The said Circular is issued to provide the guidelines on the implementation of Section 2 of Administrative Order No. 103 (Directing the Continued Adoption of Austerity Measures in the Government) issued on August 31, 2004. It covers all regular positions in national government agencies, including State Universities and Colleges (SUCs), Government-Owned and/or Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Other Government Corporate Entities (OGCEs) and other instrumentalities under the Executive Branch, whether or not funded through the General Appropriations Act.

Under the Circular, the filling of positions that have been vacated by resignation, retirement, dismissal, death, or transfer to another government office is prohibited. Certain positions (i.e. teaching, medical, military and local water district positions) specified in the Circular, however, are exempted from said prohibition, provided they are funded within agency budgets for personal services.

Fifty percent (50%) of the Personal Services savings realized from funded/vacated regular position may be used for filling of positions without seeking authority, and for reclassification of filled positions or for conversion of vacant/vacated positions (if necessary) by following the “scrap and build” policy.

The agency heads shall have the discretion as to which positions will be filled, provided the total cost thereof shall not exceed 50% of the Personal Services savings. Only funded vacant/vacated positions shall be offered for abolition to fund the positions for reclassification/conversion.