

RLA BILL NO. 08

Republic of Philippines  
Autonomous Region in Muslim Mindanao  
REGIONAL LEGISLATIVE ASSEMBLY  
Cotabato City

SECOND LEGISLATIVE ASSEMBLY  
(FIRST REGULAR SESSION)

Begun and held in Cotabato City, the twenty-sixth day of April, Nineteen Hundred and Ninety Three.

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[ MUSLIM MINDANAO AUTONOMY ACT NO. 23 ]

"THE ARMM BUDGET ACT OF 1993"

Be it enacted by the Regional Legislative Assembly in session assembled:

SECTION 1. Title. - This Act shall be known as the "ARMM BUDGET ACT OF 1993."

SEC. 2. Definition of Terms. - When used in this Act:

(1) "Appropriation" refers to an authorization made by law or other legislative enactment, directing payment out of government funds under specified conditions or for specified purposes.

(2) "Allotment" refers to an authorization issued by the Regional Governor to an agency, which allows it to incur obligations for specified amounts contained in a legislative appropriation.

(3) "Budget" refers to a financial plan required to be prepared pursuant to Paragraph 1, Section 19, Article VIII of R.A. 6734, reflective of Regional objectives, strategies and programs.

(4) "Current operating expenditure" refers to appropriations for the purchase of goods and services for current consumption or for benefits expected to terminate within the fiscal year.

(5) "Capital outlay or capital expenditure" refers to an appropriation for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Autonomous Regional Government, including investment in the capital of government-owned or controlled corporations and their subsidiaries.

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

(7) "Autonomous Regional Government" means the Executive Department, the Regional Legislative Assembly, the Shari'ah Courts and other Government offices of the Autonomous Region in Muslim Mindanao.

(8) "Department and agency" and "department or agency" include all departments, bureaus, offices, boards, commissions, courts, councils, centers, institutes, state colleges and universities, and all other instrumentalities of the Autonomous Regional Government.

(9) "Obligation" refers to an amount committed to be paid by the government for any lawful act made by an authorized officer for and in behalf of the government.

(10) "Expected result" means service, product, or benefit that will accrue to the public estimated in terms of performance measures or targets.

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

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

(13) "General Fund" refers to cash and other resources which are available for any public purpose and which are not by law or contractual agreement intended for specified purpose.

(14) "Special Account in the General Fund" refers to proceeds of specific revenue measures earmarked by law for specific projects or purposes such as, but not limited to, budgetary allotment from the national

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government for purposes other than construction of infrastructure facilities.

(15) "Special Fund for Infrastructure Development" refers to budgetary allotment from the national government earmarked by Congress specifically for the construction of infrastructure facilities pursuant to Section 10, Article XIX of R.A. No. 6734.

(16) "Grant Proceeds" refer to non-payable transfers from other levels of government or from private individuals or institutions when made for specific projects or purpose.

(17) "Fiduciary or Trust Funds" refer to public or private money which has come officially into the possession of the government or of a government officer as trustee, agent or administrator, or which has been received as a guarantee, for the fulfillment of some specified obligations.

#### BUDGET POLICY AND APPROACH

SEC. 3. Declaration of Policy. - It is hereby declared the policy of the Autonomous Regional Government to formulate and implement a budget that is an instrument of regional development. The budget shall be oriented towards the achievement of explicit objectives and expected results, to ensure that funds are utilized and operations are conducted effectively, economically and efficiently. The finances of the

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Autonomous Regional Government shall be determined within the context of the totality of revenues and other receipts, expenditures, and borrowings of all levels of government operating in the region, including component local government units and government-owned or controlled corporations.

SEC. 4. Planning and Budgetary Linkage. - The budget shall be formulated to attain regional development goals and as part of the planning-programming-budgeting continuum. Levels of revenue, expenditure and debt shall be established in relation to macro-economic targets of growth, employment levels, and price level change, and shall be developed consistent with domestic and foreign debts, domestic credit, and balance of payments objectives for the budget period. Budgetary priorities shall be those specified in the approved plans keeping in mind the capability and performance of the implementing agencies concerned. Agency budget proposals shall explicitly state linkage to approved agency plans.

SEC. 5. Long Term Budgeting. - The annual budget of the autonomous regional government shall be prepared as an integral part of a long-term budget picture. The long-term economic and physical framework plans, multi-year requirements of approved programs and projects, organizational and personnel development strategies, and other commitments entered into or otherwise assumed by the autonomous regional government shall be specified in the budget process.

SEC. 6. Performance and Financial Review. -

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

SEC. 7. Compensation in Regional Government-


Owned or Controlled Corporations. - Policies and rates on salaries, wages, allowances, per diems, consultant's fees, overtime pay, and other forms of compensation, including allowances and fringe benefits, of government-owned or controlled corporations, shall be determined in accordance with the position classification and compensation and salary schemes as prescribed by national laws.

### BUDGET PREPARATION

SEC. 8. Fiscal Year. -

The fiscal year of the autonomous regional government shall cover the period beginning with the first day of April of the calendar year and ending with the thirty-first day of March of the succeeding year.

SEC. 9. Preparation of Budget Estimate. - The Regional Governor shall issue on or before November 15 of the year a memorandum to all heads of agencies of the Autonomous Regional Government, inclusive of those in the legislative and Judicial branches, to direct them to prepare and submit their respective budget requests for the forthcoming fiscal year in accordance with such guidelines, formats and schedules as he may prescribe. The Regional Governor's budget preparation directive shall provide, on the basis of projected revenue and expected borrowings, indicative aggregate expenditure ceilings by sector, by expense class and by intended area of destination. The budget estimates of the agencies shall include the following information, in addition to those which the Regional Governor may require:

- a) Objectives, functions, activities, programs and projects showing the general character and relative importance of the work to be accomplished or the services to be rendered, and the principal elements of the costs involved;
  - b) Linkage of the budget proposals to approved regional and national development plans;
  - c) Estimated current operating expenditures and capital outlays for the ensuing fiscal year, with comparative data for the preceding fiscal year and the fiscal year in progress, with the information as to whether these are already covered or expected to be covered by budgetary
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allotment, from the national government or proposed to be covered appropriations from regional funds;

- d) Proposed provincial and municipal allocation of the budget estimates, indicating amounts covered or expected to be covered by budgetary allotment from the national government and amounts proposed to be covered by regional funds;
- e) Organization charts, staffing patterns and itemization of existing and proposed positions with corresponding salaries and other remuneration, indicating which are funded or expected to be funded from budgetary allotment from the national government and which are proposed to be funded from regional revenues; and,
- f) Projected revenue for the ensuing fiscal year estimated revenue for the fiscal year in progress and actual revenue for the preceding fiscal year.

SEC. 10. Submission of the Budget. - The Regional Governor shall submit to the Regional Legislative Assembly not later than two months before the beginning of every regular session, as the basis of the regional general appropriations bill, a budget of expenditures and sources of financing, including receipts from existing and proposed revenue measures.

SEC. 11. Form and Content of the Budget. - The budget proposal of the Regional Governor shall include current operating expenditures



and capital outlays. It shall comprise such funds as may be necessary for the operation of the programs and projects of the various departments and agencies. The budget shall be submitted to the Regional Legislative Assembly in such form and content as may be approved by the Regional Governor and may be comprised of the following documents:

- a. The Regional Governor's Budget Message setting forth in brief the regional government's thrusts and priorities for the budget year, indicating their impact on development and other goals of the region and explaining the implications of the proposed revenue, expenditure and borrowing levels;
- b. The Budget Expenditures and Sources of financing which may include the following financial statement:
  - 1) Detailed estimates of receipts during the ensuing fiscal year under laws existing at the time the budget is transmitted and under the revenue and borrowing proposals, if any, forming part of the budget year's recommended financing program;
  - 2) Detailed schedules of estimated expenditures for current operations as well as capital projects or outlays and proposed appropriations necessary for the support of the autonomous regional government for the ensuing fiscal year, including those financed from budgetary

allotments from the national government, from borrowings and from internally-generated revenues;

- 3) Detailed schedules of estimated receipts, expenditures and actual or proposed appropriations for the fiscal year in progress;
- 4) Detailed schedules of actual receipts, expenditures and appropriations during the last completed fiscal year;
- 5) Statements on the condition of the regional treasury at the end of the last completed fiscal year, expected at the end of the fiscal year in progress and projected at the end of the ensuing fiscal year, taking into account the adoption of financial proposals contained in the budget and showing at the same time the unencumbered and unobligated cash resources of the autonomous regional government;
- 6) All essential facts regarding the bonded and other long-term obligations and indebtedness, if any, of the autonomous regional government as well as all statutory and contractual obligations due or to be due; and,
- 7) Such other financial statements and data as are deemed necessary or desirable in order to make known in all practicable details the fiscal condition of the autonomous regional

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government;

- c) The proposed regional General Appropriations Act, Public Works Act, and such other appropriations laws necessary to cover the proposed expenditure budget and the proposed revenue bills, if any, necessary to cover the proposed financing program for the ensuing fiscal year.

SEC. 12. Budget Levels. - No new appropriations for current operating expenditures and capital outlays shall be proposed to the Regional Legislative Assembly unless the amount involved is covered by the ordinary income of the autonomous regional government, or unless it is supported by a proposal creating additional sources of fund or revenue, including borrowing proceeds, sufficient to cover the same. Likewise, no new appropriations for any expenditure, the amount of which is not covered by the estimated income from the existing sources of revenue or available current surplus, may be proposed unless supported by a corresponding proposal for the imposition of new revenue-raising measures sufficient to cover the same. Proposals creating additional sources of funds shall be prepared in the form of revenue bills.

SEC. 13. Budget Evaluation. - The agency budget proposals shall be reviewed on the basis of their own merit and not on the basis of a given percentage or peso increase or decrease from prior year's budget level, a given percentage of the aggregate budget level, or some other similar rule of thumb that is not based on specific justification. Proposed activities, whether new or on going, shall be evaluated


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using a zero-base approach and on the basis of (a) relationship with the approved development plan, (b) agency capability as demonstrated by past performance, (c) complementary role with related activities of other agencies, and (d) other similar criteria. The realization of savings in a given budget year and the consequent non-utilization of funds appropriated or released to a given agency shall not be a negative factor in the budget evaluation for a subsequent year.

SEC. 14. Proposed Organizational Changes. - The budget estimates may reflect reorganization proposals, including the rearrangement, reassignment and consolidation of organizational units as may be approved by the Regional Governor which will simplify government procedure, localize decision-making and implementation, and otherwise facilitate service to the public.

SEC. 15. Supplemental Appropriations. - The Regional Governor may transmit, from time to time, after a regional General Appropriations Act shall have been enacted into law, such proposed supplemental or deficiency appropriations as are in his judgement necessary together with the certification that funds may be made available for the purpose or with supporting corresponding revenue-raising legislative measures.

SEC. 16. Budgetary Requirements of government-owned or controlled corporations. - The operating budgets of government-owned or controlled corporations shall be subject to review and approval as part of the budget process. Regional Government support in terms of



capital or equity inputs, operating contributions to support specific activities undertaken by the corporations, and guarantee of the Autonomous Regional Government for obligations or contracts entered into by the corporation shall undergo the same evaluation process under this act.

SEC. 17. Appropriation for personal services. - Appropriations for personal services shall be considered as including in the amount specified for each budgetary program and project of each department, bureau, office or agency, and shall be itemized. The itemization of personal services shall be prepared by the office of the Regional Governor for all departments and agencies of the Autonomous Regional Government down to clerical and janitorial level: Provided, that appropriations for contractual and emergency employees shall be in lump sum.

SEC. 18. Public Budget Hearing. - The Regional Governor and the Regional Legislative Assembly shall ensure that public hearings are conducted on the budget proposals, particularly on the infrastructure program, in line with the constitutional mandate on transparency.

#### BUDGET AUTHORIZATION


SEC. 19. Schedule of Budget Consideration. - The consideration and enactment of the Regional General Appropriations Bill and the corresponding revenue bill, if any, shall be given priority by the Regional Legislative Assembly. The Regional General Appropriations Bill shall be filed and calendared for first reading within seven (7) consecutive session days from the submission of the budget. Within sixteen

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(16) consecutive session days after the first reading, the assembly shall start discussion on said bill on second reading. Debate and amendments shall be terminated on or before the twelfth consecutive session day from the beginning of the discussion. Final action on the bill shall be taken three days after printed copies thereof in final form shall have been distributed to the Members: Provided, That the recess contemplated in Section 16, Article VII of RA 6734 shall not be included in the counting of the herein mentioned periods.

SEC. 20. Content of the Regional General Appropriations Act. - The regional General Appropriations Act shall be presented in the form of budgetary programs and projects for each department or agency of the Autonomous Regional Government, with the corresponding appropriations for each program and project, including statutory provisions of specific agencies or of general applicability. The regional General Appropriations Act shall likewise contain an itemization of personal services which shall be prepared as provided in Section 17 hereof before its enactment.

SEC. 21. Budgetary Details of National Assistance. - The financial assistance of the national government, except: (1) special fund for infrastructure development and (2) funds appropriated by Congress for the general operations of the Autonomous Regional Government, shall be appropriated in the regional general appropriations act in a manner that allows the Autonomous Regional Government to determine its own organizational set-up, staffing pattern and details of objects of expenditure in conformity with Section 1 and Section 2 (1), Article V of R.A. 6734: PROVIDED, That the total appropriations for the functions and projects are not exceeded.



SEC. 22. Prohibition Against the Increase of Appropriations. - The Regional Legislative Assembly shall in no case increase the appropriation of any project or program of any department or agency of the autonomous regional government over the amount submitted by the Regional Governor in his budget proposal. In case of reduction in the proposed appropriation for a project or program, a corresponding reduction shall be made in the total appropriation of the department or agency concerned and in the total regional General Appropriations Bill.

SEC. 23. Automatic Appropriations. - All expenditures for (1) personnel retirement premiums, government service insurance and other similar fixed expenditures, (2) principal and interest on public debt, and (3) regional government guarantees of obligations which are drawn upon, are automatically appropriated. National internal revenue taxes as well as custom duties and taxes for the importation of equipment and other taxable goods payable by agencies of the Autonomous Regional Government, inclusive of component local government, units shall be deemed automatically appropriated. Donations, contributions, grants, bequests or gifts, whether in cash or in kind, shall likewise be deemed automatically appropriated for the purposes specified by the donor or grantor.


SEC. 24. Continuing Appropriations. - Appropriations for infrastructure and other capital outlays shall remain valid until fully spent or reverted. Reversions of continuing appropriations shall not be allowed unless

obligations therefore have been fully paid or otherwise settled. Continuing appropriations for current operating expenditures may also be specifically recommended and approved as such when in support of projects the effective implementation of which requires multi-year expenditure commitments. The balances of continuing appropriations shall be reviewed by the Regional Legislative Assembly as part of the annual budget preparation and authorization process.

SEC. 25. Loan Proceeds. - Projects and activities funded by borrowings, whether domestic or foreign, shall be included within the expenditure program to be appropriated for the concerned agencies.

SEC. 26. Reversion of the Unexpended Balances of Appropriations. - Unexpended balances of appropriations authorized in the Regional General Appropriations Act shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment.

SEC. 27. Liability for Unauthorized Printing Press Revision. - It shall be unlawful for any person to make any unauthorized revision of any figure, text or provision in the regional General Appropriations Act and in other budget documents during or in the process of printing. Any unauthorized change made either by addition, modification or deletion shall be null and void. Persons who make any unauthorized revision in the budget document shall be criminally liable for






falsification of legislative documents under the Revised Penal Code. When the offender is a government official or employee, he shall in addition to criminal prosecution be dismissed from the service.

#### BUDGET EXECUTION

SEC. 28. Use of Appropriated Funds. - No money shall be paid out of the regional treasury except in pursuance of an appropriation law. All moneys appropriated for functions, activities, projects and programs shall be available solely for the specific purposes for which these are appropriated and in accordance with the approved work and financial plan.

SEC. 29. Program of Expenditure. - The Regional Governor shall approve the program of expenditure for each agency of the autonomous regional government on the basis of authorized appropriations. Release of funds during the period shall be made in accordance with the approved expenditure program inclusive of the personal services itemization which shall include the General and Special Provisions pertaining to allowances, fringe benefits, method of compensation and allied matters: PROVIDED, That the appropriations authorized for the Regional Legislative Assembly and the Shari'ah Court shall be automatically and regularly released in accordance with their respective work and financial plans.



SEC. 30. Allotment of Appropriations. -  
Authorized appropriations shall be allotted in  
accordance with the following procedures:

- a) Appropriations authorized for any department or agency of the autonomous regional government may be made available for expenditure when the head of each department, office or agency submits to the Regional Governor a request for allotment of funds showing in the form of a Work and Financial Plan the estimated amounts needed for each function, project, activity or purpose for which the funds are to be expended during the applicable allotment period.
- b) The fiscal year of the autonomous Regional government shall be divided into four quarterly allotment periods beginning, respectively, on the first day of April, July, October and January. A different allotment period may be prescribed by the Regional Governor for programs and projects where quarterly allotment is impractical or otherwise not desirable.
- c) Requests for allotment presented in the submitted Work and Financial Plan shall be approved by the Regional Governor who shall ensure that expenditures are covered by appropriations both as to amount and purpose and who shall consider the probable needs of the department or agency for the remainder of the fiscal year or period for which the

appropriation was made. The Regional Governor may approve amounts different from agency requests where necessary in order to conform with the terms of the appropriation and prospective needs of the department or agency. The Regional Governor shall act promptly upon all requests for allotment and shall notify every department, office or agency of its allotment at least five days before the beginning of each allotment period. The notification, which shall include an explanation for any change or modification in the request, shall serve as sufficient authority for the Chief Accountant to enter the allotment in the books of account of the concerned department or agency.


- d) At the end of every quarter, each department or agency shall report to the Regional Governor the current status of its appropriations, the cumulative allotments, obligation incurred/liquidated, total disbursement and unliquidated obligation, unobligated and unexpended balances, and the results of unexpended appropriations.
- e) The heads of departments or agencies of the autonomous regional government may, in order to adjust to altered conditions, request for the realignment of their approved Work and Financial Plans.
- f) In case, at any time, the Regional Governor shall find that probable receipts from taxes or other sources

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of any fund will be less than anticipated and that, as a consequence, the amount available for the remainder of the term of the appropriations or for any allotment period will be less than the amount estimated or allotted therefore, he shall, after notice to the department or agency concerned, reduce the amount allotted so as to conform with available budgetary resources.


- g) The Regional Governor shall ensure that control records are maintained showing by funds, accounts, and other suitable classifications as may be necessary, the amounts appropriated, the estimated revenues or receipts, the amounts allotted and available for expenditures, the unliquidated obligations, actual balances on hand, and the unencumbered balances of the allotments for each department or agency of the autonomous regional government.

SEC. 31. Suspension of Expenditure of Appropriations. - Except as otherwise provided in the regional appropriations law, the Regional Governor may, whenever in his judgment the public interest so requires, after due notice to the head of office concerned, suspend or otherwise stop further expenditure of funds allotted for any agency or any other expenditure authorized in the regional General Appropriations Act or other appropriations law, except for personal services appropriations used for permanent officials and employees.



SEC. 32. Certification of Availability of Funds. - No funds shall be disbursed and no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any department or agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged. No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. The certifying official shall be dismissed from the service without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal, and every official authorizing or making such payment, or taking part therein or receiving such payment shall be jointly and severally liable to the Autonomous Regional Government for the full amount so paid and received.


SEC. 33. Special Budgets for Lump-Sum Appropriations. - Expenditures from lump-sum appropriations authorized for any purpose or for any department or agency in the Regional General Appropriations Act or any other appropriations law shall be made in accordance with a special budget to be submitted to and approved by the Regional Governor, which shall include but shall not be limited to the number of each kind of positions, the



designation, and the annual salary proposed for which the appropriation is intended.

SEC. 34. Prohibition Against the Incurrence of Overdraft. - Heads of departments or agencies shall not incur nor authorize the incurrence of expenditures or obligations in excess of allotments released by the Regional Governor for their respective departments or agencies. Parties responsible for the incurrence of overdraft shall be held personally liable thereof.

SEC. 35. Liability for Illegal Expenditures. - Every expenditure or obligation authorized or incurred in violation of this act and the general and special provisions contained in the annual regional general appropriations act and other appropriations law shall be null and void. Every payment made in violation of said provisions, rules and regulations shall be illegal and every official or employee authorizing or making such payment or taking part therein, and any person receiving such payment shall be jointly and severally liable to the autonomous regional government for the full amount so paid or received. Any official or employee of the autonomous regional government who knowingly incur any obligation or authorize any expenditure in violation of this act, the regional general appropriations act and other appropriations laws, or take part therein, shall be dismissed from the service, after due notice and hearing by the duly authorized appointing official, without prejudice to other administrative and criminal sanctions which may be imposed against him.



SEC. 36. Cash Budgets. - An operational cash budgeting system shall be implemented to ensure the availability of cash resources for priority programs and projects and to establish a sound basis for determining the level, type and timing of public borrowings. The procedure, format, accounts and other details necessary for the execution, monitoring and control aspects of the cash budgeting system shall be determined jointly by the Regional Governor and the Commission on Audit.

SEC. 37. Authority to Use Savings. - The Regional governor, the Speaker of the Regional Legislative Assembly and the Presiding Justice of the Shari'ah Appellate Court are authorized to augment any item of appropriations for their respective branches of government from savings in other items of their respective appropriations.

SEC. 38. Meaning of Savings and Augmentation. - Savings refer to portions or balances of any programmed appropriations free from 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 cost pertaining to vacant positions and leaves of absence without pay. Augmentation implies the existence 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.

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project, activity, purpose or object of expenditure be funded by augmentation from savings or by the use of appropriations authorized otherwise in the regional appropriations law.

SEC. 39. Use of Savings. - Savings in appropriation 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 Regional Governor, the Speaker of the Regional Legislative Assembly and the Presiding Justice of the Shari'ah Appellate Court within their respective branches of government:

- a) Claims of officials and employees who died or were injured in line of duty, including burial expenses as authorized under existing national law;
- b) Commutation of terminal leaves of officials and employees due to retirement, resignation or separation from the service through no fault of their own in accordance with the provisions of existing national law, including unpaid claims for commutation of maternity leaves of absence;
- c) Payment of retirement gratuities or separation pay of employees separated from the service due to reorganization;
- d) Payment of salaries or money value of vacation and sick leaves of employees who have been suspended or dismissed as a result of administrative or



disciplinary action, or separated from the service through no fault of their own and who have been subsequently exonerated and/or reinstated by virtue of decisions of competent authority;

- e) Cash awards to deserving officials and employees in accordance with the civil service law, rules and regulations;
- f) Salary adjustments of officials and employees as a result of classification action under, and implementation of, the provisions of the Compensation and Classification Act of 1989 otherwise known as the Salary Standardization Law, including positions embraced under the Career Executive Service;
- g) Peso counterpart for any undertaking that may be entered into by the autonomous regional government with the foreign or international organizations pursuant to established national law, including administrative and other incidental expenses;
- h) Priority activities that will promote the welfare of the region, including food production, agrarian reform, energy development, and disaster relief and rehabilitation;
- i) Repair, improvement and renovation of government buildings and infrastructure and other capital assets damaged by unforeseen calamities;



- j) Expenses in connection with official participation in trade fairs, civic parades, celebrations, athletic competitions and cultural activities, and payment of expenses for the celebration of regular and special official holidays;
- k) Payment of obligations of the autonomous regional government or any of its branches, departments or agencies as a results of final judgement of the Courts;
- l) Payment of valid prior years obligations of agencies of the autonomous regional government;
- m) Obligation of the autonomous regional government with other government agencies including government-owned or controlled corporations; and,
- n) Continuation and/or completion of essential projects that are abandoned by the contractors.

SEC. 40. Use of Savings for the Creation of Positions. - Except as otherwise provided by law, the Regional Governor may authorize the use of savings in personal services appropriations for the creation of additional positions to implement authorized reorganization plans for expansion of essential services.

SEC. 41. Adjustment of Appropriations for Reorganization. - When under authority of law, a function or activity is transferred or assigned from one agency to another, the balances

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of appropriations which are determined to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the Regional Governor, be transferred to and made available for use by the agency which said function or activity is transferred or assigned for the purpose for which said funds were originally available. Balances so transferred shall be credited to any existing appropriation accounts or to new appropriation accounts which may be established for the purpose and shall be merged with any fund already in the applicable existing or newly established appropriations account and thereafter accounted for as one fund. The funding requirements of agencies reorganized in accordance with approved reorganization plans or reorganized pursuant to law enacted after the approval of the regional General Appropriations Act shall be deemed automatically appropriated and shall be available for expenditure as soon as the reorganization plans are implemented.

SEC. 42. Accrual of Income to General Fund, Exception. - All fees, charges and assessments and other receipts or revenue collected by departments and agencies in the exercise of their functions shall be deposited with the regional treasury and shall accrue to the General Fund. Receipts shall be recorded as income of a Special fund, a Fiduciary or Trust Fund, a Revolving Fund, or a fund other than the General Fund only when authorized by national or regional law.

SEC. 43. Revolving Fund. - Receipts derived from business-type activities of departments or

agencies may be constituted by regional law into a Revolving Fund which shall be separately recorded and deposited in an authorized government depository bank. Subject to conditions which the Regional Legislative Assembly may prescribe, the Revolving Fund may be used to cover the operating expenses for the business-type activities of the departments or agencies concerned. 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. The departments and agencies concerned shall submit to the Regional Governor a quarterly report of income realized from and expenditures incurred against the Revolving Fund. In case of failure to submit said requirements, no withdrawal in the subsequent quarter shall be allowed except upon certification by the Regional Governor that said report was submitted.

SEC. 44. Cost Reduction. - Each Head of a department or agency shall implement a cost reduction program for his department or agency for the purpose of reducing cost of operations and shall submit to the Regional Governor reports on the results of the implementation thereof. 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.

SEC. 45. Contracting for Multi-Year Projects. - In the implementation of multi-year projects, no agency shall enter into contract

without Forward Obligational Authority issued by the Regional Governor for the purpose. Notwithstanding the issuance of the Forward Obligational Authority, the obligation to be incurred in any given fiscal year shall in no case exceed the amount programmed for the implementation of the multi-year projects during the said fiscal year.

SEC. 46. Funding of Contracts and Future Payment of Contractual Obligations. - Notwithstanding the availability of deferred payment terms, departments or agencies concerned, before entering into contracts involving the expenditure of public funds, including contracts for services or consultancy, contracts of lease, equipment rental, construction or partitions or improvements in leased buildings, or contracts involving an increase in the approved contract price, shall secure a certification of availability of funds for the purpose from the Chief Accountant. The certification of availability of funds to cover the cost of the contracted activities or purpose shall be contained in and made part of the contract duly designed by the Chief Accountant of the contracting agency. Departments and agencies, before entering into contracts for the delivery of goods or services against future payments, shall likewise first secure a certification of the availability of the full contracted amount for such goods and services out of the agency's appropriations. No contract shall be entered into nor work undertaken without such certification of fund availability.

SEC. 47. Service Contracts. -Department and agencies of the Autonomous Regional



Government may enter into contract with private firms for services related or incidental to their respective functions and operations through public bidding and negotiated contract. The contract cost may be paid from savings in the appropriations of the department or agency concerned upon prior approval of the Regional Governor, Speaker of the Regional Assembly, and Presiding Justice of the Shari'ah Courts, as the case may be.

SEC. 48. Honoraria. - Unless otherwise provided by law, departments and agencies may use their respective appropriations for payment of honoraria as compensation for services rendered by experts, specialists and researchers who are acknowledged authorities in their fields of specialization at such rates as may be allowed by law.

SEC. 49. Restriction on Salary Increases. - No portion of the appropriations provided in the regional General Appropriations Act shall be used for payment of any salary increase or adjustment unless specifically authorized by law.

SEC. 50. Step Increments for Merit and Length of Service. - The budgets of departments and agencies may provide a lump-sum for step increments for merit and for length of service pursuant to Section 13 (c) of R.A. No. 6758 as implemented by Joint Circular No. 1, s. 1990, of the Civil Service Commission and the Department of Budget and Management.

SEC. 51. Compensation for Overtime Service. - Officials and employees of the autonomous regional government, when required to

work overtime after regular working hours during ordinary days or on Saturdays, Sundays, and Holidays by the heads of the concerned departments or agencies to finish work that must be completed within the specified time, may be paid overtime compensation from any unexpended balance of the appropriations for salaries at the same rate and in accordance with the same terms and conditions as authorized for national government officials and employees.

SEC. 52. Compensation of Persons Receiving Pension. - A person receiving life pension, annuity, or gratuity as a result of service in the government who is reappointed to any position, the appropriation for the salary of which is provided from funds of the said office shall have the option to receive compensation for the position or the pension, gratuity or annuity, but in no case shall receive both.

SEC. 53. Salary for Substitutionary Service. - When an official or employee is issued a duly approved appointment in a temporary or acting capacity to take the place and perform the duties of another who is temporarily absent from his post with pay, savings in the appropriation of the department or agency may be authorized by the Regional Governor to be used for the payment of his salary or salary differential.


SEC. 54. Prohibition of Voluntary Service. - Unless otherwise specifically approved by the Regional Governor, no person shall be employed or appointed in the autonomous regional government under the guise of voluntary service, with compensation below the authorized

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hiring rate for the position, but with privilege of transportation and/or representation expenses in any form, or of receiving per diems, honoraria, quarters and other forms of allowances whether in cash or in kind.

SEC. 55. Compensation of Contractual Personnel. - When authorized in their respective appropriations, heads of departments or agencies of the autonomous regional government may hire consultants, experts and other contractual personnel to perform specific vital activities or services which cannot be provided by the regular staff of the agency, limited to such period when their services are reasonably required and to activities that shall have a definite expected output. Such contractual personnel may be paid compensation inclusive of fees, honoraria, per diems and allowances not exceeding 120 percent of minimum salary of an equivalent position in the National Classification and Compensation Plan, except as may be authorized by the Department of Budget and Management. In no case, however, shall such compensation exceed the salary of his immediate superior.

SEC. 56. Hazard Duty Pay. - Upon approval by the Regional Governor and on the basis of established guidelines prescribed by the Secretary of Budget and Management, hazard pay may be allowed to officials and employees of the Autonomous Regional Government who are actually assigned in hardship or difficult areas, strife-torn or embattled areas, distressed or isolated stations, disease-infested areas, areas declared under state of calamity or





emergency for the duration thereof which expose them to great danger, contagion, radiation, volcanic activity/eruption, occupational risks or perils to life, chargeable to savings in the appropriations of the department or agency, at such rates and subject to the same conditions as are allowed for officials and employees in the national government.

SEC. 57. Travelling Expenses. - Officials and employees who are authorized to travel on official business shall be entitled to transportation expenses and travelling allowances at the same rates and subject to the same terms and conditions as observed in the national government.

SEC. 58. Purchase of Supplies, Materials and Equipment Spare Parts. - Except as otherwise provided in the regional appropriations law, the stock on hand of supplies, materials and equipment spare parts, acquired through ordinary and emergency purchase, shall at no time exceed normal three-month requirements. The Regional Governor may however approve the build-up of stocks on hand of critical supplies and materials, in anticipation of cost increases, regional emergency or an impending shortage in the items concerned, specifying maximum quantities of individual items, but which shall in no case exceed more than one year's supply. All appropriations for the purchase of equipment, supplies and materials shall be available only for locally-manufactured equipment, spare parts, accessories, drugs and medicine, supplies and materials except when none is available in the domestic market or when the

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prices of the locally-manufactured article exceed those determined by the Flag Law.

SEC. 59. Release of Intelligence and Confidential Funds. -Intelligence and confidential funds provided for in the budgets of departments or agencies of the autonomous regional government, including amounts from savings authorized by Special Provisions, to be used for intelligence and counter-intelligence activities or other confidential purposes shall be released only upon approval by the Regional Governor who shall submit to the Regional Legislative Assembly a quarterly report on the utilization of such intelligence and confidential funds.


SEC. 60. Realignment of Expenditure Program. -No deviation shall be allowed from the approved Work and Financial plan except upon prior approval by the Regional Governor, Speaker of the Regional Legislative Assembly, or Presiding Justice of the Shari'ah Court, as the case may be, and subject to such other qualifications as set under the pertinent regional appropriations measures. Agencies of the autonomous regional government, however, may augment any item of expenditure within the Maintenance and other Operating Expenses account from savings in other items in the same account not exceeding 25 percent of the appropriated amount to be augmented.

#### BUDGET ACCOUNTABILITY

SEC. 61. Monitoring of Financial Accounts. -  
The financial accounts of the expenditures and

revenues of the autonomous regional government shall be audited by the Commission on Audit. Expenditures and revenues shall be recorded following the standard Chart of Accounts and in compliance with established rules and regulations prescribed by the Commission on Audit.

SEC. 62. Evaluation of Agency Performance.- The Regional Governor shall determine management, accounting and other information, financial or otherwise, needed to monitor budget performance and to assess effectiveness of agencies operations and shall prescribe the forms, schedule of submission and other components of reporting system for the purpose. The Regional Governor shall conduct a continuing review of the budgetary program and project structures of each department, office or agency, the result of which shall be the basis for modifying or amending such structures for incorporation in the budget proposals to be submitted to the Regional Legislative Assembly or to the national government, as the case may be.

SEC. 63. Quarterly Report to the Regional Assembly. - The Regional Governor shall inform the Regional Legislative Assembly every quarter on the conduct of regional affairs and on the state of regional finances. The statement of audit on the financial accounts of expenditures and revenues of the autonomous regional government prepared by the Commission on Audit shall be submitted by the Regional Governor to the Regional Legislative Assembly within ten working days from receipt thereof. 

SEC. 64. Depository Accounts. - Subject to existing rules of the national government, accountable officials of the autonomous regional government shall maintain separate books and depository accounts for each fund mentioned in Sec. 2 hereof with authorized government banks. Earnings of each depository account shall accrue exclusively thereto.

SEC. 65. Misuse of Government Funds and Property. - Any official or employee of the autonomous regional government who shall apply any government fund or property under his administration or control to any use other than that for which the fund or property is appropriated by law shall suffer the penalty imposed under the appropriate penal and civil service laws.


SEC. 66. Availment and Disbursement of and Accounting for Budgetary Allotments from the National Government. - Budgetary allotments from the national government shall be availed of, disbursed and accounted for in accordance with the procedures, timetable, formats and other guidelines issued by the Department of Budget and Management pursuant to the provisions of Book VI of the Administrative Code of 1987. The Regional Governor and the Speaker of the Regional Legislative Assembly shall represent the autonomous regional government during budget deliberations in Congress. The fiscal year of the national government shall be taken into account in the management of regional fiscal affairs and in the formulation of the regional budget calendar.

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SEC. 67. Position Classification and Compensation Systems. - The position classification and compensation systems for the autonomous regional government shall be governed by the Compensation and Classification Act of 1989 as implemented by rules and regulations promulgated by the Department of Budget and Management and the Civil Service Commission.

SEC. 68. Implementing Guidelines. - The guidelines needed to implement pertinent provisions of this act shall be issued by the Regional Governor.

SEC. 69. Repealing Clause. - All regional laws, executive orders, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed and/or modified accordingly.

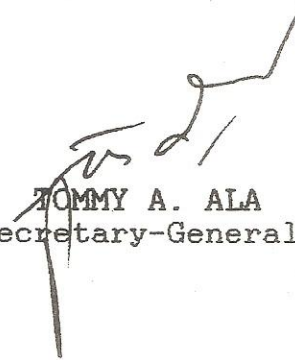
SEC. 70. Separability Clause. - In the event that any provision of this Act is declared to be unconstitutional or invalid, other provisions thereof that are not affected thereby shall continue to be in full force and effect. 

SEC. 71. Effectivity. - This Act shall take effect upon its approval.


APPROVED:

  
GUIMID P. MATALAM  
Speaker

This Act was passed by the Regional Legislative Assembly on September 8, 1993.

  
TOMMY A. ALA  
Secretary-General

APPROVED:

  
LININDING P. PANGANDAMAN  
Regional Governor  
Date Nov 05 1993