

# MALACAÑANG

Manila

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 279

PRESCRIBING RULES AND REGULATIONS FOR THE ESTABLISHMENT AND ADMINISTRATION OF A PROVIDENT FUND OF AGENCIES COVERED BY SECTION 41 OF THE GENERAL PROVISIONS OF REPUBLIC ACT NO. 7180

WHEREAS, Section 41 of the General Provisions of Republic Act No. 7180 authorizes the surplus of service fees deposited with the National Treasury to be constituted into a Provident Fund which shall be available to employees for emergency needs, school and educational loans, hospitalization loans, and loans for minor but immediate repair of houses and other similar circumstances;

WHEREAS, the same provision mandates that the said Fund shall be administered pursuant to a set of rules and regulations which the Office of the President shall promulgate;

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. Purpose. - Pursuant to Section 41, General Provisions of Republic Act No. 7180 and similar provision in succeeding general appropriation acts, a Provident Fund is hereby authorized to be established in the departments, bureaus, offices, and agencies covered thereby, to be administered, managed, and utilized in accordance with the following overall objective, governing structure, and general guidelines.

SEC. 2. Overall Objective. - The Fund shall provide for the granting of benefits and loans to officials and employees of the department, bureau, office, or agency for emergency needs; for their education or that of their children; for their hospitalization or that of their immediate dependents; for minor but immediately needed repair of their houses; and for other similar purposes to be determined by a Board of Trustees, as hereinafter created.

SEC. 3. Governance. - The Fund shall be administered and managed by a Board of Trustees, hereinafter referred to as Board. The Board for each department or department level office or agency shall be composed of the Undersecretary for Finance or equivalent as Chairman, the Assistant Secretary for Human Resource

Development or equivalent as Vice-Chairman and Chief Executive Officer, a designated representative of the Secretary of Budget and Management, and other members to be elected or appointed for a term of one year, as follows:

- a. A regional director elected by his peers;
- b. A bureau/center/service director elected by his peers;
- c. A technical employee representative appointed by the Department Secretary from among nominees of employee groups in the Department;
- d. A representative of the Administrative group appointed by the Department Secretary from among nominees or organizations of Administrative personnel in the Department.

SEC. 4. Functions and Responsibilities of the Board. - The Board shall be directly responsible for the efficient and effective administration and management of the Fund. It shall have the following duties and functions:

- a. Promulgate, apply, and enforce the rules and regulations governing the use and operation of the Fund;
- b. Determine the type, use, and amounts of loans and other benefits that may be granted and prescribe the applicable repayment schedules and interest rates;
- c. Establish the eligibility requirements for applicants, claimants, and grantees;
- d. Approve all loans, other benefits, and other payments from the Fund;
- e. Designate and appoint the other officers and staff of the Board as may be necessary from among the regular personnel of the Department, and prescribe their duties, functions, and responsibilities;
- f. Create and constitute regional boards if and when the size and spread of operations so warrant, and delegate such functions as may be necessary; and

- g. Perform such other functions as may be necessary to carry out the objectives and purposes of this Order.

SEC. 5. Secretariat of the Board. - Unless otherwise prescribed by the Board, the existing Employees Welfare and Benefits Division or its equivalent shall serve as the Board Secretariat, headed by its Chief who shall recommend the functions, organization, and compensation of the staff for approval by the Board.

SEC. 6. Restriction on Compensation and Expenses. - All members, officers, and staff of the Board shall serve without compensation, except for payment of actual overtime services rendered by clerical staff. Reasonable expenses incurred by members of the Board in connection with Board activities may, however, be reimbursed upon presentation of receipts and other documentary evidence in support of the claim. Any claim for reimbursement of actual and necessary expenses incurred in connection with activities of the Board shall be evaluated and processed in accordance with existing accounting and auditing rules and regulations.

SEC. 7. Fund Sources and Depository. - The primary source of the Fund herein authorized shall be the balance of service fees paid by public and private agencies availing of procurement, payroll deduction, and other services rendered by the departments, bureaus, offices, and agencies concerned. All income from operations shall likewise accrue to the Fund. The Fund shall be deposited as a special account in the National Treasury or in duly authorized government depository banks.

SEC. 8. General Guidelines, Limitations, and Restrictons on the Use of the Fund. - All payments out of the Fund and the use of all proceeds from the utilization thereof shall be strictly in accordance with the following general guidelines, limitations, and restrictions:

- a. The Board shall adopt policies that will provide for the widest and most equitable dispersal of benefits.
- b. The Board shall prescribe rules and regulations which will preserve the integrity of the Fund and maintain its viability.
- c. The principal of the Fund may be utilized to extend guaranteed loans. Expenses and other payments shall be charged against income from

operations and any surplus shall accrue to the principal at the end of the fiscal year.

- d. Repayment of loans shall be through automatic deduction from the borrower's salary and from other sums accruing to him in the event of his separation from the service.
- e. If any portion of the Fund remains unutilized for a substantial portion of time, such may be invested exclusively in Treasury bills or other government securities.
- f. Any balance remaining in the Fund shall revert to the National Treasury in the event of termination of the Fund.

SEC. 9. Audit of the Fund. - The Fund and its operations shall be audited by the Commission on Audit, through its representative.

SEC. 10. Annual Report. - The Board shall prepare and submit an annual report on the operations of the Fund and its financial condition and status at the end of each year to the Office of the President, the Department of the Budget and Management, and to the Department Secretary concerned.

In case of failure to submit said requirements, the Department of Budget and Management shall order the suspension of all new transactions on the Fund until which time that said requirements are complied with.

SEC. 11. Effectivity. - This Administrative Order shall take effect immediately.

DONE in the City of Manila, this 5th day of May, in the year of Our Lord, nineteen hundred and ninety-two.

*Corazon B. Aquino*

By the President:

*Franklin M. Drilon*  
FRANKLIN M. DRILON  
Executive Secretary