



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Boncodin Hall, General Solano Street, San Miguel, Manila



BUDGET CIRCULAR

No. 2011-4

December 5, 2011

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including State Universities and Colleges (SUCs), Government-Owned or -Controlled Corporations (GOCCs), and Government Financial Institutions (GFIs); Heads of Local Government Units (LGUs); and All Others Concerned

SUBJECT : Guidelines on the Grant of Productivity Enhancement Incentive (PEI) to Government Employees for Fiscal Year (FY) 2011

1.0 Background

- 1.1 The current Administration in FY 2011 has kept the fiscal deficit below target by improving revenue collection, exercising prudent public expenditure management, and promoting transparency and anti-corrupt practices in government transactions. The government has also gained significant headway in channeling funds towards poverty alleviation, provision of quality education and health services, provision of decent and affordable housing, promotion of employment opportunities, improvement of infrastructure, and fostering peace and development. The government is now implementing a Disbursement Acceleration Program to speed up the momentum of public spending and stave off an economic slowdown in the face of a weak global environment.
- 1.2 Administrative Order (AO) No. 24, "Authorizing the Grant of Productivity Enhancement Incentive to Government Employees for Fiscal Year 2011," was issued by President Benigno S. Aquino III on December 1, 2011, to recognize the accomplishments being achieved through the unwavering support, commitment, and collaborative efforts of all government employees from all sectors and levels of the Philippine bureaucracy.
- 1.3 A.O. No. 24 is in accordance with items (4)(h)(ii) and (4)(h)(ii)(bb) of the Senate and House of Representatives Joint Resolution No. 4 approved on June 17, 2009, which provides that incentives for government personnel shall include rewards for exceeding agency financial and operational performance targets, and to motivate employee efforts toward higher productivity.



2.0 Purpose

This Circular is issued to prescribe the guidelines on the grant and funding of the PEI for FY 2011.

3.0 Coverage

The following are covered by this Circular:

- 3.1 Civilian government employees occupying regular, casual, or contractual positions; appointive or elective; rendering services on full-time or part-time basis;
- 3.2 Military personnel of the Armed Forces of the Philippines, Department of National Defense; and uniformed personnel of the Philippine National Police, Bureau of Fire Protection, and Bureau of Jail Management and Penology under the Department of the Interior and Local Government; Philippine Coast Guard; and National Mapping and Resource Information Authority; and
- 3.3 Local government employees, including those in the *barangay*.

4.0 Exclusions

Those hired without employer-employee relationships and paid from non-Personal Services appropriations/budgets, as follows, are excluded from the coverage of this Circular:

- 4.1 Consultants and experts hired to perform specific activities or services with expected outputs;
- 4.2 Laborers hired through job contracts (pakyaw) and those paid on piecework basis;
- 4.3 Student laborers and apprentices; and
- 4.4 Individuals and groups of people whose services are engaged through job orders, contracts of service, or others similarly situated.

5.0 Grant of the PEI to Employees in the Executive Branch

- 5.1 Civilian employees in national government agencies (NGAs) in the Executive Branch, including those in GOCCs covered by Republic Act (R.A.) No. 6758, as amended by the Senate and House of Representatives Joint Resolution Nos. 01, s. 1994, and 4, s. 2009, shall be entitled to the one-time PEI at the maximum amount of P10,000.00 each.

5.2 Military and uniformed personnel in NGAs shall also be entitled to the PEI at the maximum amount of P10,000.00 each, in line with item (8) of the Senate and House of Representatives Joint Resolution No. 4, s. 2009.

5.3 The grant of the PEI shall be subject to the following conditions/guidelines:

5.3.1 The employees occupy regular, casual, or contractual positions, and are still in the service as of November 30, 2011.

5.3.2 The employees have rendered at least a total or an aggregate of four (4) months of service for the year, including leaves of absence with pay, to be entitled to the full amount of the PEI. Those who have rendered less than the total or aggregate of four (4) months of service shall be entitled to pro-rated PEI, as follows:

Length of Service	Percentage of the PEI
3 months but less than 4 months	40%
2 months but less than 3 months	30%
1 month but less than 2 months	20%
Less than 1 month	10%

5.3.3 The employees have not received or will not receive any additional year-end benefit in FY 2011, over and above the Year-End Bonus and Cash Gift authorized under R.A. No. 6686, as amended by R.A. No. 8441.

5.3.4 The PEI of government employees on a part-time basis shall be pro-rated corresponding to the services rendered. Those employed on part-time basis with two (2) or more agencies shall be entitled to proportionate amounts corresponding to the services in each agency, provided that the total PEI shall not exceed the authorized amount.

5.3.5 The PEI of those who transferred from one agency to another shall be granted by the new agency.

5.3.6 The PEI of those on detail with another government agency shall be granted by the mother agency.

5.3.7 A compulsory retiree, whose services have been extended, may be granted the PEI, subject to the pertinent conditions/ guidelines under this Circular.

5.3.8 Personnel Charged With Administrative and/or Criminal Cases

5.3.8.1 Personnel found guilty of the administrative and/or criminal charges filed against him/her and meted penalty in FY 2011 shall not be entitled to the FY 2011 PEI.

5.3.8.2 If the penalty meted out is only a reprimand, such penalty shall not disqualify the employee concerned to the grant of the PEI.

6.0 Funding Source of the PEI for Employees in the Executive Branch

6.1 NGAs

6.1.1 To fund the PEI at P10,000.00 per employee, the Department of Budget and Management (DBM) shall release the amount needed from the Miscellaneous Personnel Benefits Fund (MPBF) in R.A. No. 10147, the FY 2011 General Appropriations Act, as augmented by savings from unreleased appropriations under this Act. The release of the Special Allotment Release Order (SARO) shall not require the submission of requests from NGAs. The corresponding Notices of Cash Allocation (NCA) shall also be issued by the DBM without need for agency requests.

6.1.2 Pending receipt of the SARO/NCA from DBM, agencies may use their available Personal Services allotments (comprehensive allotments per Agency Budget Matrix and allotments for the compensation adjustment under SSL III) and cash allocation balances under the regular MDS Account following the Common Fund System.

6.2 GOCCs and GFIs

The PEI for employees of GOCCs and GFIs covered by R.A. No. 6758, as amended, shall be charged against the respective approved corporate operating budgets for FY 2011. In case of insufficient funds, the PEI shall be granted at a lower but uniform percentage of the PEI rates in sub-item 5.3.2 of this Circular.

7.0 Grant of PEI to Employees in the Legislative and Judicial Branches, and Other Offices Vested With Fiscal Autonomy

Pursuant to item (4)(h)(ii)(bb) of Senate and House of Representatives Joint Resolution No. 4, s. 2009, employees in the Senate, House of Representatives, the Judiciary, the Office of the Ombudsman, and Constitutional Offices vested with fiscal autonomy, may also be granted the one-time PEI by their respective heads of offices, at rates not exceeding P10,000.00 each, chargeable against their respective available savings in allotments, subject to the pertinent conditions/guidelines under sub-item 5.3 of this Circular.

8.0 Grant of PEI to Employees in LGUs

The grant of the one-time PEI for salaried LGU employees, including those in *barangay* governments who are compensated through monthly honoraria, shall be determined by the respective *sanggunian*, depending on the LGU financial capability, and subject to the following conditions:

- 8.1 The PEI shall be charged against LGU funds for FY 2011, subject to the Personal Services limitation in LGU budgets pursuant to Sections 325(a) and 331(b) of R.A. No. 7160.
- 8.2 The pertinent conditions/guidelines on the grant of the PEI under sub-item 5.3 of this Circular shall be adhered to.

The LGU shall exercise prudence in the use of local funds. In determining the amount of the PEI, the *sanggunian* shall ensure that the same is reasonable and that the expenditure will not, in any way, adversely affect the delivery of services to the public.

9.0 Grant of PEI to Employees in Agencies Exempted From the Coverage of R.A. No. 6758, as Amended

In line with item (9) of the Senate and House of Representatives Joint Resolution No. 4, s. 2009, the following may also be granted the PEI, subject to the pertinent conditions/guidelines under sub-item 5.3 of this Circular:

9.1 NGAs

Employees in NGAs exempted from the coverage of R.A. No. 6758, as amended, may also be granted the PEI at rates not exceeding P10,000.00 each, chargeable against their respective agency funds.

9.2 GOCCs and GFIs

Employees in GOCCs and GFIs not covered by R.A. No. 6758, as amended, may also be entitled to the PEI at rates as may be determined by their governing boards, but not exceeding P10,000.00 each, chargeable against their respective approved corporate operating budgets for FY 2011. In case of insufficient funds, the PEI shall be granted at a lower but uniform percentage of the PEI rates in sub-item 5.3.2 of this Circular.

10.0 When to Pay the PEI

Payment of the PEI shall not be made earlier than December 8, 2011.

11.0 Responsibility of Agency Heads

Agency heads shall be held personally liable for any payment of the PEI not in accordance with the provisions of this Circular without prejudice, however, to the refund thereof by the employees concerned.

12.0 Saving Clause

Cases not covered by this Circular shall be referred to the DBM for resolution.

13.0 Effectivity

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary