

**MALACAÑANG
MANILA**

28 June 1991

The Honorable Speaker,
Ladies and Gentlemen of
the House of Representatives:

I have this day signed the General Appropriations Bill for Fiscal Year 1991 (H.B. 32939), entitled "AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, NINETEEN HUNDRED AND NINETY-ONE, AND FOR OTHER PURPOSES."

I. VETOED ITEMS

Pursuant to the powers vested in me by the Constitution, however, I have disapproved the following items in the Bill:

A. SPECIAL PROVISIONS

XXXVII. CONTINGENT FUND

SPECIAL PROVISION

x x x

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2. USE OF THE FUND. THE AMOUNT HEREIN APPROPRIATED SHALL BE USED TO FUND THE REQUIREMENTS OF NEW AND/OR URGENT PROJECTS AND ACTIVITIES AS AUTHORIZED BY LAW THAT NEED TO BE IMPLEMENTED DURING THE YEAR FOR WHICH NO APPROPRIATION HAS BEEN PROVIDED IN THIS ACT. (page 1098, General Appropriations Act FY 1991)

I am vetoing the underlined portion of this provision, which is a radical departure from its counterpart in the 1990 General Appropriations Act (R.A. No. 6831), for reason that it shall unduly hamper the implementation, acceleration and expansion of new and/or urgent socio-economic projects and

activities which the government is committed to undertake pursuant to the general welfare clause of the fundamental law of the land.

It may be emphasized that the Contingent Fund was established to serve as a ready funding source for the contingent liabilities of the government and to support the implementation of programs, projects and activities which have been accorded higher priorities after the enactment of the budget. Indeed, the fund is intended to give the President a "budgetary mechanism" to meet contingencies and emergencies which may arise during the budget year. This budgetary mechanism is effectively negated by the phrase "for which no appropriation has been provided in this Act" as contained in this Special Provision.

B. GENERAL PROVISIONS

SEC. 67. LIMIT ON DEBT SERVICE. THE AMOUNT FOR THE PAYMENT OF FOREIGN DEBT, BOTH AS TO PRINCIPAL AND INTEREST, BY THE NATIONAL GOVERNMENT SHALL NOT EXCEED TWENTY PERCENT (20%) OF THE MERCHANDISE EXPORT RECEIPTS FOR THE YEAR 1991. (page 1138, General Appropriations Act FY 1991)

ll I am vetoing this Section for the reason that the provision is a "rider" as contemplated under Section 25 (2) of Article VI of the Constitution and does not apply to any item of appropriation in this Act. While current estimate shows that the twenty percent (20%) limit may be inoperative, fluctuations in the exchange and interest rates can drive payments beyond the ceiling, which may trigger "cross-default" of the national government. Besides, it may scare and discourage foreign investments and foreign financial institutions from extending new credits to the Philippine Government. Furthermore, this could jeopardize the efforts of the Government to obtain debt relief from our creditors.

This is an "inappropriate provision" in an appropriation act since this can be the proper subject of a separate legislation.

II. GENERAL OBSERVATIONS

A. SPECIAL PROVISION

I have noted with interest the following provision/s:

CONGRESS OF THE PHILIPPINES

Special Provisions Applicable to the Congress of the Philippines

x x x

2. **Organizational Structure of the Senate, the House of Representatives, the Senate and House of Representatives Electoral Tribunals and the Commission on Appointments.** Any provision of law to the contrary notwithstanding and within the limits of the appropriation authorized in this Act, the President of the Senate with respect to the Senate and the Commission on Appointments, the Speaker with respect to the House of Representatives, and the Chairmen of the Senate and House of Representatives Electoral Tribunals, are authorized to formulate and implement the organizational structures of their respective offices, to fix and determine their salaries, allowances and other benefits of their respective employees, and whenever public interest so requires, make adjustments and reorganization of positions in the regular personnel with the corresponding transfer of items of appropriations or create new ones in their respective offices; PROVIDED, That officers and employees whose positions are affected by such adjustments or reorganization shall be granted retirement gratuities and separation pay in accordance with existing laws, which shall be payable from any unexpended balance of, or savings in the appropriations of their respective offices. (p. 12, General Appropriations Act FY 1991)

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In its over-all context, I view this Special Provision as a Congressional authorization parallel to the economy measures adopted by the Executive Department of the Government which may be used as the enabling law to streamline the organizational structure of the Legislature and as a legal basis to redeploy its personnel. It may be recalled that I have included this Special Provision in the GENERAL OBSERVATIONS portion of the CY 1989 Message to Congress, stating that its operation shall be circumscribed by the salary rates, allowable level of allowances and other benefits prescribed or authorized by laws enacted pursuant to the compensation standardization policy in the Constitution.

I have complete trust in the wisdom of the institution tasked to this provision. I am therefore confident that the power vested in the

aforementioned officials of the Congress of the Philippines to fix and determine the salaries, allowances and other benefits of their respective employees shall be in accordance with R. A. No. 6686 and R. A. 6758, the Compensation and Position Classification Act of 1989 which Congress itself approved on August 21, 1989.

B. GENERAL PROVISIONS

SEC. 14. Restriction on the Use of Government Funds.

No government funds shall be utilized for the following purposes:

x x x

x x x

x x x

- 5. TO BE INVESTED IN NON-GOVERNMENT SECURITIES, MONEY MARKET PLACEMENT, AND SIMILAR INVESTMENTS OR DEPOSITED IN PRIVATE BANKING INSTITUTIONS. (page 1128, General Appropriations Act FY 1991)

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Item 5 of the above-quoted Section may unduly hamper monetary and fiscal policies promulgated in accordance with the Privatization Program of the Government as mandated under Proclamation No. 50 as amended. The Philippine National Bank which is the main banking conduit of the National Government in the implementation of its programs, projects and activities in the countryside may soon be privatized. Inasmuch as the remaining financial institutions of the Government, i.e., DBP and the Land Bank, have no adequate branches or network nationwide, this provision may hamper the delivery of essential public services.

III. CHANGES/INCREASES IN CERTAIN ITEMS

I have noted that Congress has limited the number of Undersecretaries and Assistant Secretaries under each department to three (3) each except the Department of Education, Culture and Sports, Department of Public Works and Highways and Department of Health which were allowed four (4) each, the Department of Interior and Local Government which is allowed only two (2) Undersecretaries and three (3) Assistant Secretaries; and the Department of Environment and Natural Resources which is allowed three (3) Undersecretaries and two (2) Assistant Secretaries. Congress has likewise changed the amount of the corresponding appropriations for said positions. This amends the various reorganization acts of the different Executive Departments and the Administrative Code of 1987 (E.O. No. 292); and

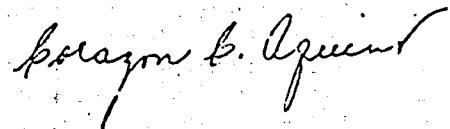
amendment of such laws is the proper subject of a separate legislation. This is indeed an "inappropriate provision."

I have not vetoed the aforementioned items for the reason that the veto would result in the elimination of the items and the loss of the whole appropriations to the prejudice of public service.

In addition, I have also noted with interest new programs and new features of the budget like the imposition of five percent appropriation reserves and the additional restrictions on the use of Government funds which were introduced by the Congress of the Philippines. The implementing details of these new features/programs shall be considered as proper concerns of the Executive Branch of the Government.

The Bill has become Republic Act No. 7078

Very truly yours,



THE HOUSE OF REPRESENTATIVES
Congress of the Philippines
Manila