



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
MALACANANG, MANILA



**BUDGET CIRCULAR**

No. 2014 - 3  
December 2, 2014

**TO :** Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including State Universities and Colleges (SUCs), Government-Owned or -Controlled Corporations (GOCCs); Heads of Local Government Units (LGUs); and All Others Concerned

**SUBJECT :** Guidelines on the Grant of the Productivity Enhancement Incentive (PEI) to Government Employees for Fiscal Year (FY) 2014

**1.0 Background**

- 1.1 Item (4)(h)(ii) of the Senate and House of Representatives Joint Resolution (JR) No. 4, series of 2009<sup>1</sup> provides that incentives for government personnel shall include rewards for exceeding agency financial and operational performance targets, and to motivate employee efforts toward higher productivity. Item (4)(h)(ii)(bb) thereof enumerates the PEI as among the incentives to be authorized by the President of the Philippines for personnel in the Executive Branch and in LGUs.
- 1.2 Executive Order (EO) No. 80<sup>2</sup> was issued by President Benigno S. Aquino III on July 20, 2012, to motivate higher performance and greater accountability in the public sector and ensure the accomplishment of commitments and targets under the 5 Key Result Areas laid down in EO No. 43 and in the Philippine Development Plan 2011-2016.
- 1.3 Section 1 of EO No. 80 directed the adoption of the Performance-Based Incentive System (PBIS) for government personnel. Said System consists of the following:
  - 1.3.1 The Productivity Enhancement Incentive (PEI) in the amount of P5,000.00 which shall continually be granted across-the-board, in accordance with guidelines to be issued by the Department of Budget and Management (DBM).

<sup>1</sup> "Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government, and for Other Purposes" approved on June 17, 2009

<sup>2</sup> "Directing the Adoption of a Performance-Based Incentive System for Government Employees"

- 1.3.2 The Performance-Based Bonus (PBB), which is a top-up bonus to be given to personnel of bureaus or delivery units in accordance with their contribution to the accomplishment of their Department's overall targets and commitments.

## **2.0 Purpose**

This Circular is issued to prescribe the guidelines on the grant of the PEI for FY 2014.

## **3.0 Coverage**

The following are covered by this Circular:

- 3.1 Civilian government employees occupying regular, contractual, or casual positions; appointive or elective; rendering services on a full-time or part-time basis;
  - 3.1.1 Contractual and casual personnel having an employee-employer relationship are those whose compensation are charged to the lump sum appropriation under Personnel Services; or those occupying positions in the DBM-approved contractual staffing pattern of the agencies concerned.
- 3.2 Military personnel of the Armed Forces of the Philippines, Department of National Defense; and uniformed personnel of the Philippine National Police, Bureau of Fire Protection, and Bureau of Jail Management and Penology under the Department of the Interior and Local Government; Philippine Coast Guard; and National Mapping and Resource Information Authority, and,
- 3.3 Local government employees.

## **4.0 Exclusions**

The following are excluded from the coverage of this Circular:

- 4.1 Those hired without employer-employee relationships and paid from non-Personnel Services appropriations/budgets, as follows:
  - 4.1.1 Consultants and experts hired to perform specific activities or services with expected outputs;
  - 4.1.2 Laborers hired through job contracts (pakyaw) and those paid on piecework basis;
  - 4.1.3 Student laborers and apprentices; and
  - 4.1.4 Individuals and groups whose services are engaged through job orders, contracts of service, or others similarly situated.



## **5.0 Grant of the PEI to Employees in the Executive Branch**

5.1 Civilian employees in national government agencies (NGAs) in the Executive Branch, including those in GOCCs covered by Republic Act (R.A.) No. 6758, *"Compensation and Position Classification Act of 1989,"* as amended, and which remain under the jurisdiction of the DBM, and military and uniformed personnel, shall be entitled to the one-time PEI for FY 2014 at the maximum amount of P5,000.00 each.

5.2 The grant of the PEI shall be subject to the following conditions and guidelines:

5.2.1 The employees are still in the service as of October 31, 2014.

5.2.2 The employees have rendered at least a total or an aggregate of four (4) months of at least satisfactory service for the year, including leaves of absence with pay, to be entitled to the full amount of the PEI. Those who have rendered less than the total or aggregate of four (4) months of service shall be entitled to pro-rated PEI, as follows:

<b>Length of Service</b>	<b>Percentage of the PEI</b>
3 months to less than 4 months	40%
2 months to less than 3 months	30%
1 month to less than 2 months	20%
Less than 1 month	10%

5.2.3 The PEI of an employee on a part-time basis shall be pro-rated corresponding to the services rendered. If employed on part-time basis with two (2) or more agencies, an employee shall be entitled to proportionate amounts corresponding to the services in each agency, provided that the total PEI shall not exceed the authorized amount.

5.2.4 The PEI of an employee who transferred from one agency to another shall be granted by the new agency.

5.2.5 The PEI of an employee on detail with another government agency shall be granted by the mother agency.

5.2.6 A compulsory retiree, on service extension as of October 31, 2014, may be granted the PEI, subject to the pertinent conditions and guidelines under this Circular.

5.2.7 Personnel Charged With Administrative and/or Criminal Cases

5.2.7.1 Personnel found guilty of administrative and/or criminal charges filed against him//her and meted penalty in FY 2014 shall not be entitled to the FY 2014 PEI.

5.2.7.2 If the penalty meted out is only a reprimand, such penalty shall not disqualify the employee concerned to the grant of the PEI.

## **6.0 Grant of PEI to Employees in the Legislative and Judicial Branches, and Other Offices Vested With Fiscal Autonomy**

Pursuant to item (4)(h)(ii)(bb) of JR No. 4, employees in the Senate, House of Representatives, Judiciary, Office of the Ombudsman, and Constitutional Offices vested with fiscal autonomy, may also be granted the one-time PEI by their respective heads of offices, at rates not exceeding P5,000.00 each, subject to the conditions and guidelines on the eligibility of employees under sub-item 5.2 of this Circular.

## **7.0 Fund Source of the PEI for Employees in the Executive Branch**

### **7.1 NGAs**

7.1.1 To fund the PEI at P5,000.00 per employee, the DBM shall release the amount needed from the Miscellaneous Personnel Benefits Fund (MPBF) in R.A. No. 10633, the FY 2014 General Appropriations Act. The Special Allotment Release Order (SARO) and the corresponding Notice of Cash Allocation (NCA) shall be issued by the DBM without need for agency requests.

7.1.2 Pending receipt of the SARO/NCA from the DBM, agencies may use their available Personnel Services allotments and cash allocation balances under the regular Modified Disbursement System Account following the Common Fund System.

### **7.2 GOCCs and GFIs**

The PEI for employees of GOCCs under the jurisdiction of the DBM and covered by R.A. No. 6758, as amended, shall be charged against the respective approved corporate operating budgets for FY 2014. In case of insufficient funds, the PEI shall be granted at a lower amount but at a uniform percentage of the PEI rates in sub-items 5.1 and 5.2.2 of this Circular.

## **8.0 Grant of PEI to Employees in GOCCs and GFIs Under the Jurisdiction of the Governance Commission for GOCCs (GCG)**

In line with Section 7 of EO No. 80, employees in GOCCs and GFIs under the jurisdiction of the GCG may also be granted the one-time PEI for FY 2014 at rates not exceeding P5,000.00, subject to the guidelines issued by the GCG.



## 9.0 Grant of PEI to Employees in LGUs

Following the provisions of JR No. 4, s. 2009 and AO No. 24<sup>3</sup>, LGU employees, including those in the *barangay* who are compensated through monthly honoraria, may be granted the one-time PEI for FY 2014 at rates determined by the respective *sanggunian*.

LGUs have the discretion to set the amount of the PEI depending on the LGU financial capability and subject to the following conditions:

- 9.1 The PEI shall be charged against LGU funds for FY 2014, subject to the Personnel Services limitation in LGU budgets pursuant to Sections 325(a) and 331(b) of R.A. No. 7160; and,
- 9.2 The conditions/guidelines on the eligibility of employees under sub-item 5.2 of this Circular shall be adhered to.

An LGU shall exercise prudence in the use of local funds. In determining the amount of the PEI, the *sanggunian* shall ensure that the same is reasonable and that the expenditure will not, in any way, adversely affect the delivery of services to the public.

## 10.0 When to Pay the PEI

Payment of the PEI shall be made not earlier than December 15, 2014.

## 11.0 Responsibility of Agency Heads

Agency heads shall be responsible for the implementation of the provisions of this Circular in their respective offices. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of the PEI not in accordance with the provisions of this Circular without prejudice to the refund by the employees concerned of any unauthorized or excess payment thereof.

## 12.0 Resolution of Cases

Cases not covered by this Circular shall be referred to the DBM for resolution.

## 13.0 Effectivity

This Circular shall take effect immediately.



**FLORENCIO B. ABAD**

Secretary

<sup>3</sup> "Authorizing the Grant of Productivity Enhancement Incentive to Government Employees for Fiscal Year 2011"