



Republic of the Philippines
DEPARTMENT OF FINANCE

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Manila 1004

5 February 2013

MEMORANDUM

FOR : SECRETARY FLORENCIO B. ABAD, DBM
SECRETARY ARSENIO M. BALISACAN, NEDA

CC : OIC EXECUTIVE DIRECTOR TRINIDAD P. RODRIGUEZ,
NTRC/TFFC Secretariat

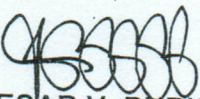
FROM : SECRETARY CESAR V. PURISIMA, DOF

SUBJECT : DOF-DBM-NEDA JOINT CIRCULAR NO. 1-2013 IMPLEMENTING
RULES & REGULATIONS OF ADMINISTRATIVE ORDER NO. 31, S. 2012, ON
THE RATIONALIZATION OF RATES OF FEES & CHARGES, INCREASE IN
EXISTING RATES, AND IMPOSITION OF NEW FEES AND CHARGES

We are pleased to transmit to your office a certified true copy of the duly approved **DOF-DBM-NEDA Joint Circular No. 1-2013** providing the rules and regulations to implement and monitor compliance with Administrative Order No. 31,¹ promulgated pursuant to Section 5 of the said Order.

For your information and reference

Thank you.


CESAR V. PURISIMA
Secretary

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ENCL: a/s

¹ Titled, "DIRECTING AND AUTHORIZING ALL HEADS OF DEPARTMENTS, BUREAUS, COMMISSIONS, AGENCIES, OFFICES AND INSTRUMENTALITIES OF THE NATIONAL GOVERNMENT, INCLUDING GOVERNMENT-OWNED AND/OR -CONTROLLED CORPORATIONS (GOCCs), TO RATIONALIZE THE RATES OF THEIR FEES AND CHARGES, INCREASE THEIR EXISTING RATES AND IMPOSE NEW FEES AND CHARGES" and issued 1 October 2012

Republic of the Philippines
DEPARTMENT OF FINANCE
DEPARTMENT OF BUDGET AND MANAGEMENT
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Manila

DOF-DBM- NEDA JOINT CIRCULAR NO. 1-2013

30 January 2013

FOR : ALL HEADS OF DEPARTMENTS, BUREAUS, COMMISSIONS, AGENCIES, OFFICES AND INSTRUMENTALITIES OF THE NATIONAL GOVERNMENT, INCLUDING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS

SUBJECT : IMPLEMENTING RULES AND REGULATIONS OF ADMINISTRATIVE ORDER NO. 31, SERIES OF 2012, ON THE RATIONALIZATION OF RATES OF FEES AND CHARGES, INCREASE IN EXISTING RATES, AND IMPOSITION OF NEW FEES AND CHARGES

1. GUIDING PRINCIPLES

- 1.1 Section 54 (1), Chapter 12, Book IV of Executive Order No. 292 (Administrative Code of 1987) provides that heads of bureaus, offices or agencies, upon approval of the concerned department head, have the continuing authority to revise their rates of fees and charges. On the other hand, government owned and/or controlled corporations (GOCCs) exercise the same authority pursuant to their respective charters.
- 1.2 The delivery of services to the people, through the various national government agencies and/or the regulation of certain activities with national interest, entails costs to the government, and equity requires that persons receiving or benefiting from rendered services share the cost of providing such services. Hence, the imposition of fees and charges, the primary purpose of which is cost recovery.
- 1.3 In the determination of rates of new and/or existing fees and charges, a balance between recovering the costs of services rendered and the socio-economic impact of their imposition shall be sought. Thus, the evaluation of new or increased fees and charges needs to be coordinated with stakeholders to ensure that rates are just and reasonable and to minimize, if not avoid, unintended impact on established national priorities and the general public.

2. PURPOSE

This Circular is issued to promulgate the rules and regulations implementing Administrative Order No. 31 (1 October 2012), directing and authorizing all departments, bureaus, commissions, agencies, offices, and instrumentalities of the national government, including GOCCs, to rationalize the rates of their fees and charges, increase their existing rates, and impose new fees and charges, as necessary, while streamlining the process of revision.

3. SCOPE

This Circular shall apply to all national government departments, bureaus, commissions, agencies, offices and instrumentalities of the National Government, including GOCCs rendering services to the public for a fee or charge to cover the cost of services rendered, **except** those fees which are:

- a. processed by regulatory agencies in the exercise of their mandate pursuant to their charter to regulate the schedule of charges, tariffs or fares imposed by public utility companies or operators, such as those in the transport, water, power, and telecommunications sectors;
- b. imposed by local government units pursuant to the Local Government Code and/or their charters, even if the purpose of said imposition is to recover the cost of the service rendered;
- c. imposed on services exempted by international agreements;
- d. related to constitutionally or statutorily mandated free or subsidized services, such as those pertaining to the provision of education and health services to indigents and those imposed by the Department of Foreign Affairs for the processing of passports of Overseas Filipino Workers under Republic Act No. 8042; and
- e. within the mandate or charter of an agency or GOCC, but the application of which has been eliminated or otherwise limited by specific laws and/or issuances, such as Executive Order No. 554 (August 2006), to the extent provided in such laws or issuances.

4. DEFINITION OF TERMS

- a. **"Cost of service"** refers to the sum of (1) direct costs (supplies/materials and salaries/wages of personnel involved) and proportionate share in the overhead expenses incurred by the agency or GOCC in rendering the service, and (2) such other readily identifiable incidental expenses incurred in rendering the service. In the case of a national government agency, the cost of service shall be considered equivalent to the regular appropriation of the operating unit rendering the

pertinent service as authorized in the General Appropriations Act (GAA) or other relevant appropriation measures. In the case of a GOCC, it shall be equivalent to the operating budget of the unit involved.

- b. **“Cost recovery”** refers to the process of compensating the cost associated with the provision of services (including regulation), which involves the collection of user fees to ensure long-term sustainability.
- c. **“Fees and charges”** refers to levies imposed on direct recipients of public goods and services by agencies and GOCCs in the exercise of their mandated regulatory and service delivery functions.
- d. **“Government-Owned and/or -Controlled Corporations” (GOCCs)** refers to corporations organized as stock or non-stock corporations vested with functions relating to public needs, whether governmental or proprietary in nature, and owned by the National Government directly or through its instrumentalities either wholly or, where applicable, as in the case of stock corporations, to the extent of at least fifty-one percent (51 %) of its capital stock. This term shall also include financial institutions owned and controlled by the national government, but shall exclude acquired asset corporations and sequestered corporations.
- e. **“National Government Agencies” (NGAs)** refers to the machinery of the national government, which includes the various departments, bureaus, commissions, agencies, offices, and instrumentalities under its jurisdiction, as distinguished from the different levels of local government.
- f. **“Socioeconomic impact”** refers to any potential positive or negative change in the socioeconomic environment of stakeholders whether directly or indirectly, that is expected to arise with the introduction and implementation of a policy intervention.

5. DETERMINATION OF RATES

The rates of fees and charges shall be revised at just and reasonable rates sufficient to recover the cost of services rendered, taking into consideration, among others, the following:

- 5.1 The direct costs of rendering the service based on current appropriation, which shall include the cost of supplies and materials, salaries and wages of personnel directly involved in the service, and the proportionate share in the overhead expenses of the agency or department, including the depreciation costs of equipment used
- 5.2 The inflation rate since the year of imposition or last revision of the subject rates of fees and charges
- 5.3 The new/revised rates shall, as much as possible, be uniform for similar or comparable services and functions offered by other government entities, and

approximate the cost of comparable services offered by private entities, based on local and/or international standards, as may be appropriate.

- 5.3.1 Some of the criteria that may be considered to determine comparability are the value of manpower resources used, the technology adopted, and the equipment required in rendering the service.
- 5.3.2 The concerned agencies shall coordinate with the Task Force on Fees and Charges, created under Administrative Order No. 255 (s. 1996) and reactivated by Executive Order No. 218, s. 2000, to ensure uniformity of new/revised fees with those of other government agencies and the private sector offering similar or comparable services. The agencies may request the Task Force for pertinent data and information.
- 5.4 The concerned agencies shall identify and evaluate the potential socioeconomic impact of any proposal for new/revised rates on the well being of their respective stakeholders. The socioeconomic impact assessment should include a discussion of the proposal's possible adverse effects as well as projected beneficial effects, such as, but not limited to, increased financial burden on users and decreased utilization by users *vis-à-vis* better quality of service and enhanced sustainability of the service.
- 5.5 The proposed new/revised rates shall, when required by the agency's charter or other applicable laws, or where appropriate, such as when the proposal is expected to have a significant social impact, be subjected to a public hearing or stakeholder consultation before approval. In cases where the conduct of a public hearing or consultation is not mandated by law, this shall be upon the sound discretion of the head of the agency concerned. In any case, any proposal for new/revised rates shall be posted in the agency's office premises and website for at least thirty (30) days before the process of final determination and approval to allow for a period for comments or feedback from the public.

6. REVISION OF FEES COMMITTEE

- 6.1 Within fifteen (15) days after the effectivity of these rules and regulations, heads of NGAs and GOCCs shall order the creation of a Revision of Fees Committee composed of the following:

Chairperson	:	Undersecretary or 2 nd highest ranking official of the NGA, or the President (or equivalent) of the GOCC
Vice Chairperson	:	Head of Finance Unit
Members	:	Budget Officer Accounting Officer Chief of Division or Unit responsible for collection/implementation Planning Officer

6.2 The Revision of Fees Committee shall have the following functions and responsibilities:

- a. Review existing fees and charges and conduct a study on the necessity of imposing new/revised ones, gathering data on the costs of delivery of services in order to compute the appropriate rates that will recover these costs.
- b. Ensure that the guiding principles of this Circular as well as the rules under Section 5 hereof are observed.
- c. Submit to the head of the NGA or the GOCC board a report and recommendations regarding proposed new/revised fees and charges, containing the results of the aforementioned study, including the legal and material bases and justification for the proposed rates, as well as any comments or feedback received from the public under Section 5.5 hereof.
- d. Coordinate with the Task Force on Fees and Charges on matters pertaining to the implementation of Administrative Order No. 31 and these rules and regulations.
- e. Keep and maintain all records pertaining to the implementation of AO 31 and these rules and regulations within the NGA or GOCC.

7. APPROVAL AND EFFECTIVITY OF THE NEW FEES AND REVISED RATES OF EXISTING FEES AND CHARGES

- 7.1 The new/revised rates of fees and charges shall be approved by the Department Secretary concerned or his/her equivalent. In the case of NGAs that are not attached to a specific department or equivalent agency, the revised rates shall be approved by the highest-ranking official. In the case of GOCCs, the new/revised rates shall be approved by their governing boards.
- 7.2 The appropriate approving authority as specified in the immediately preceding item shall finally determine and approve the new/revised fees and charges within fifteen (15) days after receipt of the report and recommendation of the Revision of Fees Committee.
- 7.3 The new/revised rates of fees and charges shall become effective fifteen (15) days following the completion of the public information requirement under Section 8 below.

8. PUBLIC INFORMATION AND PUBLICATION

Upon approval of the new/revised rates of fees and charges, the concerned NGA or GOCC shall inform the public of such new/revised rates by publishing the new/revised schedule of fees and charges in a newspaper of general circulation in the Philippines or posting it in a conspicuous place in the office premises, both at the head or central office and in all field or branch offices nationwide, and posting it in the agency's website. The

new/revised schedule of fees and charges shall be accompanied by a list of the services to be provided by the agency, together with the time when the said services are to be delivered.

9. MONITORING OF COMPLIANCE BY NGAs

- 9.1 The Task Force on Fees and Charges shall monitor compliance of the concerned NGAs with Administrative Order No. 31 and these implementing rules and regulations, as well as the actual imposition or enforcement by the NGAs of their new/revised fees and charges. Based on the reports and documents submitted to the Task Force under Section 10 hereof, the Task Force may direct the concerned agency to explain, clarify or further justify its new/revised rates.
- 9.2 The Task Force on Fees and Charges, as created under Administrative Order No. 255 (s. 1996) and reactivated under Executive Order No. 218, s. 2000, shall retain its composition, namely, Department of Finance (DOF) as Chair, Department of Budget and Management (DBM) as Co-Chair, National Tax Research Center (NTRC), Bureau of the Treasury (BTr), and Commission on Audit as members; and shall have the functions and duties provided in this Circular. The NTRC shall head the Inter-Agency Technical Secretariat of the Task Force.

10. REPORTORIAL REQUIREMENTS

- 10.1 Heads of NGAs and GOCCs shall submit to the Task Force on Fees and Charges, through its Secretariat, the NTRC, a report on the imposition of new/revised fees and charges, as approved and implemented by them, not later than thirty (30) days after effectivity of the new/revised rates, copy furnished the DBM through the Fiscal Planning Bureau. The report shall contain both the old and new/revised rates presented comparatively and the estimated amount of collections expected as a result of the new/revised rates. It shall be accompanied by the study and computation used to arrive at the rates, as well as a certified true copy of the order, resolution or issuance approving and imposing such rates. The report shall also include any complaint received, issue identified, or impact on stakeholders observed by the concerned agency in relation to the new/revised rates.
- 10.2 In submitting their annual budget proposals to the DBM, the NGAs and GOCCs shall include the estimated revenues from fees and charges, disclosing the incremental revenues from the new/revised rates that are proposed to be levied for the budget year.

11. MONITORING OF COLLECTION

The Bureau of the Treasury shall closely monitor the collections of fees and charges remitted by various agencies. It shall prepare a quarterly report of collections based on the daily report of deposited collections submitted by authorized agent banks and compare

these with the expected amount of collections submitted to the DBM. GOCC shall likewise submit a similar quarterly report of collections to the Bureau of the Treasury.

12. TRANSITORY PROVISION


All pending requests for NEDA Board clearance by virtue of the repealed Memorandum Circular No. 137 (s. 2007) shall be returned to the requesting agencies for appropriate action under this Circular.


13. REPEALING CLAUSE

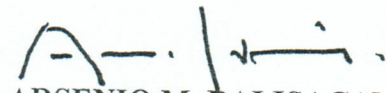
All administrative issuances or parts thereof, which are inconsistent with this Circular, are hereby repealed or modified accordingly.

14. EFFECTIVITY

This Circular shall take effect immediately.


FLORENCIO B. ABAD
Secretary of Budget and Management


CESAR V. PURISIMA
Secretary of Finance
006851


ARSENIO M. BALISACAN
Socio-Economic Planning Secretary
Director General of the National Economic and Development Authority

