency, regardless of inclusion in the priority sectors above, shall identify potential savings from existing programs, projects or activities to be re-channeled to the proposed new and higher-priority program or project.
- 4.5 Any budget proposal for a new program or project, or for an expansion of an ongoing program or project, must be submitted using the New Spending Proposal Forms hereto attached (Justification Summary and Financial Data Summary Form under Annex A), which must be duly accomplished following the accompanying instructions.
  - 4.5.1 The New Spending Proposal Forms shall cover both locally-funded and foreign-assisted new or expanded programs and projects, where the total cost of each program or project amounts to or exceeds P10 million.
  - 4.5.2 A new or expanded program or project with a total cost amounting to or exceeding P100 million should be accompanied with an appropriate pre-investment feasibility study.

4.5.3 A new or expanded capital project costing a total of P500 million or more, irrespective of whether it is locally funded or foreign-assisted, must first be approved by the Investment Coordination Committee (ICC) prior to submission to the DBM for consideration using also the forms under paragraph 4.5.

4.6 The proposed additional or new expenditure should be aligned with the department/agency MFOs, consistent with the Organizational Performance Indicator Framework (OPIF).

4.7 Funding for the additional or new expenditure proposal shall be subject to the available fiscal space to be determined by the Development Budget Coordination Committee (DBCC).

## 5.0 Consultation Process

5.1 Department/agency consultations shall not be limited to information, if there is any, for additional or new expenditure. This shall also serve as a venue for the update and formulation of the 2009-2011 FEs of respective departments/agencies as part of the MTEF process, and the obtaining of reports on OPIF-based performance in the fiscal years 2006 and 2007.

5.2 During the consultations, certain documents may be required for the careful consideration of program or project proposals and/or the accurate determination of the FEs of existing programs/projects and of accomplishments in budget utilization in previous fiscal years.


5.3 The consultation process shall commence for the period from April 21 to May 30, 2008 and shall cover all national government agencies, including SUCs and GOCCs. The DBM operations bureaus shall schedule the consultation meetings with their respective coverage within this period.

## 6.0 Deadline

The deadline for the submission of the New Spending Proposal Forms shall not be later than May 30, 2008.

## 7.0 Effectivity

This budget circular shall be effective immediately.

  
**ROLANDO G. ANDAYA, JR.**  
Secretary

**DEPARTMENT OF BUDGET AND MANAGEMENT  
NEW SPENDING PROPOSAL FORMS**

**I. DEFINITIONS AND GENERAL INSTRUCTIONS:**

1. These instructions apply for every new spending proposal costing more than P10 million of selected departments, agencies, bureaus or GOCCs.
2. A new spending proposal is any proposal a.) to commence a new long-term program or a new single- or multi-year project or b.) expand an existing program or project.
3. Any proposal for new spending must be submitted in the format specified in these instructions. It shall consist of two summary forms-- the **Justification Statement** and the **Financial Data Summary Form**-- and a more detailed **New Spending Proposal Document**.

The New Spending Proposal Document should discuss in greater length the information contained in the Justification Statement and use the same headings as in that statement. The Document may also provide additional data on background studies, research, alternatives that were considered and other information necessary to justify the expenditure proposed.

4. Submissions, comprising of the two one-page summaries and the New Spending Proposal document, must not exceed 25 pages of A4 single spaced, 12 point Times Roman text. If more details are required, they may be provided in attachments.
5. All new spending proposals shall form part of the total budget proposed by the department, agency, bureau or GOCC and must be incorporated with the rest of the budget documents required in the Budget Call (for Fiscal Year 2009).
6. All new spending proposal forms must be submitted by May 31, 2008.

**II. SPECIFIC INSTRUCTIONS:**

A. Supply the following appropriate information in the **Justification Statement**:

- Item 1** : Indicate the **name of the proponent** department, agency, bureau or GOCC submitting the form.
- Item 2** : Provide the **title of the program or project** as proposed or as approved by pertinent approving authorities such as the Investment Coordination Committee (ICC), if applicable. This title should be a unique identifier for the spending proposal. Indicate in bracket the nature of this proposal, i.e. whether it is an expansion/modification of an existing P/A/P or a new P/A/P.

- Item 3** : Identify the **issues** and the relevant agency (OPIF) **logframe objectives** that the proposal is addressing. Among the information that should be clearly stated are the possible direct contributions of the proposal to the logframe objectives and its relevance to broad societal goals.
- Item 4** : Indicate the **total cost** of the proposal. For capital works, show the total project cost and, as a separate item, the ongoing maintenance costs after project completion. For programs, provide the average annual cost based on currently known parameters.
- Item 5** : Cite briefly the **issuances, directives, policy and/or legal framework** relevant to the proposal. Cite existing government approval, previous announcements made, existing legislations, and/or any previous program or project related to undertaking the proposal. Also, declare any additional approval that may be required after budget appropriation.
- Item 6** : Provide information on the **prerequisite requirements/procedures** that have been complied with, including the dates when compliance have been secured. If the proposal costs more than P500 million, the necessary NEDA-ICC approval should have been obtained. Supply the reason/s why the proposal failed to comply with any prerequisite requirement or procedure.
- Item 7** : Explain briefly why the private sector or the market cannot more appropriately address the issue/s or problem/s cited by the proposal. Provide the rationale for government action (e.g., discuss what may happen if the government does not undertake the program or project.) Propose possible LGU participation schemes in sharing the cost of the proposed program or project. (As a policy, national government agencies should only provide technical assistance to devolved activities.)
- Item 8** : First, describe briefly the proposed program or project and state its specific objective/s. Identify who will benefit and why, who will bear the cost or how the project will be funded.
- Second, provide a statement about how success will be measured. Discuss how, and at what point, will the government know that the program or project has been successful.
- Third, for new or expanded programs, indicate whether or not a Sunset Provision should be included (i.e., a date on which the

program will end unless there is new authorization based on a successful evaluation).

Finally, cite other solution/s that have been considered, if any, and the reasons why they were rejected.

**Item 9** : Present the results of any Cost Benefit Analysis, **economic evaluation** or preliminary assessment that has been conducted for the proposal, stating clearly the critical assumptions made. A prior evaluation of a similar program, or experience from other countries facing a similar problem may also be cited. All spillover costs and benefits, if any, should be identified and quantified in the evaluation or study. If a cost benefit analysis or other economic evaluation has not been conducted, provide an estimate of the cost of conducting such an evaluation.

Projects/programs costing a total of P100 million and above will require the presentation of the result of a pre-investment feasibility study.

**Item 10** : Identify the sectors which would most likely **support** or **oppose** the proposal. Discuss briefly the likely media (public relations) response, the kind of opposition expected and how the negative perception can be addressed. Identify the possible spillover (indirect) costs and benefits of the project.

**Item 11** : Describe briefly the **environmental impact** of this proposal, if any. Cite the results of any environmental impact analysis conducted.

**Item 12** : Indicate any possible increase on the **burden on citizens or businesses** in complying with government requirements as a result of this proposal. Estimate the cost of the increased burden.

**B.** Supply the following appropriate information in the **Financial Data Summary Form**:

**Items 1 & 2** : Write the same information used in Items 1 & 2 of the Justification Statement.

**Item 3** : Write the same information used in Item 3 of the Justification Statement.

**Item 4** : Present the cost of the proposal for the period/years indicated according to **Expense Class** (Personal Services, Maintenance and

Other Operating Expenses and Capital Outlay). This must contain all additional funds requested by the department/agency to fund the proposal. Where the proposal relates to an existing PAP, the PAP code should be identified.

- Item 5** : Identify the **performance indicators** associated with the Major Final Outputs, and expected changes in these indicators as a result of this proposal.
- Item 6** : Present the **ten year flows** of the proposal or project. A proposal may extend indefinitely, but the flows for the first ten years should be estimated. For capital projects with construction to be completed in less than ten years, indicate the ongoing maintenance costs up to the tenth year.
- The **net call on the budget** is the cost to the budget less revenues.
- Item 7** : Indicate the results of any cost benefit analysis (if applicable) or summary of other evaluation results (e.g., economic evaluation).
- Item 8** : Indicate the **benefit-cost ratio** derived from the cost benefit analysis (if applicable).
- Item 9** : Indicate possible reallocation of existing spending in unlinked P/A/Ps or on P/A/Ps which has a low impact on existing Major Final Outputs. The existing spending should be external and unrelated to the proposal.

**DEPARTMENT OF BUDGET AND MANAGEMENT  
NEW SPENDING PROPOSAL BY DEPARTMENT/AGENCY  
JUSTIFICATION STATEMENT**

<b>1. PROPOSING DEPARTMENT/AGENCY:</b>	
<b>2. TITLE OF PROPOSAL:</b>	
<b>3. ISSUE/S AND LOGFRAME OBJECTIVE/S:</b>	
<b>4. TOTAL COST:</b>	
<b>5. ISSUANCE/DIRECTIVE/POLICY BASIS:</b>	
<b>6. PROCEDURAL/PREREQUISITE REQUIREMENTS:</b>	
<b>7. RATIONALE FOR GOVERNMENT ACTION:</b>	
<b>8. PROPOSED ACTION:</b>	
<b>9. STUDY AND EVALUATION:</b>	
<b>10. SUPPORT AND OPPOSITION:</b>	
<b>11. ENVIRONMENTAL IMPACT:</b>	
<b>12. REGULATORY BURDEN:</b>	
<b>Prepared by:</b>  _____ PROJECT DIRECTOR/ BUDGET OFFICER	<b>Approved by:</b>  _____ HEAD OF AGENCY      _____ DATE



**DEPARTMENT OF BUDGET AND MANAGEMENT**  
**FINANCIAL DATA SUMMARY FOR NEW SPENDING PROPOSAL**  
 (All figures in Php'000)

<b>1. PROPOSING DEPARTMENT/AGENCY:</b>												
<b>2. TITLE OF PROPOSAL:</b>												
<b>3. TOTAL COST:</b>												
<b>4. DETAILS OF BUDGET FUNDING REQUESTED:</b>												
PAP Codes	2009				2010				2011			
	PS	MOOE	CO	Total	PS	MOOE	CO	Total	PS	MOOE	CO	Total
<b>5. PERFORMANCE MEASURES:</b>												
Performance Indicator	MFO No.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
<b>6. TEN YEAR ESTIMATED ANNUAL COST AND BENEFIT FLOWS:</b>												
Costs to the Budget	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
All Other Costs												
<b>TOTAL ANNUAL COST</b>												
Revenue to the Budget	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Value of all other benefits												
<b>TOTAL ANNUAL BENEFITS</b>												
<b>NET CALL ON THE BUDGET</b>												
<b>7. DISCOUNTED NET BENEFITS (COSTS):</b>												
<b>8. NET BENEFIT-COST RATIO:</b>												
<b>9. POSSIBLE OFFSETTING SAVINGS:</b>												
SOURCE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
Prepared by:						Approved by:						
PROJECT DIRECTOR/ BUDGET OFFICER		PLANNING OFFICER				HEAD OF AGENCY		DATE				