



**Tanggapan ng Kalihim**  
*Office of the Secretary*

AUG 21 2007

DepED MEMORANDUM  
No. **330**, s. 2007

DISSEMINATION OF EXECUTIVE ORDER NOS. 641 AND 645

To: Undersecretaries  
Assistant Secretaries  
Bureau Directors  
Directors of Services/Centers and Heads of Units  
Regional Directors  
Schools Division/City Superintendents  
Heads, Schools

1. For the information and guidance of all concerned, enclosed are a copy each of the following Executive Orders:

a. **Executive Order No. 641** dated July 25, 2007 from the Office of the President entitled "Authorizing the Establishment and Administration of Provident Funds in the Government."

b. **Executive Order No. 645** dated July 31, 2007 from the Office of the President entitled "Amending Section 4 of Executive Order No. 423 dated September 18, 2003 Which Prescribes the Rules and Procedures on the Review and Approval of All Government Contracts to Conform to Republic Act No. 9184 Otherwise Known as "The Government Procurement Reform Act."

2. Immediate dissemination of this Memorandum is desired.

  
FRANKLIN C. SUNCA  
Undersecretary

Encls.: As stated  
Reference: None  
Allotment: 1- -(D.O. 50-97)  
To be indicated in the Perpetual Index  
under the following subjects:

FUNDS  
LEGISLATIONS

OFFICIALS  
PROCUREMENTS

MALACAÑANG  
MANILA

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 641**

**AUTHORIZING THE ESTABLISHMENT AND ADMINISTRATION  
OF PROVIDENT FUNDS IN THE GOVERNMENT**

**WHEREAS**, Provident Funds were established in government banking institutions pursuant to Republic Act (RA) No. 4537, funded out of the contributions made by the bank and its officers and employees;

**WHEREAS**, Section 41, General Provisions of RA No. 7180, the FY 1992 General Appropriations Act (GAA), authorized that any surplus of service fees deposited with the National Treasury be constituted into a Provident Fund which shall be available for loaning purposes; and Administrative Order No. 279, s. 1992 prescribed the attendant rules and regulations;

**WHEREAS**, subsequent GAAs reiterated the constitution of Provident Funds, now charged against service fees, which shall be available also for welfare benefits' purposes;

**WHEREAS**, other government-owned and/or controlled corporations (GOCCs) and government financial institutions (GFIs) were authorized to establish Provident Funds;

**WHEREAS**, Provident Funds supplement retirement or separation benefits and provide alternative sources of loan financing;

**WHEREAS**, there is a need to prescribe uniform rules and regulations for the establishment and administration of Provident Funds in the government;

**WHEREAS**, the Committee on the Protection of Income of Government Employees created pursuant to Executive Order No. 462 dated September 19, 2005, advocates the "Institutionalization of the Agency Provident Fund" as one of the measures to provide supplementary benefits to government employees;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1. Purpose** – A Provident Fund is hereby authorized to be established in each government agency to be administered in accordance with the objectives, policies, governing structure and general guidelines indicated herein.



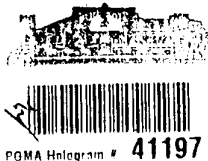
**SECTION 2. Objectives** – The Provident Fund shall serve as a savings and loan credit facility that may cater to the needs of government officials and employees; and shall provide supplementary welfare benefits from the Fund.

**SECTION 3. Policies** - The establishment and administration of the Provident Fund shall be guided by the following policies consistent with established management principles and practices:

- a. Membership in the Provident Fund shall be voluntary;
- b. Employees and employers alike shall share roles in the establishment and administration of Provident Funds;
- c. Reasonable regulatory structures shall be established to ensure uniformity, integrity and viability of the operation of the Provident Fund;
- d. Consistent with the principles of fair remuneration and equity, all officers and employees should have guaranteed access to the Provident Fund and should have the same rights and privileges under the Fund. There should be no special rules to benefit executives or a select group of employees;
- e. The Provident Fund should be managed prudently by a Board of Trustees with equal representation from the employer and employees to preserve Fund accounts, safeguard the viability of the Fund and ensure the security of members;
- f. To encourage employees to contribute as much as they can to the Fund, as well as preserve their Provident Fund accounts and not withdraw their shares before retirement or separation, advocacy measures should be instituted;
- g. Members should have strong legal protections with government enforcement capabilities against the loss of Provident Fund assets due to fraud, theft or fiduciary mismanagement.

**SECTION 4. Funding Sources** – The Provident Fund shall be sourced from the following:

- (a) Members' contributions;
- (b) Initial government agency counterpart contributions in the form of support for reasonable operating requirements in the administration and operation of the Fund such as the part-time assignment of existing personnel and the use of necessary agency facilities and equipment; and
- (c) Such other fund sources as may be provided for by laws, and those which the Board of Trustees of the Fund may thereafter identify as legal, valid and authorized funding sources.



Government cash contributions to be sourced from savings may be authorized in the future as the government's financial position would allow, subject to the guidelines that will be issued by the Department of Budget and Management (DBM).

**SECTION 5. Governance** – The Provident Fund shall be managed by a Board of Trustees, hereinafter referred to as the Board, with adequate representation from the employer and employees. The agency's highest official directly responsible for financial affairs may be designated as Chairman of the Board of Trustees.

**SECTION 6. Functions and Responsibilities of the Board** – The Board shall be directly responsible for the efficient and effective administration of the Provident Fund. Its functions shall be as follows:

- a. Promulgate, implement and enforce the rules and regulations governing the use, operation, and investment of the Fund;
- b. Identify and secure other legal, valid and authorized sources of funds to provide better credit facility and welfare benefits for the members;
- c. Determine the type, use and amounts of loans that may be granted and prescribe the applicable repayment schedule and interest rates;
- d. Determine the benefits due to members of the Fund;
- e. Establish the eligibility requirements for membership, claimants and grantees of the Fund;
- f. Approve membership, loans to employees after considering the poverty threshold limit, benefits, and expenditures from the Fund;
- g. Designate or appoint officers and staff of standing committees for the Fund from among the regular personnel of the agency, and prescribe their duties, and responsibilities;
- h. Create and constitute regional boards if and when the size and spread of operations so warrant and delegate such functions as may be necessary;
- i. Determine sanctions/liabilities of officers managing the Fund and of violators of the rules and regulations of the Fund; and
- j. Perform such other functions as may be necessary to carry out the objectives and purposes of this Order.

**SECTION 7. 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 the support staff. Reasonable expenses incurred by the members of the Board in connection with Board activities may, however, be reimbursed upon presentation of receipts and other documentary evidences in support



of claims. 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.

**SECTION 8. Accounting and Auditing Requirements** – The Provident Fund and its operations shall be subject to existing accounting and auditing rules and regulations.

**SECTION 9. Reporting Requirement** - The Board of Trustees shall submit to the members thereof an annual report on the operation of the Fund and its financial condition at the end of each year, copy furnished the Office of the President and the Department of Budget and Management.

**SECTION 10. Implementing Rules and Regulations** – The DBM shall issue the necessary implementing rules and regulations within sixty (60) days from the issuance of this Order, without prejudice to the immediate establishment or setting-up of a Provident Fund by the agencies.

**SECTION 11. Separability Clause** - If any part or provision of this Executive Order is held invalid or unconstitutional, the other parts or provisions not affected shall remain valid and effective.

**SECTION 12. Effectivity** – This Executive Order shall take effect fifteen (15) days following its publication in a national newspaper of general circulation.

**DONE** in the City of Manila, this 25<sup>th</sup> Day of July in the year of Our Lord, Two Thousand Seven.

*Gloria A. Aray*



By the President:

*Eduardo R. Ermita*

**EDUARDO R. ERMITA**  
Executive Secretary



**CERTIFIED COPY.**

**MARIANITO M. DIMAANDAL**  
DIRECTOR III  
MALACANANG RECORDS OFFICE

*Ed 8-2-77*

**MALACAÑANG**  
Manila

**BY THE PRESIDENT OF THE PHILIPPINES**

**EXECUTIVE ORDER NO. 645**

**AMENDING SECTION 4 OF EXECUTIVE ORDER NO 423 DATED 18 SEPTEMBER 2003 WHICH PRESCRIBES THE RULES AND PROCEDURES ON THE REVIEW AND APPROVAL OF ALL GOVERNMENT CONTRACTS TO CONFORM TO REPUBLIC ACT NO. 9184 OTHERWISE KNOWN AS "THE GOVERNMENT PROCUREMENT REFORM ACT"**

**WHEREAS**, Section 4 of Executive Order 423 dated 18 September 2003 prescribes that in cases where government contracts amounting to at least P500 Million, the Head of the Procuring Entity is required to obtain an opinion and approval from the Government Procurement Policy Board and the Director-General of the National Economic and Development Authority before resorting to any of the alternative methods of procurement;

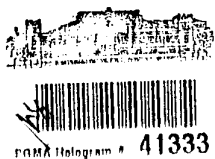
**WHEREAS**, it has become necessary to amend Section 4 of Executive Order No. 423 dated 18 September 2003 to streamline and expedite procurement procedures for a more effective procurement system;

**WHEREAS**, the Government Procurement Policy Board, in its Resolution No. 06 2006 dated 20 January 2006, recommends the issuance of this Executive Order;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby amend Section 4 of Executive No. 423 to read as follows:

**Section 4. Approval of Government Contracts Entered Into Through Alternative Methods of Procurement**

a. For Government Contracts Involving An Amount Of At Least Five Hundred Million Pesos (P500,000,000.00). -- Where the Head of the Procuring Entity has made a determination that a Government contract, including Government contracts required by law to be acted upon and/or approved by the President, involving an amount of at least Five Hundred Million Pesos (P500,000,000.00) falls under any of the exceptions from public bidding described in Section 3 hereof, the Head of the Procuring Entity shall, before proceeding with the alternative methods of procurement provided by law and applicable rules and regulations, *obtain the approval of the Government Procurement Policy Board (GPPB) that said Government proposed procurement undertaking falls within the*



***exceptions from public bidding and that the proposed specific alternative mode of procurement is appropriate.***

Except for Government contracts required by law to be acted upon and/or approved by the President, the Heads of the Procuring Entities, after obtaining the foregoing requirements, shall have full authority to give final approval and/or to enter into said Government contracts of their respective agencies, entered into through alternative methods of procurement allowed by law. Provided, that the Head of the Procuring Entity certifies under oath that the contract has been entered into in faithful compliance with all applicable laws and regulations.

**SECTION 2.** Except for the foregoing amendment, all other provisions of Executive Order No. 423 shall remain unchanged.

**SECTION 3.** This Executive Order shall take effect immediately upon its publication in a national newspaper of general circulation.

Done in the City of Manila this 31st day of July in the year of Our Lord, Two Thousand and Seven.

*Gloria M. Arroyo*



By the President:

*Eduardo R. Ermita*  
**EDUARDO R. ERMITA**  
Executive Secretary



**CERTIFIED COPY.**

*Marianito M. Dimaandal*  
**MARIANITO M. DIMAANDAL**  
DIRECTOR III  
MALACANANG RECORDS OFFICE