

**FISCAL YEAR 2018
PRESIDENT'S VETO MESSAGE**



MALACAÑAN PALACE
MANILA

DEC 19 2017

**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 (RA) No. 10964, the General Appropriations Act (GAA) for Fiscal Year (FY) 2018, 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 EIGHTEEN, AND FOR OTHER PURPOSES."

As I carry out the duties and responsibilities entrusted to me by the Filipino people, this FY 2018 Budget, the second under this Administration, will be the means to ensure that the reforms needed to move us forward will come to fruition. With this instrument, we are assured of genuine and lasting change—the dynamic transformation that will finally get our country and people on the path to prosperity.

Armed with a P3.767 trillion expenditure plan, this Administration aims to further strengthen the foundation for the *matatag, maginhawa at panatag na buhay* that Filipinos aspire for. We are confident that through a responsible and disciplined implementation of this financial plan, we can fulfill our commitment to bring about the change that our people have long sought for – by reducing inequality, enhancing the social fabric, increasing our growth potential, providing an enabling and supportive environment, and maintaining the groundwork for sustainable development. Together, we can turn this aspiration into reality.

Sa Administrasyong ito, sama-sama tayo sa kaunlaran. Walang iwanan!

I. GENERAL COMMENTS

To give ample time for Congress to scrutinize the 2018 Budget, I submitted the then proposed Budget to Congress on the same day that I delivered my second State of the Nation Address. It was one of the earliest submissions in Philippine history.

The passage of the 2018 Budget six days before Christmas is an indication of the appreciation by the ladies and gentlemen of Congress of the urgency that characterized our action, and their willingness to support it because it is for the good of the people we serve. Within the season of thanksgiving and hope, this will be our gift to the Filipino people. And one they rightfully deserve, for the trust they have given us.

Nagpapasalamat ako sa Kongreso at hindi tayo binigo. Indeed, the Members of Congress are our partners in our journey towards a more prosperous future.

Powered by a sound financing program and carefully crafted priorities, the 2018 Budget will not only foster the golden age of infrastructure and secure peace and order, but also accelerate human capital development for sustained and inclusive growth.

We are all the more certain of this because of the timely passage of the Tax Reform for Acceleration and Inclusion Act, which can further guarantee the smooth execution of the Budget.

Consistent with the foregoing aspirations, I hereby exercise my constitutional duty and register the following veto actions in this year's GAA:

II. ITEMS FOR DIRECT VETO

Under my Administration, attempts to circumvent the Constitution will never be countenanced. By constitutional fiat, specifically Section 25 (2), Article VI of the 1987 Constitution, provisions embraced in this Budget which do not relate to some particular appropriation and are introduced herein with the purpose of amending existing laws and rules have no place in the general appropriations bill. These 'rider' provisions must accordingly be subject to direct veto.

Thus, I am constrained to veto the grant of monitoring expenses in **Other Executive Offices (OEOs)-Movie and Television Review and Classification Board (MTRCB), Special Provision No. 2, "Monitoring Expenses of Board Members," Volume I-B, page 252.** Under the Salary Standardization Law and its implementing rules, board members are already authorized to receive honoraria or per diems in the performance of their official functions. Other necessary expenses incurred in the conduct of monitoring and evaluation by the MTRCB may be allowed, subject to budgeting, accounting, and auditing laws, rules and regulations.

Similarly, **General Provisions, Section 87, "Collection of Fees in Relation to the Retention or Reacquisition of Philippine Citizenship," Volume I-B, page 637,** which prohibits the imposition and collections of fees and **Department of Education (DepEd)-Office of the Secretary (OSEC), Special Provision No. 14, "Use of School Maintenance and Other Operating Expenses for Payment of Items That May Be Classified as Capital Outlay," Volume I-A, page 189,** which authorizes the DepEd to use appropriations for Maintenance and Other Operating Requirements (MOOE) for its Capital Outlay requirements, are hereby directly vetoed.

Agencies of the government cannot be deprived of their inherent authority to assess reasonable fees in the provision of services. In fact, Section 54, Chapter 12, Book IV of Executive Order (EO) No. 292, s. 1987 empowers the heads of agencies to

update their rates of fees and charges to recover the costs of rendered services. On the other hand, agencies ought to spend what is programmed in their appropriations and any modification shall first comply with the requirements provided under the General Provisions in this Act.

Indeed, the laws and rules I referred to cannot be simply changed by the inclusion of the vetoed special provisions. Their amendments are matters of general legislation which can be properly dealt with in a separate substantive law.

I am likewise duty-bound to veto the use of income provided in **OEOs-Energy Regulatory Commission (ERC), Special Provision No. 1, "Use of Income," Volume I-B, page 225**, to augment the operational requirements of the ERC. Apart from being a rider, the sources of income enumerated have already been included in the Non-Tax Revenue Program for FY 2018, thereby resulting in double programming for the said income sources. The ERC should instead make efficient use of its budget and automatic appropriations in the amount of P413.60 M.

III. **CONDITIONAL IMPLEMENTATION**

Pursuant to Sections 1 and 17, Article VII of the Constitution, there are provisions in this Budget whose implementation ought to be subjected to certain conditions to ensure the consistent and faithful execution of existing laws, policies, and rules and regulations.

A. **Double Programming of Funding Sources**

The use of income that is already part of the funding sources for the implementation of this Budget amounts to double programming which effectively reduces the revenue sources of this year's Budget law and unjustifiably increases the appropriations of these agencies, which are already provided for in this Act. This justifies the conditional implementation of the use of income and collections under **Department of Science and Technology (DOST)-OSEC, Special Provision No. 1, "Use of Income," Volume I-A, page 1364** and **OEOs-Dangerous Drugs Board (DDB), Special Provision No. 1, "Collections for Drug Rehabilitation Activities," Volume I-B, page 222** even if the same are authorized under existing laws. The creation of a revolving fund for the Research and Development Institutes of the DOST and the use of collections by the DDB are therefore subject to generation of income and collections in excess of those forming part of the revenue sources programmed for the FY 2018 GAA.

B. **The GAA as the Allotment Order**

A transformational Budget is an enabler of reforms; one that puts to fruition our developmental goals with the timely implementation of programs and projects in the GAA. With the adoption of the GAA as the allotment order, agencies need not line up for the issuance of an allotment order for the release

of appropriations, except those identified by the Department of Budget and Management (DBM) as requiring compliance with conditions or submission of requirements prior to the release of allotment. Accordingly, this cannot be considered as a deferral of appropriations contemplated under **General Provisions, Sections 62 and 63, "Meaning of Impoundment" and "Impoundment of Appropriations," respectively, Volume I-B, pages 632-633.** Deferral of appropriations under these provisions thus pertains only to instances not covered by Section 3 of the General Provisions in this Act.

C. Efficient Use of Appropriations

Our continued advocacy for genuine and meaningful change is hinged primarily on our commitment to responsible fiscal and budgeting policies which Congress has resoundingly espoused with the adoption of the one-year validity of appropriations under Section 59 of the General Provisions in this Act. This responsibility ought to be imposed on all agencies of the government, including government-owned or -controlled corporations (GOCCs), which explains why I am placing **Budgetary Support to Government Corporations (BSGC)-Others, Special Provision No. 11, "Availability of Subsidy to GOCCs," page 565** under conditional implementation. Hence, all subsidy releases to GOCCs shall be utilized until December 31, 2018, and any unexpended balance shall revert to the unappropriated surplus of the General Fund in accordance with Section 28, Chapter 4, Book VI of EO No. 292.

In a similar vein, the financial independence of courts from local interference is made more certain with the direct provision of MOOE to all lower courts in the country. With this in mind, I hereby urge the Supreme Court to ensure the equitable allocation and immediate release of its MOOE as provided under **Judiciary, Special Provision No. 7, "Maintenance and Other Operating Expenses of Lower Courts," Volume I-B, page 422** to all lower courts. Indeed, the fair and efficient delivery of justice in the country is served well with a decentralized system, where the national government is able to directly release funds to lower courts.

The efficient use of appropriations entails as well that agencies implement those programmed in their budgets. Thus, the MOOE of elementary and secondary schools in the amount of Twenty-Two Billion Eight Hundred Eighty-Five Million Nine Hundred Sixty-Nine Thousand Pesos (P22,885,969,000.00) referred to in **DepEd-OSEC, Special Provision No. 14, "Use of School Maintenance and Other Operating Expenses (MOOE) for Payment of Items that may be Classified as Capital Outlay," Volume I-A, page 189** shall be used for the said purpose. Any modification, such as for the school's capital outlay requirements, may be made in justifiable circumstances, and upon compliance with the General Provision and pertinent rules in the modification of allotment.

Relatedly, the efficient use of funds equally calls for the judicious application of all available funding sources set aside for a similar purpose. A case in point is the appropriations in this Act for the payment of insurance coverage of government facilities embedded in the budgets of agencies, under the National Disaster Risk Reduction and Management Fund (NDRRMF), and the one authorized in the **Unprogrammed Appropriations, Special Provision No. 5, "General Fund Adjustment for Use of Excess Income," Volume I-B, page 607**. In the implementation of this provision, the DBM and the Bureau of the Treasury shall ensure that only those not yet covered in the budgets of agencies and by the NDRRMF, or deficiencies therein, may be funded under the Unprogrammed Appropriations.

Over the years, public-private partnership (PPP) programs have allowed the government to focus on other national priorities by involving the private sector in the financing of government projects where their expertise and competence best serve the national interest. The government in turn builds on the rudimentary requirements of PPP programs such as right-of-way acquisitions, engagement of independent consultants, and provision of cash subsidy through the PPP Strategic Support Fund under **Department of Public Works and Highways (DPWH)-OSEC, Special Provision No. 5, "Public-Private Partnership Infrastructure Projects," Volume I-A, page 1168**. Therefore, the use of this fund for feasibility studies should be read in conjunction with the Project Development and Monitoring Facility (PDMF) Fund, which properly covers all preparatory activities to the undertaking of PPP projects. In the interest of optimizing all available resources, funding for feasibility studies of PPP projects shall be sourced primarily from the PDMF Fund and secondarily from the PPP Strategic Support Fund.

Of similar import is the additional funding for the grant of tuition subsidy to medical students enrolled in State Universities and Colleges under **OEOs-Commission on Higher Education (CHED), Special Provision No. 8, "Cash Grant to Medical Students," Volume I-B, page 203**. I hereby task the CHED to ensure that the implementation of this cash grant to medical students is harmonized with the comparable Pre-service Scholarship Program of the Department of Health, which aims to provide scholarships to medical students who shall, upon qualification, provide their medical services in far-flung areas and underserved communities.

D. Protection to Government Employees

While I recognize the convenience afforded to government employees in authorizing agencies to deduct the amount of their contributions and obligations to financing institutions under **General Provisions, Section 48, "Authorized Deductions," Volume I-B, page 629**, their overall protection remains to be my primordial concern. Government agencies are not merely collecting agents for these institutions, but influential representatives of government employees availing of this salary deduction facility. Government agencies should, therefore,

leverage the facility given to these institutions to secure for government employees the most favorable terms possible for the protection of their rights and the promotion of their interest.

I take special note of the plight of our employees at the Bureau of Immigration, who constitute the first line of defense in securing our borders. Under the 2017 GAA, 936 additional positions have been created and the amount of P224.83 million has been allocated for overtime pay of immigration personnel. Sadly, their basic monthly pay, on which overtime rates are based, has remained extremely low in relation to the nature of work that they perform, thereby leading to a large number of resignations and causing prejudice to the efficient delivery of a front-line service.

Until the Congress has enacted a new Immigration Modernization Law in 2018 which will upgrade the compensation system in the Bureau of Immigration, I will allow the establishment of a trust fund to be constituted from the express lane fees and charges collected by the BI for the payment of salaries and overtime to employees of the BI under **Department of Justice (DOJ)-BI, Special Provision No. 1, "Immigration Fees and Collections," Volume I-A, page 1062**, subject to such guidelines as the Secretary of Justice, the Secretary of Budget and Management, and the Commission on Audit may promulgate.

E. Universal Health Insurance Coverage

The goal of universal health insurance coverage is well within our reach with the national government's continued provision for health insurance premium contributions to the Philippine Health Insurance Corporation (PhilHealth). With more reason that the release of the government support for the supplemental PhilHealth benefits under **BSGC-PhilHealth, Special Provision No. 3, "PhilHealth Supplemental Benefits," Volume I-B, page 511** be conditioned upon the full utilization of the amount of P3.5 B appropriated for the expanded PhilHealth benefits under the Miscellaneous Personnel Benefits Fund. The implementation of the above additional PhilHealth benefits should be harmonized in order to avoid the duplication of programs and beneficiaries that can only curtail the advancement of universal health insurance coverage in the country.

The same can be said of the **BSGC-PhilHealth, Special Provision No. 2, "Attainment of Universal Coverage," Volume I-B, page 511**, on the implementation of the National Health Insurance Program (NHIP). More importantly, the national government's budgetary support for the NHIP covers only the payment of insurance premium in accordance with Section 2 of RA No. 7875, as amended by RA No. 10606. Thus, no amount appropriated under this special provision may be used for the reimbursement of the actual cost of availing of health insurance, which is properly within the province and responsibility of PhilHealth as the insuring agent.

F. Funding Requirements of the Philippine Foreign Service

As Filipinos adapt to globalization, our government has remained steadfast in our commitment to foster and safeguard their interest by providing the familiar warmth and comfort of home through our foreign service posts. To ensure the uninterrupted delivery of services to Filipinos the world over, foreign service posts are authorized to maintain their own working fund from income collected abroad, subject to the appropriations authorized in this Act in compliance with the constitutional edict that "[n]o money shall be paid out of the Treasury except in pursuance of an appropriation made by law," Section 29 (1), Article VI of the Constitution. True to this requirement, the authority of foreign service posts to use the unutilized cash of their working fund under **Department of Foreign Affairs (DFA)-OSEC, Special Provision No. 1, "DFA Working Funds," Volume I-A, page 929** shall not exceed the appropriations authorized for the purpose and shall be subject to the cash disbursement ceiling imposed by the DBM, and any guidelines issued for the implementation of this provision shall recognize these limitations.

On the other hand, the efficient use of the Building Fund under the **DFA-OSEC, Special Provision No. 3, "Building Fund," Volume I-A, page 929**, requires the DFA to prioritize the acquisition and renovation of chanceries and residences, as well as consular offices of the Philippine Foreign Service that have been programmed for the year. Moreover, the use of the Building Fund for the lease of these facilities shall cover only countries with foreign ownership limitations and under terms and conditions that are beneficial to the Philippine government.

Correspondingly, lease agreements covering chanceries, residences, and consular offices under **DFA-OSEC, Special Provision No. 9, "Rentals of Philippine Chanceries, Consular Offices or Official Residences," Volume I-A, page 930**, shall comply with the requirements on the issuance of a multi-year obligational authority, the advance payment of rentals, and the provision of living quarters allowance, whenever applicable.

G. Compliance with Existing Laws, Policies, Rules and Regulations

Finally, the following provisions are equally placed under conditional implementation in order that the requirements of existing laws, policies, rules and regulations are consistently observed:

1. Approval of the Fiscal Incentives Review Board that the importations, grants and donations of the Philippine Coast Guard and the National Coast Watch Center under **Section 15, General Provisions, "National Internal Revenue Taxes and Import Duties," Volume I-B, page 624**, are considered as non-cash transactions qualified for tax subsidy status.

2. The approval of DBM with respect to the creation of positions in **DepEd-OSEC, Special Provision No. 11, "Creation of Teaching Positions, Recruitment and Appointment of School," Volume I-A, page 188**, and the grant of hazard duty pay under **DOJ-National Bureau of Investigation, Special Provision No. 2, "Hazard Duty Pay," Volume I-A, page 1068**.
3. The evaluation and recommendation of the Department of Information and Communications Technology and approval by the Medium-Term Information and Communications Technology Harmonization Initiative Steering Committee of the Digitization Program of the Philippine National Police (PNP) under **Department of the Interior and Local Government (DILG)-PNP, Special Provision No. 6, "Digitization Program of the Internal Affairs Service," Volume I-A, page 1030** and the Expansion of the Bulk and Break Bulk Enhancement Program of the Bureau of Customs (BOC) provided in **Department of Finance-BOC, Special Provision No. 6, "Expansion of the Bulk and Break Bulk Enhancement Program to Include Containerized Cargoes," Volume I-A, page 889**.
4. Compliance with the appropriate standards under the National Building Code, as amended, the Philippine Green Building Code, and the latest edition of the National Structural Code of the Philippines (NSCP) in the design and construction of government facilities in the implementation of **General Provisions, Section 36, "Disaster and Climate Change Resiliency of Government Facilities," Volume I-B, page 627**, **Department of Public Works and Highways (DPWH)-OSEC, Special Provision No. 20, "Evacuation Centers," Volume I-A, page 1169**, and **DILG-OSEC, Special Provision No. 7, "Evacuation Centers," Volume I-A, page 1000**.

Of particular importance is the added responsibility of the DPWH, in consultation with the Civil Engineering Board and other stakeholders, to continuously study, review and update the standards set under the NSCP to ensure that all infrastructure, buildings, and facilities in the country are designed and constructed with the latest technology, innovation and developments in the construction industry to adequately withstand and minimize the damages brought about by typhoons and other calamities.

Allow me to emphasize the role of the DILG, pursuant to its supervisory mandate over local government units (LGUs), to oversee the LGUs' observance of the foregoing standards and continued vigilance in mitigating the effects of calamities.

5. To limit the financial assistance to LGUs for the repair of bridges under **Allocation to LGUs-Local Government Support Fund, Special Provision No. 3, "Conditional Matching Grant to Provinces for Road Repair," Volume II-B, page 585**, to those that form part of the road network or within the station limits of the road project consistent with the Program's objective to elevate provincial roads to the same quality, status and performance as that of city roads.
6. To exclude other MOOE as an allowable Engineering and Administrative Overhead (EAO) expenses under **DPWH-OSEC Special Provision No. 13, "Engineering and Administrative Overhead Expenses," Volume I-A, Page 1168** and treat only those enumerated in items (i) to (vi) of the second paragraph of this provision as proper EAO expenses.

IV. GENERAL OBSERVATION

As in the previous year, I trust that 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** will be implemented in faithful observance of the constitutional mandate of salary standardization and prohibition on the grant of additional or double compensation to government personnel, as well as the existing policies and rules on the creation of new positions and other modifications or adjustments in their Organizational and Staffing Structure. I extend the same conviction in regard to the application of **Civil Service Commission, Special Provision No. 1, "Organizational Structure," Volume I-B, page 438**.

On the other hand, the release and disbursement of funds for the University of the Philippines System as provided in **State Universities and Colleges-University of the Philippines System, Special Provision No. 3, "Appropriations of the University of the Philippines System," Volume I-A, page 377** is understood to be made in accordance with pertinent budgeting, accounting, and auditing laws, policies, rules and regulations, as the provisions of RA No. 9500 do not divest relevant authorities of their power to consistently implement laws, policies, rules and regulations.

In conclusion, I affirm that the appropriations under **OEOs-National Commission on Muslim Filipinos (NCFM), Special Provision No. 2, "Appropriations for the NCFM Supervising Team in the Hajj," Volume I-B, page 287** relate to the administrative cost of the NCFM in providing support services for the annual pilgrimage of our Muslim brothers and sisters.

V. SHARED FISCAL RESPONSIBILITY

The grant of fiscal autonomy carries with it the guarantee of full flexibility to allocate and utilize government resources. More than this, it conveys a greater, almost altruistic sense of fiscal responsibility, one that demands freedom and autonomy to hold one's self publicly accountable for all government financial undertakings.

I hereby call on the heads of all the Constitutional Fiscal Autonomy Group (CFAG) to answer the clarion call for a shared fiscal responsibility. This is the overriding principle behind the *Budget Reform Bill* pending deliberations before the Congress. As your President, I ought to steel my mind and press upon this needed fiscal reform as one of the imperatives of growth and the promise of change that brought me to the helm of Government.

There is no better way to inculcate fiscal prudence and sound financial management than to adopt the one-year validity of appropriations in the FY 2018 Budget. Alongside this policy is the reversion of all unexpended balance of appropriations to the National Treasury by the end of FY 2018. Towards this end, I hereby direct the Executive Branch and strongly urge the CFAG to apply the reversion of all unexpended balances of appropriations in pursuit of genuine fiscal autonomy.

VI. INCREASES OF APPROPRIATIONS AND NEW BUDGETARY ITEMS

As a final point, there are a number of increases in the appropriations and new budgetary items introduced by the Congress in this Budget. In line with the principle of responsible financial management, these shall be subject to the submission of a Special Budget to the DBM under Section 35, Chapter V, Book VI of EO No. 292.

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

VII. CLOSING REMARKS

The FY 2018 Budget is the first full budget prepared by my Administration, from "inception to execution." And I am proud to share with you this document – with all its potential to reform and transform our country – as we move forward into another year in our journey to real and lasting positive change.

Over the past few months that we had been preparing this Budget, we made sure that every policy, program, and activity would address and respond to the most pressing needs of our people. This is because we recognize the importance of the people, of giving them enough opportunities to reach their fullest potential as we pursue development in which they are the key players.

As I have said before, "The budget is useless if Filipinos are not at the center of it."

At the core of this Budget is the spirit of reforming and transforming; that for every peso we spend, we help uplift the lives of our people, most especially the marginalized and those in the countryside.

As public servants, we always aim to give to our people what they rightfully deserve. And they deserve no less than these – the highest ideals which we aspire for and the best of our efforts in all that we do.

Let us all commit to continue to do this not just for the next year, but while we are here to fulfill the mandate bestowed upon us.

