

**FISCAL YEAR 2022
PRESIDENT'S VETO MESSAGE**



MALACAÑAN PALACE
MANILA

DEC 30 2021

**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. **11639**, the General Appropriations Act (GAA) for Fiscal Year (FY) 2022, entitled "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 TWO."

Whether in a season of growth or in a season of crisis, two things are asked of government – to do its job well and to do its job with urgency. More than ever, over these past two years, we have seen how vital it is for leaders to keep this in mind. As indeed they should in the forthcoming year and beyond.

In the midst of the urgency for government to continue its performance in order to sustain the advances already made and finally overcome the Coronavirus Disease 2019 (COVID-19) pandemic, let me express my deepest gratitude to the distinguished members of the Legislature for the timely approval of the national budget for FY 2022.

The year that is just about to end has proven yet again what the world knows of the Filipino people. We are a people of hope. The narrative of our life as a nation is a testament of how we draw upon this hope in order to endure, rise, and win. *Bangon* reverberates in our blood.

This budget – the last fully-crafted and enacted budget of my Administration – will serve as the beacon to guide the hope of the Filipino people that will carry us through 2022.

Hope and hard work have sustained us over the past year, for which there are so many reasons to be grateful.

- The nation is ahead in the battle to control the pandemic, despite the emergence of the Delta variant, because of our timely and effective response;
- The nationwide success of our COVID-19 vaccination program is manifested in the 102,404,651 total doses administered as of December 20, 2021, of which 44,890,290, or 43.8 percent, represent complete doses, as reported in the National COVID-19 Vaccination Dashboard of the Department of Health;
- The path to national economic recovery has been clearly defined, with the proper priorities set in place. In fact, from January to September of 2021,

average Gross Domestic Product growth stood at 4.9 percent which is within the upper edge of our government's target range, as reported jointly by the Secretaries of the National Economic and Development Authority (NEDA), the Department of Finance, and the Department of Budget and Management (DBM); and

- A sound financial program for the forthcoming year, crafted on the right focus and priorities, will provide adequate support, not only to finally overcome the health crisis but recover from its impact on people's lives, health, and livelihood, and the setbacks to the national economy.

In the months since our submission of the proposed budget, however, events have taken place that yet again severely tested the Filipino people's resilience and hope.

We have been told, along with the rest of the world, to brace ourselves for the impact of a new COVID-19 variant called Omicron. While we have been intensifying our efforts in response to the foregoing warning, hundreds of thousands of Filipino families in the Visayas and Mindanao suffered the wrath of Super Typhoon *Odette* – some lost their lives, their loved ones, their homes and properties, and their livelihoods. We are with them at this time of grief, and we will do everything we can to help them get through this tragedy.

Despite these unfortunate events, and as before, through every crisis or calamity that has befallen the Filipino people, it is without doubt that we will survive and prevail.

The future goes beyond this Administration – we have always kept that in mind. And so our focus is not so much on tallying up the legacy of this Administration, but looking beyond the here and now, to ensure that our people can and will continue the legacy of change for the future generations.

I. GENERAL COMMENTS

The passage of this PhP5.024 Trillion FY 2022 national budget days before the start of 2022 will be the New Year's gift offering of my government to the Filipino people. It is one they rightfully deserve for the trust that they have given us.

The FY 2022 national budget is an effective impetus to get our nation and people back on the road to a strong and genuine recovery. In crafting it, we have been guided by three (3) main goals. These are: Building Resilience amidst the Pandemic; Sustaining the Momentum towards Recovery; and Continuing the Legacy of Infrastructure Development.

This budget will fund key programs and measures that will fortify the four main pillars of our recovery strategy: health and nutrition, social protection, governance, and development.

It also begins a new chapter in the development and growth of local governments, with the start of implementation of the Supreme Court ruling in the consolidated cases of *Mandanas et al. v. Ochoa et al.* and *Garcia v. Ochoa et al.*, G.R. Nos. 199802 and 208488 dated July 3, 2018.

We will continue to do our work – to do it well and with urgency – with this financial program for the National Government that you have thoroughly perused, critically reviewed, and approved.

II. DIRECT VETO

Pursuant to my constitutional duty to ensure that laws are faithfully executed and in view of the mandate under Section 25 (2), Article VI of the Constitution 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,” I hereby veto certain provisions and proviso introduced in this budget which do not relate to particular appropriations or those that would effectively amend existing laws. Such provisions or proviso are considered “inappropriate provisions” which are derogations to the power to legislate substantive laws, thus, have no place in this GAA. Matters of general legislation are more appropriately dealt with in separate enactments (*Philippine Constitution Association et al. v. Enriquez et al.*, G.R. No. 113105, August 19, 1994).

I am constrained to veto **State Universities and Colleges (SUCs)-Special Provision(s) Applicable to the SUCs, Special Provision No. 17, “Exclusion of Lands Owned and Occupied by State Universities and Colleges from the Comprehensive Agrarian Reform Program,” Volume I-A, page 789**, since it does not relate to any appropriation in the budget for the SUCs. It is further noted that the subject matter of such provision is already covered by a separate substantive law. Section 10 of RA No. 6657 (Comprehensive Agrarian Reform Law of 1988) expressly prescribes that, “[l]ands actually, directly and exclusively used and found to be necessary for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds, and mangroves, national defense, school sites and campuses including experimental farm stations operated by public or private schools for educational purposes, seeds and seedlings research and pilot production centers, church sites and convents appurtenant thereto, mosque sites and Islamic centers appurtenant thereto, communal burial grounds and cemeteries, penal colonies and penal farms actually worked by the inmates, government and private research and quarantine centers and all lands with eighteen percent (18%) slope and over, except those already developed shall be exempt from the coverage of the Act.”

Similarly, I am obliged to veto the proviso “**thrift banks and universal/commercial banks, and Non-Bank Financial Institutions (NBFIS) such as cooperatives, farmers or fisherfolk organizations or associations, agri-fishery-based corporations,**” in **Department of Agriculture (DA)-Agricultural Credit Policy Council, Special Provision No. 1, “Agricultural Credit Facility,” Volume I-A, page 130**, which expands the authorized credit facilities that will manage the Agro-Industry Modernization Credit Financing Program as provided under RA No. 8435 (Agriculture and Fisheries Modernization Act of 1997), thereby effectively amending Section 21 of the same law where only “cooperative banks, rural banks, government financial institutions and viable non-governmental organizations” were expressly specified. The provisions of RA No. 8435, being a substantive law, shall prevail.

Moreover, the special provisions for the Department of Transportation (DOTr) under **DOTr-Office of the Secretary (OSEC), Special Provision No. 12, “Motor Vehicle Inspection System,” Volume I-B, page 403**, and **DOTr-OSEC, Special Provision No. 13, “Gender Responsive Restroom Program,” Volume I-B, page 403**, should not have found their way in this GAA considering that both do not relate to any appropriation in the DOTr’s budget, and are thus hereby vetoed.

Likewise, I veto **Commission on Human Rights (CHR), Special Provision No. 1, “Establishment of a Human Rights Institute,” Volume I-B, page 660**, since no specific appropriation is provided for the purpose. The creation of an Institute, just like other offices, should be subject to a comprehensive review of the mandate, mission, objectives and functions, systems and procedures, and programs, activities and projects, as well as the corresponding structural, functional, and operational adjustments in an organization, including the necessary staffing and funding requirements.

III. CONDITIONAL IMPLEMENTATION

In line with this Administration’s commitment to uphold the judicious implementation of the provisions of this Act, especially the prudent utilization of the funds authorized thereby, I subject the implementation of the following special and general provisions to specified conditions in conformity with existing laws, policies, and rules and regulations:

A. EFFICIENT USE AND RELEASE OF PUBLIC FUNDS

(1) Provision of Subsidy to Farmers and Fisherfolk

Fuel prices have drastically increased in the world market over the past few months, principally due to decreased production and higher demand. The surge in fuel prices affects not only the transport sector, but also farmers and fisherfolk who are using motorized farm machinery and *bancas* to earn their livelihood. I appreciate Congress in providing assistance to our marginalized agricultural workers through the **DA-OSEC, Special Provision No. 20, “Fuel Discount to Farmers and Fisherfolks,” Volume I-A, page 78**. Nevertheless, I place this special provision under conditional implementation, specifically that guidelines shall be issued by the DA, in coordination with the DBM, for the orderly implementation thereof and to ensure that the funds are properly released and utilized for the intended purpose.

(2) Grant of Allowances and Benefits

I applaud the relentless efforts of the Department of Education (DepEd) in pursuing its mandate in the face of the persisting public health emergency due to COVID-19 by continuing to provide quality education to our learners through the Alternative Learning System Programs. I commend our teachers, coordinators, and facilitators for their unwavering commitment and sacrifices in adapting to the new learning environment. Accordingly, the grant of transportation and teaching aid allowances under **DepEd-OSEC, Special Provision No. 25, “Alternative Learning**

System,” Volume I-A, page 191, shall be subject to guidelines issued by the DepEd, in coordination with the DBM, in accordance with existing compensation laws, rules, and regulations.

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

Despite the challenges brought about by the COVID-19 pandemic, the gradual reopening of schools and campuses is currently being undertaken with utmost regard for the safety of students, faculty, and staff, which includes initiating adjustments on the classroom set-up, such as appropriate lay-out and proper ventilation, among others. Accordingly, the MOOE of the DepEd and the SUCs shall be used to implement the necessary adjustments. It is understood, however, that in the implementation of **DepEd-OSEC, Special Provision No. 26, “Maintenance and Other Operating Expenses Allocation for Schools,” Volume I-A, page 191** and **SUCs-Special Provision(s) Applicable to the SUCs, Special Provision No. 7, “Implementation of Face-to-Face Classes,” Volume I-A, pages 788-789**, the DepEd and the SUCs may modify the allotment issued, provided that it is within the same activity or project, shall not entail any increase in the total amount appropriated for such activity or project, and that the same shall be subject to the approval of the head of agency concerned or the DBM, as may be applicable, in accordance with the General Provision on the Rules on Modification in the Allotment in this Act.

In the implementation of **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 601**, the principle of fiscal independence of the Judiciary will be made more pronounced through the direct provision of MOOE to all lower courts. Therefore, I remain confident that the Supreme Court will ensure the equitable allocation and immediate release of MOOE to its lower courts.

(4) Financial Assistance to Local Government Units (LGUs)

Allocation to Local Government Units-Local Government Support Fund (ALGU-LGSF), Special Provision No. 1, “Conditional Matching Grant to Provinces for Road and Bridge Rehabilitation, Upgrading and Improvement,” Volume I-B, page 748, shall be implemented in conformity with the guidelines to be issued by the Department of the Interior and Local Government for the purpose.

In the implementation of **ALGU-LGSF, Special Provision No. 2, “Financial Assistance to Local Government Units and Support for Capital Outlays and Social Programs,” Volume I-B, pages 748-749**, utmost priority must be accorded to the infrastructure projects under the *Build Build Build* Program of the National Government.

Moreover, the implementation of **ALGU-LGSF, Special Provision No. 3, “Support to the Barangay Development Program of the National**

Task Force to End Local Communist Armed Conflict,” Volume I-B, page 749, shall be subject to the guidelines to be issued by the DBM, in coordination with the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC), which shall specify the allocations, conditions, and requirements prior to the release of funds.

In a similar vein, **ALGU-LGSF, Special Provision No. 4, “Growth Equity Fund,” Volume I-B, page 749**, shall be executed in accordance with the guidelines to be issued by the Development Budget Coordination Committee, pursuant to Executive Order (EO) No. 138, s. 2021 (Full Devolution of Certain Functions of the Executive Branch to Local Governments, Creation of a Committee on Devolution, and for Other Purposes), and its implementing rules and regulations.

The Growth Equity Fund shall cover the funding requirements of programs, projects, and activities of poor, disadvantaged, and lagging LGUs to gradually enable the full and efficient implementation of the devolved functions and services under RA No. 7160 (Local Government Code of 1991) and other pertinent laws, consistent with the provisions of EO No. 138.

(5) Utilization of Special Purpose Funds

Special Purpose Funds are to be utilized by recipient government agencies to cover expenditures for authorized purposes, in addition to their built-in appropriations, subject to existing laws, rules, and regulations.

In this regard, the additional funding for the salary adjustments of nurses under **Miscellaneous Personnel Benefits Fund (MPBF), Special Provision No. 1, “Payment of Personnel Benefits,” Volume I-B, page 758**, shall only be released when the funds appropriated for the purpose under the corresponding budgets of the agencies concerned have already been fully exhausted. Moreover, the salary adjustments of nurses shall be limited to those resulting from the implementation of DBM Budget Circular No. 2021-2 dated August 25, 2021 (Modification of Nurse Positions).

Further, **MPBF, Special Provision No. 2, “Implementation of National Budget Circular (NBC) No. 461,” Volume I-B, page 758**, shall be subject to the guidelines to be issued jointly by the Commission on Higher Education and the DBM which shall govern the implementation of the 8th and 9th cycles under the subject NBC.

As to item (a) (iv) of **Pension and Gratuity Fund, Special Provision No. 1, “Pension and Gratuity Fund,” Volume I-B, page 765**, the amount provided for the purpose shall cover the arrears for the period during which the military veterans were entitled to the total administrative disability pension, pursuant to Section 2 of RA No. 7696 (An Act Amending Certain Sections of RA No. 6948 Otherwise Known as “An Act Standardizing and Upgrading the Benefits for Military Veterans and Their Dependents”), amending, among others, Section 5 (h) of RA No. 6948.

(6) Optimal Use of Unprogrammed Appropriations

To ensure the efficient utilization of programmed appropriations in consideration of our scarce resources, the funds allocated under **Unprogrammed Appropriations (UA), Special Provision No. 13, "Right-of-Way Acquisition," Volume I-B, page 769, UA, Special Provision No. 15, "Retirement Gratuity and Terminal Leave," Volume I-B, page 769,** and the special provisions indicated hereunder, shall only be used upon the full exhaustion of the funds for similar purposes appropriated under the corresponding budgets of the agencies concerned. In addition, the release of funds under the following special provisions shall be subject to certain conditions:

- a) **UA, Special Provision No. 14, "Social Amelioration Program," Volume I-B, page 769,** shall be subject to the guidelines to be issued for the purpose, to sustain conformity with existing laws, rules, and regulations, and to avoid duplication of benefits.
- b) **UA, Special Provision No. 16, "Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict," Volume I-B, page 769,** shall be subject to the guidelines to be issued by the DBM, in coordination with the NTF-ELCAC, covering the allocations, conditions, and requirements prior to the release of funds.
- c) **UA, Special Provision No. 17, "Various National Housing Authority (NHA) Projects," Volume I-B, pages 769-770,** shall be subject to the approval of the projects provided therein by the NHA's Board of Directors (Board) to ensure that the implementation thereof is in accordance with existing laws and relevant guidelines.

Overall, it is to be noted that UA are standby appropriations which authorize additional agency expenditures for priority programs and projects in excess of the original budget but only when: (i) revenue collections exceed the resource targets assumed in the budget; (ii) there are new revenue collections which are not part of the original revenue sources; or (iii) additional foreign project loan proceeds are realized. Hence, in the use of the UA, the magnitude of the funding requirements *vis-à-vis* the financial position of the National Government shall be duly considered.

(7) Release of Trust Receipts

In the implementation of **CHR-Human Rights Violations Victims' Memorial Commission, Special Provision No. 1, "Release of Trust Receipts," Volume I-B, page 664,** previous fund releases to the Human Rights Violations Victims' Memorial Commission shall be duly accounted for, and reconciled with the latest certification issued by the Bureau of the Treasury and the balance of the accrued interest of the trust fund.

(8) Prior Years' Subsidy Releases from the National Government

Similarly, I place under conditional implementation the **Budgetary Support to Government Corporations (BSGC)-Department of Human Settlements and Urban Development (DHSUD)-NHA, Special Provision No. 2, "Prior Years' Subsidy Releases from the National Government," Volume I-B, page 696**, to emphasize that prior years' subsidy releases from the National Government shall be exclusively used by the NHA to cover the funding requirements of NHA Board-approved programs/sub-programs for FY 2022.

(9) Implementation of Public Utility Vehicle (PUV) Modernization Program and its Social Support Component, and PUV Service Contracting

This Administration recognizes that the public land transportation industry is among the most affected sectors during the COVID-19 pandemic. Certainly, the appropriate implementation of the PUV Modernization Program and its Social Support Component, and the PUV Service Contracting Program of the DOTr will help the industry to recover and revitalize after the debilitating effects of the pandemic.

Nevertheless, in order to ensure effective implementation, including the observance of fiscal prudence, **DOTr-OSEC, Special Provision No. 9, "Public Utility Vehicle Modernization Program and its Social Support Component," Volume I-B, page 402**, shall be subject to the guidelines issued by the DOTr on PUV Modernization Program and its Social Support Component, *Tsuper Iskolar* Program, and enTSUPERneur Program.

Likewise, the implementation of **DOTr-OSEC, Special Provision No. 10, "PUV Service Contracting," Volume I-B, page 402**, shall be in accordance with the guidelines, rules and regulations to be issued by the DOTr and the Land Transportation Franchising and Regulatory Board.

(10) Implementation of Rice Subsidy

It cannot be overemphasized that the delivery of social welfare services is among the priorities of the government. Generally, under the *Pantawid Pamilyang Pilipino Program*, the beneficiaries are provided with rice subsidy in the form of cash. Hence, the implementation of the rice subsidy in kind, in the form of distribution of rice when there is a sudden decrease in the price of *palay*, as authorized under **Department of Social Welfare and Development (DSWD)-OSEC, Special Provision No. 2, "Rice Subsidy," Volume I-B, page 284**, shall be subject to the guidelines to be issued by the DSWD.

B. STRICT COMPLIANCE WITH EXISTING LAWS, POLICIES, RULES, AND REGULATIONS**(1) Procurement-related Provision**

Inasmuch as the government has advocated support to local products

and services, in conjunction with open and competitive public bidding, the preference for materials and supplies made and manufactured in the Philippines in the procurement of goods, services, and infrastructure by the government under **Section 19, General Provisions, "Strict Adherence to Procurement Laws, Rules and Regulations," Volume I-B, page 789**, shall be in accordance with the existing procurement laws, rules, and regulations, including the guidelines issued or to be issued by the Government Procurement Policy Board.

(2) Creation of New Office

I recognize that there is a growing demand for energy in our country, and the establishment of the Philippine Energy Research and Policy Institute by virtue of RA No. 11572 (Philippine Energy Research and Policy Institute Act) was intended to enhance our capability for energy research and policy development. However, since the organization of the Institute under **SUCs-University of the Philippines System, Special Provision No. 3, "Philippine Energy Research and Policy Institute," Volume I-A, page 386**, entails the creation of a new office and new positions, the same shall be subject to the evaluation of agency proposal by the DBM, in accordance with the General Provision on Organizational Structure and Staffing Pattern Changes in this Act.

(3) Requirements of Foreign Service Posts

I hereby place under conditional implementation **Department of Foreign Affairs (DFA)-OSEC, Special Provision No. 3, "Education Allowance for Dependents of Officers and Employees in Foreign Service Posts," Volume I-A, page 936**, which shall be undertaken in strict compliance with the pertinent provisions of RA No. 7157 (Philippine Foreign Service Act of 1991), as well as the guidelines to be issued jointly by the DFA and the DBM for the purpose. Further, pursuant to Section 72 of the same law, the rate of education allowance shall be fixed by the Secretaries of the DFA and the DBM, subject to the approval of the President.

Likewise, in the implementation of **DFA-OSEC, Special Provision No. 12, "Provision for Agency Attachés or Representatives and Cost Sharing Arrangement," Volume I-A, page 937**, the DFA shall ensure that the use of contributions from the agencies concerned shall be limited to payment of authorized operating expenses, and only in case of deficiency of appropriated funds for the purpose, subject to existing laws, rules, and regulations. Otherwise, the DFA shall comply with Section 44, Chapter 5, Book VI of EO No. 292, s. 1987 (Administrative Code of 1987), which expressly states that "[u]nless otherwise specifically provided by law, all income accruing to the departments, offices and agencies by virtue of the provisions of existing laws, orders, and regulations shall be deposited in the National Treasury or in the duly authorized depository of the Government and shall accrue to the unappropriated surplus of the General Fund of the Government."

(4) Implementation of Supplementary Feeding Program

One of the thrusts of my Administration is to address the problem of undernourishment among Filipino children. In this regard, **DSWD-OSEC, Special Provision No. 8, "Supplementary Feeding Program," Volume I-B, page 284**, 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*) on the target beneficiaries of the program, as well as incorporation of fresh milk and fresh milk-based products in the fortified meals and cycle menu consistent with said law.

(5) Resettlement of Project-Affected Persons

In the interest of ensuring the protection of and support to Filipinos affected by involuntary resettlement and expropriation brought about by various government infrastructure projects, I find it necessary to provide funding, in the form of cash grants or loans to be provided to *Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno* (Pag-IBIG) Fund members affected by Right-of-Way activities of the DOTr.

Hence, for proper implementation, **DOTr-OSEC, Special Provision No. 11, "Resettlement of Project-Affected Persons who are Pag-IBIG Fund Members," Volume I-B, page 403**, shall be subject to RA No. 10752 (The Right-of-Way Act), other pertinent laws, and guidelines to be issued by the DHSUD, the Home Development Mutual Fund, and the DOTr, in coordination with the DBM.

(6) Implementation of Infrastructure Projects

To continue the legacy of my Administration's *Build, Build, Build* Program, it is essential that the NEDA, as the lead agency in the formulation of socio-economic policies, plans, and programs, shall determine and adopt the most feasible and operational procedure in the analysis of projects covered under **Section 28, General Provisions, "Implementation of Infrastructure Projects," Volume I-B, pages 790-791**.

(7) Funding for Foreign-Assisted Projects

As in previous years, Congress has identified specific foreign-assisted projects (FAPs) under UA, **Special Provision No. 5, "Support to Foreign-Assisted Projects," Volume No. I-B, page 768**, 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 UA as a standby authority to incur additional obligations for priority programs, projects, or activities, such identification of the specific FAPs shall not limit the President in negotiating other foreign loan agreements.

Accordingly, the release of funds chargeable against Purpose No. 4 of the UA shall be subject to the submission of a Special Budget pursuant to Section 35, Chapter 5, Book VI of EO No. 292, and the approved loan

agreements. Moreover, any change in the project title, scope, or amount of the FAPs shall further be subject to the appropriate approval in accordance with existing guidelines.

(8) Adherence to Accounting Rules and Regulations

I recognize the responsibility of government agencies to utilize government funds more efficiently, especially in the procurement of goods, considering the prevailing circumstances. Accordingly, there is a need to update and rationalize accounting and auditing rules and regulations. Hence, **Section 23, General Provisions, "Semi-Expendable Property," Volume I-B, page 790**, shall be subject to the issuance by the Commission on Audit (COA) of appropriate accounting and auditing rules and regulations.

I also welcome the intention to directly transfer to the Technical Education and Skills Development Authority (TESDA) the portion of appropriation from the National Rice Program for the Farmers' Field School Program as support to the Training Component of the Rice Competitiveness Enhancement Fund (RCEF), as it aims to fast track the attainment of the primary objective of RCEF, i.e., to ensure food security and to make the country's agricultural sector viable, efficient, and globally competitive.

However, **DA-OSEC Special Provision No. 9, "Support to the Rice Competitiveness Fund (RCEF) Training Component," Volume I-A, page 76**, shall be subject to the guidelines to be issued by the DA and the TESDA providing for the requirements for project implementation and reporting, in conformity with existing accounting and auditing laws, rules, and regulations.

(9) Use of Excess Tariff Collections from Rice Importation

In order to achieve a globally competitive agricultural sector, the implementation of **UA, Special Provision No. 18, "Use of Excess Revenue from the Total Annual Tariff Revenue from Rice Importation," Volume I-B, page 770**, shall be undertaken in accordance with 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, and other relevant laws and/or guidelines to be issued thereon.

(10) Use of Administrative Cost in the Implementation of National Health Insurance Program

I support the expeditious improvement in the payment mechanism and digitization to improve the efficiency of the Philippine Health Insurance Corporation in the delivery of services pursuant to its mandate under RA No. 11223 (Universal Health Care Act). However, I place under conditional implementation **BSGC-Department of Health-Philippine Health Insurance Corporation, Special Provision No. 1, "Subsidy for the National Health Insurance Program," Volume I-B, page 690**, to

underscore that the administrative cost authorized under Section 12 of RA No. 11223 shall be exclusively used for the implementation of the National Health Insurance Program.

C. ADOPTION OF CASH BUDGETING SYSTEM

As part of this Administration's budget reforms to ultimately improve the ability of the government to deliver direct, immediate, and substantial services to the people, as well as to strengthen the government's accountability for the use of public funds, the cash budgeting system policy has been adopted beginning 2019 through the issuance of EO No. 91, s. 2019 (Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes). Through this policy reform, clear deadlines have been amplified for executing the national budget which led to better planning by government agencies, resulting in implementation efficiency, higher fund utilization rates, and timely and improved public service delivery. Moreover, the provisions on fund transfers and reversion of unexpended balances of appropriations have been strengthened through the continued implementation of the cash budgeting system.

Relative thereto, I am placing **Section 68, General Provisions, "Cash Budgeting System," Volume I-B, pages 797-798**, under conditional implementation to emphasize that the transfer of funds to LGUs and government-owned or -controlled corporations (GOCCs), particularly the financial assistance and budgetary support from the National Government, respectively, shall be made in compliance with Section 1 of EO No. 91, which states that "[a]ll funds transferred between or among government agencies and LGUs shall not be considered disbursed under this Section, until the transferred amounts have been actually utilized to pay for goods delivered and services rendered, inspected and accepted." Accordingly, only until the transferred amounts to the LGUs and GOCCs have been actually utilized to pay for completed construction, goods delivered, and services rendered, inspected, and accepted, will the subject transferred funds be considered disbursed. In this regard, any unexpended or undisbursed funds at the end of the validity period shall be subject to reversion to the National Treasury and shall not thereafter be available for expenditure, except by subsequent legislative enactment, in accordance with Section 2 of EO No. 91.

D. SHARED FISCAL RESPONSIBILITY

I have been consistently urging Congress to observe the proper and transparent management and expenditure of public funds based on sound fiscal policies. Hence, 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 to emphasize that the use and disbursements of the funds shall be for the specified purposes and within the period of availability of appropriations as prescribed under the General Provision on Cash Budgeting System in this Act.

E. IMPLEMENTATION OF GAA AS ALLOTMENT ORDER

The Constitution and EO No. 292 mandate the President 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 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 laws shall be faithfully executed. Particularly, the DBM is mandated to assist the President in the execution and control of the national budget pursuant to EO No. 292.

In view of the foregoing, the implementation of **Section 3, General Provisions, "The General Appropriations Act as the Allotment Order," Volume I-B, page 784**, shall be subject to pertinent budgeting laws, rules, and regulations, and to item V hereof on New Budgetary Items.

IV. GENERAL OBSERVATION

This national budget pursues the earnest efforts of this Administration to continue to rebound and recover from the COVID-19 pandemic, then transition to a revitalized post-pandemic environment, among other equally important objectives. Therefore, now more than ever, we are duty bound to ensure the efficient and effective allocation and utilization of limited government resources. In this regard, I take my stand on how certain provisions will be construed and implemented.

A. ORGANIZATIONAL STRUCTURE

The need for consistent compliance to salary standardization and compensation laws, rules, and regulations, including the policies on the use of appropriations or available savings for the creation of new positions and the grant of retirement benefits and separation pay, should not be overlooked. It is likewise noteworthy that the scrap and build policy in the adjustment and modification of organizational structure, and other organization, staffing, compensation, and position classification standards of the DBM, are prescribed in order to promote a stable and efficient organizational structure for all government agencies while observing fiscal prudence. More importantly, the policy under Section 8, Article IX-B of the Constitution, proscribing the payment of additional or double compensation, should be upheld. The responsibility to comply with these policies rests upon all branches and offices of the government.

Therefore, as it has been in previous years, I place my full faith and trust in Congress and the Commission on Elections (COMELEC) for the proper execution of **Congress of the Philippines, Special Provision No. 2, "Organizational Structure of the Senate, the House of Representatives, and**

the House of Representatives Electoral Tribunals and the Commission on Appointments,” Volume I-A, page 15, and COMELEC, Special Provision No. 1, “Organizational Structure,” Volume I-B, page 648.

B. HIRING OF CONTRACT OF SERVICE

It is to be noted that **Presidential Communications Operations Office (Proper), Special Provision No. 2, “Hiring of Contract of Service,” Volume I-B, page 494**, shall be implemented in accordance with the provisions of COA-DBM Joint Circular No. 2 dated October 20, 2020 (Updated Rules and Regulations Governing Contract of Service [COS] and Job Order [JO] Workers in the Government) which covers the updated rules and regulations governing COS and JO workers in the National Government.

C. QUARTERLY FINANCIAL AND PHYSICAL REPORTS

It is understood that **Section 99, General Provisions, “Quarterly Financial and Physical Reports,” Volume I-B, pages 803-804**, insofar as it prescribes a three-year period of keeping printed copies of the consolidated quarterly reports, shall conform to RA No. 9470 (National Archives of the Philippines Act of 2007), the guidelines issued by the National Archives of the Philippines, and other pertinent laws, rules, and regulations.

D. POSTING OF AGENCY SAVINGS

It must be clarified that the posting of savings as required under **Section 74, General Provisions, “Authority to Use Savings,” Volume I-B, page 799**, shall be the responsibility of the concerned departments, bureaus, offices, and instrumentalities of the National Government. On the other hand, the DBM periodically posts in its website the information on appropriations *vis-à-vis* releases. Further, it is understood that the posting of the information on savings by the DBM is limited to that provided by the departments, bureaus, offices, and instrumentalities of the National Government.

V. NEW BUDGETARY ITEMS

As part and parcel of the function of budget execution vested upon the executive branch, the new budgetary items introduced by Congress in this budget shall be subject to the National Government’s cash programming, observance of prudent fiscal management, applicable rules and procedures during budget execution, and approval by the President based on the programmed priorities of the government.

Accordingly, since these new items have corresponding effects in the respective outputs and outcomes of the agencies concerned, the DBM shall inform said agencies of the changes in their respective appropriations and require the submission of their revised performance targets.

VI. CLOSING STATEMENTS

At the beginning of my Administration, and as a recurring theme for government

action, we have underscored the value of change. Positive change for lasting good.

Among the positive learnings from an experience of crisis is to be open to new ideas and new ways of doing things. In short, to be willing and ready to adapt and innovate. It is another aspect of change.

FY 2022 will be another year of change for the Filipino people. It is a year of new beginnings. Hopefully, not to start all over again, but to begin the next chapter – to improve based on lessons learned, and to continue and build on what has been proven to work.

With this, let me take this opportunity to reiterate my appreciation and gratitude to our health care workers, to the honorable men and women of the House of Representatives and of the Senate, to the men and women in government service, and to all the Filipino people.

The recent times had been unprecedentedly tough, but we made it. We survived by working together and helping each other. Everybody stepped up – the public and private sectors, our workers from both government and private organizations, and each and every Filipino – and every one contributed to our collective efforts to eventually rise above the challenges. I am very thankful and proud of you all.

Maraming salamat at mabuhay tayong lahat!

Very truly yours,



Copy furnished:

SEN. VICENTE C. SOTTO III

Senate President

Senate of the Philippines

GSIS Bldg., Pasay City

ACTING SECRETARY LUZVERFEDA PASCUAL

Presidential Legislative Liaison Office

2/F New Executive Bldg.

Malacañang, Manila

