

**FISCAL YEAR 2021
PRESIDENT'S VETO MESSAGE**



MALACAÑAN PALACE
MANILA

28 December 2020

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

By the power vested in me by the Constitution, I sign into law Republic Act (RA) No. **11518** the General Appropriations Act (GAA) for Fiscal Year (FY) 2021, 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 TWENTY-ONE, AND FOR OTHER PURPOSES."

One of the best descriptions of 2020 that I have come across is a simple quotation from a seemingly anonymous source.

"2020 is the year we did not get everything we want, but appreciated everything we have."

These words gain deeper significance on this occasion, which we hold in the closing days of the tumultuous year of 2020. For on this occasion, our signing into law of the GAA which you have approved, we catch the first glimmer of light in the midst of the chaos. It is a clear and present sign of hope – after the shadows and storms of 2020 – that will take us into a new day, a better, healthier, stronger tomorrow in 2021.

Certainly, it cannot be denied that we had made so much progress in our collective journey – as leaders accompanying our people – to the full attainment of the Filipinos' aspirations for a strongly-rooted, comfortable, and secure life. We saw that it could be done, and we had the mission and means, the will and the weapons, on hand to get there.

The vision of our Administration was clear, and we had our sights steady on it, inspired and encouraged by the Filipino people's trust and confidence in our agenda of change, inclusivity, and progress. Before the start of 2020, we projected the Gross Domestic Product (GDP) growth at 6.5 to 7.5 percent from 2020 to 2022 from 6.0 to 6.5 percent in 2019. Our path was set – a bright future, a more peaceful and progressive Philippines for all Filipinos.

We fought, we prayed, yet we were not spared

What neither we nor any other country or leader in the rest of the world did not foresee though, was the onslaught of an invisible enemy. We all came face to face with an infinitesimal yet insidious virus that crashed through borders and raged across continents, ravishing populations and economies like the world has never seen before.

We prepared and we fought. We prayed. Yet we were not spared.

The numbers have been and may continue to be staggering. We now project the country's GDP growth rate for this year at -8.5 to -9.5 percent. At the height of the community lockdowns

THE PRESIDENT OF THE PHILIPPINES

and quarantines during the 2nd quarter of this year, we recorded the steepest quarterly decline in our GDP growth since 1985 at -16.9 percent, and a record-high unemployment rate of 17.6 percent, or 7.2 million unemployed individuals, in April. The Philippine economy slid into recession.

It is not inaccurate to say, as my Administration has many times acknowledged, painfully yet honestly, that the Coronavirus Disease 2019 (COVID-19) has set us back. It has not merely blocked our path but has pushed us off the road in our otherwise sure and steady journey to progress and to a better life for our people.

But this is what we can and will give our people: the promise that the situation will improve and change as it has indeed started to. *Change for the better* will continue to be the hallmark of our service. The end of 2020 and the beginning of 2021 – a new year, a fresh start – can bring us back on track in the direction of a better future, a more resilient and sustainable one, and with this GAA, we move forward.

As I expressed in my address to the General Assembly of the United Nations at its 75th Session, “We are at a crossroads. How we address COVID-19 will define our future.” This too is the spirit behind the 2021 Budget.

Change, Creativity, and Innovation

In this time of pandemic, the proposed FY 2021 National Budget was a very difficult one to craft and submit given the uncertainties of resources, and the unfolding health crisis and bleak global growth environment. Its subsequent passage in record time, by the distinguished men and women of the Congress, is a momentous achievement for the Filipino people, its Government, its Legislature, and its partners from the civil society who, in one way or another, have contributed to its production and journey amidst all the challenges and limitations wrought by the COVID-19 crisis this year.

Running a government in this difficult time required change, creativity, and innovation in performing, continuing, and improving government functions in the past months and more so for the coming year. The dire situation compelled the entire government to be flexible and to adjust and adapt to changes, not only in terms of our capacity for e-governance to ensure the continued delivery of public goods and services to our people, but also in remaining and keeping on track with the country’s socioeconomic goals, albeit with recalibrated targets.

We remain steadfast to bounce back, primarily through the FY 2021 National Budget, amounting to PhP4.506 trillion. With this Budget, we will sustain our current efforts in addressing the impact of the pandemic, especially now with the promise of access to developed vaccines in sight, and accelerating economic recovery. We expect a bumpy road ahead but we will recover as one nation, and we will move forward and finish strongly.

I. GENERAL COMMENTS

The theme of the FY 2021 National Budget – “*Reset, Rebound, Recover: Investing for Resiliency and Sustainability*” banners the three-pronged and phased strategy of our Administration to “reset our momentum and action, rebound from the debilitating effects of the pandemic on the health and economy, and fully recover from the continuing impacts of the crisis.”

The timely passage of the FY 2021 Budget assures our people that the government is resolute and well-equipped to pursue programs and projects that are specifically tailored to the current situation, and those that are meant to continue our pursuit for a stronger and healthier Philippines.

II. DIRECT VETO

As part of my constitutional mandate to ensure that all laws are faithfully executed, I am duty bound to curb any attempt to impinge upon the Constitution and existing laws through items and provisions introduced in this Budget. Hence, provisions in this Act that do not relate to particular appropriations or those that would effectively amend the Constitution or existing laws will not be countenanced and are hereby subjected to direct veto. Such provisions are considered "riders" that are violative of Section 25 (2), Article VI of the Constitution, which prescribes that "[n]o provision or enactment shall be embraced in the general appropriations bill unless it relates specifically to some particular appropriation therein. Any such provision or enactment shall be limited in its operation to the appropriation to which it relates."

A. USE OF INCOME

As a general rule, all income of agencies shall accrue to the General Fund of the National Government, unless otherwise authorized by a separate substantive law. Correspondingly, said income shall form part of the revenue and financing sources that would fund the expenditure program of the government. Relatedly, it must be emphasized that the necessary operating requirements of agencies for the year have already been provided in this Act. Therefore, provisions allowing agencies to use their income without separate legal bases are not only considered as "riders," but will also have the effect of reducing the sources of financing of this year's Budget, while increasing the appropriations of the agencies beyond their approved expenditure levels.

Accordingly, I am constrained to veto the following special provisions authorizing the use of income:

- (1) **Department of Labor and Employment (DOLE)-Office of the Secretary (OSEC), Special Provision No. 2, "Alien Employment Permit," Volume I-A, page 1129;**
- (2) **DOLE-Philippine Overseas Employment Administration, Special Provision No. 1, "Use of Income," Volume I-A, page 1159;**
- (3) **Other Executive Offices (OEO)-Philippine Racing Commission, Special Provision No. 1, "Use of Income," Volume I-B, page 603; and**
- (4) **OEO-Optical Media Board, Special Provision No. 1, "Confidential Fund," Volume I-B, page 596.**

Similarly, I directly veto **Budgetary Support to Government Corporations (BSGC)-OEO-Subic Bay Metropolitan Authority, Special Provision No. 3, "Authority to Utilize Excess Dividends," Volume I-B, page 760**, since RA No. 7656 (An Act Requiring Government-Owned or -Controlled Corporations to Declare Dividends under Certain Conditions to the National Government) explicitly requires all government-owned or -controlled corporations (GOCCs) to declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock or

property dividends to the National Government, unless in the interest of national economy and general welfare, said percentage is adjusted by the President of the Philippines upon recommendation by the Secretary of Finance.

B. INAPPROPRIATE PROVISIONS

In view of Section 25 (5), Article VI of the Constitution, as well as existing laws, rules, and regulations on the use of savings, I veto **Department of Trade and Industry (DTI)-Technical Education and Skills Development Authority, Special Provision No. 8, "Use of Savings," Volume I-B, page 406**. The Constitution states that no law shall be passed authorizing any transfer of appropriations, except that for the executive branch, the President may be authorized by law to augment any item in the general appropriations law from savings in other items. Thus, the TESDA may not be granted authority to transfer appropriations on its own, with no need for Presidential approval.

I likewise veto **Department of Agrarian Reform-OSEC, Special Provision No. 2, "Condonation of Interests, Penalties and Surcharges," Volume I-A, page 27; DTI-OSEC, Special Provision No. 7, "Credit Mediation Services," Volume I-B, page 366; and Department of Transportation (DOTr)-OSEC, Special Provision No. 8, "Public Utility Vehicle Modernization Program," Volume I-B, page 417, and Department of Justice-PAO, Special Provision No. 1, "Forensic Laboratory Division," Volume I-A, page 1125** considering that such provisions do not relate to particular appropriations in the Budget. The doctrine of "inappropriate provision" enunciates, among others, that "when the legislature inserts inappropriate provisions in a general appropriation bill, such provisions must be treated as 'items' for purposes of the [Governor's] item veto power over general appropriation bills." The same doctrine further clarifies that "[l]egislative control cannot be exercised in such a manner as to encumber the general appropriation bill with veto-proof 'logrolling measures', special interest provisions which could not succeed if separately enacted, or 'riders', substantive pieces of legislation incorporated in a bill to insure passage without veto" (*Philippine Constitution Association vs. Enriquez*, G.R. No. 113105, 19 August 1994).

Further, I am duty bound to protect national security and maintain public safety, as well as ensure peace and order at all times. Hence, all activities involving intelligence gathering that have a direct impact on national security and public safety shall be reported directly to me. Accordingly, reports on the utilization of the intelligence funds shall be directly submitted to my Office. Consequently, I have to directly veto the **proviso "the Speaker of the House of Representatives and the President of the Senate of the Philippines" under Section 76, General Provisions, "Intelligence Funds," Volume I-B, pages 833-834**, which effectively requires the submission of quarterly reports on the use of intelligence funds to the Speaker of the House of Representatives and the President of the Senate of the Philippines.

Intelligence Funds cover programs, projects, and activities related to national security. In this regard, matters relating to national security are deemed confidential or classified information, which is one of the recognized exceptions to the right to information, consistent with Section 4 of Executive Order (EO) No. 2, s. 2016.

Indeed, this jurisdiction "recognizes the common law holding that there is a governmental privilege against public disclosure with respect to state secrets regarding military, diplomatic and other national security matters." [*Senate of the Philippines vs. Ermita*, G.R. No. 169777, 20 April 2006 citing *Chavez vs. PCGG*, 360 Phil. 133 (1998)].

C. STRICT IMPLEMENTATION OF CASH BUDGETING SYSTEM

In line with the adoption of the cash budgeting system beginning FY 2019, pursuant to EO No. 91, s. 2019, the National Budget Call for FY 2021 reiterated that the agencies belonging to the education sector shall submit budget proposals covering only those activities to be implemented within the Calendar Year (CY) 2021 (January to December 2021 only), and not the requirements for the whole Academic Year, considering that the GAA covers only the funding requirements for the particular year. Consequently, I am obliged to veto **Department of Education (DepEd)-OSEC, Special Provision No. 27, "Cash Budgeting System," Volume I-A, page 197**; and **OEO-Commission on Higher Education (CHED), Special Provision No. 7, "Cash Budgeting System," Volume I-B, page 541**, which exempts from and defers, respectively, the application of the cash budgeting system to programs, projects, and activities covered thereby.

III. CONDITIONAL IMPLEMENTATION

In order to uphold the judicious implementation of certain provisions in this Act, I hereby subject their implementation to specified conditions consistent with existing laws, policies, and rules and regulations.

A. EFFICIENT USE OF PUBLIC FUNDS

The implementation of the following provisions shall be subject to conditions to ensure the efficient use of public funds and avoid duplication of funding:

(1) Proscription Against Duplication of Funding

Inasmuch as sufficient funds for the requirements of the Dangerous Drugs Board (DDB) have already been provided in this Budget, the implementation of **OEO-DDB, Special Provision No. 1, "Collections for Drug Rehabilitation Activities," Volume I-B, page 553**, shall be conditioned upon the generation of collections in excess of those forming part of the revenue sources programmed to fund this Act.

Likewise, considering that the administrative requirements of the Department of Health (DOH), including those of cancer-related programs and activities, have already been provided in the regular agency budget, the implementation of **DOH-OSEC, Special Provision No. 14, "National Integrated Cancer Control Program," Volume I-A, page 966**, particularly on the use of the maximum one percent (1%) administrative cost, shall be subject to the guidelines to be issued by the DOH.

(2) Use of Revenues from Golf Course Operations of the Armed Forces of the Philippines (AFP) Hospitals

To ensure the optimum use of revenues from the operations of golf courses of the AFP hospitals, I direct the Department of Budget and Management (DBM), in coordination with the Department of National Defense (DND), to issue relevant guidelines for the following provisions:

- (a) **DND-General Headquarters, AFP and AFP-Wide Service Support Units (AFPWSSUs), Special Provision No. 1, "Hospital Income and Other Revenues from Golf Course Operations," Volume I-A, page 1210;**
- (b) **DND AFP-Philippine Air Force, Special Provision No. 1, "Hospital Income and Other Revenues from Golf Course Operations," Volume I-A, page 1201;**
- (c) **DND-AFP-Philippine Army, Special Provision No. 1, "Hospital Income and Other Revenues from Golf Course Operations," Volume I-A, page 1196-1197; and**
- (d) **DND-AFP-Philippine Navy, Special Provision No. 1, "Hospital Income and Other Revenues from Golf Course Operations," Volume I-A, page 1205.**

(3) Allocation for Maintenance and Other Operating Expenses (MOOE)

It is understood that the use of the MOOE appropriations under **Department of Social Welfare and Development (DSWD)-Inter-Country Adoption Board (ICAB), Special Provision No. 1, "Maintenance and Other Operating Expenses Requirements," Volume I-B, page 318**, shall be treated as advance release for the operating expenses of the ICAB consistent with the intent and purpose of RA No. 8043 (Inter-Country Adoption Act of 1995).

With regard to **The Judiciary-Supreme Court of the Philippines and the Lower Courts, Special Provision No. 7, "Maintenance and Other Operating Expenses of Lower Courts," Volume I-B, page 625**, the principle of financial independence of the Judiciary is further pronounced through the direct provision of MOOE funds to all lower courts. Therefore, I trust that the Supreme Court will ensure the equitable allocation and immediate release of the MOOE funds to its lower courts.

(4) Utilization of Infrastructure-related Expenses

With our continuing journey towards the "Golden Age of Infrastructure", the Department of Agriculture (DA) is now tasked to implement vital infrastructure projects for the benefit of the agricultural sector. The provision for Engineering and Administrative Overhead (EAO) expenses is aimed at promoting the timeliness and quality of the infrastructure projects. Nevertheless, to ensure proper fund utilization, **DA-OSEC, Special Provision No. 12, "Engineering and Administrative Overhead Expenses," Volume I-A, page 77**, shall be subject to the guidelines to be issued jointly by the DA and the DBM.

Further, in the implementation of **Department of Public Works and Highways (DPWH)-OSEC, Special Provision No. 20, "Pandemic Response Employment Generation Program," Volume I-B, page 4**, the DPWH is directed to issue guidelines in the hiring of skilled and unskilled manual labor for its infrastructure projects, to include rules to avoid double funding.

Considering that the infrastructure projects under the *Build, Build, Build* Program of the National Government under the Philippine Development Plan 2017-2022 on Accelerating Infrastructure Development cannot take off until the Right-of-Way (ROW) concerns are settled, I will allow the funding for Toll Regulatory Board projects under **DPWH-OSEC, Special Provision No. 3, "Toll Regulatory Board (TRB) Projects," Volume I-B, page 2**, subject to the pertinent DPWH guidelines.

On the other hand, the use of the funds authorized for EAO expenses for the acquisition of ROW under **DPWH-OSEC, Special Provision No. 15, "Project Related Expenses," Volume I-B, page 3**, shall be conditioned on the full exhaustion of the agency's lump sum appropriations for ROW expenses.

(5) Implementation of Financial Assistance to Local Government Units (LGUs)

The implementation of **Allocations to Local Government Units-Local Government Support Fund (ALGU-LGSF), Special Provision No. 1, "Assistance to Cities," Volume I-B, page 779**; and **ALGU-LGSF, Special Provision No. 3, "Financial Assistance to Local Government Units," Volume I-B, page 779**, shall be subject to the guidelines to be issued by the DBM. Further, in the implementation of the ALGU-LGSF Financial Assistance to LGUs, priority must be given to infrastructure projects consistent with the *Build, Build, Build* Program of the National Government.

Likewise, **ALGU-LGSF, Special Provision No. 4, "Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict," Volume I-B, page 779**, shall be implemented in accordance with the guidelines to be issued by the DBM, in coordination with the National Task Force to End Local Communist Armed Conflict.

The funds for the purpose shall be released to the LGUs identified in the special provision, provided that said LGUs are determined to be technically capable of implementing the projects covered thereby. In case a component barangay is not technically capable of implementing the project, the city/municipality, or in its default, the province, which has the technical capability shall undertake the project on behalf of the barangay. Where the city/municipality or province is technically incapable to do the same, the project may be undertaken by an appropriate national government agency, including, but not limited to, the AFP Engineer Brigade. The specific rules to implement these conditions shall be included in the guidelines to be issued by the DBM.

(6) Extent of Monitoring and Evaluation of Assistance to LGUs

Department of the Interior and Local Government (DILG)-OSEC, Special Provision No. 4, "Monitoring and Evaluation of Assistance to Local Government Units," Volume I-A, page 1026, shall cover the monitoring and evaluation of actual project implementation, including the documentary requirements to be submitted by the LGUs to be used for said monitoring and evaluation. On the other hand, it is understood that all aspects in the preparation and submission of documentary requirements by the LGUs concerned for purposes of requesting funds from the LGSF properly pertain to and shall be undertaken by the LGUs themselves.

(7) Implementation of Rice Subsidy

In general, the rice subsidy given under the *Pantawid Pamilyang Pilipino Program* is in the form of cash. In this regard, the implementation of the subsidy in kind, in the form of distribution of rice, as authorized under **DSWD-OSEC, Special Provision No. 2, "Rice Subsidy," Volume I-B, page 299**, shall be subject to the guidelines to be issued by the DSWD.

(8) Prompt Release and Utilization of National Disaster Risk Reduction and Management Fund (NDRRMF)

The government's actions to prepare for, reduce and manage risks of, and respond to disasters and calamities should be urgent and immediate. Thus, they are expected to be carried out within a particular year lest the dangers to lives and properties cannot be mitigated if not avoided. Hence, consistent with my commitment to the Filipino people that they will receive timely and prompt delivery of services, especially in times of disasters and calamities, I hereby subject **NDRRMF, Special Provision No. 4, "Availability of the National Disaster Risk Reduction and Management Fund," Volume I-B, page 793**, and the proviso "**National Disaster Risk Reduction and Management Fund for calamities, epidemics as declared by the DOH, crises resulting from armed conflicts, insurgency, terrorism, and other catastrophes occurring in 2021**" under **Section 62, General Provisions, "Cash Budgeting System," Volume I-B, pages 830-831**, to the strict condition that release of allotments from the NDRRMF, as well as the corresponding obligations, shall be made within the current fiscal year, consistent with EO No. 91, s. 2019, and subject to the other policies under Section 62, General Provisions of this Act.

B. OBSERVANCE OF EXISTING LAWS, POLICIES, RULES AND REGULATIONS

(1) Procurement-related Provisions

In these trying times of the COVID-19 pandemic, not to mention the other calamities and devastations faced by our country, it is more imperative that we get value for money in the implementation of government programs, projects and activities. Hence, even as I laud the intentions behind the provisions for domestic preference under **Section 18, General Provisions, "Strict Adherence to Procurement Laws, Rules and Regulations," Volume I-B, page 822**; the provision limiting modes of procurement under **Section 21, General Provisions, "Procurement of Critical Supplies," Volume I-B, page 822**; and **DTI-OSEC Special Provision No. 8, "Preference for Locally-Made and Locally Assembled Products," Volume I-B, page 366**, these provisions shall be subject to the existing procurement laws, rules and regulations, including the guidelines to be issued by the Government Procurement Policy Board and other relevant agencies, with the end in view of promoting open and competitive bidding, and allowing all modes of procurement to be available and appropriately applied as circumstances warrant. The observance by the private sector of the rule on preference for locally-made or locally-assembled products shall ultimately depend on its sound discretion.

(2) Grant of Allowances and Benefits

I commend the invaluable efforts of the DepEd in fulfilling its mandate amidst the current public health emergency by continually providing quality education to our learners through alternative learning modules and modalities. I admire our teachers, coordinators, and facilitators in their relentless efforts and sacrifices to adjust to the new learning set-up. Accordingly, the grant of transportation and teaching aid allowances under **DepEd-OSEC, Special Provision No. 21, "Alternative Learning System," Volume I-A, page 195**, shall be subject to guidelines to be issued by the DepEd, in coordination with the DBM, in conformity with existing compensation laws, rules and regulations.

(3) Utilization of the Quick Response Fund (QRF)

RA No. 10121 (Philippine Disaster Risk Reduction and Management Act of 2010) provides, among others, that the QRF shall serve as a standby fund for relief and recovery programs in order that situations and living conditions of people in communities or areas stricken by disasters, calamities, epidemics or complex emergencies, may be normalized as quickly as possible. In this regard, I trust that the agencies concerned shall utilize the QRF lodged under **DILG-Philippine National Police, Special Provision No. 3, "Quick Response Fund," Volume I-A, page 1070**; and **DILG-Bureau of Fire Protection, Special Provision No. 5, "Quick Response Fund," Volume I-A, page 1037**, in accordance with the pertinent provisions of RA No. 10121.

Likewise, the use of QRF for the printing and reproduction of damaged learning modules and materials under **DepEd-OSEC, Special Provision No. 4, "Quick Response Fund," Volume I-A, page 193**, shall be subject to the rules on modification in the allotment under this Act, as may be applicable.

(4) Identification of Program Beneficiaries

It is noted that the provision of financial subsidies to rice farmers severely affected by low *palay* prices under **DA-OSEC, Special Provision No. 3, "Rice Farmers Financial Assistance," Volume I-A, page 76**; and **Unprogrammed Appropriations, Special Provision No. 22, "Use of Excess Tariff Collections from Rice Importation," Volume I-B, page 803**, is pursuant to the mandate of RA No. 11203 (An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice) or the rice tariffication law. Therefore, the implementation of said provisions should be in accordance with the same law. Particularly, the subsidies should be directed to the qualified rice farmer-beneficiaries expressly mentioned under item (a), paragraph 9, Section 13 of RA No. 11203, i.e., those who are farming two (2) hectares and below regardless of whether they continue farming rice or not as compensation for the projected reduction or loss of farm income arising from the tariffication of the quantitative import restriction on rice.

Similarly, **DSWD-OSEC, Special Provision No. 5, "Supplementary Feeding Program," Volume I-B, page 299**, shall be covered by the guidelines to be issued by the DSWD, consistent with the provisions of RA No. 11037 (*Masustansyang Pagkain para sa Batang Pilipino Act*), especially on the target beneficiaries of the program.

(5) Construction of Evacuation Centers

In order to guarantee the construction of safe evacuation centers that can withstand all disasters and calamities, it is crucial that **DPWH-OSEC, Special Provision No. 11, "Evacuation Centers," Volume I-B, page 3;** and **DILG-OSEC, Special Provision No. 7, "Green Evacuation Centers," Volume I-A, page 1027,** shall be implemented in conformity with the appropriate standards and requirements set forth under the National Building Code, as amended, the Philippine Green Building Code, the latest edition of the National Structural Code of the Philippines, as well as other applicable laws, policies, rules and regulations.

(6) Resettlement of Project-Affected Persons

For proper guidance, the implementation of **DPWH-OSEC, Special Provision No. 19, "Resettlement of Project-Affected Persons (PAPs) who are PAG-IBIG Fund Members," Volume I-B, page 3;** and **DOTr-OSEC, Special Provision No. 7, "Resettlement of Project-Affected Persons (PAPs) who are PAG-IBIG Fund Members," Volume I-B, page 417,** shall be subject to the guidelines to be issued by the Department of Human Settlements and Urban Development, the Home Development Mutual Fund, the DPWH, and the DOTr, in coordination with the DBM, in relation to RA No. 10752 (The Right-of-Way Act) and other pertinent laws.

(7) Augmentation of Capital Outlays for DOH Hospitals

In the implementation of **DOH-OSEC, Special Provision No. 7, "DOH Hospitals' Use of Capital Outlays (CO)," Volume I-A, page 965,** it must be noted that the increase in bed capacity and upgrading of hospitals shall require the passage of a law or compliance with DOH standards, as may be applicable.

(8) Implementation of Service Contracting

In order to ensure the efficient use of available funds for the purpose, the implementation of **DOTr-OSEC, Special Provision No. 9, "Service Contracting," Volume I-B, page 417,** shall comply with the existing guidelines of the DOTr and Land Transportation Franchising and Regulatory Board.

(9) Funding for Foreign-Assisted Projects

I noted that Congress has again identified specific foreign-assisted projects (FAPs) under **Unprogrammed Appropriations, Special Provision No. 5, "Support to Foreign-Assisted Projects," Volume No. I-B, page 800-801,** chargeable against Purpose No. 4. Hence, I reiterate that pursuant to the authority vested in me under Section 20, Article VII of the Constitution and in view of the character of the unprogrammed appropriations as a standby authority to incur additional obligations for priority programs, projects, or activities, such identification of the specific FAPs which are still under negotiation shall not limit the President in negotiating other foreign loan agreements.

Accordingly, the release of funds chargeable against Purpose No. 4 of the Unprogrammed Appropriations shall be subject to the submission of Special Budget

pursuant to Section 35, Chapter 5, Book VI of EO No. 292, s. 1987, and the approved loan agreement. Moreover, any changes in the project title, scope, or amount of the FAPs shall further be subject to the appropriate approval in accordance with existing guidelines.

(10) Unprogrammed Appropriations (UA)

In view of the indispensable need to exercise prudent spending in these difficult times, the DPWH and the DOTr are strictly required to first fully exhaust their respective agency budgets for the payment of ROW expenses before they may be authorized to avail of the UA under **UA, Special Provision No. 20, "Right-of-Way Acquisition," Volume I-B, page 802.**

(11) Implementation of the National Identification (ID) System

The significance of a national ID system was highlighted during the pandemic, particularly on difficulties encountered in contact-tracing activities and in the distribution of the government's emergency cash subsidies to the members of the affected sectors in our society. Further, it will also serve as a credible reference in the government's efforts to assist our priority groups – the indigents, indigenous peoples, our elderly, and other vulnerable sectors. Therefore, it is vital that **National Economic and Development Authority-Philippine Statistics Authority (NEDA-PSA), Special Provision No. 1, "National ID System," Volume I-B, page 493,** and **UA, Special Provision No. 21, "National Identification System," Volume I-B, page 803,** be implemented in accordance with the approved work and financial plan of the NEDA-PSA, to ensure the timely completion of the project.

(12) Funding for Participation in International Sports Competition

I fully support our national athletes and coaches for their sacrifices in bringing honor to our country through their participation in international sports competitions. However, consistent with our policy to optimize the use of public funds, the expenses necessary for the activities covered by **OEO-Philippine Sports Commission, Special Provision No. 4, "Support to the Participation in International Sports Competition," Volume I-B, page 609,** shall first be charged against the National Sports Development Fund, in accordance with RA No. 6847 (The Philippine Sports Commission Act).

(13) National Internal Revenue Taxes and Import Duties

For clarity and proper implementation, the non-cash tax transactions involving the importation of hospital equipment by special hospitals, specialty hospitals, DOH-retained hospitals, and State Universities and Colleges (SUCs) hospitals as covered by **Section 15, General Provisions, "National Internal Revenue Taxes and Import Duties," Volume I-B, page 821,** shall be subject to the guidelines issued jointly by the Department of Finance and the DBM, and other pertinent rules and regulations that may be issued by the DOH.

(14) Proceeds from Exploration, Development and Exploitation of Energy Resources

I note that RA No. 11371 (*Murang Kuryente Act*) provides, among others, that universal charges for stranded contract costs and stranded debts currently being collected may be covered by the allocated amount from the Malampaya fund.

Thus, I hereby subject **BSGC-Others, Special Provision No. 11, "Proceeds from Exploration, Development and Exploitation of Energy Resources," Volume I-B, page 763**, to guidelines that will be issued by the Power Sector Assets and Liabilities Management Corporation in accordance with the provisions of said law.

(15) Review of National Government Subsidies to LGUs

The implementation of **DBM-OSEC, Special Provision No. 2, "National Government-Local Government Unit (NG-LGU) Cost Sharing," Volume I-A, page 180**, shall be subject to the guidelines to be issued by the DBM, in coordination with the DOF, NEDA, and DILG, taking into consideration the relevant factors and parameters vis-à-vis the Supreme Court decision in the consolidated cases of *Mandanas, et al. vs. Ochoa, et al.*, and *Garcia vs. Ochoa, et al.*, G.R. Nos. 199802 and 208488, 03 July 2018.

C. SHARED FISCAL RESPONSIBILITY

As in previous years, I strongly urge Congress to promote the proper and transparent management and expenditure of public funds based on sound fiscal policies. Thus, I am placing **Congress of the Philippines, Special Provision No. 6, "Availability of Appropriations and Cash Allocations," Volume I-A, page 15**, under conditional implementation, that the use and disbursements of the funds shall be for the specified purposes and within the validity of the appropriations, as authorized in this Act.

D. GAA AS ALLOTMENT ORDER

It must be emphasized that the President is mandated to identify and propose to Congress the Budget of the National Government, taking into consideration the National Government's priority programs, projects, and activities, and the respective sources of financing for the same. In this regard, the President's budget proposal, which is submitted to Congress through the National Expenditure Program, is formulated in accordance with the existing budgeting laws, rules, and regulations, such as the Constitution, EO No. 292, s. 1987, national budget memoranda on budget call and budget priorities framework, medium-term development plan and medium-term public investment plan, and the 10-point socioeconomic agenda of this Administration. The proposed budget levels primarily considered the measures to address the COVID-19 pandemic, the country's continuing efforts in infrastructure development, and our other strategies and programs to rebound, recover and transition to a post-pandemic environment.

Further, the implementation of the budget is lodged with the President consistent with Section 17, Article VII of the Constitution, which provides that the President shall ensure that the laws shall be faithfully executed. Related thereto, the DBM is mandated

to assist the President in the execution and control of the National Budget pursuant to EO No. 292, s. 1987.

In view of the foregoing, the implementation of **Section 3, General Provisions, "The General Appropriations Act as the Allotment Order," Volume I-B, page 816**, shall be subject to existing budgeting laws, rules and regulations, and to item V hereof on New Budgetary Items.

IV. GENERAL OBSERVATION

This year's National Budget is designed to enable our country to continue to rebound and recover from the deleterious effects of the COVID-19 pandemic, among other challenges. Hence, it is our paramount duty to ensure the efficient and effective allocation and utilization of the limited government resources. With this, I convey my standpoint on how certain provisions will be interpreted and implemented.

A. ORGANIZATIONAL STRUCTURE

As in previous years, I express my sustained confidence in Congress for its proper execution of the provision under **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**.

I likewise trust that the Commission on Elections (COMELEC) will pursue the due implementation of **COMELEC, Special Provision No. 1, "Organizational Structure," Volume I-B, page 675**.

It cannot be overemphasized that national government agencies are mandated to comply with the salary standardization and compensation laws, and policies on the use of available appropriations or savings in case of creation of new positions and grant of retirement benefits and separation pay. Likewise, the scrap and build policy in the adjustment and modification of organizational structure, and other existing organization, staffing, compensation and position classification standards of the DBM must be observed. More importantly, the policy under Section 8, Article IX-B of the Constitution, proscribing the payment of additional or double compensation, should be upheld.

B. ENROLLMENT OF FOREIGN STUDENTS

I am delighted that foreign students choose to study in our country which is a testament to the quality education provided by our SUCs, as well as our private colleges and universities. Thus, the CHED, through its Inter-Agency Committee on Foreign Students, issued Joint Memorandum Order No. 1, s. 2017, to streamline all rules and procedures governing foreign students in support of the government's policy to promote the Philippines as a center for education in Asia and the Pacific. In line with this, the enrollment of foreign students as covered by **SUCs, Special Provision(s) Applicable to the SUCs, Special Provision No. 10, "Enrollment of Foreign Students," Volume I-A, page 794**, shall conform to the existing guidelines of the CHED.

C. SUBMISSION OF THE LIST AND PLAN OF BASIC EDUCATION FACILITIES

As in the previous year, it must be clarified that the list and plan for the construction of basic education facilities to be submitted by the DepEd as prescribed under **DepEd-OSEC, Special Provision No. 6, "Submission of the List and Plan of Basic Education Facilities," Volume I-A, page 194**, is necessarily indicative, and that the budget provisions shall be dependent on various factors, such as the latest actual enrollment data, soil condition, allocation based on actual need, or latest building designs compliant with the National Building Code, during the applicable budget preparation period.

D. QUICK RESPONSE FUND

I expect the DND-Office of Civil Defense (OCD) to observe the limitation on the use of the QRF exclusively for its intended purposes, in the implementation of **DND-OCD, Special Provision No. 1, "Quick Response Fund," Volume I-A, page 1187**. In this regard, the DND-OCD is reminded of the prohibition on the use of the QRF for pre-disaster activities, consistent with the provisions of RA No. 10121.

V. NEW BUDGETARY ITEMS

As has been repeatedly highlighted in previous years, the new items introduced by Congress in this Act have corresponding effects in the respective outputs and outcomes of the agencies concerned. Therefore, these new budgetary items shall be subject to the National Government's cash programming, the observance of prudent and responsible fiscal management, applicable rules and procedures during budget execution, and approval by the President based on the programmed priorities of the government. The DBM shall inform the agencies of such new budgetary items and require the submission of the revised agency performance targets, among other supporting documents as may be applicable.

VI. CLOSING STATEMENTS

The FY 2021 National Budget is quite unique as it has been crafted amidst the unprecedented COVID-19 pandemic. Yet, it remains geared towards our ultimate aspiration for the Filipino people – *"matatag, maginhawa, at panatag na buhay,"* building upon the gains and lessons from past years.

As I end this message, again, I wish to share some words from my statement during the 75th United Nations General Assembly that, I believe, will continue to motivate us all –

"To defeat the COVID-19 pandemic and other challenges, we must work together with seamless unity which demands complete mutual trust and the conviction that we will win or lose together... We cannot bring back the dead, but we can spare the living; and we can build back better, healthier, and more prosperous and just societies."

We know this can happen. We will rise. We will heal. We will be better – because we are Filipinos.

Very truly yours,




Copy furnished:

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