



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



NATIONAL BUDGET CIRCULAR

No. 541

July 18, 2012

TO : All Heads of Departments/Agencies/State Universities and Colleges and other Offices of the National Government, Budget and Planning Officers; Heads of Accounting Units and All Others Concerned

SUBJECT : Adoption of Operational Efficiency Measure - Withdrawal of Agencies' Unobligated Allotments as of June 30, 2012

1.0 Rationale

The DBM, as mandated by Executive Order (EO) No. 292 (Administrative Code of 1987), periodically reviews and evaluates the departments/agencies' efficiency and effectiveness in utilizing budgeted funds for the delivery of services and production of goods, consistent with the government's priorities.

In the event that a measure is necessary to further improve the operational efficiency of the government, the President is authorized to suspend or stop further use of funds allotted for any agency or expenditure authorized in the General Appropriations Act. Withdrawal and pooling of unutilized allotment releases can be effected by DBM based on authority of the President, as mandated under Sections 38 and 39, Chapter 5, Book VI of EO 292.

For the first five months of 2012, the National Government has not met its spending targets. In order to accelerate spending and sustain the fiscal targets during the year, expenditure measures have to be implemented to optimize the utilization of available resources.

Departments/agencies have registered low spending levels, in terms of obligations and disbursements per initial review of their 2012 performance. To enhance agencies' performance, the DBM conducts continuous consultation meetings and/or send call-up letters, requesting them to identify slow-moving programs/projects and the factors/issues affecting their performance (both pertaining to internal systems and those which are outside the agencies' spheres of control). Also, they are asked to formulate strategies and improvement plans for the rest of 2012.

Notwithstanding these initiatives, some departments/agencies have continued to post low obligation levels as of end of first semester, thus resulting to substantial unobligated allotments.

In line with this, the President, per directive dated June 27, 2012 authorized the withdrawal of unobligated allotments of agencies with low levels of obligations as of **June 30, 2012**, both for continuing and current allotments. This measure will allow the maximum utilization of available allotments to fund and undertake other priority expenditures of the national government.

2.0 Purpose

- 2.1 To provide the conditions and parameters on the withdrawal of unobligated allotments of agencies as of June 30, 2012 to fund priority and/or fast-moving programs/projects of the national government;
- 2.2 To prescribe the reports and documents to be used as bases on the withdrawal of said unobligated allotments; and
- 2.3 To provide guidelines in the utilization or reallocation of the withdrawn allotments.

3.0 Coverage

- 3.1 These guidelines shall cover the withdrawal of unobligated allotments as of June 30, 2012 of all national government agencies (NGAs) charged against FY 2011 Continuing Appropriation (R.A. No. 10147) and FY 2012 Current Appropriation (R.A. No. 10155), pertaining to:
 - 3.1.1 Capital Outlays (CO);
 - 3.1.2 Maintenance and Other Operating Expenses (MOOE) related to the implementation of programs and projects, as well as capitalized MOOE; and
 - 3.1.3 Personal Services corresponding to unutilized pension benefits declared as savings by the agencies concerned based on their updated/validated list of pensioners.
- 3.2 The withdrawal of unobligated allotments may cover the identified programs, projects and activities of the departments/agencies reflected in the DBM list shown as **Annex A** or specific programs and projects as may be identified by the agencies.

4.0 Exemption

These guidelines shall **not** apply to the following:

4.1 NGAs

- 4.1.1 Constitutional Offices/Fiscal Autonomy Group, granted fiscal autonomy under the Philippine Constitution; and
- 4.1.2 State Universities and Colleges, adopting the Normative Funding allocation scheme i.e., distribution of a predetermined budget ceiling.

4.2 Fund sources

- 4.2.1 Personal Services other than pension benefits;
- 4.2.2 MOOE items earmarked for specific purposes or subject to realignment conditions per General Provisions of the GAA;

- Confidential and Intelligence Fund;
- Savings from Traveling, Communication, Transportation and Delivery, Repair and Maintenance, Supplies and Materials and Utility which shall be used for the grant of Collective Negotiation Agreement incentive benefit;
- Savings from mandatory expenditures which can be realigned only in the last quarter after taking into consideration the agency's full year requirements, i.e., Petroleum, Oil and Lubricants, Water, Illumination, Power Services, Telephone, other Communication Services and Rent.

4.2.3 Foreign-Assisted Projects (loan proceeds and peso counterpart);

4.2.4 Special Purpose Funds such as: E-Government Fund, International Commitments Fund, PAMANA, Priority Development Assistance Fund, Calamity Fund, Budgetary Support to GOCCs and Allocation to LGUs, among others;

4.2.5 Quick Response Funds; and

4.2.6 Automatic Appropriations i.e., Retirement Life Insurance Premium and Special Accounts in the General Fund.

5.0 Guidelines

- 5.1 National government agencies shall continue to undertake procurement activities notwithstanding the implementation of the policy of withdrawal of unobligated allotments until the end of the third quarter, FY 2012. Even without the allotments, the agency shall proceed in undertaking the procurement processes (i.e., procurement planning up to the conduct of bidding but short of awarding of contract) pursuant to GPPB Circular Nos. 02-2008 and 01-2009 and DBM Circular Letter No. 2010-9.
- 5.2 For the purpose of determining the amount of unobligated allotments that shall be withdrawn, all departments/agencies/operating units (OUs) shall submit to DBM not later than **July 30, 2012**, the following budget accountability reports as of June 30, 2012:
- Statement of Allotments, Obligations and Balances (SAOB);
 - Financial Report of Operations (FRO); and
 - Physical Report of Operations.
- 5.3 In the absence of the June 30, 2012 reports cited under item 5.2 of this Circular, the agency's latest report available shall be used by DBM as basis for withdrawal of allotment. The DBM shall compute/approximate the agency's obligation level as of June 30 to derive its unobligated allotments as of same period. Example: If the March 31 SAOB or FRO reflects actual obligations of P 800M then the June 30 obligation level shall approximate to P1,600 M (i.e., P800 M x 2 quarters).

- 5.4 All released allotments in FY 2011 charged against R.A. No. 10147 which remained unobligated as of June 30, 2012 **shall be immediately considered for withdrawal**. This policy is based on the following considerations:
- 5.4.1 The departments/agencies' approved priority programs and projects are assumed to be implementation-ready and doable during the given fiscal year; and
 - 5.4.2 The practice of having substantial carryover appropriations may imply that the agency has a slower-than-programmed implementation capacity **or** agency tends to implement projects within a two-year timeframe.
- 5.5 Consistent with the President's directive, the DBM shall, based on evaluation of the reports cited above and results of consultations with the departments/agencies, withdraw the unobligated allotments as of June 30, 2012 through issuance of negative Special Allotment Release Orders (SAROs).
- 5.6 DBM shall prepare and submit to the President, a report on the magnitude of withdrawn allotments. The report shall highlight the agencies which failed to submit the June 30 reports required under this Circular.
- 5.7 The withdrawn allotments may be:
- 5.7.1 Reissued for the **original** programs and projects of the agencies/OUs concerned, from which the allotments were withdrawn;
 - 5.7.2 Realigned to cover additional funding for **other existing** programs and projects of the agency/OU; or
 - 5.7.3 Used to augment existing programs and projects of **any agency** and to fund priority programs and projects **not considered** in the 2012 budget but expected to be started or implemented during the current year.
- 5.8 For items 5.7.1 and 5.7.2 above, agencies/OUs concerned may submit to DBM a Special Budget Request (SBR), supported with the following:
- 5.8.1 Physical and Financial Plan (PFP);
 - 5.8.2 Monthly Cash Program (MCP); and
 - 5.8.3 Proof that the project/activity has started the procurement processes i.e., Proof of Posting and/or Advertisement of the Invitation to Bid.

5.9 The deadline for submission of request/s pertaining to these categories shall be until the end of the third quarter i.e., **September 30, 2012**. After said cut-off date, the withdrawn allotments shall be pooled and form part of the overall savings of the national government.

5.10 Utilization of the consolidated withdrawn allotments for other priority programs and projects as cited under item 5.7.3 of this Circular, shall be subject to approval of the President. Based on the approval of the President, DBM shall issue the SARO to cover the approved priority expenditures subject to submission by the agency/OU concerned of the SBR and supported with PFP and MCP.

5.11 It is understood that all releases to be made out of the withdrawn allotments (both 2011 and 2012 unobligated allotments) shall be within the approved Expenditure Program level of the national government for the current year. The SAROs to be issued shall properly disclose the appropriation source of the release to determine the extent of allotment validity, as follows:

- For charges under R.A. 10147 – allotments shall be valid up to December 31, 2012; and
- For charges under R.A. 10155 – allotments shall be valid up to December 31, 2013.

5.12 Timely compliance with the submission of existing BARs and other reportorial requirements is reiterated for monitoring purposes.

6.0 Effectivity

This circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary