



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Boncodin Hall, General Solano Street, San Miguel, Manila



BUDGET CIRCULAR

No. 2012-3

November 29, 2012

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

SUBJECT : Guidelines on the Grant of the Productivity Enhancement Incentive (PEI) to Government Employees for Fiscal Year (FY) 2012

1.0 Background

- 1.1 Items (4)(h)(ii) of the Senate and House of Representatives Joint Resolution (JR) No. 4, series of 2009, "Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and for Other Purposes," approved on June 17, 2009, provides that incentives for government personnel shall include rewards for exceeding agency financial and operational performance targets, and to motivate employee efforts toward higher productivity. Item (4)(h)(ii)(bb) thereof lists the PEI as among the incentives; to be authorized by the President of the Philippines for those in the Executive Branch and in LGUs.
- 1.2 Executive Order (EO) No. 80, "Directing the Adoption of a Performance-Based Incentive System for Government Employees," was issued by President Benigno S. Aquino III on July 20, 2012, to motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets under the 5 Key Result Areas (KRAs) laid down in EO No. 43 and in the Philippine Development Plan 2011-2016.
- 1.3 Section 1 of EO No. 80 provides that a Performance-Based Incentive System, consisting of the Productivity Enhancement Incentive (PEI) and the Performance-Based Bonus (PBB), shall be adopted in the national government beginning FY 2012.

- 1.3.1 The PEI, in the amount of P5,000.00 shall continually be granted across-the-board, in accordance with the guidelines to be issued by the Department of Budget and Management (DBM).
- 1.3.2 The PBB, which is a top-up bonus, shall be given to personnel of bureaus or delivery units in accordance with their contribution to the accomplishment of their Department's over-all targets and commitments, subject to the achievement by the Departments of performance targets under their respective Major Final Outputs and Priority Program/Project commitments as agreed with the President under the 5 KRAs in EO No. 43; and accomplishment of good governance conditions set by the Inter-Agency Task Force created under Administrative Order No. 25.

2.0 Purpose

This Circular is issued to prescribe the guidelines on the grant of the PEI for FY 2012.

3.0 Coverage

The following are covered by this Circular:

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

4.0 Exclusions

The following are excluded from the coverage of this Circular:

- 4.1 Personnel in GOCCs and Government Financial Institutions (GFIs) under the jurisdiction of the Governance Commission on GOCCs; and
- 4.2 Those hired without employer-employee relationships and paid from non-Personal Services appropriations/budgets, as follows;
 - 4.2.1 Consultants and experts hired to perform specific activities or services with expected outputs;
 - 4.2.2 Laborers hired through job contracts (pakyaw) and those paid on piecework basis;

- 4.2.3 Student laborers and apprentices; and
- 4.2.4 Individuals and groups whose services are engaged through job orders, contracts of service, or others similarly situated.

5.0 Grant of PEI to Employees in the Executive Branch

5.1 Civilian employees in national government agencies (NGAs) in the Executive Branch, whether or not covered by Republic Act (R.A.) No. 6758, *"Compensation and Position Classification Act of 1989,"* as amended, including those in GOCCs under the jurisdiction of the DBM, and military and uniformed personnel shall be entitled to the one-time PEI for FY 2012 at the maximum amount of P5,000.00 each.

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

5.2.1 The employees are still in the service as of November 30, 2012.

5.2.2 The employees have rendered at least a total or an aggregate of four (4) months of service for the year as of November 30, 2012, including leaves of absence with pay, to be entitled to the full amount of the PEI. Those who have rendered less than the total or aggregate of four (4) months of service shall be entitled to pro-rated PEI, as follows:

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

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

5.2.4 The PEI of an employee who transferred from one agency to another shall be granted by the new agency.

5.2.5 The PEI of an employee on detail with another government agency shall be granted by the mother agency.

5.2.6 A compulsory retiree, on service extension as of November 30, 2012, may be granted the PEI, subject to the pertinent conditions/guidelines under this Circular.

5.2.7 Personnel Charged With Administrative and/or Criminal Cases

5.2.7.1 Personnel found guilty of administrative and/or criminal charges filed against him//her and meted penalty in FY 2012 shall not be entitled to the FY 2012 PEI.

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

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

Pursuant to item (4)(h)(ii)(bb) of JR No. 4, employees in the Senate, House of Representatives, Judiciary, Office of the Ombudsman, and Constitutional Offices vested with fiscal autonomy, may also be granted the one-time PEI by their respective heads of offices, at rates not exceeding P5,000.00 each, subject to the conditions/guidelines under sub-item 5.2 of this Circular.

7.0 Fund Source of the PEI for Employees in the National Government

7.1 National Government Agencies (NGAs) with Built-in Regular Appropriations under R.A. No. 10155

7.1.1 To fund the PEI at P5,000.00 per employee, the DBM shall release the Special Allotment Release Order (SARO) chargeable against the Miscellaneous Personnel Benefits Fund in R.A. No. 10155, the FY 2012 General Appropriations Act. The SARO and the corresponding Notice of Cash Allocation (NCA) shall be released without need for submission of agency requests.

7.1.2 Pending receipt of the SARO/NCA from the DBM, agencies may use their available Personal Services allotments (comprehensive allotments per Agency Budget Matrix and allotments for the compensation adjustments under JR No. 4) and cash allocation balances under the regular Modified Disbursement System Account following the Common Fund System.

7.2 GOCCs and GFIs

The PEI for employees of GOCCs under the jurisdiction of the DBM shall be charged against the respective approved corporate operating budgets for FY 2012. In case of insufficient funds, the PEI shall be granted at a lower amount but at uniform percentage of the PEI rates in sub-items 5.1 and 5.2.2 of this Circular.

8.0 Grant of PEI to Employees in GOCCs and GFIs Under the Jurisdiction of the GCG

In line with Section 7 of EO No. 80, employees in GOCCs and GFIs under the jurisdiction of the GCG may also be granted the one-time PEI for FY 2012 at rates not exceeding P5,000.00, subject to GCG guidelines.

9.0 Grant of PEI to Employees in LGUs

LGU employees, including those in *barangay* governments who are compensated through monthly honoraria, may be granted the one-time PEI for FY 2012, at rates to be determined by the respective *sanggunian*, depending on the LGU financial capability, and subject to the following conditions:

- 9.1 The PEI shall be charged against LGU funds for FY 2012, subject to the Personal Services limitation in LGU budgets pursuant to Sections 325(a) and 331(b) of R.A. No. 7160.
- 9.2 The conditions/guidelines on the grant of the PEI under sub-item 5.2 of this Circular shall be adhered to.

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

10.0 When to Pay the PEI

Payment of the PEI shall be made not earlier than December 14, 2012.

11.0 Responsibility of Agency Heads

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

12.0 Saving Clause

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

13.0 Effectivity

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary