

REPUBLIC OF THE PHILIPPINES }
CONGRESS OF THE PHILIPPINES }
Third Regular Session

H. No. 10095

REPUBLIC ACT NO. 8522

AN ACT APPROPRIATING FUNDS FOR THE OPERATION
OF THE GOVERNMENT OF THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY ONE TO DECEMBER
THIRTY-ONE, NINETEEN HUNDRED AND NINETY-
EIGHT, AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the
Philippines in Congress assembled:*

SECTION 1. *Appropriation of Funds.* – The following sums, or so much thereof as may be necessary, are hereby appropriated out of any funds in the National Treasury of the Philippines not otherwise appropriated, for the operation of the Government of the Republic of the Philippines from January one to December thirty-one, nineteen hundred and ninety-eight, except where otherwise specifically provided herein:

SUMMARY OF FY 1998 NEW APPROPRIATIONS
(Amount, In thousand pesos)

I.	CONGRESS OF THE PHILIPPINES	3,045,766
A.	Senate	918,648
A.1	Senate Electoral Tribunal	70,584
B.	Commission on Appointments	157,353
C.	House of Representatives	1,841,184
C.1	House Electoral Tribunal	57,997
II.	OFFICE OF THE PRESIDENT	1,623,445
A.	The President's Offices	1,623,445
III.	OFFICE OF THE VICE PRESIDENT	83,144
IV.	DEPARTMENT OF AGRARIAN REFORM	1,442,371
A.	Office of the Secretary	1,442,371
V.	DEPARTMENT OF AGRICULTURE	2,765,394
A.	Office of the Secretary	2,296,656
B.	Agricultural Credit Policy Council	20,527

C.	Fertilizer and Pesticide Authority	35,645
D.	Fiber Industry Development Authority	149,673
E.	Livestock Development Council	10,676
F.	National Agricultural and Fishery Council	56,660
G.	National Meat Inspection Commission	19,464
H.	National Nutrition Council	58,067
I.	National Stud Farm	15,363
J.	Philippine Carabao Center	37,446
K.	Bureau of Post-Harvest for Research and Extension	65,217
VI.	DEPARTMENT OF BUDGET AND MANAGEMENT	599,690
A.	Office of the Secretary	599,690
VII.	DEPARTMENT OF EDUCATION, CULTURE AND SPORTS	78,520,483
A.	Office of the Secretary	77,853,016
B.	Commission on the Filipino Language	39,858
C.	National Historical Institute	82,548
D.	National Library	182,961
E.	National Museum	212,176

F.	Philippine High School for the Arts	40,198
G.	Records Management and Archives Office	109,726
VIII.	STATE UNIVERSITIES AND COLLEGES	14,632,218
A.	NATIONAL CAPITAL REGION.....	5,744,252
A.1	Eulogio "Amang" Rodriguez Institute of Science and Technology	89,150
A.2	Philippine Merchant Marine Academy	113,898
A.3	Philippine Normal University	237,669
A.4	Philippine State College of Aeronautics	105,976
A.5	Polytechnic University of the Philippines	502,504
A.6	Rizal Technological University	211,905
A.7	Technological University of the Philippines	281,601
A.8	University of the Philippines System	4,201,549
B.	Region I – ILOCOS.....	921,127
B.1	Cotton Research and Development Institute	39,257
B.2	Don Mariano Marcos Memorial State University	309,232
B.3	Mariano Marcos State University	240,852
B.4	Pangasinan State University	178,919
B.5	University of Northern Philippines	152,867
C.	CORDILLERA ADMINISTRATIVE REGION.....	406,230
C.1	Abra State Institute of Science and Technology	43,091
C.2	Benguet State University	162,253
C.3	Ifugao State College of Agriculture and Forestry	59,819
C.4	Kalinga-Apayao State College	46,786

C.5	Mountain Province State Polytechnic College	94,281
D.	Region II – CAGAYAN VALLEY.....	572,553
D.1	Cagayan State University	196,796
D.2	Isabela State University	201,399
D.3	Nueva Vizcaya State Institute of Technology	93,299
D.4	Nueva Vizcaya State Polytechnic College	54,934
D.5	Quirino State College	26,125
E.	Region III – CENTRAL LUZON.....	891,069
E.1	Bataan State College	32,839
E.2	Bulacan State University	156,399
E.3	Central Luzon Polytechnic College	121,231
E.4	Central Luzon State University	222,918
E.5	Don Honorio Ventura College of Arts and Trades	69,654
E.6	Pampanga Agricultural College	70,215
E.7	Ramon Magsaysay Polytechnic College	31,740
E.8	Tarlac College of Agriculture	66,789
E.9	Tarlac State University	87,806
E.10	Western Luzon Agricultural College	31,478
F.	Region IV – SOUTHERN TAGALOG AND PALAWAN.....	851,796
F.1	Aurora State College of Technology	48,806
F.2	Don Severino Agricultural College	121,059
F.3	Laguna State Polytechnic College	42,111
F.4	Marinduque State College	47,867
F.5	Mindoro State College of Agriculture and Technology	29,676
F.6	Occidental Mindoro National College	52,248

F.7	Pablo Borbon Memorial Institute of Technology	90,161
F.8	Palawan State University	95,892
F.9	Rizal State College	54,718
F.10	Rizal Polytechnic College	71,666
F.11	Romblon State College	40,246
F.12	Southern Luzon Polytechnic College	81,256
F.13	State Polytechnic College of Palawan	76,090
G.	Region V – BICOL.....	672,932
G.1	Bicol University	256,253
G.2	Camarines Norte State College	79,159
G.3	Camarines Sur Polytechnic Colleges	24,643
G.4	Camarines Sur State Agricultural College	76,526
G.5	Catanduanes State Colleges	98,088
G.6	Dr. Emilio B. Espinosa, Sr. Memorial State College of Agriculture and Technology	26,541
G.7	Partido State College	37,563
G.8	Sorsogon State College	74,159
H.	Region VI – WESTERN VISAYAS.....	707,151
H.1	Aklan State College of Agriculture	67,842
H.2	Carlos C. Hilado Memorial State College	64,579
H.3	Iloilo State College of Fisheries	59,155
H.4	Northern Iloilo Polytechnic State College	85,655
H.5	Panay State Polytechnic College	100,881
H.6	Polytechnic State College of Antique	55,492
H.7	West Visayas State University	182,099
H.8	Western Visayas College of Science and Technology	91,448

I.	Region VII – CENTRAL VISAYAS.....	420,582
I.1	Cebu State College	60,076
I.2	Cebu State College of Science and Technology	210,073
I.3	Central Visayas Polytechnic College	106,064
I.4	Siquijor State College	44,369
J.	Region VIII – EASTERN VISAYAS.....	765,849
J.1	Eastern Samar State College	61,716
J.2	Leyte Institute of Technology	95,854
J.3	Leyte Normal University	72,340
J.4	Naval Institute of Technology	40,682
J.5	Palompon Institute of Technology	56,176
J.6	Samar State Polytechnic College	65,937
J.7	Southern Leyte State College of Science and Technology	35,678
J.8	Tiburcio Tancinco Memorial Institute of Science and Technology	39,860
J.9	Tomas Oppus Normal College	21,044
J.10	University of Eastern Philippines	106,472
J.11	Visayas State College of Agriculture	170,090
K.	Region IX – WESTERN MINDANAO.....	569,595
K.1	Basilan State College	33,151
K.2	Jose Rizal Memorial State College	60,713
K.3	MSU-Tawi-Tawi College of Technology and Oceanography	167,807
K.4	Sulu State College	39,587
K.5	Tawi-Tawi Regional Agricultural College	36,286
K.6	Western Mindanao State University	169,412
K.7	Zamboanga State College of Marine Sciences and Technology	62,639

L.	Region X – NORTHERN MINDANAO.....	351,843
L.1	Bukidnon State College	62,323
L.2	Camiguin Polytechnic State College	26,818
L.3	Central Mindanao University	167,550
L.4	Mindanao Polytechnic State College	68,748
L.5	Misamis Oriental State College of Agriculture and Technology	26,404
M.	Region XI – SOUTHEASTERN MINDANAO.....	288,425
M.1	Davao del Norte State College	34,944
M.2	Davao Oriental State College of Science and Technology	34,205
M.3	Southern Philippines Agri-Business and Marine and Aquatic School of Technology	31,288
M.4	University of Southeastern Philippines	121,662
M.5	Sultan Kudarat Polytechnic State College	66,326
N.	Region XII – CENTRAL MINDANAO.....	1,413,044
N.1	Cotabato City State Polytechnic College	74,349
N.2	Cotabato Foundation College of Science and Technology	62,603
N.3	Mindanao State University	827,851
N.4	MSU – Iligan Institute of Technology	267,401
N.6	University of Southern Mindanao	180,840
O.	CARAGA ADMINISTRATIVE REGION.....	55,770
O.1	Agusan del Sur State College of Agriculture and Technology	24,250
O.2	Northern Mindanao State Institute of Science and Technology	31,520
IX.	DEPARTMENT OF ENERGY	300,504
A.	Office of the Secretary	300,504

X.	DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	5,649,804
A.	Office of the Secretary	4,707,834
B.	Mines and Geo-Science Bureau	364,210
C.	National Mapping and Resource Information Authority	577,760
XI.	DEPARTMENT OF FINANCE	5,361,736
A.	Office of the Secretary	202,608
B.	Bureau of Customs	1,107,179
C.	Bureau of Internal Revenue	2,910,731
D.	Bureau of Local Government Finance	316,143
E.	Bureau of the Treasury	294,570
F.	Central Board of Assessment Appeals.....	7,048
G.	Economic Intelligence and Investigation Bureau	219,889
H.	Fiscal Incentives Review Board	888
I.	Insurance Commission	61,796
J.	National Tax Research Center	35,123
K.	Securities and Exchange Commission	205,761

XII.	DEPARTMENT OF FOREIGN AFFAIRS	2,961,735
A.	Office of the Secretary	2,874,195
B.	Commission on Filipino Overseas	34,598
C.	Foreign Service Institute	33,940
D.	Technical Cooperation Council of the Philippines	2,745
E.	UNESCO National Commission of the Philippines	16,257
XIII.	DEPARTMENT OF HEALTH	13,059,476
A.	Office of the Secretary	12,943,217
B.	Dangerous Drugs Board	116,259
XIV.	DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT	30,923,948
A.	Office of the Secretary	2,212,510
B.	Local Government Academy	86,682
C.	National Police Commission	499,410
D.	Philippine National Police	22,938,311
E.	Bureau of Fire Protection	3,225,523
F.	Bureau of Jail Management and Penology	1,431,986
G.	Philippine Public Safety College	529,526

XV.	DEPARTMENT OF JUSTICE	4,261,630
A.	Office of the Secretary	1,496,057
B.	Bureau of Corrections	612,161
C.	Bureau of Immigration	131,369
D.	Commission on the Settlement of Land Problems	13,306
E.	Land Registration Authority	400,619
F.	National Bureau of Investigation	558,292
G.	Office of the Government Corporate Counsel	33,751
H.	Office of the Solicitor General	120,881
I.	Parole and Probation Administration	497,751
J.	Public Defender's Office	397,443
XVI.	DEPARTMENT OF LABOR AND EMPLOYMENT	5,027,927
A.	Office of the Secretary	1,281,409
B.	Institute for Labor Studies	17,407
C.	National Conciliation and Mediation Board	100,027
D.	National Labor Relations Commission	268,370
E.	National Maritime Polytechnic	82,281
F.	National Wages and Productivity Commission	98,757

G.	Philippine Overseas Employment Administration	174,920
H.	Technical Education and Skills Development Authority	3,004,756
XVII.	DEPARTMENT OF NATIONAL DEFENSE	51,898,595
A.	Office of the Secretary	125,923
B.	Armed Forces of the Philippines	41,602,515
B.1	General Headquarters	4,300,284
B.2	Philippine Air Force	6,837,061
B.3	Philippine Army	12,172,592
B.4	Philippine Navy	6,725,898
B.5	Presidential Security Group	299,030
B.6	Armed Forces of the Philippines Medical Center	692,919
B.7	Citizen Armed Forces Geographical Units	509,734
B.8	Philippine Military Academy	452,790
B.9	AFP Pension and Gratuity Fund	8,068,455
B.10	Retirees and Reservist Affairs Program	98,383
B.11	On-Base Housing Program	100,000
B.12	Self-Reliant Defense Posture Program	100,000
B.13	MNLF Integration Program	1,245,369
C.	Government Arsenal.....	245,306
D.	National Defense College of the Philippines.....	40,549
E.	Office of the Civil Defense	57,798
F.	Philippine Veterans Affairs Office.....	9,826,504

F.1	Philippine Veterans Affairs Office (Proper)	9,225,568
F.2	Military Shrine Services	31,213
F.3	Veterans Memorial Medical Center	569,723
XVIII.	DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS	61,923,754
A.	Office of the Secretary	61,816,287
B.	National Water Resources Board	36,525
C.	Toll Regulatory Board	70,942
XIX.	DEPARTMENT OF SCIENCE AND TECHNOLOGY	3,262,550
A.	Office of the Secretary	780,796
B.	Advanced Science and Technology Institute	36,191
C.	Food and Nutrition Research Institute.....	86,628
D.	Forest Products Research and Development Institute	65,043
E.	Industrial Technology Development Institute	177,453
F.	Metals Industry Research and Development Center	128,817
G.	National Academy of Science and Technology	26,638
H.	National Research Council of the Philippines	24,824
I.	Philippine Atmospheric, Geophysical and Astronomical Services Administration	475,143
J.	Philippine Council for Advanced Science and Technology Research and Development.....	57,532

K.	Philippine Council for Agriculture, Forestry and Natural Resources Research and Development	189,026
L.	Philippine Council for Aquatic and Marine Research and Development	64,228
M.	Philippine Council for Health Research and Development	44,420
N.	Philippine Council for Industry and Energy Research and Development	41,556
O.	Philippine Institute of Volcanology and Seismology	120,276
P.	Philippine Nuclear Research Institute	167,052
Q.	Philippine Science High School	180,079
R.	Philippine Textile Research Institute	65,935
S.	Science Education Institute	431,078
T.	Science and Technology Information Institute	37,171
U.	Technology Application and Promotion Institute	62,664
XX.	DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT	1,827,371
A.	Office of the Secretary	1,776,156
B.	Council for the Welfare of Children and Youth	24,389
C.	National Council for the Welfare of Disabled Persons	20,992
D.	Inter-Country Adoption Board	5,834
XXI.	DEPARTMENT OF TOURISM	650,044

A.	Office of the Secretary	452,807
B.	Intramuros Administration	42,189
C.	National Parks Development Committee	155,048
XXII.	DEPARTMENT OF TRADE AND INDUSTRY	1,576,118
A.	Office of the Secretary	1,257,507
B.	Board of Investments	171,760
C.	Bonded Export Marketing Board	4,583
D.	Construction Industry Authority of the Philippines	30,164
E.	Construction Manpower Development Foundation	15,514
F.	International Coffee Organization-Certifying Agency	5,144
G.	Philippine Trade Training Center	25,196
H.	Product Development and Design Center of the Philippines	66,250
XXIII.	DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS	11,999,026
A.	Office of the Secretary	11,629,366
B.	Civil Aeronautics Board	17,601
C.	Maritime Industry Authority	229,186
D.	National Telecommunications Commission	110,593

F.	Office of Transportation Cooperatives	12,280
XXIV.	NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY	1,432,691
A.	Office of the Director-General	488,617
B.	Commission on Population	96,536
C.	National Statistical Coordination Board	114,482
D.	National Statistics Office	666,194
E.	Philippine National Volunteer Service Coordinating Agency	11,733
F.	Statistical Research and Training Center	13,193
G.	Tariff Commission	41,936
XXV.	OFFICE OF THE PRESS SECRETARY	824,377
A.	Office of the Press Secretary (Proper)	95,365
B.	Bureau of Broadcast Services	221,108
C.	Bureau of Communications Services	24,257
D.	National Printing Office	135,387
E.	News and Information Bureau	76,990
F.	Philippine Information Agency	198,945
G.	Presidential Broadcast Staff (RTVM)	72,325

XXVI. OTHER EXECUTIVE OFFICES	5,859,673
A. Commission on Higher Education	2,668,754
B. Committee on Privatization	867
C. Cooperatives Development Authority	638,560
D. Energy Regulatory Board	87,538
E. Games and Amusements Board.....	41,261
F. Government Corporate Monitoring and Coordinating Committee	4,975
G. Housing and Land Use Regulatory Board	143,169
H. Housing and Urban Development Coordinating Council	183,323
I. Movie and Television Review and Classification Board	19,703
J. National Book Development Board	30,419
K. National Commission for Culture and the Arts	95,275
L. National Commission on the Role of Filipino Women	27,519
M. National Computer Center	180,690
N. National Intelligence Coordinating Agency	230,635
O. National Security Council.....	102,179
P. National Youth Commission	71,699
Q. Office on Muslim Affairs	210,114

R.	Office for Northern Cultural Communities	213,413
S.	Office for Southern Cultural Communities	190,646
T.	Palawan Council for Sustainable Development Staff	55,550
U.	Philippine Racing Commission	17,136
V.	Philippine Sports Commission	105,685
W.	Presidential Commission on Good Government	103,827
X.	Presidential Commission for the Urban Poor	46,886
Y.	Presidential Legislative Liaison Office	17,481
Z.	Presidential Management Staff.....	127,251
AA.	Professional Regulations Commission	216,247
AB.	Videogram Regulatory Board	28,871
XXVII.	JOINT LEGISLATIVE-EXECUTIVE COUNCILS.....	7,650
A.	Legislative-Executive Development Advisory Council	7,650
XXVIII.	THE JUDICIARY	6,227,860
A.	Supreme Court of the Philippines and the Lower Courts	5,610,868

A.1	Presidential Electoral Tribunal	43,430
B.	Sandiganbayan	130,351
C.	Court of Appeals	409,771
D.	Court of Tax Appeals.....	33,440
XXIX.	CIVIL SERVICE COMMISSION	428,384
A.	Civil Service Commission	402,577
A.1	Career Executive Service Board	25,807
XXX.	COMMISSION ON AUDIT	3,275,817
XXXI.	COMMISSION ON ELECTIONS	3,240,299
XXXII.	OFFICE OF THE OMBUDSMAN	412,518
XXXIII.	COMMISSION ON HUMAN RIGHTS	185,815
XXXIV.	AUTONOMOUS REGIONS	4,976,316
A.	Cordillera Administrative Region (Proper).....	35,777
B.	Autonomous Regional Government in Muslim Mindanao.....	4,940,539

XXXV. BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS	5,865,399
A. DEPARTMENT OF AGRICULTURE.....	73,333
A.1 National Irrigation Administration	61,099
A.2 Philippine Cotton Corporation	12,234
B. DEPARTMENT OF ENERGY.....	476,600
B.1 National Electrification Administration	476,600
C. DEPARTMENT OF HEALTH.....	782,949
C.1 Lung Center of the Philippines	93,787
C.2 National Kidney and Transplant Institute	133,928
C.3 Philippine Children's Medical Center	183,430
C.4 Philippine Health Insurance Corporation	237,804
C.5 Philippine Heart Center	134,000
D. DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS	384,000
D.1 Local Water Utilities Administration	384,000
E. DEPARTMENT OF TOURISM.....	94,511
E.1 Philippine Convention and Visitors Corporation	94,511
F. DEPARTMENT OF TRADE AND INDUSTRY.....	93,186
F.1 Cottage Industry Technology Center	8,386
F.2 Center for International Trade Expositions and Missions	84,800
G. DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS	186,730
G.1 Light Rail Transit Authority	1,730
G.2 Philippine National Railways	185,000

H.	NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY.....	52,950
H.1	Philippine Institute for Development Studies	44,450
H.2	Philippine APEC Study Center Network	8,500
I.	OTHER EXECUTIVE OFFICES.....	3,660,140
I.1	Asset Privatization Trust	34,711
I.2	Cagayan Economic Zone Authority	414,719
I.3	Cultural Center of the Philippines	21,938
I.4	Home Insurance and Guaranty Corporation	242,000
I.5	National Home Mortgage Finance Corporation	1,106,000
I.6	National Housing Authority	1,266,000
I.7	Southern Philippines Development Authority	242,515
I.8	Technology and Livelihood Resource Center	112,562
I.9	Zamboanga City Special Economic Zone Authority	219,695
J.	BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS - OTHERS.....	61,000
XXXVI.	GATT-RELATED ADJUSTMENT MEASURES FUND	15,921,836
A.	DEPARTMENT OF AGRICULTURE.....	11,686,935
A.1	Office of the Secretary	11,440,299
A.2	Fertilizer and Pesticide Authority	5,000
A.3	National Meat Inspection Commission	102,722
A.4	Philippine Carabao Center	138,914
B.	DEPARTMENT OF EDUCATION, CULTURE AND SPORTS.....	292,943
B.1	Office of the Secretary	292,943

C.	DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	673,611
C.1	Office of the Secretary	673,611
D.	DEPARTMENT OF HEALTH	25,757
D.1	Office of the Secretary	25,757
E.	DEPARTMENT OF LABOR AND EMPLOYMENT.....	186,235
E.1	Office of the Secretary	157,289
E.2	Technical Education and Skills Development Authority	28,946
F.	DEPARTMENT OF SCIENCE AND TECHNOLOGY.....	19,929
F.1	Office of the Secretary	19,929
G.	DEPARTMENT OF TRADE AND INDUSTRY.....	328,370
G.1	Office of the Secretary	328,370
H.	AUTONOMOUS REGIONS.....	53,641
H.1	Autonomous Regional Government in Muslim Mindanao	53,641
I.	BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS.....	2,654,415
I.1	Department of Agriculture	2,654,415
I.1.a	National Dairy Authority	53,728
I.1.b	National Food Authority	1,449,145
I.1.c	National Tobacco Administration	251,825
I.1.d	Philippine Coconut Authority	350,093
I.1.e	Philippine Crop Insurance Corporation	109,290
I.1.f	Philippine Fisheries Development Authority	23,525
I.1.g	Philippine Rice Research Institute	193,176
I.1.h	Quedan and Rural Credit Guarantee Corporation	76,985
I.1.i	Sugar Regulatory Administration	146,648

XXXVII.	ALLOCATIONS TO LOCAL GOVERNMENT UNITS	86,287,843
A.	Internal Revenue Allotment	80,990,763
B.	Special Shares of LGUs in the Proceeds of National Taxes	2,054,911
C.	Local Officials Insurance Premium Fund	37,000
D.	Municipal Development Fund	1,672,104
E.	Local Government Empowerment Fund	484,246
F.	Special Financial Assistance to Local Government Units	15,000
G.	Palarong Pambansa Fund	180,000
H.	Metropolitan Manila Development Authority	848,819
I.	Subsistence Allowance for Barangay Health Workers	5,000
XXXVIII.	AREA DEVELOPMENT ASSISTANCE FUND	59,087
A.	Aurora Integrated Area Development Project	21,068
B.	Bondoc Development Program	38,019
XXXIX.	AGRARIAN REFORM FUND	5,637,429
XL.	CALAMITY FUND	2,000,000
XLI.	CONTINGENT FUND	1,000,000

XLII. COUNTRYWIDE DEVELOPMENT FUND	2,324,250
XLIII. DECS – SCHOOL BUILDING PROGRAM	3,131,142
XLIV. FOREIGN-ASSISTED PROJECTS SUPPORT FUND	800,000
XLV. GENERAL FUND ADJUSTMENTS	250,000
XLVI. INTERNATIONAL COMMITMENTS FUND	1,052,644
XLVII. MISCELLANEOUS PERSONNEL BENEFITS FUND	6,794,867
XLVIII. NATIONAL UNIFICATION FUND	150,000
XLIX. ORGANIZATIONAL ADJUSTMENT FUND	518,513
L. POLE-VAULTING STRATEGY FUND	4,700,000
LI. POVERTY ALLEVIATION FUND	2,500,000
LII. DEBT SERVICE - INTEREST PAYMENT	51,027,866

LIII. UNPROGRAMMED FUND.....	26,454,811
TOTAL NEW APPROPRIATIONS	546,743,816

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ANNEXES

A. DEBT SERVICE - PRINCIPAL AMORTIZATION	49,914,000
B. List of Foreign-Assisted Projects for Negotiation and/or Implementation in 1998	=====

ANNEX - "A"

DEBT SERVICE - PRINCIPAL AMORTIZATION

For payment of principal amortization on foreign and domestic indebtedness as indicated hereunder.....P49,914,000,000

Appropriations, by Purpose
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Current Operating Expenditures

	Personal Services <hr style="width: 100%;"/>	Maintenance and Other Operating Expenses <hr style="width: 100%;"/>	Capital Outlays <hr style="width: 100%;"/>	Total <hr style="width: 100%;"/>
A. PURPOSE				
1. For the Payment of Principal Amortization of Foreign And Domestic Indebtedness		P49,914,000,000		P49,914,000,000
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TOTAL APPROPRIATIONS		P49,914,000,000		P49,914,000,000
		=====		=====

SPECIAL PROVISION

1. *Use of the Fund.* – The amount provided herein shall be used for payment of principal amortization of foreign and domestic indebtedness.

Appropriations by Object of Expenditures

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(In Thousand Pesos)

A. PURPOSE

Current Operating Expenditures

Maintenance and Other Operating Expenses

12 Loan Repayments and Sinking Fund Contributions
49,914,000

TOTAL APPROPRIATIONS 49,914,000

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GENERAL SUMMARY

DEBT-SERVICE - PRINCIPAL AMORTIZATION

	Current Operating Expenditures			
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
	_____	_____	_____	_____
A. Debt Service - Principal Amortization		P49,914,000,000		P49,914,000,000
		-----		-----
Total Appropriations, Debt Service-Principal Amortization		P49,914,000,000		P49,914,000,000
		=====		=====

BUDGETS OF DEPARTMENT OF ENERGY ATTACHED
CORPORATIONS

SEC. 2. Approval of Annual Budgets of Corporations under Republic Act Number 7638. – Pursuant to Section 13, Chapter III of Republic Act Number 7638, the 1998 annual budgets of the National Electrification Administration (NEA), the National Power Corporation (NPC) and the Philippine National Oil Company (PNOC) are hereby approved as follows:

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

(In Thousand Pesos)

SUMMARY

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 34,488	-P 144,538	P 126,540	P 305,566
2. Support to Operations	134,854	51,830	1,043	187,727
3. Operations	51,694	66,449	1,304	119,447
4. Locally-Funded Projects		<u>476,600</u>	<u>218,866</u>	<u>695,466</u>
4.1 Rural Electrification		476,600	212,866	689,466
4.2 Solar Energy Programme			6,000	6,000

5. Foreign-Assisted Projects		<u>3,538</u>	<u>1,055,350</u>	<u>1,058,888</u>
A. Foreign Borrowings		<u>3,538</u>	<u>1,055,350</u>	<u>1,058,888</u>
a.5.1 Rural Electrification			1,055,350	1,055,350
a.5.2 Institutional Strengthening		3,538		3,538
6. Debt Servicing		<u>1,758,801</u>	<u> </u>	<u>1,758,801</u>
6.1 Loan Repayment		1,258,791		1,258,791
6.2 Reserve for Sinking Fund				
6.3 Conversion of Interest on NG advances		500,010		500,010
	-----	-----	-----	-----
TOTAL	P 221,036	P 2,501,756 */	P 1,403,103	P 4,125,895
	=====	=====	=====	=====

*/MOOE, Net of Allowance for Depreciation of P13.175 Million

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

Schedule I

(In Thousand Pesos)

NATIONAL GOVERNMENT EQUITY AND/OR SUBSIDY

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. Locally-Funded Project		<u>P 476,600</u>		<u>P 476,600</u>
1.1 Rural Electrification		476,600		476,600
1.2 Solar Energy Programme				
2. Debt Servicing		<u>977,316</u>		<u>977,316</u>
2.1 Loan Repayment		477,306		477,306
2.2 Reserve for Sinking Fund				
2.3 Conversion of Interest on NG advances		500,010		500,010
		-----		-----
TOTAL		<u>P 1,453,916</u>		<u>P 1,453,916</u>
		=====		=====

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

Schedule II

(In Thousand Pesos)

CORPORATE BORROWINGS

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. Foreign-Assisted Projects		<u>P 3,538</u>	<u>P 1,045,355</u>	<u>P 1,048,893</u>
A. Foreign Borrowings		<u>3,538</u>	<u>1,045,355</u>	<u>1,048,893</u>
a.1.1 Rural Electrification			1,045,355	1,045,355
a.1.2 Institutional Strengthening		3,538		3,538
2. Debt Servicing		<u>249,219</u>		<u>249,219</u>
2.1 Loan Repayment		249,219		249,219
2.2 Reserve for Sinking Fund				
2.3 Conversion of Interest on NG advances				
 TOTAL		 ----- P 252,757 =====	 ----- P 1,045,355 =====	 ----- P 1,298,112 =====

I. NATIONAL ELECTRIFICATION ADMINISTRATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

Schedule III

(In Thousand Pesos)

CORPORATE FUNDS

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 34,488	P 144,538	P 126,540	P 305,566
2. Support to Operations	134,854	51,830	1,043	187,727
3. Operations	51,694	66,449	1,304	119,447
4. Locally-Funded Project			<u>218,866</u>	<u>218,866</u>
4.1 Rural Electrification			212,866	212,866
4.2 Solar Energy Programme			6,000	6,000

5. Foreign-Assisted Projects			<u>9,995</u>	<u>9,995</u>
A. Foreign Borrowings			<u>9,995</u>	<u>9,995</u>
a. 5.1 Rural Electrification			9,995	9,995
a. 5.2 Institutional Strengthening				
6. Debt Servicing		<u>532,266</u>		<u>532,266</u>
6.1 Loan Repayment		532,266		532,266
6.2 Reserve for Sinking Fund				
6.3 Conversion of Interest on NG Advances				
 TOTAL		 <u>P 221,036</u>	 <u>P 795,083</u>	 <u>P 357,748</u>
		<u>=====</u>	<u>=====</u>	<u>=====</u>

SPECIAL PROVISIONS

1. *Budget Flexibility and Report.* – The National Electrification Administration, through its Board of Administrators, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Corporation's control. These may include, but shall not be limited to, currency depreciation, inflation, change in interest rate, new loans/financing that may be contracted or sourced, substitute projects and programs, and schedule of project implementation should conditions warrant: *Provided*, That augmentation funds shall not be used for the acquisition of motor vehicles and payment of traveling, representation and discretionary expenses: *Provided, further*, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses as well as, Capital Outlays, or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. *Audit of Government Funds.* – The status or use of all government funds received, whether in the form of equity, subsidy, grant, loan, contribution or any kind of assistance shall be subject to audit by the Commission on Audit up to and including any end-user entity.

3. *Payment of Compensation.* – Payment of salaries, wages, and allowances or other forms of compensation shall be in accordance with Republic Act No. 6758 known as, "Compensation and Position Classification Act of 1989," as amended by Joint Resolution No. 1, s. 1994 of Congress and Executive Order No. 164, s. 1994, as well as Corporate Compensation Circular No. 10 and other pertinent implementing rules and regulations, unless the corporation is exempted therefrom by special law.

4. *Remittance of Dividends.* – Dividends equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

5. *Acquisition of Equipment.* – The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular No. 17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

(In Thousand Pesos)

SUMMARY

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	<u>P 1,447,510</u>	<u>P 1,089,000</u>	<u>P 4,164,684</u>	<u>P 6,701,194</u>
A. Head Office Support Group	1,447,510	1,089,000	1,768,221	4,304,731
B. Eng'g. Admin./Survey/Dev. Studies/Planning			2,396,463	2,396,463
2. Support to Operations	<u>101,087</u>	<u>1,060,000</u>	_____	<u>1,161,087</u>
A. NPV Training Center/Test-Run Plants	101,087	1,060,000		1,161,087
3. Operations	<u>4,585,217</u>	<u>63,297,135</u>	<u>10,124,859</u>	<u>78,007,211</u>
A. Utility Operations/SO/IBMD	4,295,624	4,668,500	5,701,438	14,665,562
B. Small Island Grids	256,125	222,000	2,069,839	2,547,964

C. Spares			2,353,582	2,353,582
D. Production of Goods (Power Generation)		55,812,000		55,812,000
E. Other Expenses	33,468	2,594,635		2,628,103
4. Locally-Funded Projects			<u>1,856,978</u>	<u>1,856,978</u>
5. Foreign-Assisted Projects			<u>24,220,742</u>	<u>24,220,742</u>
A. Generation			2,779,577	2,779,577
B. Transmission Lines & Substations			17,330,567	17,330,567
C. Others			1,256,561	1,256,561
D. Interest during Construction			2,854,037	2,854,037
6. Debt Servicing		22,747,000		22,747,000
7. Other Expenditures	35,154	1,162,000		1,197,154
8. Lump-sum for Personal Services	c/ 786,335			786,335
TOTAL	P 6,955,303a/	P 89,355,135b/	P 40,367,263	P 136,677,701
	=====	=====	=====	=====

a/ Inclusive of P 41.017M PS requirement for Casuals

b/ MOOE, net of allowance for depreciation of P 9.636B

c/ Represents salary adjustments and incremental cost of cash and non-cash benefits of 15,679 positions pursuant to M.O. No. 198, s. of 1994, the utilization of which is subject to Special Provision No. 4 of NPC.

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998

Schedule I

(In Thousand Pesos)

CORPORATE BORROWINGS

	Current Operating Expenditures			
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support			<u>P 1,936,957</u>	<u>P 1,936,957</u>
A. Head Office Support Group			1,510,166	1,510,166
B. Eng'g. Admin./Survey/Dev. Studies/Planning			426,791	426,791
2. Operations			<u>8,641,482</u>	<u>8,641,482</u>
A. Utility Operations/SO/IBMD			5,494,112	5,494,112
B. Small Island Grids			793,788	793,788
C. Spares			2,353,582	2,353,582

3. Locally-Funded Projects		1,856,978	1,856,978
4. Foreign-Assisted Projects		<u>19,846,717</u>	<u>19,846,717</u>
A. Generation		1,408,866	1,408,866
B. Transmission Lines & Substation		16,597,653	16,597,653
C. Others		1,256,561	1,256,561
D. Interest during Construction		583,637	583,637
5. Debt Servicing	1,762,000		1,762,000
6. Other Expenditures	476,000		476,000
TOTAL	P 2,238,000	P 32,282,134	P 34,520,134

II. NATIONAL POWER CORPORATION

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
CORPORATE FUNDS

Schedule II

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	<u>P 1,447,510</u>	<u>P 1,089,000</u>	<u>P 2,227,727</u>	<u>P 4,764,237</u>
A. Head Office Support Group	1,447,510	1,089,000	258,055	2,794,565
B. Eng'g. Admin./Survey/Dev. Studies/Planning			1,969,672	1,969,672
2. Support to Operations	<u>101,087</u>	<u>1,060,000</u>		<u>1,161,087</u>
A. NPV Training Center/Test-Run Plants	101,087	1,060,000		1,161,087
3. Operations	<u>4,585,217</u>	<u>63,297,135</u>	<u>1,483,377</u>	<u>69,365,729</u>
A. Utility Operations/SO/IBMD	4,295,624	4,668,500	207,326	9,171,450
B. Small Island Grids	256,125	222,000	1,276,051	1,754,176
C. Production of Goods (Power Generation)		55,812,000		55,812,000
D. Other Expenses	33,468	2,594,635		2,628,103

4. Foreign-Assisted Projects			<u>4,374,025</u>	<u>4,374,025</u>
A. Generation			1,370,711	1,370,711
B. Transmission Lines & Substation			732,914	732,914
C. Interest during Construction			2,270,400	2,270,400
5. Debt Servicing		20,985,000		20,985,000
6. Other Expenditures	35,154	686,000		721,154
7. Lump-sum for Personal Services	786,335			786,335
TOTAL	<u>P 6,955,303</u>	<u>P 87,117,135</u>	<u>P 8,085,129</u>	<u>P 102,157,567</u>

SPECIAL PROVISIONS

1. *Budget Flexibility and Report.* – The National Power Corporation through its Board of Directors, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Corporation's control. These may include, but shall not be limited to, increase in oil/steam/coal prices, currency depreciation, inflation, change in generation mix and demand, interest rate, new loans/financing that may be contracted or sourced, substitute programs and projects, change in schedule of project implementation, and correction, transfer, or elimination at NPC's expense, of projects or installations that inhabitants affected thereby complain are a hazard to their health or safety, and reorganization, or subsidiarization, should conditions warrant: *Provided*, That augmentation funds shall not be used for the acquisition of motor vehicles and payment of traveling, representation and discretionary expenses: *Provided, further*, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses (MOOE) as well as Capital Outlays or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. *Restrictions on the Use of Funds.* – In the event that certain NPC power plants have been completely subsidiarized and privatized before 1998, any amount earmarked for the rehabilitation and other costs intended for said power plants as reflected in the Corporate Operating Budget shall not be made available for such plants.

3. *Payment of Compensation.* – Payment of salaries, wages and allowances or other form of compensation shall be in accordance with Memorandum Order No. 198, s. 1994, implementing Republic Act No. 7648 known as, "Electric Power Crisis Act of 1993": *Provided*, That in the event that a new

benefit is granted by law which is superior to its existing similar benefits, they may opt for the same in lieu of their existing ones.

4. *Use of Lump-sum Amount.* – The use of the lump-sum amount provided for cash, non-cash and other economic benefits shall be subject to the approval of the Office of the President and shall be used exclusively for the intended purpose: *Provided,* That the following conditions shall have been fully satisfied: (1) all of NPC's statutory obligations to the National Government shall have been settled; (2) the performance targets set for 1997 and 1998, both financial and physical, shall have been fully met; and (3) the grant of any salary increase/benefit authorized through NPC Board Resolutions shall have prior approval from the Office of the President.

5. *Remittance of Dividend.* – Dividend equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

6. *Acquisition of Equipment.* – The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular No. 17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

7. *Jurisdiction of the Commission on Audit.* – The constitutional jurisdiction of the Commission on Audit over government funds and resources shall remain unimpaired.

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS, CY 1998
(In Thousand Pesos)
SUMMARY

	Current Operating Expenditures			Total
	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	
	_____	_____	_____	_____
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 41,445	P 125,217	P 5,071	P 171,733
2. Operations	7,953	177,696	5,833,706	6,019,355
3. Others				
Debt Servicing				
Principal		309,890		309,890
Interest Expense		822,370		822,370
Privatization-Related Expenses		1,530,420		1,530,420
	-----	-----	-----	-----
TOTAL	P 49,398	P 2,965,593 a/	P 5,838,777	P 8,853,768
	=====	=====	=====	=====

a/ MOOE, net of allowance for depreciation of P 39.761 M

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS

Schedule I

(In Thousand Pesos)

CORPORATE BORROWINGS

	Current Operating Expenditures			
	Personal Services	Maintenance and Other Operating <u>Expenses</u>	Capital Outlays	Total
A. PROGRAM/ACTIVITY/PROJECT				
1. Operations			-P 2,397,478	P 2,397,478
 TOTAL			 ----- P 2,397,478 =====	 ----- P 2,397,478 =====

III. PHILIPPINE NATIONAL OIL COMPANY

SOURCES AND USES OF FUNDS BY EXPENSE CLASS

Schedule II

(In Thousand Pesos)

CORPORATE FUNDS

	Current Operating Expenditures			
	Personal Services	Maintenance and Other Operating <u>Expenses</u>	Capital Outlays	Total
A. PROGRAM/ACTIVITY/PROJECT				
1. General Administration and Support	P 41,445	P 125,217	P 5,071	P 171,733
2. Operations	7,953	177,696	3,436,228	3,621,877
3. Others				
Debt Servicing				
Principal		309,890		309,890
Interest Expense		822,370		822,370
Privatization-Related Expenses		1,530,420		1,530,420
TOTAL	P 49,398	P 2,965,593 a/	-P 3,441,299	P 6,456,290

a/ MOOE, net of allowance for depreciation of P39.761 M

SPECIAL PROVISIONS

1. *Budget Flexibility and Report.* – The Philippine National Oil Company (PNOC), through its Board of Directors, is authorized to realign/reallocate the projects/programs and their corresponding budgetary requirements herein approved, as well as augment the requirements which may arise from factors beyond the Company's control. These may include, but shall not be limited to, increase in costs associated with the privatization of subsidiaries, changes in foreign exchange rate, taxes, inflation, interest rates, payment of obligations as a result of final judgment of the court, and changes in programs/projects: *Provided*, That augmentation funds shall be in compliance with the special provision hereunder regarding funds for Capital Outlays and shall not be used for the acquisition of motor vehicles and payment of traveling, representation and discretionary expenses: *Provided, further*, That the Personal Services shall not be augmented by savings from Maintenance and Other Operating Expenses (MOOE), as well as, Capital Outlays, or by new funding sources.

A report on the aforesaid budgetary adjustments shall be submitted to the House Committee on Appropriations and the Senate Committee on Finance, including the Department of Budget and Management, within thirty (30) days after such adjustments are made.

2. *Funds for Capital Outlays.* – The provisions of paragraph 1 above notwithstanding, Capital Outlays, including but not limited to lending and equity infusions to subsidiaries and other entities, provided herein under Operations, Program 2, whether funded from internally generated funds, augmentation funds, budgetary support or authorized borrowings, shall be utilized for the primary purposes of exploration, exploitation and development of indigenous energy resources: *Provided*, That an amount not exceeding One billion pesos (P1,000,000,000) in the aggregate may be invested in entities not engaged in the said primary purposes: *Provided, further*, That consistent with the privatization program of the government, such equity investment shall not exceed thirty six percent (36%) of the outstanding capital stock of any one such entity concerned: *Provided, finally*, That such Capital Outlays shall not be used as loans or advances to entities not engaged in the primary purposes herein defined. This

provision shall apply to the Philippine National Oil Company and all its subsidiaries.

3. *Privatization and/or Disposition of Assets.* – The PNOC, shall notify the Philippine Senate and the House of Representatives of any plan, proposal or program for the privatization and/or disposition of any of its subsidiaries, operations and substantial assets as well as those of its subsidiaries: *Provided*, That such notification shall be due upon submission of such plan, proposal or program to the PNOC Board of Directors and, shall include, in specific terms, the procedure, process and manner of such privatization and/or disposition.

4. *Payment of Compensation.* – Payment of salaries, wages, and allowances or other forms of compensation shall be in accordance with Republic Act No. 6758 known as, Compensation and Position Classification Act of 1989, as amended by Joint Resolution No. 1, s. 1994 of Congress and Executive Order No. 164, s. 1994, as well as Corporate Compensation Circular No. 10 and other pertinent implementing rules and regulations, unless the corporation is exempted therefrom by special law.

5. *Remittance of Dividends.* – Dividend equivalent to at least fifty percent (50%) of annual net earnings shall accrue to the National Government and shall be remitted to the National Treasury pursuant to Republic Act No. 7656.

6. *Acquisition of Equipment.* – The acquisition of equipment, whether funded from internally generated funds, budgetary support or authorized borrowings, shall be subject to Corporate Budget Circular No. 17, s. 1996, National Budget Circular No. 446, s. 1995 and other existing statutory requirements and/or Presidential issuances.

7. *Jurisdiction of the Commission on Audit.* – The constitutional jurisdiction of the Commission on Audit over government funds and resources shall remain unimpaired.

GENERAL PROVISIONS
RECEIPTS AND INCOME

SEC. 3. *Fees, Charges and Assessments.* – All fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices or agencies in the exercise of their functions, at such rates as are now or may be approved by the Secretary concerned, shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 44 of Book VI, E.O. No. 292 and Section 3 of B.P. Blg. 325: *Provided*, That certain receipts may be recorded as a Special Account in the General Fund or a Fiduciary or a Trust Fund, or a fund other than the General Fund, when authorized by law and following such rules and regulations as may be issued by the Permanent Committee created under Section 45 of Book VI, E.O. No. 292: *Provided, further*, That all revenues or income accruing to Special Accounts in the General Fund may be made available for expenditure, subject to the Special Provision in this Act for the agencies concerned and to Special Budgets required under Section 35 of Book VI, E.O. No. 292: *Provided, furthermore*, That whenever practicable and taking into account the cost reduction program of the government, when an agency contracts with another government office for fabrication of furniture or equipment, or for computer, printing or other services, the agency rendering such services may assess the requesting agency for the cost of production and services rendered and may utilize the proceeds thereof, subject to Section 35 of Book VI, E.O. No. 292, except as otherwise provided in this Act: and *Provided, finally*, That the schedule of fees, charges and assessments collectible by any government agency including government-owned and/or controlled corporations shall be posted in big bold characters in a conspicuous place in said government agency or corporation, including its branches or extension offices and that the updating and continuous display of said schedule shall be the responsibility of the head of the agency or corporation concerned.

SEC. 4. *Revolving Fund.* – Revolving funds shall be established and maintained only in cases where said funds are expressly created and authorized by law. Revolving funds already in existence shall continue their operations, except those which are now reflected as "Use/Charging of Income" in this Act. Receipts derived from business-type activities of departments, bureaus,

offices or agencies which are authorized by law to be constituted into a Revolving Fund shall be separately recorded and deposited in an authorized government depository bank and may be made available for operational expenses of the said activity of the agency concerned, subject to the conditions prescribed under the special provision of the agency concerned and the rules and regulations as may be prescribed by the Permanent Committee created under Section 45 of Book VI, E.O. No. 292. The Revolving Fund shall be considered self-perpetuating and self-liquidating and all obligations or expenditures incurred by virtue of said business-type activities shall be charged against the Revolving Fund: *Provided*, That interest and other income earned shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 65 of P.D. No. 1445 in relation to Section 29(1) of Article VI of the Constitution. The agency concerned shall submit to the Department of Budget and Management, copy furnished the House Committee on Appropriations and the Senate Committee on Finance, a quarterly report of the income from this Fund and a quarterly report of expenditure. In case of failure to submit said requirements, no withdrawal in the subsequent quarter shall be allowed in audit except upon certification of the Department of Budget and Management that said report was submitted.

SEC. 5. *Trust Receipts.* – Receipts from non tax sources authorized by law for specific purposes which are collected/received by a government office or agency acting as a trustee, agent or administrator, or which have been received as guaranty for the fulfillment of an obligation, and all other collections classified by law or regulations as trust receipts shall be treated as trust liability of the agency concerned and deposited with the National Treasury, subject to the conditions prescribed under the Special Provisions of the agency concerned and to the rules and regulations as determined by the Permanent Committee created under Section 45 of Book VI, E.O. No. 292. All existing balances of trust receipts deposited with authorized government depository banks or any forthcoming trust receipts which are intended to be deposited with authorized government depository banks are hereby required to be deposited also with the National Treasury. Payment out of such funds shall be made in accordance with the purpose for which the fund is created and subject to accounting and auditing regulations.

SEC. 6. Receipts Arising from BOT and Its Variant Schemes Transactions. – Receipts, such as toll fees, charges and other receipts or revenues arising from public sector projects implemented through build-operate-transfer (BOT) arrangement and other variants pursuant to R.A. No. 6957, as amended by R.A. No. 7718, collected by an office or agency of the National Government but which shall accrue to the proponent private companies or individuals in accordance with contract entered into by said government office or agency and project proponent(s) shall be constituted as a trust fund and deposited with the National Treasury and shall be utilized for the fulfillment of obligations as stipulated under the contract: *Provided*, That the government share out of the collections from said projects shall accrue to the General Fund and shall be remitted to and deposited with the National Treasury.

The implementation of this Section shall be in accordance with the guidelines to be issued jointly by the Department of Finance, Department of Budget and Management, National Economic and Development Authority and Coordinating Council of the Philippine Assistance Program, in coordination with the Commission on Audit.

SEC. 7. Performance Bonds and Deposits. – Performance bonds and deposits filed or posted by private persons or entities with agencies of the government shall be deposited with the National Treasury as trust liabilities under the name of the agency concerned. Upon faithful performance of the undertaking or termination of the obligation for which the bond or deposit was required, any amount due shall be returned to the filing party and the office or agency concerned, withdrawable in accordance with accounting and auditing rules and regulations: *Provided*, That any interest accruing on deposit accounts and any forfeited amounts shall be recorded as income of the General Fund and shall be remitted to the National Treasury at the end of each quarter. This provision shall apply to bonds posted in cash, such as bidder's bond, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited in court or quasi-judicial bodies and other refundable and judicial bonds, and all bonds and deposits required by law, rules and regulations to

be posted to ensure the faithful performance of an activity or undertaking.

SEC. 8. *Seminar and Conference Fees.* – Departments, bureaus, offices or agencies which conduct training programs in relation to their mandated functions are authorized to collect seminar and conference fees from government and private agency participants, at such standard rates as the Department of Budget and Management and the Civil Service Commission shall deem appropriate. The proceeds derived from such seminars or conferences may be made available for the conduct of such seminars and conferences, subject to pertinent budget, accounting and auditing rules and regulations: *Provided*, That upon the conclusion of the seminar or conference, the office authorized to conduct the same shall submit to the Department of Budget and Management a report of the fees collected and of the expenses incurred: *Provided, further*, That any excess therefrom shall be remitted to the National Treasury and shall accrue to the General Fund: *Provided, finally*, That no appropriation authorized in this Act shall be used to support or augment expenses for seminars or conferences.

SEC. 9. *Sale of Products.* – Departments, bureaus, offices or agencies are hereby authorized to sell products of agricultural, industrial or other projects. The proceeds derived therefrom shall be deposited with the National Treasury and shall accrue to the General Fund, pursuant to Section 44 of Book VI, E.O. No. 292, unless otherwise provided by law or by Special Provision in this Act.

SEC. 10. *Sale of Official Publications.* – Departments, bureaus, offices or agencies are hereby authorized to sell their official publications. The proceeds derived therefrom shall be deposited with the National Treasury and shall accrue to the General Fund. Such proceeds may be made available to defray the cost of printing of such official publications subject to Special Budget pursuant to Section 35, Book VI of E.O. No. 292.

SEC. 11. *Sale of Non-Serviceable, Obsolete and Other Unnecessary Equipment.* – Departments, bureaus, offices or agencies are hereby authorized to sell non-serviceable, obsolete,

and other unnecessary equipment including cars, vans and the like pursuant to the provisions of Section 79 of P.D. No. 1445 and E.O. No. 309 dated March 8, 1996. The proceeds from the sale of equipment of the agency shall be deemed automatically appropriated for the purchase of new ones, and for the repair or rehabilitation of existing vital equipment: *Provided*, That the purchase of such new cars and vans shall be subject to pertinent laws, rules and regulations.

SEC. 12. *Donations.* – Departments, bureaus, offices or agencies may accept donations, contributions, grants, bequests or gifts, in cash or in kind, from various sources, domestic or foreign, for purposes relevant to their functions: *Provided*, That in cases of donations from foreign governments, acceptance thereof shall be subject to the prior clearance and approval of the President of the Philippines upon recommendation of the Secretary of Foreign Affairs. Receipts from donations shall be accounted for in the books of the government in accordance with pertinent accounting and auditing rules and regulations. Such donations, whether in cash or in kind, shall be deemed automatically appropriated for purposes specified by the donor. The receipts from cash donations and sale of donated commodities shall be remitted to the National Treasury and recorded as a Special Account in the General Fund and shall be available through a Special Budget pursuant to Section 35, Book VI of E.O. No. 292. The agency concerned shall submit to the Department of Budget and Management and to the Commission on Audit a quarterly report of all donations whether in cash or in kind, as well as expenditures or disbursements of the amount released.

In case of violation of this Section, the erring officials and employees shall be subject to disciplinary action under the provisions of Sections 43 and 80 of Book VI, E.O. No. 292 and to appropriate criminal action under existing penal laws.

SEC. 13. *National Internal Revenue Taxes, and Import Duties of National and Local Government Agencies as well as Government-Owned And / Or Controlled Corporations, Including Armed Forces of the Philippines Commissary Exchange Service (AFPCEs) and Philippine National Police Storage Store System (PNPSSS).* – National internal revenue taxes and import duties

payable by national government agencies to the National Government as well as customs duties and taxes for the importation of equipment by local government units, are deemed automatically appropriated. Tax expenditure subsidy to various government-owned and/or controlled corporations, including AFPCEs, through the Department of National Defense, and PNPSSS through the Department of the Interior and Local Government, shall likewise be deemed automatically appropriated, subject to approval by the Fiscal Incentives Review Board (FIRB) pursuant to Executive Order No. 93, as amended. The amounts pertaining to such taxes and duties shall be considered as revenue and expenditure of the government.

The implementation of this Section shall be in accordance with guidelines jointly issued by the Department of Budget and Management and the Department of Finance.

SEC. 14. *Loan Agreements.* – Departments, bureaus, offices or agencies, including government-owned and/or controlled corporations, shall in no case enter into foreign or domestic loan agreements, whether in cash or in kind, except upon concurrence of the Secretary of Budget and Management with respect to peso requirements and implications on expenditure ceilings and prior approval of the President of the Philippines, with the prior concurrence of the Monetary Board, subject to such limitations as may be provided by law: *Provided,* That the Monetary Board shall within thirty days from the end of every quarter of the calendar year, submit to the Congress of the Philippines a report of its decisions on applications for loans to be contracted or guaranteed by the government or government-owned and/or controlled corporations which have the effect of increasing the foreign debt. Loans shall not be contracted by agencies of the National Government unless the full amount of the loan is covered by an Obligational Authority issued by the Secretary of Budget and Management. For this purpose, the budgetary implications of foreign-assisted projects shall be explicitly considered by the Secretary of Budget and Management and the office or agency concerned at the time of project design and financing negotiations. 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.

EXPENDITURES

SEC. 15. Restrictions on the Use of Government Funds.

– No government funds shall be utilized for the following purposes:

a. To purchase motor vehicles, except: (a) medical ambulances, military and police patrol vehicles, motorcycles, other utility vehicles, road construction equipment, motorized bancas and those used for mass transport when necessary in the interest of the public service, upon authority of the department or agency head and the Secretary of the Department of Budget and Management; and (b) those authorized by the President, the Senate President, the Speaker of the House of Representatives, or the Chief Justice of the Supreme Court;

b. To defray foreign travel expenses of any government official or employee, except in the case of training seminar or conference abroad when the officials and other personnel of the foreign mission cannot effectively represent the country therein and travels necessitated by international commitments: *Provided*, That no official or employee, including uniformed personnel of the Department of the Interior and Local Government and Department of National Defense will be sent to foreign training, conference or attend to international commitments when they are due to retire within one year after the said foreign travel;

c. To provide fuel, parts, repair and maintenance to any government vehicle which is not permanently marked "For Official Use Only" with the name or logo of the agency, nor otherwise properly identified as a government vehicle and does not carry its official government plate number, except official vehicles assigned to the President, Vice President, Senate President, Speaker of the House of Representatives, Chief Justice of the Supreme Court and Chairmen of the Constitutional Commissions and those used by personnel performing intelligence and national security functions: *Provided*, That in case of transport crisis, such as that occasioned by street demonstrations, welgang bayan, floods,

typhoons and other emergencies, all government vehicles of any type whether luxury cars or utility vehicles, shall be made available to meet the emergency and be utilized to transport for free the commuters on a round-the-clock basis;

d. To pay *honoraria*, allowances or other forms of compensation to any government official or employee, except those specifically authorized by law;

e. To be invested in non-government securities, money market placements and similar investments or deposited in private banking institutions.

The provisions of this Section shall also apply to government-owned and/or controlled corporations.

The implementation of this Section shall be in accordance with the rules and regulations issued by the Department of Budget and Management, in coordination with the Commission on Audit.

SEC. 16. *Mandatory Expenditures.* – The amounts released, particularly for, but not limited to, petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, rents, retirement gratuity and terminal leave requirements shall be disbursed solely for such items of expenditures as approved by the Secretary of Budget and Management: *Provided*, That any savings generated from these items may be realigned only in the last quarter upon prior approval of the Secretary of the Department of Budget and Management.

The use of funds in violation of this Section shall be null and void, and shall subject the erring officials and employees to disciplinary action under the provisions of Sections 43 and 80 of Book VI, E.O. No. 292 and to appropriate criminal action under existing penal laws.

SEC. 17. *Authority to Identify Funds for Mandatory Expenditures.* – Out of the agency appropriations authorized in this Act, the Department of Budget and Management may identify in the fund release documents the amounts due all government

service agencies and government service corporations to cover prior year's mandatory expenditures as certified by the Commission on Audit. In the case of government-owned or controlled corporations (GOCCs) without budgetary support from the National Government, funds for the purpose shall be indicated in the approval of their Corporate Operating Budgets.

The implementation of this Section shall be subject to the guidelines to be issued by the Department of Budget and Management in coordination with the Department of Finance and the Commission on Audit.

SEC. 18. *Intelligence and Confidential Funds.* – No amount appropriated in this Act shall be released or disbursed for confidential and intelligence activities unless specifically identified and authorized as such intelligence or confidential fund in this Act. Only amounts identified as confidential and intelligence funds in this Act, as specified in Object Code 19, can be subject to closed accounting.

Intelligence and confidential funds provided for in the budgets of departments, bureaus, offices or agencies of the National Government, including amounts from savings authorized by Special Provisions to be used for intelligence and counter-intelligence activities, shall be released only upon approval of the President of the Philippines: *Provided*, That at least eighty percent (80%) of intelligence and confidential funds shall be used for field operations.

All departments, bureaus and offices shall submit to the Secretary of the Department of Budget and Management, the Chairman of the House Committee on Appropriations and the Chairman of the Senate Committee on Finance, a quarterly report on the utilization of intelligence and confidential funds.

SEC. 19. *Prohibited Expenses in Revolving Funds and Use of Income.* – No amount of the revolving funds or agency income authorized in this Act for use by the agency shall be used for the payment of discretionary and representation expenses.

SEC. 20. *Purchase of Supplies, Materials and Equipment Spare Parts for Stock.* – The stock on hand of supplies, materials and equipment spare parts to be acquired through ordinary purchase out of appropriations herein provided shall at no time exceed normal three-month requirements, subject to pertinent rules and regulations issued by competent authority: *Provided*, That heads of departments, bureaus, offices or agencies or other instrumentalities of the government may approve the build-up of stocks on hand of critical supplies and materials as defined or specified by the Department of Budget and Management in anticipation of cost increases, or requirement of a national emergency, or of an impending shortage in the items concerned, specifying maximum quantities of individual items. Unless otherwise approved by the President, upon the joint recommendation of the Secretary concerned and the Chairman of the Commission on Audit, these stocks shall not exceed one year's need.

SEC. 21. *Emergency Purchases.* – Unless otherwise provided in this Act, departments, bureaus, offices or agencies of the National Government are authorized to make emergency purchases of supplies, materials and spare parts of motor transport equipment that are urgently needed for the repair of ambulances, motor vehicles, vessels and aircrafts or to meet an emergency which may involve the loss of, or danger to, life and/or property, or are to be used in connection with a project or activity which cannot be delayed without causing detriment to the public service, in a monthly amount not exceeding four percent (4%) of the annual agency expenditure program for supplies and materials out of the appropriations allotted for maintenance and other operating expenses of the agency concerned, except as may be authorized by the President of the Philippines upon the joint recommendation of the Department of Budget and Management and the Commission on Audit.

SEC. 22. *Domestic Purchases and Foreign Importations.* – All appropriations for the procurement of equipment, supplies and materials and other products and services authorized in this Act shall be used only for the purchase of equipment, parts, accessories, medicines and drugs, supplies and materials and other products and services locally available: *Provided*, That

importation may be made when none of the desired quality or standard is available in the market or when the price of the local product or service is more than fifteen percent (15%) of that of a similar product offered by an enterprise other than a domestic entity pursuant to Section 4 of the Flag Law (Commonwealth Act No. 138, as amended): *Provided, further*, That purchases under foreign military sales agreements, heavy equipment imports for infrastructure projects and other importations of agencies which are financed by foreign borrowings may be made, subject to the requirements of LOI No. 880 and to pertinent budget, accounting and auditing laws, rules and regulations.

SEC. 23. *Cultural and Athletic Activities.* – Out of the appropriations authorized in this Act for maintenance and other operating expenses for each department, bureau, office or agency, an amount not exceeding One thousand two hundred pesos (P1,200) may be used for the purchase of costume or uniform for each participant and other related expenses in the conduct of cultural and athletic activities.

SEC. 24. *Extraordinary and Miscellaneous Expenses.* – Appropriations herein authorized may be used for extraordinary expenses of the following officials and those of equivalent rank as may be authorized by the Department of Budget and Management not exceeding:

- a. P150,000 for each Secretary;
- b. P50,400 for each Undersecretary;
- c. P25,000 for each Assistant Secretary;
- d. P20,400 for each head of bureau or organization of equal rank to a bureau and for each Department Regional Director;
- e. P10,200 for each Bureau Regional Director; and
- f. P6,000 for each Municipal Trial Court Judge, Municipal Circuit Trial Court Judge and Shari'a Circuit Court Judge.

In addition, miscellaneous expenses not exceeding P48,000 for each of the offices under the above named officials are herein authorized.

For the purpose of this Section, extraordinary and miscellaneous expenses shall include, but shall not be limited to, expenses incurred for:

- a. meetings, seminars and conferences;
- b. official entertainment;
- c. public relations;
- d. educational, athletic and cultural activities;
- e. contributions to civic or charitable institutions;
- f. membership in government associations;
- g. membership in national professional organizations duly accredited by the Professional Regulation Commission;
- h. membership in the Integrated Bar of the Philippines;
- i. subscription to professional technical journals and informative magazines, library books and materials;
- j. office equipment and supplies; and
- k. other similar expenses not supported by the regular budget allocation.

No portion of the amounts authorized herein shall be used for salaries, wages, allowances, intelligence and confidential expenses. In case of deficiency, the requirements for the purpose may be charged against savings of the agency.

These expenditures shall be subject to accounting and auditing rules and regulations.

SEC. 25. *Information Outlay.* – The appropriations pertaining to information activities of various departments, bureaus, offices or agencies shall be released upon presentation of an appropriate program of activities prepared by their respective Heads, copies of which shall be furnished the House Committee on Appropriations and the Senate Committee on Finance.

SEC. 26. *Science and Technology Research.* – Departments, agencies, bureaus, or offices with appropriations for research and development in the natural, agricultural, technological and engineering sciences shall coordinate with the private sector and organizations that are engaged in scientific research and development projects with the primary objective of coordinating research agenda to achieve over-all coordination and optimize the use of research funds: *Provided*, That research efforts shall be geared towards achievement of a wider commercialization of new discoveries and acceleration of technology transfer: *Provided, further*, That the said government agencies shall submit an annual report to the House Committee on Appropriations and the Senate Committee on Finance. The report shall include the list of recipient private entities, status of research being undertaken, and the amount released and utilized for each project and the commercialization activities and technology transfer made.

SEC. 27. *Human Resources Development and Training Programs.* – Departments, bureaus, offices or agencies shall review and formulate their human resources development and training programs to make the same responsive to the organizational needs and manpower requirements of agencies and the need to train personnel in appropriate skills and attitudes. Such training programs shall be consistent with the rules and regulations issued by the Training Coordination Committee created under LOI No. 754, which shall review and evaluate training activities.

SEC. 28. *Gender-Responsive Projects.* – All departments, bureaus, offices, agencies, state universities and colleges and instrumentalities including government-owned and/or controlled

corporations shall set aside a minimum amount of five percent (5%) out of their 1998 appropriations to be used for projects designed to address gender issues in accordance with R.A. No. 7192.

The concerned departments, bureaus, offices, agencies, state universities and colleges and instrumentalities including government-owned and/or controlled corporations shall formulate their 1998 gender and development plan and submit semestral reports to Congress, the Department of Budget and Management and the National Commission on the Role of Filipino Women, indicating the amounts utilized to implement such gender-responsive projects and activities.

The implementation of this Section shall be in accordance with the guidelines jointly issued by the National Economic and Development Authority, the Department of Budget and Management and the National Commission on the Role of Filipino Women.

SEC. 29. *Human and Ecological Security Concerns.* – All departments, bureaus, offices and agencies shall set aside an amount out of their 1998 appropriations to be used for projects designed to address human and ecological security concerns. This Section shall be implemented in accordance with the guidelines to be issued jointly by the Department of Environment and Natural Resources and the Department of the Interior and Local Government in coordination with the Department of Budget and Management.

SEC. 30. *Disability-Related Projects/Facilities for the Handicapped.* – All government facilities, including infra, non-infra and civil works projects of the government, as well as office buildings, streets and highways, shall provide architectural facilities or structural features and designs as shall reasonably enhance the mobility, safety and welfare of disabled persons pursuant to B.P. Blg. 344 and R.A. No. 7277.

SEC. 31. *Disaster Prevention, Mitigation and Preparedness (DPMP) Projects.* – Except for the Office of Civil Defense (OCD), Philippine Atmospheric, Geophysical and Astronomical Services

Administration (PAGASA) and Philippine Institute of Volcanology and Seismology (PHILVOCS) whose basic concerns are DPMP, all other concerned departments, bureaus, offices and agencies are authorized to use their appropriation to implement projects designed to address their disaster prevention, mitigation and preparedness concerns pursuant to P.D. No. 1566. This section shall be implemented in accordance with the guidelines to be issued by the National Disaster Coordinating Council in coordination with the Department of Budget and Management.

SEC. 32. *Contracting Multi-Year Projects.* – In the implementation of multi-year projects, no agency shall enter into a multi-year contract without a multi-year Obligational Authority issued by the Department of Budget and Management for the purpose. Notwithstanding the issuance of the multi-year Obligational Authority, the obligation to be incurred in any given calendar year, shall in no case exceed the amount programmed for implementation during said calendar year.

PERSONNEL AMELIORATION

SEC. 33. *Funding of Personnel Benefits.* – The personnel benefits costs of government officials and employees shall be charged against the respective funds from which their compensations are paid. All authorized supplemental or additional compensation, fringe benefits and other personal services costs of officials and employees whose salaries are drawn from special accounts or special funds, such as salary increases and adjustments, merit increases, incentive and service fees, vacation and sick leaves, retirement and life insurance premiums, compensation insurance premiums, health insurance (Medicare) premiums, HDMF contributions, hospitalization and medical benefits, scholarship and educational benefits, training and seminar expenses, all kinds of allowances, whether commutable or reimbursable, in cash or in kind, and other personnel benefits and privileges authorized by law, including the payment of retirement gratuities, separation pay and terminal leave benefits, shall similarly be charged against the corresponding fund from which their basic salaries are drawn and in no case shall such personnel benefits costs be charged against the General Fund of the National Government. Officials and employees on detail with other offices, including the representatives and support personnel

of auditing units assigned to serve other offices or agencies, shall be paid their salaries, emoluments, allowances and the foregoing supplemental compensation, fringe benefits and other personal services costs from the appropriations of their parent agencies, and in no case shall such be charged against the appropriations of the agencies where they are assigned or detailed, except when authorized by law.

SEC. 34. *Personnel Benefits Fund.* – The provisions of Letter of Instructions No. 1102 notwithstanding, the government shares in the compulsory contributions mandated by Republic Act No. 8291, Republic Act No. 6111 and Presidential Decree No. 626, as amended, shall be remitted directly by said bureaus, offices and agencies to the Government Service Insurance System and the Home Development Mutual Fund.

SEC. 35. *Authorized Deductions.* – Deductions from salaries, emoluments or other benefits accruing to any government employee may be allowed for the payment of obligations due or owing to government lending institutions such as government banks, the Government Service Insurance System, duly licensed insurance companies, savings and loans associations, and those organized for, and managed by, government employees. Deductions under Section 21 of R.A. No. 4670, otherwise known as the Magna Carta for Public School Teachers may be allowed, including such deductions representing amortizations arising from educational loan for tuition fees, reasonable amount for textbooks and other school obligations granted by insurance companies duly licensed by the Insurance Commission: *Provided*, That such deductions shall not reduce the employee's take home pay to an amount lower than Two thousand pesos (P2,000), after deducting all other statutory deductions: *Provided, further*, That the agencies and offices with existing deductions arrangements with private lenders shall continue such deductions until the credits/loans outstanding or the premiums of the policies in force at the date of passage of this Act shall have been fully paid.

SEC. 36. *Incentive from Service Fees.* – Departments, bureaus, offices and agencies that collect service fees from public and private institutions for services rendered such as those contemplated in Section 35 above and similar activities shall

deposit said service fees with the National Treasury. The income shall accrue to the General Fund, pursuant to Section 44 of Book VI, E.O. No. 292. Such fees may be made available for payment of incentive to employees who are actually and directly involved in the collection: *Provided*, That such payment to any employee may not, in the aggregate exceed fifty percent (50%) of his annual salary.

Any surplus of service fees deposited with the National Treasury may be used to fund a Provident Fund that may be established by the agency in favor of all its employees in accordance with existing rules and regulations.

SEC. 37. *Provident Fund.* – A Provident Fund scheme may be established in government agencies which shall be available to employees for emergency needs, school and educational loans, hospitalization loans, minor but immediate need of repair of houses and other similar circumstances.

This Provident Fund shall be administered pursuant to a set of uniform rules and regulations which the Office of the President shall promulgate, and shall be funded out of service fees and other sources to be determined by the Department of Budget and Management.

SEC. 38. *Year-end Bonus and Cash Gift.* – Payment of benefits to cover the year-end bonus and cash gift provided under Republic Act No. 6686 shall be released to the department, bureau, office or agency concerned: *Provided*, That one-half (1/2) of the amount of the said year-end bonus and cash gift may be paid not earlier than May 1 but not later than May 31 of each year, subject to the implementing rules and regulations issued by the Department of Budget and Management.

Savings generated in one department, bureau, office or agency shall be used to augment deficient funds in other departments, bureaus, offices and agencies.

SEC. 39. *Additional Benefit for Streamlining, Improving Productivity and Exercising Thrift in Government Operations.*

– The heads of departments, bureaus, offices and agencies which have adopted measures resulting in the streamlining of operations or organizations, and/or have introduced productivity improvements in the implementation of programs, projects and activities pursuant to the national productivity policy of the government, and/or have exercised thrift and economy in the utilization of its funds are hereby authorized to utilize savings generated from said measures or improvements for the payment of additional benefit or reward to their respective officials and employees: *Provided*, That the generation of savings does not result in jeopardizing the activities of the agency and does not arise out of failure to achieve its targets: *Provided, finally*, That twenty-five percent (25%) of the savings shall be used for the establishment of a savings productivity fund. The income from such fund shall be used as follows:

30% - For the housing program and health benefits of its employees;

30% - For the improvement of the facilities of the government agency concerned; and

40% - For the additional benefits of the agency's retiring employees.

The implementing rules and regulations of this particular provision shall be formulated by the Department of Budget and Management in coordination with the Civil Service Commission.

SEC. 40. *Traveling Expenses.* – Officials and employees of the government may be allowed full payment of claims for reimbursement of traveling and related expenses incurred in the course of official travel, certified by the head of the agency concerned as absolutely necessary in the performance of an assignment and supported by receipts, chargeable to the allotment for traveling expenses, subject to the provisions of Executive Order Nos. 248 and 248-A, s. 1995.

SEC. 41. *Representation and Transportation Allowances.*
– The following officials and those of equivalent rank as may be

determined by the Department of Budget and Management while in the actual performance of their respective functions are hereby granted monthly commutable representation and transportation allowances payable from the programmed appropriations provided for their respective offices not exceeding the rates indicated below, which shall apply to each type of allowance:

- a. At P5,500 for Secretaries;
- b. At P4,250 for Department Undersecretaries;
- c. At P3,650 for Department Assistant Secretaries;
- d. At P3,100 for Bureau Directors and Department Regional Directors;
- e. At P2,650 for Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, and Department Service Chiefs;
- f. At P2,200 for Assistant Bureau Regional Directors; and
- g. At P2,000 for Chief of Divisions, identified as such in the Personal Services Itemization.

The transportation allowance herein authorized shall not be granted to officials who are assigned a government vehicle or use government motor transportation. Unless otherwise provided by law, no amount appropriated in this Act shall be used to pay for representation and/or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this Section. Previous administrative authorizations not consistent with the rates and conditions herein specified shall no longer be valid and payment shall not be allowed.

Allowances of those officials who are receiving salaries from special accounts or special funds shall be charged against the corresponding fund from which their salaries are charged. Officials on detail with other offices, including officials of the Commission on Audit assigned to serve other offices or agencies, shall be paid

the allowance herein authorized from the appropriations of their parent agencies.

SEC. 42. *Official Vehicles and Transport.* – Government motor transportation may be used by the following officials with costs chargeable to the appropriations authorized for their respective offices:

- a. The President of the Philippines;
- b. The Vice President;
- c. The President of the Senate;
- d. The Speaker of the House of Representatives;
- e. The Chief Justice and Associate Justices of the Supreme Court;
- f. The Secretaries, Undersecretaries, Assistant Secretaries and officials of equivalent rank;
- g. The Presiding Justice of the Court of Appeals;
- h. Ambassadors, Ministers Plenipotentiary and Consuls in charge of Consulates, in their respective stations abroad;
- i. The Chief of Staff, the Vice Chief of Staff and the Commanding Generals of the major services of the Armed Forces of the Philippines;
- j. The Heads of Constitutional Commissions; and
- k. Those who may be specifically authorized by the President of the Philippines, the President of the Senate with respect to the Senate, the Speaker, with respect to the House of Representatives, and the Chief Justice, in the case of the Judiciary.

SEC. 43. *Honoraria.* – Departments, bureaus, offices or agencies, are authorized to use their respective appropriations for payment of *honoraria* for services rendered by agency personnel performing activities or discharging duties in addition to or over and above their regular function as well as military personnel who are rendering security service to the Congress of the Philippines, including its Committees, at such rates as the Department of Budget and Management may authorize, unless otherwise specifically provided by law: *Provided*, That researchers, experts and specialists who are acknowledged authorities in their field of specialization hired as consultants and who are paid professional consultancy fees for services rendered shall not be entitled to such *honoraria*.

SEC. 44. *Employment of Contractual Personnel.* – Heads of departments, bureaus, offices or agencies, when authorized in their respective appropriations provided in this Act, may hire contractual personnel as part of the organization to perform regular Agency functions and specific vital activities or services which cannot be provided by the regular or permanent staff of the hiring agency.

The contractual personnel employed pursuant to this Section shall be considered as employees of the hiring agency, limited to such period when their services are reasonably required. Such contractual personnel may be paid compensation, inclusive of fees, *honoraria*, *per diems* and allowances not exceeding 120% of the minimum salary of an equivalent position in the Position Classification and Compensation System, but not to exceed the salary of his immediate superior, chargeable against the Personal Services funds of the Agency in accordance with the National Government Chart of Accounts.

SEC. 45. *Uniform and Clothing Allowance.* – The appropriations herein provided for each department, bureau, office or agency may be used for uniform and clothing allowance of employees at not more than Three thousand pesos (P3,000) each *per annum* which may be given in kind, subject to the discretion of the department head concerned. In case of deficiency, or in the absence of appropriation for the purpose, the requirements may

be charged against savings in the appropriations of each department, bureau, office or agency.

The implementation of this Section shall be in accordance with the guidelines issued by the Department of Budget and Management.

SEC. 46. *Special Counsel Allowance.* – Lawyer-personnel, including those designated to assume the duties of a legal officer and those deputized by the Office of the Solicitor General in the legal staff of departments, bureaus, offices or agencies of the National Government to appear in Court as special counsel in collaboration with the Solicitor General or Fiscals concerned are hereby authorized an allowance of P500 for each appearance, chargeable to savings in the appropriations of their respective offices, but not exceeding P3,000 per month.

SEC. 47. *Quarters Allowance.* – Except as may be authorized by law, government officials and employees who, by virtue of their positions, are provided free quarters, furnished quarters, or are charged only nominal rate for the use of government-owned buildings such as dormitories or living quarters in State colleges and universities, schools, offices and elsewhere, shall forfeit their entitlement to any quarters allowance. Directors or their equivalent and heads of operating offices including District Engineers and Assistant District Engineers who are assigned or transferred from one Regional Office to another and do not own rooms, houses or units therein shall be provided free quarters within their office premises. Where there is not enough space to be used as quarters, the agency concerned may rent buildings or rooms which shall serve as quarters for officials and employees concerned.

For those who desire more extensive quarters other than those provided by their agencies or by rental in the authorized amount appropriated for the purpose, such preferred quarters may be secured provided that the difference between the rental cost shall be paid by the former. Officials and employees who enjoy free quarters in government-owned buildings but are not entitled to quarters privileges, shall be charged the corresponding cost of rentals therefor. Unless fixed by law, the rate of quarters

allowance or rental, as the case may be, shall be determined by the Department of Budget and Management.

SEC. 48. *Entitlement to Personnel Economic Relief Allowance (PERA).* – The Personnel Economic Relief Allowance (PERA) in the amount of Five hundred pesos (P500) per month shall be granted to all appointive national and local government employees occupying itemized plantilla positions, to casual and contractual employees and to uniformed personnel of the Armed Forces of the Philippines, Department of the Interior and Local Government and the National Mapping and Resource Information Authority: *Provided*, That employees of government-owned and/or controlled corporations shall be paid from their respective corporate fund: *Provided, further*, That appointive local government employees, members of local legislative bodies, shall be paid from their respective internal revenue allotment and local funds: *Provided, however*, That Local Government Units which can afford to pay higher than the rates authorized in the schedule below for their particular income class, but not exceeding P500 per month, shall be allowed to do so at a rate uniformly applied to all their personnel entitled to this benefit:

	Provinces/ Cities	For Municipalities
Special Cities and 1st Class	100%	90%
2nd Class and 3rd Class	90%	80%
4th Class, 5th Class and 6th Class	80%	70%

SEC. 49. *Additional Compensation of P500 Per Month.* – The additional compensation in the amount of Five hundred pesos (P500) per month granted under Administrative Order No. 53 dated May 17, 1993 shall continue to be granted to (1) public school teachers occupying positions allocated to Salary Grade 25 and below; (2) uniformed personnel of the Department of the Interior and Local Government up to the rank of Superintendent and of the Armed Forces of the Philippines up to the rank of Lieutenant Colonel; and (3) the rest of government personnel occupying positions allocated to Salary Grade 25 and below, whether regular personnel or full-time casual, those on temporary status or contractual personnel whose employments are in the nature of a regular employee pursuant to said Order, shall

continue to be given, chargeable against the appropriations provided for the purpose under this Act.

SEC. 50. *Use of Appropriations for Retirement Gratuity and Terminal Leave.* – Appropriations authorized in this Act to cover retirement gratuity benefit claims shall be released directly to the offices and agencies concerned. In no case shall payment be made except on the basis of creditable services as computed by the Government Service Insurance System in accordance with the provisions of existing retirement laws. Unless otherwise authorized by law, no amount appropriated in this Act shall be used for payment of retirement gratuity under the provisions of Section 12(c) of C.A. No. 186, as amended by R.A. No. 1616 and terminal leave benefits of retiring officials and employees which include in the computation thereof additional compensation as defined under retirement laws such as bonuses, *per diems*, allowances and overtime pay, or salary, pay or compensation given in addition to the base pay of the position or rank as fixed by law or regulation.

Savings generated in one department, bureau, office or agency shall be used to augment deficient funds in other departments, bureaus, offices or agencies.

The implementation of this Section shall be in accordance with the rules and regulations issued jointly by the Civil Service Commission and the Department of Budget and Management.

SEC. 51. *Unauthorized Pre-Retirement Promotions and Salary Increases.* – No portion of the appropriations provided in this Act shall be used for automatic promotions or for salary increases and adjustments granted to retiring officials and employees, which are not authorized by law and duly formalized in a National Compensation Circular.

The implementation of this Section shall be in accordance with the rules and regulations issued jointly by the Civil Service Commission and the Department of Budget and Management.

SEC. 52. *Personal Liability of Officials for Payment of Unauthorized Personal Services Cost.* – No official or employee

of the National Government, including those of government-owned and/or controlled corporations, shall be paid any unauthorized personal services benefits charged against the appropriations in this Act, other appropriations laws or income of the government.

The payment of any unauthorized personal services benefit in violation of this section is null and void. The erring officials and employees as determined by the Commission on Audit and other competent authority shall be subject to disciplinary action under the provisions of Section 43, Chapter 5 and Section 80, Chapter 7 of Book VI, E.O. No. 292 and to appropriate criminal action under existing penal laws.

CHANGES IN EXPENDITURE ITEMS

SEC. 53. *Modification of Expenditure Components.* – Except as may be authorized by law, no change or modification shall be made in the expenditure items authorized in this Act and other appropriations laws unless in cases of augmentations from savings in appropriations as authorized under Section 25(5) of Article VI of the Constitution.

SEC. 54. *Use of Savings.* – The President of the Philippines, the President of the Senate, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the Heads of Constitutional Commissions under Article IX of the Constitution, the Ombudsman, and the Commission on Human Rights are hereby authorized to augment any item in this Act for their respective offices from savings in other items of their respective appropriations.

SEC. 55. *Meaning of Savings and Augmentation.* – Savings refer to portions or balances of any programmed appropriation in this Act free of any obligation or encumbrance still available after the satisfactory completion or unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized, or arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay.

Augmentation implies the existence in this Act of an item, project, activity or purpose with an appropriation which upon implementation or subsequent evaluation of needed resources is determined to be deficient. In no case, therefore, shall a non-existent item, project, activity, purpose or object of expenditure be funded by augmentation from savings or by the use of appropriations authorized otherwise in this Act.

SEC. 56. *Priority in the Use of Savings.* – In the use of savings, priority shall be given to the augmentation of the amounts set aside for compensation, bonus, retirement gratuity, terminal leave, old-age pension of veterans and other personnel benefits authorized by law and those expenditure items authorized in agency Special Provisions and in Section 16 and in other sections of the General Provisions of this Act.

SEC. 57. *Use of Savings for the Implementation of the Magna Carta of Public Health Workers.* – In case of deficiency in the funds needed to implement the Magna Carta of Public Health Workers pursuant to R.A. No. 7305, the requirements shall be charged against savings in the appropriations authorized for each department, bureau, office or agency concerned, subject to the guidelines jointly prescribed by the Department of Health and the Department of Budget and Management.

SEC. 58. *Augmentation of MOOE Items.* – Agencies may augment an item of expenditure within Maintenance and Other Operating Expenses (MOOE) from savings in other items of MOOE in an amount not exceeding one-third (1/3) of the appropriated amount to be augmented without prior approval of the Department of Budget and Management.

SEC. 59. *Realignment / Relocation of Capital Outlays and Public Works Projects.* – All projects, programs and activities funded under this Act by the Countrywide Development Fund (CDF) or congressional initiative of a congressman may be realigned or reallocated upon his initiative or with his consent to another project, program or activity within the same category, in case of imbalanced allocation, duplication, or overlapping of funding source and similar cases: *Provided*, That the request for reallocation or realignment shall be made within twenty (20) days

from receipt of the initial General Allotment Release Order (GARO) or the Special Allotment Release Order (SARO) of the implementing agency concerned and with the concurrence of any one of the following: The district engineer, the regional director or the head of the department concerned, regardless of the cost of the project being realigned or relocated. Thereafter, such realignment/relocation shall be implemented by the appropriate agencies.

SEC. 60. *Realignment of Foreign-Assisted Projects.* – The amount appropriated in this Act for the implementation of foreign-assisted projects, including loan proceeds and local counterpart, shall not be realigned except to other foreign-assisted projects.

SEC. 61. *Electronic Interconnection Through the Internet.* – In the implementation of Administrative Order No. 332, government departments, agencies, bureaus, instrumentalities and schools may utilize existing appropriations, or savings from any appropriations, to acquire subscription services from any internet service or content providers, leased lines, telephone line and trunk hunt subscriptions, training, computer software, modems, peripherals, accessories, supplies and other maintenance expenditure items consistent with the purpose of said administrative order: *Provided*, That any existing capital outlay appropriations or savings from any appropriations may be utilized for the acquisition of computer hardware and other equipment consistent with the purposes of the administrative order such as but not limited to servers, routers, pc workstations, printers, network wiring and cables: *Provided, further*, That individual requests for authority from the Department of Budget and Management to acquire such services, equipment or items shall not be required as provided in the administrative order: *Provided, furthermore*, That all government departments, agencies, bureaus, instrumentalities and schools shall set aside a minimum amount to cover the implementation and maintenance costs of internet connection out of their appropriations in the annual general appropriations act and shall submit to the Department of Budget and Management semestral reports on the amount utilized for Administrative Order No. 332.

SEC. 62. *Availability of Appropriations.* – Appropriations for maintenance and other operating expenses and capital outlays authorized in this Act shall be available for release and obligation for the purpose specified and under the same special and general provisions applicable thereto for a period extending to one fiscal year after the end of the year in which such items were appropriated. Such appropriations shall be considered as over and above the current year budget of the departments, bureaus, offices or agencies.

The Notice of Cash Allocation issued for valid obligations shall be effective and available for a period of one year from the date of issuance thereof.

The implementation of this Section shall be in accordance with the guidelines issued by the Department of Budget and Management.

SEC. 63. *Meaning of Hard Infrastructures.* – Hard infrastructures refer to those investments that increase the productive capacity of the country. These include, but shall not be limited to, roads, bridges, airports, seaports, railways and irrigation systems. The term shall also refer to facilities that enhance the human capital, such as schools, clinics, hospitals, libraries and science and technology centers.

RELEASE AND USE OF FUNDS

SEC. 64. *Appropriations of Agencies Vested with Fiscal Autonomy.* – Any provision of law to the contrary notwithstanding, the appropriations authorized in this Act for the Judiciary, Congress of the Philippines, the Commission on Human Rights, the Office of the Ombudsman, the Civil Service Commission, the Commission on Audit and the Commission on Elections shall be automatically and regularly released.

SEC. 65. *Release of Appropriations for Mt. Pinatubo Projects and Programs.* – The amounts appropriated in the budgets of the departments, bureaus, offices and agencies in this Act for the implementation of various programs and/or projects for the rehabilitation or development of areas affected by the Mt.

Pinatubo eruptions shall be released to the implementing agencies concerned upon the endorsement of the Mt. Pinatubo Commission.

SEC. 66. *Release of Funds for Payment of Death Gratuity and Disability Benefits.* – The amounts appropriated for payment of death gratuity and disability benefits of uniformed personnel of the Armed Forces of the Philippines and the Department of the Interior and Local Government on account of death or injury suffered in line of duty shall be paid to the legitimate beneficiaries at the earliest possible time but in no case later than thirty (30) days after submission of required documentation.

SEC. 67. *Prohibition on the Release of Funds for Unfilled Positions.* – No amount herein appropriated for salaries of authorized itemized positions which are unfilled shall be released by the Department of Budget and Management except for those: (a) in Congress, in the Judiciary, in agencies with fiscal autonomy as provided for in the Constitution, in schools and educational institutions, and in hospitals; (b) in newly created or recognized agencies whose staffing patterns have been approved in 1996 or later; (c) created in 1997 and 1998; (d) corresponding to ten percent (10%) of unfilled itemized positions of the agency as of December 31, 1996; and (e) to be filled by personnel currently employed in the National Government.

Amounts generated from unfilled positions shall be used for the increase of salaries and wages of all national government personnel, as may be authorized by law.

SEC. 68. *Direct Release of Funds to Regional Offices.* – Funds allotted for regional offices but included in the budgets of their central offices or which are specifically allocated for the different regions shall be released directly to said regional offices. Imposition of any retention or deduction as reserves shall not be allowed except as may be authorized by the Department of Budget and Management. For this purpose, the Department of Budget and Management shall identify by region the expenditure programs of agencies in the national government budget and shall release funds intended for them in accordance with the approved regional distribution of expenditures specifying the region of destination.

Copies of fund releases to the said Regional Offices shall be furnished the House Committee on Appropriations and the Senate Committee on Finance.

SEC. 69. *Use of Funds and Releases to the Autonomous Region in Muslim Mindanao.* – The lump-sum appropriations provided in the various departments of the National Government intended for the areas of the Autonomous Region in Muslim Mindanao upon the initiative of the respective representatives of the congressional district concerned, shall be used for regular programs and specific activities identified by them. No portion of the lump-sum appropriations referred to above shall be released without the prior consultation with the said representatives.

SEC. 70. *Utmost Priority to Priority Provinces.* – All departments, bureaus, offices and agencies shall give utmost priority in the utilization of their funds for basic services to 5th and 6th class municipalities in all provinces, particularly "C-20" and all cities with high urban poor communities as set forth in the Integrated National Action Agenda for Social Reform.

SEC. 71. *Appropriation Reserve.* – In the imposition of reserve, the Department of Budget and Management shall take into account the increased budgetary costs occasioned by the depreciation of the peso.

SEC. 72. *Prohibition Against Deduction/Retention of Allotment.* – Fund releases from appropriations provided in this Act for any function/project shall be transmitted intact or in full to the office or agency concerned and no retention or deduction as reserves or overhead shall be made, except as authorized by law or upon direction of the President of the Philippines. The Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by departments and/or central agencies to their subordinate offices are in conformity with allocations in the General Allotment Release Order (GARO)/Special Allotment Release Order (SARO) as the case may be, as issued by the Department of Budget and Management.

SEC. 73. *Notice of Release of Funds.* – Release of funds for construction, repair and maintenance, rehabilitation, replacement,

completion, betterment or improvement of roads and bridges, port works, flood control, waterworks/supply and government buildings and structures as well as for Internal Revenue Allotment and other financial support to local government units shall be made with at least ten (10) days prior written notice to the Representative of the district concerned.

Failure to comply with this Section shall be considered negligence in the performance of duty subject to appropriate administrative sanction.

SEC. 74. *Certification of Availability of Funds.* – Before entering into contracts involving the expenditure of public funds, all departments, bureaus, offices or agencies shall secure a certification of availability of funds for the purpose from the agency Chief Accountant, subject to applicable rules and regulations as may be issued by the Department of Budget and Management and to Sections 40 and 58 of Book VI, E.O. No. 292: *Provided,* That the certification of availability of funds sufficient to cover the cost of the contracted activities shall be contained in and made part of the contract duly signed by the Chief Accountant of the contracting agency, as provided for by LOI No. 968. Departments, bureaus, offices or agencies, before entering into contracts for delivery of goods or services against future payment, shall likewise first secure a certification of the availability of the full contracted amount for such goods or services out of the agency's appropriations. No contracts shall be entered into nor work undertaken without such certification of fund availability.

SEC. 75. *Disbursement of Funds.* – All appropriated funds shall be disbursed only through the National Treasury and/or originally-chartered government-owned or controlled banks.

SEC. 76. *Treatment of Releases to Local Government Units from Special Purpose Funds.* – Except those funds earmarked by Special Laws to LGUs, all releases made direct to local government units from the Calamity Fund, Countrywide Development Fund, and other special purpose funds shall be used exclusively for the projects/purposes for which these are intended and the same shall be treated as a Special Account under the General Fund of the Local Government Units concerned:

Provided, That any unutilized balances thereof except those released as subsidy shall be reverted to the General Fund of the National Government upon completion and/or abandonment of the projects or purposes.

The rules and regulations to implement this Section shall be issued by the Department of Budget and Management.

ADMINISTRATIVE PROCEDURES

SEC. 78. *Organizational Changes.* – Unless otherwise provided by law or directed by the President of the Philippines, no organizational unit or changes in key positions in any department or agency shall be authorized in their respective organizational structures and funded from appropriations provided by this Act.

SEC. 79. *Implementation of Reorganization.* – Pursuant to Section 42, Chapter 5, Book VI of the Administrative Code of 1987, the appropriations including the functions, projects, purposes and activities authorized in this Act may be realigned as may be necessary to implement the reorganization of departments, bureaus, offices or agencies of the government as mandated by law. Any unexpended balances or savings in appropriations may be made available for the payment of retirement gratuities and separation benefits as authorized under existing laws to personnel affected by the reorganization.

SEC. 80. *Scaling Down and Phase-Out of Activities of Agencies within the Executive Branch.* – The heads of departments, bureaus, offices and agencies are hereby directed to identify their respective activities which are no longer essential in the delivery of public services and which may be scaled down, phased-out or abolished, subject to Civil Service rules and regulations. Said activities shall be reported to the Office of the President through the Department of Budget and Management and to the Chairman, Committee on Appropriations of the House of Representatives and the Chairman, Committee on Finance of the Senate. Actual scaling down, phase-out or abolition of the activities shall be effected pursuant to Circulars or Orders issued for the purpose by the Office of the President.

Savings generated by departments, bureaus, offices and agencies from the abolition, phase-out or scaling down of unnecessary activities may be used by the departments, bureaus, offices and agencies concerned for the augmentation of their respective programs, projects and activities.

SEC. 81. *Recruitment of Uniformed Personnel for the Philippine National Police (PNP), Bureau of Jail Management and Penology (BJMP) and Bureau of Fire Protection (BFP).* – In the hiring of uniformed personnel for PNP, BJMP and BFP, one third (1/3) of their respective recruits shall come from the qualified applicants of the twenty (20) priority provinces and 5th and 6th class municipalities.

SEC. 82. *Service Contracts.* – Departments, bureaus, offices or agencies of the National Government are hereby authorized to enter into contracts including professional consultancy services contracts with other government agencies, private firms or individuals and non-governmental organizations for services related or incidental to their respective functions and operations, whether on part-time or full-time basis, through public bidding or negotiated contracts, whenever it is impractical or more expensive for the government to directly undertake such functions and operations, subject to pertinent accounting and auditing rules and regulations.

For purposes of this Section, consultants shall be understood to mean those who are hired to provide professional consultancy services requiring highly specialized or technical expertise in a field of special knowledge or training. Such consultant shall not be considered an employee of the government and shall not be entitled to benefits granted to government employees: *Provided*, That such consultant shall be paid a professional fee at a rate to be determined by the Department of Budget and Management taking into consideration the level of expertise in the field of specialization: *Provided, further*, That said professional service fee shall be charged against the Maintenance and Other Operating Expenses (MOOE) or capital outlays of the department, office or agency concerned as the case may be: *Provided, finally*, That the regular staff of the agency cannot adequately provide the necessary technical skill and expertise needed.

SEC. 83. *Implementation of Infrastructure Projects.* – In the hiring of workers needed for the implementation of infrastructure projects as authorized in this Act, priority shall be given to unemployed, unskilled and indigent inhabitants of the local government unit where the project is located.

SEC. 84. *Funding of National Government Agencies in the Autonomous Regions.* – National government offices and agencies in the Autonomous Region of Muslim Mindanao which are not excluded under paragraph (9), Section 2, Article V of R.A. No. 6734, together with their personnel, equipment, properties and budgets shall be placed under the control and supervision of the Regional Government, pursuant to a schedule prescribed by the Oversight Committee in accordance with its mandate under the provisions of R.A. No. 6734.

Prior to said transfer, the said agencies of the National Government shall continue their operations and the discharge of their respective functions.

SEC. 85. *Construction Standards and Guidelines.* – Construction projects funded from capital outlays authorized in this Act under the various departments, bureaus, offices or agencies of the National Government, including the construction of buildings for State universities, colleges, schools, hospitals, sanitarium, health centers and health stations, roads and bridges, shall be implemented only in accordance with the appropriate standards and specifications for the planning, survey, design and construction of the project as prescribed by the Department of Public Works and Highways or the Department of Transportation and Communications as the case may be. In addition, land use and zoning guidelines as prescribed by existing laws, rules and regulations shall be strictly observed.

In the implementation of the construction projects, Sections 2, 3, 4, 5, 6, 7, 9, 10 & 12 of Executive Order No. 182, entitled "Rationalizing Public Works Measures, Appropriating Funds for Public Works, and for Other Purposes," and other legislations on public works shall be strictly complied with, except as otherwise provided in this Act and except further for projects of the Department of Public Works and Highways, for which Sections

8, 9, 10, 11 and 12 of Republic Act No. 8150, otherwise known as the "Public Works and Highways Infrastructure Program Act of 1995" shall be adopted.

SEC. 86. *Implementing Agency for Nationally Funded Projects.* – Pursuant to Sec. 17 (c) of R.A. No. 7160, the Local Government Code of 1991, projects, facilities, programs and services funded under the General Appropriations Act shall be implemented by the appropriate national government department or agency irrespective of the nature and location of such projects, facilities, programs and services: *Provided*, That a memorandum of agreement may be entered into with the implementing national government agency designating a particular local government unit to undertake the project or activity: *Provided, further*, That the local government unit designated to undertake the project may allow a qualified contractor to undertake the same in the event the LGU's capability to proceed with the implementation of the project is impaired.

SEC. 87. *Report on Compliance with COA Recommendations.* – All departments, agencies, bureaus, offices and instrumentalities of the government, including government-owned or controlled corporations and local government units, shall submit to the Commission on Audit (COA) within sixty (60) days from their receipt of the COA annual audit report, a status report on the actions they have taken on the audit findings and recommendations made by the COA pertaining to each of said departments, agencies, instrumentalities, corporations and local government units.

SEC. 88. *Submission of Quarterly Reports.* – Within thirty (30) days after the end of each quarter, each department, bureau, office or agency shall submit a quarterly report to the House Committee on Appropriations and the Senate Committee on Finance, copy furnished the Department of Budget and Management, the Commission on Audit, and the appropriate Committee Chairman of the House of Representatives on their cumulative allotments, obligations incurred/liquidated, total disbursements, unliquidated obligations, unobligated and unexpended balances, and the results of expended appropriations.

The quarterly report shall include detailed statements on the disbursements and utilization of appropriations for the purchase of motor vehicles and equipment, capital investment outlays, as well as appropriations earmarked and released for rentals, travels, petroleum, oil and lubricants, water, illumination and power services, and telephone and other communication services.

Likewise, the Department of Budget and Management shall submit to the House Committee on Appropriations, the Senate Committee on Finance and the appropriate Committee Chairman of the House of Representatives a quarterly report on releases made from the lump-sum Special Purpose Funds, Supplemental Appropriations, Continuing Appropriations and Automatic Appropriations, and, as applicable, the unreleased balances of such appropriations.

SEC. 89. Austerity and Savings Generation Measures. – Strict compliance with the provisions of Administrative Order No. 372 adopting economy measures on government operations in CY 1998 is hereby enjoined. Specifically, fifty percent (50%) reserves shall be imposed on all appropriations for travels, seminars, trainings, workshops, advertisements and publications and other non-essential expenditures.

The rules to implement this section shall be issued by the Department of Budget and Management.

SEC. 90. Fund Releases Made Prior to the Approval of this Act. – Fund releases to departments, bureaus, offices and agencies on the basis of R.A. No. 8250, the FY 1997 General Appropriations Act as reenacted in 1998, pursuant to Sec. 25 (7), Article VI of the Constitution, shall be considered as "advance releases" chargeable against their corresponding appropriations under this Act. Releases in excess of the agency authorized appropriations prior to the passage of this Act are deemed valid and are hereby ratified.

SEC. 91. Separability Clause. – If for any reason any section or provision of this Act is declared unconstitutional or

invalid, other sections or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 92. *Effectivity.* – The provisions of this Act shall take effect on January one, nineteen hundred and ninety-eight, unless otherwise provided herein.

Approved, February 14, 1998.

PRESIDENTIAL VETO MESSAGE

MALACAÑANG

Manila

February 14, 1998

THE HONORABLE SPEAKER
LADIES AND GENTLEMEN OF
THE HOUSE OF REPRESENTATIVES

Today, I have signed into law House Bill No. 10095, the last general appropriations measure under my administration, as Republic Act No. 8522, entitled "AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, NINETEEN HUNDRED AND NINETY-EIGHT, AND FOR OTHER PURPOSES", otherwise known as the General Appropriations Act for FY 1998.

I. GENERAL COMMENTS

For the last time, the Tenth Congress has fulfilled its sworn duty to enact the General Appropriations Act, the single most important measure that Congress is mandated to legislate annually.

As in the past five years, I note, with gratitude, that the House Committee on Appropriations and the Senate Committee on Finance, together with the leadership and members of the Tenth Congress, have exercised utmost diligence and care in crafting the law that will guide and support the operation of government and the implementation of its programs and projects for FY 1998.

II. ITEMS FOR DIRECT VETO

Pursuant to the powers vested in me by the Constitution, I am duty bound to directly veto the following items of appropriations, including special and general provisions, which I consider to be in contravention of the Constitution as well as of existing laws and policies:

A. DEBT SERVICE - INTEREST PAYMENT

Once again, I am vetoing entirely the appropriations under Chapter LII. Debt Service - Interest Payment, including its Special Provisions, found on pages 1275 to 1276 of the 1998 GAB, consistent with the decision of the Supreme Court in the cases of: (1) Philippine Constitution Association, et.al. vs. Salvador M. Enriquez, et.al. (G.R. No. 113105) and (2) Raul S. Roco, et. al. vs. The Executive Secretary, et. al. (G.R. No. 113174).

The Supreme Court under the aforementioned cases has categorically ruled that debt service expenditures, whether foreign or domestic, are automatically appropriated as they become due pursuant to R.A. No. 4860, the Foreign Borrowings Act, as amended, and to Section 31 of P.D. No. 1177 as reiterated under Section 26, Chapter 4, Book VI of E.O. No. 292, the Administrative Code of 1987. Hence, the inclusion of this appropriation, as well as of the special provisions thereof, in the General Appropriations Bill is inappropriate and unnecessary.

B. SPECIAL PROVISIONS

1. DEPARTMENT OF AGRICULTURE: Agricultural Credit Policy Council

Special Provision No. 1, Revolving Fund (page 42, FY 1998 GAB)

The creation and operation of revolving funds, as in this case, should be expressly authorized by substantive law pursuant to Section 4 of the General Provisions of this Act, Section 66 of the Government Auditing Code of the Philippines and Section 45, Chapter 5, Book VI of E.O. No. 292. The General Appropriations Act is not the appropriate vehicle for the creation of a revolving fund. Moreover, the ACPC is a policy making body and not an implementing agency.

Accordingly, I hereby veto this special provision.

2. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES: Office of the Secretary

Special Provision No. 4, Fees from Issuance of Environmental Compliance Certificate (ECC) (page 456, FY 1998 GAB)

There are existing omnibus policies and guidelines on the payment of *per diems* to members of committees created by law or by presidential issuances, and on the establishment of provident funds. This special provision may be misconstrued as an investiture of a special authorization, or as an exception from the omnibus policy on the grant of *per diems*, as well as on the establishment of provident funds.

I, therefore, veto this special provision.

3. DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

3.1 Philippine National Police

Special Provision No. 6, Use of Savings (page 599, FY 1998 GAB)

I am vetoing this Special Provision for the reason that the prerogative to use savings in the Executive Branch is vested in the President of the Philippines under Section 25 (5), Article VI of the Constitution. This Constitutional authority cannot be validly altered, transferred or amended by the provisions of the General Appropriations Act. Moreover, I intend to fully exercise this prerogative in the management of the funds of the Executive Branch of the national government, including those authorized for the Philippine National Police.

3.2 Bureau of Fire Protection

Special Provision No. 3, Reversion of Unused Appropriations for Purchase of Firetrucks (page 608, FY 1998 GAB)

This special provision is inconsistent with the legislative policy on the two-year validity of capital outlays appropriations which Congress itself enunciated under Section 62 of the General Provisions of this Act. Besides, this provision cannot validly amend, alter or modify Section 28, Chapter 4, Book VI of Executive Order No. 292, the Administrative Code of 1987, which provides that appropriations for capital outlays shall remain valid until fully spent or reverted pursuant to the procedures mandated by the Government Auditing Code of the Philippines.

I shall determine the need for reverting any unobligated or unutilized appropriations at the end of 1998 taking into consideration all necessary factors and the conditions prevailing at the time.

Hence, this direct veto.

4. DEPARTMENT OF TOURISM: Office of the Secretary

Special Provision No. 2, Support to LGUs with Identified Historical Site (page 885, FY 1998 GAB)

The Trust Liability Account of the Department of Tourism is sourced from its share in the income of the Duty Free Philippines, and is not included in the annual appropriations bill. Thus, the special provision does not relate to any specific appropriation under the DOT budget authorized in the GAB. This is, therefore, an inappropriate provision. Besides, the funding source of the Trust Liability is highly contingent in nature.

Hence, I am directly vetoing this provision.

5. BUDGETARY SUPPORT TO GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS: Special Provisions Applicable to All Government-Owned and/or Controlled Corporations

Special Provision No. 7, Reversion of Unreleased Appropriations for Budgetary Support to Government Corporations, (page 1178, FY 1998 GAB)

For the same reasons invoked in item B.3.2 of this Message with regards to Special Provision No. 3 of the Bureau of Fire Protection budget, I am vetoing this special provision. I view national government assistance to GOCCs in the same light as other appropriations in the GAB and, therefore, they shall be treated similarly as other items of appropriations.

C. GENERAL PROVISIONS

1. Sec. 13. National Internal Revenue Taxes, and Import Duties of National and Local Government Agencies as well as Government-Owned And/Or Controlled Corporations, Including Armed Forces of the Philippines Commissary Exchange Service (AFPCES) and Philippine National Police Storage Store System (PNPSSS) (page 1499, FY 1998 GAB)

I am directly vetoing this Section consistent with the FY 1998 economy measures mandated under Administrative Order No. 372, s. 1997 and in the light of the provisions of Section 38, Chapter 5, Book VI of E.O. No. 292 which authorizes the President to suspend or otherwise stop further expenditure of funds. There is now a need to reflect the true value of government purchases to encourage economy and ensure full transparency in government operations.

2. Sec. 77. Capitalization or Deferment of Interest Payments and/or Restructuring of Public Debt (page 1509, FY 1998 GAB)

I deeply appreciate the collective concern of the Members of Congress in trying to ease the government's burden through the capitalization or deferment of interest payment and/or restructuring of the public debt. I will continue to consider and pursue measures towards the same objectives. However, I am constrained to directly veto this provision for reason that it does not relate to any particular item of appropriations in this Act.

III. ITEMS FOR CONDITIONAL IMPLEMENTATION

Apart from the directly vetoed items of appropriations, special and general provisions, I have observed the inclusion of items and special authorizations which, while spared from direct veto, need to be covered by appropriate guidelines to ensure that their implementation will remain consistent with existing national government policies.

Therefore, the implementation of the following items and provisions will be subject to the appropriate administrative guidelines to be formulated by the Executive Branch pursuant to Sections 1 and 17, Article VII of the Constitution; Section 35, Chapter 5, Book VI of E.O. No. 292; and, Sections 65 and 66 of the Government Auditing Code of the Philippines:

- A. ALLOCATIONS TO LOCAL GOVERNMENT UNITS: SUBSISTENCE ALLOWANCE FOR BARANGAY HEALTH WORKERS (page 1229 FY 1998 GAB), including special provision.

Since the amount appropriated is grossly inadequate to cover the subsistence requirements of the health workers of approximately 42,000 barangays, I direct the Department of Health to devise measures that will maximize the utilization of the amount appropriated.

- B. POLE-VAULTING STRATEGY FUND (pages 1267-1268, FY 1998 GAB), including special provisions.

I have noted that Congress specifically listed separate programs and projects to be funded from this Fund, the use of which I intend to support the "must do" projects and activities under the Pole-Vaulting Strategy Program of the government. There is a need, therefore, to modify the list of projects to ensure its consistency with the government pole-vaulting strategy. Thus, the implementation of the specific appropriation items, including the special provisions thereof, shall be made in accordance with guidelines prescribed under said program.

C. SPECIAL PROVISIONS

1. DEPARTMENT OF EDUCATION, CULTURE AND SPORTS: Office of the Secretary

- 1.1 Special Provision No. 19, entitled "Pay Equalization of Elementary and Secondary School Principals" (page 79, FY 1998 GAB), authorizing the use of savings to upgrade the salary of elementary school principals to the level of the secondary school principals.

I recognize the merit of this pay adjustment proposal. However, the provision pertains to only one salary grade level of principal positions, i.e., those at salary grade 17 (SG 17), whereas the Index of Occupational Services (IOS) has four (4) salary grade levels, i.e., salary grades 16 to 19 (SG 16 to 19). There is, therefore, a need to cover all elementary school principal positions in the IOS.

- 1.2 Special Provision No. 23, entitled "Authority to Use Savings" (page 80, FY 1998 GAB), authorizing DECS to use savings to cover reimbursement of actual traveling expenses incurred by elementary school principals, secondary school principals and education supervisors at rates not exceeding Five hundred pesos (P500) per month.

To ensure consistency with existing policies and guidelines on travel, there is a need to study and rationalize the implementation of this special provision.

2. DEPARTMENT OF HEALTH, Office of the Secretary, Special Provision No. 3, entitled "Authority to Undertake Bulk Purchases" (page 552, FY 1998 GAB), authorizing the DOH to undertake bulk procurement of drugs, medicines, medical and dental supplies, equipment and instruments, and to allocate and distribute the same to the regions, including the Autonomous Region in Muslim Mindanao.

The implementation of this special provision shall be subject to the appropriate allocation and distribution guidelines to be issued by the Department of Health.

3. DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, Office of the Secretary
 - 3.1 Special Provision No. 8, entitled "Publication of the List of Infrastructure Projects" (page 784, FY 1998 GAB), on the direct submittal by Congress of the list of projects to the DBM.

While direct submittal of project listing to the DBM by Congress will speed up the publication of the project list, there is a need for DPWH to review said list to ensure consistency with the infrastructure program and avoid duplication and overlapping of projects.

- 3.2 Special Provision No. 10, entitled "Implementation of the Public Works Act" (page 784, FY 1998 GAB)

The authority to augment items of appropriations from savings in other items authorized in this Act for the Executive Branch of the government is vested solely in the President of the Philippines. I will exercise this authority in accordance with existing laws and regulations.

4. DEPARTMENT OF NATIONAL DEFENSE, Special Provisions Applicable to the AFP, Special Provision No. 7, entitled "Use of Savings" (page 739, FY 1998 GAB), authorizing the Chief of Staff, AFP, subject only to the approval of the Secretary of National Defense, to use savings.

As President and Commander-in-Chief of the Armed Forces of the Philippines, I shall continue to exercise my prerogative to use savings and authorize disbursement of the same. In appropriate cases, I shall authorize the Secretary of National Defense and the Chief of Staff, AFP, to use savings in accordance with existing guidelines.

5. OTHER EXECUTIVE OFFICES: Commission on Higher Education

- 5.1 Special Provision No. 1, entitled "Use of Savings for Scholarship" (page 1001, FY 1998 GAB), authorizing the Chairman of CHED to use savings as funding source for the educational benefits of barangay officials and their dependents.

Savings are not a stable funding source for multi-year educational benefits such as scholarships. Accordingly, this special provision needs to be reconciled with existing policies through the issuance of joint implementing rules and regulations between CHED and DBM.

- 5.2 Special Provision No. 5, entitled "Educational Benefits for Barangay Officials and their Dependents" (page 1001, FY 1998 GAB), which allocates an amount not exceeding P1 M for each State university/college (SUC) to cover the educational benefits of barangay officials and dependents.

There is a need to issue implementing rules and regulations to prescribe the criteria for, among others, eligibility and admission under this educational privi-

lege, at the same time ascertain the financial integrity of the SUCs.

6. NATIONAL HOUSING AUTHORITY

Special Provision No. 4, entitled "Allocation for Specific Project" (page 1172, FY 1998 GAB); Special Provision No. 5, entitled "Implementation of Various Projects in Resettlement or Housing Areas" (page 1172, FY 1998 GAB).

The allocation and earmarking of funds by these special provisions for various specific projects shall be subject to the approved plans and programs of the National Housing Authority.

7. BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS, Southern Philippines Development Authority, Special Provision No. 1, entitled "Use and Release of Funds" (page 1174, FY 1998 GAB), directing the release of One hundred thirty five million pesos (P135,000,000) to SPDA for projects endorsed by the Representatives of the Congressional District, local officials and the intended community group beneficiaries.

The endorsement process prescribed by the special provision will unduly hinder SPDA management in the selection of projects and the timing of their implementation. Accordingly, these funds shall be released and used in accordance with the approved program of the SPDA, in coordination with the Southern Philippines Council for Peace and Development.

8. MISCELLANEOUS PERSONNEL BENEFITS FUND, Special Provision No. 1, entitled "Use of the Fund" (page 1261, FY 1998 GAB), which among others, charges the additional cash gift of P2,000 for each barangay chairman against this Fund.

The amount appropriated under this Fund is intended, among others, to cover the increase in the cash

gift for national government officials and employees. The cash gift for local officials including barangay chairmen, is more appropriately funded from other sources, including Internal Revenue Allotment shares.

9. ORGANIZATIONAL ADJUSTMENT FUND, Special Provision No. 1, entitled "Use and Release of the Fund" (page 1265, Fy 1998 GAB), specifically on the additional operating requirements of newly converted/upgraded/re-nationalized hospitals, retained hospitals and the Amaipakpak Medical Center.

The operationalization of this provision shall be made consistent with existing policies and procedures on conversion, upgrading, and re-nationalization of hospitals and medical centers.

10. POVERTY ALLEVIATION FUND, Special Provision No. 1, entitled "Specific Projects" (pages 1270-1273, FY 1998 GAB), which provides specific listings of projects for the PAF.

There is a need to adopt the consultative process previously started between the government and the basic sectors in the identification and determination of projects to be funded from this Fund pursuant to the guidelines set by the Social Reform Council. Hence, the list of projects shall be subject to prior evaluation, modification and confirmation of the Council.

11. UNPROGRAMMED FUND, Special Provision No. 12, entitled "Local Government Development Loan Fund" (page 1278, FY 1998 GAB), establishing a development loan fund to be funded from loan interest payments.

To ensure consistency with existing credit policies of the government, the operationalization of this Fund shall be subject to guidelines specifically issued for the purpose.

12. Special Provisions on "Engineering and Administrative Overhead."

12.1 DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, Office of the Secretary, Special Provision No. 11 (page 784, FY 1998 GAB)

12.2 COUNTRYWIDE DEVELOPMENT FUND, Special Provision No. 4 (page 1243, FY 1998 GAB)

12.3 DECS-SCHOOL BUILDING PROGRAM, Special Provision No. 4 (page 1245, FY 1998 GAB)

All the abovesited provisions uniformly increased the engineering and administrative overhead from 3.5% to 4% of the total project cost. While I agree with the intent of these provisions, said increase will effectively reduce the appropriations for the projects. The overhead rate previously adopted shall, therefore, continue to be observed by the Executive Branch until such time that an adjustment becomes necessary.

D. GENERAL PROVISIONS

1. Sec. 59. Realignment/Relocation of Capital Outlays and Public Works Projects (page 1508, FY 1998 GAB).

The realignment / relocation of capital outlays and public works projects including those funded by the CDF and other funds in the GAB, is governed by existing laws, rules and regulations. Pursuant to said issuances, realignments/relocation under this Section shall be subject to review by the implementing agency concerned and shall be endorsed to the DBM for processing and approval.

2. Sec. 62. Availability of Appropriations (page 1509, FY 1998 GAB), specifically second paragraph thereof which prescribes a one-year effectivity of Notice of Cash Allocation from the time of issuance.

Such second paragraph is inconsistent with sound cash management and treasury operations, as well as standard accounting and auditing practices. The implementation of this provision will, therefore, be guided by the principles of sound financial management.

IV. GENERAL OBSERVATIONS

I have noted with interest the following provisions on organizational structure:

1. Special Provisions Applicable to the Congress of the Philippines

Special Provision No. 2, page 12, FY 1998 GAB on Organizational Structure of the Senate, the House of Representatives, the Senate and House of Representatives Electoral Tribunals and the Commission on Appointments.

2. Special Provisions Applicable to All Constitutional Offices Enjoying Fiscal Autonomy

Special Provision No. 1, page 1137, FY 1998 GAB on Organizational Structure.

I have complete confidence in the heads of the offices and the institutions covered by the two (2) special provisions mentioned above, particularly on the aspect of compensation. I trust that they will faithfully observe the letter and spirit of the constitutional principle of salary standardization which Congress itself heralded as a State policy under R.A. No. 6758, the Compensation and Position Classification Act of 1989 and Joint Resolution No. 1, s. 1992 of Congress, as well as of R.A. No. 6686, as amended by R.A. No. 8441.

V. INCREASES/REDUCTIONS IN APPROPRIATIONS AND NEW BUDGETARY ITEMS

The budgetary realignments effected by Congress which resulted in the increase of the appropriations of certain offices, agencies or special purpose funds, or the additional allocation for programs or projects, or the provision of new items in the budgets of offices, agencies or special purpose funds shall be implemented subject to Executive approval pursuant to Section 25(5), Article VI of the Constitution, and in accordance with the provisions of Section 35, Chapter 5, Book VI of E.O. No. 292.

In particular, I note that P14.4 billion of new budgetary items have been incorporated in the GAB. In the light of the current economic and financial conditions and because public interest so requires, I am exercising my authority to suspend the expenditure of these budgetary items pursuant to Section 38, Chapter 5, Book VI of E.O. No. 292 so as to preserve and sustain the sound fiscal position of the government and ensure stable, long term growth. I will, however, monitor and review emerging conditions and decide on the disposition of these suspended budgetary items as may be appropriate.

VI. CLOSING STATEMENT

In closing, I would like to put on record my deepest gratitude to the leadership of both Houses of Congress, most specially to the House Committee on Appropriations and the Senate Finance Committee for the enactment of the General Appropriations Act for FY 1998. I am aware of the extreme difficulties encountered by Congress in the crafting of this, the last general appropriations measure under my Administration. Nonetheless, I am satisfied that, with the proper guidelines, this budget will carry out our goals towards an economically prosperous, socially responsible and politically stable Philippines in FY 1998.

In my final General Appropriations Veto Message to Congress, I am confident that this Administration and the Tenth Congress, together, have bestowed an enduring legacy to the Filipino people.

Very truly yours,

(Sgd.) FIDEL V. RAMOS

THE HOUSE OF REPRESENTATIVES
Congress of the Philippines
Manila

Copy Furnished:

The Honorable Senate President
Senate of the Philippines
Manila