

MALACAÑANG
Manila

PRESIDENTIAL DECREE No. 1177

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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