

GENERAL PROVISIONS

RECEIPTS AND INCOME

Sec. 3. Fees, Charges and Assessments. All fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices or agencies in the exercise of their functions, at such rates as are now or may be approved by the Secretary concerned and the NEDA Board, shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292 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 created under Section 45, Chapter 5, Book VI of E.O. No. 292 (the "Permanent Committee"): 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 as required under 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 pursuant to Section 2 of B.P. Blg. 325 and E.O. No. 197, s. 2000. 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 Section 35, Chapter 5, Book VI of E.O. No. 292.

Sec. 4. Dormant and Other Special Funds. All departments, bureaus, offices, and agencies are hereby ordered to (i) revert to the General Fund balances of Special Funds which remained dormant for an unreasonable length of time, or whose terms have expired; or (ii) reimburse the General Fund for such amounts advanced to defray the operational requirements of an agency from Special Funds created for the same purpose.

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

Sec. 5. Retention and Use of Excess Income. Departments, bureaus, offices or agencies collecting fees and charges as shown in the FY 2008 Budget of Expenditures and Sources of Financing (BESF) may be authorized by the Permanent Committee to retain and use income realized in excess of collection targets presented in the BESF in order to augment their respective current appropriations: PROVIDED, That such income shall not be used to augment appropriations for Personal Services including payment of discretionary and representation expenses.

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

Sec. 6. 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 departments, bureaus, offices or 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 departments, bureaus, offices or 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 on 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 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, no withdrawal in the subsequent quarters shall be allowed in audit except upon certification of the DBM that said report has been submitted.

Sec. 7. 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. 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 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. 9. Receipts Arising from Build-Operate-Transfer Transactions and Its Variant Schemes. Notwithstanding the provision of Section 7, receipts, such as toll fees, charges and other revenues arising from public sector projects implemented through build-operate-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 accrue to the General Fund and shall be remitted to, and deposited with, the National Treasury. Implementation of this section shall be made in accordance with the appropriate guidelines.

Sec. 10. Seminar and Conference Fees. Departments, bureaus, offices or agencies which conduct training programs in relation to their mandated functions are authorized to collect seminar and conference fees from government and private agency participants, at such standard rates as the DBM and the CSC shall 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 and shall accrue to 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 office authorized to conduct the same shall submit to the DBM a report of the fees collected and of the expenses incurred.

Sec. 11. Sale of Official Publications. Departments, bureaus, offices or 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 office concerned shall submit to the DBM a report of the proceeds from said sale and of the expenses incurred: PROVIDED, FURTHER, That any excess shall be remitted to the National Treasury and shall accrue to the General Fund pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292.

Sec. 12. Sale of Non-serviceable, Obsolete or Unnecessary Equipment. Departments, bureaus, offices or agencies are hereby authorized to sell non-serviceable, obsolete, or unnecessary equipment including cars, vans and the like pursuant to the provisions of 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 such new cars and vans shall be subject to prior authority pursuant to pertinent laws, rules and regulations: PROVIDED, FURTHER, That the agency concerned shall submit to the DBM, the House Committee on Appropriations and the Senate Committee on Finance a report on the types of equipment sold and the utilization of the sales proceeds.

Sec. 13. Donations. Departments, bureaus, offices or 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 of the President of the Philippines upon recommendation of the Secretary of Foreign Affairs: PROVIDED, FURTHER, That the DA through the National Agricultural and Fishery Council is hereby authorized to determine the utilization of the United States Public Law 480 Title I Program Grant and the RP-Japan Increased Food Production Program Grant for agriculture and fishery projects in accordance with the objectives of R.A. No.8435, or the Agriculture and Fisheries Modernization Act of 1997.

Receipts from donations shall be accounted for in the books of the recipient 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 remitted to the National Treasury, 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 a specific purpose with a term not exceeding one (1) year shall be treated as trust receipts in accordance with Section 7 hereof.

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

In case of violation of this section, the erring officials and employees shall be subject to disciplinary action under the provisions of Sections 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. 14. National Internal Revenue Taxes and Import Duties. The following are deemed automatically appropriated:

- (a) National internal revenue taxes and import duties payable 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, including issuances for foreign securities in prior years until December 31, 2007; (ii) the DND and PNP on importations of military hardwares, software, munitions, arms and equipment; (iii) Bureau of Fire Protection on the importation of fire fighting equipment; (iv) Bureau of Fire Protection on importations of fire fighting equipment, rescue equipment, and personal protective gears; (v) 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 (vi) other tax obligations assumed by the national government pursuant to a valid build- operate and transfer agreement or any of its variants; and
- (c) Tax expenditure subsidies granted by the Fiscal Incentives Review Board to GOCCs, the Armed Forces of the Philippines Commissary and Exchange Service, the Philippine National Police 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. 15. Loan Agreements. Departments, bureaus, offices or agencies, including GOCCs except those engaged in banking, shall in no case enter into foreign or domestic loan agreements, whether in cash or in kind, unless all of the following conditions are complied with as the case may be:

- (a) Prior approval of the President of the Philippines;
- (b) Concurrence of the Monetary Board;
- (c) All 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 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.

EXPENDITURES

Sec. 16. Restrictions on the Use of Government Funds. No government funds shall be utilized for the following purposes:

- (a) To procure materials for infrastructure projects, goods and consulting services as well as common-use supplies as defined by the Government Procurement Policy Board not in adherence to the provisions of R.A. No. 9184 and its Implementing Rules and Regulations;
- (b) To purchase motor vehicles, except: (i) medical ambulances, military and police patrol vehicles, motorcycles, other utility vehicles, road construction equipment, motorized bancas and those used for mass transport when necessary in the interest of the public service, upon authority of the department or agency head and the Secretary of Budget and Management; and (ii) those authorized by the President, the Senate President, the Speaker of the House of Representatives, or the Chief Justice of the Supreme Court;
- (c) To defray foreign travel expenses of any government official or employee, except in the case of 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 international commitments: PROVIDED, That no official or employee, including uniformed personnel of the DILG and DND, will 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) To provide fuel, parts, repair and maintenance to any government vehicle not properly identified as a government vehicle and does not carry its official government plate number, except official vehicles assigned to the President, Vice-President, Senate President, Speaker of the House of Representatives, Chief Justice of the Supreme Court, Heads of the Constitutional Commissions, and those used by personnel performing intelligence and national security functions: 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;
- (e) To pay honoraria, allowances or other forms of compensation to any government official or employee, except those specifically authorized by law; and
- (f) To be invested in non-government securities, money market placements and similar investments or deposited in private banking institutions.

The provisions of this section shall also apply to GOCCs. Implementation shall be in accordance with the rules and regulations issued by the DBM, in coordination with the COA.

Sec. 17. 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, rent, retirement gratuity and terminal leave 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.

Use of funds in violation of this section shall be void, and shall subject the erring officials and employees to disciplinary action under the provisions of 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. 18. Expenditures for Business-type Activities. Appropriations for the procurement of supplies and materials intended to be utilized in the conduct of business-type activities of a department, bureau or office cannot be realigned to any other expenditure item and shall be disbursed solely for such business-type activity .

Use of funds in violation of this section shall be void, and shall subject the erring officials and employees to disciplinary action under the provisions of 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. 19. Valid Prior Years Obligations. The DBM is authorized to approve the payment of valid prior years unbooked obligations as certified by the COA. Out of the agency appropriations authorized in this Act, the DBM may identify in the fund release documents the amounts due to cover valid prior years unbooked obligations. In the case of GOCCs without budgetary support from the national government, funds for the purpose shall be indicated in the approval of their Corporate Operating Budgets.

Sec. 20. 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, offices or 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: PROVIDED, That at least eighty percent (80%) of confidential and intelligence funds shall be used for field operations.

All departments, bureaus offices or agencies shall submit to the Senate President and Speaker of the House of Representatives, and the Chairman of the COA, a quarterly report on the accomplishments in the use of confidential and intelligence funds, copy furnished the Senate Committee on Finance and the House Committee on Appropriations.

Sec. 21. 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 departments, bureaus, offices or agencies and other instrumentalities 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 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. 22. Emergency Purchases. Unless otherwise provided in this Act, departments, bureaus, offices or agencies 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 Implementing Rules and Regulations.

Sec. 23. Domestic Purchases and Foreign Importations. All appropriations for the procurement of equipment, supplies and materials, and other products and services authorized in this Act shall be used only for the purchase of equipment, parts, accessories, medicines and drugs, supplies and materials, and other products and services locally available. For this purpose, in the utilization of the amounts appropriated herein for infrastructure projects of the various departments and agencies, priority shall be given to the purchase of locally-produced and manufactured materials to be undertaken either by administration or by contract, including foreign-assisted projects whose covering loan agreements expressly allow or do not prohibit the same: PROVIDED, That importation may be made when:

- (a) None of the desired quality or standard is available in the market or when the price of the local product or service is more than fifteen percent (15%) of that of a similar product offered by an enterprise other than a domestic entity pursuant to Section 4 of C.A. No. 138, as certified by the DTI;
- (b) The quality of the locally-produced and manufactured material is sub-standard compared with its imported counterpart as determined by the DOST; and
- (c) No locally-produced and manufactured material is available as certified by the DTI:

PROVIDED, FURTHER, 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 and to pertinent budgeting, accounting and auditing laws, rules and regulations.

Sec. 24. Contracting Multi-Year Projects. In the implementation of multi-year projects, no agency shall enter into a multi-year contract without a Multi-Year Obligational Authority issued by the DBM for the purpose. Notwithstanding the issuance of the 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. 25. Cultural and Athletic Activities. Out of the appropriations authorized in this Act for 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. 26. 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 authorized 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. 27. Printing and Publication Expenditures. Departments, bureaus, offices or agencies are hereby authorized to engage the services of private printers in their printing and publication activities, subject to public bidding in accordance with R.A. No. 9184, and to pertinent accounting and auditing rules and regulations: PROVIDED, That in the printing of accountable forms, prior waiver from the National Printing Office shall be secured.

Sec. 28. 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 pursuant to R.A. No. 8435, or the Agriculture and Fisheries Modernization Act of 1997, 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 the said government agencies shall submit an annual report to the House Committee on Appropriations and the 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. 29. Procurement of IT Software. Consistent with the government information systems plan and in order to ensure compatibility and interoperability, the procurement of IT hardware and software that complies with internationally recognized industry standards shall be encouraged under this Act.

Sec. 30. Human Resources Development and Training Programs. 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. Such training programs shall be consistent with the rules and regulations issued by the CSC for the purpose.

Sec. 31. Programs/Projects Related to Gender and Development. All departments, including their attached agencies, offices, bureaus, SUCs, GOCCs, LGUs and other instrumentalities shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions in the 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), the Framework Plan for Women, and the Ten-Point Legacy Agenda of the Macapagal-Arroyo Administration. The cost of implementing the GAD Plan shall be at least five percent (5%) of the agency's or local government's total FY 2008 budget appropriations.

The development of the GAD Plan shall proceed from the conduct of gender analysis, the generation and review of sex-disaggregated data, and consultations with gender advocates and women clientele. Its implementation shall contribute to poverty alleviation, the economic empowerment especially of marginalized women, the protection, promotion, and fulfillment of women's human rights, and the practice of gender-responsive governance. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by the agency or local government.

The preparation and submission of annual GAD Plans and annual GAD Accomplishment Reports shall be guided by Joint Circular No. 2004-01 issued by the DBM, NEDA, and NCRFW, as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies.

Sec. 32. Projects Related to Youth. The National Youth Commission, in coordination with NEDA and DBM, shall formulate a set of guidelines for the implementation of projects related to youth.

In the formulation and implementation of their plans and programs, departments, bureaus, offices, agencies, GOCCs and LGUs are encouraged to provide allocation for youth development projects and activities within the framework of the Philippine Medium Term Youth Development Plan.

Sec. 33. Programs/Projects Related to Senior Citizens and the Differently-Abled. In support of the Philippine Plan of Action for Older Persons, 2005-2009, the cost of implementing plans, programs and projects intended to address the concerns of senior citizens and differently-abled shall be at least one percent (1%) of the agency's total FY 2008 budget appropriations.

Sec. 34. Projects/Facilities for the Differently-Abled. All government facilities, including infra, non-infra 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. 35. Kapit-Bisig Laban sa Kahirapan (KALAHI) Program. Departments, bureaus, offices, agencies, commissions and SUCs, including LGUs and GOCCs, may use the appropriations authorized herein to fund expenditures directly supportive of the KALAHI Program as may be determined and approved by the NAPC, and subject to such guidelines as may be issued for the purpose by the NAPC Secretariat.

Sec. 36. Human and Ecological Security Concerns. All departments, bureaus, offices and agencies are encouraged to undertake projects designed to address human and ecological security concerns. Implementation of this section shall be in accordance with guidelines jointly issued by the DENR, the DILG and the Commission on Population.

Sec. 37. Disaster Prevention, Mitigation and Preparedness Projects. All departments, bureaus, offices and agencies are authorized to use their appropriations to implement projects designed to address disaster prevention, mitigation and preparedness activities pursuant to P.D. No. 1566. Implementation of this section shall be in accordance with guidelines issued by the National Disaster Coordinating Council in coordination with the DBM.

Sec. 38. Fiscal Discipline Measures in Government Operations. All national government agencies shall implement fiscal discipline measures and review their respective expenditure programs approved pursuant to Section 34, Chapter 5, Book VI of E.O. No. 292, in order to avoid the implementation of ineffective programs and low priority projects and activities. Likewise, GOCCs and the LGUs are encouraged to implement the same.

The rules and regulations to implement this section shall be issued by the DBM, subject to the approval of the President.

The Judicial and Legislative branches of government may institute their own respective fiscal discipline measures.

PERSONNEL AMELIORATION

Sec. 39. Funding of Personnel Benefits. The personnel benefits costs of government officials and employees shall be charged against the funds from which their compensations 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, step increment for length of service, 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, 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.

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 payment of retirement gratuity and terminal leave benefits, 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 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. 40. Remittance of Government Counterpart Contributions. Notwithstanding the provisions of LOI No. 1102, the government and employee share in the compulsory contributions mandated by R.A. No. 8291, R.A. No. 6111, P.D. No. 626, as amended, and R.A. No. 7875, shall be remitted directly by departments, bureaus, offices and agencies, including LGUs, to the GSIS, the HDMF, the PHIC, or the Employees Compensation Commission, as the case may be, unless a different arrangement is agreed upon in writing among the DBM, the remitting agency, and the recipient agency or GOCC.

Any increase in government and employee compulsory contributions may only be made after consultation with the DBM in order that the budgetary implications of such increase be duly considered.

Sec. 41. 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, GSIS, HDMF and PHIC;
- (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 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. 42. Service Fees. Departments, bureaus, offices and agencies which collect service fees for the payment of any obligation through authorized deductions under Section 40, 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 that may be established by the agency in favor of all its employees in accordance with existing 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. 43. 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 they will still be in the service as of October 31 of the same year. A proportionate share of the remaining balance of the year-end bonus and cash gift shall be granted prior to retirement/separation before October 31, subject to the implementing rules and regulations issued by the DBM.

Local government personnel are likewise entitled to year-end bonus and cash gift chargeable against local funds: PROVIDED, That barangay officials are only entitled to cash gift.

Sec. 44. 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. 45. Representation and Transportation Allowances. The following officials of National Government Agencies, while in the actual performance of their respective functions, are hereby granted monthly commutable representation and transportation allowances payable from the programmed appropriations provided for their respective offices at rates indicated below, which shall apply to each type of allowance:

- (a) At P9,500 for Department Secretaries;
- (b) At P7,500 for Department Undersecretaries;
- (c) At P6,700 for Department Assistant Secretaries;
- (d) At P6,000 for Bureau Directors and Department Regional Directors;
- (e) At P5,400 for Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, and Department Service Chiefs;
- (f) At P4,800 for Assistant Bureau Regional Directors; and
- (g) At P3,500 for Chief of Divisions, identified as such in the Personal Services Itemization and Plantilla of Personnel.

The determination of equivalent ranks of the above cited positions in other National Government Agencies, GOCCs and LGUs shall be made by DBM.

The transportation allowance herein authorized shall not be granted to officials who are assigned or presently use government motor transportation. Unless otherwise provided by law, no amount appropriated in this Act shall be used to pay representation or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this section. Previous administrative authorizations inconsistent with the rates and conditions specified herein shall no longer be valid and payment shall not be allowed.

The representation and transportation allowances of local government officials who are of equivalent rank to the foregoing officials 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. 46. 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. 47. Honoraria. The respective agency appropriations for honoraria shall only be paid to the following:

- (a) Teaching personnel of the DepEd, CHED, 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;
- (c) Chairs and members of commissions, boards, councils, and other similar entities, including the 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; and
- (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, rate 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 total honoraria received from all special projects shall not exceed twenty-five percent (25%) of the annual basic salaries.

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

Sec. 48. 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 and 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.

Sec. 49. 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 Four Thousand Pesos (P4,000) each per annum which may be given in cash or in kind. In case of deficiency, or in the absence of appropriation for the purpose, the requirements may be charged against savings in the appropriations of agencies.

Sec. 50. Special Counsel Allowance. Lawyer-personnel, including those designated to assume the duties of a legal officer and those deputized by the Office of the Solicitor General in the legal staff of departments, bureaus, offices or agencies of the national government to appear in court as special counsel in collaboration with the Solicitor General or prosecutors concerned, are hereby authorized an allowance of Eight Hundred Pesos (P800) 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.

Sec. 51. Quarters Allowance. Except as may be authorized by law, government officials and employees who, by virtue of their positions, are provided free quarters or are charged only nominal rates for the use of government-owned buildings such as dormitories or living quarters in state universities and colleges, schools, offices and elsewhere, shall forfeit their entitlement to any quarters allowance. Directors or their equivalent who are transferred from one station to another by virtue of agency policies on reshuffling or rotation of personnel and do not own rooms, houses or units therein shall be provided free quarters within their office premises. Where there is not enough space to be used as quarters, the agency concerned may rent buildings or rooms which shall serve as quarters for the officials and employees concerned: PROVIDED, That quarters allowance shall only be paid where the office has no quarters available.

For those who desire more extensive 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. Those officials and employees who enjoy free quarters in government-owned buildings but are not entitled to quarters privileges, shall be charged the corresponding cost of rentals, subject to guidelines issued by the DBM for the purpose.

Sec. 52. Entitlement to Personnel Economic Relief Allowance. The Personnel Economic Relief Allowance (PERA) in the amount of Five Hundred Pesos (P500) per month shall be granted to appointive national and local government employees occupying itemized plantilla positions, casual and contractual employees, military personnel of the AFP, and uniformed personnel of the DILG, NAMRIA and the Philippine Coast Guard: PROVIDED, That employees of GOCCs shall be paid from their respective corporate funds: PROVIDED, FURTHER, That local government employees shall be paid from their respective local funds: PROVIDED, FINALLY, That LGUs which can afford to pay higher than the rates authorized in the schedule below for their particular income class shall be allowed to do so at a rate uniformly applied to all their respective personnel entitled to this benefit but not exceeding Five Hundred Pesos (P500) per month:

	Provinces/Cities	Municipalities
Special Cities and 1st Class	100%	90%
2nd Class and 3rd Class	90%	80%
4th Class, 5th Class and 6th Class	80%	70%

Sec. 53. Additional Compensation. The additional compensation in the amount of One Thousand Five Hundred Pesos (P1,500) per month authorized under A.O. No. 53 dated May 17, 1993 and A.O. No. 144 dated February 28, 2006 shall be granted to all government personnel, whether elective or appointive, who are under regular, temporary or casual status, including contractual personnel whose employment are in the nature of a regular employee, chargeable against the appropriations provided for the purpose under this Act: PROVIDED, That personnel of GOCCs or LGUs shall be paid from their respective corporate or local funds.

Sec. 54. Hazard Duty Pay. Departments, bureaus and offices which are not specifically authorized by law to grant hazard duty pay are hereby allowed to use savings from their appropriations for payment of hazard duty pay 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 that may be issued by the DBM.

Sec. 55. 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. In no case shall terminal leave benefits of retiring officials and employees 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.

Savings generated in one department, bureau, office or agency shall be used to augment deficient funds in other departments, bureaus, offices or agencies.

Sec. 56. Unauthorized Pre-Retirement Promotions and Salary Increases. Unless authorized by law and duly formalized in an appropriate issuance by the DBM, 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.

Sec. 57. Implementation of R.A. No. 7305 and R.A. No. 8439. The implementation of R.A. No. 7305 or the Magna Carta of Public Health Workers, and R.A. No. 8439 or the Magna Carta for Scientists, Engineers, Researchers, and Other Science and Technology Personnel in the government, shall be within the appropriation under this Act for the purpose: PROVIDED, That savings may be used to augment current year's deficiencies in the payment of benefits under said laws, subject to Section 61 hereof.

In no case shall the grant of benefits authorized by R.A. Nos. 7305 and 8439 over those appropriated herein shall be paid until funds are appropriated for the purpose.

Sec. 58. Personal Liability of Officials or Employees for Payment of Unauthorized Personal Services Cost. No official or employee of the national government, LGUs, and GOCCs shall be paid any personnel benefits charged against the appropriations in this Act, other appropriations laws or income of the government, unless specifically 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 under the provisions of 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.

RELEASE AND USE OF FUNDS

Sec. 59. 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. 60. 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 collective negotiation agreements which resulted in improved systems and efficiencies and thus enabled an agency 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. 61. 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 benefit, old-age pension of veterans and other personnel benefits authorized by law, and those expenditure items authorized in agency special provisions, in Section 17 and in other sections of the General Provisions of this Act.

Sec. 62. Augmentation of Maintenance and Other Operating Expenses Items. Agencies may augment any item of expenditure within

MOOE, except confidential and intelligence funds, from savings in other items of MOOE without prior approval of the DBM.

Sec. 63. Realignment/Relocation of Capital Outlays. The amount appropriated in this Act for acquisition, construction, replacement, rehabilitation and completion of various capital outlays may be realigned/relocated in cases of imbalanced allocation of projects within the district, duplication of projects, overlapping of funding source and similar cases: PROVIDED, That such realignment/relocation of capital outlays shall be done only upon prior consultation with the representative of the legislative district concerned.

Sec. 64. Implementation of Foreign-Assisted Projects. The amount appropriated in this Act for the implementation of foreign-assisted projects, including loan proceeds and local 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 the total project cost as prescribed in the relevant loan agreement is not exceeded.

Sec. 65. Approved Budget for the Contract. In the conduct of public bidding, the Approved Budget for the Contract (ABC) for foreign-assisted projects, as defined under R.A. No. 9184, shall be the upper limit or ceiling for the bid prices. Bid prices that exceed the ABC shall be disqualified outright from further participating in the bidding.

Sec. 66. 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 of these releases and obligations shall be submitted to the Senate Committee on Finance and to the House Committee on Appropriations.

Sec. 67 Prohibition Against Impoundment of Appropriations. No appropriations authorized under this Act shall be impounded through deduction or retention, 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 Sec. 33 (3), Chapter 5, Book VI of E.O. No. 292.

Sec. 68. Unmanageable National Government Budget Deficit. Deduction or retention 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 FY 2008 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. 69. Prohibition Against Deduction/Retention 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. 70. Automatic and Regular Release of Appropriations. Notwithstanding any provision of law to the contrary, the appropriations authorized in this Act for the Congress of the Philippines, the Judiciary, the Civil Service Commission, the Commission on Audit, the Commission on Elections, the Office of the Ombudsman and the Commission on Human Rights shall be automatically and regularly released.

Sec. 71. 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 automatically be released directly to said regional offices. For this purpose, the DBM 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. Copies of fund releases to the said regional offices shall be furnished the House Committee on Appropriations and the Senate Committee on Finance.

Sec. 72. Notice of Release of Funds. Release of funds for construction, repair, maintenance, rehabilitation, replacement, completion, betterment or improvement of roads and bridges, port works, flood control, waterworks/supply and government buildings and structures, shall be made after ten (10) days written notice to the representative of the legislative district concerned.

Sec. 73. 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, as provided by LOI No.968.

Departments, bureaus, offices or agencies, before entering into contracts for delivery of goods or services against future payment, shall likewise first secure a certification of availability of funds out of the agency's appropriations to cover the full contract price or the contracted amount for such goods or services. No contract shall be entered into nor work undertaken without such certification of fund availability.

Sec. 74. Disbursement of Funds. All appropriated funds shall be disbursed only through the National Treasury and/or authorized servicing banks under the Modified Disbursement Scheme.

Sec. 75. Limitations on Cash Advance/Reportorial Requirements. Notwithstanding any provision of law to the contrary, it is hereby declared a policy of the government not to grant cash advances until such time that the earlier cash advances availed of by the officials or employees concerned shall have been already liquidated pursuant to pertinent accounting and auditing rules and regulations, as certified by the head of the agency concerned and the COA auditor.

For this purpose, the head of the agency and the COA auditor shall be jointly responsible for the preparation and submission to the House Committee on Appropriations and Senate Committee on Finance of the Annual Report of 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. 76. Preference for Priority Provinces and Cities. All departments, bureaus, offices and agencies shall give utmost priority in the utilization of their funds for basic services to all provinces and cities with the poorest families as set forth in the National Anti-Poverty Program.

ADMINISTRATIVE PROCEDURES

Sec. 77. 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. 78. 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, as directed by the President of the Philippines. The heads of departments, bureaus, offices, agencies, and other entities of the Executive Branch shall (i) accordingly conduct a comprehensive review of their respective mandates, missions, objectives, functions, programs, projects, activities and 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: PROVIDED, That 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 to be issued by the DBM: PROVIDED, FURTHER, That in the implementation of reorganizations as mandated by law, or specific changes in agency structure, functions and operations as a result of institutional strengthening or productivity improvement/enhancement, the appropriation, including the functions, projects, programs and activities of agencies concerned may be realigned as may be necessary: PROVIDED, FINALLY, That any unexpended balances or savings in appropriations may be made available for the payment of retirement gratuities and separation benefits to affected personnel, as authorized under existing laws or other executive issuances.

Sec. 79. Results-based Budgeting. Within the context of the Public Management Expenditure Framework, all departments, bureaus, offices and agencies, including GOCCs, shall identify their Major Final Outputs (MFOs), or specific outputs and outcomes to be produced by their programs and services which are aligned with strategic goals of the government, and shall harmonize them with those identified by the DBM and NEDA. National government agencies which have identified and harmonized their MFOs, and which have restructured their programs to be more consistent with their MFOs, are hereby authorized to restructure their budgets, and realign their programs, projects and activities as may be necessary, subject to the approval of the DBM.

All performance indicators and corresponding targets shall then be set by national government agencies and GOCCs in accordance with the Organization Performance Indicator Framework, and finalized in coordination with the DBM, NEDA and COA.

Given the agreed upon performance indicators, national government agencies and GOCCs shall conduct and implement a monitoring and evaluation system, including data collection and reporting system, to monitor performance and improve the results of government programs. For this purpose, agencies, in coordination with the DBM, shall be responsible for the development and installation of an integrated program and project monitoring and evaluation system, which shall report program results regularly and publicly.

Sec. 80. 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 or individuals and non-governmental organizations for services related or incidental to their respective functions and operations, whether on 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. The DBM, in coordination with other agencies concerned, shall issue the necessary guidelines governing professional consultancy services.

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

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 Implementing Rules and Regulations, subject to pertinent accounting and auditing rules and regulations.

Sec. 81. Implementation of Infrastructure Projects. In the hiring of workers needed for the implementation of infrastructure projects as authorized under this Act, priority shall be given to the socially and financially disadvantaged residents of the LGUs where the project is located.

Sec. 82. Lease-Rental of Computers and Other Information Technology Equipment. As an integral part of the fiscal discipline measures mandated by Section 38 hereof, 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. 83. Electronic Interconnection Through the Internet and E-Commerce Application. Departments, bureaus, offices agencies and instrumentalities of the government 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, or the E-Commerce Act: PROVIDED, That National Government Agencies and GOCCs 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: PROVIDED, That such acquisition shall be consistent with the approved information System Strategic Plan of the agency.

Sec. 84. Implementation of Executive Order No. 429, Series of 2005. The appropriations provided in this Act for the regional/field office 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 implementation plan to be submitted by the DILG under A.O. No. 129, s. 2005.

Sec. 85. Allocation for Mindanao. Thirty percent (30%) of the applicable lumpsum appropriations integrated in the budget of agencies under this Act shall be allocated for projects, programs and activities for the development of Mindanao.

Sec. 86. Transfer of National Government Agencies and Funds to ARMM. 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, the 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. 87. Allocation for ARMM in Nationwide Projects. In the implementation of nationwide projects, programs, and activities, whether funded under this Act or other laws, the implementing agency shall ensure that the requirements of ARMM are provided.

Sec. 88. Allocation for Local Government Units. The Internal Revenue Allotment shall be apportioned among LGUs, including provinces, cities, and municipalities created, approved, and ratified in 2007, in accordance with the allocation formula prescribed under Section 285 of the Local Government Code after taking into consideration the total actual cost of devolution and the cost of city-funded hospitals as of December 31, 1992, which shall be earmarked directly to fund the devolved programs, projects, and activities. Member-municipalities may also charge their share in the capitalization of the Partido Development Administration pursuant to R.A. No. 7820 against their respective Internal Revenue Allotment.

The Internal Revenue Allotment shall be released directly by the DBM to the LGUS concerned: PROVIDED, That unremitted taxes or portions thereof as may be determined by the BIR, upon consultation with the LGU concerned, may be remitted directly to the National Treasury for the account of the BIR.

Enforcement of Sections 325 (a) and 331 (b) of R.A. No. 7160 shall be waived to enable local governments to (i) absorb the cost due to the transfer of national government personnel on account of devolution; (ii) in the case of newly created cities, absorb the cost of hospital services transferred from provinces; (iii) create the mandatory positions specified in R.A. No. 7160; (iv) continue the implementation of R.A. No. 6758, as amended, R.A. No. 7160, and as provided under existing standards, guidelines, rules and regulations; (v) cash gifts for barangay officials; (vi) pay the Magna Carta benefits of public health workers; (vii) pay retirement gratuity and terminal leave benefits; and (viii) pay the monetization of leave credits of employees.

Sec. 89. Strict Adherence to Procurement Procedures, Laws, Rules and Regulations. In the procurement of infrastructure projects, goods and consulting services, all departments, bureaus, offices and agencies, including SUCs, GOCCs and other instrumentalities, shall strictly adhere to the provisions of R.A. No. 9184, its IRR, and other guidelines that may be issued by the Government Procurement Policy Board: PROVIDED, That the Government Procurement System (G-EPS) 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 IRR.

Consistent with the policy of transparency, and to achieve efficiency in the procurement process, procuring entities shall utilize the G-EPS, through its electronic catalogue facility, for the procurement of common-use supplies: PROVIDED, FURTHER, That all Invitations to Apply for Eligibility and to Bid, Notices of Award, and all other procurement-related notices shall be posted in the G-EPS Electronic Bulletin Board in accordance with the 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, GOCCs, GFIs, SUCs, and LGUs, specifically the provincial and city governments, are mandated to use the G-EPS 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 G-EPS and its full use by the end of 2008.

Sec. 90. Construction Standards and Guidelines. Construction projects funded from Capital Outlays authorized in this Act under the various departments, bureaus, offices or agencies of the national government, including the construction of buildings for SUCs, 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 project as prescribed by the DPWH or the DOTC, 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 entitled "Rationalizing Public Works Measures, Appropriating Funds for Public Works, and for Other Purposes", and other legislations on public works shall be strictly complied with, except as otherwise provided in this Act.

Sec. 91. Implementing Agency for Nationally Funded Projects. Pursuant to Sec. 17 (c) of R.A. No. 7160, or the Local Government Code of 1991, projects, facilities, programs and services funded under this Act shall be implemented by the appropriate national government department or agency irrespective of the nature and location of such projects, facilities, programs and services: PROVIDED, That a Memorandum of Agreement may be entered into between the implementing national government agency and the beneficiary local government, designating the latter or any other local government to undertake the project or activity.

Sec. 92. Submission of Annual Operating Budgets for Retained Income. Any department, bureau, office, or agency that is authorized by law to retain and use its income shall prepare its annual operating budget for said income and submit the same to the DBM for its consideration prior to January 1, 2009.

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

Sec. 93. Report on Compliance with COA Audit Findings and Recommendations. All departments, bureaus, offices, agencies and instrumentalities of the government, including GOCCs and LGUs, shall within Sixty (60) days from their receipt of the COA annual audit report, submit to the COA a status report on the actions taken on said audit findings and recommendations, copy furnished the DBM, the House Committee on Appropriations and the Senate Committee on Finance.

Sec. 94. 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 report to the House Committee on Appropriations and the Senate Committee on Finance, copy furnished the DBM, the 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 report 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 the 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.

Sec. 95. Exemption from Garnishment. All amounts appropriated and released under this Act shall be exempt from garnishment.

Sec. 96. 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. 97. Effectivity. The provisions of this Act shall take effect on January one, two thousand and eight, unless otherwise provided herein.

Approved.

MANUEL B. VILLAR, JR.
President of the Senate

PROSPERO C. NOGRALES
Speaker of the House of Representatives

This Act which originated from the House of Representatives was passed by the House of Representatives and the Senate on January 28, 2008.

EMMA LIRIO-REYES
Secretary of the Senate

MARILYN B. YAP
Secretary-General of the House of Representatives

GLORIA MACAPAGAL-ARROYO
President of the Philippines