

MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER No. 405

IMPLEMENTING SECTION 3 OF EXECUTIVE ORDER
NO. 383, DATED DECEMBER 20, 1950, WITH
RESPECT TO THE FINANCES OF THE LOCAL
GOVERNMENTS.

WHEREAS, it is the purpose of the Administration to extend to the local governments as much autonomy as they can assume and exercise under existing laws; and

WHEREAS, the achievement of such local autonomy depends upon the extent of supervision that may be exercised by the authorities concerned;

Now, THEREFORE, I, Elpidio Quirino, President of the Philippines, pursuant to the powers vested in me by the Constitution and existing laws, do hereby order:

1. In reviewing the budgets of local governments, the Department of Finance shall be guided by the principle that the local governments should be given a large degree of freedom and a wide latitude of discretion in determining for themselves the propriety and wisdom of the expenses that they make and, provided the expenses contemplated are within their financial capacity, the recommendation on the matter of the provincial board, municipal board or city council concerned shall be given due weight by the Department of Finance.

2. It shall be the duty of the Department of Finance to see that the estimates of income are collectible and that the authorized appropriations are within the collectible amount.

3. Until otherwise provided by law, the amount expendable for salaries and wages of provincial and city officials and employees for any fiscal year shall not exceed the following percentages of the ordinary and regular income that accrued to the general fund during the preceding fiscal year, exclusive of all balances carried forward from preceding fiscal years, transfers from other funds, and all receipts from loans, aids or gifts from government or private funds, provided that, upon the recommendation of the Department of Finance, the President may authorize any province or city to exceed such percentages under such conditions as may be prescribed:

First Class A provinces	40%
First Class B provinces	45%
First and Second Class provinces	50%
Third Class provinces	55%
Fourth Class provinces	60%
Fifth Class provinces	70%
Chartered cities (higher than the above percentages)	10%

For the purposes hereof, a city shall be considered as of the same class as a province having the same amount of income. In case the current income of the general fund is less than that which accrued to the same fund during the preceding fiscal year, the percentages herein fixed shall be based on the reduced current fiscal year's income. If the amount spent for salaries and wages in the preceding fiscal year exceeds the limitations herein prescribed, the expenditure of not exceeding said amount for the same purpose during the current fiscal year is hereby authorized, provided that no new positions shall be created nor existing authorized salary rates increased until the total appropriations for salaries and wages shall have been reduced to the amount allowable for expenditure for the purpose as herein fixed.

4. All rates of salaries in the provincial, city and municipal governments not otherwise fixed by law shall be standardized by the President of the Philippines upon the recommendation of the Secretary of Finance.

5. The action of the Department of Finance in its review over the provincial and city budgets shall be communicated directly to the local legislative body, furnishing copy thereof to the Office of the President. In case the local authorities concerned are not satisfied with the action of the Department of Finance, appeal may be taken to the President of the Philippines for final determination.

6. All provisions of Executive and Administrative Orders and Rules and Regulations issued by the Secretaries of Finance and of the Interior inconsistent herewith are hereby repealed.

Done in the City of Manila, this 25th day of January, in the year of Our Lord, nineteen hundred and fifty-one, and of the Independence of the Philippines, the fifth.

ELPIDIO QUIRINO

President of the Philippines

By the President:

TEODORO EVANGELISTA

Executive Secretary