

LETTER OF INSTRUCTIONS NO. 1098, January 05, 1981

LETTER OF INSTRUCTIONS NO. 1098, January 05, 1981

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/a3e78d514d2d/>

TO:

Heads of Ministries, Bureaus, Offices or agencies,
including Government-Owned or Controlled Corporations
and Other Political Subdivisions, Governors, City Mayors,
Municipal Mayors, including Local School Boards, and
Presidents of State Universities and Colleges

The Chairman, Commission on Audit

SUBJECT:

Adopting Policies and Procedures for the Effective Imposition of Budgetary Reserves and Economy Measures in Government Operations for CY 1981

WHEREAS, world-wide inflation and recession caused by the continuing energy crisis have wrought tremendous pressures on government expenditures brooking economy-wide disruptions;

WHEREAS, it is necessary to observe proper and reasonable restraint in the utilization of the country's overall assets and resources to attain the development goals of the country;

WHEREAS, utmost economy and efficiency in government operations must be encouraged for the attainment of the desired goals of the national development plan;

WHEREAS, rationalization of policies and procedures must be established for the effective allocation of scarce resources following the established scale of priorities in the prosecution of vital government projects under Batas Pambansa Blg. 80;

WHEREAS, budgetary reserves in the magnitude of P5.1 billion have been imposed on agency programs of expenditure for CY 1981, as amount, which may ultimately prove even minimal.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by law, do hereby order the observance of the mandatory reserve's under B.1.1.3 herein and the prescribed economy measures in government as a means of generating contingency savings in addition to such mandatory budgetary reserves.

A. Genera Policies for All Entities

1.1 All national government entities, including state universities and colleges, government corporations and local government units, and other political subdivisions shall institute eternal economy measures and budgetary restraint. They shall likewise review office procedures and decentralize operation er feasible to eliminate unnecessary reports, requirements, and in general, red tape and unnecessary expenditure, agency heads institute necessary measures to optimize the use or rental, utilities, supplies and materials.

1.2 All entities shall identify and reassess their organizational objectives and functions to determine duplicatory, overlapping, non-essential and non-productive activities which may be eliminated, postponed or rescheduled to generate reserves.

1.3 Work simplification techniques shall be vigorously applied to increase office productivity without adding personnel or equipment, thereby reducing operating costs.

1.4 Heads of agencies shall pursue more vigorously the implementation of their Management Audit and Improvement Program as called for under Letter of Instructions No. 802.

1.5 billing of positions shall not be allowed in entities which are in the process of reorganization and where the final staffing pattern/compensation scheme has not been duly approved.

1.6 Full implementation of the New Performance Appraisal System of the Civil Service Commission shall be effected.

1.7 The restrictions on the purchase of motor vehicles, teaching aids, books, and other items contained in LOImp. No. 29 and LOI No. 1043 are hereby reiterated, Any and all exemptions issued on behalf of specific agencies of government, including state universities and colleges, are hereby revoked.

1.8 The Philippines shall as much as possible be represented in international conferences by qualified embassy personnels assigned abroad, nearest to where the conferences are to be held or conducted, as provided in Memorandum Circular No. 355 dated fey 19, 1970.

B. National Government

1.0 General Policies for National Government Agencies, including State Universities and Colleges

National Government agencies shall re-examine their respective operating budgets to identify additional savings and shall strictly conform to the following financial guidelines:

1.1.1 In no case may national government agencies divert funds one item of expense to another contrary to allocations in the approved Budget Program for CY 1981, except as may be authorized under P.D. No. 1177;

1.1.2 All accounts payable and unliquidated obligations ich are two (2) years old or over against which no actual actoinistrqtive or judicial claims have been filed or which are not covered by perfected contracts on record and other undocumented payable accounts, irrespective of age, shall be reverted to the unappropriated surplus as provided for under Executive Order No. 228. Prior years' receipts recorded as trust liabilities but not authorized under Batas Pambansa Blg. 80 shall be reverted to the unappropriated surplus of the Seneral Fund. Current year receipts recorded as trust liabilities but not authorized under Batas Pambansa Blg. 80 shall be credited to income of the General Fund. No disbursement shall be made chargeable against trust liability accounts unless exemption from the provisions of Letter of Instructions No. 981 is authorized by the Committee crested by Sec. 51 of P.D. No. 1177. The Commission on Audit is hereby instructed to determine all accounts payable and unliquidated obligations that shall be, reverted to unappropriated surplus.

1.1.3 Mandatory Reserve Requirements. The Ministry of the Budget shall implement the following mandatory

reserves on the budget program of all agencies of the National Government, in order to generate P5.1B budgetary reserves for CY 1981 aside from additional reserves that may be voluntarily offered:

- For new positions itemized in the Personal Services itemization Document and lump sum items for creation of new positions, fifty percent (50%) of the programmed appropriations;
- For emergency laborers, including contractual employees and consultancy services, except for vocational schools and hospitals, twenty five percent (25%)
- For maintenance and other operating expenses. On traveling expenses, fifty percent (50%) or more; on intelligence and extraordinary expenses, thirty percent (30%); on supplies and materials, ten to fifteen percent (10 to 15%); and on other maintenance and other operating expenditures, ten percent (10%);
- For equipment outlays, fifty percent (50%) or more;
- For capital outlays, without prejudice to the completion of on-going projects, twenty percent (20%);
- On Special Accounts of the General Fund except Oil Equalization Fund and state universities and colleges under certain exceptions, ten percent (10%)

2.0 Specific Policies for National Government Agencies

2.1 Existing vacant positions, including unfilled new Positions in CY 1980, may be filled by agencies without the need for authority from the Personnel Effectiveness Review Committee (PERC) only in the following cases:

2.1.1 When the filling of positions is being made by virtue of a promotion from within, provided the position, involved has not been declared redundant by the Ministry of the Budget;

2.1.2 When the position is the sole item of its class in the agency and charged with essential functions directly rendered to the agency's clients;

2.1.3 when the position pertains to Heads of organizational units from division level and up; and

2.1.4 When the position has been identified by the Ministry of the Budget as necessary in order not to hamper essential projects.

2.2 Existing vacant and new positions not covered by Section. 2.1 may be filled only upon approval by the Personnel Effectiveness Review Committee (PERC)

2.3 Lump Sum Appropriations. Hiring of casuals/emergency employees including consultants, experts and other contractual employees in agencies where appropriations for such purposes appear, is authorized within the net programmed amount subject to submission of the required reports under the Ministry of the Budget Circular Letter No. 80-8 dated May 10, 1980.

2.4 Other Forms of Compensation

2.4.1 Officers and employees entitled to commutable/ reimbursable transportation allowance shall elect between the proportionate daily rate of such allowances and the daily allowance as prescribed by COA General Circular No. 127, out in no case shall they be paid both while away on official business from their permanent official station.

2.4.2 Only triose school officials, faculty members and employees who teach or work outside of regular office hours in school, college or university programs such as evening summer and Saturday classes for secondary, post secondary, undergraduate or graduate programs and only those school officials and faculty members who

participate in programs of vital national significance as envisioned under Letter of Instructions No. 1039 may be authorized honorarium at rates prescribed by the Minister of the Budget.

2.5 Substitutionary Appointments. Except for positions of school officials and teachers, no substitutionary appointments shall be issued to fill temporary vacancies of all other positions whose incumbents are on an authorized attendance, on Official time, in a training, scholarship grant, seminar, or similar activity, or on official detail to another office or to a project or on official leave regardless of the period of time involved.

For this purpose, an employee duly designated by an appointing authority to perform the duties and responsibilities of the said positions may be entitled to the regular allowances of the same positions on reimbursement basis, if any, PROVIDED that the regular incumbent is not collecting the same allowance for the same period.

2.6 Consultancy Services. With the exception of contracts covenanted under foreign borrowings or grants, no contracts for services, including hiring of consulting firms for management systems improvement or review and feasibility studies can be entered into without approval by the Minister of the Budget.

2.7 Traveling Expenses

2.7.1 Domestic travel or travel outside of one's assigned station shall be limited to what is absolutely necessary for the good of the service.

2.7.2 When absolutely necessary, participation of Philippine representatives from the home office in international conferences/activities shall at all times be composed of not more than two (2) persons, a senior official of the level/rank called for in such activity and one (1) technical staff or assistant if needed. Required representation from the foreign services (MFA) should come from duly accredited Philippine Missions. Any deviation herein shall require special request and full justification to be submitted to the Office of the President, through the Minister of Foreign Affairs.

2.8 Transportation Services and Use of Government Vehicles

2.8.1 The cheapest and most efficient means of transportation in hauling and handling of equipment and supplies and materials, must be availed of.

2.8.2 Proper planning, scheduling and synchronization of transport items should be made. All vehicles of the Republic of the Philippines shall be subject to trip tickets approved by individual trips, except use of government motor transportation authorized under Section 43 of Batas Pambansa Blg. 80 and other pertinent existing regulations.

2.8.3 A total ban shall be enforced on the use of government vehicles on Saturday, Sunday, official holidays and before 7:30 a.m. and after 6:00 p.m. during working hours unless specifically authorized by the Ministry/Agency Head.

2.8.4 Transport of vehicles and other equipment weighing more than 500 kilograms by sea shall be authorized only by the Minister/Department Head for all agencies and attached units in the regions, including state universities and colleges.

2.9 Seminars/Workshops/Conventions/Other Similar Activities

2.9.1 As much as possible government agencies conducting training programs and other similar activities shall avail of lecturers, resource persons and/or facilitators from their own ranks to minimize expenses for honoraria.

2.9.2 Government agencies holding seminars and other similar activities for their regional or field personnel shall conduct such activities at their regional or field centers.

2.9.3 Except when expressly authorized, Ministry/Agency Heads, government agencies may not hold seminars in expensive hotels, clubs and restaurants. The use of less expensive government facilities should be preferred, if available and suitable.

2.10 Merit Increase. Whenever a position the incumbent of which has been awarded merit increase becomes vacant, the agency concerned shall notify the Ministry of the Budget of the effective date of said vacancy in their quarterly reports on merit increases.

2.11 Contributions. Contributions are considered as non-essential expenses. No contributions shall be made unless approved, by the Minister concerned.

2.12 Inter-Agency Committees. The creation of new Inter-Agency Committees shall be allowed provided no provision for compensation to members and/or technical and support staff shall be authorized/incurred.

2.13 Equipment

2.13.1 Agencies shall not be provided medical/dental units, except in those cases where units are intended to benefit the clientele of the agencies concerned and not the agency staff members.

2.13.2 The procurement of equipment, supplies and materials if economical must be on site where these are required.

C. Government-Owned and/or Controlled Corporations Government-Owned and/or Controlled Corporations

1.0 Government-owned and/or controlled corporations

1.1 Government-owned and/or controlled corporations shall review and reassess their budgets to take them more flexible and consistently supportive of the main thrusts of the government. They shall be subject to the same restrictions as that of the national government agencies, whenever applicable, specifically the reduction/elimination of redundant activities.

1.2 Self-sustaining institutions/corporations are enjoined to implement necessary conservation measures to effect reduction in the consumption of electric power, gasoline, water, etc, to effect desired savings in operations.

1.3 The Ministry of the Budget shall conduct a review of the peso counterpart requirements of foreign-assisted projects which are normally released to corporations as part of equity, with, the purpose of reducing same to the level as required by the covering loan agreements and/or actual drawdowns on foreign loan/grant proceeds.

D. Local Government Units

1.0 Local Government units

1.1 Local government units shall likewise follow the rigid economy measures for national government agencies and reassess their budgetary requirements to be able to put up the necessary contingency reserve of at least 10% of its general and infrastructure fund regular income. This contingency reserve shall only be made available for expenditures of local government units to cover their urgent needs, and as a last recourse, when no local funds are available, subject to local government budget review pursuant to P.D. No. 1375.

1.2 Hiring of contractual and consultancy services may be allowed only for special projects requiring special expertise not available in-house and only for specified periods of time. Casual or emergency personnel may be hired when there are activities which are seasonal and intermittent in nature and whose peak loads occur regularly during specific times of the year.

1.3 No local funds shall be appropriated to increase or salaries or wages of officials and employees of the national

government assigned in the local government, except as may be expressly authorized by the President.

1.4 All live-in training programs sponsored by local governments shall be suspended except those that may be jointly proved by the Chairman of the Civil Service Commission and tho list of the Budget.

1.5 The purchase of equipment shall be suspended except for urgently needed items which shall not exceed twenty thousand pesos per unit, supplementing restrictions in A.1.7.

1.6 Accounts payable and unliquidated obligations not covered by perfected contracts and against which, no administrative or judicial claims have been filed, as well as prior years savings, shall be reverted to the unappropriated surplus of the General or Infrastructure Fund of local government units, as the case may be.

REPEALING CLAUSE

All Instructions, Rules and Administrative issuances and Executive Orders which are inconsistent with these instructions are hereby repealed, amended and/or modified accordingly.

Done in the City of Manila, this 5th day of January, in year of Our Lord, nineteen hundred and eighty-one.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.