

**[LETTER OF INSTRUCTIONS NO. 635, December
13, 1977]**

**ENCOURAGING AND PROVIDING INCENTIVES FOR ECONOMY IN
GOVERNMENT OPERATIONS**

TO: All Heads, Budget Officers and Management
Analysts of Agencies of the National Government, including State
Colleges, and Universities
The Commissioner of the Budget

WHEREAS, economy in government operations may be encouraged by providing incentives to save;

WHEREAS, agencies have numerous needs for equipment, construction, renovation and other non-recurring outlays;

WHEREAS, allowing agencies to accumulate savings to meet non-recurring expenditures would be an effective way of encouraging and rewarding thrift, particularly when augmented by matching funds;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby instruct the following:

1. Agencies of government, through their heads, Budget Officers and Management Analysts, shall exercise thrift and economy in the utilization of budgeted current operating expenditures, limiting expenses to the minimum necessary to attain top priority objectives;
2. In accordance with existing law, any funds not committed for valid obligations at the end of the year shall revert to the National Treasury. However, amounts equivalent to one hundred ten percent of savings in maintenance and operating expenses which are actually reverted to the Treasury by an agency at year-end shall be made available in subsequent years to the agency as reward for prudence and economy: Provided, That the reversion of funds does not result in jeopardizing those activities of the agency for which the funds were originally intended; and Provided, Further, That the non-utilization of funds does not arise out of failure to achieve agency work targets.
3. The funds thus made available may be used for purposes of augmenting agency budgets for equipment, construction, and other non-recurring expenses, except allowances/bonuses or other form of staff compensation.
4. The following shall be excluded from the reckoning of amounts eligible for future use: (a) transfer of funds from personal services, equipment, capital outlays or expenditure objects other than regular maintenance and operating expenses, (b) lump sum appropriations for grants, contributions, aid, research, or other similar purposes, (c) expenditures specifically funded by borrowings or donations, (d) blind certifications to accounts payable, (e) savings arising out of non-implementation of approved activities or non-attainment of work targets, and (f) such items whose exclusion may be directed by the President.
5. The amounts accumulated under item 2 hereof shall be chargeable to the Special Activities Fund or other available source in the General Appropriations Law pertaining to the year in which fund release is needed.