

**PRESIDENT'S VETO
MESSAGE**

MALACAÑANG
MANILA

February 14, 1998

THE HONORABLE SPEAKER
LADIES AND GENTLEMEN OF
THE HOUSE OF REPRESENTATIVES

Today, I have signed into law House Bill No. 10095, the last general appropriations measure under my administration, as Republic Act No. 8522, 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 EIGHT, AND FOR OTHER PURPOSES", otherwise known as the General Appropriations Act for FY 1998.

I. GENERAL COMMENTS

For the last time, the Tenth Congress has fulfilled its sworn duty to enact the General Appropriations Act, the single most important measure that Congress is mandated to legislate annually.

As in the past five years, I note, with gratitude, that the House Committee on Appropriations and the Senate Committee on Finance, together with the leadership and members of the Tenth Congress, have exercised utmost diligence and care in crafting the law that will guide and support the operation of government and the implementation of its programs and projects for FY 1998.

II. ITEMS FOR DIRECT VETO

Pursuant to the powers vested in me by the Constitution, I am duty bound to directly veto the following items of appropriations, including special and general provisions, which I consider to be in contravention of the Constitution as well as of existing laws and policies:

A. DEBT SERVICE - INTEREST PAYMENT

Once again, I am vetoing entirely the appropriations under Chapter LII. Debt Service - Interest Payment, including its Special Provisions, found on pages 1275 to 1276 of the FY 1998 GAB, consistent with the decision of the Supreme Court in the cases of: (1) Philippine Constitution Association, et.al. vs. Salvador M. Enriquez, et.al. (G.R. No. 113105) and (2) Raul S. Roco, et. al. vs. The Executive Secretary, et. al. (G.R. No. 113174).

The Supreme Court under the aforementioned cases has categorically ruled that debt service expenditures, whether foreign or domestic, are automatically appropriated as they become due pursuant to R.A. No. 4860, the Foreign Borrowings Act, as amended, and to Section 31 of P.D. No. 1177 as reiterated under Section 26, Chapter 4, Book VI of E.O. No. 292, the Administrative Code of 1987. Hence, the inclusion of this appropriation, as well as of the special provisions thereof, in the General Appropriations Bill is inappropriate and unnecessary.

B. SPECIAL PROVISIONS**1. DEPARTMENT OF AGRICULTURE: Agricultural Credit Policy Council**

Special Provision No. 1, Revolving Fund (page 42, FY 1998 GAB)

The creation and operation of revolving funds, as in this case, should be expressly authorized by substantive law pursuant to Section 4 of the General Provisions of this Act, Section 66 of the Government Auditing Code of the Philippines and Section 45, Chapter 5, Book VI of E.O. No. 292. The General Appropriations Act is not the appropriate vehicle for the creation of a revolving fund. Moreover, the ACPC is a policy making body and not an implementing agency.

Accordingly, I hereby veto this special provision.

2. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES: Office of the Secretary

Special Provision No. 4, Fees from Issuance of Environmental Compliance Certificate (ECC) (page 456, FY 1998 GAB)

There are existing omnibus policies and guidelines on the payment of per diems to members of committees created by law or by presidential issuances, and on the establishment of provident funds. This special provision may be misconstrued as an investiture of a special authorization, or as an exception from the omnibus policy on the grant of per diems, as well as on the establishment of provident funds.

I, therefore, veto this special provision.

3. DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

3.1 Philippine National Police

Special Provision No. 6, Use of Savings (page 599, FY 1998 GAB)

I am vetoing this Special Provision for the reason that the prerogative to use savings in the Executive Branch is vested in the President of the Philippines under Section 25(5), Article VI of the Constitution. This Constitutional authority cannot be validly altered, transferred or amended by the provisions of the General Appropriations Act. Moreover, I intend to fully exercise this prerogative in the management of the funds of the Executive Branch of the national government, including those authorized for the Philippine National Police.

3.2 Bureau of Fire Protection

Special Provision No. 3, Reversion of Unused Appropriations for Purchase of Firetrucks (page 608, FY 1998 GAB)

This special provision is inconsistent with the legislative policy on the two-year validity of capital outlays appropriations which Congress itself enunciated under Section 62 of the General Provisions of this Act. Besides, this provision cannot validly amend, alter or modify Section 28, Chapter 4, Book VI of Executive Order No. 292, the Administrative Code of 1987, which provides that appropriations for capital outlays shall remain valid until fully spent or reverted pursuant to the procedures mandated by the Government Auditing Code of the Philippines.

I shall determine the need for reverting any unobligated or unutilized appropriations at the end of 1998 taking into consideration all necessary factors and the conditions prevailing at the time.

Hence, this direct veto.

4. DEPARTMENT OF TOURISM: Office of the Secretary

Special Provision No. 2, Support to LGUs with Identified Historical Site (page 885, FY 1998 GAB)

The Trust Liability Account of the Department of Tourism is sourced from its share in the income of the Duty Free Philippines, and is not included in the annual appropriations bill. Thus, the special provision does not relate to any specific appropriation under the DOT budget authorized in the GAB. This is, therefore, an inappropriate provision. Besides, the funding source of the Trust Liability is highly contingent in nature.

Hence, I am directly vetoing this provision.

5. BUDGETARY SUPPORT TO GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS: Special Provisions Applicable to All Government-Owned and/or Controlled Corporations

Special Provision No. 7, Reversion of Unreleased Appropriations for Budgetary Support to Government Corporations, (page 1178, FY 1998 GAB)

For the same reasons invoked in item B.3.2 of this Message with regards to Special Provision No. 3 of the Bureau of Fire Protection budget, I am vetoing this special provision. I view national government assistance to GOCCs in the same light as other appropriations in the GAB and, therefore, they shall be treated similarly as other items of appropriations.

C. GENERAL PROVISIONS

1. **Sec. 13. National Internal Revenue Taxes, and Import Duties of National and Local Government Agencies as well as Government-Owned And/Or Controlled Corporations,**

Including Armed Forces of the Philippines Commissary Exchange Service (AFPCES) and Philippine National Police Storage Store System (PNPSSS) (page 1499, FY 1998 GAB)

I am directly vetoing this Section consistent with the FY 1998 economy measures mandated under Administrative Order No. 372, s. 1997 and in the light of the provisions of Section 38, Chapter 5, Book VI of E.O. No. 292 which authorizes the President to suspend or otherwise stop further expenditure of funds. There is now a need to reflect the true value of government purchases to encourage economy and ensure full transparency in government operations.

2. Sec. 77. Capitalization or Deferment of Interest Payments and/or Restructuring of Public Debt (page 1509, FY 1998 GAB)

I deeply appreciate the collective concern of the Members of Congress in trying to ease the government's burden through the capitalization or deferment of interest payment and/or restructuring of the public debt. I will continue to consider and pursue measures towards the same objectives. However, I am constrained to directly veto this provision for reason that it does not relate to any particular item of appropriations in this Act.

III. ITEMS FOR CONDITIONAL IMPLEMENTATION

Apart from the directly vetoed items of appropriations, special and general provisions, I have observed the inclusion of items and special authorizations which, while spared from direct veto, need to be covered by appropriate guidelines to ensure that their implementation will remain consistent with existing national government policies.

Therefore, the implementation of the following items and provisions will be subject to the appropriate administrative guidelines to be formulated by the Executive Branch pursuant to Sections 1 and 17, Article VII of the Constitution; Section 35, Chapter 5, Book VI of E.O. No. 292; and, Sections 65 and 66 of the Government Auditing Code of the Philippines:

A. ALLOCATIONS TO LOCAL GOVERNMENT UNITS: SUBSISTENCE ALLOWANCE FOR BARANGAY HEALTH WORKERS (page 1229 FY 1998 GAB), including special provision.

Since the amount appropriated is grossly inadequate to cover the subsistence requirements of the health workers of approximately 42,000 barangays, I direct the Department of Health to devise measures that will maximize the utilization of the amount appropriated.

B. POLE-VAULTING STRATEGY FUND (pages 1267-1268, FY 1998 GAB), including special provisions.

I have noted that Congress specifically listed separate programs and projects to be funded from this Fund, the use of which I intend to support the "must do" projects and activities under the Pole-Vaulting Strategy Program of the government. There is a need, therefore, to modify the list of projects to ensure its consistency with the government pole-vaulting strategy. Thus, the implementation of the specific appropriation items, including the special provisions thereof, shall be made in accordance with guidelines prescribed under said program.

C. SPECIAL PROVISIONS

**1. DEPARTMENT OF EDUCATION, CULTURE AND SPORTS:
Office of the Secretary**

- 1.1 Special Provision No. 19, entitled "Pay Equalization of Elementary and Secondary School Principals" (page 79, FY 1998 GAB), authorizing the use of savings to upgrade the salary of elementary school principals to the level of the secondary school principals.

I recognize the merit of this pay adjustment proposal. However, the provision pertains to only one salary grade level of principal positions, i.e., those at salary grade 17 (SG 17), whereas the Index of Occupational Services (IOS) has four (4) salary grade levels, i.e., salary grades 16 to 19 (SG 16 to 19). There is, therefore, a need to cover all elementary school principal positions in the IOS.

- 1.2 Special Provision No. 23, entitled "Authority to Use Savings" (page 80, FY 1998 GAB), authorizing DECS to use savings to cover reimbursement of actual traveling expenses incurred by elementary school principals, secondary school principals and education supervisors at

rates not exceeding Five Hundred Pesos (P500) per month.

To ensure consistency with existing policies and guidelines on travel, there is a need to study and rationalize the implementation of this special provision.

2. DEPARTMENT OF HEALTH, Office of the Secretary, Special Provision No. 3, entitled "Authority to Undertake Bulk Purchases" (page 552, FY 1998 GAB), authorizing the DOH to undertake bulk procurement of drugs, medicines, medical and dental supplies, equipment and instruments, and to allocate and distribute the same to the regions, including the Autonomous Region in Muslim Mindanao.

The implementation of this special provision shall be subject to the appropriate allocation and distribution guidelines to be issued by the Department of Health.

3. DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, Office of the Secretary

- 3.1 Special Provision No. 8, entitled "Publication of the List of Infrastructure Projects" (page 784, FY 1998 GAB), on the direct submittal by Congress of the list of projects to the DBM.

While direct submittal of project listing to the DBM by Congress will speed up the publication of the project list, there is a need for DPWH to review said list to ensure consistency with the infrastructure program and avoid duplication and overlapping of projects.

- 3.2 Special Provision No. 10, entitled "Implementation of the Public Works Act" (page 784, FY 1998 GAB)

The authority to augment items of appropriations from savings in other items authorized in this Act for the Executive Branch of the government is vested solely in the President of the Philippines. I will exercise this authority in accordance with existing laws and regulations.

4. DEPARTMENT OF NATIONAL DEFENSE, Special Provisions Applicable to the AFP, Special Provision No. 7, entitled "Use of Savings" (page 739, FY 1998 GAB), authorizing the Chief of Staff, AFP, subject only to the approval of the Secretary of National Defense, to use savings.

As President and Commander-in-Chief of the Armed Forces of the Philippines, I shall continue to exercise my prerogative to use savings and authorize disbursement of the same. In appropriate cases, I shall authorize the Secretary of National Defense and the Chief of Staff, AFP, to use savings in accordance with existing guidelines.

5. OTHER EXECUTIVE OFFICES: Commission on Higher Education

- 5.1 Special Provision No. 1, entitled "Use of Savings for Scholarship" (page 1001, FY 1998 GAB), authorizing the Chairman of CHED to use savings as funding source for the educational benefits of barangay officials and their dependents.

Savings are not a stable funding source for multi-year educational benefits such as scholarships. Accordingly, this special provision needs to be reconciled with existing policies through the issuance of joint implementing rules and regulations between CHED and DBM.

- 5.2 Special Provision No. 5, entitled "Educational Benefits for Barangay Officials and their Dependents" (page 1001, FY 1998 GAB), which allocates an amount not exceeding P1 M for each state university/college (SUC) to cover the educational benefits of barangay officials and their dependents.

There is a need to issue implementing rules and regulations to prescribe the criteria for, among others, eligibility and admission under this educational privilege, at the same time ascertain the financial integrity of the SUCs.

6. NATIONAL HOUSING AUTHORITY

Special Provision No. 4, entitled "Allocation for Specific Projects" (page 1172, FY 1998 GAB); Special Provision No. 5, entitled "Implementation of Various Projects in Resettlement or Housing Areas" (page 1172, FY 1998 GAB).

The allocation and earmarking of funds by these special provisions for various specific projects shall be subject to the approved plans and programs of the National Housing Authority.

7. BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS, Southern Philippines Development Authority, Special Provision No. 1, entitled "Use and Release of Funds" (page 1174, FY 1998 GAB), directing the release of One Hundred Thirty Five Million Pesos (P135,000,000) to SPDA for projects endorsed by the Representatives of the Congressional Districts, local officials and the intended community group beneficiaries.

The endorsement process prescribed by this special provision will unduly hinder SPDA management in the selection of projects and the timing of their implementation. Accordingly, these funds shall be released and used in accordance with the approved program of the SPDA, in coordination with the Southern Philippines Council for Peace and Development.

8. MISCELLANEOUS PERSONNEL BENEFITS FUND, Special Provision No. 1, entitled "Use of the Fund" (page 1261, FY 1998 GAB), which among others, charges the additional cash gift of P2,000 for each barangay chairman against this Fund.

The amount appropriated under this Fund is intended, among others, to cover the increase in the cash gift for national government officials and employees. The cash gift for local officials including barangay chairmen, is more appropriately funded from other sources, including Internal Revenue Allotment shares.

9. ORGANIZATIONAL ADJUSTMENT FUND, Special Provision No. 1, entitled "Use and Release of the Fund" (page 1265, FY 1998 GAB), specifically on the additional operating

requirements of newly converted/upgraded/re-nationalized hospitals, retained hospitals and the Amaipakpak Medical Center.

The operationalization of this provision shall be made consistent with existing policies and procedures on conversion, upgrading, and re-nationalization of hospitals and medical centers.

10. POVERTY ALLEVIATION FUND, Special Provision No. 1, entitled "Specific Projects" (pages 1270-1273, FY 1998 GAB), which provides specific listings of projects for the PAF.

There is a need to adopt the consultative process previously started between the government and the basic sectors in the identification and determination of projects to be funded from this Fund pursuant to the guidelines set by the Social Reform Council. Hence, the list of projects shall be subject to prior evaluation, modification and confirmation of the Council.

11. UNPROGRAMMED FUND, Special Provision No. 12, entitled "Local Government Development Loan Fund" (page 1278, FY 1998 GAB), establishing a development loan fund to be funded from loan interest payments.

To ensure consistency with existing credit policies of the government, the operationalization of this Fund shall be subject to guidelines specifically issued for the purpose.

12. Special Provisions on "Engineering and Administrative Overhead."

12.1 DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, Office of the Secretary, Special Provision No. 11 (page 784, FY 1998 GAB)

12.2 COUNTRYWIDE DEVELOPMENT FUND, Special Provision No. 4 (page 1243, FY 1998 GAB)

12.3 DECS-SCHOOL BUILDING PROGRAM, Special Provision No. 4 (page 1245, FY 1998 GAB)

All the abovesited provisions uniformly increased the engineering and administrative overhead from 3.5%

to 4% of the total project cost. While I agree with the intent of these provisions, said increase will effectively reduce the appropriations for the projects. The overhead rate previously adopted shall, therefore, continue to be observed by the Executive Branch until such time that an adjustment becomes necessary.

D. GENERAL PROVISIONS

1. Sec. 59. Realignment/Relocation of Capital Outlays and Public Works Projects (page 1508, FY 1998 GAB).

The realignment/relocation of capital outlays and public works projects including those funded by the CDF and other funds in the GAB, is governed by existing laws, rules and regulations. Pursuant to said issuances, realignments/relocation under this Section shall be subject to review by the implementing agency concerned and shall be endorsed to the DBM for processing and approval.

2. Sec. 62. Availability of Appropriations (page 1509, FY 1998 GAB), specifically second paragraph thereof which prescribes a one-year effectivity of Notice of Cash Allocation from the time of issuance.

Such second paragraph is inconsistent with sound cash management and treasury operations, as well as standard accounting and auditing practices. The implementation of this provision will, therefore, be guided by the principles of sound financial management.

IV. GENERAL OBSERVATIONS

I have noted with interest the following provisions on organizational structure:

1. **Special Provisions Applicable to the Congress of the Philippines**

Special Provision No. 2, page 12, FY 1998 GAB on Organizational Structure of the Senate, the House of Representatives, the Senate and

House of Representatives Electoral Tribunals and the Commission on Appointments.

2. **Special Provisions Applicable to All Constitutional Offices Enjoying Fiscal Autonomy**

Special Provision No. 1, page 1137, FY 1998 GAB on Organizational Structure.

I have complete confidence in the heads of the offices and the institutions covered by the two (2) special provisions mentioned above, particularly on the aspect of compensation. I trust that they will faithfully observe the letter and spirit of the constitutional principle of salary standardization which Congress itself heralded as a state policy under R.A. No. 6758, the Compensation and Position Classification Act of 1989 and Joint Resolution No. 1, s. 1992 of Congress, as well as of R.A. No. 6686, as amended by R.A. No. 8441.

V. INCREASES/REDUCTIONS IN APPROPRIATIONS AND NEW BUDGETARY ITEMS

The budgetary realignments effected by Congress which resulted in the increase of the appropriations of certain offices, agencies or special purpose funds, or the additional allocation for programs or projects, or the provision of new items in the budgets of offices, agencies or special purpose funds shall be implemented subject to Executive approval pursuant to Section 25(5), Article VI of the Constitution, and in accordance with the provisions of Section 35, Chapter 5, Book VI of E.O. No. 292.

In particular, I note that P14.4 billion of new budgetary items have been incorporated in the GAB. In the light of the current economic and financial conditions and because public interest so requires, I am exercising my authority to suspend the expenditure of these budgetary items pursuant to Section 38, Chapter 5, Book VI of E.O. No. 292 so as to preserve and sustain the sound fiscal position of the government and ensure stable, long term growth. I will, however, monitor and review emerging conditions and decide on the disposition of these suspended budgetary items as may be appropriate.

VI. CLOSING STATEMENT

In closing, I would like to put on record my deepest gratitude to the leadership of both Houses of Congress, most specially to the House Committee on Appropriations and the Senate Finance Committee for the enactment of the General Appropriations Act for FY 1998. I am aware of the extreme difficulties encountered by Congress in the crafting of this, the last general appropriations measure under my Administration. Nonetheless, I am satisfied that, with the proper guidelines, this budget will carry out our goals towards an economically prosperous, socially responsible and politically stable Philippines in FY 1998.

In my final General Appropriations Veto Message to Congress, I am confident that this Administration and the Tenth Congress, together, have bestowed an enduring legacy to the Filipino people.

Very truly yours,



THE HOUSE OF REPRESENTATIVES
Congress of the Philippines
Manila

Copy Furnished:

The Honorable Senate President
Senate of the Philippines
Manila