

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 268

**RATIONALIZING THE GRANT OF PRODUCTIVITY INCENTIVE  
BENEFITS FOR CALENDAR YEAR 1991 TO ALL PERSONNEL OF  
GOVERNMENT AGENCIES**

WHEREAS, a number of agencies of the Government granted year-end productivity incentive benefits or other similar allowances to their officials and employees invoking as legal bases therefor Sections 31, 35 and 36(2), Chapter 5, Subtitle A, Title I, Book V of the Administrative Code of 1987 as well as fiscal autonomy and authority to fix and authorize additional compensation/allowances pursuant to the enabling Acts or other statutes of some government-owned or -controlled corporations, and in view thereof, other departments, agencies and offices now request authority to grant similar benefits to their personnel;

WHEREAS, the second paragraph of Section 35, Chapter 5, Subtitle A, Title I, Book V of the Administrative Code of 1987 provides that "[i]n accordance with rules, regulations, and standards promulgated by the [Civil Service] Commission, the President or the head of each department or agency is authorized to incur whatever necessary expenses involved in the honorary recognition of subordinate officers and employees of the government who by their suggestions, inventions, superior accomplishments and other personal efforts contribute to the efficiency, economy, or other improvement of government operations, or who perform such other extraordinary acts or services in the public interest in connection with, or in relation to their official employment."

WHEREAS, the Acting Chairman of the Civil Service Commission, in his letter dated 11 February 1992, has opined that "in exceptional cases, an incentive scheme wherein all the employees of the department or agency are granted productivity incentive bonus on the basis of their individual and collective efforts which enabled the agency to meet its targets may be considered to be in conformity with Section 35," Chapter 5, Subtitle A, Title I, Book V of the Administrative Code of 1987;

WHEREAS, notwithstanding budgetary constraints and the series of natural calamities that had hit the country during the past two years, the agencies of the Government have exceeded or at least met their respective targets for Calendar Year 1991;

WHEREAS, the productivity incentive benefits granted by the different agencies are of varying amounts, causing dissension/demoralization on the part of those who had received less and those who have not yet received any such benefit, thereby defeating the purpose for which the same should be granted; and

WHEREAS, there exists the need to regulate the grant of the productivity incentive benefits or other similar allowances in conformity with the policy on standardization of compensation pursuant to Republic Act No. 6758;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. All agencies of the National Government are hereby authorized to grant productivity incentive benefits to their full-time permanent, temporary and casual employees, including contractual employees with employment in the nature of a regular employee, who have rendered at least one (1) year of service in the Government as of 31 December 1991.

Government-owned or -controlled corporations and local government units may also grant productivity incentive benefits to their officials and employees under the same terms and conditions prescribed herein; *Provided*, That the necessary amount shall be sourced from available corporate or local government funds, as the case may be: *Provided, further*, That no funding support shall be required from the National Government.

SEC. 2. The agencies shall pay each official and employee the productivity incentive benefits in a maximum amount equivalent to thirty percent (30%) of his one (1) month basic salary but in no case shall such amount be less than two thousand pesos (P2,000.00).

SEC. 3. Payments made by heads of agencies for productivity incentive benefits or other allowances of similar nature prior to this Administrative Order shall be considered compliance with the benefits herein authorized: *Provided*, That payments made in excess of the rates prescribed in the preceding section shall be adjusted accordingly. In this connection, all heads of the agencies concerned are hereby directed to cause the return/refund of excess payments through any of the following modes:

a. Regular salary deductions for a period of ten (10) months from 1 March 1992 to 31 December 1992; or

b. If the concerned official or employee has sufficient accumulated leave credits, the return/refund may be charged, with the said official's or employee's prior consent, against the leave credits earned.

SEC. 4. Government-owned or -controlled corporations and financial institutions previously granted separate authority by the Office of the President and/or the Department of Budget and Management to grant a one-time payment of the productivity incentive benefits or other allowances of similar nature for Calendar Year 1991 are not covered by the provisions on

return/refund of the preceding section: *Provided*, That these government-owned or -controlled corporations and financial institutions can no longer avail themselves of the benefits herein authorized: *Provided, further*, That government-owned or -controlled corporations and government financial institutions that granted similar benefits for Calendar Year 1991 without the prior approval of the Office of the President and/or the Department of Budget and Management shall be subject to the provisions of this Administrative Order.

SEC. 5. The amount necessary for government agencies to implement the provisions of this Administrative Order shall be sourced from savings in their respective Calendar Year 1992 Budgets: *Provided*, That in the case of agencies which have previously obligated and paid the benefits herein prescribed out of their 1991 appropriations, a corresponding amount chargeable against their 1992 appropriations shall be imposed as reserves in addition to the mandatory reserves prescribed under Administrative Order No. 265 dated 31 January 1992.

SEC. 6. For the purpose of ensuring the implementation of this Administrative Order, a Special Account is hereby created to be funded from the additional 5% reserves to be imposed on the appropriations of all regular government agencies under the 1992 General Appropriations Act. This fund shall be over and above the reserves already mandated pursuant to Administrative Order No. 265, subject to the same conditions prescribed under paragraph 2 of Section 1 thereof.

SEC. 7. The productivity incentive benefits herein authorized shall be granted only for Calendar Year 1991. Accordingly, all heads of agencies, including the governing boards of government-owned or -controlled corporations and financial institutions, are hereby strictly prohibited from authorizing/granting productivity incentive benefits or other allowances of similar nature for Calendar Year 1992 and future years pending the result of a comprehensive study being undertaken by the Office of the President in coordination with the Civil Service Commission and the Department of Budget and Management on the matter.

The formulation of the necessary implementing guidelines for Executive Order No. 486 dated 8 November 1991 establishing a performance-based incentive system for government-owned or -controlled corporations shall likewise be included in the comprehensive study referred to in the preceding paragraph.

SEC. 8. All heads of government agencies and the respective COA Auditors-in-Charge are required to submit their reports of compliance herewith to the Department of Budget and Management. Such reports shall contain the following:

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- a. Information on the number of beneficiaries and amount granted in accordance with format attached hereto (Annex "A");
- b. Proposed schedule of refunds to be remitted to the Bureau of the Treasury which schedule shall be submitted within thirty (30) days from the receipt of this Administrative Order; and
- c. Report on duly verified/certified refunds actually received which shall be submitted on or before 31 December 1992.

SEC. 9. Non-compliance with any of the provisions of this Administrative Order shall be severely dealt with in accordance with the provisions of existing laws and shall be the personal liability of the officials and employees found to be directly responsible therefor.

SEC. 10. The Department of Budget and Management is hereby directed to deduct from whatever future releases due a particular government agency the corresponding amount representing refunds in view of the latter's failure to collect said refunds from its officials and employees concerned.

SEC. 11. The productivity incentive benefits herein authorized shall not be subject to the withholding tax, GSIS premiums, medicare and other similar deductions.

SEC. 12. This Administrative Order shall take effect immediately.

DONE in the City of Manila, this 21st day of February, in the year of Our Lord, nineteen hundred and ninety-two.

By the President:

FRANKLIN M. DRILON  
Executive Secretary

ANNEX "A"

AGENCY: \_\_\_\_\_  
DATE GRANTED: \_\_\_\_\_

Salary Grade	No. of Recipients	Amount
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govt  
Local

Local

by  
Over  
Sect

here  
Govt

Local

Code  
govt  
the

inv  
the  
new

the O