RECEIPTS AND INCOME

Sec. 3. Fees, Charges and Assessments. All fees, charges, assessments, and other receipts or revenues collected by national government agencies in the exercise of their functions, at such rates as are now or may be approved by the Secretary concerned and upon prior clearance by the NEDA Board, shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445, except for the following:

(a) Receipts authorized by law to be recorded as a Special Account in the General Fund, a Fiduciary or Trust Fund, or a fund other than the General Fund in accordance with rules and regulations as may be issued by the Permanent Committee (the "Permanent Committee") created under Section 45, Chapter 5, Book VI of E.O. No. 292: PROVIDED, That revenues or income accruing to Special Accounts in the General Fund may be made available for expenditure, subject to any special provision of the agencies concerned, and the submission of a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292; and

(b) Other instances provided in this Act.

All agencies shall ensure that fees, charges and assessments collected cover the costs of services delivered to the public, and shall be allowed to raise their fees and charges in accordance with Section 2 of B.P. Blg. 325 and E.O. No. 197, s. 2000, and Memorandum Circular No. 137, s. 2007-A. The schedule of fees, charges and assessments collectible by any government agency including GOCCs shall be posted in big bold characters in a conspicuous place in said government agency or corporation, including its branches or extension offices. The updating and continuous display of said schedule shall be the responsibility of the head of the agency or corporation concerned.

Whenever practicable, and taking into account the cost reduction program of the government, an agency who renders service to another government office for fabrication of furniture or equipment, or for computer, printing or other services, may assess the requesting agency for the cost of production and service rendered and utilize the proceeds thereof, subject to the submission of a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292.

Sec. 4. Reversion of Special, Fiduciary or Trust Funds. All agencies of the government are mandated to revert all balances of Special, Fiduciary or Trust Funds to the General Fund in any of the following instances: (i) when their terms have expired; or (ii) when they are no longer necessary for the attainment of the purposes for which said funds were established.

In case any of the agencies of the government fails or refuses to implement such reversion, the Permanent Committee may recommend for approval of the President the reversion of Special, Fiduciary or Trust Funds to the General Fund on the following grounds: (i) any of the cases above-mentioned; (ii) when they have remained dormant for an unreasonable length of time; (iii) when needed by the General Fund in times of emergency; or (iv) when used in violation of the rules and regulations issued by the Permanent Committee.

Implementation of this section shall be made in accordance with the guidelines issued by the Permanent Committee.

Sec. 5. Revolving Fund. Revolving funds shall be established and maintained only in cases where said funds are expressly created and authorized by law or this section.

Revolving funds already in existence shall continue their operations.

Income derived from rentals for the use of buildings and facilities, or from fees imposed for board and lodging, by national government agencies may be constituted into a revolving fund to be made available for MOOE or Capital Outlay requirements of said buildings and facilities, subject to any guidelines issued by the department, bureau, office or agency concerned, and to pertinent budgeting, accounting and auditing rules and regulations.

Other receipts derived from business-type activities of national government agencies, including sale of products, which are authorized by law or by the Permanent Committee, may be constituted into a revolving fund to be made available for operational expenses of said activity, subject to the conditions prescribed under

the special provision of the agency concerned, if any, and the rules and regulations as may be prescribed by the Permanent Committee.

The revolving fund shall be separately recorded and deposited in an authorized government depository bank, and considered self-perpetuating and self-liquidating. All obligations or expenditures incurred in the use of said building and facilities or the business-type activity concerned shall be charged against the revolving fund: PROVIDED, That no amount of the revolving funds authorized in this Act shall be used for the payment of discretionary and representation expenses. The agency concerned shall submit, either in printed form or by way of electronic document, to the DBM, copy furnished the House Committee on Appropriations and the Senate Committee on Finance separate quarterly reports on income of, and expenditure from, this fund. In case of failure to comply with said requirement, any disbursement in the subsequent quarters shall be void, except upon certification by the DBM that said report has been submitted.

Sec. 6. Trust Receipts. Receipts from non-tax sources, including insurance proceeds and donations for a term not exceeding one (1) year, authorized by law or contract for specific purposes: (i) which are collected/received by a government office or agency acting as trustee, agent or administrator; (ii) which have been received as guaranty for the fulfillment of an obligation; or (iii) classified by law or regulations as trust receipts, shall be booked as trust liability account of the agency concerned and deposited with the National Treasury in accordance with E.O. No. 338, s. 1996 and pertinent guidelines, and subject to the conditions prescribed under the special provisions of the agency concerned, if any, and to the rules and regulations as determined by the Permanent Committee. Disbursements shall be made in accordance with the purpose for which the fund is created and shall be subject to pertinent accounting and auditing rules and regulations.

Sec. 7. Performance Bonds and Deposits. Performance bonds and deposits filed or posted by private persons or entities with agencies of the government shall be deposited with the National Treasury as trust receipts under the name of the agency concerned in accordance with E.O. No. 338, s. 1996 as implemented by COA-DBM-DOF Joint Circular No. 1-97 dated January 2, 1997. Upon faithful performance of the undertaking or termination of the obligation for which the bond or deposit was required, any amount due shall be returned by the agency concerned to the filing party, withdrawable in accordance with pertinent accounting and auditing rules and regulations.

This provision shall apply to bonds posted in cash, such as bidders bond, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited in courts or quasi-judicial bodies, other refundable and judicial bonds, and all bonds and deposits required by law, rules and regulations to be posted in order to ensure the faithful performance of an activity or undertaking.

Sec. 8. Receipts Arising from Build-Operate-Transfer Transactions and Its Variant Schemes. Notwithstanding the provision of Section 6, receipts, such as toll fees, charges and other revenues arising from public sector projects implemented through build-operate-and-transfer arrangement and other variants pursuant to R.A. No. 6957, as amended by R.A. No. 7718, collected by an office or agency of the National Government but which shall accrue to the proponent private company or individual in accordance with the contract entered into by said government office or agency and the project proponent, shall be deposited in an authorized government depository bank and booked as trust liability account of the agency concerned to be utilized exclusively for the fulfillment of obligations as prescribed under the contract: PROVIDED, That the government share out of the collections from said projects, if any, including interest earned thereon, shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292.

Implementation of this section shall be made in accordance with the appropriate guidelines.

Sec. 9. Seminar and Conference Fees. National government agencies which conduct training programs in relation to their mandated functions and do not have appropriations in their budgets for the purpose are authorized to collect seminar and conference fees from government and private agency participants, at such standard rates as the DBM and CSC deem appropriate. The proceeds derived from such seminars or conferences may be used for the conduct of seminars, conferences and trainings, subject to pertinent budgeting, accounting and auditing rules and regulations: PROVIDED, That any excess shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292: PROVIDED, FURTHER, That upon the conclusion of the seminar or conference, the agency which conducted the seminar or conference shall submit to the DBM a report on the fees collected and expenses incurred thereon.

Sec. 10. Sale of Official Publications. National government agencies are authorized to sell their official publications whether electronically or through other means. The proceeds derived from such sale may be made available to defray the cost of preparing, printing and disseminating such official publications, subject to pertinent budgeting, accounting and auditing rules and regulations: PROVIDED, That the agency concerned shall submit, either in printed form or by way of electronic document, to the DBM a report on the proceeds from said sale and the expenses incurred thereon: PROVIDED, FURTHER, That any excess shall be deposited with the National Treasury as income of the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292.

Sec. 11. Sale of Non-Serviceable, Obsolete or Unnecessary Equipment. National government agencies are hereby authorized to sell non-serviceable, obsolete, or unnecessary equipment, including motor vehicles pursuant to Section 79 of P.D. No. 1445 and E.O. No. 309, s. 1996. The proceeds from the sale of such equipment shall be deemed automatically appropriated for the purchase of new ones, and for the repair or rehabilitation of existing vital equipment, subject to the submission of a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292: PROVIDED, That the purchase of motor vehicles shall be subject to prior authority of the appropriate government agency and to the limitations specified under the guidelines on the acquisition of government motor vehicles: PROVIDED, FURTHER, That the agency concerned shall submit, either in printed form or by way of electronic document, to the House Committee on Appropriations and Senate Committee on Finance a report on the types of equipment sold and the utilization of the sales proceeds.

Sec. 12. Donations. National government agencies may accept donations, contributions, grants, bequests or gifts, in cash or in kind, from various sources, domestic or foreign, for purposes relevant to their functions: PROVIDED, That in case of donations from foreign governments, acceptance thereof shall be subject to the prior clearance and approval by the President of the Philippines upon recommendation of the Secretary of Foreign Affairs.

Receipts from donations shall be accounted for in the books of the donee-government agency in accordance with pertinent accounting and auditing rules and regulations. Such donations, whether in cash or in kind shall be deemed automatically appropriated for the purpose specified by the donor. The receipts from cash donations and proceeds from sale of donated commodities shall be deposited with the National Treasury and recorded as a Special Account in the General Fund and shall be available to the implementing agency concerned through a Special Budget pursuant to Section 35, Chapter 5, Book VI of E.O. No. 292: PROVIDED, That donations for specific purpose with a term not exceeding one (1) year shall be treated as trust receipts in accordance with Section 6 hereof.

The donee-agency concerned shall submit, either in printed form or by way of electronic document, to the DBM, Senate Committee on Finance, House Committee on Appropriations, and COA, a quarterly report of all donations received, whether in cash or in kind, and a quarterly report on expenditures or disbursements thereon.

In case of violation of this section, the erring officials and employees shall be subject to disciplinary action in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. No. 292 and to appropriate criminal action under existing penal laws.

Sec. 13. National Internal Revenue Taxes and Import Duties. The following are deemed automatically appropriated:

(a) National internal revenue taxes and import duties payable or assumed by national government agencies to the National Government arising from foreign donations, grants and loans;

(b) Non-cash tax transactions of the following national government agencies: (i) the BTr for documentary stamp taxes on foreign and domestic securities issued; (ii) the DND and PNP on importations of military hardwares, software, munitions, arms and equipment; (iii) the Bureau of Fire Protection on importations of fire fighting equipment, rescue equipment, and personal protective gears; (iv) the DOTC for the Metro Rail Transit Line 3 System incurred starting FY 1997 in accordance with the provisions of the Build-Lease-Transfer Agreement executed thereon; and (v) other tax obligations assumed by the National Government pursuant to a valid build-operate and transfer agreement and any of its variants; and

(c) Tax expenditure subsidies granted by the Fiscal Incentives Review Board to GOCCs, the AFP Commissary and Exchange Service, the PNP Service Store System, and the Procurement Service Exchange Marts or PX Marts, in accordance with E.O. No. 93, s. 1986, as amended, including those for tax obligations assumed by GOCCs pursuant to a valid agreement.

The amounts pertaining to such taxes and duties covered by this section shall be considered as revenue and expenditure of the government. Implementation of this section shall be in accordance with guidelines jointly issued by the DOF and DBM.

Sec. 14. Loan Agreements. National government agencies, SUCs and GOCCs except those engaged in banking, shall in no case enter into foreign or domestic loan agreements, whether in cash or in kind, unless the following conditions, as may be applicable are complied with:

(a) Prior approval of the President of the Philippines;

(b) Concurrence of the Monetary Board;

(c) Conditions provided by law; and

(d) In case of national government agencies, issuance by the Secretary of Budget and Management of a Forward Obligational Authority for the full amount of the loan. For this purpose, the Secretary of Budget and Management and the office or agency concerned shall explicitly consider the budgetary implications of foreign-assisted projects at the time of project design and financing negotiations. The project study shall specify the cash flow requirements of the project for: (i) payment of principal and interest; (ii) peso component of capital costs and project preparation; (iii) infrastructure and support facilities needed to be directly financed by the government; (iv) operating and other expenditures which will be ultimately required for general fund support when the project is implemented; and (v) peso requirements needed as counterpart.

The Monetary Board shall, within thirty (30) days from the end of every quarter, submit to the Congress a report of its decisions on applications for loans to be contracted or guaranteed by the government or GOCCs which have the effect of increasing the foreign debt.

Implementation of this section shall be in accordance with applicable rules and regulations of the Office of the President, DBM, DOF and BSP and other agencies concerned. Further, said agencies shall jointly issue a consolidated guidelines for loan agreements.

EXPENDITURES

Sec. 15. Use of Government Funds. Government funds shall be utilized in accordance with the appropriations authorized for the purpose. Moreover, departments, bureaus, offices or agencies, including GOCCs and LGUs shall ensure that utilization of government funds comply with applicable laws, rules and regulations, such as, but not limited to the following:

(a) Purchase of goods, infrastructure projects, and consulting services, including common-use supplies shall be made in accordance with the provisions of R.A. No. 9184 and its Revised Implementing Rules and Regulations;

(b) Purchase of motor vehicles shall be made in accordance with pertinent laws, rules and regulations;

(c) Payment of foreign travel expenses to any government official or employee for training, seminar or conference abroad when the officials and other personnel of the foreign mission cannot effectively represent the country therein, and travels necessitated by authorized international commitments: PROVIDED, That no official or employee, including uniformed personnel of the DILG and DND, may be sent to foreign training, conference or attend international commitments when they are due to retire within one year after the said foreign travel;

(d) Provisions for fuel, parts, repair and maintenance of government vehicles properly identified as such and which carry its official government plate number: PROVIDED, That in case of transport crisis, such as that occasioned by street demonstrations, *welgang bayan*, floods, typhoons and other

emergencies, government vehicles of any type shall be made available to meet the emergency and may be utilized to transport for free the commuters on a round-the-clock basis; and

(e) Grant honoraria and other allowances authorized by law.

Sec. 16. Lease-Purchase Agreements. National government agencies are authorized to use its annual rental appropriations for office space or building for the acquisition of its office building under a lease-purchase agreement: PROVIDED, That the annual appropriations for the purpose at any given year shall not exceed the annual rental appropriation at the time of signing of the lease-purchase agreement.

Sec. 17. Purchase of Supplies, Materials and Equipment Spare Parts for Stock. The inventory of supplies, materials and equipment spare parts to be procured out of available funds shall at no time exceed the normal three-month requirement, subject to pertinent rules and regulations issued by competent authority: PROVIDED, That heads of agencies of the government may increase their inventory of critical supplies and materials in anticipation of cost increases, or if necessitated by a national emergency or of an impending shortage in the items concerned, specifying maximum quantities of individual items. Unless otherwise approved by the President of the Philippines, upon the joint recommendation of the Secretary concerned and the Chairman of the COA, these stocks shall not exceed one year's requirement.

Sec. 18. Emergency Purchases. Agencies of the government are authorized to make emergency purchases of supplies, materials and spare parts of motor transport equipment when there is an unforeseen contingency requiring immediate purchase, subject to the conditions prescribed under R.A. No. 9184 and its Revised Implementing Rules and Regulations.

Sec. 19. Procurement of Domestic and Foreign Goods. All appropriations for the procurement of equipment, supplies and materials, and other products and services authorized in this Act shall be used in accordance with the provisions of Commonwealth Act No. 138, Section 43 of R.A. No. 9184 and its Revised Implementing Rules and Regulations (IRR). Accordingly, all departments, bureaus, offices, agencies and instrumentalities of the government, including LGUs and GOCCs, shall give preference to domestic entities and domestic bidders, subject to the following:

(a) A domestic entity can only claim preference if it secures a certification from the DTI, if a sole proprietorship, or the Securities and Exchange Commission (SEC), if a corporation or partnership, that it has all the qualifications required under C.A. No. 138, R.A. No. 9184 and its Revised IRR;

(b) A domestic bidder can only claim preference if it secures from the DTI a certification that the goods forming part of its bid are substantially composed of articles, materials, or supplies grown, produced, or manufactured in the Philippines:

PROVIDED, That purchases under foreign military sales agreements, heavy equipment imports for infrastructure projects, and other importations of agencies which are financed by foreign borrowings may be made, subject to the requirements of LOI No. 880 dated June 21, 1979 and to pertinent budgeting, accounting and auditing laws, rules and regulations.

Further, in the utilization of the amounts appropriated herein for infrastructure projects to be undertaken either by administration or by contract, preference shall be given to locally-produced and manufactured materials in accordance with the preceding paragraph, including foreign-assisted projects whose covering loan agreements expressly allow or do not prohibit the same.

Sec. 20. Contracting Multi-Year Projects. In the implementation of multi-year projects where the total cost is not provided in this Act, agencies shall request the DBM for the issuance of a Multi-Year Obligational Authority following the guidelines under DBM Circular Letter No. 2004-12 dated October 27, 2004. Notwithstanding the issuance of a Multi-Year Obligational Authority, the obligation to be incurred in any given calendar year, shall in no case exceed the allotment released for the purpose during said calendar year.

Sec. 21. Printing and Publication Expenditures. Departments, bureaus, offices or agencies are hereby given the option to engage the services of private printers in their printing and publication activities, subject to public bidding in accordance with R.A. No. 9184, its Revised Implementing Rules and Regulations,

and to pertinent accounting and auditing rules and regulations: PROVIDED, That the printing of accountable forms, sensitive, high quality, or high volume printing requirements shall only be undertaken by recognized government printers, namely: Bangko Sentral ng Pilipinas, National Printing Office and Asian Productivity Office Production Unit, Inc.

Implementation of this section shall be subject to the guidelines issued by the GPPB.

Sec. 22. Extraordinary and Miscellaneous Expenses. Appropriations authorized herein may be used for extraordinary expenses of the following officials and those of equivalent rank as may be determined by the DBM, not exceeding:

(a) P220,000 for each Department Secretary;
(b) P90,000 for each Department Undersecretary;
(c) P50,000 for each Department Assistant Secretary;
(d) P38,000 for each head of bureau or organization of equivalent rank, and for each head of a Department Regional Office;
(e) P22,000 for each head of a Bureau Regional Office or organization of equivalent rank; and
(f) P16,000 for each Municipal Trial Court Judge, Municipal Circuit Trial Court Judge, and Shari'a Circuit Court Judge.

In addition, miscellaneous expenses not exceeding Seventy-Two Thousand Pesos (P72,000) for each of the offices under the above named officials are herein authorized.

For the purpose of this section, extraordinary and miscellaneous expenses shall include, but shall not be limited to expenses incurred for:

(a) Meetings, seminars and conferences;
(b) Official entertainment;
(c) Public relations;
(d) Educational, athletic and cultural activities;
(e) Contributions to civic or charitable institutions;
(f) Membership in government associations;
(g) Membership in national professional organizations duly accredited by the Professional Regulations Commission;
(h) Membership in the Integrated Bar of the Philippines;
(i) Subscription to professional technical journals and informative magazines, library books and materials;
(j) Office equipment and supplies; and
(k) Other similar expenses not supported by the regular budget allocation.

No portion of the amounts authorized herein shall be used for salaries, wages, allowances, confidential and intelligence expenses. In case of deficiency, the requirements for the foregoing purposes shall be charged against savings of the agency.

These expenditures shall be subject to pertinent accounting and auditing rules and regulations.

Sec. 23. Travelling Expenses. Officials and employees of the government may be allowed payment of claims for reimbursement of travelling and related expenses incurred in the course of official travel, certified by the head of the agency concerned as absolutely necessary in the performance of an assignment, and supported by receipts, chargeable to available allotment for travelling expenses, subject to the provisions of E.O. Nos. 248 and 248-A, s. 1995, as amended by E.O. No. 298, s. 2004.

Sec. 24. Cultural and Athletic Activities. Of the appropriations authorized in this Act for the MOOE of each department, bureau, office or agency, an annual amount not exceeding One Thousand Two Hundred Pesos (P1,200) per employee-participant may be used for the purchase of costume or uniform, and other related expenses in the conduct of cultural and athletic activities.

Sec. 25. Science and Technology Research. The appropriations of departments, bureaus, offices, or agencies for research and development (R&D) in the natural, agricultural, technological and engineering sciences shall be released upon recommendation of the DOST and/or the DA in accordance with R.A. No.

8439 and R.A. No. 8435, respectively, with the primary objective of coordinating research agenda, optimizing the use of research funds, and encouraging private sector participation in R&D activities: PROVIDED, That research efforts shall be geared towards achieving a wider commercialization of new discoveries, accelerating technology transfer, and integrating agricultural and fisheries plans and programs: PROVIDED, FURTHER, That said government agencies shall submit an annual report, either in printed form or by way of electronic document, to the House Committee on Appropriations and Senate Committee on Finance. The report shall include the list of recipient private entities, status of research being undertaken, the amount released and utilized for each project, and the commercialization activities and technology transfer made.

Sec. 26. Human Resources Development and Training Programs. All departments, bureaus, offices or agencies shall review and formulate their human resource development and training programs to make the same responsive to the organizational needs and manpower requirements of agencies and the need to train personnel in appropriate skills and attitudes. They shall likewise include in their human resource development and training programs measures to promote morale, efficiency, integrity, responsiveness, progressiveness, courtesy as well as nationalism and patriotism in the civil service. Such training programs shall be consistent with the rules and regulations issued by the CSC for the purpose.

Sec. 27. Programs and Projects Related to Gender and Development. All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2000-2015), the Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016).

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

The preparation and submission of annual GAD Plans and annual GAD Accomplishment Reports shall be guided by Joint Circular No. 2004-01 dated April 5, 2004 issued by the DBM, NEDA, and Philippine Commission on Women (*formerly the National Commission on the Role of Filipino Women*), as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies.

Sec. 28. Programs and Projects Related to Senior Citizens and Differently-Abled. All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and differently-abled person, and integrate the same in their regular activities, which shall be at least one percent (1%) of their budgets.

Moreover, all government facilities, including infrastructure, non-infrastructure and civil works projects of the government, as well as office buildings, streets and highways, shall provide architectural facilities or structural features and designs that shall reasonably enhance the mobility, safety and welfare of differently-abled persons pursuant to B.P. Blg. 344 and R.A. No. 7277.

Sec. 29. Projects Related to Youth. All agencies of the government are encouraged to provide allocation for youth development projects and activities within the framework of the Philippine Medium-Term Youth Development Plan. The National Youth Commission, in coordination with the DBM and NEDA, shall formulate a set of guidelines for the implementation of projects related to youth.

Sec. 30. Productivity Development and Food Security. All agencies of the government shall plant rice and other crops whenever feasible on government lands in its possession to develop productivity and promote food security. Implementation of this section is subject to guidelines issued by the DA and other agencies concerned.

Sec. 31. National Greening Program. All agencies of the government shall plant trees in lands of the public domain in support of the National Greening Program under E.O. No. 26, s. 2011. Implementation of this section is subject to guidelines issued by the DENR.

Sec. 32. Disaster Prevention, Mitigation and Preparedness Projects. All agencies of the government are encouraged to implement projects designed to address disaster risk reduction and management activities under R.A. No. 10121. Implementation of this section is subject to guidelines issued by the National Disaster Risk Reduction and Management Council.

Sec. 33. Climate Change Mitigation. All agencies of the government shall integrate energy-savings solutions in the planning and implementation of all infrastructure projects to mitigate the effects of climate change pursuant to the provisions of R.A. No. 9729.

PERSONNEL AMELIORATION

Sec. 34. Funding of Personnel Benefits. The personnel benefits costs of government officials and employees shall be charged against the funds from which their salaries are paid. Notwithstanding any provision of law to the contrary, all authorized supplemental or additional compensations, fringe benefits and other Personal Services costs of officials and employees whose salaries are drawn from special accounts or special funds shall similarly be charged against the corresponding fund from which their basic salaries are drawn. In no case shall such personnel benefits costs be charged against the General Fund of the National Government.

Personnel benefits costs shall include salary increases, step increment, incentive and service fees, commutation of vacation and sick leaves, retirement and life insurance premiums, compensation insurance premiums, health insurance premiums, HDMF contributions, hospitalization and medical benefits, scholarship and educational benefits, training and seminar expenses, all kinds of allowances, whether commutable or reimbursable, in cash or in kind, and other personnel benefits and privileges authorized by law, including the payment of retirement gratuities, separation pay and terminal leave benefits.

If the personnel benefits costs of government officials and employees, in whatever form, are partly sourced from the General Fund and partly from other sources, then in determining the fund source for the payment of retirement and terminal leave benefits and pension, only the portion attributed to personnel benefits cost charged against the General Fund shall be sourced from such. In no case shall personnel benefits costs charged against another source be charged against the General Fund.

Officials and employees on detail with other offices, including the representatives and support personnel of auditing units assigned to serve other offices or agencies, shall be paid their salaries, emoluments, allowances and the foregoing supplemental or additional compensation, fringe benefits and other Personal Services costs from the appropriations of their parent agencies. In no case shall such be charged against the appropriations of the agencies where they are assigned or detailed, except when authorized by law.

Sec. 35. Remittance of Compulsory Contributions. Notwithstanding the provisions of LOI No. 1102 dated January 13, 1981, the government and employee share in the compulsory contributions to the Employees Compensation Commission, PHILHEALTH, GSIS and HDMF pursuant to P.D. No. 626, as amended, R.A. No. 6111, R.A. No. 7875, R.A. No. 8291, and R.A. No. 9679, respectively, shall be remitted directly by agencies of the government to the respective recipient agencies unless a different arrangement is agreed upon in writing among the DBM, the remitting agency, and the recipient agency: PROVIDED, That any proposed increase in government and employee compulsory contributions may only be made after consultation by the agency concerned with the DBM in order that the budgetary implications of such proposal be duly considered: PROVIDED, FURTHER, That any increase in government and employee compulsory contributions, after said consultation, shall be made effective only upon inclusion thereof in the General Appropriations Act.

Sec. 36. Authorized Deductions. Deductions from salaries, emoluments or other benefits accruing to any government employee chargeable against the appropriations for Personal Services may be allowed for the payment of individual employee’s contributions or obligations due the following:

(a) The BIR, PHILHEALTH, GSIS, and HDMF;

(b) Mutual benefits associations, thrift banks and non-stock savings and loan associations duly operating under existing laws which are managed by and/or for the benefit of government employees;

(c) Associations/cooperatives/provident funds organized and managed by government employees for their benefit and welfare; and

(d) Duly licensed insurance companies accredited by national government agencies.

PROVIDED, That such deductions shall not reduce the employee's monthly net take home pay to an amount lower than Three Thousand Pesos (P3,000), after all authorized deductions: PROVIDED, FURTHER, That in the event total authorized deductions shall reduce net take home pay to less than Three Thousand Pesos (P3,000), authorized deductions under item (a) shall enjoy first preference, those under item (b) shall enjoy second preference, and so forth.

Sec. 37. Service Fees. Departments, bureaus, offices and agencies, which collect service fees for the payment of any obligation through authorized deductions under the preceding section, shall deposit said service fees with the National Treasury, to be recorded in its books of accounts as trust receipts. Said service fees shall be used exclusively for the operation of a Provident Fund in favor of all its employees in accordance with A.O. No. 279, s. 1992 and pertinent rules and regulations. The Provident Fund shall be used for loaning operations and other purposes beneficial to all members as may be approved by its governing board.

Sec. 38. Personnel Economic Relief Allowance. The personnel economic relief allowance (PERA) is granted to government personnel stationed in the Philippines in order to supplement their salaries due to the rising cost of living. The PERA, in the amount of Two Thousand Pesos (P2,000) per month, shall be granted to civilian government personnel whether occupying regular, contractual, or casual positions, appointive or elective whose positions are covered by R.A. No. 6758, as amended, as well as to the military and uniformed personnel, chargeable against the appropriations in this Act: PROVIDED, That personnel of GOCCs or LGUs shall be paid from their respective corporate or local funds: PROVIDED, FURTHER, That the grant of PERA shall be subject to the rules and regulations prescribed under Budget Circular No. 2009-3 dated August 18, 2009.

Overseas allowances are granted to government personnel stationed abroad to defray the cost of their living expenses. Accordingly, government personnel authorized to receive overseas allowances shall no longer be entitled to receive the PERA for the duration of their station abroad.

Sec. 39. Uniform or Clothing Allowance. The appropriations provided for each department, bureau, office or agency may be used for uniform or clothing allowance of employees at not more than Five Thousand Pesos (P5,000) each per annum, subject to the rules and regulations issued by the DBM. In case of deficiency, or in the absence of appropriation for the purpose, the requirements shall be charged against available savings of the agency.

Sec. 40. Magna Carta Benefits. The payment of magna carta benefits of public health workers and scientists, engineers, researchers, and other science and technology personnel in the government shall be limited to the appropriations authorized in this Act for the purpose. Augmentation thereof from any available savings of the agency concerned shall be subject to the approval by the DBM.

Sec. 41. Special Counsel Allowance. Lawyer-personnel, including those designated to assume the duties of a legal officer and those in the legal staff of departments, bureaus, offices or agencies of the National Government deputized by the Office of the Solicitor General to appear in court as special counsel in collaboration with the Solicitor General or prosecutors concerned, are hereby authorized an allowance of One Thousand Pesos (P1,000) for each appearance or attendance of hearing except pursuant to a motion for extension, chargeable to savings in the appropriations of their respective offices, but not exceeding Four Thousand Pesos (P4,000) per month: PROVIDED, That the special counsel allowance shall not be granted to lawyer-personnel appearing before quasi-judicial and administrative agencies.

Implementation of this section shall be subject to guidelines issued by the DBM.

Sec. 42. Hazard Duty Pay. National government agencies which are not specifically authorized by law to grant hazard duty pay are hereby allowed to use savings under Personal Services for the payment thereof to officials and employees who are actually assigned to, and performing their duties in, strife-torn or embattled areas as may be determined and certified by the Secretary of National Defense. Hazard duty pay shall only be granted for the duration of such assignment.

The grant of hazard duty pay shall be subject to the rules and regulations prescribed under Budget Circular No. 2005-4 and other rules and regulations issued by the DBM.

Sec. 43. Honoraria. The respective agency appropriations for honoraria shall only be paid to the following:

(a) Teaching personnel of the DepEd, TESDA, SUCs and other educational institutions, engaged in actual classroom teaching, whose teaching load is outside of the regular office hours or in excess of the regular load;

(b) Those who act as lecturers, resource persons, coordinators and facilitators in seminars, training programs, and other similar activities in training institutions, including those conducted by entities for their officials and employees wherein no seminar fees are collected from participants;

(c) Chairs and members of commissions, boards, councils, and other similar entities, including personnel thereof who are not paid salaries nor per diems but compensated in the form of honoraria as provided by law, rules and regulations;

(d) Those who are involved in science and technological activities who render services beyond their regular workload;

(e) Officials and employees assigned to special projects, subject to the following conditions:

(i) Said special projects are reform-oriented or developmental, contribute to the improvement of service delivery and enhancement of the performance of the core functions of the agency, and have specific timeframes and deliveries for accomplishing objectives and milestones set by the agency for the year; and

(ii) Such assignment entails rendition of work in addition to, or over and above, their regular workload.

In these instances, rates of honoraria shall depend on the level of responsibilities, nature of work rendered, and extent of individual contribution to produce the desired outputs: PROVIDED, That the total honoraria received from all special projects shall not exceed twenty-five percent (25%) of the annual basic salaries; and

(f) Officials and employees authorized to receive honoraria under R.A. No. 9184 and its Revised Implementing Rules and Regulations.

The grant of honoraria to the foregoing shall be subject to the guidelines prescribed under Budget Circular No. 2003-5, as amended by Budget Circular No. 2007-1 and National Budget Circular No. 2007-510, Budget Circular No. 2007-2, and other guidelines issued by the DBM.

Sec. 44. Representation and Transportation Allowances. The following officials of national government agencies, while in the actual performance of their respective functions, are hereby authorized monthly commutable representation and transportation allowances charged against appropriations authorized for the purpose at the rates indicated below:

(a) P11,000 for Department Secretaries;
(b) P8,700 for Department Undersecretaries;
(c) P7,800 for Department Assistant Secretaries;
(d) P7,000 for Bureau Directors and Department Regional Directors;
(e) P6,500 for Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, and Department Service Chiefs;
(f) P5,500 for Assistant Bureau Regional Directors; and

(g) P4,000 for Chief of Divisions, identified as such in the Personal Services Itemization and Plantilla of Personnel.

The foregoing rates shall apply for each type of allowance.

No amount of representation or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this section may be granted to the foregoing officials. Previous administrative authorizations inconsistent with the rates and conditions specified herein shall no longer be valid and payment shall not be allowed. The transportation allowance, whether in full or partial amounts, authorized herein shall not be granted to officials who are assigned or presently use government motor transportation.

The DBM shall determine other officials in the government that are of equivalent ranks with the above-cited officials who may likewise be entitled to representation and transportation allowances. The representation and transportation allowances of local government officials who are of equivalent rank to the foregoing officials, as determined by the DBM, shall be at the same percentages as the salary rates under R.A. No. 6758, as amended, and subject to the budgetary limitations under R.A. No. 7160.

Sec. 45. Official Vehicles and Transport. Government motor transportation may be used by the following officials with costs chargeable to the appropriations authorized for their respective offices:

(a) The President of the Philippines;
(b) The Vice-President;
(c) The President of the Senate;
(d) The Speaker of the House of Representatives;
(e) The Chief Justice and Associate Justices of the Supreme Court;
(f) The Presiding Justices of the Court of Appeals, Court of Tax Appeals, and the Sandiganbayan;
(g) The Department Secretaries, Undersecretaries, Assistant Secretaries and officials of equivalent rank;
(h) Ambassadors, Ministers Plenipotentiary and Consuls in charge of consulates, in their respective stations abroad;
(i) The Chief of Staff, the Vice-Chief of Staff, and the Commanding Generals of the Major Services of the Armed Forces of the Philippines;
(j) Heads of Constitutional Commissions and the Ombudsman;
(k) Bureau Directors, Department Regional Directors and Bureau Regional Directors; and
(l) Those who may be specifically authorized by the President of the Philippines, the Senate President, with respect to the Senate, the Speaker, with respect to the House of Representatives, and the Chief Justice, in the case of the Judiciary.

Sec. 46. Quarters Privileges. Officials and employees who, by virtue of their positions, are entitled to quarters privileges as authorized by law shall be provided free quarters within their office premises. Officials and employees of equivalent rank who are transferred from one station to another by virtue of agency policies on reshuffling or rotation of personnel and do not own houses or rooms therein, shall also be provided free quarters within their office premises.

Where there is not enough space to be used as quarters, the agency may rent buildings or rooms which shall serve as quarters for said officials and employees. For those who opt for more expensive quarters other than those rented by their agencies, such preferred quarters may be secured provided that the difference between the rental cost and the amount authorized shall be paid by the officials and employees concerned.

Officials and employees not entitled to quarters privileges but are allowed to use quarters in government-owned buildings shall be charged the corresponding cost of rentals subject to guidelines issued by the DBM.

Sec. 47. Employment of Contractual Personnel. Heads of departments, bureaus, offices or agencies, when authorized in, and within the limits of their respective appropriations, under this Act, may hire contractual personnel as part of the organization to perform regular agency functions or specific vital activities or services which cannot be provided by the regular or permanent staff of the hiring agency.

The contractual personnel employed pursuant to this section shall be considered as an employee of the hiring agency, limited to the year when their services are reasonably required.

The total annual Personal Services requirement for contractual personnel to cover salaries and other personnel benefits and fixed expenditures, shall in no case exceed the lump sum appropriation for the purpose.

Sec. 48. Year-End Bonus and Cash Gift. The year-end bonus equivalent to one (1) month basic salary and additional cash gift of Five Thousand Pesos (P5,000) provided under R.A. No. 6686, as amended by R.A. No. 8441, shall be granted to all National Government officials and employees, whether under regular, temporary, casual or contractual status, on full-time or part-time basis, who have rendered at least a total of four (4) months of service including leaves of absence with pay from January 1 to October 31 of each year, and who are still in the service as of October 31 of the same year.

One half (1/2) of said year-end bonus and cash gift may be paid not earlier than May 1 if at least a total of four (4) months of service have been rendered regardless of whether or not they will still be in the service as of October 31 of the same year. In case an official or employee retires or is separated from government service before October 31, a proportionate share of the remaining balance of the year-end bonus and cash gift shall be granted to said official or employee, based on the monthly basic salary immediately preceding the date of retirement or separation.

Personnel of GOCCs and LGUs are likewise entitled to year-end bonus and cash gift chargeable against their respective corporate and local funds.

The grant of the year-end bonus and/or cash gift shall be subject to guidelines under Budget Circular No. 2010-1 dated April 28, 2010.

Sec. 49. Compensation and Position Classification System of Government-Owned or Controlled Corporations. Pursuant to the provisions of R.A. No. 10149, the Governance Commission for GOCCs shall develop a Compensation and Position Classification System which shall apply to all officers and employees of the GOCCs whether covered by R.A. No. 6758, as amended or exempt therefrom, subject to approval by the President of the Philippines.

Sec. 50. Personal Liability of Officials or Employees for Payment of Unauthorized Personal Services Cost. No official or employee in any of the agencies of the government shall be paid any personnel benefits charged against public funds unless authorized by law. Grant of personnel benefits authorized by law but not supported by specific appropriations shall also be deemed unauthorized.

The payment of any unauthorized personnel benefit in violation of this section shall be null and void. The erring officials and employees shall be subject to disciplinary action in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.

Sec. 51. Use of Appropriations for Retirement Gratuity and Terminal Leave. Appropriations authorized in this Act to cover retirement gratuity benefit claims shall be released directly to the offices and agencies concerned computed based on the provisions of applicable retirement laws, rules and regulations.

Unless authorized by law and duly formalized in an appropriate issuance by the DBM, public funds shall not be used for the payment of salary increases or adjustments resulting from automatic promotions with the intent of increasing the retirement and terminal leave benefits of government personnel.

RELEASE AND USE OF FUNDS

Sec. 52. Use of Savings. The President of the Philippines, the Senate President, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the Heads of Constitutional Commissions enjoying fiscal autonomy, and the Ombudsman are hereby authorized to augment any item in this Act from savings in other items of their respective appropriations.

Sec. 53. Meaning of Savings and Augmentation. Savings refer to portions or balances of any programmed appropriation in this Act free from any obligation or encumbrance which are: (i) still available

after the completion or final discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized; (ii) from appropriations balances arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay; and (iii) from appropriations balances realized from the implementation of measures resulting in improved systems and efficiencies and thus, enabled agencies to meet and deliver the required or planned targets, programs**,** and services approved in this Act at a lesser cost.

Augmentation implies the existence in this Act of a program, activity, or project with an appropriation, which upon implementation or subsequent evaluation of needed resources, is determined to be deficient. In no case shall a non-existent program, activity, or project, be funded by augmentation from savings or by the use of appropriations otherwise authorized in this Act.

Sec. 54. Priority in the Use of Savings. In the use of savings, priority shall be given to the augmentation of the amounts set aside for compensation, year-end bonus and cash gift, retirement gratuity, terminal leave benefits, old-age pension of veterans and other personnel benefits authorized by law, and those expenditure items authorized in agency special provisions and in other sections of the General Provisions in this Act.

Sec. 55. Rules in the Realignment of Funds. Realignment of funds from one allotment class to another shall require prior approval of the DBM.

Departments, agencies and offices are authorized to augment any item of expenditure within Personal Services and MOOE except confidential and intelligence funds which require prior approval of the President of the Philippines. However, realignment of funds among objects of expenditures within Capital Outlays shall require prior approval of the DBM.

Notwithstanding the foregoing, realignment of any savings for the payment of magna carta benefits authorized under Section 40 hereof shall require prior approval of the DBM.

Sec. 56. Mandatory Expenditures. The amounts programmed, particularly for, but not limited to, petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, and rent requirements shall be disbursed solely for such items of expenditures: PROVIDED, That any savings generated from these items after taking into consideration the agency's full year requirements may be realigned only in the last quarter and subject to the rules on the realignment of funds provided in the preceding section.

Use of funds in violation of this section shall be void, and shall subject the erring officials and employees to disciplinary action in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.

Sec. 57. Expenditures for Business-Type Activities. Appropriations for the procurement of supplies and materials intended to be utilized in the conduct of business-type activities shall be disbursed solely for such business-type activity and shall not be realigned to any other expenditure item.

Use of funds in violation of this section shall be void, and shall subject the erring officials and employees to disciplinary action in accordance with Section 43, Chapter 5 and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.

Sec. 58. Confidential and Intelligence Funds. No amount in this Act shall be released or disbursed for confidential and intelligence activities unless approved by the President of the Philippines, or specifically identified and authorized as such confidential or intelligence fund in this Act.

Confidential and intelligence funds provided for in the budgets of departments, bureaus and agencies including amounts from savings authorized by special provisions to be used for intelligence and counter-intelligence activities, shall be released only upon approval of the President of the Philippines: PROVIDED, That at least eighty percent (80%) of confidential and intelligence funds shall be used for field operations.

All departments, bureaus and agencies shall submit to the President of the Philippines a quarterly report on the accomplishments in the use of confidential and intelligence funds.

Implementation of this section shall be subject to guidelines to be issued by the DBM.

Sec. 59 Realignment of Funds for Foreign-Assisted Projects. The amount appropriated in this Act for the implementation of foreign-assisted projects, including loan proceeds and peso counterpart, shall not be realigned except to other foreign-assisted projects: PROVIDED, That an agency may, with valid reason realign from one sub-project to another within the same foreign-assisted project as long as total project cost as prescribed in the relevant loan agreement is not exceeded.

Sec. 60. Availability of Appropriations. Appropriations for MOOE and Capital Outlays authorized in this Act shall be available for release and obligation for the purpose specified, and under the same special provisions applicable thereto, for a period extending to one fiscal year after the end of the year in which such items were appropriated: PROVIDED, That a report on these releases and obligations shall be submitted to the Senate Committee on Finance and House Committee on Appropriations, either in printed form or by way of electronic document.

Sec. 61. Prohibition Against Impoundment of Appropriations. No appropriations authorized under this Act shall be impounded through retention or deduction, unless in accordance with the rules and regulations to be issued by the DBM: PROVIDED, That all the funds appropriated for the purposes, programs, projects, and activities authorized under this Act, except those covered under the Unprogrammed Fund, shall be released pursuant to Section 33 (3), Chapter 5, Book VI of E.O. No. 292.

Sec. 62. Unmanageable National Government Budget Deficit. Retention or deduction of appropriations authorized in this Act shall be effected only in cases where there is an unmanageable National Government budget deficit.

Unmanageable National Government budget deficit as used in this section shall be construed to mean that: (i) the actual National Government budget deficit has exceeded the quarterly budget deficit targets consistent with the full-year target deficit as indicated in the BESF submitted by the President and approved by Congress pursuant to Section 22, Article VII of the Constitution, or (ii) there are clear economic indications of an impending occurrence of such condition, as determined by the Development Budget Coordinating Committee and approved by the President.

Sec. 63. Prohibition Against Retention or Deduction of Allotment. Fund releases from appropriations provided in this Act shall be transmitted intact or in full to the office or agency concerned. No retention or deduction as reserves or overhead shall be made, except as authorized by law, or upon direction of the President of the Philippines. The COA shall ensure compliance with this provision to the extent that sub-allotments by agencies to their subordinate offices are in conformity with the release documents issued by the DBM.

Sec. 64. Direct Release of Funds to Regional Offices and Other Implementing Units. Funds allotted for regional offices and other implementing units but included in the budgets of their Central Offices or which are specifically allocated for the different regions/implementing units shall be released directly to said regional offices/implementing units. For this purpose, the DBM shall identify by region/implementing unit the expenditure programs of agencies authorized in this Act and shall release funds intended for them in accordance with the approved distribution of expenditures specifying the region/implementing unit. Copies of fund releases to said regional offices/implementing units shall be furnished the House Committee on Appropriations and Senate Committee on Finance.

Sec. 65. Lump-Sum Appropriations. All national government agencies including SUCs shall submit to DBM within thirty (30) days from the approval of this Act the complete details of all lump-sum appropriations in their respective budgets which shall include but not limited to the list of sub-programs/activities or sub-projects with the corresponding cost up to the lowest level i.e., provincial, city or municipal level, as the case may be.

Sec. 66. Certification of Availability of Funds. Before entering into contracts involving the expenditure of public funds, all departments, bureaus, offices or agencies shall secure a certification of availability of funds for the purpose from the agency chief accountant, subject to Section 40, Chapter 5 and

Section 58, Chapter 7, Book VI of E.O. No. 292: PROVIDED, That the certification of availability of funds sufficient to cover the cost of the contracted activities shall be contained in, and made part of, the contract duly signed by the chief accountant of the contracting agency in accordance with P.D. No. 1445.

For projects covered by a multi-year obligational authority, as authorized under Section 20 hereof, the same shall be used as basis in the certification of availability of funds required prior to contract execution.

Sec. 67. Disbursement of Funds. Public funds shall be disbursed only through the BTr and/or authorized servicing banks under the Modified Disbursement Scheme.

Sec. 68. Limitations on Cash Advance and Reportorial Requirements. Notwithstanding any provision of law to the contrary, cash advances shall not be granted until such time that the earlier cash advances availed of by the officials or employees concerned shall have been liquidated pursuant to pertinent accounting and auditing rules and regulations.

For this purpose, the head of the agency and the COA auditor shall be jointly responsible for the preparation and submission, either in printed form or by way of electronic document, to the House Committee on Appropriations and Senate Committee on Finance of the Annual Report on Cash Advances indicating the names of the recipients, the items of expenditures for which said cash advances were disbursed, and the dates of liquidation as reflected in the Agency Books of Accounts.

Sec. 69. Requirements on Fund Transfers to Civil Society Organizations. Fund transfers to Civil Society Organizations (CSOs) shall be made only when earlier fund releases, if any, availed of by the CSOs shall have been fully liquidated pursuant to pertinent accounting and auditing rules and regulations.

Government agencies shall likewise ensure that the CSOs they deal with are legitimate. A report on the fund releases indicating the names of the CSOs shall be prepared by the agency concerned and duly audited by the COA, and shall be submitted to the Senate Committee on Finance and House Committee on Appropriations, either in printed form or by way of electronic document.

Sec. 70. Priority Provinces, Cities and Municipalities. All departments, bureaus, offices and agencies shall give utmost priority in the utilization of their funds for basic services to all provinces, cities and municipalities where the absolute number of indigents and the incidence of poverty are high, as identified in the latest official poverty statistics of the National Statistics Coordination Board.

ADMINISTRATIVE PROCEDURES

Sec. 71. Organizational and Staffing Pattern Changes. Unless otherwise provided by law or directed by the President of the Philippines, no organizational units or changes in key positions in any department or agency shall be authorized in their respective organizational structures and staffing patterns and funded from appropriations provided under this Act.

Sec. 72. Institutional Strengthening and Productivity Improvement in Agency Organization and Operations and Implementation of Reorganization Mandated by Law. The government shall adopt institutional strengthening measures to improve service delivery and enhance productivity.

Heads of departments, bureaus, offices, agencies, and other entities of the Executive Branch shall: (i) conduct a comprehensive review of their respective mandates, missions, objectives, functions, programs, projects, activities, systems and procedures; (ii) identify areas where improvements are necessary; and (iii) implement corresponding structural, functional and operational adjustments that will result in streamlined organization and operations and improved performance and productivity.

The actual streamlining and productivity improvements in agency organization and operations, as authorized by the President of the Philippines for the purpose, including the utilization of savings generated from such activities, shall be in accordance with the rules and regulations issued by the DBM.

Sec. 73. Performance-Based Budgeting. The Organizational Performance Indicator Framework (OPIF) shall be the conceptual and operational framework to institutionalize performance or results-based budgeting in the National Government. The annual budgetary levels of national government agencies shall consider agency physical accomplishments vis-à-vis targets formulated in terms of Major Final Outputs (MFOs) and their corresponding Performance Indicators (PIs). National government agencies which have already identified and harmonized their MFOs and PIs, as contained in the latest OPIF Book of Outputs, are authorized to restructure their budgets, and realign their programs, activities, and projects (p/a/ps) to improve service delivery and enhance accomplishment of desired outputs and outcomes, subject to the approval of the DBM. They shall cascade these MFOs, PIs, and restructured p/a/ps within their organizations through their respective corporate and business planning exercises and in accordance with the guidelines to be issued by the DBM.

The OPIF shall also serve as the framework for agency performance management system and the core basis for measuring budget performance.

Sec. 74. Service Contracts. Departments, bureaus, offices or agencies, as well as GOCCs, are hereby authorized to enter into service contracts with other government agencies, private firms, individuals, or NGOs for services related or incidental to their respective functions and operations, whether on a part-time or full-time basis.

Service contracts may be entered into by the agency for professional consultancy services, which may include contracts with individual consultants. For this purpose, an individual professional consultant is an expert in a field of special knowledge or training who is contracted to render particular outputs or services primarily advisory in nature requiring highly specialized or technical expertise which cannot be provided by the regular staff of the agency. Such hiring creates no employer-employee relationship between the individual professional consultant and the agency.

Likewise, service contracts may be entered into by the agency for janitorial, security and other related services, whenever practicable and cost-effective for the government.

The foregoing service contracts shall be entered into by the agency through public bidding or other alternative methods of procurement in accordance with R.A. No. 9184 and its Revised Implementing Rules and Regulations, subject to pertinent budgeting, accounting and auditing rules and regulations.

Sec. 75. Lease-Rental of Computers and Other Information Technology Equipment. It is hereby declared the policy of the government to “scale-down” expenditures on the acquisition and maintenance of computers and other information technology (IT) equipment as well as in the implementation of the computerization programs of government offices and agencies.

For this purpose, appropriations authorized in this Act for computerization programs, purchase of computers, or for the acquisition of any other IT equipment, may instead be used for the lease-rental of said computers and IT equipment consistent with a cost-benefit analysis: PROVIDED, That appropriations for purchase of computers intended for distribution to public schools and any other approved beneficiaries of IT equipment shall be exempt from the coverage of this section.

Implementation of this section shall be made in accordance with Joint Memorandum Circular No. 2002-1 dated July 22, 2002 issued by the National Computer Center and DBM.

Sec. 76. Electronic Interconnection through the Internet and E-Commerce Application. Departments, bureaus, offices and agencies including GOCCs, may use existing appropriations to install an electronic on-line network to facilitate the open, speedy and efficient electronic on-line transmission conveyance and use of electronic data messages or documents consistent with R.A. No. 8792: PROVIDED, That agencies shall switch to Voice Over Internet Protocol from landline and mobile phone usage whenever applicable to reduce the cost of telecommunications.

The amounts to be made available for the foregoing may be utilized in the acquisition of computer equipment, preferably on a lease basis if appropriate and more cost efficient, and for additional upgrading of hardware components, peripherals and software, subject to the provisions of R.A. No. 9184 and its Revised Implementing Rules and Regulations: PROVIDED, That such acquisition shall be consistent with the approved Information Systems Strategic Plan of the agency.

Sec. 77. Implementation of Executive Order No. 429, Series of 2005. The appropriations provided in this Act for the regional/field offices in Region IV-B may be realigned to Region VI to implement E.O. No. 429, s. 2005 upon approval by the President of the Philippines of the implementation plan to be submitted by the DILG under A.O. No. 129, s. 2005.

Sec. 78. Transfer of National Government Agencies and Funds to the Autonomous Region in Muslim Mindanao. National government offices and agencies in the ARMM which are not excluded under paragraph 9, Section 2, Article V of R.A. No. 6734, as amended by Section 3, Article IV of R.A. No. 9054, together with their personnel, equipment, properties and budgets shall be placed under the control and supervision of the ARMM Regional Government, pursuant to a schedule prescribed by the Oversight Committee in accordance with its mandate under the provisions of R.A. No. 6734, as amended by R.A. No. 9054. Prior to said transfer, said agencies of the National Government shall continue their operations and the discharge of their respective functions.

The appropriations provided in this Act for Basilan and Marawi City, included in the budget of the various departments, bureaus, offices or agencies shall be transferred to the ARMM Regional Government.

Sec. 79. Allocation for Autonomous Region in Muslim Mindanao in Nationwide Projects. In the implementation of nationwide programs, projects, and activities, whether funded under this Act or other laws, the implementing agency shall ensure that the requirements of ARMM are provided. The funds for the purpose shall be released based on, and made only upon submission by the implementing agencies concerned of the allocation for ARMM per province. The respective heads of the implementing agencies shall be responsible for ensuring that the amounts allocated for ARMM per province are posted on the respective official websites of the implementing agencies.

In addition, the ARGMM shall submit, either in printed form or by way of electronic document, to the DBM and the implementing agencies concerned separate quarterly reports on the utilization of said amounts per province in the ARMM. The Regional Governor of ARGMM shall be responsible for ensuring that said reports are likewise posted on the official website of the ARMM.

Sec. 80. Allocation for Local Government Units. The IRA which is automatically appopriated shall be apportioned among LGUs, including provinces, cities, and municipalities created, approved, and ratified in 2011, in accordance with the allocation formula prescribed under Section 285 of R.A. No. 7160 taking into consideration the following:

(a) The land area shall be based on the FY 2001 Land Management Bureau (LMB) certified Masterlist of Land Area unless the FYs 2004 and 2007 LMB certified Masterlist of Land Area has been validated by the DILG, NAMRIA and representatives of the Leagues of Provinces, Cities and Municipalities, and endorsed by the Secretary of DENR and the Regional Secretary of the ARMM to DBM on or before December 31, 2011; and

(b) The population shall be based on the FY 2007 Presidential Proclamation on the Official Population Count of the Philippines by Province, City, Municipality and Barangay.

All adjustments, changes, modifications, or alterations in any of the factors affecting the computation of IRA that occurred or happened, including final and executory court decisions rendered during the current fiscal year shall only be considered and implemented in the subsequent fiscal year.

Member-municipalities of the Partido Development Administration may charge the capitalization requirement under R.A. No. 7820 against their respective IRA.

Enforcement of Sections 325 (a) and 331 (b) of R.A. No. 7160 shall be waived to enable LGUs to: (i) absorb the cost of hospital services transferred from provinces to newly created cities; (ii) create the mandatory positions, for the initial year of such creation, specified in R.A. No. 7160; (iii) pay minimum Year-End Bonus of One Thousand Pesos (P1,000) for the punong barangay and Six Hundred Pesos (P600) for other mandatory barangay officials, and their cash gifts; and (iv) pay retirement gratuity and terminal leave benefits of employees.

Sec. 81. Strict Adherence to Procurement Procedures, Laws, Rules and Regulations. In the procurement of infrastructure projects, goods and consulting services, including works undertaken by administration, all government agencies shall strictly adhere to the provisions of R.A. No. 9184, its Revised Implementing Rules and Regulations (IRR) and other guidelines that may be issued by the GPPB: PROVIDED, That the Philippine Government Electronic Procurement System (PhilGEPS) shall be used as the primary source of information on government procurement of common-use supplies, goods and equipment, and as a repository of all government procurement information, pursuant to R.A. No. 9184 and its Revised IRR.

Consistent with the policy of transparency, and to achieve efficiency in the procurement process, procuring entities shall utilize the PhilGEPS, through its electronic catalogue facility, for the procurement of common-use supplies: PROVIDED, That all invitations to apply for eligibility and to bid, notices of award, and all other procurement-related notices shall be posted in the PhilGEPS Electronic Bulletin Board in accordance with the Revised IRR of R.A. No. 9184, regardless of the method of procurement used.

For this purpose, all central, regional, and district offices of national government agencies, SUCs, GOCCs, GFIs, and LGUs, specifically the provincial and city governments, are mandated to use the PhilGEPS and all its available facilities in their procurement activities. Similarly, all regional offices of national government agencies and municipal governments shall undertake measures to ensure their on-line access and connectivity to the PhilGEPS and its full use.

Sec. 82. Purchase of Common-Use Supplies. All national government agencies including SUCs and GOCCs shall purchase from the Procurement Service (PS) all common-use supplies listed in the PS catalogue as mandated under LOI No. 755 dated October 18, 1978.

The PS shall regularly update its catalogue to include all commonly used items procured by agencies of the government such as, but not limited to, information and communications technology requirements, software licenses, and telecommunications services, to ensure cost-efficiency.

Sec. 83. Construction Standards and Guidelines. Appropriations authorized under this Act for the construction of buildings for SUCs, schools, hospitals, sanitaria, health centers and health stations, roads and bridges, and irrigation systems, among others, shall be implemented only in accordance with the appropriate standards and specifications for the planning, survey, design and construction of the project as prescribed by the DepEd, DPWH, DOTC, DA-NIA, as the case may be. In addition, land use and zoning guidelines as prescribed by existing laws, rules and regulations shall be strictly observed.

In the implementation of the construction projects, Sections 2-7, 9-10 and 12 of E.O. No. 182, s. 1987 and other legislations on public works shall be strictly complied with, except as otherwise provided in this Act.

Sec. 84. Implementing Agency for Nationally Funded Projects. Pursuant to Section 17 (c) of R.A. No. 7160, projects, facilities, programs and services funded under this Act shall be implemented by the appropriate national government agency irrespective of the nature and location of such projects, facilities, programs and services: PROVIDED, That the National Government may delegate the implementation thereof to the LGUs with the capability to and who will actually implement the project by themselves through the execution of a MOA.

Sec. 85. Submission of Annual Operating Budgets for Retained Income and Audited Financial Statements. All national government agencies authorized by law to retain and/or use income shall prepare and submit to the DBM not later than March 1 of every year their respective annual operating budgets covering said income and the corresponding expenditures, and their audited financial statements for the immediately preceding fiscal year.

Failure to submit said annual operating budget and the audited financial statements shall render any disbursement from said retained income void, and shall subject the erring officials and employees to disciplinary actions in accordance with Section 43, Chapter 5, and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.

Sec. 86. Report on Compliance with COA Audit Findings and Recommendations. All departments, bureaus, offices, and agencies, including GOCCs and LGUs, shall within sixty (60) days from their receipt of

the COA annual audit report submit, either in printed form or by way of electronic document, to the COA a status report on the actions taken on said audit findings and recommendations, copy furnished the DBM, House Committee on Appropriations and Senate Committee on Finance.

Sec. 87. Submission of Quarterly Financial and Narrative Accomplishment Reports. Within thirty (30) days after the end of each quarter, each department, bureau, office or agency shall submit a quarterly financial and narrative accomplishment reports to the House Committee on Appropriations and Senate Committee on Finance, copy furnished the DBM, COA, and the appropriate Committee Chairman of the House of Representatives. The financial report shall show the cumulative allotments, obligations incurred/liquidated, total disbursements, unliquidated obligations, unobligated and unexpended balances, and the results of expended appropriations.

The quarterly reports shall also include detailed statements on the disbursements and utilization of appropriations for the purchase of motor vehicles and equipment, capital investment outlays, as well as appropriations earmarked and released for rentals, travels, petroleum, oil and lubricants, water, illumination and power services, telephone and other communication services.

Likewise, the DBM shall submit to the House Committee on Appropriations and Senate Committee on Finance a quarterly report on releases made from the lump sum Special Purpose Funds, Supplemental Appropriations, Continuing Appropriations and Automatic Appropriations, and as applicable, the unreleased balances of such appropriations.

The foregoing reports may be submitted either in printed form or by way of electronic document.

Sec. 88. Transparency Seal. To enhance transparency and enforce accountability, all national government agencies shall maintain a transparency seal to be posted on their official websites. The transparency seal shall contain the following information: (i) the agency's mandates and functions, names of its officials with their position and designation, and contact information; (ii) annual reports, as required under National Budget Circular Nos. 507 and 507-A dated January 31, 2007 and June 12, 2007, respectively, for the last three (3) fiscal years; (iii) their respective approved budgets and corresponding targets immediately upon approval of this Act; (iv) major programs and projects categorized in accordance with the five key results areas under E.O. No. 43, s. 2011; (v) the program/projects beneficiaries as identified in the applicable special provisions; (vi) status of implementation and program/project evaluation and/or assessment reports; and (vii) annual procurement plan, contracts awarded and the name of contractors/suppliers/consultants.

The respective heads of the agencies shall be responsible for ensuring compliance with this section.

Sec. 89. Exemption from Garnishment. All amounts appropriated and released under this Act shall be exempt from garnishment.

Sec. 90. Separability Clause. If for any reason, any section or provision of this Act is declared unconstitutional or invalid, other sections or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Sec. 91. Effectivity. The provisions of this Act shall take effect on January one, two thousand and twelve, unless otherwise provided herein.