

MALACAÑANG
Manila

PRESIDENTIAL DECREE No. 1177

REVISING THE BUDGET PROCESS IN ORDER TO INSTITUTIONALIZE THE BUDGETARY INNOVATIONS OF THE NEW SOCIETY

WHEREAS, the national budget is a major instrument for development, requiring careful design of the preparation, legislation, execution, and accountability phases of budgeting.

WHEREAS, the experience of the years has been reflected in various improvements in the budget process, and embodied in C.A. No. 246, R.A. No. 992, and P.D. No. 999;

WHEREAS, the budget process as implemented prior to September 21, 1972 was not able to fully support national objectives and plans;

WHEREAS, national interest calls for the institutionalization of budgetary innovation realized during the New Society and developed within the context of the Constitution of 1973.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby Order and Decree:

Section 1. *Title.* This Decree shall be known as "Budget Reform Decree of 1977."

Section 2. *Definition of Terms.* When used in this Decree:

(a) "Budget" refers to the budget required to be prepared pursuant to Section Sixteen (1), Article VIII of the Constitution, and which is repeated in Section 13 of this Decree.

(b) "Government" means the National Government, including the Executive, the Legislative and the Judicial Branches, and the Constitutional Commissions.

(c) "Department and agency" and "department or agency" mean all departments, bureaus, offices, boards, commissions, courts, tribunals, councils, authorities, administrations, centers, institutes, state colleges and universities, and all other establishments and instrumentalities of the National Government as defined in the preceding paragraph.

(d) "Current operating expenditures" refer to appropriations for the purchase of goods and services for current consumption or within the fiscal year, including the acquisition of furniture and equipment normally used in the conduct of government operations, and for temporary construction for promotional, research and similar purposes.

(e) "Capital outlays" or "capital expenditures" refer to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of Government, including investments in the capital of government-owned or controlled corporations and their subsidiaries.

(f) "Expected results" mean services, products or benefits that will accrue to the public, estimated in terms of performance measures or targets.

(g) "Government-owned or controlled corporations" are corporations created by

law as agencies of the State for narrow and limited purposes, either owned wholly by the State or wherein the Government is a majority stockholder, in cases of stock corporations, or otherwise, agencies so created where no stocks are issued but whose affairs are conducted by a duly constituted board and which perform proprietary functions.

(h) "Continuing appropriations" refer to appropriations available to support obligations for a specified purpose or project, even when these obligations are incurred beyond the budget year.

(i) "Appropriation" is an authorization under past Acts of Congress, Presidential Decrees or other legislative enactment, for payments to be made with funds of the government, under specified conditions and/or for specified purposes.

(j) "Allotments" are authorizations issued by the Budget Commission to an agency, which allows it to incur obligations within a specified amount that is within a legislative appropriation.

(k) "Obligations" are amounts which are committed to be paid by government which arise from an act of a duly authorized administrative officer which binds the government to the immediate or eventual payment of a sum of money.

(l) "Program" refers to the functions and activities necessary for the performance of a major purpose for which a government entity is established.

(m) "Project" means a component of a program covering a homogeneous group of activities that result in the accomplishment of an identifiable output.

(n) "Commissioner" refers to the Commissioner of the Budget.

BUDGET POLICY AND APPROACH

Section 3. *Declaration of Policy.* It is hereby declared the policy of the State to formulate and implement a National Budget that is an instrument of national development, reflective of national objectives, strategies and plans. The budget shall be supportive of and consistent with the socio-economic development plan and shall be oriented towards the achievement of explicit objectives and expected results, to ensure that funds are utilized and operations are conducted effectively, economically and efficiently. The national budget shall be formulated within the context of a regionalized government structure and of the totality of revenues and other receipts, expenditures and borrowings of all levels of government and of the government-owned or controlled corporations. The budget shall likewise be prepared within the context of the national long-term plan and of a long-term budget program.

Section 4. *Planning and Budgeting Linkage.* The budget shall be formulated as an instrument for the attainment of national development goals and as part of the planning-programming-budgeting continuum. Levels of revenue, expenditure and debt shall be established in relation to macro-economic targets of growth, employment levels, and price level change, and shall be developed consistent with domestic and foreign debt, domestic credit and Balance of Payments objectives for the budget period. The aggregate magnitudes of the budget shall be determined in close consultation among the planning and fiscal agencies of government. Budgetary priorities shall be those specified in the approved national plans, keeping in mind the capability and performance of the implementing agencies concerned. Agency budget proposals shall explicitly state linkage to approved agency plans.

Section 5. *National Resource Budget.* The finances of government shall be analyzed and determined as the aggregate of revenue, expenditure and debt of all units of government, including the national government and its agencies and instrumentalities, local government

units and government-owned or controlled corporations. The national government budget shall be evolved within the framework of the total impact of government activity on the national economy. The budgets of government corporations and local governments shall be consistent in form and timing with that of the national government, to facilitate comprehensive evaluation.

Section 6. *Regional Budgeting.* The budgets of national government agencies shall take into full and explicit consideration the goals, plans and requirements of their respective regional offices, in the interest of full government response to local thinking and initiative. The budget preparation process shall originate at regional and local levels, and shall be consolidated and reviewed by the central offices of the various national agencies. The regional development strategies and plans, including physical framework and resource-use plans, shall be considered in the preparation of the budget.

Section 7. *Long-Term Budgeting.* The annual budgets of the national government shall be prepared as an integral part of a long-term budget picture. The long-term economic and physical framework plans of government, multi-year requirements of approved programs and projects, organizational and personnel development strategies, and other commitments entered into or otherwise assumed by government shall be specified in the budget process.

Section 8. *Development Projects.* The development process requires the implementation of major development projects of such size as to significantly affect the infrastructure program, debt ceilings, the Balance of Payments, domestic credit, and government expenditure levels. The budget process shall formally consider the timing of major national projects, in order to ensure the observance of established fiscal, monetary, international payments, and other constraints.

Section 9. *Performance and Financial Review.* The analysis of agency operating performance, the evaluation of performance relative to costs incurred and the review of agency operating systems and procedures are inherent parts of the budget process. Agencies shall therefore design and implement (a) management information systems yielding both performance and financial information which will adequately monitor and control budget implementation, and (b) improvements in operating systems, procedures and practices, so as to ensure that the targets approved in budget authorization are in fact attained at minimum cost.

Section 10. *Compensation and Position Classification.* The size of personnel services expenditure relative to the total budget and the number of agencies and personnel in government call for an effective national compensation and position classification policy. The Constitutional principles of a single compensation scheme for the government and its instrumentalities is one of the bases of the government budget process.

Section 11. *Contingent Liabilities.* The contingent liabilities of government shall be evaluated as part of the budget process, subject to such limits and guidelines as may be approved by the President.

BUDGET PREPARATION

Section 12. *Fiscal Year.* The fiscal year for all branches, subdivisions, instrumentalities, departments, bureaus, offices and agencies of the Government of the Republic of the Philippines, including government-owned or controlled corporations and local governments shall be the period beginning with the first day of January and ending with the thirty-first day of December of each calendar year.

Section 13. *Submission of the Budget.* The President shall, in accordance with section sixteen (1), Article VIII of the Constitution, submit within thirty days from the opening of each regular session of the National Assembly as the basis for the preparation of the General Appropriations Act, a national government budget of estimated receipts based on existing and proposed revenue measures, and of estimated expenditures. The President shall include in his budget submission the proposed expenditure level of the Legislative and Judicial Branches and of Constitutional

bodies, which shall have undergone the same process of evaluation and which shall have been subject to the same budgetary policies and standards applicable to agencies in the Executive Branch. The President may transmit to the National Assembly, from time to time, such proposed supplemental or deficiency appropriations as are, in his judgment, (a) necessary on account of laws enacted after the transmission of the Budget, or (b) otherwise needed in the public interest.

Section 14. *Form and Content of the Budget.* The budget proposal of the President shall include current operating expenditures and capital outlays. It shall comprise such funds as may be necessary for the operation of the programs, projects and activities of the various departments and agencies. The proposed General Appropriations Act and other Appropriations Acts necessary to cover the budget proposals shall be submitted to the National Assembly to accompany the President's budget submission. The budget shall be presented to the National Assembly in such form and content as may be approved by the President and may include the following:

- (a) a budget message setting in brief the government's budgetary thrusts for the budget year, including their impact on developing goals, monetary and fiscal objectives, and generally on the implications of the revenue, expenditures and debt proposals; and

- (b) summary financial statements setting forth:

- (1) estimated expenditures and proposed appropriations necessary for the support of the Government for the ensuing fiscal year, including those financed from borrowings;

- (2) estimated receipts during the ensuing fiscal year under laws existing at the time the budget is transmitted and under the revenue proposals, if any, forming part of the year's financing program;

- (3) actual appropriations, expenditures, and receipts during the last completed fiscal year;

- (4) estimated expenditures and receipts and actual or proposed appropriations during the fiscal year in progress;

- (5) statements of the condition of the National Treasury at the end of the last completed fiscal year, the estimated condition of the Treasury at the end of the fiscal year in progress and the estimated condition of the Treasury at the end of the ensuing fiscal year, taking into account the adoption of financial proposals contained in the budget and showing, at the same time, the unencumbered and unobligated cash resources;

- (6) essential facts regarding the bonded and other long-term obligations and indebtedness of the Government, both domestic and foreign, including identification of recipients of loan proceeds; and

- (7) such other financial statements and data as are deemed necessary or desirable in order to make known in reasonable detail the financial condition of the government.

Section 15. *Budget Levels.* The ordinary income of government shall be primarily to provide appropriations for current operations, except in case of a national emergency or serious financial stress, the existence of which has been duly proclaimed by the President. The level of aggregate revenue expenditure and debt shall be jointly recommended to the President by the Budget Commission, the Department of Finance, the National Economic and Development

Authority and the Central Bank of the Philippines, acting within the Development Budget Coordination Committee of the National Economic and Development Authority. No appropriations for current operations and capital outlays of the Government shall be proposed unless the amount involved is covered by the ordinary income, or unless it is supported by a proposal creating additional sources of funds or revenue, including those generated from domestic and foreign borrowings, sufficient to cover the same. Likewise, no appropriation for any expenditure, the amount of which is not covered by the estimated income from the existing sources of revenue or available current surplus, may be proposed, unless it is supported by a proposal creating an additional source of funds sufficient to cover the same. Proposals creating additional sources of funds shall be prepared in the form of revenue bills. The provisions of this section shall not be construed as impairing in any way the power of the National Assembly to enact revenue and appropriation bills, nor the authority of the President to propose special revenue and appropriation bills after the submission of the budget.

Section 16. *Budget Estimates.* Each head of department, office or agency of the National Government, including the Legislative and Judicial Branches, and including government-owned or controlled corporations, shall submit his request for appropriations to the Budget Commission in accordance with the budget calendar, format, and such rules and regulations as may be issued in implementation of this Decree. The budget estimates of agencies shall include the following information:

(a) Objectives, functions, activities, programs and projects showing the general character and relative importance of the work to be accomplished or the services to be rendered, and the principal elements of cost involved;

(b) Linkage of the work and financial proposals to approved development plans;

(c) Estimated current operating expenditures and capital outlays, with comparative data for the preceding and current budget years;

(d) Identification by region, pursuant to policies on the regionalization of government operations;

(e) Financial sources, reflecting all revenues, proceeds of foreign and domestic borrowings, and other sources, particularly those which accrue to the General Fund;

(f) Contingent liabilities, including national government guarantees of obligations of government-owned or controlled corporations and their subsidiaries;

(g) Brief description of the major thrusts and priority programs and projects for the budget year, results expected for each budgetary program and project, the nature of work to be performed, estimated costs per unit of work measurement, including the various objects of expenditure for each project;

(h) Organization charts and staffing patterns indicating the list of existing and proposed positions with corresponding salaries, and proposals for position classification and salary changes, duly supported by adequate justification. Consistent with the provisions of Article VIII, Section 16(3) of the Constitution, the Commissioner shall review the budget estimates as herein provided, including those of the Legislative and Judicial Branches and of the Constitutional bodies and shall submit his recommendations to the President.

Section 17. *Regional Budgets.* The budgets of national government agencies shall be prepared taking into full and careful consideration the opportunities and requirements specific to the various regions of the country. Where they are organized, regional offices shall originate agency budget proposals, in accordance with approved priorities and guidelines. Agencies which are not regionalized shall nonetheless estimate the amounts planned to be spent for each region of the country. The Commissioner shall identify by region the expenditure programs of the national

government agencies in the national government budget, and release funds to national government agencies in accordance with the approved regional distribution of expenditures, specifying the region of destination. Departments and agencies shall sub-allot in full and without the imposition of reserves, the approved budget allocation of their various regional offices, except as may be authorized by the Commissioner, in case realignment of expenditures prove to be necessary in the course of budget execution. The Commissioner shall issue the rules and regulations needed to implement the provisions of this section.

Section 18. *Budget Evaluation.* Agency proposals shall be reviewed on the basis of their own merits and not on the basis of a given percentage or peso increase or decrease from a prior year's budget level, or other similar rule of thumb that is not based on specific justification. Proposed activities, whether new or ongoing, shall be evaluated using a zero-base approach and on the basis of (a) relationship with the approved development plan, (b) agency capability as demonstrated by past performance, (c) complementarity with related activities of other agencies, and (d) other similar criteria. The realization of savings in a given budget year and the consequent non-utilization of funds appropriated or released to a given agency shall not be a negative factor in the budget evaluation for a subsequent year.

Section 19. *Foreign-Assisted Projects.* The budgetary implications of foreign-assisted projects shall be explicitly considered at the time of project design and financing negotiation. The project study shall specify the cash flow requirements of the project, among others, for (a) payment of principal and interest, (b) peso component of capital costs and project preparation, (c) infrastructure and support facilities needed to be directly financed by government, (d) operating and other expenditures which will be ultimately required for General Fund support when the project is implemented, and (e) peso requirements needed as counterpart. The concurrence of the Budget Commission shall be obtained with respect to peso requirements and implication on expenditure ceilings.

Section 20. *Organizational Changes.* The budget may reflect reorganization proposals, including the rearrangement, reassignment, and consolidation of organizational units as are approved by the President, which will simplify government procedure, localize decision-making and implementation, and otherwise facilitate government service to the public.

Section 21. *Coordinating Bodies.* The budgets of coordinating agencies, councils, task forces, authorities, committees, or other similar bodies shall be limited to and used to fund only such planning, coordinating and monitoring functions as are assigned to it. Funds for implementation shall be budgeted and released to the line implementing agencies concerned: provided, that the budgets of coordinating bodies may include a lump-sum for purposes related to their assigned functions, which lump-sum shall be sub-allotted to implementing agencies and not used by the agency for its own operations: provided, further, that funds budgeted for a given agency falling within the jurisdiction of a coordinating body, may be subject to release upon approval by the coordinating agency of such release or of the agency's work program.

Section 22. *Budgetary Requirement of Government-Owned or Controlled Corporations.* The internal operating budgets of government-owned or controlled corporations and of chartered institutions shall be approved by their respective governing boards in accordance with a budget calendar and format as may be approved by the President: provided, that such budgets shall be subject to review and approval as part of the budget process in cases where national government budgetary support is needed, in terms of (a) capital or equity inputs, (b) operating contributions to support specific activities undertaken by the institution as part of its regular functions, and (c) guarantee of the national government for obligations or contracts entered into by the corporations: provided, further, that the submission of interim financial statements may be required by the Commissioner.

Section 23. *Tax and Duty Exemptions.* All units of government, including government-owned or controlled corporations, shall pay income taxes, customs duties and other taxes and

fees as are imposed under revenue laws: provided, that organizations otherwise exempted by law from the payment of such taxes/duties may ask for a subsidy from the General Fund in the exact amount of taxes/duties due: provided, further, that a procedure shall be established by the Secretary of Finance and the Commissioner of the Budget, whereby such subsidiaries shall automatically be considered as both revenue and expenditure of the General fund.

Section 24. *Appropriation for Personal Services.* Appropriations for personal services shall be considered as included in the amount specified for each budgetary program and project of each department, bureau, office or agency, and shall not be itemized. The itemization of personal services shall be prepared by the Commissioner for consideration and approval of the President as provided in Section 30 hereof: provided, that the itemization of personal services shall be prepared for all agencies of the Legislative, Executive and Judicial Branches and the Constitutional bodies, except as may be otherwise approved by the President for positions concerned with national security matters.

Section 25. *Department Approval of Proposed Appropriations.* No legislative proposal which, if enacted, would authorize subsequent appropriations, shall be transmitted to the President by any bureau or agency, without the prior approval of the Head of the Department concerned or by the Chairman or Chief Executive Officer of a Cabinet level body which coordinates the multi-sectoral formulation and implementation of a particular program of expenditure involving one or more departments. No legislative proposal involving the appropriation of funds shall be transmitted to the National Assembly without the approval of the President.

BUDGET AUTHORIZATION

Section 26. *Focus on Budget Policy.* The National Assembly shall, during the discussion of the budget, focus on policy, budgetary levels, thrusts and strategy. Details of agency expenditures shall be considered as proper concerns of Executive Branch decision and action.

Section 27. *Limitation of Budget Debate.* Within seven (7) consecutive session days for the submission of the budget, the National Assembly shall, in plenary session, start the discussion of the budget, including both expenditure and revenue proposal. Debate shall be terminated on or before the eighteenth consecutive session day from the beginning of the discussions and final action shall be taken within three (3) consecutive session days thereafter.

Section 28. *Prohibition Against the Increase of Appropriations.* The National Assembly shall in no case increase the appropriation of any project or program of any department, bureau, agency or office of the Government over the amount submitted by the President in his budget proposal. In case of any reduction in the proposed appropriation for a project or program, a corresponding reduction shall be made in the total appropriation of the department, office or agency concerned and in the total of the General Appropriations Bill.

Section 29. *Prohibition Against Enactment of Additional Special Provisions.* The National Assembly shall not add special provisions in the budget earmarking the use of appropriations for specific programs or activities nor shall it increase the amounts specified in special provisions, beyond those proposed by the President.

Section 30. *Content of the General Appropriations Act.* The General Appropriations Act shall be presented in the form of budgetary programs and projects for each agency of the government, with the corresponding appropriations for each program and project, including statutory provisions of specific agency or general applicability. The General Appropriations Act shall not contain any itemization of personal services, which shall be prepared by the Commissioner after enactment of the General Appropriations Act, for consideration and approval of the President.

Section 31. *Automatic Appropriations.* All expenditures for (a) personnel retirement premiums,

government service insurance, and other similar fixed expenditures, (b) principal and interest on public debt, (c) national government guarantees of obligations which are drawn upon, are automatically appropriated: provided, that no obligations shall be incurred or payments made from funds thus automatically appropriated except as issued in the form of regular budgetary allotments.

Section 32. *Supplemental Appropriations.* All appropriation proposals shall be included and considered in the budget preparation process. After the President shall have submitted the Budget, no supplemental appropriation measure supported from existing revenue measures shall be passed by the National Assembly. However, supplemental or deficiency appropriations involving the creation of new offices, programs or activities may be enacted if accompanied and supported by new revenue sources.

Section 33. *Reversion of Unexpected Balances of Appropriations, Continuing Appropriations.* Unexpected balances of appropriations authorized in the General Appropriation Act shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment: provided, that appropriations for capital outlays shall remain valid until fully spent or reverted: provided, further, that continuing appropriations for such current operating expenditures may be specifically recommended and approved as such in support of projects whose effective implementation calls for multi-year expenditure commitments: provided, finally, that the President may authorize the use of savings realized by an agency during a given year to meet non-recurring expenditures in a subsequent year. The balances of continuing appropriations shall be reviewed as part of the annual budget preparation process and the President may approve upon recommendation of the Commissioner, the reversion of funds no longer needed in connection with the activities funded by said continuing appropriations.

Section 34. *Loan Proceeds.* Expenditures funded by foreign and domestic borrowings shall be included within the expenditure program of the agency concerned. Loan proceeds, whether in cash or in kind, shall not be used without the corresponding release of funds through a Special Budget as herein provided.

Section 35. *Contingent Liabilities.* Government agencies, particularly government-owned or controlled corporations, shall periodically report to the Secretary of Finance and to the Commissioner of the Budget on the status of obligations they have entered into and which are the subject of government guarantees.

Section 36. *Liability for Unauthorized Printing Press Revisions.* It shall be unlawful for any person to make any unauthorized revision of any figure, text or provision in the General Appropriations Act and in the other budget documents during or in the process of the printing. Any unauthorized change made either by addition, modification or deletion, shall be null and void. Persons who, in violation of this section, make any unauthorized revision in the budget documents, shall be criminally liable for falsification of legislative documents under the Revised Penal Code. When the offender is a government official or employee, he shall, in addition to criminal prosecution, be dismissed from the service.

BUDGET EXECUTION

Section 37. *Use of Appropriated Funds.* All moneys appropriated for functions, activities, projects and programs shall be available solely for the specific purposes for which these are appropriated.

Section 38. *Allotment of Appropriations.* Authorized appropriations shall be allotted in accordance with the procedure outline hereunder:

- (a) Appropriations authorized for any department, office or agency of the

Government may be made available for expenditure when the head of each department, office or agency submits to the Commissioner a request for allotment of funds showing the estimated amounts needed for each function, activity, or purpose for which the funds are to be expended, during the applicable allotment period. The form and the time of submission of the request for allotment showing the proposed quarterly allotments of the whole authorized appropriation for the department, office, or agency, shall be prescribed by the Commissioner.

(b) In the administration of the allotment system herein provided, each fiscal year shall be divided into four quarterly allotment periods beginning, respectively, on the first day of January, April, July, and October: provided, that in any case where the quarterly allotment period is found to be impractical or otherwise undesirable, the Commissioner may prescribe a different period suited to the circumstances.

(c) Request for allotments shall be approved by the Commissioner who shall ensure that expenditures are covered by appropriations both as to amount and purpose and who shall consider the probable needs of the department, office or agency for the remainder of the fiscal year or period for which the appropriation was made. Acting under guidelines as may be issued by the President, the Commissioner is authorized to approve amounts different from agency estimates where necessary in order to conform with the terms of the appropriation and the prospective needs of the department, office or agency. The Commissioner shall act promptly upon all request for allotment and shall notify every department, office, or agency of its allotments at least five days before the beginning of each allotment period. The notification, which will be sufficient authority for the Chief Accountant to enter the allotment in the books, shall include an explanation for any change or modification in the request of the head of the department, office or agency.

(d) At the end of every quarter, each department, office or agency shall report to the Commissioner the current status of its appropriations, the cumulative allotments, obligations incurred/liquidated, total disbursements, and unliquidated obligations, unobligated and unexpected balances, and the results of expanded appropriations. Such department, office, or agency may initiate or request for a change in allotments in order to adjust to altered conditions, subject to such rules and regulations as may be issued by the Commissioner.

(e) Releases of funds appropriated for a given agency may be made to its Regional Offices where dictated by the need and urgency of regional activities.

(f) The Commissioner shall have authority to modify or amend any allotment previously issued. In case he shall find at any time that the probable receipts from taxes or other sources of any fund will be less than anticipated and that as a consequence the amount available for the remainder of the term of the appropriations or for any allotment period will be less than the amount estimated or allotted therefor, he shall, with the approval of the President and after notice to the department or agency concerned, reduce the amount or amounts allotted so as to conform with targeted budgetary goals.

(g) The Commissioner shall maintain control records showing quarterly by funds, accounts, and other suitable classifications as he may find necessary, the amounts appropriated, the estimated revenues, the actual revenues or receipts, the amounts allotted and available for expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of the allotments

for each department, office or agency of the Government.

Section 39. *Program of Expenditure.* The Commissioner shall recommended to the President the year's program of expenditure for each agency of the government on the basis of authorized appropriations. The approved expenditure program shall constitute the basis for fund release during the fiscal period, subject to such policies, rules and regulations as may be approved by the President.

Section 40. *Special Budgets for Lump-Sum Appropriations.* Expenditures from lump-sum appropriations authorized for any purpose or for any department, office or agency in any annual General Appropriations Act of other Act and from any fund of the national Government, shall be made in accordance with a special budget to be approved by the President, which shall include but shall not be limited to the number of each kind of position, the designations, and the annual salary proposed for which an appropriations is intended. This provision shall be applicable to all revolving funds, receipts which are automatically made available for expenditure for certain specific purposes, aids and donations for carrying out certain activities, or deposits made to cover the cost of special services to be rendered to private parties. Unless otherwise expressly provided by law, when any Board head of department, chief of bureau or office, or any other official, is authorized to appropriate, allot, distribute or spend any lump-sum appropriation or special, bond, trust, and other funds, such authority shall be subject to the provision of this section. In case of any lump-sum appropriation for salaries and wages of temporary and emergency laborers and employees, including contractual personnel, provided in any General Appropriation Act or other Acts, the expenditure of such appropriation shall be limited to the employment of persons paid by the month, by the day, or by the hour.

Section 41. *Cash Budgets.* An operational cash budget shall be implemented to ensure the availability of cash resources for priority development projects and to establish a sound basis for determining the level, type and timing of public borrowings. The procedure, format, accounts, and other details necessary for the execution, monitoring and control aspects of the system shall be determined jointly by the Secretary of Finance, the Commissioner of the Budget and the Chairman, Commission on Audit.

Section 42. *Creation of Appropriation Reserves.* The Commissioner may establish reserves against appropriations to provide for contingencies and emergencies which may arise later in the fiscal year and which would otherwise require a deficiency appropriations. The establishment of appropriation reserves shall not necessarily mean that such portion of the appropriation will change during the fiscal year justifying the use of the reserve, necessary adjustments may be made by the Commissioner when requested by the department, office or agency concerned.

Section 43. *Suspension of Expenditure of Appropriations.* Except as otherwise provided in the General Appropriations Act and whenever in his judgment the public interest so requires, the President, upon notice to the head of office concerned, is authorized to suspend or otherwise stop further expenditure of funds allotted for any agency, or any other expenditure authorized in the General Appropriations Act, except for personal services appropriation used for permanent officials and employees.

Section 44. *Authority to Approve Fund Transfers.* The President shall have the authority to transfer any fund appropriated for the different departments, bureaus, offices and agencies of the Executive Department which are included in the General Appropriations Act, to any program, project, or activity of any department, bureau or office included in the General Appropriations Act or approved after its enactment. The President shall, likewise, have the authority to augment any appropriation of the Executive Department in the General Appropriations Act, from savings in the appropriations of another department, bureau, office or agency within the Executive Branch, pursuant to the provisions of Article VIII, Section 16 (5) of the Constitution.

Section 45. *Authority to Use Savings in Appropriations to Cover Deficits.* Except as otherwise provided in the General Appropriations Act, any savings in the regular appropriations authorized in the General Appropriations Act for programs and projects of any department, office or agency, may, with the approval of the President, be used to cover a deficit in any other item of the regular appropriations: provided, that the creation of new positions or increase of salaries shall not be allowed to be funded from budgetary savings except when specifically authorized by law: provided, further, that whenever authorized positions are transferred from one program or project to another within the same department, office or agency, the corresponding amounts appropriated for personal services are also deemed transferred, without, however increasing the total outlay for personal services of the department, office or agency concerned.

Section 46. *Certification of Availability of Funds.* No funds shall be disbursed, and no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any department, office or agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged. No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. The certifying official shall be dismissed from the service, without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal and every official authorizing or making such payment, or taking part therein or receiving such payment, shall be jointly and severally liable to the government for the full amount so paid or received.

Section 47. *Prohibition Against the Incurrence of Overdraft.* Heads of departments, bureaus, offices and agencies shall not incur nor authorize the incurrence of expenditures or obligations in excess of allotments released by the Commissioner for their respective departments, offices and agencies. Parties responsible for the incurrence of overdrafts shall be held personally liable therefor.

Section 48. *Adjustment of Appropriations for Reorganization.* When under authority of law, a function or an activity is transferred or assigned from one agency to another, the balances of appropriations which are determined by the head of such department to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the President, be transferred to and be made available for use by the agency to which said function or activity is transferred or assigned for the purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or to new appropriation accounts which are hereby authorized to be established, and shall be merged with any fund already in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund. The funding requirement of agencies reorganized in accordance with approved reorganization plans or reorganized pursuant to law enacted after the approval of the general Appropriations Act, are deemed appropriated and shall be available for expenditure as soon as the reorganization plans are approved. The Commissioner is hereby authorized to make necessary adjustments in the appropriations to carry out the provisions of this section. The department head concerned, with the approval of the Commissioner, is hereby authorized to make necessary salary adjustments resulting from final selection of personnel to fill the positions in the staffing patterns of reorganized agencies, to make necessary salary adjustments resulting from new appointments, promotions or salary increases, subject to the provisions of P.D. No. 985.

Section 49. *Liability for Illegal Expenditure.* Every expenditure or obligation authorized or incurred in violation of the provisions of this Decree or of the general and special provisions contained in the annual General or other Appropriations Act shall be void. Every payment made in violation of said provisions shall be illegal and every official or employee authorizing or making such payment, or taking part therein, and every person receiving such payment shall be

jointly and severally liable to the Government for the full amount so paid or received. Any official or employee of the Government knowingly incurring any obligation, or authorizing any expenditure in violation of the provisions herein, or taking part therein, shall be dismissed from the service, after due notice and hearing by the duly authorized appointing official. If the appointing official is other than the President and should he fail to remove such official or employee, the President may exercise the power of removal.

Section 50. *Accrual of Income to Unappropriated Surplus of the General Fund.* Unless otherwise specifically provided by law, all income accruing to the departments, offices and agencies by virtue of the provisions of existing laws, orders, and regulations shall be deposited in the National Treasury or in and duly authorized depository of the Government and shall accrue to the unappropriated surplus of the General Fund of the Government: provided, that amounts received in trust and from business-type activities of government may be separately recorded and be disbursed in accordance with such rules and regulations as may be determined by the Permanent Committee created in section 51 hereof.

Section 51. *Special, Fiduciary and Trust Funds.* Receipts shall be recorded as income of Special, Fiduciary or Trust Funds or Funds other than the General fund, only when authorized by law and following such rules and regulations as may be issued by a Permanent Committee consisting of the Secretary of Finance as Chairman, and the Commissioner of the Budget and the Chairman, Commission on Audit, as members. The same Committee shall likewise monitor and evaluate the activities and balances of all Funds of the national government other than the General fund and may recommend for the consideration and approval of the President, the reversion to the General fund of such amounts as are (a) no longer necessary for the attainment of the purposes for which said Funds were established, (b) needed by the General fund in times of emergency, or (c) violation of the rules and regulations adopted by the Committee: provided, that the conditions originally agreed upon at the time the funds were received shall be observed in case of gifts or donations or other payments made by private parties for specific purposes.

Section 52. *Service Fees and Honoraria.* Agencies are authorized to charge fees, including honoraria and other reasonable allowances, as compensation for consultation, seminars or training programs, or technical services rendered to other government agencies or private parties. Such fees or honoraria shall be recorded as income of the government and subject to the usual accounting, auditing and other pertinent requirements and to the provisions of section 40 of this Decree.

Section 53. *Administration of Lump-Sum Funds.* The Budget Commission shall administer the Lump-Sum Funds appropriated in the General Appropriations Act, except as otherwise specified therein, including the issuance of Treasury Warrants covering payments to implementing agencies or other creditors, as may be authorized by the President.

Section 54. *Cost Reduction.* Each head of department, bureau, office or agency shall implement a cost reduction program for his department, bureau, office or agency for the purpose of reducing cost of operations and shall submit to the President reports on the results of the implementation thereof. The Budget Commission shall provide technical and other necessary assistance in the design and implementation of cost reduction activities. An incentive award not exceeding one month's salary may be granted to any official or employee whose suggestion for cost reduction has been adopted and shall have actually resulted in cost reduction, payable from the savings resulting therefrom.

Section 55. *Authority to Use Savings for Certain Purposes.* Savings in the appropriations provided in the General Appropriations Act may be used for the settlement of the following obligations incurred during a current fiscal year or previous fiscal years as may be approved by the Commissioner in accordance with rules and procedures as may be approved by the President:

(a) Claims of officials, employees and laborers who died or were injured in line of duty, including burial expenses as authorized under existing law;

(b) Commutation of terminal leaves of employees due to retirement, resignation or separation from the service through no fault of their own in accordance with the provisions of existing law, including unpaid claims for commutation of maternity leave of absence;

(c) Payment of retirement gratuities or separation pay of employees separated from the service due to government reorganization;

(d) Payment of salaries of employees who have been suspended or dismissed as a result of administrative or disciplinary action, or separated from the service through no fault of their own and who have been subsequently exonerated and/or reinstated by virtue of decisions of competent authority.

(e) Cash awards to deserving officials and employees in accordance with the civil service law;

(f) Salary adjustments of officials and employees as a result of classification action under, and implementation of, the provisions of the Compensation and Position Classification Act, including positions embraced under the Career Executive Service;

(g) Peso support to any undertaking that may be entered into by the government with international organizations, including administrative and other incidental expenses;

(h) Covering any deficiency in peso counterpart fund commitments for foreign-assisted projects, as may be approved by the President;

(i) Priority activities that will promote the economic well-being of the nation, including food production, agrarian reform, energy development, disaster relief, and rehabilitation.

(j) Repair, improvement and provision of government buildings and infrastructure and other capital assets damaged by natural calamities;

(k) Expenses in connection with official participation in trade fairs, civic parades, celebrations, athletic competitions and cultural activities, and payment of expenses for the celebration of regular or special official holidays;

(l) Payment of obligations of the government or any of its departments or agencies as a result of final judgment of the Courts, and

(m) Payment of valid prior year's obligations of government agencies with any other government office or agency, including government-owned or controlled corporations.

Section 56. *Appointment of Budget Officers.* No person shall be appointed as budget officer in any department, bureau, office or agency unless he meets qualification and/or training requirements established by the Budget Commission as prerequisite to appointment, in addition to other qualification requirements prescribed by the Civil Service Commission for the position.

BUDGET ACCOUNTABILITY

Section 57. *Evaluation of Agency Performance.* The President, through the Commissioner, shall evaluate on a continuing basis the quantitative and qualitative measures of agency performance as reflected in the units of work measurement and other indicators of agency performance, including the standard and actual costs per unit of work.

Section 58. *Budget Monitoring and Information System.* The Commissioner shall determine

accounting and other items of information, financial or otherwise, needed to monitor budget performance and to assess effectiveness of agencies' operations and shall prescribe the forms, schedule of submission, and other components of reporting system, including the maintenance of subsidiary and other records which will enable agencies to accomplish and submit said information requirements: provided, that the Commission on Audit shall, in coordination with the Budget Commission, issue rules and regulations that may be applicable when the reporting requirements affect accounting functions of agencies: provided, further, that the applicable rules and regulations shall be thus issued by the Commission on Audit within a period of thirty (30) days after the Budget Commission prescribes the reporting requirements.

Section 59. *Monitoring of Expenditures.* Expenditures of national government agencies shall be recorded so as to identify expenditures as classified into such categories as may be determined by the Budget Commission, including but not limited to the following: (a) agency incurring the obligation, (b) program, project and activity, (c) object of expenditure, including personal services, operating and maintenance expenditures, equipment, and capital outlays, (d) region or locality of use, (e) economic or functional classification of the expenditure, (f) obligational authority and cash transactions arising from fund releases, and such other classifications as may be necessary for the budget process. The Commissioner of the Budget shall determine the data and information requirements thus needed and the Commission on Audit shall formulate the accounting rules and regulations, including changes in the Chart of Accounts and the general or subsidiary accounting records, as may be necessary to generate the desired data and information. The Chief Accountants of agencies and where necessary, accountants of regional offices, shall submit the data needed by the Budget Commission in accordance with such rules and regulations as it may formulate.

Section 60. *Standard Costs.* The Budget Commission through the Management Office and National Accounting Office, shall develop standard costs for duly approved units of work measurement for each agency's budgetary projects or activities. These standards costs shall be compared with actual unit costs and utilized in the evaluation of agency budgetary performance.

Section 61. *Review of Budgetary Programs.* The Commissioner shall conduct a continuing review of the budgetary program and project structure of each department, office or agency, the result of which shall be the basis for modifying or amending such structure for incorporation in the President's budget proposals to the National Assembly.

Section 62. *Semi-Annual Report on Accomplishments of Government Agencies.* The heads of departments, bureaus, offices or agencies of the government shall submit a semi-annual report of their accomplishments, both work and financial results, in accordance with such content and format as may be prescribed by the Commissioner. These reports shall be designed and used for the purpose of monitoring the efficiency and effectiveness with which budgeted funds are being utilized, and generally for verifying the attainment of

Section 63. *Failure to Submit Reports.* Failure on the part of agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative and/or personnel officers, and other responsible officers of departments, bureaus, offices and agencies to submit trial balances, work and financial plans, budgets, reports of operation and income, plans, special budgets, reports of operation and income, current agency plantilla of personnel and such other report as may be necessary and required by the Budget Commission shall automatically cause the suspension of payment of their salaries until they have complied with the requirements of the Budget Commission. No appropriation authorized in the General Appropriations Act shall be made available to pay the salary of any official or employee who violates the provisions of this section, in addition to any disciplinary action that may be instituted against such erring official or employee.

EXPENDITURE OF APPROPRIATED FUNDS

Section 64. *Contracting of Activities.* Agencies may enter into contracts with individuals or organizations, both public and private, subject to provisions of law and applicable guidelines approved by the President: provided, that contracts shall be for specific services which cannot be provided by the regular staff of the agency, shall be for a specific period of time, and shall have a definite expected output: provided, further, that implementing, monitoring and other regular and recurring agency activities shall not be contracted for, except for personnel hired on an individual and contractual basis and working as part of the organization, or as otherwise may be approved by the President: provided, finally, that the cost of contracted services shall not exceed the amount that would otherwise be incurred had the work been performed by regular employees of government, except as may be authorized under this section.

Section 65. *Authority to Receive Additional Compensation.* Officials and employees who are duly appointed by competent authority to any position in another government office or agency in a current capacity, may, in the discretion of the President, be allowed to receive additional compensation in the form of allowance or honorarium at such rates he shall fix and subject to such conditions as he may prescribe. Such additional compensation shall be paid from the appropriations of the office or agency benefiting from the concurrent service.

Section 66. *Restriction on Salary Increases.* No portion of the appropriations provided in the General Appropriations Act shall be used for payment of any salary increase or adjustment unless specifically authorized by law or appropriate budget circular nor shall any appropriation for salaries authorized in the General Appropriations Act, save as otherwise provided for under the Compensation and Position Classification Act, be paid unless the positions have been classified by the Budget Commission.

Section 67. *Merit Increases.* The budgets of national government agencies may provide for a lump-sum for merit increases, subject to such terms and conditions as may be approved by the President. Such lump-sum shall be used to fund salary increases approved by the head of agency in recognition of meritorious performance: provided, that the Civil Service Commission and the Budget Commission shall jointly issue the rules and regulations governing the granting of such merit increases.

Section 68. *Salary for Substitutionary Service.* When an official or employee is issued a duly approved appointment in a temporary or acting capacity to take the place and perform the duties of another who is temporarily absent from his post with pay, savings in the appropriations of the department, bureau or office may be used for the payment of his salary or differential, subject to the approval of the Commissioner.

Section 69. *Prohibition Against Payment of Salaries or Wages of Officials and Employees on Strike Against the Government.* Subject to existing civil service rules and regulations and the proper administrative proceedings, no part of the funds of, or available for expenditures by, any department, office or agency of the Government shall be used to pay the salaries or wages of any official or employee engaging in a strike against the Government of the Republic of the Philippines, or who is a member of any organization of government employees that, in the opinion of the Secretary of Justice, asserts the right to strike against the Government of the Philippines.

Section 70. *Additional Compensation for Overtime Service.* Officials and employees of the National Government, when required to work overtime after regular working hours during ordinary days, during half-day sessions, or on Saturdays, Sundays and holidays, by the heads of departments concerned, to finish work that must be completed within a specified time, may be paid overtime compensation from any unexpended balance of the appropriation for salaries and wages authorized in the General Appropriations Act and under such guidelines as may be issued by the President.

Section 71. *Compensation of Persons Receiving Pension.* A person receiving life pension, annuity, or gratuity as a result of service in the national government of any local government unit, or from any government-owned or controlled corporation, who is reappointed to any position, the appropriation for the salary of which is provided from funds of the office, shall have the option to receive either the compensation for the position, or the pension, gratuity or annuity, but in no case shall he receive both.

Section 72. *Prohibition of Voluntary Service.* Unless otherwise specifically approved by the President, no person shall be employed or appointed in the government under the guise of voluntary service, with compensation below the authorized hiring rate for the position, but with privilege of transportation and/or representation expenses in any form, or of receiving per diems, allowances, honoraria, subsistence, quarters in cash or in kind, payable from government funds: provided, that the application of this provision may be waived to authorize voluntary service in the Armed Forces of the Philippines or in connection with relief operations.

Section 73. *Additional Compensation for School Faculty Members.* Professors, instructors, teachers, or members of the faculty of government schools, colleges and universities, when required to teach more than their regular teaching loads may be paid additional compensation not exceeding seventy-five percentum of their basic salary.

Section 74. *Laundry.* At the discretion of the department head concerned, any official or employees of the national government serving in any hospital, penal institution, or other similar institution, who is required to wear a uniform during the performance of his duties, may be granted laundry allowance in kind, or which may be commuted at such rates as may be authorized by the Budget Commission.

Section 75. *Hazard Pay.* Upon recommendation of the department head concerned and approval of the Commissioner, hazard pay may be allowed to employees who are actually assigned to danger or strife-torn areas, disease-infested places, or in distressed or isolated stations and camps, which expose them to great danger of contagion or peril to life. Such hazard pay shall be paid from savings of the department concerned at such rates, terms and conditions as the Commissioner may prescribe.

Section 76. *Subsistence.* No official or employee of the national government shall be given subsistence, the cost of which is payable from any fund, except the following and only when an appropriation therefor is specifically provided:

(a) Marine officers, engineers and crew of government vessels, launches, and motorboats, who shall take their meals on the mess when aboard the said vessels, launches, or motorboats;

(b) Lightkeepers and other employees in light stations duly authorized by the head of the department to receive subsistence, who shall be furnished raw canned, or preserved food supplies;

(c) Officials and employees who are required to render service within the premises of hospitals, penal institutions, leper institutions, military installations, and other similar institutions, for a continuous period that includes meal time, may be allowed full subsistence when required to live in said premises to make their services available at any and all times;

(d) Laborers temporarily fielded to isolated or unsettled districts shall be furnished the usual rations or the equivalent in cash, at the expense of the government. In hospitals and leper institutions where there are no mess halls or whenever these are inadequate personnel entitled to subsistence allowance in kind may commute such subsistence upon request of the personnel concerned

subject to the approval by the department head at authorized rates chargeable against the appropriation for supplies and materials authorized in the General Appropriations Act.

Section 77. *Subsistence of Crew of Government Vessels.* The subsistence allowance for the officers and crew of the coast guard and revenue cutters and lighthouse tenders and other large vessels operated by the Government shall be spent for conducting a mess under the charge and administration of one or more members of the complement in each vessel to be designated by the corresponding head of department, and in accordance with regulations to be issued by him. The person or persons so designated shall keep an account of the advances of funds received and expenditures made therefrom for the operation of the mess and shall render such report to the corresponding Accounting Officer promptly at the end of each month.

Section 78. *Furnished Quarters.* When the position of any official or employee is provided with "furnished quarters", such official or employee shall be entitled to the use of such government-owned furniture and equipment as are necessary for his board and lodging and those for his family including children below twenty-one years of age.

Section 79. *Per Diems of Government Officials and Employees.* When a government official or employee is authorized to travel on official business outside of his permanent station, he shall be entitled to per diems to cover his board and lodging in accordance with his schedule: provided, that in addition to per diems, the official or employee may be entitled to transportation expenses in going to and coming from his destination and to daily allowance while in the field: provided, further, that officials and employees on travel status whose expenses for board and lodging are paid directly or indirectly by government may not be entitled to receive the per diems and allowances corresponding to such payments. Department secretaries, heads of Constitutional bodies, undersecretaries and all other positions of equivalent rank are authorized the reimbursement of actual expenses supported by receipts, within such limits as may be imposed under the provisions of this section. Officials and employees authorized to travel abroad may be granted clothing allowance: provided, that no official or employ shall be granted such clothing allowance oftener than once every twenty-four months. The rates of per diems and other allowances as authorized in this section shall be determined by the President. The rates may be changed from time to time upon recommendation of a Travel Rates Committee which is hereby created, consisting of the Commissioner of the Budget as Chairman and the Secretary of Foreign Affairs, the Secretary of Tourism and the Chairman, Commission on Audit, or their representatives, as members. The Committee shall review travel rates and shall recommend to the President for consideration and approval modification in rates and policy when found to be warranted by actual domestic or foreign travel costs, as the case may be. Government-owned or controlled corporations shall observe the rates established under this section: provided, that profit-making corporations may adopt their own scales as may be approved by the President. The Travel Rates Committee shall issue the necessary rules and regulations to enforce the provisions of this section.

Section 80. *Additional Conditions for Payment of Travel Expenses.* When travel is done by water and subsistence is not included in the transportation cost, the amount actually and necessarily spent for subsistence during such travel time shall be paid, and no per diems shall be allowed in lieu thereof. Per diems and travel allowances shall not be granted to members of field parties or others for whom subsistence and/or allowances in kind are supplied or other special provision made to cover travel expenses. The travel expenses of a government official or employee who is assigned to render a special service to any private person or entity, the expenses for which are payable by the latter, shall be paid from a deposit which the private party shall be required to make before the performance of the special service is commenced, subject to the limitations and requirements herein provided for travel expenses payable from government funds. No official or employee of the Government who remains temporarily at one station for a period longer than one month shall be paid per diems in excess of one month, except upon the approval of the head of department, and, in case his temporary stay in any one place exceeds

three months, payment of per diems in excess of three months shall be made only upon the previous approval of the Commissioner.

Section 81. *Transportation of Members of Family of an Employee Transferred from One Station to Another.* Whenever, due to the exigencies of the service and not at his own request, an official or employee is transferred from one station to another, said official or employee and his spouse and children below twenty-one years of age shall be entitled to transportation and freight for reasonable and necessary baggage and household effects, at the expense of the Government, to be paid from the appropriation for traveling expenses of the bureau or office concerned.

Section 82. *Purchase, Use, Operation and Maintenance of Motor Transport Equipment.* No appropriation for equipment authorized in the General Appropriations Act shall be used directly or indirectly for the purchase of automobiles, jeeps, jitneys, station wagons, motorcycles, trucks, launches, speedboats, airplanes, helicopters and other types of motor transport equipment unless otherwise specifically authorized by the President. All departments, bureaus, offices, and agencies authorized to purchase motor transport equipment including those acquired through donations, gifts or gratuitous title are likewise authorized to use, operate and maintain them for purposes of carrying out the official functions and activities of the agency. These motor vehicles shall be used strictly for official business, bear government plates only, and after office hours to be kept in a garage provided therefor by the office or agency to which they belong, except, when in use for official business outside office hours. The President, however, may authorize exceptions from these provisions for officials of government who work under extended hours or whose activities call for special security arrangements. Any violation of the provisions of this section shall subject the erring official or employee to administrative disciplinary action and he shall be personally liable for any loss or damage caused to the government or third persons. The Commission on Audit shall issue rules and regulations governing the use, operation and maintenance of government motor transport equipment.

Section 83. *Limitation of Rental of Motor Vehicles.* No appropriations authorized in the General Appropriations Act shall be used for renting motor transport equipment for a continuous period of more than fifteen days, except as may be authorized by the Commissioner.

Section 84. *Limitation of Purchase of Supplies, Materials, and Equipment Spare Parts.* Except as otherwise provided in the General Appropriations Act, the stock on hand of supplies, materials and equipment spare parts, acquired through ordinary and emergency purchase, shall at no time exceed normal three-month requirements, subject to the pertinent rules and regulations issued by competent authority: provided, that department heads may approve the build-up of stocks on hand of critical supplies and materials, in anticipation of cost increases or requirements of a national emergency, and specifying maximum quantities of individual items, but in no case shall these stocks exceed more than one year's supply, unless otherwise approved by the President.

Section 85. *Purchase of Locally Manufactured Products.* All appropriations for the purchase of equipment, supplies and materials authorized in the General Appropriations Act shall be available only for locally manufactured equipment, parts, accessories, medicines and drugs, supplies and materials, except when none is available in the market or when the price of the locally manufactured article exceeds those determined by the Flag Law.

Section 86. *Availability of Appropriations for Rental for Building and Grounds.* Any appropriation authorized in any Act for rental of buildings and grounds for any department, bureau, office or agency shall be available for expenditure only when authorized by the department head concerned. Such appropriation may also be used for lease purchase arrangements. With the concurrence of the Commissioner and the Secretary of Finance, the head of the department may contract with any government financial institution for loans intended for the acquisition of land for the construction of an office building for any of the agencies under

the department. The annual amortization of the loans shall be taken from the appropriations for rental authorized under any Act for the department, bureau or office concerned.

Section 87. *Misuse of Government Funds and Property.* Any public official or employee who shall apply any government fund or property under his administration or control to any use other than that for which such fund or property is appropriated by law, shall suffer the penalty imposed under the appropriate penal laws.

Section 88. *Guidelines on Use of Appropriations.* The President may supplement, change, adjust, modify or amend those provisions of this Decree and other pertinent laws which govern the expenditure of appropriated funds, including changes in rates otherwise specified. The Budget Commission shall conduct on a continuing basis and as part of its regular functions, studies and analyses needed to improve upon existing guidelines and shall submit these to the President with appropriate recommendations and for promulgation as provided for under this section.

FINAL PROVISIONS

Section 89. *Rules and Regulations.* The Budget Commission shall issue the rules and regulations governing the implementation of this Decree.

Section 90. *Repealing Clause.* The provision of Sections 1656 and 1657 of the Revised Administrative Code, Commonwealth Act No. 246, Republic Act No. 992, Presidential Decrees No. 75 and 999 and all laws, decrees, executive orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Decree are hereby repealed and/or modified accordingly.

Section 91. *Separability Clause.* If for any reason, any section or provision of this Decree is declared to be unconstitutional or invalid, other sections or provisions thereof which not affected thereby, shall continue in full force and effect.

Section 92. *Effectivity.* This Decree shall take effect immediately.

Done in the City of Manila, this 30th day of July in the year of Our Lord, nineteen hundred and seventy-seven.