

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

GUIDELINES ON THE IMPLEMENTATION OF ADMINISTRATIVE ORDER NO. 5

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 balance 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

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 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 Operationalization 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