

GENERAL PROVISIONS

Receipts and Income

Sec. 2. Fees, Charges and Assessments. All fees, charges, assessments, and other receipts or revenues collected by ministries, bureaux, offices or agencies in the exercise of their functions, at such rates as are now or may be approved by the Minister concerned, shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 50 of P.D. No. 1177 and Section 3 of B.P. Blg. 325: PROVIDED, That certain receipts may be recorded as income of a Special Fund, a Fiduciary or a Trust Fund, or a fund other than the General Fund, when authorized by law and following such rules and regulations as may be issued by the Permanent Committee created under Section 51 of P.D. No. 1177: PROVIDED, FURTHER, That all revenues or income accruing to special accounts in the General Fund may be made available for expenditure, subject to the Special Provisions in this Act for the agencies concerned and to Special Budgets required under Section 40 of P.D. No. 1177: AND PROVIDED, FINALLY, That whenever practicable and taking into account the cost reduction program of the government when an agency contracts with another government office for fabrication of furniture or equipment, or for computer, printing or other services, the agency rendering such services may assess the requesting agency for the cost of production and services rendered and may utilize the proceeds thereof subject to Section 40 of P.D. No. 1177, except as otherwise provided in this Act.

Sec. 3. Revolving Fund. Revolving funds shall be established and maintained in this Act only in cases where said funds are expressly created and authorized by a special or substantive law.

Receipts derived from business-type activities of ministries, bureaux, offices or agencies which are authorized by law or by the Special Provisions in this Act to be constituted into a Revolving Fund shall be separately recorded and deposited in an authorized government depository bank, except as may otherwise be determined by the Permanent Committee created under Section 51 of P.D. No. 1177, and may be made available for operational expenses of the said activity of the agency concerned, subject to the conditions prescribed under the Special Provisions of the agency concerned and the rules and regulations as may be prescribed by the aforementioned Permanent Committee. The Revolving Fund shall be considered self-perpetuating and self-liquidating and all obligations or expenditures incurred by virtue of said business-type activities shall be charged against the Revolving Fund: PROVIDED, That interest earned shall accrue to and form part of the Revolving Fund to be used for the same purpose for which the fund is authorized.

The agency concerned shall submit to the Ministry of Budget and Management a monthly report of the income from this Fund and a quarterly report of expenditure. In case of failure to submit said requirements, the

Ministry of Budget and Management shall order the suspension of all transactions on this account until such time when said requirements are complied with.

Sec. 4. **Trust Receipts.** Receipts from non-tax sources authorized by law for specific purposes which are collected/received by a government office or agency acting as a trustee, agent or administrator, or which have been received as guaranty for the fulfillment of an obligation, and all other collections classified by law or regulations as trust receipts shall be treated as a trust liability of the agency concerned and deposited in an authorized government depository bank or in the National Treasury, as the case may be, subject to the conditions prescribed under the Special Provisions of the agency concerned and to the rules and regulations as determined by the Permanent Committee created under Section 51 of P.D. No. 1177: PROVIDED, That deposits in authorized government depository banks shall be withdrawable on the joint signatures of the authorized representatives of the agency and the Commission on Audit without the need for a Special Budget or the issuance of a Cash Disbursement Ceiling: PROVIDED, FURTHER, That if the amount is deposited in a savings account, the interest shall accrue to the General Fund and shall be remitted to the National Treasury at the end of each quarter.

Sec. 5. **Seminar and Conference Fees.** Ministries, bureaus, offices or agencies which conduct training programs approved jointly by the Ministry of Budget and Management and the Civil Service Commission are authorized to collect seminar and conference fees from government and private agency participants, the rates of which shall be determined in accordance with Letter of Instructions No. 565. The proceeds derived from such seminars or conferences may be deposited in an authorized government depository bank as a trust liability and shall be made available for expenditure without the need for a special budget or the issuance of a Cash Disbursement Ceiling to defray the costs incurred for handouts, meals and other incidental expenses, including speakers' honoraria, at rates prescribed pursuant to P.D. No. 985, but not for entertainment or representation expenses, withdrawable on the joint signatures of the authorized representatives of the agency concerned and the Commission on Audit: PROVIDED, That if the income is deposited in a savings or time deposit account, the interest thereof shall accrue to the General Fund and shall be remitted to the National Treasury at the end of each quarter: PROVIDED, FURTHER, That no appropriation authorized in this Act shall be used to support or augment expenses of seminars or conferences for which fees are collected: AND PROVIDED, FINALLY, That any income remaining in the bank account at the end of the fiscal year shall be withdrawn and deposited with the National Treasury as income of the General Fund. The Ministry of Budget and Management and the Commission on Audit shall promulgate the necessary rules and regulations to implement this provision.

Ministries, bureaus, offices or agencies concerned shall submit to the Ministry of Budget and Management a monthly report of collections and deposits and quarterly reports of expenditures and financial status of its

training operations. In case of failure to submit said requirements, the Ministry of Budget and Management shall order the suspension of all withdrawals from the funds deposited until such time that said requirements are complied with.

Sec. 6. Sale of Products. Ministries, bureaus, offices or agencies are authorized to sell products of agricultural, industrial or other projects, including official publications. The proceeds derived therefrom shall be deposited with the National Treasury and shall accrue to the General Fund, pursuant to Section 50 of P.D. No. 1177, unless otherwise provided by law or authorized by Special Provision in this Act.

Sec. 7. Donations. Ministries, bureaus, offices or agencies are authorized to accept donations, contributions, grants, bequests or gifts, in cash or in kind, from foreign governments, international and local agencies, private entities or individuals for purposes relevant to their functions. Such receipts shall be recorded in the books of the government and shall be subject to pertinent accounting and auditing rules and regulations.

Cash proceeds shall be deposited with the National Treasury as a Special Account in the General Fund and shall be released only to the extent of actual receipts as certified by the Bureau of the Treasury and used or expended as specified by the donor, subject to Section 40 of P.D. No. 1177. The agency concerned shall submit to the Ministry of Budget and Management and to the Commission on Audit a quarterly Report of the Expenditures or Disbursements of the amounts released.

Contributions or gifts in kind intended for specified beneficiaries, but which are perishable in nature and would require storage or distribution expenditures of more than 40 percent of their current market value, may be sold at public auction. The proceeds derived therefrom shall be deposited in like manner as if they were in cash, and shall be used or expended as specified by the donor, subject to the conditions imposed by the donor and Section 40 of P.D. No. 1177.

Sec. 8. 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 an authorized government depository bank as trust liabilities and under the name of the agency concerned. 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 to the filing party and the office or agency concerned, withdrawable on the joint signatures of the authorized representatives of the agency and the Commission on Audit, without the need for a special budget or the issuance of a Cash Disbursement Ceiling: PROVIDED, That any interest accruing on deposit accounts and any forfeited amounts shall be recorded as income of the General Fund and shall be remitted to the National Treasury at the end of each quarter. This provision shall apply to bonds posted in cash, such as bidder's bond, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited in court or quasi-judicial bodies and other refundable and

judicial bonds, and all bonds and deposits required by law, rules and regulations to be posted to ensure the faithful performance of an activity or undertaking.

Authorized Expenditures

Sec. 9. **Restrictions on the Use of Appropriated Funds.** The amounts released, particularly for but not limited to, petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, rents, retirement gratuity and terminal leave requirements shall be disbursed solely for such items of expenditures in accordance with the work and financial plan as approved by the Minister of Budget and Management.

The use of funds in violation of this Section shall be null and void, and shall subject the erring officials and employees to disciplinary action under the provisions of Sections 49 and 87 of P.D. No. 1177 and to appropriate criminal action under existing penal laws.

Sec. 10. **Community Employment and Development Program.** The heads of Ministries, bureaus, offices and agencies shall identify and itemize in their respective work and financial plans all the projects and activities which may be included under the Community Employment and Development Program and which shall at least be twice the amounts allotted in CY 1986 for infrastructure ministries and agencies and at least equal the corresponding 1986 allotments for other agencies.

The identification of projects including the determination of the amounts to be earmarked for the program shall be made in accordance with the rules and regulations to be prescribed jointly by the Ministry of Budget and Management and the National Economic and Development Authority and approved by the President of the Philippines.

Sec. 11. **Use of Savings.** Ministries, bureaus, offices and agencies are hereby authorized, subject to LOImp. No. 29 and P.D. No. 1177, to use savings realized from appropriations actually released for the augmentation of necessary operational expenses and for the settlement of the following obligations and activities incurred during the current year:

- a. Payment of retirement gratuity or separation pay of employees who are entitled under existing law or whose services are terminated as a result of the abolition of their positions under authorized procedures;
- b. Payment of the share of the national government in the salaries of officials and employees in newly created and/or reclassified local government units where no appropriation has been provided in this Act or where the authorized appropriation is not sufficient to cover the salaries of the said officials and employees;
- c. Provision for social and economic opportunities and such other activities intended for the welfare of the cultural minorities as may be undertaken by the Office of Muslim Affairs and Cultural Communities;

- d. Organization, activation, training and operation of civic action units for the purpose of implementing agency development projects in areas adversely affected by peace and order problems, including salaries and allowances of all newly hired military personnel assigned thereto;
- e. Payment of obligations of the national government or any of its ministries or agencies arising from perfected and valid contracts, or international agreements;
- f. Purchase or repair of equipment and furniture, including motor vehicles, to replace those lost or destroyed through theft or robbery, accident, fire, typhoon and other natural calamities, and to replace unserviceable and condemned items;
- g. Expansion of essential facilities and services, including the opening of additional classes in elementary, secondary and vocational schools, as may be approved by the President of the Philippines;
- h. Funding of foreign exchange and peso requirements of foreign-assisted projects; and
- i. Foreign exchange differential arising from peso devaluation.

Sec. 12. **Expenditures Funded from Borrowings.** The amounts appropriated in this Act and funded from local or foreign borrowings shall be released in accordance with loan drawdowns or in the manner stipulated in the financing agreement concerned, subject to Section 40 of P.D. No. 1177.

Sec. 13. **Cash Advances for Foreign-Assisted Projects.** Any provision of law to the contrary notwithstanding, cash advances may be authorized to meet the expenditure requirements of foreign-assisted projects in cases where the approved project/loan agreement provides specifically for a reimbursement mechanism for expenses incurred, subject to the approval of the Ministry of Budget and Management and to applicable accounting and auditing regulations.

Sec. 14. **Foreign Purchases and Other Importations.** Purchases under foreign military sales agreements, heavy equipment imports for infrastructure projects and other importations of agencies which are financed by foreign borrowings or by Central Bank-consolidated borrowing programs shall be subject to the requirement of a certification of availability of appropriations released for the purpose, to the requirements of LOI No. 880 and to applicable laws, rules and regulations.

Sec. 15. **Purchase of Supplies, Materials and Equipment Spare Parts.** The stock on hand of supplies, materials and equipment spare parts to be acquired through ordinary purchase out of appropriations herein provided shall at no time exceed normal three-month requirements, subject to pertinent rules and regulations issued by competent authority: PROVIDED, That heads of ministries, bureaus, offices or agencies or other instrumentalities of the government may approve the build-up of stocks on hand of critical supplies and materials as defined or specified by the Ministry of Budget and Management in anticipation of cost increases, of requirements of a national emergency, or of an impending shortage in the items concerned,

specifying maximum quantities of individual items. In no case, however, shall these stocks exceed more than one year's need, unless otherwise approved by the President of the Philippines, upon the joint recommendation of the Minister concerned and the Chairman of the Commission on Audit.

Sec. 16. **Emergency Purchases.** Unless otherwise provided in this Act, ministries, bureaus, offices or agencies of the national government are authorized to make emergency purchases of supplies, materials and spare parts of motor transport equipment that are urgently needed for the repair of ambulances, motor vehicles, vessels and aircrafts or to meet an emergency which may involve the loss of, or danger to, life and/or property, or are to be used in connection with a project or activity which cannot be delayed without causing detriment to the public service, in a monthly amount not exceeding four percent of the annual agency expenditure program for supplies and materials out of the appropriations allotted for maintenance and other operating expenses of the agency concerned, except as may be authorized by the President of the Philippines upon the joint recommendation of the Ministry of Budget and Management and the Commission on Audit.

Sec. 17. **Cultural and Athletic Activities.** An amount not exceeding ₱15,000 per annum out of the appropriations allotted for maintenance and other operating expenses for each ministry, bureau, office or agency, and ₱5,000 for each regional office of each regionalized ministry, bureau, office or agency, may be used for cultural and athletic activities, including purchase of uniforms at not more than ₱250 for each participant, and for supplies and necessary expenses for said activities. The amounts fixed in this Section constitute the allowable maximum to be expended by any ministry, bureau, office or agency for its cultural and athletic activities, except as otherwise approved by the President of the Philippines: PROVIDED, That these amounts may be pooled by the Minister concerned into one fund, programmed and controlled to best serve the needs of the ministry and all the offices, bureaus and agencies therein.

For purposes of this Section, the term "office or agency" shall be so construed to refer only to ministries and bureaus, and the regular government offices or agencies under them.

Sec. 18. **Extraordinary and Miscellaneous Expenses.** Appropriations herein authorized may be used for extraordinary expenses not exceeding:

- a. ₱30,000 for each Minister or equivalent;
- b. ₱10,000 for each Deputy Minister or equivalent;
- c. ₱4,000 for each Assistant Minister/Secretary, head of bureau or organization of equal rank to a bureau and for each Ministry Regional Director; and
- d. ₱2,000 for each Bureau Regional Director.

In addition, miscellaneous expenses not exceeding ₱6,000 for each of the offices under the above named officials are herein authorized.

For purposes 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 Regulation 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, intelligence and confidential expenses.

These expenditures shall be payable on a reimbursement basis upon presentation of receipts and chargeable against maintenance and other operating expenses.

Sec. 19. Release of Intelligence and Confidential Funds. Intelligence and confidential funds provided for in the budgets of ministries, bureaus, offices or other agencies of the national government, 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.

Sec. 20. Information Outlay. The appropriations pertaining to information activities of the various ministries, bureaus, offices or agencies shall be released upon presentation of an appropriate program of activities: PROVIDED, That each ministry, bureau, office or agency shall include in its program of information dissemination, the adequate and timely reproduction of relevant laws and other administrative issuances for distribution to its lowest field organizational units, including those units over which it exercises supervision.

Sec. 21. Loans Outlay. The amounts authorized for loans outlay in the budgets of ministries, bureaus, offices and other agencies, including accumulated balances and receivables shall, in cases expressly provided for by law, be remitted to government financial institutions to be constituted and administered as trust funds under such terms and conditions as may be agreed upon by the head of agency and the government financial institution concerned.

The rules and regulations governing the use of trust funds covered under this Section shall be formulated by the Ministry of Budget and Management.

Sec. 22. Release of Funds. Any provision of law to the contrary notwithstanding, the appropriations authorized for the Judiciary, the Civil Service Commission, the Commission on Audit and the Commission on Elections in this Act shall be automatically and regularly released in accordance with a Work and Financial Plan as may be required by the Ministry of Budget and Management as basis for the release of funds.

Sec. 23. **Comprehensive Audit of Lump Sum Fund Releases and Expenditures.** All releases and expenditures from the lump sum funds shall be subject to comprehensive audit and to pertinent accounting rules and regulations pursuant to the Government Auditing Code of the Philippines.

Contracts

Sec. 24. **Funding of Contracts and Future Payment of Contractual Obligations.** Notwithstanding the availability of deferred payment terms, ministries, bureaus, offices or agencies concerned, before entering into contracts involving the expenditure of public funds, including contracts for services or consultancy, contracts of lease, equipment rental, construction of partitions or improvements in leased buildings, or contracts involving an increase in the approved contract price shall secure a certification of availability of funds for the purpose from the agency Chief Accountant, subject to applicable rules and regulations as may be issued by the Ministry of Budget and Management and to Sections 46 and 64 of P.D. No. 1177: 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, as provided for by LOI No. 968. Ministries, bureaus, offices or agencies, before entering into contracts for delivery of goods or services against future payment, shall likewise first secure a certification of the availability of the full contracted amount for such goods or services out of the agency's appropriations. No contracts shall be entered into nor work undertaken without such certification of fund availability.

Sec. 25. **Loan Agreements.** Ministries, bureaus, offices or agencies shall in no case enter into foreign or domestic loan agreements, whether in cash or in kind, except upon concurrence of the Minister of Budget and Management with respect to peso requirements and implications on expenditure ceilings and prior approval of the President of the Philippines. Loans shall not be contracted by agencies of the national government unless the full amount of the loan is covered by an Obligational Authority issued by the Minister of Budget and Management within the regular budget program.

For this purpose, the budgetary implications of foreign-assisted projects shall be explicitly considered by the Minister of Budget and Management and the office or agency concerned at the time of project design and financing negotiations. The project study shall specify the cash flow requirements of the project among others, for: (a) payment of principal and interest; (b) peso component of capital costs and project preparation; (c) infrastructure and support facilities needed to be directly financed by government; (d) operating and other expenditures which will be ultimately required for general fund support when the project is implemented; and (e) peso requirements needed as counterpart.

Sec. 26. **Contracts for Security and Janitorial Services.** Ministries, bureaus, offices or agencies are authorized to contract for security and janitorial services with private firms after public bidding of which the cost thereof may be paid from savings in the appropriations of the

ministry, bureau, office or agency concerned: PROVIDED, That the execution of the contract for security and janitorial services shall not operate to automatically abolish or render vacant any existing occupied security or janitorial position in the contracting office or agency: PROVIDED, FURTHER, That when said security or janitorial position shall subsequently become vacant, said position shall be considered automatically abolished.

Personal Services Benefits

Sec. 27. Funding of Personnel Benefits. The personnel benefits costs of government officials and employees shall be charged against the respective funds from which their compensation are paid.

All authorized supplemental or additional compensation, fringe benefits and other personal services costs of officials and employees whose salaries are drawn from special accounts or special funds, such as salary increases and adjustments, merit increases, incentive and service fees, vacation and sick leaves, retirement and life insurance premiums, compensation insurance premiums, health insurance (Medicare) premiums, Pag-I.B.I.G 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, shall be charged against the corresponding fund from which their basic salaries are drawn and in no case shall such personnel benefits costs be charged against the General Fund of the national government.

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 compensation, fringe benefits and other personal services costs from the appropriations of their parent agencies, and 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. 28. Representation and Transportation Allowances. The following officials and those of equivalent rank as may be determined by the Ministry of Budget and Management are hereby granted monthly commutable representation and transportation allowances payable from the programmed appropriations provided for their respective offices, not exceeding the rates indicated below, which shall apply to each type of allowance:

- a. At ₱1,300 for Ministers;
 - b. At ₱1,050 for Career Executive Service Rank I Officials;
 - c. At ₱950 for Career Executive Service Rank II Officials;
 - d. At ₱850 for Career Executive Service Rank III Officials;
 - e. At ₱775 for Career Executive Service Rank IV Officials;
 - f. At ₱700 for Career Executive Service Rank V Officials;
- and

- g. At ₱625 for Chiefs of Divisions, identified as such in the Personal Services Itemization.

The transportation allowance herein authorized shall not be granted to officials who are assigned a government vehicle or use government motor transportation, except as may be approved by the President of the Philippines. Unless otherwise provided by law, no amount appropriated in this Act shall be used to pay for representation and/or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this Section. Previous administrative authorizations not consistent with the rates and conditions herein specified shall no longer be valid and payment shall not be allowed.

Allowances of those officials who are receiving salaries from special accounts or special funds shall be charged against the corresponding fund from which their salaries are charged. Officials on detail with other offices, including officials of the Commission on Audit assigned to serve other offices or agencies, shall be paid the allowance herein authorized from the appropriations of their parent agencies.

Sec. 29. **Official Vehicles and Transport.** Government motor transportation may be used by the following officials, and those who may be specifically authorized by the President of the Philippines with costs chargeable to the appropriations authorized for their respective offices:

- a. The President of the Philippines;
- b. The Vice-President;
- c. The Chief Justice of the Supreme Court;
- d. The Ministers, Deputy Ministers and officials of equivalent rank;
- e. The Presiding Justice of the Court of Appeals;
- f. Ambassadors, Ministers Plenipotentiary and Consuls in charge of Consulates, in their respective stations abroad;
- g. The Chief of Staff, the Vice-Chief of Staff, and the Commanding Generals of the major services of the Armed Forces of the Philippines; and
- h. The Heads of Constitutional Offices.

Sec. 30. **Uniform and Clothing Allowance.** The appropriations herein provided for each ministry, bureau, office or agency may be used for uniform and clothing allowance of employees at not more than ₱300 each per annum. Savings in the appropriations for each ministry, bureau or office may be used for this purpose where no amount is specifically appropriated in this Act.

Sec. 31. **Hazardous Duty Pay.** Upon recommendation of the Ministry Head and approval of the Ministry of Budget and Management, hazard pay may be allowed to officials and employees who are actually assigned in hardship or difficult areas, strife-torn or embattled areas, distressed or isolated

stations, prison camps, mental hospitals, radiation-exposed clinics or laboratories, or disease-infested areas which expose them to great danger, contagion, radiation, volcanic activity/eruption, occupational risks or perils to life, chargeable to savings in the appropriations of the ministry/agency concerned, which shall not be less than ₱50 nor more than ₱150 each per month, except in cases where the rates are specifically provided for under special laws, charters or enabling acts, in which case such rates shall govern, or where more incentives are needed to attract applicants, in which case the sum may be augmented at rates to be determined by the Ministry of Budget and Management as may be necessary: PROVIDED, That hazard pay by reason of strife-torn or embattled areas shall be subject to the certification issued by the Minister of National Defense and the rates thereof shall be determined by the Minister of Budget and Management on the basis of the area classification certified by the Minister of National Defense. The Minister of Budget and Management and the Minister of National Defense shall review from time to time authorizations for the payment of hazardous duty pay in strife-torn and embattled areas earlier issued and shall terminate such authorizations in areas where conditions no longer justify the continuation of hazardous duty pay.

Sec. 32. **Honoraria.** Ministries, bureaus, offices or agencies are authorized to use their respective appropriations for payment of honoraria as compensation for services rendered by researchers, experts and specialists who are acknowledged authorities in their field of specialization, at such rates as the Ministry of Budget and Management may authorize, unless otherwise specifically provided by law.

Sec. 33. **Incentive and Service Fees.** Service fees paid by the Government Service Insurance System, by other government offices or agencies authorized by law to pay such service fees, or by private companies which are intended for employees servicing them shall be deposited with the National Treasury and shall accrue to the General Fund, pursuant to Section 50 of P.D. No. 1177. Such fees may be made available for payment of incentive or service fees to the employees of the agency concerned in accordance with rates approved by the agency head, subject to Section 40 of P.D. No. 1177: PROVIDED, That the share of any employee may not, in the aggregate, exceed 50 percent of his annual salary.

Sec. 34. **Special Counsel Allowance.** Lawyer-personnel in the legal staffs of ministries, bureaus, offices or agencies of the national government appearing in Court as special counsel in collaboration with the Solicitor General or Fiscals concerned are hereby authorized an allowance of ₱150 for each appearance, chargeable to savings in the appropriations allotted for personal services of their respective offices, but not exceeding ₱600 a month.

Sec. 35. **Quarters Allowance.** Except as may be authorized by law, government officials and employees who, by virtue of their positions, are furnished free quarters or are charged only a nominal rate in government-owned buildings, such as dormitories or living quarters in hospitals, state

colleges, universities and schools, foreign posts and elsewhere, shall forfeit entitlement to any quarters allowance. In cases where portions of rented private buildings are authorized to be utilized for officials' quarters, the excess of rental cost over the quarters allowance of the officials shall be borne by the officials or employees concerned. Those who enjoy free quarters in government-owned or-rented buildings, but who are not entitled to quarters privilege, shall be charged the corresponding cost of rentals therefor. Unless fixed by law or regulations, the rate of quarters allowance or rental, as the case may be, shall be determined by the Ministry of Budget and Management.

Sec. 36. Compensation of Contractual Personnel. Heads of ministries, bureaus, offices or agencies, when authorized in their respective appropriations as provided in this Act, may hire consultants, experts and other contractual personnel to perform specific vital activities or services which cannot be provided by the regular staff of the agency, limited to such period when their services are reasonably required and to activities that shall have a definite expected output. Such contractual personnel may be paid compensation inclusive of fees, honoraria, per diems and allowances not exceeding 120 percent of the minimum salary of an equivalent position in the National Classification and Compensation Plan, except as may be authorized by the Ministry of Budget and Management in the following instances: (a) when the consultant or expert is an acknowledged authority in his field of specialization; and (b) where the consultant or expert is hired to perform a specific activity or service that requires technical skill and expertise which local labor force cannot provide, or if such expertise is available, the supply is limited: PROVIDED, That in no case shall such compensation exceed the salary of his immediate superior, except as may be otherwise approved jointly by the Civil Service Commission and the Ministry of Budget and Management.

Sec. 37. Restriction on the Use of Appropriations for Retirement Gratuity and Terminal Leave. Release of appropriations authorized in this Act to cover retirement gratuity benefit claims shall be made on the basis of creditable services as computed by the Government Service Insurance System in accordance with the provisions of existing retirement laws. Unless otherwise authorized by law, no amount appropriated in this Act shall be used for payment of retirement gratuity under the provisions of Section 12(c) of C.A. No. 186, as amended by R.A. No. 1616, and terminal leave benefits of retiring officials and employees which include in the computation thereof additional compensation as defined under retirement laws such as bonuses, per diems, allowances and overtime pay, or salary, pay or compensation given in addition to the base pay of the position or rank as fixed by law or regulation.

The rules and regulations to implement this Section shall be issued jointly by the Ministry of Budget and Management, the Government Service Insurance System and the Commission on Audit.

Sec. 38. Unauthorized Pre-Retirement Promotions and Salary Increase. No portion of the appropriations provided in this Act shall be used for

automatic promotions or for salary increases and adjustments granted to retiring officials and employees, which are not authorized by law and duly formalized in a National Compensation Circular.

Sec. 39. Personal Liability of Officials for Payment of Unauthorized Personal Services Cost. No official or employee of the National Government, including those of government-owned or-controlled corporations, shall be paid any unauthorized personal services benefits charged against the appropriations in this Act, other appropriations laws or income of the government.

The payment of any unauthorized personal services benefits in violation of this Section is null and void. The erring officials and employees shall be subject to disciplinary action under the provisions of Sections 49 and 87 of P.D. No. 1177 and to appropriate criminal action under existing penal laws.

Local Government Units

Sec. 40. Sharing of National Revenues. The appropriations herein authorized for local government revenue sharing shall be released in accordance with the procedure prescribed under P.D. Nos. 144 and 436, as amended. Compliance with the sharing formula as provided by law shall be determined in accordance with the rules and regulations established by the Ministry of Budget and Management pursuant to P.D. Nos. 144 and 436, as amended, taking into account all funds allocated and released for local government units, except for the budgetary aid fund herein appropriated pursuant to Item No. 7 of P.D. No. 144.

Sec. 41. Release of Appropriations to Local Government Units. Funds appropriated herein for local government units shall be released only after the approval of their respective budgets pursuant to the provisions of P.D. No. 1375, except as may be authorized by the Ministry of Local Government and the Ministry of Budget and Management.

Administrative Procedures

Sec. 42. Release of Funds for Training Programs. Ministries, bureaus, offices or agencies shall review and formulate their training programs to make the same responsive to the organizational needs and manpower requirements of agencies and the need to train personnel in skills and attitudes. Such training programs shall be submitted to the Training Coordination Committee created under LOI No. 754, which shall review and evaluate training activities. No appropriation for training shall be released without such review and evaluation.

Sec. 43. Direct Release of Funds to Regional Offices. Funds allotted for regional offices but included in the budgets of their central offices or which are specifically allocated for the different regions shall be released directly to said regional offices when dictated by the need and urgency of regional activities, pursuant to Section 38(e) of P.D. No. 1177. Imposition of any retention or deduction as reserves shall not be allowed except as may be authorized by the Ministry of Budget and Management. For

this purpose, the Ministry of Budget and Management shall identify by region the expenditure programs of agencies in the national government budget and shall release funds intended for them in accordance with the approved regional distribution of expenditures specifying the region of destination.

Sec. 44. Prohibition Against Deduction/Retention of Allotment. Fund releases from appropriations provided in this Act for any function/project shall be transmitted intact or in full to the office or agency concerned and 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 Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by ministries and/or central agencies to their subordinate offices are in conformity with allocations in budgetary Advice of Allotments issued by the Ministry of Budget and Management.

Sec. 45. Administration of the Releases of Funds Allotted for Operating Expenses and Budgetary Support to Government Corporations. Funds herein appropriated for operating expense contributions and budgetary support to government-owned or-controlled corporations and other public corporate bodies shall be under the administration of the Ministry of Budget and Management. Said funds shall be directly released to the recipient corporation through the Bureau of the Treasury on the basis of a Work and Financial Plan prepared and submitted by the Corporation concerned pursuant to Executive Order No. 518, subject to Section 40 of P.D. No. 1177 and Letter of Implementation No. 29.

Sec. 46. Offsets Against Budgetary Support to Government Corporations. The appropriations herein authorized for budgetary support to government corporations may be used by the National Treasurer for the payment of loans relented to corporations and for the reimbursement of advances made by the National Treasurer on obligations incurred by said corporations which were guaranteed by the Government of the Republic of the Philippines.

Sec. 47. Work and Financial Plan. All ministries, bureaus, offices and agencies, including government-owned or-controlled corporations, shall submit their respective Work and Financial Plans as may be required by the Ministry of Budget and Management as the basis for the release of allotments, cash disbursement ceilings and funding warrants.

The Work and Financial Plan shall be prepared in accordance with the form and content as prescribed by the Minister of Budget and Management. No deviations shall be allowed from the approved Work and Financial Plan except upon prior approval of the Minister of Budget and Management.

Sec. 48. Submission of Financial Statements. All government-owned or-controlled corporations shall submit to the Ministry of Budget and Management their respective financial statements, including plans, programs, targets and other reports as may be required from time to time. The annual reports shall be prepared as herein provided and submitted on or before March 31 of the succeeding year.

Sec. 49. **Unauthorized Organizational Units.** Unless otherwise created by law or directed by the President of the Philippines, no organizational unit in any ministry, bureau, office or agency shall be authorized in their respective organizational structures and be funded from appropriations provided by this Act. Organizational units created by administrative authorizations shall be considered as ad hoc arrangements which shall be staffed by employees on detail.

Sec. 50. **Implementation of Construction Projects.** Construction projects funded from capital outlays authorized in this Act under the various ministries, bureaus, offices or agencies of the national government, including the construction of buildings for state universities, colleges, schools, hospitals, sanitarium, health centers and health stations, roads and bridges, shall be implemented only in accordance with the appropriate standards and specifications for the planning, survey, design and construction of the projects as prescribed by the Ministry of Public Works and Highways or the Ministry of Transportation and Communications, through either of said ministries 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, 3, 4, 5, 6, 7, 9 and 10 of Batas Pambansa Blg. 50, and B.P. Blg. 132 entitled "An Act Appropriating Funds for Public Works, Highways, Transportation and Communications Projects and for Other Purposes," and other legislations on public works shall be strictly complied with whenever applicable.

Concluding Provisions

Sec. 51. **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. 52. **Effectivity.** The provisions of this Act shall take effect on January one, nineteen hundred and eighty-seven, unless otherwise provided herein.

Done in the City of Manila, this 18th day of December, in the year of Our Lord, nineteen hundred and eighty-six.