MALACAÑANG
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 5

ADOPTION OF FISCAL DISCIPLINE MEASURES IN THE PUBLIC SECTOR FOR FY 2001

WHEREAS, the government aims to restore fiscal discipline to sustain economic recovery and improve investor confidence in the country;

WHEREAS, guarantee calls from BOT projects and larger interest payment and account payable obligations have emerged, adding further pressure on the government's available resources;

WHEREAS, the magnitude of the fiscal deficit problem necessitates intensive efforts on both the revenue generation and expenditure reduction fronts, and calls for the concerted action of all public sector entities, including government corporations and local governments;

WHEREAS, all public sector entities will have to implement fiscal discipline measures and review their spending programs to improve operating efficiencies and enhance their capacity to raise income and remit funds promptly to the national treasury as mandated by laws and other issuances;

WHEREAS, there is a need to review ongoing programs and projects in order to minimize the implementation of ineffective and inappropriate programs/projects to improve the focusing of scarce resources on the priority concerns of poverty reduction, global competitiveness and effective governance;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order and direct:

SECTION 1. All National Government Agencies (NGAs), Government-Owned and Controlled Corporations (GOCCs), Government Financial Institutions (GFIs) and Local Government Units (LGUs) are

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directed to fully comply with laws and issuances requiring the prompt remittance of fees and other income, guarantee fees and other obligations to the Bureau of the Treasury, as well as the remittance of tax obligations to the Bureau of Internal Revenue and the Bureau of Customs. They shall also fully comply with the requirements of the following:

(1) Republic Act No. 7656 approved on November 9, 1993 which directs GOCCs and GFIs to remit dividends to the Treasury amounting to at least fifty percent (50%) of their annual earnings. The Department of Finance shall, however, exercise its authority to mandate larger dividend remittances in the form of cash dividends based on its review of the financial conditions of said agencies;

(2) Executive Order No. 338 issued on May 17, 1996; and

(3) Executive Order No. 197 issued on January 13, 2000.

SEC. 2. The Department of Finance (DOF) and the Department of Budget and Management (DBM), in coordination with NGAs, GOCCs, and GFIs concerned, shall review the legal basis/authority of existing Special Accounts in the General Fund, Trust Liability Accounts and Authorizations to Use Income to determine whether or not the purpose for which such funds/authorizations were created has been realized and accordingly recommend to the Office of the President those which may be abolished/discontinued.

SEC. 3. All NGAs, GOCCs, and GFIs shall generate savings equivalent to at least ten percent (10%) of non-personal services expenditures based on the 2000 reenacted budget or corporate operating budget. Agencies under the social services sector, and those providing tourism and agrarian reform services shall, however, implement expenditure reduction measures equivalent to five percent (5%) of non-personal services budget.

SEC. 4. In generating the above savings target, all the above agencies shall endeavor to source the savings from the reduction of items which do not directly support the attainment of desired sector outcomes. They may therefore consider reducing the following:

(1) donations, contributions, grants and gifts;

(2) expenditures for consultancy services regardless of fund source, except those directed towards the government's institutional reform efforts;

(3) expenditures for trainings/seminars/workshops. Those to be conducted by public entities shall be done in a simple and cost effective manner;

(4) volume of consumption of fuel, water, electricity and other utilities;

(5) expenditures for travelling, unless clearly beneficial to Philippine interests as may be determined by the President of the Philippines in the case of foreign travel of government personnel;

(6) expenditures for advertisements, publications and related items;

(7) expenditures for office supplies; and

(8) expenditures for rents and leases. All NGAs, GOCCs, and GFIs owning buildings with extra office spaces shall share them with those presently renting office space from private owners.

SEC. 5 All NGAs, GOCCs, and GFIs shall suspend the following:

(1) construction of new buildings for government offices;

(2) purchase of furniture and fixtures, and motor vehicles not directly supportive of frontline services of the agency; and

(3) conduct of celebrations, and cultural and sports activities not related to the core functions of the agency.

SEC. 6. Consistent with the streamlining of the bureaucracy and to assist in raising the targeted savings under Section 5, all NGAs, GOCCs, and GFIs are prohibited from implementing the following activities unless covered by available funds and specifically authorized by the Office of the President, as recommended by the DBM:

(1) operationalization of new agencies/offices;

(2) expansion of organizational units and/or creation of positions; and

(3) creation of task forces, inter-agency committees and interim bodies.

SEC. 7. All NGAs, GOCCs, and GFIs are prohibited from undertaking the following to raise savings over and above that mandated under Section 5:

(1) hiring of new personnel, except for:

(a) key positions (division chiefs and above);

(b) one of a kind position in the agency;

(c) positions in schools under the Department of Education, Culture and Sports, Commission on Higher Education, Technical Education and Skills Development Authority, Department of Science and Technology and State Universities and Colleges (SUCs);

(d) medical and allied medical positions in hospitals;

(e) information technology positions;

(f) uniformed personnel in the Department of National Defense, Department of the Interior and Local Government, the Philippine Coast Guard and the National Mapping and Resource Information Authority; and

(g) positions in agencies whose staffing patterns have been streamlined and approved by the Department of Budget and Management (DBM) beginning January 1, 2000, provided that only twenty percent (20%) of vacant administrative positions as of the effectivity date of this Order may be filled by new hires.

(2) Filling of vacant positions in regional offices of NGAs whose functions have been devolved to Local Governments; and

(3) Grant of new/additional/increased allowances/benefits except for step increments based on length of service in accordance with Joint Senate-House of Representatives Resolution No. 1, s. 1994.

SEC. 8. Similarly, as an additional savings measure, low priority programs/activities/projects (PAPs) shall be discontinued or scaled down. For this purpose, the National Economic and Development Authority (NEDA) and the DBM shall conduct Sector Effectiveness and Efficiency Reviews (SEER) in coordination with agencies and departments concerned, in order to assess ongoing and proposed new major programs and projects, more specifically:

(1) Classify PAPs into three categories: high, medium, low priority in accordance with their appropriateness in meeting sector outcomes;

(2) Determine which of the low and medium priority PAPs are to be deferred, scaled down or abolished; and

(3) Identify and adopt measures to address the implementation of on-going high priority projects that are encountering significant problems.

SEC. 9. All NGAs, GOCCs, and GFIs shall each submit to the Office of the President through the DBM, not later than fifteen (15) days after the issuance of this Order, the fiscal discipline measures it shall undertake during the year and an estimate of the revenues and savings to be generated. For GOCCs and GFIs, the information shall be made in the context of the submission of their corporate operating budget. Thereafter, a semestral report on the revenues and savings actually generated shall be submitted.

SEC. 10. Heads of NGAs and the Boards of Director of GOCCs and GFIs shall be responsible for the strict implementation of this Order. Any violation thereof shall be dealt with accordingly.

SEC. 11. The Legislative and Judicial Branches of Government as well as agencies vested with fiscal autonomy and LGUs are enjoined to adopt the provisions of this Order. LGUs are reminded to adhere to prescribed limits on personal services expenditures in the Local Government Code and shall endeavor to maximize the utilization of twenty percent (20%) of their Internal Revenue Allotments for development projects.

SEC. 12. The DBM shall issue the necessary rules and regulations for the effective implementation of this Order. NEDA, in coordination with DBM, shall issue the specific guidelines on the conduct of SEER.

SEC. 13. This Administrative Order shall take effect immediately upon its approval.

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DONE in the City of Manila, this 28th day of February, in the year of Our Lord, Two Thousand and One.

By the President:

RENATO S. DE VILLA
Executive Secretary

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