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GUIDELINES ON THE IMPLEMENTATION OF ADMINISTRATIVE ORDER NO. 5

DBM BUDGET CIRCULAR NO. 2001-1, March 06, 2001

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1.0 Purpose

To provide guidelines for the effective implementation of Administrative Order (AO) No 5 issued on February 28, 2001 entitled "Adoption of Fiscal Discipline Measures in the Public Sector for FY 2001."

2.0 Coverage

2.1 These guidelines shall apply to all National Government Agencies (NGAs) including State Universities and Colleges, Government-Owned and -Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs).

2.2 The Legislative and Judicial Branches of Government, including Agencies Vested with Fiscal Autonomy and Local Government Units (LGUs) are encouraged to adopt the fiscal discipline measures under AO No. 5 and these guidelines at their own respective discretion.

3 0 Revenue Measures

3.1 All NGAs. GOCCs, GFIs and LGUs shall fully comply with laws and issuances requiring the prompt remittance of fees and other income, guarantee fees and other obligations to the Bureau of the Treasury as well as the remittance of tax obligations to the Bureau of Internal Revenue and the Bureau of Customs.

3.2 All NGAs. GOCCs and GFis (hereinafter collectively referred to as "government offices") shall also fully comply with the requirements of the following:

3 2.1 Republic Act No. 7656 approved on November 9, 1993 which directs GOCCs and GFIs to remit dividends to the Bureau of the Treasury amounting to at least fifty percent (50%) of their annual net earnings. In accordance with Section 5 of said law, the Department of Finance (DOF) may recommend to the President the increase of the percentage of the annual dividend remittances in the form of cash based on a review of the financial condition of GOCCs/GFIs. At least fifty percent (50%) of the dividends shall be remitted on or before April 30 based on the financial statements submitted to COA, and the bal-ance within seven (7) days after receipt of the COA-Audited Financial Statements for the dividend year,

3.2.2 Executive Order No. 338 issued on May 17, 1996, directing the deposit of cash balances to the National Treasury, and its implementing guidelines; and

3.2.3 Executive Order No. 197 issued on January 13, 2000, directing all departments, bureaus, commissions, agencies, offices and instrumentalities of the national government, including government-owned or controlled corporations, to increase their rates of fees and charges by not less than twenty percent (20%), and its implementing rules and regulations,

4 0 Expenditure Measures

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4.1 All government offices shall generate savings equivalent to at least ten percent (10%) of non-personal services expenditures in the FY 2001 Budget (RA 8760 as reenacted) or in the corporate operating budget (COB) which shall not exceed the FY 2000 COB level approved by the Department of Budget and Management (DBM)

4.2 Government offices falling under the social services sector and those providing tourism and agrarian reform services shall implement expenditure reduction measures equivalent to five percent (5%) of non-personal services budget.

4.3 Likewise for purposes of determining the mandated level of savings to be generated, all information technology (IT) projects or IT components of large projects shall be levied a five percent (5%) cut on non-personal services.

4.4 If no sufficient savings can be identified by said government offices on non-personal services expenditures, they shall identify other cost-saving areas, including personal services expenditures, to come up with the required level of savings.

4.5 Said government offices shall endeavor to generate such targeted savings by reducing expenditures, suspending certain activities and refraining from doing certain prohibited activities and undertakings.

5.0 Reduction of Expenditures

5.1 The expenditures for the following may be reduced except when they directly support the attainment of desired sector outcomes:

5.1.1 Donations, contributions, grants and gifts,

5.1.2 Consultancy services regardless of fund source, except those directed towards the government's institutional reform efforts,

5.1.3 Trainings/seminars/workshops. Those to be conducted shall be done in a simple and cost effective manner;

5.1 4 Consumption of fuel, water, electricity and other utilities;

5.1.5 Travelling, unless clearly beneficial to Philippine interests as may be determined by the President of the Philippines in the case of foreign travel of government personnel;

5.1.6 Advertisements, publications and related items;

5.1.7 Office supplies and other materials; and

5.1.8 Rents and leases. Government offices are encouraged to reduce office space presently occupied and those owning buildings are enjoined to share its office space with other government agencies presently renting from private owners.

6.0 Suspended Activities

6.1 The following activities are hereby suspended:

6.1.1 Construction of new buildings for government offices, except for:
6.1.1.1 school buildings and hospitals;

6.1.1 2 those that are covered by the Build, Operate and Transfer Scheme; and

6 1.1.3 those whose contracts have already been perfected prior to the effectivity of AO No. 5.

6.1.2 Purchase of furniture and fixtures, and motor vehicles not directly supportive of frontline services of the

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agency except as replacement for luxury vehicles surrendered/ disposed of under AO 3, dated 27th February 2001. Such replacement shall be in accordance with the provisions of said AO; and

61.3 Conduct of celebrations, and cultural and sports activities not directly related to the core functions of the agency.

7.0 Prohibited Activities

7.1 The following activities are hereby prohibited unless covered by available funds for the purpose and specifically authorized by the Office of the President, as recommended by the DBM:

7.1.1 Operalization of new agencies/offices;

7.1.2 Expansion of organizational units and/or creation of positions, except for regional offices in the CARAGA which shall be offset by the abolition of existing positions involving the same funding level; and

7.1.3 Creation of task forces, inter-agency committees and interim bodies.

7.2 The following undertakings are hereby prohibited to raise savings over and. above that required under items 4.1 and 4 2 hereof:

7.2.1 Hiring of new personnel whether on a permanent, temporary, substitute, coterminous, contractual or casual status;

7.2.2 Reemployment of those previously out of government service;

7.2.3 Filling of position in Regional Offices of NGAs whose functions have been devolved to LGUs; and

7.2.4 Grant of new/additional/increased allowances or benefits such as the Provident Fund, including the following:

7.2.4.1 those provided by law to specific groups/agencies until funds therefor are provided in the General Appropriations Act; and

7.2.4.2 those that may be granted by agencies exempted from the coverage of RA 6758 or the Salary Standardization Law; e.g :

7.2.4.2.1 Bangko Sentral ng Pilipinas;
7.2.4.2.2 Philippine Postal Corporation;
7.2.4.2.3 National Power Corporation;
7.2.4.2.4 Development Bank of the Philippines;
7.2.4.2.5 Land Bank of the Philippines;
7.2.4.2.6 Social Security System;
7.2 4.2 7 Government Service Insurance System; 7 2.4.2.8 Bases Conversion Development Authority;
7.2.4.2.9 Trade, Investment Development Corporation of the Philippines;
7.2.4.2.10 Philippine Economic Zone Authority;
7.2.4 2.11 Home Guaranty Corporation;
7.2 4 2.12 Philippine Health Insurance Corporation; 7.2.4.2-13 Philippine Deposit Insurance Corporation; and
7.2.4.2.14 Subic Bay Metropolitan Authority

7.3 The following are hereby exempted from the prohibitions under Items 7 2.1 and 7 2.4 hereof:

7.3.1 Hiring of new personnel for the following:
7.3.1.1 Key positions (division chiefs and above);
7 3.1.2 One of a kind position in an agency;

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7.3.1.3 Positions in schools under the Department of Education, Culture and Sports, Commission on Higher Education, Technical Education and Skills Development Authority, Department of Science and Technology and State Universities and Colleges (SUCs);
7.3.1.4 Medical and allied medical positions in hospitals;
7.3.1.5 Information technology positions;
7.3.1.6 Uniformed personnel in the Department of National Defense, Department of the Interior and Local Government, Philippine Coast Guard and the National Mapping and Resource Information Authority;
7.3.1.7 Prosecutor, solicitor and public attorney positions; and
7.3 1.8 Positions in agencies whose staffing patterns have been streamlined and have been approved by the Department of Budget and Management (DBM) beginning January 1, 2000, provided that only twenty percent (20%) of vacant administrative positions as of the effectivity date of AO No. 5 may be filled by new hires.
7.3.2 Continued grant of previously authorized allowances/benefits, such as step incre-ments due to length of service, Personnel Economic Relief Allowance, Additional Compensation, Uniform Allowance, Year-End Benefits, Representation and Transportation Allowances, Productivity Incentive Benefit, Loyalty Cash Bonus and Anniversary Bonus.

7.4 Filling of the following positions are not covered by the prohibitions under this Circular, except for item 7.2.3 hereof:

7.4.1 positions to be filled through transfer or promotion by personnel who are currently employed in the national government (NG); and

7.4.2 positions to be filled through other personnel actions/movements by personnel who are currently employed in the NG.

8.0 Definition of Prohibition/Exemptions

In the implementation/application of the prohibitions/exemptions covered under Items 7.2.1 and 7.2.2 hereof, the following definitions/interpretations are adopted:

8.1 Hiring of new personnel refers to the first-time entry of personnel in the career and non-career service, involving the issuance of an original appointment/contract, or reemployment whether on a permanent, temporary, substitute, coterminous, contractual or casual status. This does not cover the subsequent appointments of casual employees to regular positions without gap in service.

The definition of terminologies pertaining to employment status (i.e., permanent, temporary, substitute, coterminous, contractual, and casual) and nature of appointment (i.e., original, promotion, transfer, reemployment, reappointment, reinstatement, renewal, change of status, demotion, upgrading/reclassification, reassignment, detail, secondment, job rotation and adjustments or movements of personnel involving changes in position title, rank or status) shall be in accordance with CSC Memorandum Circular (MC) NO. 40, s. of 1998, as amended by MC 15, s. of 1999.

8.2 Reemployment of personnel refers to the reappointment of a person who has been previously appointed to a position in the career or non-career service, but was separated therefrom as a result of reduction in force, reorganization, retirement, voluntary resignation on or of any non-disciplinary actions such as dropping from rolls (Section 4, Rule III, CSC MC 40, s. 1998, as amended by MC 15, s. 1999). As this presupposes a break in the service, personnel to be "reemployed" shall be treated as "new entrants" to the career service.

8.3 Key positions refer to the following:

8.3.1 Department Secretaries, and other positions of Cabinet rank, whose incumbents hold their positions at the pleasure of the President;

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8.3.2 Department Undersecretaries, Department Assistant Secretaries, Bureau Directors, Department Regional Directors, Assistant Bureau Directors, Department Assistant Regional Directors, and Assistant Bureau Regional Directors;
8.3.3 Heads of division level-organization units; and
8.3.4 Other executive/managerial positions of equivalent rank to those in Items 8.3.1, 8.3.2 and 8.3.3 hereof.

8.4 One of a kind position in an agency refers to the singular position as accountant or cashier, at whatever level, in an organizational unit equivalent to a bureau or entity or an operating unit as defined under National Budget Circular No. 469. For the purpose of this Circular, schools divisions, National High Schools, Higher Education Institutions, Technical Education Institutions and autonomous campuses of SUCs are considered individual operating units.

8.5 Medical and allied medical positions refer to all positions engaged in health and health related work in hospitals, sanitaria, health infirmaries, and other similar establishments. For the purpose of this Circular, they do not include those who are assigned in the clinics of departments/agencies.

8.6 Information Technology positions refer to positions included in the Information Technology Group, Planning Service of the index of Occupational Services, Position Titles and Salary Grades (IOS) and assigned in the management information unit of an entity;

8.7 Transfer and Promotion. Transfer refers to the movement of an employee from one position to another which is of equivalent rank, level or salary without break in the service involving the issuance of an appointment-Transfer may be from one department or agency to another, or from one organizational unit to another in the same department or agency. On the other hand, promotion refers to the advancement of an employee from one position to another with an increase in duties and responsibilities as authorized by law, and usually accompanied by an increase in salary. Promotion may be from one department or agency to another or from one organizational unit to another within the same department or agency.

8.8 Other Personnel Action/Movement. Other personnel action/movement refers to reappointment, reinstatement, renewal, change of status (from temporary to permanent), demotion, upgrading/reclassification, adjustments (change of item number only, salary adjustment, step increment, and reinstatement to the same position), reassignment, detail, secondment, or job rotation, as defined under Section 4, Rule III of esc mc No. 40, s 1998, as amended by MC 15, s. 1999.

9.0 Submission of Fiscal Discipline Measures and Reports

Government offices shall each submit to the Office of the President through the DBIVl not later than fifteen (15) days after the issuance of AO No. 5, the fiscal discipline measures it shall undertake during the year and an estimate of savings to be generated using Form A. For GOCCs and GFls, the information shall be made in the context of the submission of their corporate operating budget. Thereafter a semestral report on the savings actually generated shall be submitted using the same form, not latter than July 10. 2001 for the 1st semester report and January 10, 2002 for the 2nd semester report.

10.0 Responsibility

Heads of NGAs and the Board of Directors of GOCCs and GFls shall be responsible for the strict implementation of this Circular. Any violation thereof shall be dealt with accordingly.

11.0 Non-Compliance

Failure to submit the reports on the estimated/generated savings required under AO No. 5 and this Circular shall,

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pursuant to Section 57, Chapter 6, Book VII of EO No. 292, subject entities concerned to appropriate sanctions under existing budget rules and regulations.

12.0 Saving Clause

Cases not covered by the provisions of this Circular shall be referred to the Secretary of Budget and Management for resolution.

13 0 Effectivity

This Circular shall take effect immediately.

Adopted: 06 March 2001

(SGD) EMILIA T. BONCODIN
Secretary

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