REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

December 19, 2008

REVENUE MEMORANDUM CIRCULAR NO. 12-2009

SUBJECT: Publishing the full text of Administrative Order No. 240 dated October 3, 2008 by the President of the Republic of the Philippines, entitled Ordering Budget Maximizers Without Revamping Expenditure Parameters

TO : All Internal Revenue Officials, Employees and Others Concerned

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For the information and guidance of all concerned, quoted hereunder is the full text of Administrative Order No. 240 dated October 3, 2008 by the President of the Republic of the Philippines:

"MALACAÑANG
MANILA

ADMINISTRATIVE ORDER NO. 240

ORDERING BUDGET MAXIMIZERS WITHOUT REVAMPING EXPENDITURE PARAMETERS

WHEREAS, certain budget maximizers can get more productivity per peso without revamping expenditure parameters or overhauling the budget of the agencies affected;

WHEREAS, if implemented, such budget maximizers would only entail internal reconfiguration of an agency's program thrusts;

WHEREAS, such budget maximizers are in fact adjustments that would add efficiency and energy to the government's spending program for next year;

WHEREAS, if small companies can tell the Philippine Economic Zone Authority how many jobs their investment can create, all the more for the institutions with the biggest capital expenditure resources in the country;

WHEREAS, irrigation spending can churn out temporary jobs during the construction phase and permanent jobs out of new lands opened up for farming;

WHEREAS, if we can come up with a budget-based employment tally, then we can present this as emergency employment program, which is needed to blunt the effects of rising inflation;

WHEREAS, if the project's beneficiaries are tapped during its construction, substandard work can be prevented;

WHEREAS, if the Administration is called to account for the reformed VAT spending, then it should be able to point to the contents of the Revenues Allocated for Public Services (REAPS) as the reformed VAT rebates. This way a major revenue source of budget funds can be protected from agitation that it can be scrapped;

WHEREAS, REAPS can created Pro-reformed VAT constituencies created out of beneficiaries. If Part 4 of the government pay hike series will be taken from REAPS or a big road project in, for example, Samar, is specifically listed as a VAT divided recipient, then a sector and an area shall be put in the pro-VAT column.

WHEREAS, REAPS need not appear in the official budget documents, but it can be highlighted in government presentations, as some sort of an "off budget document" reference.

WHEREAS, putting access of the disabled to the budget fortifies it against criticisms that it cannot met all the needs of the people;

WHEREAS, conditional cash transfers, textbook budget, Philhealth cards, hiring of new teachers and scholarship programs and construction for the disabled and elderly all fall under regular program activity projects (PAPs) of the agencies. Accommodating them in the latter will not require a rewrite of the budget, so what is already printed need not be changed. The Golden Acres, for instance, can be funded out of the Budget of the Department of Public Works and highways during the budget execution phase. By tweaking the programs of agencies, their offerings can be expanded and enlivened;

WHEREAS, if there are price spikes in food and fuel, then the budget to be relevant must be able to answer this question: *Paano tinutugunan ng budget ang pandaigdigang krisis sa pagkain at langis?* We can come up with an appropriate response if we create a crosssectoral box that will enumerate PAP's in each of the two;

WHEREAS, by combining food production, price subsidy , supply stability and hunger mitigation under Food Security we maximize spending in this crucial sector. Cross-sectoral inventory of activities is the yeast that lifts up spending in a sector;

WHEREAS, tailoring regular projects to new uses will bring relevance to the usual laundry list of government projects as enumerated in the budget;

WHEREAS, building a thousand laboratories that will incubate future scientist will be more meaningful than building more rooms beyond the 45:1 student: classroom ratio required for elementary schools;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by the powers vested in me by law, do hereby order:

SECTION 1. Creating Job Benchmarks. Employment odometer shall be put back in the budget. Agencies that will receive capital outlays shall run numbers on how many job infrastructure funds will generate. The Department of Public Works and Highways shall measure how many jobs it can create in a year in asset creation, eg, new roads, and asset preservation, eg, Oyster and Kanan Project maintenance. The same shall be done by the Department of Agriculture for irrigation spending during the construction phase and out of new lands opened up for farming. Provided that: the Republic Act 6685 which requires fifty percent (50%) of unskilled labor to be selected from out of the residents of where the project will be located.

SECTION 2. Putting all the Fruits of VAT in One Basket. All the fruits of the value added tax shall be put in one basket. It shall be called Revenues Allocated for PUBLIC Services, or REAPS. The most popular, high-impact, big ticket projects and programs shall be selected and put together in one basket. All social services, all new activities both retail, eg, LRT expansion, shall be placed there. The amount shall be One Hundred Billion Pesos (P100,000,000,000.00), which corresponds to 80 percent of the Reformed VAT intake.

SECTION 3. Bringing the Disabled and Elderly to the Mainstream. Affirmative action shall be taken for the disabled and elderly in the budget. In the Conditional Cash Transfer (CCT), for example, the menu of recipients shall be expanded to include the handicapped,. Part of the Department of Education textbook budget shall be earmarked fro Braille books and instructional materials for instructional materials for special education (SPED) classes. Philhealth cards shall be set aside for those on wheelchairs. The budget of the National Orthopedic Hospital shall be increased. In the hiring of new teachers, a quota shall be set for SPED specialists. Slots in the TESDA, GATSPE and other scholarship programs shall be set aside for the disable. The Golden Acres shall be replicated in at least four regions.

SECTION 4. Focusing on Food and Fuel. A crossectoral box shall be created that will enumerate all program agency projects in food and fuel. Under Food security, all initiatives shall be listed under the following brackets: Food Production (FILEDS, Agrarian Reform Fund); Price Subsidy (NFA). Supply Stability (Tindahan Natin); Hunger Mitigation (Food for School, CCT). The same shall be used with respect to fuel prices. One aspect can be Conservation (CFL shift in public offices, to be funded out of the National Government Maintenance, Operating and Overhead Expenses; Bike-for-School; LPG conversion; LRT extension, or even MRT ridership subsidy); *Alternative Fuels* (jathroap; or even reforestation activities in hydroelectric dam watersheds); *Electrification* (barangay energization).

SECTION 5. Tailoring Regular Projects to New Uses. Instead of building new classrooms beyond the 45:1 student: classroom requirement for elementary school, the same amount shall build a science laboratory. Instead of merely allocating funds for hospital equipment, the equipment that will be distributed shall be specified, i.e. 50 x-rays or "We shall build 50 radiology

rooms or 50 dialysis machines will be scattered all over the public health system, especially in primary care hospitals so they can be transformed into secondary care hospitals." MVUC funds shall be maximized by clustering pedestrian and road safety signages and warnings around schools and calling it the "Safe Kids Initiative."

SECTION 6. This Administrative Order shall take effect immediately.

Manila, 03 October 2008

By the President:

(Sgd)
EDUARDO R. ERMITA
Executive 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