REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

September 8, 2004

REVENUE MEMORANDUM CIRCULAR NO. 57 - 2004

SUBJECT: Publishing the full text of ADMINISTRATIVE ORDER NO. 103 by the President of the Philippines dated August 31, 2004 entitled Directing the Continued Adoption of Austerity Measures in the Government.

TO : All Internal Revenue Officers, Employees and Others Concerned

---

For the information and guidance of all internal revenue officers, employees and others concerned, quoted hereunder is the full text of Administrative Order No. 103 by the President of the Philippines dated August 31, 2004:

"MALACAÑANG
Manila

ADMINISTRATIVE ORDER NO. 103

DIRECTING THE CONTINUED ADOPTION OF AUSTERITY MEASURES IN THE GOVERNMENT

WHEREAS, the continued adoption and implementation of austerity measures are necessary in order to meet the country's fiscal targets, maintain its macroeconomic stability and improve investor confidence.

WHEREAS, the national government, its agencies and instrumentalities must undertake cost-cutting measures to reduce expenses and channel its scarce resources towards the implementation of the 10-Point Legacy Agenda.

WHEREAS, the government-owned and –controlled corporations, government financial institutions, and other government instrumentalities should likewise contribute to reducing the consolidated public sector deficit, and to decreasing the public sector debt;

WHEREAS, the prudent fiscal management remains critical in the execution of a sound budget policy to ensure a balanced budget by 2009;

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), including state universities and colleges (SUCs), government-owned and –controlled corporations (GOCC's), government financial institutions (GFIs), and other government corporate entities (OGCEs), and their subsidiaries, and other instrumentalities under the Executive Department, whether or not they receive funding support through the General Appropriations Act, are hereby ordered to adopt the following austerity measures:

(a) Suspension of the following:

(1) All foreign travels, except for (i) ministerial meetings, and (ii) scholarship/trainings that are grant –funded or undertaken at no cost to the government.

Henceforth, all foreign travels of Presidential appointees, even if allowed under this provision, must first be cleared by the Office of the President. Further, all agencies shall submit a monthly report to the Office of the President, stating the names of officials or employees who traveled abroad, the reasons for such travel, and the cost incurred by the government.

(2) All local travels, unless urgently necessary and allowed by the Secretary or the Head of the SUC, GOCC, GFI, or OGCE;

(3) Purchase of any type of motor vehicles, except ambulances and those required by the military and police;

(4) Paid media advertisements, except those required in the issuance of agency guidelines, rules and regulations, the conduct of public bidding, and the dissemination of important public announcements;

(5) Conduct of training, seminars and workshops, except if funded by grants, or if the cost may be recovered through exaction of fees;

(6) Expansion of organizational units and/ or creation of positions, except those following *"scrap and build"* policy or matched by the deactivation of existing units/positions of the same cost;

(7) Conduct of celebrations and cultural or sports activities not related to the core function of the agency, except athletic competitions conducted by public schools or SUCs; and

(8) Donations, contributions, grants and gifts, except if said activities are undertaken pursuant to the mandate of the donor-agency;

(b) Reduction of at least ten percent (10%) in the cost of the following:

(1) Services of consultants, technical assistants, contractual, an casual employees; and

(2) Consumption of fuel, water, office supplies, electricity and other utilities. For this purpose, agencies are hereby authorized to install and use energy-efficient lights and fixtures, and optimize the utilization of internet facilities especially for long-distance communications;

(c) Suspension of all tax expenditure subsidies to GOCCs, OGCEs and local government units, except those approved by the Fiscal Incentives Review Board;

(d) Adoption of a scheme that will allow employees rendering overtime to be compensated through time/days off work in lieu of overtime pay, in accordance with guidelines jointly issued by the Department of Budget and Management (DBM) and the Civil Service Commission;

(e) In the procurement of goods and services, strictly comply with the Government Procurement Reform Act (RA 9184) and its Implementing Rules and Regulations, particularly in the use of the Government Electronic Procurement System for public bidding, advertisement of bid opportunities, and reporting of bid award results; and

(f) Strict prioritization of capital expenditures, and realignment or use of savings to fund capital programs of the agencies, especially those in pursuit of the 10-Point Legacy Agenda.

SEC. 2. Consistent with the government's rationalization policy, the provisions of Republic Act No. 7430, or the Attrition Law, specifically Section 3 thereof which prohibits the filling-up of positions that have been vacated by reason of resignation, retirement, dismissal, death or transfer to another office, with certain exceptions, are hereby adopted until lifted by the President.

SEC. 3. All NGAs, SUCs, GOCCs, GFIs and OGCEs, whether exempt from the Salary Standardization Law or not, are hereby directed to:

(a) Limit grant of honoraria and other forms of allowance to the following:

(1) Teaching personnel of the Department of Educations, Commission on Higher Education, Technical Education and Skills Development Authority, SUCs and other educational institutions engaged in actual classroom teaching whose teaching load is outside the regular office hours or in excess of the regular load;

(2) Lecturers, resource persons, coordinators and facilitators in seminars, training programs, and other similar activities in training institutions, including those conducted by entities for their officials and employees;

(3) Chairs and members of commissions, boards, councils, or other similar entities who are not paid salaries but compensated in the form of honoraria as provided by law, rules and regulations; and

(4) Those who are involved in government procurement in accordance with Republic Act No. 9184 and DBM Budget Circular 2004-5;

(b) Suspend the grant of new or additional benefits to full-time officials and employees and officials, except for (i) Collective Negotiation Agreement (CNA) Incentives which are agreed to be given in strict compliance with the provisions of the Public Sector Labor-Management Council Resolutions No. 04, s. 2002 and No. 2, s, 2003, and (ii) those expressly provided by presidential issuance;

(c) For other non full-time officials and employees, including members of their governing boards, committees, and commissions: (i) suspend the grant of new or additional benefits, such as but not limited to per diems, honoraria, housing and miscellaneous allowances, or car plans; and (ii) in the case of those receiving per diems, honoraria and other fringe benefits in excess of Twenty Thousand Pesos (P20,000.00) per month, reduce the combined total of said per diems, honoraria and benefits to a maximum of Twenty Thousand Pesos (P20,000.00) per month.

SEC. 4. Each NGA, SUC, GOCC, GFI, or OGCE shall immediately prepare an austerity plan to implement the provisions of this Order.

SEC. 5. Heads of NGAs and SUCs, as well as the governing boards of GOCCs, GFIs, and OGCEs shall be responsible for the strict implementation of Memorandum Order No. 20 dated June 25, 2001 and this Order. Any violation thereof shall be dealt with accordingly.

SEC. 6. The Legislative and Judicial Branches of Government, as well as agencies vested with fiscal autonomy, such as constitutional commissions and local governments, are strongly urged to adopt the provisions of this Order.

Local government units are reminded to adhere to prescribed limits on personal services expenditures under the Local Government Code, and to maximize the utilization of twenty percent (20%) of their Internal Revenue Allotments for development projects.

The Commission on Audit is likewise urged to assist in monitoring and ensuring strict compliance of this Order.

SEC. 7. This Administrative Order shall take effect immediately upon its publication in two (2) newspapers of general circulation.

DONE, in the City of Manila this 31st day August, in the year of Our Lord, Two Thousand and Four.

(SGD) **GLORIA M. ARROYO**

By the President:

(SGD) **EDUARDO R. ERMITA**
Acting Executive Secretary"

All revenue officials and employees are enjoined to give this Circular as wide as publicity as possible

(Original Signed)
NORMA L. LIPANA
ACIR – Financial & Administrative Service
OIC – Resource Management Group