

PRESIDENT'S VETO MESSAGE
FISCAL YEAR 2017



MALACAÑAN PALACE
MANILA

22 December 2016

**THE HONORABLE SPEAKER
LADIES AND GENTLEMEN OF
THE HOUSE OF REPRESENTATIVES**

Today marks an important milestone for our country as I sign into law the first financial blueprint of my Administration—Republic Act (R.A.) No. 10924, the General Appropriations Act (GAA) for Fiscal Year (FY) 2017, entitled “AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY ONE, TWO THOUSAND AND SEVENTEEN, AND FOR OTHER PURPOSES.”

I. GENERAL COMMENTS

Four months ago, my Administration submitted to Congress a budget aimed at bringing forth real change for our country and the people.

The swift and timely passage of the FY 2017 National Budget shows the unwavering support of the men and women of Congress to realize our people’s aspirations for a safe and better life. To this, I say thank you to all of you.

This Administration will work tirelessly to ensure that this Budget is faithfully executed, and its intended results significantly felt by its beneficiaries.

However, to ensure that, we have to follow certain policies on fiscal responsibility. Thus, I hereby express the following comments to the changes made in the Budget originally submitted:

II. DIRECT VETO

In keeping with the powers vested in me by the Constitution, I am compelled to directly veto the new special provisions which allow agencies to directly use their income. Under existing budgeting laws, rules and regulations, all income of agencies shall accrue to the General Fund of the National Government, unless authorized by a separate substantive law.

Consequently, all income constitute an integral and intrinsic part of the revenue and financing sources of the National Government previously submitted to the Congress. Hence, including new special provisions in this Act which authorize agencies to use their income will effectively reduce the financing sources of this year’s GAA and at the same time, unjustifiably increase the appropriations of these agencies.

In view thereof, I hereby veto the use of income referred under **Other Executive Offices (OEO)-Energy Regulatory Commission, Special Provision No. 1, “Use of Income”, Volume I-B, page 295, Commission on Elections, Special Provision No. 3, “Use of Income”, Volume I-B, page 497, and Department of Labor and Employment-Professional**

Regulatory Commission, Special Provision No. 1, "Use of Income", Volume I-A, page 1319, which will be used by these agencies to augment their operating requirements.

Likewise, there is no separate substantive law for the earmarking of proceeds from tariff on rice importation by the Department of Agriculture (DA) as stated under **DA-Office of the Secretary (OSEC), Special Provision No. 13, "Proceeds from Tariff on Rice Importation", Volume I-A, page 90**, and the use of collections from immigration fees by the Bureau of Immigration (BI) under **Department of Justice (DOJ)-BI, Special Provision No. 2, "Collection from Immigration Fees", Volume I-A, page 1252**. Allowing these agencies to set aside and earmark said proceeds and collections will, in effect, result to double programming and increase our expenditure program without the corresponding revenue sources.

I am also constrained to directly veto the use of express lane charges collected by the BI under **DOJ-BI, Special Provision No. 3, "Express Lane Charges", Volume I-A, page 1252** for payment of salaries of casual and contractual personnel, confidential agents and job employees, augmentation of salaries of personnel who render services beyond office hours, and payment of health insurance premium. It is important to note that said agency have been provided appropriations for overtime pay for FY 2017 and that, a total of seven hundred (700) positions have been created to address the issue on shortage of personnel of the agency. Without a separate substantive law as legal basis, the collected fees from the express lane charges should now be deposited as income of the General Fund.

III. **CONDITIONAL IMPLEMENTATION**

As your duly elected President, I must ensure the faithful execution of the provisions of this GAA. Thus, I subject the implementation of the following provisions to certain conditions in order to ensure consistency with existing laws, policies, and rules and regulations.

A. **AVAILABILITY OF APPROPRIATIONS**

True to my commitment to provide genuine and meaningful change, I am placing **Section 60, General Provisions, "Availability of Appropriations", Volume I-B, pages 646-647** under conditional implementation and hereby direct all agency heads to ensure obligation of all programs, activities and projects funded under this Act not later than December 31, 2017. Failure to do so might have a devastating effect. This promotes not only good fiscal policy but more importantly, guarantees that public services are given to the people the soonest possible time.

B. **FREE TUITION FEES FOR UNDERGRADUATE COURSES AND TUITION FEE SUBSIDY FOR DOCTOR OF MEDICINE PROGRAM**

No less than the Constitution mandates that the State shall uphold the right of all citizens to quality education at all levels. For this reason, I welcome the initiative of Congress to provide free tuition fee to all students of State University and Colleges (SUCs) starting the first semester of School Year 2017-2018 under **SUCs, Special Provision(s) Applicable to the SUCs, Special Provision No. 1, "Tuition Fees and School Charges", Volume I-A, page 963** and the provision of Eight Billion Pesos (P8,000,000,000) for the Higher Education Support Fund under **OEO-Commission on Higher Education (CHED), Special Provision No. 2, "Higher Education Support Fund", Volume I-B, page 272**. Likewise laudable is the provision of tuition fee subsidy to medical students enrolled in SUCs offering doctor of medicine program under

SUCs, Special Provision(s) Applicable to the SUCs, Special Provision No. 6, "Cash Grants to Medical Students", Volume I-A, page 964.

Yet as with all new programs, there is a need to safeguard the proper implementation of the provision of free tuition fee. It is important to underscore that we must still give priority to financially disadvantaged but academically able students. We must also acknowledge that the Constitution likewise provides that the right to choose a profession or course of study is still "subject to fair and equitable admission and academic requirements".

Accordingly, the CHED and the Department of Budget and Management (DBM) shall issue the necessary guidelines which shall include, among others, the standards and procedure for entitlement and availment of free tuition by students of SUCs as well as proper mechanism for the SUCs to tap the Higher Education Support Fund.

C. RATIONALIZATION OF SCHOLARSHIP PROGRAMS IN HIGHER EDUCATION

With the grant of free tuition for all students of undergraduate courses in SUCs and the provision of tuition fee subsidy to medical students of SUCs, there is a need to guarantee the efficient utilization of funds for, and rationalize, the existing scholarship program of the government especially those under **OEO-CHED, Special Provision No. 5, "Tulong Dunong Program", Volume I-B, page 272, SUCs, Special Provision(s) Applicable to the SUCs, Special Provision No. 5, "Tulong Dunong Program", Volume I-A, page 964** and **SUCs, Special Provision(s) Applicable to the SUCs, Special Provision No. 4, "Expanded Students' Grants-in-Aid Program for Poverty Alleviation", Volume I-A, pages 963-964.**

This is consistent with R.A. No. 10687 (*Unified Student Financial Assistance System for Tertiary Education [UniFAST] Act*) which mandates that the existing National Government programs for scholarships, grants-in-aid and student loans shall be unified and harmonized "to ensure that deserving Filipinos are given equitable access to educational opportunities".

In view of the foregoing, I hereby task the CHED and the DBM, in coordination with various stakeholders, to ensure that the existing programs are rationalized with the provision of the aforesaid free tuition fee and tuition fee subsidy, as well as the implementation of the UniFAST.

It is also worthy to mention that consistent with public financial management policies, all unreleased appropriations and unobligated allotments authorized in this Act including those covered by the abovementioned special provisions shall revert to the General Fund at the end of the validity of appropriations, and shall be available for expenditure only upon subsequent legislative enactment.

D. SHARED FISCAL RESPONSIBILITY

Similarly, I hereby place **Congress of the Philippines, Special Provisions Applicable to the Congress of the Philippines, Special Provision No. 6, "Availability of Appropriations and Cash Allocations", Volume I-A, page 15** and **Commission on Audit (COA), Special Provision No. 3, "Availability of Appropriations and Cash Allocations", Volume I-B, page 483** under conditional implementation. This policy of ensuring that at the end of validity of appropriations, all appropriations are reverted to the General Fund is not only based upon prudent fiscal management, but also rooted in no less than the Constitution which provides that "*no money shall be paid out of the Treasury except in pursuance of an appropriations made by law.*"

I call upon our dear colleagues in Congress and COA to join the Executive to champion shared fiscal responsibility. To reiterate, all unreleased appropriations and unobligated allotments authorized in this Act shall revert back to the General Fund at the end of the validity of appropriations and shall be available for expenditure only upon subsequent legislative enactment.

E. RICE SUBSIDY FOR MILITARY AND UNIFORMED PERSONNEL

The provision of rice subsidy under the following special provisions for our military and uniformed personnel is a recognition of their diligent efforts and support to our fight against criminality, illegal drugs and corruption:

1. **Department of Interior and Local Government (DILG)-Bureau of Fire Protection, Special Provision No. 5, "Rice Subsidy", Volume I-A, page 1198;**
2. **DILG-Bureau of Jail Management and Penology, Special Provision No. 5, "Rice Subsidy", Volume I-A, page 1203;**
3. **DILG-Philippine National Police, Special Provision No. 8, "Rice Subsidy", Volume I-A, page 1223;**
4. **Department of National Defense (DND)-Armed Forces of the Philippines (AFP), Philippine Army (Land Forces), Special Provision No. 5, "Rice Subsidy", Volume I-A, page 1340;**
5. **DND-AFP, Philippine Air Force (Air Forces), Special Provision No. 4, "Rice Subsidy", Volume I-A, page 1345;**
6. **DND-AFP, Philippine Navy (Naval Forces), Special Provision No. 4, "Rice Subsidy", Volume I-A, page 1349; and**
7. **DND-AFP, General Headquarters, Special Provision No. 9, "Rice Subsidy", Volume I-A, page 1354.**

The DILG and DND are, therefore, directed to ensure that this grant, chargeable against the agency's maintenance and other operating expenses, is received by our military and uniformed personnel in a timely and efficient manner.

F. CLIMATE CHANGE RESILIENCE OF HEALTH FACILITIES AND EVACUATION CENTERS

I want to commend the initiative of Congress in considering the great distress brought by the wraths of typhoons, earthquakes and other calamities we encountered as a country in establishing health facilities and evacuation centers under **Department of Health (DOH)-OSEC, Special Provision No. 6, "Disaster and Climate Change Resilience of Health Facilities", Volume I-A, page 1132, DILG-OSEC, Special Provision No. 9, "Evacuation Centers", Volume I-A, page 1189 and Department of Public Works and Highways (DPWH)-OSEC, Special Provision No. 17, "Evacuation Centers", Volume I-A, page 1365.**

In support of this directive, the DOH, DILG and DPWH should observe the standards set forth under the National Structure Code of the Philippines pursuant to Presidential Decree (P.D.) No. 1096 (*The National Building Code of the Philippines*). In addition, the DPWH, in consultation with the Civil Engineering Board and other stakeholders, should ensure that the standards prescribed in the National Structure Code is always up to date by taking into consideration the strength and coverage of possible calamities in the future.

G. REHABILITATION AND RECONSTRUCTION FUND

The National Disaster Risk Reduction and Management Fund (NDRRMF) established under R.A. No. 10121 (*The Philippine Disaster Risk Reduction and Management Act of 2010*) is intended to cover relief and rehabilitation projects in connection with disasters, calamities, epidemics, crises and catastrophes, which occurred in the current year or the two (2) preceding years. The provision of One Billion Pesos (P1,000,000,000) under **NDRRMF, Special Provision No. 3, "Rehabilitation and Reconstruction Fund", Volume I-B, page 614** for rehabilitation and reconstruction program not covered by the regular NDRRMF fund under Special Provision No. 1 thereof would therefore mean rehabilitation and reconstruction projects in connection with calamities which occurred beyond the two (2) preceding years. Proper planning presupposes that affected agencies already included such projects in their regular budget. For this reason, I hereby place said special provision to the condition that agencies must first tap available funds from their regular budget before requesting for the use of the Rehabilitation and Reconstruction Fund.

H. NATIONAL LOSS AND DAMAGE REGISTRY

I find the establishment of the National Loss and Damage Registry under **DND-Office of the Civil Defense (OCD), Special Provision No. 1, "Establishment of the National Loss and Damage Registry", Volume I-A, page 1331** consistent with the mandate of the OCD under R.A. No. 10121 to administer "a comprehensive national civil defense and disaster risk reduction and management program by providing leadership in the continuous development of strategic and systematic approaches as well as measures to reduce the vulnerabilities and risks to hazards and manage the consequences of disasters". However, the appropriations provided for the OCD in FY 2017 does not cover budget for the same. For this reason, I direct the OCD to use its available funds to preliminary train and capacitate existing employees with knowledge and skills required to perform the functions of the proposed registry subject to existing budgeting, accounting and auditing laws, rules and regulations.

I. ENERGY EFFICIENCY

Section 36, General Provisions, "Energy Efficiency", Volume I-B, page 641 mandates that ten percent (10%) of the service vehicle fleet of all agencies shall use more energy efficient and environment-friendly alternative fuel vehicles. As I join the promotion of the conservation of energy, agencies would need to be properly equipped with the necessary knowledge and skills on how to implement this provision. I hereby task the Department of Energy to promulgate the necessary rules for the proper implementation of this provision.

J. JUDICIOUS USE AND RELEASE OF PUBLIC FUNDS

1. Pension and Gratuity Fund

In due recognition of the patriotic contributions of our war veterans, the Philippine Veterans Affairs Office, in coordination with the DND and DBM, shall ensure that the guidelines on the payment of total administrative disability (TAD) benefits under **Pension and Gratuity Fund, Special Provision No. 1, "Pension and Gratuity Fund", Volume I-B, page 617** will take into consideration, among others, the existing pension package in determining the allocation of TAD benefits among war veterans.

2. Quick Response Fund

To ensure consistency with the intended use and purpose of Quick Response Fund (QRF) under R.A. No. 10121, I hereby place **NDRRMF, Special Provision No. 2, "Quick Response Fund", Volume I-B, pages 613-614** under conditional implementation to emphasize that the QRF is a stand-by fund to be used in order that the situation and living conditions of people in communities or areas stricken by calamities, epidemics, crises and catastrophes may be normalized as quickly as possible.

3. Assistance to Indigent Patients in Local Government Unit Hospitals

For the immediate release and proper utilization of funds for assistance to indigent patients in local government unit hospitals as espoused under **DOH-OSEC, Special Provision No. 15, "Allocation to LGU Hospitals", Volume I-A, page 1133**, the DOH is hereby directed to implement this provision in accordance with existing budgeting, accounting and auditing rules and regulations.

4. Official Trainings

Section 17, General Provisions, "Use of Government Funds", Volume I-B, page 638 provides that government funds may be used for payment of foreign travel expenses of any government official and employee for training, seminar or conference abroad when the foreign mission cannot effectively represent our country or travels necessitated by authorized international commitments, in accordance with Executive Order (E.O.) Nos. 248 and 248-A, s. 1995 as amended by E.O. No. 298, s. 2004 (*Prescribing Rules and Regulations and New Rates of Allowances for Official Local and Foreign Travels of Government Personnel*), and other guidelines issued thereon. To further ensure that government funds are prudently utilized, I hereby direct all agency heads to ensure that government officials or employees who will attend the said foreign trainings, seminars or conferences will utilize the knowledge learned for the benefit of the government and shall not be used as bonuses for those who will soon retire from government service.

5. Assistance to Disadvantaged Municipalities

The provision for Assistance to Disadvantaged Municipalities under **Allocations to Local Government Units-Local Government Support Fund, Special Provision No. 2, "Assistance to Disadvantaged Municipalities" Volume I-B, Page 601** seeks to equally assist all municipalities in having access to basic facilities. With this end view in mind, I hereby task the DILG and the DBM, in coordination with duly accredited civil society organizations (CSOs) and people's organizations, to issue guidelines to ensure proper implementation of the provision.

6. Authority to Hire Consultants

In recognition of the role of the Office of the Solicitor General (OSG) as the legal representative of the government and the Constitutional authority of the COA to prevent unnecessary expenses, the implementation of **Office of the Ombudsman, Special Provision No. 5, "Authority to Hire Consultants", Volume I-B, page 505** in the hiring of consultants to assist in the investigation and prosecution of cases shall adhere to the

mandates of the OSG and COA and should, therefore, require their written conformity and consent.

K. PROPER RECORDING OF FUNDS

I wish to emphasize that allowing the Bureau of Quarantine and International Health Surveillance (BQIHS) under **DOH-OSEC, Special Provision No. 3, "Fees and Charges of the Bureau of Quarantine and International Health Surveillance", Volume I-A, page 1132** to deposit the income it generated in an authorized government depository bank as trust fund account will run counter with P.D. No. 1234 (*Instituting A Procedure For The Management Of Special And Fiduciary Funds Earmarked Or Administered by Agencies*) which provides that all income and collections for special and fiduciary funds authorized by law shall be remitted to the National Treasury and treated as Special Account in the General Fund (SAGF). Thus, I hereby place the above special provision under conditional implementation to emphasize that the income generated by BQIHS shall continue to be treated as SAGF consistent with P.D. No. 1234, as well as the policy on Treasury Single Account where collections of agencies shall be maintained with the National Treasury.

IV. GENERAL OBSERVATION

A. ORGANIZATIONAL STRUCTURE

As my administration strives to reform and promote prudent fiscal policies, I want all public servants to be reminded that we are accountable to the public. Likewise, I bestow the same trust and confidence to the Congress and COA in implementing **Congress of the Philippines, Special Provisions Applicable to the Congress of the Philippines, Special Provision No. 2, "Organizational Structure of the Senate, the House of Representatives, the Senate and House of Representatives Electoral Tribunals and the Commission on Appointments", Volume I-A, page 15** and **COA, Special Provision No. 1, "Organizational Structure", Volume I-B, page 483**. The said agencies must be mindful of the mandated salary standardization laws and other rules appurtenant thereto. In addition, the prohibition on payment of additional compensation under Section 8, Article IX-B of the Constitution must be strictly enforced, including the existing rules on the creation of new positions and other modification or adjustments in the Personnel Services in their Organizational and Staffing Structure.

B. PARTNERSHIP WITH CIVIL SOCIETY ORGANIZATIONS

Section 65, General Provisions, "Fund Transfers to Civil Society Organizations", Volume I-B, pages 647-648 provides that the CSOs should be selected by the government agencies in accordance with applicable rules and regulations. This should be understood to mean that any related procurement of goods, infrastructure projects and consulting services in the engagement of CSOs as implementing partners must comply with the provisions of R.A. No. 9184 (*Government Procurement Reform Act*), its Implementing Rules and Regulations and Government Procurement Policy Board guidelines.

C. REPORTING REQUIREMENTS

In the implementation of **DOJ-OSG, Special Provision No. 1, "Income from Collections of the Office of the Solicitor General", Volume I-A, page 1264** and **DOJ-OSG, Special Provision No. 2, "Operational Requirements of the Special Committee on Naturalization", Volume I-A, page 1264**, the OSG must observe the submission of quarterly reports on financial

and physical accomplishments under Section 97, General Provisions of this Act. May I likewise expressly note that Section 12 of R.A. No. 9417 (*An Act To Strengthen the Office of the Solicitor General by Expanding and Streamlining Its Bureaucracy*) mandated the integration of the special allowance given to the Solicitor General, Assistant Solicitor General, Senior State Solicitor, State Solicitors I and II, and Associate Solicitors I to III with their salaries, upon the full implementation of R.A. No. 6758 (*Compensation and Position Classification Act of 1989*), as amended by Congress Joint Resolution No. 4, s. 2009 (*Joint Resolution Authorizing the President of the Philippines to Modify the Compensation and Position Classification System of Civilian Personnel and the Base Pay Schedule of Military and Uniformed Personnel in the Government*).

V. INCREASES OF APPROPRIATIONS AND NEW BUDGETARY ITEMS

I likewise noticed that there are increases in appropriations and new budgetary items introduced by Congress. For the prudent observance of responsible fiscal management, these shall be subject to the National Government's cash programming and prudent observance of responsible fiscal management, and to applicable rules and procedures during budget implementation in accordance with the requirements of Section 35, Chapter V, Book VI of E.O. No. 292, s. 1987 (*Administrative Code of 1987*).

Moreover, all increases in appropriations and new budgetary items should carry with them corresponding increases in the respective outputs and improved outcomes of the agencies concerned.

VI. SEPARATION OF POWERS

To bolster our drive against corruption, we must ensure the continuous separation of powers. It has long been established that it is the Executive branch which is responsible in the enforcement and implementation of laws. Accordingly, I hereby direct all agency heads to exercise political will and avoid any trace of influence from other branches of government in the implementation of programs, activities and projects.

VII. CLOSING STATEMENTS

This Budget will start to give flesh and bone to my promise of real change. Anchored on my Administration's 10-Point Socio-economic Agenda, it is designed to bring equitable opportunities for inclusive growth.

To lay the foundation for sustainable progress, we are vigorously fighting criminality. Peace and Order will set the foundation for the economic growth of our country.

We have enhanced government policies and processes to improve the business climate to attract more investments and create livelihood opportunities. This is coupled by heavy investments in infrastructure. We need to make sure that government programs and projects, especially infrastructure projects, are implemented without delay. We have, therefore, simplified procurement processes and made construction work for major public infrastructure projects in urban centers at 24/7.

The era of budget credibility has also started. Unlike in the past where the budget was vulnerable and open to abuse, this 2017 Budget ensures that spending will be kept within the boundaries of the law. What you see in the GAA, is what the government will spend.

As we are poised to implement the 2017 National Budget on the first working day of 2017, I call on my fellow public servants to extend their more than 100 percent commitment in making this Budget a tool for genuine change.

Together, let us bring back peace and prosperity to this nation.

Thank you!

The image shows a handwritten signature in black ink, which appears to be "Rodrigo Duterte". To the right of the signature is the official seal of the President of the Philippines. The seal is circular and features a central sunburst design with a sword and a scroll. The text "SANGKATANG PANGKALAKARAN" is written around the top inner edge of the seal, and "1987" is at the bottom.