



REPUBLIC OF THE PHILIPPINES

Senate

Pasay City

Journal

SESSION NO. 41

Tuesday to Friday, December 4-7, 2018

**SEVENTEENTH CONGRESS
THIRD REGULAR SESSION**

SESSION NO. 41
Tuesday to Friday, December 4-7, 2018

CALL TO ORDER

At 3:00 p.m., Tuesday, December 4, 2018, the Senate President, Hon. Vicente C. Sotto III, called the session to order.

PRAYER

Senate President Sotto led the prayer, to wit:

Mahal naming Panginoon, maraming salamat sa pagkakataong maglingkod sa bayan. Patnubayan Ninyo po ang araw na ito sa aming lahat upang magampanan namin ang aming mga tungkulin sa Diyos at sa kapwa tao. Lagi Ninyo po kaming gagabayan upang ang lahat ng aming gagawin ay para sa Inyong kaluwalhatian.

Banal na Espirito, kami ay humihiling, sumapi Kayo sa bawat isa sa amin. Bigyan Ninyo po kami ng karaniwang katalinuhan, pag-iintindi at unawa sa lahat ng aming pag-uusapan, pagdidebatihan at pagdidesisyonan namin sa pagtitipong ito upang masalamin naming ang dakilang layunin Ninyo para sa mahal na bayan.

Banal na Manggagamot, pagalingin Ninyo po ang bawat isa sa amin at bigyan

ng lakas upang masigasig naming tanggapin ang masusing pagdinig ng Pambansang Budget ng taong 2019 sa mga darating na araw.

Panalangin namin ang lahat ng ito sa Pangalan ng Inyong anak na si Hesus.

Amen.

ROLL CALL

Upon direction of the Senate President, the Secretary of the Senate, Atty. Myra Marie D. Villarica, called the roll, to which the following senators responded:

Angara, S.	Lacson, P. M.
Aquino, P. B. IV. B	Pacquiao, E. M. D.
Binay, M. L. N. S.	Pimentel III, A. K.
Drilon, F. M.	Poe, G.
Ejercito, J. V. G	Recto, R. G.
Gatchalian, W.	Sotto III, V. C.
Gordon, R. J.	Villanueva, J.
Honasan, G. B.	Villar, C. A.
Hontiveros, R.	Zubiri, J. M. F.

With 18 senators present, the Chair declared the presence of a quorum.

Senators Escudero, Legarda, Pangilinan and Trillanes arrived after the roll call.



Senator De Lima was unable to attend the session as she was under detention.

APPROVAL OF THE JOURNAL

Upon motion of Senator Zubiri, there being no objection, the Body dispensed with the reading of the Journal of Session No. 40 (December 3, 2018) and considered it approved.

REFERENCE OF BUSINESS

The Secretary of Senate read the following matters and the Chair made the corresponding referrals:

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives passed the following House bills in which it requested the concurrence of the Senate:

House Bill No. 8072, entitled

AN ACT MANDATING THE CONSTRUCTION OF A COASTAL ROAD CONNECTING THE CALOOCAN, MALABON, NAVOTAS AND VALENZUELA AREA (CAMANAVA) TO THE PROVINCES OF BULACAN, PAMPANGA AND BATAAN, AND APPROPRIATING FUNDS THEREFOR;

**To the Committees on Public Works; and
Finance**

House Bill No. 8073, entitled

AN ACT MANDATING THE CONSTRUCTION OF PANAON ISLAND CIRCUMFERENTIAL ROAD IN SOUTHERN LEYTE;

**To the Committees on Public Works; and
Finance**

House Bill No. 8506, entitled

AN ACT DECLARING THE PAGAYAWAN FALLS AND ITS PREMISES LOCATED IN THE MUNICIPALITY OF

BACOLOD, PROVINCE OF LANA DEL NORTE AN ECOTOURISM ZONE AND APPROPRIATING FUNDS THEREFOR;

**To the Committees on Environment and
Natural Resources; Tourism; and Finance**

House Bill No. 8507, entitled

AN ACT DECLARING THE MIGHTY CAVE PARK AND ITS PREMISES LOCATED IN THE MUNICIPALITY OF TAGOLOAN, PROVINCE OF LANA DEL NORTE AN ECOTOURISM ZONE AND APPROPRIATING FUNDS THEREFOR;

**To the Committees on Environment and
Natural Resources; Tourism; and Finance**

House Bill No. 8508, entitled

AN ACT DECLARING MUDLOM CAVE IN THE MUNICIPALITY OF QUEZON, PROVINCE OF PALAWAN A TOURIST DESTINATION, PROVIDING FOR ITS DEVELOPMENT AND APPROPRIATING FUNDS THEREFOR;

To the Committees on Tourism; and Finance

House Bill No. 8509, entitled

AN ACT DECLARING SANGARAN CAVE IN THE MUNICIPALITY OF QUEZON, PROVINCE OF PALAWAN A TOURIST DESTINATION, PROVIDING FOR ITS DEVELOPMENT AND APPROPRIATING FUNDS THEREFOR;

To the Committees on Tourism; and Finance

House Bill No. 8510, entitled

AN ACT DECLARING THE CITY OF ILIGAN A TOURISM DEVELOPMENT AREA AND APPROPRIATING FUNDS THEREFOR;

**To the Committees on Local Government;
Tourism; and Finance**

House Bill No. 8531, entitled

AN ACT NAMING THE 54 KILOMETER ROAD STRETCHING FROM BARANGAY MUELANG IN THE MUNICIPALITY OF MANGATAREM, PROVINCE OF PANGASINAN, TRAVERSING THROUGH BARANGAYS BABUYAN, GUINABON, GUISGUIS, CANAYNAYAN, BANGCOL, BULAWON, AND POBLACION NORTH IN THE MUNICIPALITY OF STA. CRUZ, PROVINCE OF ZAMBALES AS THE DAANG KALIKASAN NATIONAL ROAD; and

To the Committee on Public Works

House Bill No. 8532, entitled

AN ACT NAMING THE PORTION OF THE LABUAN-LIMPAPA NATIONAL ROAD STRETCHING FROM CROSSING AIRPORT ROAD AND C.A. FERNANDEZ ROAD (BALIWASAN CHICO ROAD) IN BARANGAY BALIWASAN UP TO LIMPAPA BRIDGE IN BARANGAY LIMPAPA IN THE CITY OF ZAMBOANGA AS GEN. VICENTE ALVAREZ HIGHWAY.

To the Committee on Public Works

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives designated Cua and Pichay Jr. as additional conferees to the Bicameral Conference Committee on the disagreeing provisions of House Bill No. 4814, entitled

AN ACT GRANTING AMNESTY IN THE PAYMENT OF ESTATE TAX;

House Bill No. 8554, entitled

AN ACT ENHANCING REVENUE ADMINISTRATION AND COLLECTION BY GRANTING AMNESTY ON ALL UNPAID INTERNAL REVENUE TAXES IMPOSED BY THE NATIONAL GOVERNMENT FOR TAXABLE YEAR 2017 AND PRIOR YEARS; and

Senate Bill No. 2059, entitled

AN ACT ENHANCING REVENUE

ADMINISTRATION AND COLLECTION, AND BROADENING THE TAX BASE BY GRANTING AN AMNESTY ON ALL UNPAID INTERNAL REVENUE TAXES IMPOSED BY THE NATIONAL GOVERNMENT FOR TAXABLE YEAR 2017 AND PRIOR YEARS WITH RESPECT TO ESTATE TAX, OTHER INTERNAL REVENUE TAXES, AND TAX ON DELINQUENCIES AND ADDRESSING CROSS-BORDER TAX EVASION AND FOR OTHER PURPOSES.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference Committee Report on the disagreeing provisions of House Bill No. 2158, entitled

AN ACT RATIONALIZING AND EXPANDING THE POWERS AND DUTIES OF THE SOCIAL SECURITY COMMISSION AND THE SOCIAL SECURITY SYSTEM, FURTHER AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED BY REPUBLIC ACT NO. 8282, OTHERWISE KNOWN AS THE 'SOCIAL SECURITY ACT OF 1997; and

Senate Bill No. 1753, entitled

AN ACT RATIONALIZING AND EXPANDING THE POWERS AND DUTIES OF THE SOCIAL SECURITY COMMISSION TO ENSURE THE LONG-TERM VIABILITY OF THE SOCIAL SECURITY SYSTEM, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED BY REPUBLIC ACT NO. 8282, OTHERWISE KNOWN AS THE "SOCIAL SECURITY ACT OF 1997."

To the Archives

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference

Committee Report on the disagreeing provisions of House Bill No. 5745, entitled

AN ACT ESTABLISHING THE COCONUT FARMERS AND INDUSTRY DEVELOPMENT TRUST FUND AND PROVIDING FOR ITS MANAGEMENT AND UTILIZATION; and

Senate Bill No. 1233, entitled

AN ACT CREATING THE COCONUT FARMERS AND INDUSTRY TRUST FUND, PROVIDING FOR ITS MANAGEMENT AND UTILIZATION, AND FOR OTHER PURPOSES.

To the Archives

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference Committee Report on the disagreeing provisions of House Bill No. 8552, entitled

AN ACT FURTHER STRENGTHENING THE PHILIPPINE COCONUT AUTHORITY (PCA), AMENDING FOR THE PURPOSE SECTION 4 OF PRESIDENTIAL DECREE NO. 1468, OTHERWISE KNOWN AS THE "REVISED COCONUT INDUSTRY CODE," AS AMENDED; and

Senate Bill No. 1976, entitled

AN ACT TO FURTHER STRENGTHEN THE PHILIPPINE COCONUT AUTHORITY (PCA), AMENDING PRESIDENTIAL DECREE NO. 1468, OTHERWISE KNOWN AS THE "REVISED COCONUT INDUSTRY CODE OF 1978," AS AMENDED.

To the Archives

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference Committee Report on the disagreeing provisions of House Bill No. 8374 and Senate Bill No. 1280, both entitled

AN ACT PROVIDING FOR THE REVISED

CORPORATION CODE OF THE PHILIPPINES.

To the Archives

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference Committee Report on the disagreeing provisions of House Bill No. 7735, entitled

AN ACT REPLACING THE QUANTITATIVE IMPORT RESTRICTIONS ON RICE WITH TARIFFS AND CREATING THE RICE COMPETITIVENESS ENHANCEMENT FUND; and

Senate Bill No. 1998, entitled

AN ACT LIBERALIZING THE IMPORTATION, EXPORTATION AND TRADING OF RICE, LIFTING FOR THE PURPOSE THE QUANTITATIVE IMPORT RESTRICTION ON RICE, AND FOR OTHER PURPOSES.

To the Archives

Letter from the House of Representatives, informing the Senate that on 28 November 2018, the House of Representatives ratified the Conference Committee Report on the disagreeing votes on House Bill No. 6715, entitled

AN ACT SEPARATING THE SOUTHERN PHILIPPINES AGRICULTURE, BUSINESS, MARINE AND AQUATIC SCHOOL OF TECHNOLOGY (SPAMAST)-DIGOS CITY CAMPUS IN THE CITY OF DIGOS, DAVAO DEL SUR, FROM THE SPAMAST IN THE MUNICIPALITY OF MALITA, DAVAO OCCIDENTAL AND CONVERTING IT INTO A STATE COLLEGE TO BE KNOWN AS THE DAVAO DEL SUR STATE COLLEGE, AND APPROPRIATING FUNDS THEREFOR.

To the Archives

ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS

At this juncture, Senator Zubiri acknowledged the presence in the gallery of DTI Sec. Ramon



M. Lopez and his team; Rep. Rodito T. Albano III of the First District of Isabela; and Rep. Noel L. Villanueva of the Third District of Tarlac.

The Senate President welcomed the guests to the Senate.

SPECIAL ORDER

Upon motion of Senator Zubiri, there being no objection, the Body approved the transfer of Committee Report No. 538 on House Bill No. 8169 from the Calendar for Ordinary Business to the Calendar for Special Orders.

COMMITTEE REPORT NO. 538 ON HOUSE BILL NO. 8169

Upon motion of Senator Zubiri, there being no objection, the Body considered, on Second Reading, House Bill No. 8169 (Committee Report No. 538), entitled

AN ACT APPROPRIATING FUNDS FOR
THE OPERATION OF THE GOVERN-
MENT OF THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY ONE
TO DECEMBER THIRTY-ONE TWO
THOUSAND AND NINETEEN, AND
FOR OTHER PURPOSES.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, with the permission of the Body, upon motion of Senator Zubiri, only the title of the bill was read without prejudice to the insertion of its full text into the Record of the Senate.

The Chair recognized Senator Legarda for the sponsorship.

SPONSORSHIP SPEECH OF SENATOR LEGARDA

Senator Legarda, on behalf of the Committee on Finance, submitted for plenary consideration House Bill No. 8169, 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 Nineteen, and for Other Purposes" under Committee Report No. 538.

The full text of Senator Legarda's sponsorship speech follows:

During the last four years, I have had the distinct honor and privilege to serve this Chamber as chairperson of the Senate Committee on Finance. I have always demonstrated and considered this the highest demonstration of my colleagues' trust and confidence as I sponsored the national budget, the most important piece of legislation that we, as a collegial and independent institution, have to enact into law.

This being one of the last of my official acts as chair of the Committee, please allow me first to express my sincere thanks and gratitude to my dear colleagues for such an honor. Certainly, I will look back at my tenure in this Committee only with happy reminiscences, sometimes stressful, yes, of your utmost cooperation and support.

Esteemed colleagues, "We have known for some time that we have to worry about the impacts of climate change on our children's and grandchildren's generations. But we now have to worry about ourselves as well." Spoken on 26 April 2002, by Margaret Beckett, the British Secretary of State for Environment, these two poignant sentences are a timely reminder as I humbly present to you for your consideration and assent Committee Report No. 538, which embodies the Senate Amendments to the 2019 General Appropriations Bill approved by the House of Representatives.

Today, I am pleased to report that our constitutionally mandated task to propose or concur with amendments to the national budget for fiscal year 2019 is almost complete and is now ready for plenary discussion, after holding 52 budget hearings, numerous briefings, and a comprehensive discussion with the agencies constituting the Development Budget Coordinating Committee (DBCC) to thresh out the finer details of the 2019 national budget.

I could not have done these hearings alone without my brilliant, hardworking, patient, supportive, cooperative vice-chairpersons: Senators Ping Lacson, JV Ejercito, Sonny Angara, Bam Aquino, Cynthia Villar and, of course, the leadership of this Chamber.

But that is beside the point. To borrow a maxim, "what counts is not the number of hours you put in, but how much you put into the hours." I trust that this will be evident in the proposed national budget I am about to present.

In the course of your Committee's deliberation on the proposed national budget, this Representation could not help but be reminded of Minister Beckett's words, that "(w)e have now to worry about ourselves."



And why not?

When the Duterte Administration submitted to Congress the 2019 National Expenditure Program middle of this year, we heard the Secretary of Budget Benjamin Diokno assure us of this:

“This budget guarantees a better and more comfortable life for most Filipinos. It is a budget that will support strong, sustainable and equitable growth, a budget that will make the Philippines better, fairer, safer, greener and more beautiful than what it was the year before.”

In the succeeding months since these words were enunciated, developments in our country and abroad, in geopolitics and in the global economy, as well as in our own development journey, showed that Congress, the Senate in particular, has had to revisit such reassurances to ensure that we craft a national development tool — the 2019 budget — in near conformity, if not in full cadence, with the realities on the ground.

First, I wish to retell that it is of record that in the four years I have chaired the Committee on Finance, I have always underscored the need to speed up budget utilization and put underspending to a grinding halt. Slow utilization and deliberate underspending have always been the scourge of the national budget for years.

It is for this reason that we welcomed the Administration's initiative to limit the availability of appropriations to one year. But to see is to believe. Let us look into the obligation rates of agencies if the current Administration indeed has been successful in minimizing underspending.

In both 2014 and 2015, underspending reached 13%. Forgone projects due to the said underspending amounted to P631 billion. In 2017, underspending went down to just 3% or P85.2 billion. According to the DBM, as of the first semester of the current year (2018), they have already exceeded the spending program by P34.3 billion.

The Administration has embarked on a massive public infrastructure program and strengthened human capital development as the means to pursue economic growth, from 6.5% to 7% in 2018 to 7% to 8% in 2022, and to reduce poverty from 21.6% in 2015 to 14% in 2022.

I wish we could zero out poverty and not leave it at 14%.

To realize this vision, it needs to ramp up spending and would need to reform the budget system to ensure that every peso from the people's taxes go back to them through actual delivery of services, goods and programs.

Towards this goal, the Executive has presented a National Expenditure Program for 2019 that is cash-based, which the DBM described as follows:

“Under this system, all government programs and projects budgeted for the fiscal year should be implemented and delivered within the same fiscal year. Goods and services delivered, inspected and accepted until the end of the fiscal year will be settled within the same year, up to the three-month period following the end of the fiscal year, or the Extended Payment Period (EPP).”

An annual cash-based budget system means that agencies do not only obligate or award contracts for program, activities and projects, but also ensure actual and full delivery of goods and services within the fiscal year.

However, in consideration of the first year of implementation of the Annual Cash-Based Budgeting System, the construction, inspection and payment for infrastructure outlays shall be extended until the end of June of the following year.

Macroeconomic assumptions

Dubbed as a modern and open cash-based budget for disciplined, accountable and faster service delivery, the 2019 national budget was crafted based on the macroeconomic assumptions presented and discussed during the Development Budget and Coordinating Committee (DBCC) briefing.

The People's Budget

Based on such assumptions, the Executive proposed a national budget amounting to P3.757 trillion for fiscal year 2019. It is P10 billion lower than the 2018 national budget since it limits new appropriations to include only those programs that are ready for implementation and completion within the budget year.

The highest allocation by sector, based on the NEP, is still for social services at 36% of the budget, followed by economic services at 28.4%, general public services at 18.9%, debt burden at 11%, and defense at 5%.

Investing in the human capital remains the primary goal of government as we provide the

much needed support for education, particularly CHED's Universal Access to Quality Tertiary Education at P43.3 billion, and the DepEd's Basic Educational Facilities (BEF) Program at P30.7 billion and Government Assistance to Students in Private Schools and Non-DepEd Public Schools (GASTPE) at P32.1 billion.

For the first time next year, teachers will receive the "*Gantimpala sa Uliran at Responsableng Guro*," in recognition of their effort and dedication in educating our youth. Eight hundred million pesos (P800M) has been provided for this and will be given in time for the World Teachers' Day celebration next year.

Our State Colleges and Universities (SUCs) will likewise be given support in terms of capital outlays for SUCs with zero allocation under the GAB for the upgrade and improvement of their facilities.

Two billion, nine hundred twenty-five million pesos (P2.925B) has been provided for the implementation of the Revised Compensation and Position Classification Plan for Faculty Position in SUCs and Higher Education Institutions (HEIs) as implemented in National Budget Circular (NBC) No. 461.

To continue servicing the health care needs of Filipinos, an amount of P67.353 billion is allocated for the National Health Insurance Program. Moreover, P2 billion has been allotted for the Health Facilities Enhancement Fund, which will be distributed across the country for the purchase of hospital equipment of rural health units, barangay health stations, local government-run hospitals, and other hospitals under the Department of Health.

Just note here that the 2017 Health Insurance Enhancement Fund (HIEF) is still being implemented and the 2018 fund is hardly even implemented yet.

Another big-ticket program under social services is the DSWD's *Pantawid Pamilyang Pilipino* Program at P88.6 billion. Under the 4Ps, of course, we have programs like KALAHI-CIDSS and even the Sustainable Livelihood Program (SLP).

For economic services, infrastructure projects under the "Build, Build, Build" program amount to P909.7 billion, which includes funding for the 35-kilometer Metro Manila Subject Project Phase 1, which will be the first subway in the country, and the Mindanao Railway Project.

Our farmers and fisherfolk, those who feed us who, unfortunately, are still considered the

most vulnerable, marginalized, and poorest sector in our society, will be better served through credit support and insurance, financial and technological resources, and irrigation and infrastructure support; P2.7 billion is allocated for free irrigation under the National Irrigation Program (NIA); while P4.5 billion is provided for the Bureau of Fisheries and Aquatic Resources (BFAR) to fund community fish landing centers, fiberglass boats, and post-harvest fishing kits for our fisherfolk.

We have also caused the realignment of P20 billion within the Unprogrammed Fund to provide for standby appropriations for the rice and coconut farmers as ably requested by our vice chairperson for agriculture, Senator Villar. The P10 billion fund for the Rice Competitiveness Enhancement Fund is intended to fund farm machineries and equipment, the Rice Seed Development, propagation and promotion, credit assistance, and rice extension services to farmers who will be affected by the tariffication of the quantitative import of rice.

The other P10 billion is for the Coconut Farmers and Industry Development Fund which shall be used for infrastructure program, planting, replanting and establishment of hybrid coconut nurseries, intercropping and shared facilities, research and development, and credit facilitation.

These two amendments aim to uplift the living standard of our coconut and rice farmers which account for 25% of our labor force and have low daily income: P272 for coconut farmers and P304 for rice farmers. Those who feed us are the poorest in our population. This must change now, more than sooner.

Local economic development will be supported through initiatives that will unlock the potential of micro, small and medium enterprises (MSMEs) – I am happy to say, my law of 10 years ago – to boost agriculture, strengthen our competitiveness, promote tourism, as well as build resilience in our communities.

We have earmarked P507.8 million for the Shared Service Facilities (SSF) of the Department of Trade and Industry, and we recognize Secretary Mon Lopez, who is absent from the Cabinet meeting but is present here today, for his budget which intends to increase the productivity of MSMEs by giving them access to efficient technologies, skills, knowledge, and systems.

We will recall, as Senator Aquino and the vice chairperson would know, they only had P200 million in their budget for 2018, but in a hearing of Sen. Sherwin Gatchalian, I believe



there was a request by Senators Gatchalian and Aquino and the other colleagues to increase the shared facilities in SUCs, and so the P200 million of 2018 became P1 billion. We asked them then to give us the liquidation of this P1 billion – P500 million of which was earmarked for Marawi rehabilitation for MSMEs and for SUCs, P150 million or P200 million, and the balance of which was equitably distributed to the regions for micro-enterprises for rural communities. I already mentioned this to Secretary Lopez who is present here today.

In fact, the P507 million could even be increased to double the amount as long as we see that the SSF for 2018 has reached the poorest of the poor in the hinterlands.

For the Department of Tourism, P1.621 billion has been allocated for marketing and product development. Clearly, the DOT, the DENR, and the DTI must converge and help each other in promoting sustainable tourism.

To provide a secure, orderly and safe environment conducive to social and economic development, we supported the funding needs of the Philippine National Police and the Armed Forces of the Philippines, in the amounts of P172.4 billion and P177.7 billion, respectively. They have never had choppers and helicopters as they do now. Senator Lacson and Senator JV know this, and we acceded in full to their amendments for 2018. They never had a Command Center in Camp Crame as they do now – both for capital outlay and for communications equipment.

Meanwhile, we have provided P27.4 billion for the foreign service which is the country's first line of defense in the global arena. If I recall, in this year's budget – 2018 – there was more than P800 million augmentation for the Department of Foreign Affairs (DFA) as requested by former Foreign Secretary Alan Cayetano. Geopolitical, economic and security realities require a strong Department of Foreign Affairs that is fully supported in order that it may live up to its role as the primary agency of the government responsible for the pursuit of the country's foreign policy – taking care not only of our relations with other countries but also serving as the good brother or sister of every overseas Filipino. We must always take note of the pillars of foreign policy, which would include national security and diplomacy, and cultural and environmental diplomacy.

Thus, the Senate provided for the funding needs of the DFA, including the hazard pay of DFA employees in hardship posts and opening or reopening of consulates/embassies in the other

ASEAN nations where we have no presence, especially also where we have an increased number of overseas Filipino workers, including Central Asia.

To ensure a more efficient judicial system, we are allocating P37.3 billion for the Judiciary, of which P200 million will be used for the hiring of personnel to help decongest the court dockets. We will also continue funding the construction of the Halls of Justice under the Justice Infrastructure Program – an advocacy of Minority Leader, former Senate President Frank Drilon – amounting to P1 billion. The lower courts are also provided P2.6 billion in MOOE.

To improve our resilience to natural hazards and climate change, we have provided P5.2 billion for the National Greening Program to cover the planting of 138 million seedlings over a targeted area of 143 hectares, and P700 million for the Ecological Solid Waste Management (ESWM). We asked the DENR to give us a detailed report of their NGP of this year and the past years, as well as to liquidate the P500 million allocated to ESWM because they are being given another P700 million for the implementation of RA 9003.

Meanwhile, PAGASA will get P902 billion for weather and climate forecasting and warning provision. DPWH and MMDA will get P101.9 billion and P1.4 billion, respectively, for the Flood Management Control Program. This flood control program will not happen if we do not strictly implement ESWM because no matter what flood control we do, if our *esteros* and canals are filled with solid wastes and plastics, just like in *Ondoy*, then we would flood in a span of how many hours through frequent and incessant rains.

We have also allocated P62.7 billion for Quick Response Fund (QRF) lodged in the following agencies, in compliance with the NDRRM Law, of which Senator Gordon is one of the principal authors; DA-OSEC, P1 billion; DepEd-OSEC, P2 billion; DOH-OSEC, P500 million; DND-OCD, P500 million; DPWH-OSEC, P1 billion; DSWD-OSEC, P1.25 billion; and BSGC-NEA, P20 million.

We ask that these agencies use it as a QRF. I received reports that the QRF is not too quick after all. We ask them that they comply with the law.

Finally, in line with our duty and commitment to ensure that our cultural integrity remains intact, we provided for the funding requirements amounting to P2.9 billion for our cultural agencies. This amount will be used for the promotion of culture, the preservation of our arts and heritage, our language and our indigenous knowledge.

I would like to say that never has culture been supported so much as in the past years, and we are happy to say that this has been wholly supported by the whole Chamber.

Special and General Provisions

The Committee further submits the following Special and General Provisions for the 2019 budget:

We introduced a special provision on Rice Wastage Reduction Measures, a by-product of the PhilRice provision during the hearing of the DA budget, which seeks to mandate the DA to adopt measures to reduce wastage of rice and provide specific guidelines for the appropriate handling, storage, and transport of bagged grains to ensure prevention and reduction of physical, biological, and chemical hazards that affect the quality, quantity, and safety of bagged grains during storage.

If my memory serves me right, 700,000 metric tons of rice were wasted and we import more than a million metric tons – more than half of our importation goes to wastage because of handling. *Ang sagot po ng DA sa akin noon ay hindi po nila trabaho iyon dahil ito po ay napupunta sa mga nagpa-pack at nagbebenta na retailers.* But something must be done along the way. We can actually limit our importation if we reduce wastage and loss.

We are aware that planning at the local level needs a holistic approach; thus, we have introduced a special provision that will ensure that local development plans are formulated based on a comprehensive consultation among the local development council, the local peace and order council, and the local disaster risk reduction management council, along with other local sectoral councils and committees – a primary advocacy of vice chair Sen. Panfilo Lacson. He always asked about budgets coming from the local level to RDC and to the national which should reflect the needs of our people in the rural communities in the barangay level.

Joint meetings shall be conducted to enable local government units to come up with plans that are responsive to existing and emerging challenges as well as to formulate joint strategies to address such challenges.

Napag-alaman po natin na iyong tatlong council ay nagmi-meeting nang kanya-kanya at may kakulangan po ng pag-uusap at convergence. Kaya nag-special provision po tayo na ipagsama po nila ang kanilang alam at plano.

The output of the LGUs shall be used by the national government agencies (NGAs) as a way

of strengthening NGA-LGU interdependence in shaping their future development roadmaps and annual budget proposal.

We also introduced the provision on the ban on single-use plastics. It provides that the DOT shall coordinate with the DENR and concerned LGUs to prohibit single-use plastics in all tourist destinations in the country, which is the whole country. This will cover hotels, resorts, inns, restaurants, stores, and other similar establishments located within or near the tourist destinations. Life is made easier because some LGUs are progressive and have already done this.

Single-use plastics refer to those disposable plastics intended to be used only once before they are thrown away or recycled. These include, but are not limited to, grocery bags, food packages, bottles, cups, cutleries, straws, stirrers, containers, styrofoam, and sachets. We are the third largest plastic waste source in the world and much of our marine life die by ingesting plastic waste.

We are also encouraging the DOT to prioritize areas for ecotourism, protected and biodiversity conservation areas, heritage tourism sites, and agro-tourism areas in its tourism promotion activities.

A special provision on Food Forest Gardening provision has also been introduced. National government agencies and GOCCs shall adopt a food forest gardening program as a sustainable land use system for food production and other agricultural products for economic and societal development.

We will also reintroduce a special provision to ensure the implementation of climate change adaptation and mitigation, building community resilience to natural hazards, promoting culture and the arts and pursuing the Sustainable Development Goals.

These are just some of the highlights of the proposed 2019 national budget. While pressed for time, we shall nevertheless perform our duty to pass a budget that is geared towards our collective desire to provide our people with programs and services that would usher in personal growth, community development and national progress.

On a final note, on behalf of my vice chairs — Senators Angara, Aquino, Ejercito, Lacson and Villar and the Senate leadership, and all our colleagues — I would also like to acknowledge, with profound thanks and appreciation, the relentless support and dedication of the Legislative Budget Research and Monitoring Office (LBRMO), whose work ethics we should emulate, headed by Atty. Yolly Doblón, who is retiring

Yolly

next year after 40 years in service in government, whose institutional knowledge and patience no finance chair, even Senator Escudero or Senator Drilon or Senator Recto, can ever do without. I do not know how the next finance chair can do without a Yolly Doblon in the Senate.

With that, the Committee on Finance, humbly submits Committee Report No. 538 for plenary consideration. I humbly and earnestly hope that this proposed legislation will provide jobs, take care of health and education and the future of our people, and I hope this merit the approval of this chamber.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri commended Senator Legarda, the Committee on Finance, together with the vice-chairpersons, for the hard work they have done in the past weeks.

Thereupon, Senator Zubiri informed the Body that first in the list of agencies whose budget would be considered during the day is the Department of Trade and Industry and its attached agencies; it would be followed by the Department of Science and Technology and if time permits, the Other Executive Offices, all of which would be defended by Senator Aquino.

At this juncture, Senate President Sotto announced that the Debate on the General Principles was scheduled in the morning of the following day.

REQUEST OF SENATOR DRILON

Senator Drilon said that he may not be available in the morning of the next day for the interpellation on the General Principles as he has some personal matters to attend to. Thus, he asked that he be allowed to ask questions on General Principles in the afternoon.

In reply, Senate President Sotto said that he would ask the committee chair to make herself available in the afternoon, noting that the committee chair's request actually was the debate on General Principles to start at nine o'clock in the morning. He also informed the Body that interpellations on agencies that are ready to present their respective budgets the next day would proceed and the debate on General Principles would resume at 2:00 p.m.

Asked by Senator Drilon if interpellations on the budgets of the other departments would follow even if the debates on the General Principles are not finished, Senate President Sotto replied in the affirmative.

Senator Zubiri explained that in the event that no Member would interpellate on the budget of the DTI, then the budget of the agency is deemed submitted for approval, after which the budgets of the other agencies would follow.

Senator Drilon also requested that the vice chairs of the Committee on Finance give an overview of the budgets of the agencies that they were going to sponsor so that the Members would be guided whether the budget of the agency either increased or decreased as compared to the previous year. Senator Zubiri gave assurance that he would confer with the vice chairpersons of the Committee on Finance as regards Senator Drilon's request.

PERIOD OF INTERPELLATIONS

Thereupon, upon motion of Senator Zubiri, there being no objection, the Body proceeded to the period of interpellations on House Bill No. 8169.

DEPARTMENT OF TRADE AND INDUSTRY AND ITS ATTACHED AGENCIES

Senator Aquino presented the budget of the Department of Trade and Industry and its attached agencies in the amount of P20,263,705,000 broken down as follows: P4,356,643,000 for the Office of the Secretary, P385,553,000 for the Board of Investments, P123,142,000 for the Construction Industry Authority of the Philippines, P98,106,000 for the Design Center of the Philippines and P100,910,000 for the Philippine Trade Training Center. He explained that the total budget of DTI amounted to about P20 billion because it included the allocation for TESDA and the CDA. However, he clarified that the presentation of the budgets of TESDA and CDA would be made at a later time by another vice chair of the Committee on Finance.

Thereupon, the Chair recognized Senator Gordon for his interpellation.

INTERPELLATION OF SENATOR GORDON

Senator Gordon noted that P20.635 billion was



allotted to the budget of the Department of Trade and Industry, the function of which is to bring in investments which should translate in the increase of the country's GDP. Senator Aquino answered in the affirmative.

Senator Gordon supposed that investments come into the country through the efforts of trade attachés scattered all over the world, complementing the efforts of the President in attracting investors whenever he is abroad. He then asked how many trade attachés the country has and who the best performing trade attachés were as he noted that the DTI and the Department of Tourism were ranked low in the priorities of the government when, in fact, tourism is supposed to be the engine of growth.

Senator Aquino replied that the DTI only gets 0.3% of the total budget in the GAA or 25th out of 35 agencies, while the DOT ranked 28th in terms of government priorities.

Senator Gordon stated that he would have wanted to see an aggressive DTI and DOT because these are the agencies that are supposed to bring in investments and tourism, among others.

As regards the number of trade attachés, Senator Aquino replied that the Philippines has stationed attachés in 28 countries, including three in the United States, specifically in New York and Washington in the East Coast and Los Angeles and San Francisco in the West Coast. He, however, clarified that the one stationed in Los Angeles is only a trade assistant and not a trade attaché.

Asked on the annual target of trade investments which the attachés seek to achieve, especially in San Francisco where Silicon Valley is located and where investments on information technology and BPOs are located, Senator Aquino replied that they do not have targets per country but their target covers all of the attachés *in toto*.

Senator Gordon pointed out that trade attachés, who are supposed to promote the Philippines in other countries, for instance, in San Francisco where Silicon Valley is close, should know their target and priorities in the country they are stationed at.

Senator Gordon asked why put an attaché, for instance in San Francisco, when there is no target. He pointed out that it is in San Francisco where

universities have connections with information technology companies. Senator Aquino explained that the current policy of the DTI is not to provide a target per country but a target for all of the attachés.

Senator Gordon then questioned why the attachés were given budgets. Senator Aquino replied that the budget allocation is for all of the countries around the world where the attachés are stationed.

Senator Gordon remarked that there is no accountability in the system and he suggested either to remove the budget of the attachés or create a target per attaché.

Senator Aquino said that DTI Secretary Lopez has assured the Body that he would create a target for the attaché.

Senator Gordon posited that if there is a target, the corresponding funding would also be allocated so that the end result would mean higher GDP. Citing the infrastructure projects in Region III, particularly the Olongapo-Gapan North Express Way, TPLEX, SCTEX, Subic and Clark highways and the airport, he underscored the need for the commercial attachés to see to it that all lands covered by the "Build, Build, Build" Program would have infrastructure comprising of trains, airports, and seaports. He stated that without specific targets like foreign direct investments (FDIs), no business could be generated. He recalled being a recipient of one of the biggest honors from the DFA, DOT and DTI when he was SBMA chairperson for coming up with a logistics hub at Subic Bay Freeport which promoted trade and attracted investors. He noted that at present the Philippines has foreign direct investments amounting to US\$10.04 billion; Vietnam – US\$14.1 billion; Indonesia – US\$22 billion; and Thailand – US\$9.39 billion. He pointed out that in a competition, one must know what to pursue, and in pursuing, one should have a game plan of defense and offense, the reason why he was optimistic that the Regional Investment and Infrastructure Coordinating Hub (RICH) bill would promote investments in Central Luzon similar to other regions in the country.

Saying that he was devastated by the fact that the Philippines still has not reached its full potential due to slow budget utilization, Senator Gordon stressed the need for the DTI to promptly use its budget for

investment promotion so that the agency would be granted a bigger budget in the next fiscal year. He believed that DTI Secretary Mon Lopez, one of the most hardworking Cabinet members, should aim to promote entrepreneurship, business, and job creation in the provinces nationwide considering that he has all the equipment in his plan. He said that a game plan is needed since the goal of the Department of Finance is to increase government revenue for the “Build, Build, Build” program, which he himself supports in order to hire more employees since a higher employment rate means bigger tax revenues.

He also suggested that the DTI set a target at various financial communities worldwide by finding high scoring trade attachés specifically in countries like Japan, US, Singapore, and China. He said that Secretary Lopez should strive to secure investments in the three largest economies in the world without endangering his position in other countries and to rethink the country’s trade policy. He reiterated that like the developments made in Region III, such as the Subic and Clark airports, and in Manila which has the most complete infrastructure in the country, there should be target investments in areas of infrastructure. In reply, Senator Aquino stated that the priority of DTI in other countries is to sell “outside of Metro Manila”. Senator Gordon recalled that the idea was similar to President Marcos’ strategy of decongesting Manila and bringing the industry everywhere; for instance, enhancing the industry and agriculture in Iloilo pursuant to its newly-established airport and dam, or Davao or other areas in the country where new airports are being built. He emphasized the need for the DTI to promote the Philippine market to trade partners, especially to Japan, China, and the US.

To Senator Aquino’s statement that the DTI Secretary has also looked into creating sectoral investments, i.e., energy, transport, manufacturing, agriculture, and services sectors across different countries, Senator Gordon believed that they must be supported by a bigger vision as there are target countries and target areas in the country which could be sold.

As regards the country’s ports that indicate trade, Senator Gordon remarked that the container port traffic in Manila and the Batangas Port in Southern Luzon is weak. Senator Aquino explained that the Batangas Port has a very small international capacity.

On another point, Senator Gordon recalled that during his time in Subic, he created the five Fs—Focused, Fast, Flexible, Forward-looking, and Friendly. Conversely, he stated that the “Ease of Doing Business” law authored by Senator Zubiri intends to hasten government processes. Asked why the DTI incurred delays in issuing the IRR, Senator Aquino clarified that the IRR was already finished; however, the selection committee has not appointed a director general yet. He assured Senator Gordon that the appointment for a director general would be done by the end of the year.

Notwithstanding the purpose of the “Ease of Doing Business” law which promotes speedy service and curbs corruption, Senator Gordon asked why the Philippines ranked 124th out of 190 countries in World Bank’s 2019 “Ease of Doing Business” report compared to its 2018 report wherein the Philippines ranked 113th out of 190.

Senator Aquino explained that the lower Philippine score in the World Bank report was not with regard to the local government units (LGUs) but with the country’s Credit Information Bureau. However, he said that the DTI was working to correct the problem.

For his part, Senator Gordon clarified that he was not fixing the blame on any agency. He believed that Secretary Lopez was the right person to head the DTI but that he needed to get the support of the President. He expressed his intention to fix the problem by refocusing and ensuring that the DTI works fast, is friendly, has no corruption, is flexible and is forward-looking in its vision. He recalled that at the time that he headed the Subic freeport, Manila had 2.2 million TEUs compared to Hong Kong’s 11 million but that China’s Shanghai eventually became the biggest port with 37.3 million TEUs, followed by Singapore with 30.9 million containers despite its being a second small state compared to Subic Freeport or Clark Freeport which covers a bigger area than Hong Kong and Singapore combined. He believed that the Philippines should have made the same economic progress as China through the utilization of the Subic freeport or through the Aurora Pacific Economic Zone and Freeport (APECO) which would allow faster and easier passage of ships directly to the Philippines rather than going to Hong Kong from the Pacific. He noted that Korea has 19.85 million TEUs compared to Manila, which ranked No. 35 with 4.52 million TEUs – an indication that it has not maximized its manufacturing industry. Senator



Aquino replied that it is precisely the reason that DTI was promoting the manufacturing sector.

Asked how the DTI could further promote the manufacturing sector without the necessary structures and utilities like steel mills, Senator Aquino replied that three steel mills were already in the pipeline. However, Senator Gordon pointed out that even with the presence of previous steel mills, the manufacturing sector had not seen much development because Filipinos need to be willing to take risks in making investments like their Asian neighbors.

As an example, Senator Gordon shared his vision of having a 20-kilometer undersea railway connecting Ternate, Cavite and Mariveles, Bataan, which is shorter compared to the 55-kilometer bridge in China. He underscored the importance of trade, education, tourism as well as science and technology in a country's economic progress.

INTERPELLATION OF SENATOR VILLANUEVA

At the onset, Senator Villanueva congratulated Trade Secretary Lopez for having been conferred the Order of Sikatuna the other night.

As a background, Senator Villanueva noted that one of the goals of Republic Act No. 7796 (TESDA Charter) is to focus on technical education and skills development in meeting the challenging demands for quality middle-level manpower. This, he explained, is the rationale for having the Secretary of Labor chair the TESDA board with secretaries of the Department of Agriculture, Department of Trade and Industry and the like as members. He explained that historically, the Department of Labor and Employment (DOLE) had been the home agency of the TESDA which was the result of the merging of the National Manpower and Youth Council (NMYC) and the apprenticeship program of the Bureau of Local Employment (BLE). He also pointed out that the integration of the Bureau of Technical and Vocational Educations of the then Department of Education, Culture and Sports (DECS) to TESDA explains why it is part of the tri-focalized education system in the country.

However, he noted that under Executive Order No. 1 series of 2016, the President transferred TESDA under the supervision of the Cabinet secretary in order to evaluate existing poverty

reduction programs and formulate a more responsive set in its place. He recalled that last October 21, 2018, under E.O. No. 67, series of 2018, TESDA was transferred anew to the DTI to further rationalize the Office of the President, strengthen its oversight function under the executive department, and eliminate road-blocks and impediments to attain the administration's 10-point agenda.

Senator Villanueva clarified that he was not questioning the President's decision to reorganize the Office of the President since Section 31, Chapter 10, Title III, Book 2 of Executive Order No. 292 (Administrative Code of 1997) provides for the continuing authority of the President to make such changes in the administrative structure of his office. He then asked whether the DTI was consulted prior to the issuance of EO 67. Senator Aquino replied in the negative, but he explained that since the TESDA was already with DTI, the latter believed that there might be a better integration of the skills offered by the TESDA with the industries as well as linking the MSME programs since some TESDA courses also support entrepreneurship.

Senator Villanueva believed that the DTI could undertake the same initiatives without need for the EO considering that it is already part of the TESDA board particularly since it was during his time that the agency had partnered with the DTI for the Technopreneurship Program which was doing well without the transfer. Adverting to Section 1 of E.O. No. 67 (Transfer of Agencies under or attached to the OP), he asked whether the TESDA would not be under the DTI but would remain as an attached agency of the department. Senator Aquino replied in the negative. He explained that since the head of the TESDA is Cabinet level, the agency keeps its independence even if its budget is attached to DTI as the mother agency.

Asked on the plans of the DTI to ensure that the mandate of TESDA would be carried out, Senator Aquino replied that the DTI would pursue the alignment between industries which focuses on the needs of the students and industries towards the offerings of the TESDA institutions to the students.

On how the DTI, which operates training centers such as the Cottage Industry Technology Center and the Philippine Trade Training Center, is coordinating with the TESDA and whether training regulations are also part of those being promulgated by the

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TESDA board, Senator Aquino clarified that the CITC and PTTC training institutions primarily focus on MSME development and that their graduates do not receive an NC-I or NC-II certification after completing their courses. Senator Villanueva suggested that the DTI harmonize the curriculums of the training institutions with that of the TESDA training regulations.

Asked on the role of the DTI in identifying key employment generation sectors in view of the influx of illegal workers in the Philippines and the fact that Article XII, Section 12 of the Constitution mandates that work preference should be given to Filipino workers, Senator Aquino pointed out that employers would have to publish job vacancies prioritizing Filipinos before foreigners are hired. However, Senator Villanueva pointed out that in a recent hearing, he learned that there were some cases where announcement for job vacancies was written in Chinese. He underscored the fact that it is illegal to employ foreigners as waiters, cashiers or even construction workers considering that there are Filipinos who are capable of performing the same tasks. He then asked whether the DTI has taken action to determine the establishments that hire such foreign workers and if it was coordinating with the PTTC, CITC and TESDA to develop the skills needed by Filipino workers.

Senator Aquino expressed his agreement to the concerns raised by Senator Villanueva, adding that the issue of jobs being offered to foreigners instead of Filipinos in the country should be clarified.

To the query of Senator Villanueva if the DTI was consulted, Senator Aquino said that according to Secretary Lopez, the department was not consulted with regard to opening up job opportunities to foreigners instead of Filipinos. Since it was already raised, he said that the alignment being discussed earlier could include not just the skills needed by Filipino students but also available opportunities. In that alignment, he said that they would know if there is lack of job opportunities, a need for foreign workers, or jobs which should specifically be done by Filipinos. He pointed out that the Alien Employment Permit (AEP) is exclusively issued by the DOLE provided that there is no available skill by a Filipino. However, he asserted that Filipinos know and are capable of various skills.

Senator Villanueva informed the Body that during the hearing of the labor committee the previous

week, they discovered that the Bureau of Immigration also issues special working permits which, to him, is absurd considering that the DOLE already issues AEP on the basis of their technical competencies to determine if a job cannot be done by a Filipino.

Senator Villanueva stressed that the DTI should be more proactive in assuming the responsibility of determining sectors that would create job opportunities and the necessary skill set to develop. To illustrate, he said that the offshore gaming "Pogo" recruited Chinese nationals since one of the requirements is fluency in the Mandarin language. If that sector has the potential to grow, and a greater number of employees would be anticipated, he said that the government should do something to bridge the gap. For instance, he pointed out that TESDA has 37 language skills institutes, and there are also private language skills institutes to teach the Mandarin language. That way, he stated that they would be able to give more job opportunities to and prioritize Filipinos.

Senator Aquino said that the DTI would seek better alignment among the agencies, and as part of their industry road maps, they would check the industries which really need foreign support or which can potentially be filled up by Filipino laborers. If there would be a need to increase support for a specific skill for a specific sector, he said that TESDA could increase seats for such trainings or courses. He also assured the Body that the DTI Secretary committed to come up with a better understanding of which industries require which jobs, and which may or may not require foreign national laborers.

Senator Villanueva hoped to see a better scheme and strategy in creating jobs for Filipinos.

INTERPELLATION OF SENATOR DRILON

At the outset, Senator Drilon asked if the TESDA budget, now part of DTI, was also being deliberated upon on the floor. Senator Aquino answered in the negative, stating that it would be sponsored and defended by another vice chairman.

Senator Drilon asked the budget of the DTI was without the TESDA budget. Senator Aquino replied that the DTI, which includes the Office of the Secretary (OSEC), Board of Investments (BOI), Construction Industry Authority of the Philippines (CIAP), Philippine Trade Training Center (PTTC),



Center for International Trade Expositions and Missions (CITEM) and Small Business Corporation (SBC), has a proposed budget of P7.4 billion. He reiterated that it does not include TESDA and CDA.

Asked for a comparison between the agency's 2018 budget and its proposed 2019 budget, Senator Aquino stated the offices and their corresponding budgets were contained in the 2018 GAA budget were as follows: OSEC – P5.3 billion, BOI – P426 million, CIAP – P102 million, DCP – P106 million, and PTTC – P66 million, for a total of P6.27 billion. For the 2019 Senate version of the proposed budget for DTI, he also enumerated the offices and their corresponding budgets, to wit: OSEC – P4.9 billion, BOI – P385 million, CIAP – P123 million, DCP – P108 million, and PTTC – P100 million, for a total of P7.4 billion.

As there was an increase of P1.4 billion from the 2018 GAA, Senator Drilon asked where the increase went to. Senator Aquino replied that it was spread among the various offices and agencies under the DTI.

Asked why the budget for the DTI-OSEC was reduced by P400 million and what programs would suffer as a result, Senator Aquino stated that the cut was in the Shared Service Facilities which had P1 billion in the 2018 GAA. He explained that those facilities are for the support of MSMEs and other beneficiaries of DTI, like packaging and production facilities.

On whether the reduction was acceptable to the agency, Senator Aquino clarified that the original allocation for Shared Service Facilities during the budget hearings for the 2018 GAA was P200 million only, which through the efforts of Senator Legarda and the other vice chairmen of the Committee on Finance, was increased to P1 billion or an additional P800 million to cover support for Marawi and SUCs. For the 2019 GAB, he said that the allocation reverted to P200 million, but, again, through the Senate's collective effort, it was increased to P500 million.

At this point, Senator Legarda explained that the Shared Service Facilities is a long-time program of the DTI aimed at assisting SMEs in the form of equipment needed in the conduct of their businesses. She enumerated businesses which were assisted by DTI, like the makers of muscovado sugar in Lauaan, Antique, and tuna processing facility and blast freezers in Libertad, Antique.


Senator Aquino noted that the assistance is provided to SMEs in various parts of the country.

Senator Legarda stated that the budget for Shared Service Facilities in the 2018 GAB was P200 million. Then, during the hearing conducted by Senator Gatchalian, she recalled that the Mariano Marcos State University in Ilocos Norte, which had a good extension program for the use of nipa for biofuel, requested P100 million for their program; however, Senator Gatchalian had mentioned that the DOE did not have a budget for that, and so she suggested the convergence of DOE, SUC and DTI to provide for such projects under Shared Service Facilities so that the fund would be available to all SUCs. She said that the budget was then increased from P200 million to P400 million. When the crisis in Marawi happened, she said that P50 million was added to support microenterprises in the area, which brought the total budget to P450 million.

Senator Legarda said that there are other regions and provinces apart from Region VI and Antique which are requesting for financial assistance in terms of the Shared Services Facilities. She informed the Body that before the interpellations with Senator Aquino, she approached DTI Secretary Lopez and asked him for a liquidation of how the funds were spent for Marawi, for the women involved in microenterprise who lost their looms even as they do the Maranao *malong*, and that she even reminded him that there are some SUCs in the regions which used the funds for their extension programs and of the other beneficiaries where the funds have not yet been obligated and downloaded. She said that she was told by the DTI that they would obligate everything by December this year. She lamented that while she believed in the project, the DTI, just like some other government agencies, has very tedious processes and requirements which slow down the release of the funds. She said that the P300 million for the fund, which became P1 billion in 2018 and reflected as P500 million in the Senate Committee Report is actually an increase and not a reduction.

Going back to his interpellation, Senator Drilon said that he would like to proceed to the policy issues because insofar as the peso figures are concerned, it was something that he could live with.

Senator Drilon said that the DTI's principal mandate was to promote exports, and its biggest incentive promotion agency is the Board of Investments



(BOI). He noted that for 2019, the BOI has a budget of P385 million from its current budget of P425 million, which reflects a decrease of P40 million. He said that looking at the budgets for the last 20 years, he could not figure out why the budget keeps on reducing.

Senator Aquino said that the reason for the P40-million reduction was that the bulk of the amount was allocated for capital outlay that was already completed.

Senator Drilon then asked for the performance of the country's export industry for the last three years, from 2015 up to 2017, as he would like to see whether the DTI was performing its mandate in terms of promotion of exports.

Senator Aquino said that it was US\$57.41 billion in 2016; US\$68.71 billion in 2017; and around US\$50.76 billion from January to September 2018. He clarified that the figures represent only the total export for merchandise and not the total export for services.

Senator Drilon further asked how the country's merchandising exports compare with its ASEAN neighbors, particularly the economies of Indonesia, Thailand, Malaysia, Vietnam and Singapore, noting that compared to the Philippines' US\$69 billion, Vietnam has US\$214 billion in export receipts on merchandising in 2017 while Indonesia has US\$169. In reply, Senator Aquino said that Thailand in September of 2018 was at US\$216 billion compared to the Philippines' US\$51 billion for the same period; and in 2017, Thailand was at US\$237 billion, Malaysia was at US\$216 billion, and Singapore at US\$373 billion compared to the Philippines' US\$69 billion.

At this point, Senate President Sotto asked if oil was Singapore's main export. Senator Aquino said that it was high-value electronics.

To Senator Drilon's observation that the gap between the country's export receipts vis-à-vis its ASEAN neighbors has been increasing over the past three years, Senator Aquino replied that it differs with every country. He said that for Malaysia, Indonesia and Singapore theirs have been decreasing, from US\$420 billion in 2013 to US\$373 billion currently. He said that the country's export receipts are increasing by US\$3 billion or US\$4 billion and its ASEAN neighbors are likewise decreasing by around

that amount. However, he conceded that since their figures are over a hundred billion more, the gap is still huge even if it is reducing.

Asked by Senator Drilon whether there are efforts or policy measures to close the gap between the Philippines and its ASEAN neighbors, Senator Aquino said that according to Secretary Lopez, the DTI is increasing the manufacturing and improving the country's attractiveness to other countries. He admitted that there are issues with TRAIN 2, one of which was a sour point between the DTI and PEZA, but he believed that the possible change in policy would not affect the investments coming in.

At this point, Senate President Sotto asked if the DTI has any participation in the oil exploration proposal of the government. Senator Aquino replied in the negative.

Asked by Senator Drilon on the specific measures being adopted by the government in order to improve the export industry which provides the needed export receipts, improves the country's gross international receipts and generates employment, Senator Aquino said that according to Secretary Lopez, the DTI continues to push infrastructure development, the ease of doing business, incentives, manufacturing through the BOI and PEZA and other initiatives to make the Philippines more attractive to investors.

Senator Drilon assumed that incentives are part of the policy that would improve the country's investment climate. He asked how much in terms of income tax holidays, exemptions, deductions, credits, exclusions, have been granted by the Philippine government in order to promote the export industry. He lamented the huge gap in terms of export earnings compared to the other ASEAN nations, where the gap is three times larger. He asked what specific programs are being undertaken by the DTI to close the gap.

As regards specific programs, Senator Aquino stated that the BOI has given investors almost P24 billion in income tax holidays.

Senator Drilon inquired about the specific programs and targets as far as the ASEAN is concerned. He lamented that the country has been lagging behind and the economy has not been improving at all, notwithstanding all the programs that were being implemented. He then asked the Committee to give

at least three programs that were designed to improve the export industry.

In reply, Senator Aquino said that the biggest incentive is the grant of an income tax holiday to the manufacturing sector. Likewise, he stated that the BOI conducts trade fairs, as well as inbound and outbound missions to promote different opportunities within the Philippines..

On the matter of trade missions, Senator Drilon inquired about the expected targets by the end of 2019. Senator Aquino stated that the target of the BOI for 2019 is P680 billion.

Senator Drilon noted that as of September 2018, or in nine months, merchandized export receipts were at US\$51 billion, or about US\$60 billion for the entire year, which is lower than the previous year's level of US\$69 billion.

Senator Aquino stated that the projection for exports of goods in 2018 was \$48.8 billion, which is above the \$46 billion projected by the DTI in 2017. He said that the agency actually outdid itself.

But Senator Drilon noted that the tendency has been to set the targets low so that by the end of the period everyone feels accomplished.

Senator Aquino stated that the target provided by the DTI for export goods was \$49 billion for 2018. Senator Drilon, however, stated that the year-end expected receipts of \$60 billion was still high compared to the nine-month performance of \$49 billion.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 5:25 p.m.

RESUMPTION OF SESSION

At 6:07 p.m., the session was resumed.

In reply to the previous query of Senator Drilon, Senator Aquino said that the DTI uses two standards: the PSA data and the so-called "BPM6 data," clarifying that their discussion earlier regarding Thailand, Singapore and Malaysia is the equivalent of the PSA data which would be used the discussion

since the DTI has also a separate BPM6 standard which basically nets out the imports and exports which are double-counted. He pointed out that for the 2017, the export target for goods was between US\$56 billion and US\$57 billion with an actual hit of US\$68.7 billion, hence, there was an unexpected increase which is due partly to some statistical changes, while for 2018, the target was between US\$60 billion and US\$61 billion, which was not very far from the previous year. Senator Drilon said that based on that forecast, there was a slight dip in the country's export earnings so that instead of it increasing, there would be a reduction. Senator Aquino agreed.

Noting that the DTI adopted three basic programs — incentives, promotions and trade missions — to attract investments, Senator Drilon asked whether the incentives program is its principal tool to increase the country's Foreign Direct Investments (FDIs) and for how long it has been done. Senator Aquino replied in the affirmative, adding that DTI has been adopting the policy of granting incentives since 1987. However, Senator Drilon believed that it has been done earlier than 1987, considering that incentives were already granted during martial law. He then asked the DTI secretary to confirm such information. Senator Aquino stated that Senator Drilon was correct since the BOI was established in 1968.

Senator Drilon lamented that even with the incentives program of the BOI since 1968, the country still lags behind other countries and was even overtaken by Vietnam. Senator Aquino agreed with Senator Drilon, stating that the Philippines is number six out of the 10 original members of the ASEAN. He stated that apart from the incentives program, the DTI also needs infrastructure to be able to maximize its support to the ecozones as well as to issue on trade liberalization and foreign investment policies. He said that the DTI has been doing its best with the resources currently available to it in terms of what is allowed by the law and allowed by its budget.

Agreeing with Senator Aquino, Senator Drilon asked about the investment promotion agencies (IPAs) of the government, considering that incentives are still the principal instrument to increase FDIs. Senator Aquino replied that currently, there are about 14 IPAs, the largest of which are as follows: Board of Investments (BOI) with P617 billion investments; Authority of Freeport Area of Bataan (AFAB) with P616 billion; Philippine Economic Zone Authority (PEZA) with

P238 billion; Subic Bay Metropolitan Authority (SBMA) with P42 billion; Clark Development Corporation (CDC); and Board of Investments in the Autonomous Region in Muslim Mindanao (BOI-ARMM). He disclosed that the total fiscal incentives granted by the IPAs amounted to P908 billion, and he also confirmed that the BOI and PEZA have over P650 billion in incentives granted in 2017.

Asked on the policy of granting incentives, given that TRAIN 2 seeks to reduce the number of incentives currently being granted under the justification that they were being rationalized, Senator Aquino replied that the DTI would be increasing the incentives. However, Senator Drilon said that his impression of TRAIN 2 is that its principal feature is the reduction of the corporate income tax and the removal of the incentives which are considered as leaks in the revenue collection system. Senator Aquino replied that the reduction in corporate income tax is considered as an incentive.

Senator Drilon pointed out that under discussion are the tax incentives granted in order to attract FDIs and not about the reduction of corporate income tax which has been done in another Congress in order to increase the revenues in general. He disagreed that reducing the corporate income tax is increasing the incentive.

Senator Aquino said that there is an attempt in TRAIN 2 to lower the corporate income tax and to cut the perpetual nature of some of the incentives given out by the IPAs. He explained that what exactly increased was the double deduction on R&D in terms of tax payment; there was double deduction on training expenses; there was accelerated depreciation to allow them to deduct more every year; and there were some changes with the net operating loss carryover. He said that all these incentives would enable the company to have larger income, and he noted that Senator Drilon may be referring to the perpetual nature of some of the incentives that have been cut. Senator Drilon agreed, saying that the premise was that incentives are the major tool to attract FDIs and as a policy, he found it not consistent with the push for the rationalization or reduction of fiscal incentives granted to IPAs registered foreign companies.

Senator Aquino clarified that the primary goal of TRAIN 2 is to make investments and incentives

more efficient, more performance-based and providing the right incentives to the investors. Senator Drilon said that such policy does not sit well with the companies currently enjoying the incentives because if they are removed, it would make the investors think twice about expanding their operations in the country and might even look for other locations. He believed that the rationale that it will not affect the incentive program is not credible to those that are enjoying under the program. He then sought for an explanation for such contradictory policies.

Senator Aquino stated that the incentives are important to push for more investments and that the DTI has been proposing changes that are mostly geared toward efficiency and clarity in terms of the incentives. However, he agreed with Senator Drilon that the investors have not taken such changes very well.

Senator Drilon asked whether a study was conducted to determine the incentives that would no longer be available once TRAIN 2 is enacted, as he noted that P908 billion worth of tax incentives were granted to companies by the IPAs. He asked if there was any prediction as to how much the total tax incentives would be reduced from the P908 billion once the incentives are rationalized.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 6:27 p.m.

RESUMPTION OF SESSION

At 6:31 p.m., the session was resumed.

Upon resumption, Senator Aquino explained that the BOI has the largest share of the investments, most of which are time-bound, and as such, they are not affected. He said that the concerns are really with the PEZA investments; the reason Secretary Lopez would be introducing provisions that would set performance-based measures for current locators, and if they hit the standards, they can continue with their current investment package and maintain their incentives; otherwise, they will lose their incentives for that year. He said a prediction that 30% of the 4,000 locators may not hit the standards set or around 1,200 companies are expected to leave.

Asked whether 1,200 companies would leave if the standards are not met, Senator Aquino replied that there is a possibility that they would leave from the PEZA. However, he said that PEZA is just waiting for the final decision as regards the incentives that had been granted if TRAIN 2 would push through. He said that there is hesitation on the part of the investors because the Administration has been pushing for it but some of the lawmakers are reluctant to work on it seeing the dangers it would give to the people. He said that according to the PEZA and the DTI, they are confident that they would be able to make up for those 1,200 companies that would leave.

Asked who would make up for the 1,200 companies that would leave if the policy on TRAIN 2 would be firmed up, Senator Aquino said that those who would leave are the companies that would not meet the performance-based standard, and he surmised that some of them might not opt to leave while the others, according to PEZA, are only waiting for the actual policy on the TRAIN 2. He opined that TRAIN 2 is something the Senate should look into and that it should be given the same fair treatment as that of the proposal to reinstate the death penalty. He recalled that the bill on the death penalty met rough sailing and the proposal was eventually killed after more than 12 senators decided not to push through with it. He said that the more the Senate delays the decision on TRAIN 2, the more the companies are unlikely to commit to the Philippines.

Senator Drilon surmised that the prodding to put into law TRAIN 2 only means that the proposed incentive scheme policy is something that cannot be relied upon or that the prospective investors are not looking forward to invest in the country because of the uncertainty that they face.

Asked whether problems do not exist in the registration of firms with the BOI, Senator Aquino answered in the negative.

Asked whether the TRAIN Law would not affect the incentives granted by the BOI, or those which are time-bound, Senator Aquino answered in the affirmative. He added that the biggest contention of the PEZA locators against the TRAIN 2 is that their incentives are no longer perpetual and would be time-bound.

Asked whether the incentives which are no longer perpetual and are time-bound would mean a

reduction of the incentives, Senator Aquino answered in the affirmative. Senator Drilon remarked that such a policy would not be consistent with the policy of having fiscal incentives as a tool for FDIs.

Senator Aquino explained that apart from the incentives, there are other factors which make the country attractive to investors like the English-speaking population, the very good reputation of the labor groups, and the good market. But he agreed that clearly, the incentives are the most important factor in attracting investors.

Senator Drilon argued that the factors cited by Senator Aquino were already in place ever since and yet the position of the country in the Southeast Asian region as an attractive investment destination has been deteriorating in terms of rank. Thus, he assumed that there has been no deliberate or clear path for the country to attract more foreign direct investment because the only tool that could convince them to invest is the incentive which is even being muddled by policy debates and uncertainty in decisions. He said that he sees a very dark future as far as the FDIs are concerned and he would not be surprised if in the following year, the country would still be lagging in the Southeast Asian region absent a correct policy.

Senator Aquino said that Secretary Lopez was noting down all the policies needed to make the business environment in the country attractive, including liberalization of sectors and the foreign investment negative list, among others. As regards TRAIN 2, he believed that it is a policy question that the Legislative must confront. He stated that although many Members already expressed their unfavorable sentiment about the measure, he would want the Body to make a firm decision to allow the investors to come in because of certainty. He stated that the longer Congress tarries on TRAIN 2, the harder it would be for investors to come in, the longer the uncertainty, the longer it would be for many investors to decide firmly on whether they will come in or not.

Senator Recto refuted the statement of Senator Aquino that the ball for the passage of TRAIN 2 is in the court of the Senate, saying the uncertainty was caused by the proposal of the Executive. He said that even if the proposal would be deliberated in plenary or that a new Senate is elected and the Executive would push through with the policy, still it would create confusion. He said that the ball is not with the Senate, but it is the realization of the

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Executive not to touch the current fiscal incentives especially at this time that there is a trade war going on between China and the United States. He said that it was mentioned earlier that around US\$10 billion worth of investments would come in the country this year, but according to him, more would have come if this TRAIN 2 issue was not on the table. He cited the slowing down of investments, for instance in the BPO industry, which is being replaced by POGO, because of TRABAHO or TRAIN 2. He likened the incident with PEZA when 1,200 companies would leave the Philippines for failure to meet the standards set and yet the Department of Finance put the blame on the Senate for not pushing for TRAIN 2.

Senator Aquino opined that the Executive should take a hint that TRAIN 2 has hardly any support at the Senate, that it was not yet even at the committee level nor a committee report was ever filed. He said that this development should have been enough signal for the Executive and the PEZA that TRAIN 2 was not gaining ground in the Senate.

Asked on the position of the DTI as far as the TRAIN 2 was concerned, Senator Aquino replied that the DTI was supportive of the original version but that there were a few provisions that it was trying to address, particularly on the concerns of the companies which include not only the performance-based standards to continue enjoying the incentives but also the long transition period for current investors. He said that the DTI has been trying to respond to the concerns of the market, and he agreed with Senators Recto and Drilon that the longer that TRAIN is kept on the table, the longer the confusion resulting in lack of clarity.

Senator Drilon then asked what the DTI's position was insofar as TRAIN 2 was concerned, noting that its principal feature is the rationalization of fiscal incentives. Senator Aquino disclosed that the DTI is supportive of the measure and has formally submitted their amendments to the DOF version of TRAIN 2 to appease the concerns of the market, the two major features of which are: first, the performance-based standard which suggests that if local companies meet, they could continue their current investment package; and second, the 10-year transition period for companies to enjoy their new incentives.

To Senator Recto's suggestion of simplifying the proposal by allowing the new investors to continuously enjoy all the incentives, Senator Aquino agreed,

noting that the Senate also approved a grandfather clause for the regional headquarters in TRAIN 1 which was unfortunately vetoed by the President. Senator Recto disclosed that the grandfather clause in TRAIN 1 was vetoed upon the recommendation of the Secretary of Finance.

Anent the suggestion for a new incentive package, Senator Aquino stated that Secretary Lopez and Secretary Dominguez could discuss it with some inputs from the Senate. Senator Drilon remarked that historically, the DOF and the DTI are in constant discussion as far as incentives are concerned; however, they never agree.

Adverting to Republic Act No. 10708, or the "Tax Incentives Management and Transparency Act" (TIMTA), Senator Drilon asked if the figure P908,000,000,000 in fiscal incentives, which were enjoyed by the investors or locators in PEZA and the BOI, was a data generated out of the TIMTA. Senator Aquino disclosed that the figure provided by DTI was a 2015 data and that the 2016 data was still being finalized by NEDA.

Senator Drilon emphasized the data's necessity to assist the government in coming up with rational decisions particularly on the TRAIN 2 policy, but he admitted that he was surprised that the figures provided were still a 2015 data — the time when the TIMTA law was passed — considering that specific provisions therein require prompt reporting. The TIMTA, he said, is a policy-making instrument which was needed to reasonably and correctly come up with a policy on incentives as it provides what incentives were granted and benefits that the public received out of such incentives. Unless the updated figures are produced, he said that he could no longer continue to ask questions.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 6:52 p.m.

RESUMPTION OF SESSION

At 6:57 p.m., the session was resumed.

Upon resumption, Senator Drilon placed on record that the stated policy under the TIMTA is the

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promotion of fiscal accountability and transparency in the grant and management of tax incentives.

Asked what the revenue foregone was by reason of the incentives granted by the investment promotion agencies, Senator Aquino stated that the revenue foregone in 2016 by reason of incentives granted by the BOI was P36.2 billion and PEZA, P119 billion, or a total of P155 billion comprising of income tax holiday, special income tax rate, and customs duty.

Asked by Senator Recto regarding the amount of investments generated since its inception or after one year, Senator Aquino said it was P900 billion for PEZA and P850 billion for BOI, or a total of US\$17 billion in one year which resulted in the creation of 150,000 jobs. Furthermore, he said that while TRAIN 2 would not change the total figures in the BOI, PEZA would roughly lose 30% of 74,000 employment at present, or about 25,000 assuming equal number of jobs per company.

Senator Drilon inquired how many jobs were generated out of the incentives granted by the PEZA and the BOI. Senator Aquino replied that there were about 150,000 jobs generated as a result of the P154 billion incentives that were granted to the BOI and PEZA and which would be jeopardized once TRAIN 2 is passed. He said that 30% of P237 billion or P70 billion worth of investments and 25,000 jobs could be lost with the passage of TRAIN 2 since the incentive system was the biggest draw insofar as attracting FDIs was concerned. But he conveyed the belief of Secretary Lopez that the amendments to TRAIN 2 bill that he proposed could address the concerns of the market.

Asked if a cost benefit analysis on investment incentives was ever conducted as required by RA 10708, Senator Aquino explained that under a cost benefit analysis for enterprises registered with the BOI, the benefits for every peso of incentive are as follows: P2.02 of taxes, fees, licenses and other contributions are generated to the government, P8.99 of investments are generated, and US\$0.52 from export earnings are realized; for every P113,000 worth of incentives, one employment/job is generated. As far as the PEZA was concerned, he explained that for every peso of incentive, P11 is generated for the government in the form of paid taxes, salaries and business for suppliers.

Senator Drilon asked why the incentives were being removed when the DTI is the principal agency

responsible for the promotion of FDIs. He further asked how much of the budget was devoted to promoting the country as an attractive destination for FDIs, noting that instead of promoting foreign direct investments, the administration was pushing for the enactment of a law which would achieve the opposite and would result in having no more investments granted and the possibility of having 1,200 enterprises leaving the country. He stated that while the principal tool for FDIs to come to the Philippines is the incentives granted under the BOI Law and the PEZA Law, the Sponsor's answer indicated that the exact opposite is being pushed by the administration. He said that he was trying to spread into the record the cost benefit analysis of the investment incentives granted to these enterprises which he suspected were present but would not happen under TRAIN 2. Senator Aquino replied that for every peso in terms of incentives for enterprises under the PEZA, P11 is generated.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 7:10 p.m.

RESUMPTION OF SESSION

At 7:11 p.m., the session was resumed.

Senator Aquino likewise stated that the investment return for the BOI was also at P11.03.

Asked why such incentives were being removed despite having such a favorable cost benefit analysis, Senator Aquino replied that the main reform of TRAIN 2 is to decrease or eliminate the perpetual nature of the incentives by making them time-bound.

To Senator Drilon's observation that the companies were being given incentives to leave, Senator Aquino said that the DTI Secretary has precisely proposed amendments to address the concerns of the market and that it is up to the Senate to determine if such proposals are enough to save the bill.

Senator Drilon said that he was trying to raise a policy issue since the DOF and the DTI were clearly not in sync with each other. However, Senator Aquino clarified that both departments are supportive of the measure even though others who look at

things separately might see a contradiction in terms of the policies. He said that negotiations are ongoing between the DTI and the DOF regarding their proposals.

But Senator Drilon noted that the DTI would be doing away with the favorable cost benefit analysis and runs the risk of having 25,000 Filipinos lose their jobs because 1,200 enterprises in the BOI and PEZA-registered companies would possibly leave the country. He then asked whether the DTI has complied with the law which requires that the incentives granted and the cost benefit should be reported as a tax incentive information section of the Budget of Expenditures and Sources of Financing (BESF). He cited Section 5 (Monitoring and Tax Incentives) of RA 10708 which states that "the aggregate data per industry basis of the amount of tax incentive availed of by the registered business enterprise shall be reflected by the DBM in the annual BESF". Senator Aquino replied that the information by industry was indicated in page 777 of the annual BESF.

Asked whether the P26,765,000,710 listed as income tax holiday under the BOI pertained to foregone revenue of enterprises registered by the agency, Senator Aquino replied in the affirmative, as he gave assurance that the DTI would provide Senator Drilon with a copy of the list of 4,650 enterprises that were recipients of these incentives. However, Senator Drilon clarified that he only wanted information on the top 10 enterprises for the PEZA and the BOI in terms of foregone revenues and the benefits they have given to the Philippines.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 7:19 p.m.

RESUMPTION OF SESSION

At 7:52 p.m., the session was resumed.

Upon resumption, Senator Aquino enumerated the top 10 companies with the largest incentives availed of and registered with the BOI and the corresponding amounts of revenue foregone, to wit: Maynilad Water Resources – P1.4 billion; Semirara Mining and Power Corporation – P1.4 billion; Oceana Gold Philippines – P1.12 billion; Eagle Cement

Corporation – P1.049 billion; Maynilad Water Services – P973 million; AP Renewables, Inc. – P927 million; South Luzon Tollway Corporation – P880 million; Wyeth Philippines, Inc. – P828 million; Cebu Energy Development Corporation – P824 million; and Kepco SPC Power Corporation – P817 million. He also cited the top 11 companies with the largest incentives availed of which were registered with PEZA, to wit: Texas Instruments, Amcor, Toshiba, Philippine Associated Smelting and Refining Corporation, Microchip Technology, Epson, Accenture, Samsung Electro-Mechanics, House Technology Industries, STMicroelectronics, and Convergys. He said that he would submit the amount of revenue foregone for the aforementioned companies the next day.

Asked on the approximate figures of the foregone revenues or tax incentives, Senator Aquino said that the total was P919 billion, the breakdown of which the agency would submit the following day. He confirmed that the incentives would be rationalized if the next TRAIN bill would be passed in its present form. As to what extent the incentives would be rationalized, he said that those with 20 to 30-year incentive package would be cut. However, he said that one of the proposals of Secretary Lopez is to place a transition period.

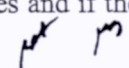
Senator Drilon reiterated his request for data on the revenues foregone by virtue of the incentives granted by BOI and PEZA to be submitted to him the following day. Senator Aquino explained that out of the total of P908 billion incentives granted by IPAs, BOI has the largest share with P617 billion, and PEZA at about P238 billion.

Senator Drilon stated that these are the major issues that would be debated upon during the deliberation on the TRAIN 2 bill as it is a question of rationalizing the incentives as against the policy of granting incentives to attract investors.

INTERPELLATION OF SENATOR RECTO

Asked by Senator Recto what the budget for the DTI was pertained to, Senator Aquino cited the Office of the Secretary, BOI, CIAP, DCP and PTTC under the DTI, as well as CITEM and SBC under items XXXV G.2 and G.3. He also confirmed that the budget of TESDA and CDA would not yet be tackled.

Senator Recto asked on the amount of the budget of DTI and its attached agencies and if there



has been an increase from the GAB. Senator Aquino said that in the GAB, it was P5.6 billion, while in the Senate version, it is P5.64 billion which was taken from another agency or item.

Asked on the primary mandate of the DTI, Senator Aquino replied that it is to promote industry development, exports and investments, and to support MSMEs.

Asked how much of the total budget of the DTI goes to investment promotion, Senator Aquino replied that the budget for industry development is roughly P716 million.

Senator Recto pointed out the importance of attracting foreign direct investments in order to create jobs and he then asked if there is a budget for advertisement that would attract FDIs. Senator Aquino answered in the negative.

Asked where the DTI would be in the order of priorities in terms of budget allocation, Senator Aquino replied that the DTI's budget is higher than those of DICT, DOT, and DOE.

Asked how much was being spent insofar as the promotion of Philippine exports was concerned, Senator Aquino stated that the amount was about P100 million. Senator Recto remarked that with a very low budget for export promotion, no wonder investments and exports are lagging in the region, as he stressed the need for the DTI to give higher priority to its mandate. He pointed out that the budget of ARMM is roughly seven times the budget of DTI.

Asked if the DTI's budget has increased from the 2018 GAA, Senator Aquino replied that it was roughly the same. Senator Recto said that since the inflation went up by 6.7%, the agency would be spending less for 2019 in real terms. Senator Aquino affirmed that there would be less spending because of the move to cash-based budgeting.

Asked on the obligation and disbursement rate of DTI, Senator Aquino replied that it is 95% and 86%, respectively, and he surmised that the DTI could be among the top performers in terms of obligation and disbursement rate.

Asked where the rest of the P5.6 billion DTI budget would go, Senator Aquino said it would go,

among other activities, to MSMEs and consumer welfare which was allotted about P544 million to be used to monitor suggested retail prices, consumer complaints, Bureau of Product Standards, among others.

Senator Recto then asked what would happen if someone would sell above the SRP. Senator Aquino clarified that the SRP becomes mandatory during times of calamity; in regular times, the DTI can ask the seller to explain, and that usually, the seller accedes and reverts to the SRP. He added that the SRP is maintained only on selected basic commodities and brands.

To Senator Recto's observation that it was because of lack of competition in the market that government must regulate prices, Senator Aquino explained that under the Price Act, the DTI is mandated to ensure that prices of basic necessities and commodities do not go extremely above the SRP.

On whether there is an equivalent agency in Singapore, Hong Kong or Malaysia, Senator Aquino replied in the negative, saying that only the Philippines provides for SRP.

To Senator Recto's observation that the government was not making market forces operate, Senator Aquino said that to a certain extent, the government allows the market to decide prices of goods. He added that the DTI has taken on the role to check the prices of certain products and stock keeping units (SKUs).

Senator Recto asked how much of the P5.6 billion allocated for DTI was spent for that purpose. Senator Aquino replied that about P100 million was spent for the purpose, covering both MOOE and PS. He affirmed that part of the P100 million was spent for export promotion. Senator Recto pointed out that consumer protection and export promotion should have equal weight in terms of budget priority.

Asked where the remaining amount was spent on, Senator Aquino said that P1.3 billion was spent on MSME development under which every industry is asked to develop its own roadmap. He said that for the past couple of years the DTI has been leading the initiative identifying issues, possible areas of investment and needs of different stakeholders for the domestic industry. He said that P377 million was spent on export manufacturing.

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Asked whether part of the P1.3 billion for MSME would also be spent on some of the projects earlier identified, Senator Aquino replied that part of the P1.3 billion would go to the Negosyo Centers, the Shared Service Facilities (SSF), training programs, the One Town, One Product (OTOP) program, and other numerous programs which led the way for MSME development for the past few years. He affirmed that the DTI was more or less in the manufacturing sector.

On a related matter, Senator Recto asked what role credit plays as far as the manufacturing sector was concerned. Senator Aquino explained that all manufacturing companies, whether SMEs or larger factories and companies, need credit programs. He said that for the smaller institutions, there are various options in the private sector; for government, there is Small Business Corporation and the Land Bank of the Philippines; and for the larger companies, it is the commercial banks that cater to them.

Senator Recto said that credit in the manufacturing sector was all right but the bigger problems are in the agriculture sector. Senator Aquino opined that those classified as small enterprises could use more support in terms of credit options because the micro and large businesses have full support.

Senator Recto said that based on the budget of DTI, the biggest concern was not so much on inviting foreign investments or promoting exports but more on domestic concerns, particularly with the small amount of money for micro enterprises for capability-building and training which was the reason 50% of its budget was spent on micro enterprises. Senator Aquino said that it is about 44% of the project funds.

Senator Recto also questioned why government gives the Small Business Corporation a subsidy in the amount of P1,001,500,000 yearly when it is an attached agency of the DTI. Senator Aquino said that the amount is for the loans granted by the SBC to the MSMEs and not for its operations which is funded by its income. He explained that every year, the government increases the amount of subsidy that the SBC could loan out to the MSMEs to discourage them from borrowing from loan sharks. He said that according to the DTI Secretary, P30 billion is the amount to be raised for the SBC in 2019.

Senator Recto pointed out that the SB Corporation was created like the DBP and Landbank — to loan

out money to the industries and the SMEs. He said that as envisioned, the government gave the Corporation a capital which it could lend out and when the loans were paid, the collection was rolled over and used to lend out to others. However, he noted that the government has continued subsidizing the Corporation every year. Senator Aquino replied that it was because the SB Corporation is building up the available loans.

Asked why the practice was not done with the regular financial institutions such as DBP, Senator Aquino said that according to the DTI Secretary, the focus on SMEs is more present with SB Corporation than with the DBP and Landbank.

But Senator Recto pointed out a law which requires that a certain percentage of loanable funds be lent to a sector for which the entity was created. Senator Aquino affirmed, saying that penalties paid by the erring institutions go to the MSMED Council which, in turn, uses the money, which amounts to P25 million a year, in its oversight of MSMED development in the different regions.

Senator Recto observed that the DTI seemed to be concentrating too much on other activities that other government institutions should be doing instead of focusing on the investment side and export promotions considering its limited resources, and he said that there must be a way to determine how effective the SB Corporation has been over time considering that the government keeps on subsidizing them over the years. He asked how many SMEs it has assisted and what the repayment rate was. Senator Aquino replied that for every P1 billion loan, there are about 40,000 new borrowers or enterprises that the SB Corporation has been able to capacitate. He stated that according to the DTI Secretary, the loanable amount was about P20,000 to P25,000 with a 100% repayment rate.

Senator Recto doubted the 100% repayment rate, saying that insofar as microfinancing was concerned, the claim for the last two decades has been 98.5%.

Senator Aquino clarified that the 98.5% repayment rate referred to a number of big businesses as he recalled that the Microfinance NGO Act was passed into law in 2015 and there was currently a board on top of the five sectors.

Senator Recto pointed out that as far as the budget of DTI was concerned, it showed that it has

shifted its focus from investment and export promotions, to the domestic economy. He said that there was nothing wrong with micro enterprises but that he thought that there should be credit institutions that are experts in lending exclusively for them.

Senator Aquino stated that the Negosyo Centers do partner with the private sector which actually outnumbered the financing provided by the government to the MSMEs. However, he clarified that a lot of the government budget is used in terms of hand-holding the MSMEs to be able to get them to a level of sustainability.

Senator Recto said that the DTI Secretary should recommend to the DOF fiscal measures and incentives to support MSMEs as what the Senate did in TRAIN 1, for instance, the documentary requirements with the BIR which were made easier for them to comply. He said that if there are progressive income tax rates on individuals, they could be applied to micro enterprises.

Asked how big the MSME sector was in terms of the total value-added to the GDP, Senator Aquino replied that about 35% of the GDP and 92% of the business.

Senator Recto estimated that it could be around P5.5 trillion to P6 trillion. Thus, he doubted that a P2 billion investment in the DTI budget could make a dent in a P5.5 trillion sector. He opined that it would be better to enact laws that would address the actual needs of the MSME sector than pumping taxpayer's money.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF TRADE AND INDUSTRY AND ITS ATTACHED AGENCIES

Upon motion of Senator Zubiri, there being no objection, the budget of the Department of Trade and Industry and its attached agencies, namely: the Office of the Secretary, the Board of Investments, Philippine Trade Training Center, Design Center of the Philippines, Construction Industry Authority of the Philippines, Center for International Trade Expositions and Missions, and Small Business Corporation, was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 8:28 p.m.

RESUMPTION OF SESSION

At 8:31 p.m., the session was resumed.

DEPARTMENT OF SCIENCE AND TECHNOLOGY

Senator Aquino presented to the Body the budget of the Department of Science and Technology and its attached agencies in the amount of P19,618,936,000.00. He stated that there was an increase of P30 million in the budget of the OSEC and P20.25 million in the budget of the National Research Council of the Philippines (NRCP), and that included in the budget of the DOST were the following agencies: OSEC; Advanced Science and Technology Institute; Food and Nutrition Research Institute; Forest Products Research and Development Institute, Industrial Technology Development Institute; Metals Industry Research and Development Center; National Academy of Science and Technology; National Research Council of the Philippines; PAGASA; Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development; Philippine Institute of Volcanology and Seismology; Philippine Nuclear Research Institute; Philippine Science High School; Philippine Textile Research Institute; Science Education Institute; Science and Technology Information Institute, and Technology Application and Promotion Institute.

INTERPELLATION OF SENATOR GORDON

At the outset, Senator Gordon lamented that despite the DOST being a very important department, the government has given so little to science and technology, noting its 0.1% share of the entire budget. Thus, he urged the leadership of the department to get the attention of the President to give the agency more funding.

Asked how the DOST ranked in the budget list, Senator Aquino stated that it is number 13 with its budget of P20 billion, an improvement from DTI's 25 and DOT's 28. Senator Gordon opined that such was a paltry amount.

Senator Gordon informed the Body that China spends \$370 billion for research and development (R&D), Japan spends \$170 billion, South Korea spends \$73.16 billion.

Senator Aquino clarified that the numbers pertained to the total spending of the country. He said that if

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the private sector were added, R&D spending would go up to 2%.

Senator Gordon stated that the Philippine government should emulate the government of South Korea which gives huge subsidies to private corporations like Samsung. He said that Japan started investing in education and technology during the Meiji restoration days in 1880, they went to other countries and copied the technology there, so that it would not be surprising to find out that Nikon camera came from the German company, Leica.

Asked how and where the fund for R&D is sourced, Senator Aquino replied that the DOST's budget for R&D is primarily in terms of giving grants to researchers and scientists, engineers, and researchers.

Senator Gordon recalled that when he was administrator of the SBMA, despite his invitation to the national government to put up an incubator system in Subic, the national government never did. But Senator Aquino disclosed that there are already 22 incubators which are a great help to scientists, researchers, and entrepreneurs with very basic ideas but great potential to bring them to the market through different means. He said that an incubator is usually a space where access to equipment, facilities, knowledge and expertise are available and affordable, and where initial ideas, products, and research are further improved.

Asked how much was allocated for incubators, Senator Aquino stated that P220 million out of the P20 billion budget was allotted.

Regarding the UP physics laboratory, Senator Aquino informed the Body that the construction of the laboratory has already been finished and that it would help handle all future physics researches from theoretical to applied science to help physics graduates, undergraduates, post-graduates with their research and further research. Relative thereto, he conveyed the information given him by the DOST secretary that photonics, optics, electronics, material sciences and sensors are different fields of physics. He also informed the Body that graduates of physics are teaching at the University of San Carlos, Mindanao State University, DOST Advanced Science and Technology Institute, Iligan and UP Baguio, and that there are 30 masteral and 10 PhD graduates produced every year. He said that Vietnam has produced graduates six times more than the Philippines.

Senator Gordon expressed disbelief that Vietnam has surpassed the Philippines. He noted that other countries send their citizens abroad to study while the Philippine government is begging for its own scientists to come home or invest in the country. He said that the people should be informed of the country's plight and that newspapers like *Philippine Daily Inquirer* and *Philippine Star* should write about it.

Senator Aquino stated that presently, the DOST has 33,000 scholars, 97% of municipalities have DOST scholars, and the number of masters and PhD scholars has increased threefold since 2016 because of a larger budget allocation.

On whether the department has an agronomist, Senator Aquino replied in the affirmative.

Senator Gordon then asked if there was a review of the performance of the agricultural sector vis-a-vis the agricultural scientists. He narrated that in a meeting with some Israel officials, he learned that the country sent 5,000 Filipinos to train on farming and agriculture given the fact that Israel has turned deserts into productive plantations of bananas and mangoes. But he disclosed that when the Filipinos came back, they complained of not being able to land a proper job right in their own country. He lamented that there has been no effort to recognize and support successful Filipino scientists who have made a difference. He suggested that the government should support them not only in terms of budget but also through promotion of science in the country. Senator Aquino agreed, saying that there should be more emphasis on science and technology specifically because other countries are largely carried by their investments in research and development. He added that the goal of the DOST is to hit 5% of the GDP.

Asked why agriculture graduates have gone down, Senator Aquino replied that although the efforts of DOST are commendable, there are only a few graduates, roughly 40, thus, the need to increase their numbers so that they would have an impact on the country's agriculture. Senator Gordon said that there has to be a conversion in some of those graduates and make heroes out of them. He believed that teachers must also be equipped with teaching techniques to make mathematics and science subjects not so frightening to students.

Senator Gordon noted that for 2017, the 30,665 DOST scholars are as follows: secondary – 7,882;

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Bachelor of Science (BS) – 19,058; Master of Science (MS) – 2,832; and Doctor of Philosophy (PhD) – 893.

Senator Gordon disclosed that three quarters of South Korea's research and development (R&D) is business-led because of their cultural belief that "Without science, we are lost," and that 90% of their business is involved in manufacturing electronics, like Samsung Electronics which invested \$15 billion in R&D in 2017. He then suggested that Senator Aquino, as chair of the Committee on Science and Technology, ask for a budget of at least P3 billion for 2019, P5 billion for 2020, and P24 billion for 2022 for the DOST. He said that it must be a concerted effort by the President and the DOST for that budget to be granted. He added that the DOST secretary and all scientists in the country should get together to promote the field of science in order to have more scientists in the country.

Senator Gordon observed that based on the Global Innovation Index for 2018, the Philippines ranked 73rd while Thailand is 44th. He acknowledged that the ASEAN Infrastructure (AIF) and the government's "Build, Build, Build" program are great. However, he lamented that government funds, instead of being invested in science and technology, are being wasted on some local government projects that are only for display. He said that the DOST should help the local executives to realize the importance of infusing more funds to science and technology projects.

At this point, Senator Aquino informed the Body that the Philippine ranks 17th out of 141 in engineering and science graduates, and eighth out of 141 in the field of research. He noted that if the Philippines ranked 73rd out of 143 in the Global Innovation Index, there were also other fields, like medical technology, where the country did better. However, Senator Gordon remarked that the "eight out of 141" should be able to make the country to do better. He noted that the country used to be doing a lot much better in the medical field given the fact that a lot of foreigners used to study in the Philippine medical schools. Senator Aquino confirmed, saying that some of them, like Indians and Bangladeshi, are studying in UP Los Baños. He recalled that Senator Gordon also pushed for more budget allocation for DOST in the previous years' budget deliberation.

Asked what the percentage budget allocation of DOST was and what the ideal budget should be for

the agency, Senator Aquino replied that the percentage budget is 0.14%, which already includes the private sector and which is far from the ideal target of 2%.

On another matter, Senator Gordon asked how many science high schools there are in the country. He recalled that when he was mayor of Olongapo City, he gathered all the best teachers to teach selected and the brightest students in Jackson High School and soon they were able to produce the best engineers and doctors; when he became chairman of Subic, he put up the Regional Science High School of Central Luzon but since the Philippine Science High School was in Clark, the Regional Science High became a school of the elites because of transportation problems as the poor have no money to spend for their daily transportation in going to school. He said that he intends to close down the school and transfer it in the town where it belongs. He said that there should be enough budget to put up science high schools in every province, city and later in the municipalities.

Senator Gordon urged the DOST to propose and lobby for their budget if they want to leave a legacy and if they want the country to grow. He said that if the DOST could convince Congress that their platform is getting good results, then their budget could increase yearly, and that possibly it could reach from less than 1% to 30% by 2022. However, he warned that if the DOST would maintain their culture of getting contented of meager doleouts, then nothing would happen. He said that the DOST should know where to put money where it is needed. He stressed that the DOST has a major role in pushing the country up. He stated that he is not satisfied with the so-called graduates. He noted that many champions in the field of boxing were recognized in the Senate but never those Filipinos who made good in science.

Senator Aquino revealed that two of the three entries of the country won gold in the World Intellectual Property Organization Invention Competition in Geneva. He suggested that the winners be honored by the Chamber. Also, he said that the awardee of the US-ASEAN Prize for Women Scientists is a Filipina who was involved in space technology program. He agreed that the Senate has to banner the scientists more.

Stressing further the role of the DOST in the country's development, Senator Gordon expressed disappointment that some authorities would refuse to espouse a scientific approach towards disaster risk

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reduction or towards utilizing the mineral resources of the country, noting that China was able to conduct black sand mining in the country and ship the magnetite that they extract back to their land for processing. He asked why Filipinos could not accomplish such endeavor.

Senator Aquino said that activities related to magnetite which is extracted from black sand were on the research level only because the country does not have the processing facilities.

Asked why the DOST did not lobby to get the equipment, Senator Aquino disclosed that the Department of Environment and Natural Resources was not in favor of a magnetite facility.

Senator Gordon wondered who should be followed between a scientist and a secretary who is a former Army and does not know to make a product out of mineral resources. He said that the scenario between the DOST and the DENR is just a question of assertion. He added that he felt excited when he heard reports that the Chinese were taking black sand and destroying the environment which resulted into floods but during a committee hearing it turned out wrong because he was told that the Chinese were getting what they called rare-earth elements.

Senator Aquino added that magnetite is used in cellphones and other electronics.

Senator Gordon said that he, in fact, asked for laboratory findings to prove the existence of rare-earth elements to show the relation or connection between scientific research and product, and that he wanted it to be amplified in every science high school in the country. He stressed that it should be the leadership of the science community that must be emphasized.

Senator Gordon observed that many people would spend a lot of time daily for movies, on dialysis treatment, to which Philhealth allocated around P8.5 billion to P10 billion following pneumonia and yet dialysis, he pointed out, is not a cure because the cure for kidney failure is transplant. He also mentioned what he learned from one ophthalmologist that the cornea of a dead person can still be transplanted to another person. He explained that such process was not known and that knowledge about it can change the mindset of the people. Thus, he echoed the Red Cross slogan "Changing Minds, Saving Lives," that the minds of the leaders should be changed.

To the information that China puts in money for artificial intelligence, which makes better products and defense, robotics, automation, and renewable energy, Senator Aquino replied that the DOST is actually prioritizing artificial intelligence, geo-physical technologies, space technology, marine transplant and medical instrumentation. As regards geo-satellites, he said that there is a pending legislation in space agency.

Ask why only 70% of the budget was utilized in the previous year, Senator Aquino replied that there was problem in the procurement process and lots of failed biddings, mostly for buildings. He admitted that the Procurement Act does have problems and it is up to Congress to change it.

Asked how much money was lost due to poor procurement, Senator Aquino replied that about P6 billion was underutilized from DOST alone and much higher in DepEd. He said that the DOST has exhausted 70% of their budget by October but committed to obligate it 100% by December.

At this juncture, Senator Zubiri relinquished the Chair to Senate President Sotto.

Thereupon, Senator Gordon hoped that as soon as the budget deliberations are finished, the DOST would find a way of ensuring that it could spend P6 billion, or 30% of its budget, by promoting science, sponsoring students in universities, or bringing scientists from abroad. He said that aiming for a particular target could actually generate more money like what PAGASA and PHILVOCS are doing.

Senator Aquino stated that there are only three known agencies under the DOST—PAGASA, PHILVOCS and FNRI. He said that Secretary dela Peña is heeding Senator Gordon's advice and committed that by 2022, all 18 DOST agencies would be known to the public. Conversely, Senator Gordon said that the DOST need not wait until 2022 to promote all its agencies but should do it the soonest. He said that as a big fan of science and technology, he would like the DOST to have a "eureka" moment of promoting its agencies to the Filipino people.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF SCIENCE AND TECHNOLOGY AND ITS ATTACHED AGENCIES

There being no further interpellation, upon motion of Senator Zubiri, there being no objection, the

budget of the Department of Science and Technology and its attached agencies, namely: the Office of the Secretary, Advanced Science and Technology Institute, Food and Nutrition Research Institute, Forest Products Research and Development Institute, Industrial Technology Development Institute, Metals Industry Research and Development Center, National Academy of Science and Technology, National Research Council of the Philippines, Philippine Atmospheric, Geophysical and Astronomical Services Administration, Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development, Philippine Council for Health Research and Development, Philippine Council for Industry and Energy and Emerging Technology Research and Development, Philippine Institute of Volcanology and Seismology, Philippine Nuclear Research Institute, Philippine Science High School, Philippine Textile Research Institute, Science Education Institute, Science and Technology Information Institute, and Technology Application and Promotion Institute were deemed submitted for the Body's consideration.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri manifested that the Body rescheduled the deliberations on the budget of the National Anti-Poverty Commission and Presidential Commission for the Urban Poor, as requested by Senator Drilon, at two o'clock in the afternoon of the following day.

OTHER EXECUTIVE OFFICES

Senator Aquino presented the budget of Other Executive Offices, namely: the Optical Media Board - P62,058,000; the Philippine Racing Commission - P187,017,000; the Philippine Center for Economic Development - P28,255,000; the Philippine Postal Corporation - P541,232,000; and the Philippine Commission on Women - P131,181,000.

SUBMISSION OF THE BUDGET OF THE OTHER EXECUTIVE OFFICES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budgets of the Optical Media Board, the Philippine Commission on Women, the Philippine Center for Economic Development, and the Philippine Postal Corporation were deemed submitted for consideration of the Body.

INTERPELLATION OF SENATOR GORDON

At the outset, Senator Gordon disclosed that he

was approached by Pasay City Mayor Calixto and the other leaders of the Philippine Racing Commission who expressed their concern about the hard times it is going through. He then asked how big the racing businesses throughout the whole world is, considering that every country has a major racing business like Qatar, Japan, Hong Kong, Great Britain, and the USA.

In reply, Senator Aquino said that for the three largest countries that have lucrative horse racing industry, Japan earned worth US\$27 billion, Hong Kong - US\$15 billion, and USA - US\$10 billion.

Asked if the sales benefitted the said countries, Senator Aquino replied in the affirmative.

As regards racing sales in the Philippines, Senator Aquino stated that its total sales was P7.4 billion, and that the three racing areas are being operated in the country by Boy Reyno, Tikyo Quisumbing and the Philippine Racing Club.

Asked who runs the Philippine Racing Club in Naic, Cavite, Senator Aquino said that it is owned by Santiago Cua and it is being regulated by Philracom. He reiterated that sales of racing in the Philippines is P7.4 billion, and that the industry directly employs 4,000 people and indirectly employs 16,000 people, or a total of 20,000 individuals.

Asked regarding the future of the racing business in the country, Senator Aquino admitted that the situation has become bad considering the entry of a third party into the racing market which can only accommodate two parties.

Asked if an iPhone could be used to make bets in cognizance of the era of quick communications, Senator Aquino stated that it is being implemented in San Lazaro.

To the remark that racing circuits are making money everywhere in the world, Senator Aquino noted that racing has been suffering in the country due to other betting options like casinos.

Asked how the documentary stamp tax affects the earnings of a winning bettor, Senator Aquino explained that prior to the TRAIN law, for every P1.00 bet, 35% is deducted as DST. However, he said that the DST had increased by 10% such that the deduction is currently at 45% with the payout based on only 55% or P0.55 to the peso. He

explained that the average payout would depend on the odds, and he affirmed that the base amount of P0.55 to the peso post-TRAIN is killing the industry since the implementation of the TRAIN law because of a decline in sales.

Asked for the sales figures of the PRC for the past year as well as government earnings from the tax increase, Senator Aquino said that the industry earned P5,098,902,476 and as a consequence, the government's earnings of P1.2 billion prior to TRAIN has gone up to P1.9 billion.

As to how the tax increase affected the revenues of the industry, Senator Aquino replied that the prices of the horse owners went down by P28,000 per race for every winner. Senator Gordon remarked that horse owners would be suffering and have less quality horses if they are not making enough money to maintain their horses.

Senator Aquino explained that even though horse owners would remain in the industry by just breaking even, subsequent financial losses would eventually drive them out of the market.

At this juncture, Senate President Sotto pointed out that most horse owners are lovers of horses and horse-racing. Senator Aquino added that they are not really gamblers and that they are into it for the love of the sport.

Asked on the amount the Philippine Racing Commission turns over in terms of tax revenues to the government, Senator Aquino said that aside from the remittances of P1.2 billion in 2017 and P1.9 billion in 2018, PRC also remitted the minimal fees it had collected. But he warned that higher taxes drive gamblers to bet in the informal sector also known as the gray or illegal market which have bookies that do not pay taxes.

As regards the observation that bookies legally operate in the United States, Senator Aquino pointed out that it is not the case in the Philippines since they are not connected to the country's racing institutions.

Replying to the suggestion that the racing system should be modernized in light of the higher taxes, Senator Aquino agreed, pointing out that Japan only imposes a 15% tax which is lower compared to the 45% of the Philippines.

For his part, Senate President Sotto commended the Philippine Racing Commission for having donated

P600,000 to the Senate Spouses Foundation. Senator Aquino remarked that the Manila Jockey Club gave P1 million to the foundation as well.

On whether the commission made a donation to the Philippine Red Cross, Senator Aquino replied that it had given P300,000.00 to the organization prior to the collection of new taxes.

Senator Gordon expressed the need to protect horses and the horseracing industry itself being an old sport, a sentiment shared by Senator Zubiri who informed the Body that he used to breed racehorses before entering politics. In fact, he said that he had won the Breeder of the Year award through "Real Top" which was considered one of the winningest horses in the history of Philippine racing. He believed that a lucrative business like horse racing is dying because the increase in taxes and the lower prize money made it unprofitable. He observed that even people who used to watch the races on site now limit themselves to monitoring these on screens and participating in online betting.

As regards the suggestion to promote the industry particularly in areas like Bukidnon, which is a good breeding area because of its high elevation, Senator Zubiri again cited the gradual demise of the industry because of all the difficulties it is experiencing.

For his part, Senator Aquino reported that the newest track in Malvar, Batangas called the Metro Manila Turf Club might close down due to high taxes. Senator Gordon remarked that it is due to the legal principle that the power to tax is the power to destroy. He expressed his desire to have people in Bukidnon and Batangas maintain horse breeding similar to the stud farm in the UP College of Veterinary Medicine. He underscored the importance of protecting the horse racing industry because it can generate tourism. He expressed hope that the Senate could fine-tune the provision on the documentary stamp tax on horse racing because it is the taxes that are killing the industry.

In closing, Senator Gordon reiterated his support for the horse breeding industry and thanked Senator Aquino for his patience in allowing him to ask his questions.

For his part, Senator Zubiri expressed his gratitude to Senator Gordon for championing the cause of the horse racing industry which is in decline. He noted



that other countries like New Zealand and Australia have a huge industry on horse racing – from breeding to providing studs for future champions, feeds and equine vets. He strongly believed that the Philippines is an ideal place for breeding horses particularly since it has some of the best horse handlers who care for the animals as if it were their own flesh and blood.

Senator Gordon disclosed that Mr. Norberto Quisumbing wrote to the Philippine Racing Commission that the Metro Turf in Batangas would close down soon as they could no longer make ends meet. He said that the three-month closure is preliminary to a permanent closure, and they are trying to look for jobs for their people. He hoped that they would be able to look at the situation of the Philippine Racing Commission and the business of Philippine racing. Senator Gordon noted that P1 billion was invested there, and believed that they should be assisted as it would be a waste to see the investment go to waste.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE RACING COMMISSION

Upon motion of Senator Zubiri, there being no objection, the budget of the Philippine Racing Commission was deemed submitted for the Body's consideration.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Zubiri, there being no objection, the Body suspended consideration of the bill.

SENATE CONFEREES

Upon nomination by Senator Zubiri, there being no objection, Senate President Sotto designated the following to constitute the Senate panel in the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 1850 and House Bill No. 8636 (National Integrated Cancer Control Act): Senator Ejercito as chair, and Senators Villanueva, Pacquiao, Drilon and Hontiveros as members.

CHANGE OF COMMITTEE REFERRAL

Upon motion of Senator Zubiri, there being no objection, the Body approved the change of referral of Senate Bill No. 1778 (Granting Philippine Citizenship to Hans Guenter Schoof), from the Committee

on Rules to the Committee on Justice and Human Rights.

INQUIRY OF SENATOR GORDON

Senator Gordon asked if the Senate panel for the bicameral conference committee on Senate Bill No. 1325 (Regional Investment and Infrastructure Corporation of Central Luzon) and its counterpart House Bill could also be constituted. He said that it has already been approved on Third Reading in the House of Representatives. Senate President Sotto stated that the Senate has not yet received the transmittal from the House. Senator Zubiri stated that the panel cannot be constituted yet until the Senate receives the official transmittal from the House of Representatives.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 10:13 p.m.

RESUMPTION OF SESSION

At 10:15 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, there being no objection, the Chair declared the session suspended until nine o'clock in the morning of Wednesday, December 5, 2018.

It was 10:15 p.m.

RESUMPTION OF SESSION

At 9:02 a.m., Wednesday, December 5, 2018, the session was resumed with Senate President Vicente C. Sotto III presiding.

SUSPENSION OF SESSION

With the permission of the Body, the session was suspended.

It was 9:02 a.m.

RESUMPTION OF SESSION

At 9:32 a.m., the session was resumed.

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**COMMITTEE REPORT NO. 538
ON HOUSE BILL NO. 8169**

(Continuation)

Upon motion of Senator Zubiri, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 8169 (Committee Report No. 538), entitled

AN ACT APPROPRIATING FUNDS FOR
THE OPERATION OF THE GOVERN-
MENT OF THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY ONE
TO DECEMBER THIRTY-ONE TWO
THOUSAND AND NINETEEN, AND
FOR OTHER PURPOSES.

Senator Zubiri stated that the parliamentary status was the continuation of the debate on General Principles.

Thereupon, the Chair recognized Senator Legarda, sponsor of the measure and Senator Lacson for his interpellation.

INTERPELLATION OF SENATOR LACSON

At the outset, Senator Lacson thanked and commended Senator Legarda for putting all the hard work to her mandate as chair of the Senate Committee on Finance. However, he said that he wanted to be clarified on certain matters and issues concerning general principles and the first item on his list would be pork barrel.

Preliminarily, Senator Lacson asked what the state policy was on the pork barrel in the context of the Supreme Court ruling on *Belgica vs. Ochoa*, saying that the Body has to agree on a definition of the pork barrel including acts that are deemed unconstitutional by the court in the said ruling.

In reply, Senator Legarda confirmed that any post-enactment intervention by a lawmaker is not allowed. She explained that the General Appropriations Act (GAA) is the most important policy legislation of Congress which emanated from the President's submission during the SONA, and as it traversed the legislative journey from the House of Representatives to the Senate and then meeting in Bicameral Conference Committee, just like any law, there could be amendments from the committee and from the individual senators. She said that based on the

dispositive portion of the decision, after the President signs the budget into law, there should be no post-enactment intervention or meddling on the part of the lawmakers.

Projecting on the screen some excerpts from the Supreme Court ruling in the *Belgica vs. Ochoa* case, Senator Lacson highlighted item (c), "all legal provisions of past and present Congressional Pork Barrel Laws, such as the previous PDAF and CDF Articles and the various Congressional Insertions, which conferred personal, lump-sum allocations to legislators from which they are able to fund specific projects which they themselves determine..." and "(d) all informal practices of similar import and effect, which the Court similarly deems to be acts of grave abuse of discretion amounting to lack or excess of jurisdiction are also declared void by the Supreme Court."

Citing the "*Tulong Dunong*" of the Commission on Higher Education (CHED), Senator Lacson adverted to a sample letter from a congressman requesting the release of funds under the aforementioned project. He asked whether legislators have a say in the implementation of that project which, he believed, is the exclusive domain of the executive branch, specifically the CHED. Senator Legarda explained that the *Tulong Dunong* program was created not by Congress but by the CHED to give free tertiary education in SUCS, voc-tech colleges and LGCs when the law providing for it was not yet enacted.

However, Senator Lacson called the attention of Senator Legarda to the copy of a letter projected on screen which was addressed to the CHED from a congressman who was endorsing to the agency a congressional focal person who would facilitate the coordination of application of scholarship grants.

To Senator Legarda's remark that it should be CHED that should identify the beneficiaries, Senator Lacson pointed out that as shown on the screen, it was the legislators themselves who were determining the beneficiaries, adding that some of them were even distributing the checks themselves.

Senator Legarda said that she does not see anything wrong with a congressman or senator wanting to amend the budget of CHED by putting additional funds to the *Tulong Dunong* program, but she maintained that the program should be implemented by CHED and that there should be no post-enactment identification of the beneficiaries by any legislator.

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Senator Lacson expressed the view that the legislators have no business implementing projects because project implementation is the exclusive domain or jurisdiction of the Executive branch.

Asked on the amount allocated to the *Tulong Dunong* program under the NEP, Senator Legarda replied that it was P1.9 billion.

Senator Lacson noted that under the House version, the allocation went up to P1.968 billion, and ballooned to P3 billion under the Senate version. He believed that since the Universal Access to Tertiary Education Act has a proposed budget of P43.308 billion for 2019, the budget for the *Tulong Dunong* program has become redundant and should therefore be deleted or realigned.

But Senator Legarda pointed out that the *Tulong Dunong* Program addresses not only the issue of tuition but also allowances, transportation, computer, books and all other miscellaneous needs of the indigent youth.

Senator Lacson stated that the Free Tertiary Education Act has parameters that the CHED must follow unlike the *Tulong Dunong* program which is discretionary on the part of the legislator. Besides, he noted that the Universal Access to Quality Education Act covers not only tuition fees but also miscellaneous fees and other charges.

Senator Legarda pointed out that in the *Tulong Dunong* program the funds are downloaded faster to the school beneficiaries unlike in the CHED tertiary education program which takes a longer time to process. Senator Lacson maintained that the *Tulong Dunong* program has become irrelevant and a duplication of the recently passed Free Tertiary Education Act which, unlike the *Tulong Dunong* program which is discretionary, observes a vetting process. But Senator Legarda pointed out that under the *Tulong Dunong* program, there are requirements that must be complied with: applicants must be graduating high school students with a general weighted average of at least 80% in the third year and 80% in the first three grading periods of the fourth year; students who earned units in college must maintain a weighted average passing grade at least two semesters and enrolled in identified priority courses in HEIs; and students must pass the Alternative Learning System (ALS) and the Philippine Education Placement (PEP) Test. She said that the program can also be availed of by PWDs, solo parents, cultural minorities, IPs, hill tribes and senior citizens.

Saying that the *Tulong Dunong* program is a laudable endeavor, Senate President Sotto suggested the deletion of the additional P2 billion as pointed out by Senator Lacson so that what remains would be what was provided for in the NEP.

Senator Lacson clarified that what he was questioning was the manner the *Tulong Dunong* program was being implemented in violation of the Supreme Court ruling on the *Belgica vs. Ochoa* case because it is the legislators themselves who are, in effect, implementing the program.

Senator Legarda stated that the CHED should strictly implement the *Tulong Dunong* program and not allow legislators to identify the beneficiaries, and it must see to it that the qualifications and application procedures required of the program are complied with.

Senator Lacson stated that he would not have questioned the manner the *Tulong Dunong* program was being implemented if Congress had not passed the Access to Quality Tertiary Education Act as he acknowledged that without the law, a constituent from a far-flung area would never have the chance to study without the help of his/her district representative. He insisted that the Free Tuition Act was being duplicated by the program.

Senator Legarda stated that the Committee would welcome a special provision in the CHED budget or a general provision reiterating the strict post-enactment ban.

Senator Lacson suggested that the Body seek the opinion of the DBCC on the issue. He stressed that it was not about the legislators' pictures being taken, it was about the manner the program was being implemented.

SUSPENSION OF SESSION

Upon motion of Senator Legarda, the session was suspended.

It was 9:45 a.m.

RESUMPTION OF SESSION

At 10:02 a.m., the session was resumed.

Upon resumption, Senator Legarda agreed 1) to insert a general or special provision reiterating strict adherence to the Supreme Court ruling against post-enactment intervention; and 2) to bring back the

budget for *Tulong Dunong* program to the NEP level and abolish whatever amendments made by both Houses.

Senator Lacson read into the record the last portion of the Supreme Court ruling, to wit:

“The Court finds the 2013 PDAF article as well as all congressional pork barrel laws of similar operation to be unconstitutional. That such budgeting system provides for a greater degree of flexibility to account for future contingencies cannot be an excuse to defeat what the Constitution requires.”

He stated that it is not that the program is laudable or commendable; rather, that clearly, the first and essential truth of the matter is the unconstitutional means which does not justify the commendable ends.

But Senator Legarda questioned why the poor should suffer and a laudable program should be abolished only because it was tainted by isolated incidents of lawmakers who abused the process. She stated that it would be painful to abolish the *Tulong Dunong* program as it has been helping the poor for decades. She stated that the *Tulong Dunong* program under CHED was an augmentation of what before was not existing because the Free Tertiary Education Act was only recently enacted. She suggested that they meet in caucus to further discuss the program as she believed that it is not a pork barrel, although some lawmakers joined in the implementation. She believed that the CHED should be held accountable if it would allow the lawmakers to implement it. She said that the program helps indigent beneficiaries who traverse mountains, ride a tricycle, buy meals and books which are not provided under the Free Tertiary Education Act.

Senator Lacson stated that the Free Tertiary Education Act was intended for the poor. He said that he was not anti-poor and that he too was born to poor parents and studied in public schools. He asserted that since it was a constitutional issue, Congress ought to amend the Constitution to suit the need of a program like *Tulong Dunong* to allow legislators to implement projects.

SUSPENSION OF SESSION

Upon motion of Senator Legarda, the session was suspended.

It was 10:07 p.m.

RESUMPTION OF SESSION

At 10:15 a.m., the session was resumed.

Senate President Sotto informed the Body that during the suspension of session, Senators Lacson, Legarda, Recto and himself had a discussion on how to resolve the issue on the *Tulong Dunong* Program of the CHED. He then asked Senator Recto to present the proposal that was agreed upon.

Senator Recto said that he understood the concerns of Senators Lacson and Legarda on how the program should operate since nothing would prevent a congressman from endorsing a potential scholar. He suggested that they craft a special provision on the fund allowing a congressman to endorse a scholar, subject to the rules and regulations issued and vetted by CHED. To illustrate, he said that since there are allowances to be given to the poor students, the CHED should have governing rules that should be followed by the endorsement.

Senator Lacson said that it could not be denied that the Universal Access to Quality Tertiary Education Act (UAQTEA) is an equivalent of *Tulong Dunong* but bigger and more comprehensive. However, Senator Recto pointed out that the problem was that the budget for education has always been inadequate. That being the case, Senator Lacson suggested that the budget of the CHED be augmented to support the UAQTEA by having the fund intended for *Tulong Dunong* transferred to UAQTEA. Senator Recto agreed.

Senator Legarda thanked Senator Lacson for his intervention and expressed her gratitude to Senator Recto for helping her craft the special provision that would be acceptable to all senators without abolishing or depriving the students of their necessary assistance.

Senator Lacson stated that there are four stages of the budgeting process: preparation, authorization, execution and accountability which he also described as preparation being tedious, authorization as devious, execution being complicated, and accountability as a breath of fresh air. He then asked if the National Development Plan should be a major consideration in the preparation stage of the budgeting process in support of the state policy on local autonomy so that everything should emanate from the local development councils, through their local development plans, then approved by the Sanggunians, then goes through to the regional development councils (RDCs) for vetting,

then to the NEDA and finally to the DBCC before their budget call. He then asked if such process is being practiced.

Senator Legarda replied that from her long years in government service, she found out that the Local Development Council (LDC), the Local Disaster Risk Reduction and Management Council (LDRRMC) and the Local Peace and Order Council (LPOC) have different members and meet at different times with different frequencies and do not necessarily coordinate and converge on their plans and needs. She said that she had asked them if they could possibly meet together and submit their plans so that the LDC would know the risks in the area and plan for sustainable development, and so that the LPOC would know what to ask the LDC in case of security threats, environment needs, and climate needs, among others. She confirmed that the plans are processed at the LDC level, then forwarded to the Sangguniang Panlungsod or Sangguniang Bayan, then to the province which, in turn, would forward it to the RDC until it is submitted to the national government for consideration when the President's budget in the National Expenditure Program (NEP) is prepared. She acknowledged that it is a long and tedious but the right process because it is important to know the needs in the local level which should be reflected in the national budget.

Agreeing with Senator Legarda, Senator Lacson said that the Local Development Plan (LDP) should have an indispensable influence in the crafting of the national budget.

Senator Legarda affirmed that there is really a disconnect between the LGUs and the national government. To illustrate, she mentioned requests that she regularly receives from fourth and fifth class municipalities, for instance, for mini-footbridge, small equipment or machineries or even handlooms that should have been taken care of by their local leaders as she assumed that they were presented during their meetings.

However, Senator Lacson observed that there is still the disconnection between the needs and priorities of the LGUs and the national budget because apparently the local development plans were not considered when the national budget was prepared.

Senator Legarda acknowledged that the process may not be inclusive and some projects may have been politicized, especially if the people concerned are not aligned with the local chief executive. She surmised

that not everything submitted to the RDC could have been accepted because all RDC recommendations are still vetted by the NEDA, and so the legislators go beyond their duty of lawmaking to fill in the gap between the grassroots and the national government.

Senator Lacson pointed out that precisely in the case of *Belgica vs. Ochoa*, the Supreme Court held that "the Local Development Councils (LDCs) are instrumentalities whose functions are geared towards managing local affairs, programs and resolution which should not be overridden nor duplicated by individual legislators or national officers that have no lawmaking authority except only when acting as a body." He surmised that the disconnect happened because district representatives, who are members of the LDCs, are not attending the meetings called for the purpose of crafting the Local Development Plans. He maintained that the district representatives are supposed to be the voice of the people in the halls of Congress.

Senator Legarda said that, according to NEDA, the district representatives are members of the advisory committee but not members of the RDC; however, they can attend meetings of the RDC.

Senator Lacson added that district representatives can send their representatives in the meetings of the barangay development council.

Senator Legarda suggested that a special provision be made mandating all district representatives to have their representatives in the Local Development Council.

Commenting on the information relayed to the Sponsor by the NEDA that district representatives are not members of the RDC, Senator Lacson adverted to Section 107 of the Local Government Code which defined the composition of the Local Development Council, to wit: (1) members of the Sangguniang Barangay; (2) representatives of nongovernment organizations operating in the barangay; and (3) a representative of the congressman.

Senator Legarda suggested an amendment to the NEDA bill to include the district representatives in the RDC, to which Senator Lacson retorted that it is already prescribed in Section 107 of the Local Government Code. He surmised that congressmen do not attend the meetings of the LDCs because they are just waiting for their requests to reach Congress, at which level they would propose their various

insertions. He opined that if only the congressmen were present in the crafting of the Local Development Plan to be submitted to NEDA and the DBCC, then all the programs would have been inputted in the national budget. He maintained that congressmen need not be members of the RDC for as long as they are members of LDC because that would already serve the purpose of the law.

Senator Legarda stated that it would be much better if congressmen are present in every stage, from the LDC up to the RDC, until the plans are submitted to NEDA.

Senator Lacson agreed with Senator Legarda, saying that if the congressmen are participants in every stage of the process before the budget submission, they would not anymore introduce insertions in Congress because the projects are already vetted in the Local Development Council, of which they are already members.

Senator Lacson yielded to Senator Recto to draft the appropriate special provision. Senator Legarda agreed, expressing the view that all politics and governance are local and if the resources would be made available to the people, especially to the poorest of the poor, then there would be no problem on insurgency and poverty. She asked her colleagues to support the provision to ensure that development would trickle down to the poor.

Senator Lacson said that as articulated in the *Belgica* ruling, overriding and duplication happen because individual legislators draft proposals on their own without asking the needs and priorities of the local government because they do not attend and participate in the discussions in the Local Development Councils.

Senator Lacson asked whether the budget should be a political tool for legislation, adverting anew to the *Belgica* ruling which stated that "The Court finds an inherent defect in the system which actually belies the avowed intention of making equal the unequal. In particular, the court observes that the gauge of PDAF and CDF allocation or division is based solely on the fact of office without taking into account the specific interests and peculiarities of the district legislator represents in this regard. The locations, the divisions and limits are clearly not based on genuine parameters of equality wherein economic or geographic indicators have taken into consideration."

At this juncture, Senator Lacson cited the admission of the House Majority Leader that all congressional districts would receive equal budgets of P60 million which, he said, is a clear violation of the Supreme Court ruling on the *Belgica* case because, in effect, that proposition is making equal the unequal when the needs of congressional districts vary. He also noted another tacit admission that aside from the P60 million budget for each congressman, the Senators would receive P200 million each.

Asked if it was true that the congressmen were given a uniform budget of P60 million each and the senators, P200 million each, Senator Legarda replied that she could not speak for the members of the House of Representatives but in the case of the senators, she recalled that she would always ask each member during caucus or even during personal conversation about amendments which they believed are needed and it would be up to her discretion whether or not to fund the request. She admitted that there is no cap or limit as the allocation would depend on the needs of the constituency, the district, the province, or the agency. Also, she said that heads of agencies, local officials like barangay captains and mayors, or even congressmen would send her requests and it would be her duty to assess each request with the help of the LBRMO staff, whether it is needed or not. She clarified that there was no such thing as P200 million but such could take in the form of an amendment of any senator which is part of legislation.

To Senator Lacson's observation that giving congressmen P60 million and senators, P200 million, would already constitute pork barrel, Senator Legarda admitted that she was not in the position to answer the question because she was not sure of the basis of the House Majority Leader's statement.

Senator Lacson stated that he referred to the *Belgica* ruling as regards the issue on pork barrel to point out the inherent defect in the system, belying the intention of making the equal unequal because the needs of all the LGUs are not the same. He noted further that the supposed amendments of congressmen were more than P60 million, and while other members received P60 million, there were some who got much more. Senator Legarda assumed that the P60 million represented projects which were already identified and can be implemented.

Senator Lacson stated that the congressmen may not be holding the cash because it is lodged in

all the agencies but then it is they who decide which project to fund. He also cited the statement made by the Speaker of the House who said, "We are not going to give zero budget to anybody, even those people who do not like me at all. *Nakuha na iyong listahan ng mga zero budget, bibigyan sila ng budget as a gesture of goodwill.*" He questioned why the Speaker of the House gives money as "gesture of goodwill" to congressmen. He said that the discussion on the matter is issue-based and not on the personalities involved, especially since it is the Speaker of the House who made that statement.

Senator Lacson said that the NEP already contained alterations when it was passed on Second Reading at the House of Representatives, but between October 3 to the date of its transmittal to the Senate, there were still revisions without going back to the plenary. He cited an item in the NEP amounting to P51.792 billion which was adopted on Second Reading by the House, of which around P20 billion was divided among its 297 members so that each member got P67 million, P7 million more than the promised P60 million which translated to an extra P2.1 billion; on the other hand, the balance of P31.792 billion from the P51 billion item was allocated to the agencies' projects chosen by some congressmen.

He also cited another item worth P4.982 billion which was allocated to the different agencies and the Local Government Support Fund to add to the P51 billion that was lodged with the DPWH so that the total would be P56 billion. He narrated that when he asked DPWH Secretary Mark Villar whether he was consulted when congressmen decapitated the budget of the DPWH by P51.792 billion which was transferred to other projects, Secretary Villar admitted that it was not part of the original submission of the DPWH and that he was never involved in that process. He wondered whether the realignment of funds for projects earlier vetted by the agencies themselves is not tantamount to grave of discretion.

Senator Legarda supposed that the DBM saw some fiscal space, so it put in some additional projects in the President's budget apart from those already submitted by the agencies to the DBM. She explained that as part of the process, the DBM puts together all the needs of all sectors of all the departments, and if it finds some fiscal space, it would make realignments or readjustments. She surmised that Secretary Villar, as well as the rest of the secretaries, already knew the said insertions were not yet included in the initial submission.

Senator Lacson said he was not questioning the P51.792 billion which underwent consultation and which was itemized under the NEP, but the insertions therein, particularly the P60 million budget for each congressman, or a total of P20 billion which, to him, was grave abuse of discretion because they identified projects without consulting the agencies concerned which, in effect, constituted an unconstitutional act as ruled by the Supreme Court in the *Belgica* case when it said:

"(d) All informal practices of similar import and effect, which the Court similarly deems to be acts of grave abuse of discretion amounting to lack or excess of jurisdiction."

Responding thereto, Senator Legarda explained that because there was a tier one and a tier two in the budget call, the NEP might be in tier one which the congressmen changed as part of the GAB using those in tier two. Senator Lacson, however, maintained that it is still discretionary since it would be impossible for lawmakers to identify projects on their own without consultation.

Senator Lacson then showed on screen how the incentives were made. He said that under the General Appropriations Bill, as approved on Second Reading by the House of Representatives on October 3, 2018, one lawmaker has P360,405,000 and another has P726,710,000; after the said date and before the approval on Third Reading, the former had an insertion of P1,545,901,000 while the latter had P1,698,109,000; in sum, under the transmitted GAB 2, both had P1,902,306,000 and P2,424,819,000, respectively.

Senator Legarda replied that she understood the process and that she bore no malice to it. Senator Lacson disagreed, saying that pork was apparent.

Senator Legarda explained that in the process of legislation, the proposal submitted by the agencies might not be the same with what the Lower House would approve. She believed that Congress, in the exercise of its power of the purse, has the right to transfer, remove, or add projects which they think the agency or the district needs. Senator Lacson opined that while Congress was given the power of the purse, the funds should not be used for their own projects but for the other agencies. For instance, he said that for one district, P500 million for farm-to-market roads (FMR) alone was too much. He said that the GAB already showed which districts were

given the said insertions. Relative thereto, he recommended taking away portions of such insertions and giving them for the farm-to-market road projects of other districts. He then asked whether Senator Legarda would help him scrutinize the lists of districts with insertions found in all the budget books and to delete them on record. He believed that it could have been prevented had the Unified Accounts Code Structure (UACS) in the DBM not been removed because the UACS could have helped track where the items or the funds go.

SUSPENSION OF SESSION

With the permission of the Body, the session was suspended.

It was 11:01 a.m.

RESUMPTION OF SESSION

At 11:13 a.m., the session was resumed.

MANIFESTATION OF SENATOR LACSON

Upon resumption, Senator Lacson stated that he was suspending his interpellation on the General Principles and that he would resume after Senators Recto, Pimentel, Hontiveros, and Drilon have interpellated.

Senate President Sotto noted that Senator Drilon made his reservation to interpellate at two o'clock in the afternoon. Thereupon, he recognized Senator Pimentel for his interpellation on the General Principles.

INTERPELLATION OF SENATOR PIMENTEL

Relative to the briefing made by the Philippine Statistics Authority on the latest inflation rate, Senator Pimentel asked what role was being played by the inflation rate in the preparation and formulation of the annual national budget.

In reply, Senator Legarda stated that "inflation" refers to the increase in the price of goods and services over time which is usually driven by factors like cost and demand, while "cost-push inflation" occurs when there is an increase in production cost which may be due to an increase in the wage of workers, price of raw materials, and the cost of doing business such as taxes, rents, and road toll

fees, resulting in an increase in the selling price to recover cost while maintaining profit; on the other hand, "demand-pull inflation" occurs when consumers want to buy more goods and services than what producers could provide, and the competition among consumers leads them to outbid one another, thereby driving up prices.

She further explained that "deflation" is a reduction in price. Although sometimes misconstrued, she stated that a low inflation is not a reduction in the prices of goods and services but an increase in price at a lower rate. Thereafter, she read into the record the 2019 Budget Sensitivity which provides that a one percent (1%) increase in inflation rate would bring a revenue increase of P20.5 billion and no effect in the budget balance. The reason for the increase in revenue, she said, was that whenever the price of goods and services rises, consumption taxes like the VAT also increase, thereby increasing the government's collection.

Asked if there is an assumed rate of inflation for the 2019 budget, Senator Legarda stated that in the preparation of the 2019 budget, the assumed target inflation rate was 2% to 4%; however, the current inflation rate is 6%, while the average inflation rate was 5.2% for 11 months, and she clarified that the prepared budget was based on a projected forecast inflation of 2% and 4%. She stated that the 2% to 4% forecast and the 5.2% year-to-date rate for the 11-month average is for the 2018 budget; for 2019, the forecast is 3.5% which would still not affect the next budget year as the discussion is for next year's budget which is not yet passed and implemented. She said that she was assured by the economic managers that the country's inflation rate would fall within the 2% to 4% inflation rate for 2019. She noted that the forecast made in 2017 was also 2% to 4% which had to be adjusted due to inflation, and that the inflation target was adjusted from 4% to 4.5% during the budget deliberation. She said that most likely, the prediction would be at 5.3% by the end of the year.

To the question regarding the possibility of a 2% to 4% inflation rate for 2019, Senator Legarda assured that the rate is viable since crude oil prices as well as the price of rice have gone down in view of the passage of the rice tariffication bill. She emphasized that the DTI and the government should still be intense at apprehending rice hoarders and endeavor to cut all losses and wastage on agricultural produce. She believed that the occasion of the recent inflation in the country is a wake-up call to everyone.

Asked if adjustments are necessary for 2019 considering that the 2% to 4% assumption could be wrong, Senator Legarda asserted that no one could predict inflation, but she believed that based on the present trend—the declining crude oil prices, the passage of the Rice Tariffication bill, and all other non-monetary measures being implemented—the country would be able to meet the 2% to 4% inflation forecast target.

Senator Pimentel said that if Senator Legarda would not recommend any changes for the possible excess of actual inflation from the projected inflation, then there was nothing to worry about. Senator Legarda said that the economic managers gave assurance that there was no need to reconfigure the budget, noting the signs in the global scenario and domestic policies.

Asked on the total amount of the budget for 2019, Senator Legarda stated that it is P3.757 trillion.

To the observation that the total budget for 2018 is higher compared to the 2019 budget at P3.767 trillion, Senator Legarda reasoned that it was because for 2019, the budget would be cash-based. She explained that under a cash-based system, all projects would have to be bidded out, implemented and paid to allow for a continuous flow of money in the economy; on the other hand, under the current obligation-based system, disbursements or payments for obligations are completed from two up to three or even four years which makes for challenges in accounting and discourages companies from doing business with the government because of delays in its delivery of payments. She said that a cash-based system promotes fiscal discipline because it would allow for better planning and implementation of programs through proper consultation with the local government units regarding their needs prior to the preparation of the President's budget by obligating, implementing, disbursing and paying for necessary projects within a 12-month period.

Asked whether the administration would actually be able to utilize its proposed P3.757 trillion budget for 2019, Senator Legarda replied in the affirmative.

Asked for the bottomline amount of the off-budget items which were not listed in the proposed budget in addition to the proposed P3.757 trillion 2019 GAA but were still being paid through taxes, Senator Legarda said that the grand total of the off-budget accounts of all departments including Congress would

amount to P73.917 billion which would include principal payment for loans as well as receipts which were authorized to be deposited with the government financial institutions for expenditure items which were not part of the NEP; retained income and receipts; revolving funds and receipts from borrowings from the Bureau of Treasury; income from hostels; seminar fees used for MOOEs of hostels; seminar expenses; hospital income used to augment the MOOE and purchase of equipment; fees in the excess of regular passport fees collected due to special consideration or issuance beyond regular office hours to be used for PERA; wages and overtime pay; internally generated income of SUCs to be used for PS, MOOE and CO. She said that the off-budget items would be funded from the generated income of the concerned agencies.

On whether principal payment of foreign loans is covered by the off-budget items while payment for interest on the loans would fall under the GAA, Senator Legarda replied in the affirmative.

Asked if the cash-based system would allow for a successful matching of government spending and its revenues for one year, Senator Legarda replied in the affirmative but she clarified that it is only matched against the NEP which is funded by collections from the BOC, BIR and other revenue-generating agencies. However, she said that revenue-funding sources for off-budget items are sourced outside of the GAA.

As regards the source of funding for the principal or amortization payments made for domestic and foreign borrowings, Senator Legarda stated that they are reflected in the finance account of the Bureau of Treasury to allow for a roll-over or payment of maturing debt but is no longer included in the GAA to avoid the double counting that would ensue in the recording of the borrowing proceeds. She pointed out that loan proceeds are classified as expenditures since these are used to finance government projects as well as payment of borrowings.

Asked whether the projected revenues for 2019 would exceed or be lower than projected expenditures, Senator Legarda replied that the deficit would be P624.4 billion when calculating total revenues of P3.208 billion against estimated expenditures of P3.832 billion.

Asked why the P3.832 trillion figure for expenditures was used as the basis for the calculation instead of the proposed P3.757 trillion for the GAA, Senator

Legarda explained that P3.832 trillion is classified as disbursement because it includes obligations for the current year as well as past obligations which still have accounts payable.

Asked whether the P3.757 trillion figure is found in the proposed national budget, Senator Legarda said that the document is with the DBM. She explained that the DBM and the COA still have accounts payable for projects from 2014 up to 2017.

On whether the cash-based system would make it possible for the government to finally fulfill all its financial obligations, Senator Legarda replied that the passage of the proposed budget reform bill would address the problem.

Asked how the government would pay off its principal amortization, Senator Legarda said that it would be through borrowings requiring a gross funding of P1.188 trillion which includes funding for the estimated budget deficit as well. She reiterated that the government would borrow P1.188 trillion in 2019.

Senator Pimentel noted that the cash-based budgeting system requires agencies to undertake proper procurement planning in the preparation of their budgets to ensure that only those activities or projects which are implementation-ready are included in the approved annual budget. However, he expressed concern that allowing congressional insertions might render the concept ineffective. He believed that legislators should subscribe and adhere to the new system by introducing implementation-ready projects only as amendments. Moreover, he sought clarification on whether a legislator's on-the-spot or week-old idea for an undertaking could be rightfully considered as an "implementation-ready" project.

Senator Legarda said that the amendments of lawmakers should be based on their consultations with RDC, LDC and agencies of the government, both in the regional and national levels, and that they should be based on the legislators' advocacies and the needs of the people which are a product of the LDC and RDC processes. She surmised that some of the projects might not have been deemed as priority in that level. She clarified that there was nothing wrong in removing, adding or revising the budget as it is part of the legislative process which should have a basis.

Asked by Senator Pimentel if there is a definition of the term "implementation-ready" since it could only be found in the proposed 2019 budget, Senator Legarda requested Senators Pimentel, Lacson and Recto to craft a clearer and definitive provision for the term.

Senator Pimentel noted that the "green building" concept had been integrated into the 2019 GAB, particularly in Section 26(c), and he asked if it is going to be mandatory, compared to simply being a guiding principle in the previous budget. Senator Legarda answered in the affirmative, saying that more than 50 climate change provisions had been incorporated since she became chairperson of the Committee on Finance in 2015. Senator Pimentel said that during the deliberations on the DPWH budget, he would ask if green buildings would be feasible, whether it was an intentional shift from being a guiding principle to mandatory. Senator Legarda emphasized that it should be mandatory, given the importance of not only being green but also of the strict observance of the Building Code, adherence to fire safety standards, and quality assurance. Congress should be very strict in their oversight capacity for strict implementation.

Senator Legarda likewise mentioned the terms "resilient infrastructure" and "resilient development," as she noted that the elements of adaptation are ingrained and mainstreamed, like building a rainwater collector to save on water or roadside ditches to prevent flooding. She pointed out that the Environment Impact Assessment (EIA) should also be considered to prevent disasters. She suggested that the LDC, the peace and order council, and the DRR councils under NDRRMC merge to assist LGUs and NGAs in planning for and mapping risk and vulnerability areas. She said that adaptation strategies should be part of the green infrastructure development.

Senator Pimentel pointed out that the burden of Section 26(c) would be on the DPWH because it would be asked to consider climate data, risk assessment and green building standards. Senator Legarda replied that it should be operationalized and the adaptation strategies to be implemented should be spelled out in the bill.

As regards the term "Multi-Year Obligation Authority (MYOA)," Senator Pimentel noted that the term has been changed to Multi-Year Contractual Authority (MYCA) in the 2019 GAB. Asked if there

is a significant or practical difference between the two terms, Senator Legarda replied that it has been changed to reflect the transition of the budget to cash-based. She added that the concept of obligation is attached to MYOA, while the concept of contracting is attached to MYCA. Senator Pimentel posited that the purpose is to prepare the people mentally and intellectually to the new concept of cash-based budgeting.

Regarding impoundment, Senator Pimentel pointed out that in the 2018 GAA, it states that “congressional inaction within the period provided for was equivalent to disapproval of the impoundment proposal of the Executive”; while in the 2019 GAB, it states that “congressional inaction is equivalent to approval of the impoundment proposal.” Asked if the change was deliberate, Senator Legarda replied that the 2019 GAB would be amended to reflect the language in the 2018 GAA—inaction by Congress would mean disapproval of impoundment. She explained that impoundment refers to the refusal of the President to release duly appropriated funds for program/activity/project (P/A/P) of government entities such as national government agencies (NGAs), State Universities and Colleges (SUCs), Government-Owned and Controlled Corporations (GOCCs), and local government units (LGUs), except the Judiciary, constitutional offices (COs) and Congress, with the intention of cancelling or delaying its utilization. She added that impoundment may be through (1) rescission, or the cancellation of all or part of an enacted appropriation which has not yet been released; or (2) deferral, or the temporarily withholding of the release of all or part of an enacted appropriation of selected government entities.

On the allowable reasons for impoundment, Senator Legarda cited Section 61, which states that the President, upon recommendation of the DBM, may propose rescission of appropriation from both Houses in the following cases: (1) if the appropriations are no longer required to fulfill the objectives originally sought to be achieved by the activities or projects covering the same; or (2) in case of unmanageable national government deficit which means that the actual national government budget deficit has exceeded the quarterly budget deficit targets consistent with the fuller budget deficit as indicated in the BESF submitted by the President to Congress pursuant to Section 22, Article VII of the Constitution, or if there are clear economic indications of an impending occurrences of such condition as determined by the DBCC and approved by the President.

Senator Pimentel wondered why the Executive branch was not objecting to the need for approval of the proposal from Congress since it is supposed to be a purely Executive decision.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 12:08 p.m.

RESUMPTION OF SESSION

At 2:26 p.m., the session was resumed with Senate President Pro Tempore Ralph G. Recto presiding.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 2:28 p.m.

RESUMPTION OF SESSION

At 2:28 p.m., the session was resumed.

INTERPELLATION OF SENATOR DRILON

Preliminarily, Senator Drilon adverted to the President’s budget message, to wit: “The total disbursements program for 2019 of P3.833 trillion represents an increase of 13.7% over the 2018 disbursement level of P3.370 trillion. As a share of GDP, this is equivalent to 19.7%, or an improvement over this year’s 19.2%. The increase in government spending will be largely driven by the massive infrastructure and human resource investments, particularly our Build, Build, Build Program, creation and filling of population-related positions (i.e., health worker, teacher, policeman items), and social protection, among others.” He said that it is an accepted proposition that the budget would support the policy of the government for the fiscal year, and that the budget is in support of the policy thrust of the administration, at least for 2019.

Asked by Senator Drilon whether the government is prioritizing infrastructure resource investments and social protection based on the President’s budgetary message, Senator Legarda affirmed that there was a

priority on social services and infrastructure that would generate jobs and which fall under economic services.

Senator Drilon said that public spending constitutes a fifth of the country's gross domestic product and as pointed out by the President, the share of the GDP is equivalent to 19.7% or almost one-fifth or an improvement of 19.2% in the current year.

Stating the need to go through and examine whether the budget presented in the National Expenditure Program (NEP) and the General Appropriations Act supports this thrust of the government, Senator Drilon presented the budget of the DPWH which is the main infrastructure agency of the government.

Comparing the 2018 GAA and the proposed 2019 GAB with growth rates, Senator Drilon said that his analysis would indicate that the DPWH suffered a 19% reduction from the present P637.9 billion down to P515.5 billion in the proposed 2019 budget. He noted that in the current year, the budget of the DPWH was at P637.9 billion which went down to P544.5 billion in 2019 which further went down to P516.5 billion in the GAB. Notwithstanding the exposé of Senator Lacson that there are billions of insertions, he said that it would still appear that the DPWH budget has gone down from last year even in the NEP to the GAB. He then questioned why the DPWH budget has consistently been reduced if indeed it is the policy of the government to support the "Build, Build, Build" program, Senator Legarda said that the DPWH cash-based budget in the 2019 NEP amounted to P555.7 billion while its 2018 cash-based equivalent of the GAA was P441.8 billion, or a P113.9 billion increase. She said that it simply meant that the 2018 obligation-based budget could not be compared with the 12-month cash-based budget where the budget has to be obligated, implemented and paid within 12 months. She said that the cash-based budget was not implemented in the current year and that the obligation-based budget is higher because there are still obligations to be paid. However, she said that the DBM has a list of cash-based equivalent of the 2019 cash-based budget and the 2018 equivalent if it were cash-based.

Senator Drilon pointed out that when the NEP is set, the DBCC would set an amount allocated for DPWH with a growth rate in mind and not the capacity of DPWH personnel to disburse what is allocated to them. In other words, he said that when

the DBCC set the allocation for DPWH at P367.9 billion for the current year, it is the theory and expectation that if DPWH can spend what is allotted to them, the objectives or the goals of the public spending are being met and would contribute to the enlargement of the GDP.

Asked whether she would agree that such is the practice or whether the concept has been changed, Senator Legarda said that when a target is set, it is to accomplish a certain goal.

On whether the current standard is based on the capacity of an agency to spend, Senator Legarda replied in the negative, saying that the agency should set its targets based on forecasts and it has to push its capacity to spend. She explained that the reason for the transition to the cash-based budget is to push the agencies to utilize the funds given them. She clarified that the government was not adjusting or lowering the amounts allocated or appropriated to agencies because of previous underspending history; rather, it is transitioning from an obligation-based budget because it is still paying for the implemented projects from 2014 to 2017 due to the habit of an obligation-based budget. To clarify the misconception that the agency's budget decreased because it could not spend its allocation, she said that it appeared that way because of the obligation-based budgeting which allows the agency to obligate outside of a 12-month period. She said that if the agency disciplines itself to obligate, implement and pay within a 12-month period, the pie should be smaller.

But Senator Drilon said that another way of holding at it would be akin to punishing the constituency of the DPWH for the inefficiency of the bureaucracy.

Senator Legarda insisted that the budget of the DPWH actually increased by 35.8%. She reiterated that the 2018 budget was an obligation-based budget and there was still a lot to pay within the next few days; on the other hand, the 2019 cash-based budget, compared to the cash equivalent of the 2018 budget, which is still an obligation-based budget, would still show an increase by 35.8%. She explained that for the current year (2018), DPWH's cash-based equivalent was only P441.8 billion while its cash-based budget was P555.7 billion, or an increase of P113.9 billion or 25.8% on account of the "Build, Build, Build" program. She said that transitioning to a cash-based budget will not make the "Build, Build, Build" program of the

government suffer; it would be pushing all agencies, including the infrastructure agencies of government, to obligate, to contract, to bid, to implement, to spend and to pay, so that the people would immediately feel the need as served; and more importantly, it would also instill fiscal discipline in government.

Moving on to the social programs, Senator Drilon said that looking at the allocations for DSWD, Department of Agriculture, Department of Education, Department of Health and the National Housing Authority, it appeared that poverty alleviation does not seem to be a priority. He said that DSWD's budget was reduced by 2.7%; DA's budget by 7.5%; DepEd's budget by 9.8%; DOH's budget by 28.2% and the NHA's budget by a whopping 87.7%. Given the reduction of the NHA's budget by 87.7%, he asked which of its activities and programs would be affected by the decrease even as he noted that the Senate version increased the budget of the NHA from P0.4 billion to P2.8 billion as against the NEP and the GAB.

In reply, Senator Legarda cited NHA's 33% utilization rate in 2017. She stated that since it was a budget of the previous year, the funds have not yet expired and that it was still an obligation budget that was carried over to 2018. She supposed that the remaining 70% that the agency did not implement or obligate has already been spent by this time.

Senator Drilon stated that it would seem that due to the agency's inefficiency, the intended beneficiaries of the NHA's housing program were being punished through the budget cut.

Senator Legarda stated that the agency proposal was evaluated based on the following considerations: implementation readiness; absorptive capacity; consistency with the priorities and the budget priorities framework; and evidence of agency planning.

Aside from the 70% carried over from its 2017 budget, Senator Legarda stated that in terms of absorptive capacity, the NHA has a total of P21.5 billion unused appropriations — P5.6 billion unreleased appropriations and P15.9 billion unobligated allotments as of May 31, 2018.

Asked if the NHA budget for 2018 has not been utilized, Senator Legarda replied that there was no halt in the utilization, only that the agency is very slow in obligating and utilizing its budget.

On whether the 2018 budget was being utilized on a timely basis in addition to the unspent portion of the 2017 budget, Senator Legarda replied in the affirmative.

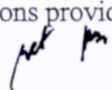
Senator Drilon then inquired why the budget of the NHA was reduced by almost 88% when both its 2017 and 2018 are being utilized. Senator Legarda replied that the allocations for both budgets are different. But she shared the frustration of Senator Drilon over the very slow utilization by the NHA of its budget that it is still using the 2017 budget and another P21.5 billion to be utilized in the 2018 budget.

Senator Drilon believed that the agency should be disciplined rather than penalize its beneficiaries by reducing the budget, especially if it is utilizing both the 2017 unspent obligation and the 2018 current budget.

Agreeing with Senator Drilon, Senator Legarda stated that she would welcome amendments to increase the budget of the NHA and in the form of special provisions that would help solve the problems of slow utilization of funds, poor implementation of projects and building homes where there are no basic utilities like electric or water. She said that the NHA has been a perennial headache which made her blow her top during the agency's hearings especially after seeing the conditions of the substandard housing projects in Zamboanga, Cagayan de Oro and other regions.

On another matter, Senator Drilon noted that the most serious cut made by the Committee was the 28.2% reduction in the budget of the Department of Health. He then inquired about the number of rural health units that would be affected in terms of construction, nurses to be laid off and other adverse effects on the department. He also asked for a comparison of the DOH budget in the versions of the NEP, GAB and Senate committee report.

Senator Legarda stated that the biggest budget cut is on the health facilities enhancement program from the P30 billion in the 2018 GAA and P24 billion from the 2017 GAA down to just P50 million. Citing the DBM's explanation, she said that the small spending performance of the Department of Health in the implementation of the Health Facilities Enhancement Program (HCEP) was the main reason for the massive reduction in its budget allocation. As of March 31, she stated that the total disbursements for the HCEP have reached P13.5 billion, less than 10% of the total P138 billion appropriations provided



for the program since 2008. She said that when she called DOH Secretary Duque last Sunday, she was informed that the Department had accelerated its implementation of the HCEP.

She informed the Body that as of September 2018, the Department had disbursed 31% of its budget.

Senator Drilon stated that from the data he had obtained, the DOH had an allotment of P107 billion, P68.4 billion of which was obligated and P44.5 billion was disbursed.

Senator Legarda confirmed that the data obtained by Senator Drilon was the budget for the whole agency. She said that what she had read was for the HCEP.

Senator Drilon agreed with Senator Legarda that the DOH showed a dismal performance insofar as the utilization of its budget is concerned. However, he believed that the bureaucracy should be disciplined rather than reduce the budget and not build the necessary health facilities. Apparently, he noted that the underlying rule of the Department of Budget and Management is to reduce the budget whenever the bureaucracy does not perform in accordance with its expectations. He expressed concern that it is not the bureaucracy that would suffer but its constituency because the budget for health services is reduced.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

It was 3:04 p.m.

RESUMPTION OF SESSION

At 3:50 p.m., the session was resumed with Senate President Pro Tempore Recto presiding.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Villanueva, there being no objection, the Body suspended consideration of the bill.

SUSPENSION OF SESSION

Upon motion of Senator Villanueva, there being

no objection, the Chair suspended the session until ten o'clock in the morning of the following day.

It was 3:51 p.m.

RESUMPTION OF SESSION

At 10:30 a.m., Thursday, December 6, 2018, the session was resumed with Senate President Sotto presiding.

ADDITIONAL REFERENCE OF BUSINESS

The Secretary of Senate read the following matters and the Chair made the corresponding referrals:

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives passed the following House bills, in which it requested the concurrence of the Senate:

House Bill No. 8677, entitled

AN ACT INCREASING THE EXCISE TAX RATE ON TOBACCO PRODUCTS, AMENDING FOR THE PURPOSE SECTION 145 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC ACT NO. 10963

To the Committee on Ways and Means

House Bill No. 6425, entitled

AN ACT PRESCRIBING AN URGENT, COMPREHENSIVE AND INTEGRATED LAND-BASED TRAFFIC MANAGEMENT TO EFFECTIVELY ADDRESS THE TRAFFIC CONGESTION CRISIS IN METRO MANILA, METROPOLITAN CEBU AND METROPOLITAN DAVAO AND APPROPRIATING FUNDS THEREFOR

To the Committees on Public Services; Local Government; and Finance

House Bill No. 8618, entitled

AN ACT AMENDING SECTIONS 141, 142 AND 143 OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997

To the Committee on Ways and Means

House Bill No. 8645, entitled

AN ACT AMENDING SECTIONS 22, 24, 25, 27, 28, 29, 30, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 194, 195, 196, 197, 198, AND 199; AND REPEALING SECTIONS 127, 175, 177, 178, 180, 192, AND 193, ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

To the Committee on Ways and Means

House Bill No. 8637, entitled

AN ACT CREATING THE REGIONAL INVESTMENT AND INFRASTRUCTURE COORDINATING HUB OF CENTRAL LUZON AND PROVIDING FUNDS THEREFOR

To the Committee on Rules

House Bill No. 8636, entitled

AN ACT INSTITUTIONALIZING A NATIONAL INTEGRATED CANCER CONTROL PROGRAM AND APPROPRIATING FUNDS THEREFOR

To the Committee on Rules

House Bill No. 8649, entitled

AN ACT RENAMING CLARK INTERNATIONAL AIRPORT LOCATED IN ANGELES CITY, PROVINCE OF PAM-

PANGA AS DIOSDADO MACAPAGAL INTERNATIONAL AIRPORT

To the Committee on Public Services

House Bill No. 8629, entitled

AN ACT INSTITUTIONALIZING AN ENERGY EFFICIENCY AND CONSERVATION PROGRAM

To the Committee on Rules

House Bill No. 7206, entitled

AN ACT GRANTING PHILIPPINE CITIZENSHIP TO MOHAMAD WASSIM NANAA

To the Committee on Justice and Human Rights

and House Bill No. 8394, entitled

AN ACT PROVIDING FOR THE FULL AND EFFECTIVE IMPLEMENTATION AND ENFORCEMENT OF INTERNATIONAL MARITIME INSTRUMENTS OF WHICH THE PHILIPPINES IS A STATE-PARTY

To the Committees on Public Services; and Foreign Relations

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives designated Representatives Alvarez, Tugna, Tejada, Pimentel and Garbin Jr. as conferees to the Bicameral Conference Committee on the disagreeing votes on the following House bills:

House Bill No. 6169, entitled

AN ACT EXTENDING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO PHILIPPINE BROADCASTING CORPORATION UNDER REPUBLIC ACT NO. 7962, ENTITLED "AN ACT GRANTING THE PHILIPPINE BROADCASTING CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL,

OPERATE AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS WITHIN THE PHILIPPINES, AND FOR OTHER PURPOSES”;

House Bill No. 6170, entitled

AN ACT EXTENDING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO RMC BROADCASTING CORPORATION UNDER REPUBLIC ACT NO. 8159, ENTITLED “AN ACT GRANTING THE DXRA-RMC (RIZAL MEMORIAL COLLEGES) BROADCASTING CORPORATION A FRANCHISE TO CONSTRUCT, ESTABLISH, OPERATE AND MAINTAIN A COMMERCIAL RADIO BROADCASTING STATION IN THE PHILIPPINES, AND FOR OTHER PURPOSES”;

House Bill No. 6315, entitled

AN ACT GRANTING THE VOLUNTEER LIFECARE MINISTRIES, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN NONCOMMERCIAL RADIO BROADCASTING STATIONS IN THE PHILIPPINES;

House Bill No. 6316, entitled

AN ACT GRANTING NORTHEASTERN BROADCASTING SERVICES, INC. A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS IN ISABELA PROVINCE AND REGION II;

House Bill No. 6431, entitled

AN ACT GRANTING BOHOL CHRONICLE RADIO CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN RADIO BROADCASTING STATIONS IN THE PROVINCE OF BOHOL;

House Bill No. 6707, entitled

AN ACT EXTENDING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO RAVEN BROADCASTING CORPORATION, UNDER REPUBLIC ACT NO. 8084, ENTITLED “AN ACT GRANTING RAVEN BROADCASTING CORPORATION A FRANCHISE TO CONSTRUCT, MAINTAIN AND OPERATE RADIO AND TELEVISION BROADCASTING STATIONS WITHIN LUZON AND OTHER AREAS IN THE PHILIPPINES WHERE FREQUENCIES AND/OR CHANNELS ARE STILL AVAILABLE FOR RADIO AND TELEVISION BROADCASTING”;

House Bill No. 6708, entitled

AN ACT EXTENDING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO ADVANCED MEDIA BROADCASTING SYSTEM, INC., UNDER REPUBLIC ACT NO. 8061, ENTITLED “AN ACT GRANTING THE ADVANCED MEDIA BROADCASTING SYSTEM, INC., A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS IN THE PHILIPPINES”; and

House Bill No. 8302, entitled

AN ACT GRANTING MORE ELECTRIC AND POWER CORPORATION A FRANCHISE TO ESTABLISH, OPERATE, AND MAINTAIN, FOR COMMERCIAL PURPOSES AND IN THE PUBLIC INTEREST, A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END USERS IN THE CITY OF ILOILO, PROVINCE OF ILOILO.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives designated Representatives

Deloso-Montalla, Zarate, Labadlabad, Relampagos and Lagman as conferees to the Bicameral Conference Committee on the disagreeing provisions of House Joint Resolution No. 26, entitled

JOINT RESOLUTION EXTENDING THE PERIOD OF AVAILABILITY OF FUNDS INTENDED FOR VICTIMS OF HUMAN RIGHTS VIOLATIONS DURING THE MARCOS REGIME UNTIL DECEMBER 31, 2019, AUTHORIZING THE BUREAU OF TREASURY AND THE LAND BANK OF THE PHILIPPINES TO RELEASE THE FUNDS AND ENSURE THE PAYMENT OF CLAIMS, AND THE COMMISSION ON HUMAN RIGHTS TO ADMINISTER THE EFFECTIVE DISTRIBUTION OF THE FUNDS TO QUALIFIED VICTIMS OR THEIR HEIRS OR REPRESENTATIVES, AS PROVIDED UNDER REPUBLIC ACT NO. 10368, OTHERWISE KNOWN AS THE "HUMAN RIGHTS VICTIMS REPARATION AND RECOGNITION ACT OF 2013," AS AMENDED BY REPUBLIC ACT NO. 10766; and

Senate Joint Resolution No. 13, entitled

JOINT RESOLUTION EXTENDING THE MAINTENANCE, AVAILABILITY AND RELEASE OF THE FUNDS CREATED PURSUANT TO REPUBLIC ACT NO. 10368, AS AMENDED BY REPUBLIC ACT NO. 10766, SPECIFICALLY SUCH FUNDS IN THE LAND BANK OF THE PHILIPPINES, UNTIL DECEMBER 2019 TO ENSURE PAYMENT OF QUALIFIED HUMAN RIGHTS VIOLATIONS VICTIMS AND AUTHORIZING THE COMMISSION ON HUMAN RIGHTS TO ADMINISTER THE EFFECTIVE DISTRIBUTION THEREOF.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives designated Representatives Sarmiento, Acop, Biazon, Hernandez, Umali, Robes, Yap and Paduano as conferees to the

Bicameral Conference Committee on the disagreeing provisions of House Bill No. 8419, entitled

AN ACT PREVENTING THE USE OF MOTORCYCLES IN THE COMMISSION OF CRIMES THROUGH BIGGER NUMBER PLATES AND IDENTIFICATION MARKS; and

Senate Bill No. 1397, entitled

AN ACT PREVENTING AND PENALIZING THE USE OF MOTORCYCLES IN THE COMMISSION OF CRIMES THROUGH READABLE PLATE NUMBERS AND IDENTIFICATION MARKS, AND FOR OTHER PURPOSES.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives designated Representative Belaro Jr. vice former Representative De Vera as conferee to the Bicameral Conference Committee on the disagreeing provisions of House Bill No. 684, entitled

AN ACT AMENDING REPUBLIC ACT NO. 53, AS AMENDED, OTHERWISE KNOWN AS "AN ACT TO EXEMPT THE PUBLISHER, EDITOR OR REPORTER OF ANY PUBLICATION FROM REVEALING THE SOURCE OF PUBLISHED NEWS OR INFORMATION OBTAINED IN CONFIDENCE," BY INCLUDING WITHIN ITS COVERAGE, JOURNALISTS FROM BROADCAST AND NEWS AGENCIES; and

Senate Bill No. 1255, entitled

AN ACT EXPANDING THE COVERAGE OF EXEMPTIONS FROM REVEALING THE SOURCE OF PUBLISHED NEWS OR INFORMATION OBTAINED IN CONFIDENCE BY INCLUDING JOURNALISTS FROM BROADCAST, NEWS AGENCIES AND INTERNET PUBLICATIONS, AMENDING FOR THE PURPOSE SECTION 1 OF

REPUBLIC ACT NO. 53, AS AMENDED
BY REPUBLIC ACT NO. 1477.

To the Committee on Rules

Letter from the House of Representatives, informing the Senate that on 3 December 2018, the House of Representatives concurred with the Senate amendments to House Bill No. 6331, entitled

AN ACT PROVIDING FOR THE REAPPORTIONMENT OF THE PROVINCE OF SOUTHERN LEYTE INTO TWO (2) LEGISLATIVE DISTRICTS.

To the Archives

SENATE CONFEREES

Upon nomination by Senator Zubiri, there being no objection, Senate President Sotto designated the following to constitute the Senate panel in the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 1898 and House Bill No. 8628 (Philippine Public Safety College): Senator Lacson as chair, and Senators Honasan, Villanueva, Gatchalian and Hontiveros as members.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri congratulated the UAAP basketball champion, Ateneo de Manila University, as well as the runner-up, University of the Philippines for a job well done and for the happiness and hope that they gave to their supporters like him who hoped that the UP team would perform better in the next season.

**COMMITTEE REPORT NO. 538
ON HOUSE BILL NO. 8169**

(Continuation)

Upon motion of Senator Zubiri, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 8169 (Committee Report No. 538), 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 NINETEEN, AND FOR OTHER PURPOSES.

Senator Zubiri stated that the parliamentary status was still the period of interpellations.

Thereupon, the Chair recognized Senator Legarda, sponsor of the measure, and Senator Lacson for the continuation of his interpellation on General Principles.

INTERPELLATION OF SENATOR LACSON
(Continuation)

Resuming his interpellation, Senator Lacson stated that he would discuss the Allocation to LGUs (ALGU). He recalled that in its ruling in the *Belgica vs. Executive Secretary Ochoa* (G.R. No. 208566, November 19, 2013) the Supreme Court held that presidential pork barrel is “a kind of lumpsum discretionary fund which allows the President to determine the manner of its utilization.” He stated that the ruling applies only to the Malampaya Fund and the Presidential Social Fund, but he cautioned that there might be a violation of the same ruling if a similar utilization of fund would be applied to another type of project, referring to the ALGU, which, under the NEP, page 581, was allocated P7 billion; but in the GAB, Volume I-b, page 581, its budget ballooned to P16,080,098,000, and then P102 million was added to it under the Senate version. Asked where the allocation was lodged, Senator Legarda replied that it is under the DBM, but the strict monitoring and implementation is with the DILG. Senator Lacson then asked if the DBM was consulted by the House of Representatives when it increased the ALGU to P16,080,098,000.

SUSPENSION OF SESSION

Upon motion of Senator Legarda, the session was suspended.

It was 10:47 a.m.

RESUMPTION OF SESSION

At 10:48 a.m., the session was resumed.

Upon resumption, Senator Legarda clarified that the ALGU is comprised of many items, including the MMDA, the special shares of local government units in the proceeds of national taxes, the barangay officials death benefits fund, the Local Government Support Fund (LGSF), and the special shares of local government units in the proceeds of fire code fees. She surmised that Senator Lacson might be referring

to the LGSF, which includes assistance to municipalities and cities, conditional matching grant to provinces for road and bridge repair, the provision for potable water or SALINTUBIG, and other financial assistance to local government units. Senator Lacson confirmed that he was referring particularly to "Other Financial Assistance to LGUs" which, under the NEP, was at P7 billion, and in the House version, it became P16 billion, showing a marked increase of P9 billion.

Asked whether the DBM, where the funds are lodged, was consulted when the P7 billion was increased to P16 billion, Senator Legarda doubted that Secretary Diokno was consulted, and she agreed with Senator Lacson that earmarking without prior consultation with the DBM constitutes a grave abuse of discretion. She explained that under the LGSF-ALGU funds, the local government units can actually request the DBM additional funding to finance their projects that were left out by the RDC and thus not included in the NEP.

Asked who would be implementing and monitoring the funds if the DBM was unaware of it in the first place, Senator Legarda said that the fund was not a lumpsum and that there are strict requirements that must be complied with, to wit: 1) Only LGUs may request; 2) There is a project menu; 3) There should be documentary proofs such as certifications under oath from the local chief executive (LCE) attesting that there is a sanggunian resolution endorsing the proposed project, that it is part of the duly approved Local Development Investment Program and Annual Investment Program of the LGU; 3) There must be an identification of the recipient government hospital and rural health center signed by the LCE and local health officer, if falling under the indigent patients menu: for ambulance, the requirements are: certification under oath from the LCE attesting that there is a sanggunian resolution approved by the Local Development Investment Program; a project proposal and profile signed by the LCE and the local health officer, including the vehicle specifications, the deployment, use and costs; 4) For assistance to indigent individuals such as medical, burial, transport, food assistance, cash for work and educational assistance, the requirements are certification that there is a Sanggunian resolution; local development plan; project profile, type of assistance, period of implementation; and implementation process. She maintained that lawmakers are barred from requesting funds as it is aptly called financial assistance to local

government units, that the requests must be vetted from the LDC level and that the needs are not necessarily infrastructure in nature but specific to the needs of the indigent people in the rural communities.

Senator Lacson asked for the items on the menu mentioned by Senator Legarda because, according to him, if there were no items, then it must be a lumpsum appropriation. He said that he did not have any problem with the P7 billion because it was studied by the DBM or whatever agency that requested it but he maintained that the additional P9 billion introduced by the Lower House without even consulting with the DBM was discretionary and arbitrary on the part of the legislators. He said that he would not mind an amendment or realignment of the funds for as long as it comes from the agency or agencies concerned.

Senator Legarda said that she was informed that the funds were not for the legislators but for the local government units to be used for the purchase of mini-dump trucks, fire trucks, multi-cabs and the repair of public markets and slaughterhouses. She said that it was not a bottom-up-budgeting (BUB) but something similar because the ALGU was expanded during the Aquino administration and continued under the present administration to address the needs of the grassroots communities. She said that it is not for the legislators, post-enactment, to identify, but for the LGUs to request funding for their small needs which may not be part of the NEP but were not yet adopted by the RDCs.

Senator Lacson said that it was akin to saying that farm-to-market roads are not for the legislators concerned to request because the DA will implement. However, he pointed out that the DA was never consulted when the P500-million worth of 69 farm-to-market roads in one district was inputted in the House version of the bill. He said that at the appropriate time, he would introduce an amendment to revert the fund to the original P7 billion in the NEP.

Senator Legarda reiterated that the increase from NEP to GAB was not based on consultation with the DBM and whether or not there was consultation with local governments was for the House of Representatives to say.

Senator Lacson opined that it would have been better if there was a list of beneficiaries comprising disadvantaged municipalities, barangays or provinces attached to the item because otherwise, it would be arbitrary.

Senator Legarda pointed out that the LGSF provides for an assistance to municipalities and cities and clearly, funding for the assistance to municipalities is bigger than that for the assistance to cities. Likewise, she disclosed that there is actually a list of municipalities that are beneficiaries to the assistance for 2019 which is an annex to the bill. She said that the list was for the P7 billion.

Proceeding to the 2019 budget itself, Senator Lacson presented the historical data of appropriations and obligations, saying that his source was the Statement of Appropriations, Allotments, Disbursements and Balances as of end of the third quarter of 2018. He said that in 2016 the unused appropriation was P596 billion; in 2017 it was P388 billion and at of end of third quarter, P1.4 trillion; as of the end of third quarter of 2018, the unobligated balances amounted to P1.2 trillion and unreleased appropriations amounted to P256 billion, or P1.4 trillion of unused appropriations. Moreover, he recalled Senator Legarda mentioning in her sponsorship speech that there was a portion of P34 billion which exceeded underspending by the third quarter.

Commenting on Senator Lacson's reference to her speech, Senator Legarda said that the P34 billion referred to the amount paid from the allocation under cash disbursement out of the total available appropriations of P2.7 trillion. She affirmed that there was a total unobligated balance of P1.214 trillion as of the third quarter of 2018. She clarified that the term "spending," as used in her speech, referred to disbursement, or the payment of obligations entered into by the government.

Asked on the reason for the huge unobligated balance, Senator Legarda explained that appropriations refers to the authority to enter into obligation granted by Congress, while disbursement refers to payment of obligations and disbursement programs as prepared or determined by the Executive. She said that for the past years, the national government has been in deficit which accounts for the difference in the figures for appropriation and disbursement. She said that the P34 billion excess she mentioned in her speech referred to disbursement, not appropriation. The total unobligated balance was 1.2 trillion, she said.

Senator Lacson opined that the total appropriations should be used as reference for efficiency because that was the amount appropriated to the National Government but only a certain portion of that amount

was used. He agreed with Senator Drilon that for purposes of planning the future national budget, unused appropriations consisting of underlisted and unobligated should likewise be based on total appropriations to be able to determine the efficiency.

Asked how much was supposed to be appropriated based on the efficiency of the agencies concerned, Senator Legarda explained that in an obligations-based budget, there are payments that need to be made for obligations from previous years so that the 12-month appropriation does not necessarily match the obligations and the disbursements. On the other hand, she stated that a cash-based budget identifies amounts to be appropriated, intended for programs to be implemented and the amount of obligations to be paid within the 12-month period. She reiterated that the reason for the differing figures was that the 2018 appropriation is different from the unobligated balances and the payments made, some of which are from 2015. The reason the DBM has been advocating cash-based budget, she said, was to make it clear for Congress that a certain amount was given to be spent for a project, but if the agency fails to implement the project, the money would be returned to the Treasury.

Noting the transition to cash-based budgeting for the 2019 budget, Senator Lacson inquired as to why Congress was passing a joint resolution extending the authority to spend the 2018 budget, at least the capital outlay until December 2019.

Senator Legarda said that what was being extended was the life of an obligation-based budget and not the life of a cash-based budget. She said that it would only be contradictory if the 2019 cash-based budget would be extended from 12 months to 24 months. Citing the budget of the DSWD, she narrated that when she inquired about the *Kalahi-CIDSS*, the agency told her that they were not aware of an allocation of about P50 million for Region VI and at that time, she said, it was already December; thus, it was only in December that the agency started to do ocular work of *Kalahi* areas. She stated if the budget is not extended, the budget for *Kalahi-CIDSS* would be reverted to the Treasury.

Similarly, Senator Legarda recounted that in a visit to a foreign consular office, she informed the personnel that extra MOOE was provided to cover their expenses. She stated that when the personnel came home to Manila to ask about the budget, that personnel was told there was no budget; however,

when she instructed the LBRMO and her office to coordinate with the DFA and the foreign post, it took six months to realize that indeed there was a budget and they immediately spent it. She said that the same problem was experienced by the NHA, HCEP and the DOT, the reason the budget was being extended for another 12 months. She stated that with next year's cash-based budgeting, those who are used to multi-year obligation would have to be disciplined.

Asked for the DBM's opinion on the joint resolution extending the lifespan of the 2018 MOOE and capital outlay up to December 2019, Senator Legarda stated that since it is a congressional initiative and because politicians are in touch with the grassroots and able to see how projects are not implemented, the Department understands the position of Congress and agrees with it. She said that the agency is optimistic that with the cash-based budgeting in 2019, the Budget Reform Bill (BRB) would be passed.

On another matter, Senator Lacson noted that based on the national debt, every Filipino owes P70,974. He enumerated the top agencies with unused appropriations, as of October 2018, to wit: DOTr with an obligation rate of 38%; DSWD, 58%; DILG, 64%; DND 48%.

Senator Legarda recalled that she has been defending the budget of the DOTr for the past years and always the perennial problem is obligating up to 90% by December of the current year. She noted that the agency has the tendency of rushing at the last minute due to right-of-way issues on some big-ticket infrastructure projects or permitting with LGUs or both. She said that she shares the frustration of Senator Lacson, whether it be the NHA, the HFEP of the DOH or DOTr, adding that if the Body wants to cut the budget and put it in other advocacies, she would be happy to do it as she does not want to see wastage.

As regards macroeconomic indicators, Senator Lacson inquired when the GDP growth would be on target. He recalled that in 2017, the economy almost hit the target of actual growth of 6.7%. He also asked for the reasons for wrong projections that are far off from the actual target.

Senator Legarda stated that it was the agricultural sector that brought down the economy in terms of GDP. She said that according to NEDA, targets are not projections and that they fall short due to factors

beyond the government's control, such as the rise in prices of crude oil.

Comparing the General Provision of the NEP, GAB and the Senate Committee Report, Senator Lacson noted that the NEP's provision on the End of Validity Period states that "Any unreleased appropriations as well as unexpended or undisbursed funds shall be reverted to unappropriated surplus of the General Fund xxx."; while the GAB states that "Any unreleased as well as undisbursed funds at the end of the extended payment period shall revert xxx."; whereas, the Senate version reads "Any unreleased and unobligated appropriations at the end of the Fiscal Year shall revert to the unappropriated surplus of the General Fund xxx." He noted that the Senate version used the conjunction "and" in the phrase "unreleased and unobligated" which means that even if it is released but not obligated, the implication is that it would not go back to the General Fund. He then suggested to adopt the House version to serve the purpose. He said that with the two requirements, if the budget is released but not obligated, the fund would still be returned to the General Fund.

Senator Legarda asserted that the intention was the same since a comma (,) made a lot of difference.

At this juncture, Senator Lacson terminated his interpellation on the General Principles and thanked Senator Legarda.

INTERPELLATION OF SENATOR HONTIVEROS

At the outset, Senator Hontiveros stated that she wanted to be enlightened on 1) the Regional Development Councils (RDCs)-endorsed projects; and 2) the implementation readiness of the projects. She said that some line agencies accepted the projects and endorsed them to DBM; however, an overwhelming number of projects were not included in the budget.

Senator Legarda explained that there are projects under the Allocation to Local Government Units that were included in the NEP, noting that of the P1.2 trillion RDC-endorsed projects, only P52 billion projects were included in the NEP.

As to the nature and purpose of the RDC-endorsed projects and whether they are part of multi-

year investment plans that would realize the objectives of the Regional Development Plans, Senator Legarda clarified that the projects are not big-ticket projects since they are based on barangay and municipal consultations, citing, for instance, the Health Facilities Enhancement Programs (HFEP), Farm-to-Market Roads (FMRs) in the upland barangays, SALINTUBIG, communal irrigation system, local bridges and water supply system. She said that it was rather unfortunate that of the P1.2 trillion provided in the NEP, only P52 billion worth were included.

Senator Hontiveros believed that though the projects are small, the sheer number of barangays and LGUs that sought the endorsement of the RDC makes it important. She said if the RDC-endorsed projects are not incorporated in the national budget, there would be frustrated RDCs all over.

Agreeing with Senator Hontiveros, Senator Legarda stated that if the needs of the barangay are not met, most likely, these affected barangays would come to the Senate armed with resolutions, some of which would become amendments, which are mostly on rural health centers or hospitals and bridges. She said that there is nothing wrong with the barangays sending letters straight to legislators as these are based on consultations at their level.

Senator Hontiveros supposed that while some of the RDC-endorsed projects are tightly aligned with the Regional Development Plans, some are not. She stated that their endorsements are essential to achieve the most important outcomes of the Philippine Development Plan (PDP) in the region.

On whether the Regional Development Plan should be aligned with the Philippine Development Plan, Senator Legarda replied in the affirmative.

Senator Hontiveros hoped that the process applied by the RDC continues to improve in the future. She stated that it is interesting to note that the RDC-endorsed projects go through institutionalized and transparent bottom-up process for identification. She said that PPP proposals and big-ticket projects are as equally important as the numerous small projects. She added that there are also projects inspired by Cabinet secretaries and even the President; and even more so are the legitimate pipelines for projects that find their way into the public investment program. However, she believed that the RDC-endorsed projects provide the most legitimate link

of the national budget to priorities on the ground, between regions.

Replying in the affirmative, Senator Legarda informed the Body that there is a joint memorandum circular by the NEDA and DBM, dated November 21, 2018, addressed to the DA, DBM, DOH, DPWH, NEDA, RDCs and all others concerned, which aims to strengthen the vertical and horizontal linkages between investment programming and budgeting by providing the procedure and timetable for national government agencies to identify and prioritize the regional programs, activities and projects (PAPs) to be included in the agency Public Investment Programs (PIPs), and subsequently in the agency budget proposals, taking into consideration all the outputs and providing the procedure and the time for the Agency Central Office (ACO) to give feedback to the RDCs, through the Agency Regional Offices (AROs) on the priority PAPs.

Senator Hontiveros then requested that she be furnished with a copy of the joint memorandum circular of the NEDA and DBM. She believed that the RDC-endorsed projects are also the product of deliberations among competing proposals and that each proponent would need to secure the endorsement of the Sanggunian and the provincial boards before submission to the RDCs. She hoped that the members of the Body would be furnished with a copy of the list of the RDC-endorsed projects so that at the proper time she could introduce proposals on the General Provisions. She suggested that the Body introduce an innovation whereby instead of approving lump-sum projects that would be specified later on through some other processes, they could take a second look at the RDC-endorsed projects and make a sub-menu of the long list from which the agencies with lump-sum funds could choose. She said that if it could be done, the DBM could work with the NEDA and using the Public Investment Program Online (PIPOL) System, the DBM could issue SAROs and NCAs only to those projects with the highest implementation readiness core.

To Senator Hontiveros' observation that the PIPOL System could provide the information which bridges, health centers, school buildings, water systems and roads are more implementation-ready than the other projects, Senator Legarda replied that all projects have different levels of readiness but those which are deemed as priorities would be included while the others would not be considered, adding

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that there are certain criteria for implementation readiness of a project.

Asked on the requirements of the RDC-endorsed projects which could help the DBM identify which are implementation-ready, Senator Legarda cited feasibility studies, detailed engineering design, procurement plans and project management, resettlement action, new right of way; operational plans for the agency, agency sector roadmaps, network plans, permits and clearances, and coordination with LGU implementors.

Senator Hontiveros said that at the proper time, she would introduce an item in the General Provisions that might operationalize such approach.

Asked if there would be direct subsidies for the poor and the near-poor who cannot afford to borrow for housing, given the general statement in TRAIN 1 on the disposition of incremental revenue for financing direct subsidies, Senator Legarda replied that the direct subsidy is only under the DSWD's Conditional Cash Transfer (CCT), clarifying that there is no direct subsidy for housing under the law.

Senator Hontiveros recalled that during the deliberation of TRAIN 1 at the House of Representatives, it was assured that when the VAT exemptions previously enjoyed by housing developers are removed as a result of TRAIN 1, there would be compensation for housing for the poor and near-poor sectors. She then asked if it could be confirmed with the members of the Committee on Ways and Means of the House of Representatives.

Senator Legarda clarified that the social mitigating measures under the law had only the CCT of the DSWD, the *Pantawid-Pasada* Program and the PUV Modernization Program of the LTFRB. She said that there was no subsidy for housing because it is already VAT-exempted. Senator Hontiveros said that housing was not only granted VAT exemption, as she recalled a specific line in the law, on Item V of Social Mitigation Measures which said that "V. HOUSING THAT PRIORITIZES AND DIRECTLY BENEFITS BOTH THE POOR AND NEAR-POOR HOUSEHOLDS." Senator Legarda reiterated that the housing sector was VAT-exempted only but it has no subsidy. Senator Hontiveros maintained that with the cancellation of subsidies previously enjoyed by housing developers, the housing sector has to be compensated.

To clarify, Senator Angara recalled that the DOF conditioned the housing developers of low-cost housing units that they would give subsidies in lieu of the removal of the VAT exemption; however, during the bicameral conference committee meeting, it was decided to remove the VAT exemption for housing units worth P3 million and below. He said that maybe the subsidies, in lieu of the VAT exemption, were cancelled but it was the DOF's proposal to give subsidies not only to the developers but also the purchasers of houses.

Senator Legarda reiterated that there is no subsidy for housing because of the VAT exemption. She also said that 30% of the proceeds of TRAIN should be prioritized for the poor and near-poor household investments in housing, health, nutrition and education.

As regards the peso cost of petroleum products, Senator Hontiveros noted that it has remained high as the result of the depreciated peso and its high international price but the economic managers would still be proceeding with the next round of increase of excise taxes. She said that VAT revenues on various petroleum products have risen and have exceeded the projected revenues for 2018, that even DOF Undersecretary Karl Chua, during the October 24 hearing of the Senate Committee on Economic Affairs, said that the excess in VAT revenues are substantial. She then asked how much would be the excess in VAT revenues on petroleum-related transactions relative to the DBCC projections for the 2018 GAA. Senator Legarda replied that there is no excess in VAT revenues because of the decline in the price of crude oil prices. She explained that the excess in VAT revenues was on October when world oil prices was US\$80 per barrel, but which declined to below US\$60.

On another matter, Senator Hontiveros disclosed that the informal settler families who have been occupying portions of the PNR's idle parcels of land have been restless because there has been a halt in the processing of their housing unit documents by the HUDCC. She asked if the DOF had something to do with it, whether there were instructions to the PNR to stop disposing of its idle assets, and what the instructions of the DOF were. Senator Legarda replied that she would have to inquire with the PNR on the matter since the Body was still considering the General Principles of the budget.

Senator Hontiveros stated that such parcels of land were not only occupied by the informal settlers

but were also covered by previous presidential proclamations. Aside from the PNR, she said that the HLURB could also be asked because according to this agency, among those that should be included in their inventory are the government-owned lands which have not been used for the purpose for which they have been reserved for the past 10 years from the passage of the Urban Housing and Development Act (UHDA) of 1992. She also cited EO 48, series of 2001, issued by former President Macapagal Arroyo, that also instructed the PNR and the HUDCC to identify the properties that they would no longer need and dispose them for socialized housing. She said that at the proper time, when she would be following up the budget for key shelter agencies, she would ask if EO 48 has been replaced by a new EO issued by the President.

Senator Hontiveros informed the Body that the HUDCC, together with the LRA and House and Senate Urban Development and Housing Committees, has recently generated an inventory of more than 3,500 hectares of government-owned land in Metro Manila, of which the Senate was given specific information about such parcels of land. She noted that some of these lands were occupied by informal settlers but when the UHDA was passed, these lands were then dedicated to socialized housing projects, if found suitable for the purpose. She then asked if there are new rules and workflows that are being prepared to subset the 3,500 hectares of government lands in the NCR in favor of socialized housing projects. Senator Legarda replied that Senator Hontiveros' concern could be addressed during the deliberation of the budget of the housing agencies.

Senator Hontiveros said that she would also asked the DOF if, whether by law or presidential issuance, it is a party to the process of disposing the in-city parcels of land, not for socialized and low-cost housing but in favor of the highest bidder.

Asked what housing agency submitted to the Committee the inventory of the 3,500 hectares of land, Senator Legarda replied that it is the HUDCC.

Asked how the government intends to utilize the 3,500 hectares of land and whether there are new rules and workflows, instructions or issuances to be followed to ensure that the land could be given to the informal settlers, Senator Legarda stated that she wanted to make sure whether the inventory of the land was accurate since she learned that part of it

are occupied by informal settlers who might have generated land titles from syndicates, while others who have titles already might have sold or have transferred the ownership to others, aside from the infrastructure, buildings or infrastructures existing in the area. She said that she was not sure whether the 3,500 hectares are actually clean with no settlers for in-city relocation; thus, she would recommend to the agencies concerned to identify the lands which are readily available and unoccupied, which are illegally occupied, and which are occupied by government institutions.

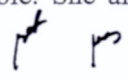
Senator Hontiveros said that she is more confident that the inventory of the 3,500 hectares of land is clean since it was the HUDCC that was the lead agency that conducted the survey.

However, Senator Legarda stressed the need to verify the inventory to ensure that there would be no single informal family settler in any of the land cited. She stated that any vacant unguarded government lot even in Metro Manila is not spared from illegal settlers. She said that every square meter in Metro Manila is so valuable. She suggested that housing agencies submit inventory of lands in the city complete with comments and its status.

Senator Hontiveros admitted that some of the parcels of lands have informal settlers. However, she assumed that no syndicates were involved given that it was the HUDCC that conducted the inventory. She added that the families in the area are worthy beneficiaries of the land.

Senator Legarda cited Intramuros, which was planned to be converted into a major tourism site. However, she lamented that the plan did not materialize because there were parts of Intramuros that were occupied by informal settlers, and the government has not decided yet whether to do an in-city or within-Intramuros relocation or move them out. Senator Hontiveros replied that she has to check the inventory if there are parcels of land in Intramuros.

Also, Senator Legarda said that she would ask the chairman of the housing committee to ask the agency to break down the inventory to determine which city or municipality it belongs, the population of informal settlers, the kind of informal settlers, whether syndicated or leased, sub-leased, the government agencies squatting on government land and which of the 3,500 hectares are actually available. She also



asked for recommendations as regards relocation – whether outside or within Metro Manila or to another land, and which parcel can be used for government institutions.

Senator Hontiveros maintained that the inventory was sufficient because even the Senate Committee on Urban Housing and Development had worked with the HUDCC, the House Committee on Housing, and the LRA in generating the data.

As regards the issue of transparency and accountability in selecting financing sources for flagship projects in the PPP, Senator Hontiveros questioned why China has to fund projects like the South Rail and the Kaliwa Dam as she feared of the implications given the magnitude of loans and of the interest payments which would be lodged in the budget. She asked what the basis was of the Department of Finance in recommending a particular funder for a particular project, noting that Chinese institutions are more expensive compared to other available sources. She added that the programs are not mere JICA-China toss-up since there are projects like the Kaliwa Dam and the South Rail that have private sector proponents who are ready to use their own capital. Further, she said that private sector components that charge less are important so that the risk of financing the infrastructure does not need to be offset against the balance sheet of the government.

In reply, Senator Legarda explained that the project must be approved by NEDA and that the government must decide which agency, institution or multilateral institution can give the country the “best terms,” which would mean lowest interest rate, the best concessional rate, the length of time, the timeline of payments and the willingness of the counterpart to fund the program. She said that a funder who might have the best terms but is not interested in helping the Philippines would mean nothing. She added that the funder must be open to funding and that their consultants must not impose so that the projects could proceed the way the country planned it.

Senator Hontiveros stated that there are a lot of things that can be discussed vis-à-vis China and other potential funders of big-ticket or big-item projects in terms of interest rates. She said that there were also issues as regards consultants who are insistent and those who offer greater employment from domestic firms and workers if the financing comes from the PPP proponents.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 12:00 p.m.

RESUMPTION OF SESSION

At 12:10 p.m., the session was resumed.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri informed the Body that the Debate on General Principles would resume at 1:30 in the afternoon with Senator Hontiveros continuing with her interpellation.

ANTI-MONEY LAUNDERING COUNCIL

Senator Angara presented the budget of the Anti-Money Laundering Council for fiscal year 2019 in the amount of P63,475,000.

SUBMISSION OF THE BUDGET OF THE ANTI-MONEY LAUNDERING COUNCIL

There being no reservation for interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Anti-Money Laundering Council was deemed submitted for the Body's consideration.

FILM DEVELOPMENT COUNCIL OF THE PHILIPPINES

Senator Angara presented the budget of the Film Development Council of the Philippines for fiscal year 2019 in the amount of P129,078,000.

SUBMISSION OF THE BUDGET OF THE FILM DEVELOPMENT COUNCIL OF THE PHILIPPINES

There being no reservation for interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Film Development Council of the Philippines was deemed submitted for the Body's consideration.

GAMES AND AMUSEMENT BOARD

Senator Angara presented the budget of the

Games and Amusement Board for fiscal year 2019 in the amount of P138,585,000.

SUBMISSION OF THE BUDGET OF THE GAMES AND AMUSEMENT BOARD

There being no reservation for interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Games and Amusement Board was deemed submitted for the Body's consideration.

MANIFESTATION OF SENATOR ANGARA

At this juncture, Senator Angara requested the Body to approve the budgets for state universities and colleges after some concerns are cleared with Senator Drilon since no one has registered to interpellate, so that their presidents who have travelled from all over the country could go back to their respective provinces.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended until 1:30 in the afternoon.

It was 12:14 p.m.

RESUMPTION OF SESSION

At 1:47 p.m., the session was resumed.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Zubiri, there being no objection, the Body suspended consideration of the bill.

SENATE CONFEREES

Upon nomination by Senator Zubiri, there being no objection, Senate President Sotto designated the following to constitute the Senate panel in the Bicameral Conference Committee on the disagreeing votes on House Bill No. 6618 (Bacoor District Hospital): Senator Ejercito as chairperson, and Senators Villanueva and Hontiveros as members.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 1:49 p.m.

RESUMPTION OF SESSION

At 1:56 p.m., the session was resumed.

COMMITTEE REPORT NO. 538 ON HOUSE BILL NO. 8169

(Continuation)

Upon motion of Senator Zubiri, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 8169 (Committee Report No. 538), 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 NINETEEN, AND FOR OTHER PURPOSES.

COMMISSION ON HIGHER EDUCATION

Senator Angara presented the budget of the Commission on Higher Education in the amount of P51,214,552,000.

INTERPELLATION OF SENATOR VILLANUEVA

Prefatorily, Senator Villanueva stated that one of the objectives of Republic Act No. 10968, or the Philippine Qualifications Framework (PQF) Act is to support the development and maintenance of pathways and equivalencies that enable access to qualifications, and to assist individuals to move readily between various education and training sectors, and between the said sectors and the labor market. He said that during the time he was developing the PQF, he has always believed that its most tangible benefit is the recognition of learning outcomes which were gained from formal, non-formal or informal modes of learning through education and training credits, and the portability of such credits.

As the Implementing Rules and Regulations are a product of a multi-agency, multi-department council consisting of the Department of Labor and Employment, Professional Regulation Commission, the Commission on Higher Education, Technical Education and Skills Development Authority, and Department of Education, Senator Villanueva asked how much budget CHED has been allocated for the credit grant

and credit transfer in higher education for 2019 as he did not see the item in the budget. Senator Angara said that the amount for the said item is part of the regular budget amounting to P2 million.

Stating that the Senate has not received a copy of the IRR as required by law, Senator Angara reiterated that the CHED has already submitted everything that was required of them and was only awaiting TESDA and DepEd to complete the process. Thereupon, he assured Senator Villanueva that he would be furnished with a copy thereof.

Adverting to the special provision that requires the rationalization of the SUCs' program and course offerings, Senator Villanueva said that the same provision was required in the previous National Expenditure Program of the CHED, which rationalization of a higher education program is significant in 2018 and 2019 as the shift to outcome-based education became effective for school year 2018, and which program standards and guidelines have been amended to specify the learning outcomes and provide guidelines for the development of the curriculum in each of the higher education institutions and the SUCs. Thereupon, he inquired on the status report of the preparation done to ensure an effective first year implementation of the outcome-based education in higher education.

Senator Angara replied that all programs are outcome-based and have passed the TQF as required by law, adding that he would provide Senator Villanueva with a report on the status of the program.

As regards the request for a salary increase by the SUCs and the status of National Budget Circular (NBC) No. 461 which is equivalent to P2.9 billion in the 2019 budget, Senator Angara replied that the Senate realigned some funds from other agencies to meet that huge budgetary requirement which the subcommittee included in the 2019 GAB.

Senator Villanueva noted that many SUCs have not been given any increase, hence, the need to raise the capital funding of the SUCs for 2019. Senator Angara confirmed that the Senate version of the GAB would provide P1.4 billion to address the need of the 35 SUCs that were given zero allotment for capital outlay. He thanked Senators Villanueva, Aquino and Zubiri for their support in pushing for the inclusion of these items.

On another matter, Senator Villanueva asked how faculty members who desire to take post-

graduate studies during the budgeting transition period would be affected by the implementation of the K-12 Program considering that its transition fund in the proposed 2019 CHED budget did not provide funding for new scholarships for public and private teachers. Senator Angara affirmed that no funding was allotted for the scholarship because the bulk of the CHED budget would be used to subsidize the Universal Access to Quality Tertiary Education Act. Hence, he said that the casualties are other programs like *Tunong Dunong*, which would receive only about P1 billion for 2019 compared to the previous P4 billion. He pointed out the need to find some budgetary space to be able to accommodate the enrollment in the SUCs and LUCs.

Senator Villanueva sought clarification on how the Supreme Court decision on the teaching of Pilipino and Panitikan in the general education curriculum affected the employment of teachers handling these subjects particularly since the CHED proposed an amendment of about P680 million for the faculty development program. Senator Angara replied that even though the High Court upheld the decision of educational officials not to include Panitikan as a required subject for college, it is still available for those who wish to avail of it as an elective subject. He said that the degree of availment of the subjects would determine the fate of its teachers.

On the issue concerning the fees being required for some courses in Bulacan State University and whether these are included in the UAQTEA, Senator Angara believed that the CHED and the BSU should meet to resolve the issue and relieve the students from additional financial burden.

Asked by Senate President Sotto whether the CHED has made a commitment to address the issue, Senator Angara replied that the agency has expressed willingness to meet with the BSU. He said that the Senate could ask the CHED to come up with a resolution within the day or else its budget might not be released.

INTERPELLATION OF SENATOR RECTO

Asked by Senator Recto whether other state universities have the same predicament as Bulacan State University, Senator Angara replied in the affirmative.

On the possibility that the amount involved in such fees could run into about a billion pesos, Senator Angara opined that it was entirely possible.

Asked on the government's total spending with regard to the public tertiary education, Senator Angara replied that the projected figure would be P43.8 billion for 2019 but the figure would go up to about P111 billion if all implementing agencies are included in the calculation. Of this amount, he explained that the CHED would receive about P51,858,000,000 while the SUCs would get an estimated P66 billion. He also explained that the internally-generated and accumulated income worth P25 billion in the trust fund of the SUCs which includes the endowments and amounts set aside for various purposes is not part of government spending.

To Senator Recto's observation that the UATQEA was already on its second year of implementation, Senator Angara affirmed, but he explained that the government's shift to cash-based budgeting system presented a practical problem in terms of the DBM releasing the funds since the fiscal year is not in sync with the academic school year; the school year begins in August and ends in March or April while the cash budgeting system covers the period from January to December 31; thus, the reimbursement of the second semester cuts between two fiscal years. However, he believed that problem can be corrected through a provision in the GAB which exempts the SUCs from the cash budgeting system for one year to allow them to change the first semester from August to December so that it would correspond with the calendar year while the second semester would begin in January.

On whether other departments could also ask for an exemption, Senator Angara replied that it would have to be evaluated on a case-to-case basis.

Asked how much of the P51 billion is spent for the Universal Access to Quality Education, Senator Angara explained that of the P43 billion allocated for the purpose of funding 300,000 slots, P4.6 billion is set aside for the 77,000 slots allotted to private schools. However, he said that his Subcommittee had recommended an additional P1 billion for the private schools for a number of reasons, one of which is that the Constitution ensures that private and public education should be complementary but private schools not only lost enrollment after the passage of the K-12 Law but are not prioritized in the Free College Tuition law since preference is given to SUCs and LUCs. Senator Recto disclosed that he wanted to solicit that response because he supports it. In fact, he said that maybe P4.3 billion to P5.3 billion would

be too little. Senator Angara said that he would be willing to work with Senator Recto towards additional funding or any other conditions which he may want to implement.

Asked if the disbursement rate of CHED is about 100%, Senator Angara affirmed, saying that it matches cash-based budgeting. Senator Recto added that there is very little inefficiency or corruption because everything goes to the students.

Since there has been free elementary and high school education for decades, Senator Recto said that more than 50% of students in private high schools and elementary schools at present are subsidized by the government. Senator Angara agreed, adding that under the Government Assistance to Teachers and Students in Private Education (GATSPE), millions of students from poorer households were given the opportunity to study in private schools. Senator Recto suggested that the same be done for college. He noted that sometimes, the private sector is more efficient because of various reasons, like not dealing with COA. He also said that it would be easier for them to expand their schools, and it would not kill the private sector. Senator Angara agreed, as he believed that the wisdom of the framers of the Constitution was to have a dynamic tension between the private and public to keep some sort of standards. More importantly, Senator Recto said that it would put the students at the center of discussion. To illustrate, he said that a smart student who comes from a poor family could be given the choice between going to a public school and going to a private school. He stated that putting the student at the center of the equation is the center of the IRR of the Universal Access to Quality Education. Senator Angara said that the IRR would be reflective of what was put in the law.

Senator Recto requested that the breakdown of the P43 billion allocation for the Universal Access to Quality Tertiary Education Act (RA No. 10931) be submitted to his office. Since the law has been implemented for a year already, he asked if the SUCs are paid in a timely manner. Senator Angara answered in the affirmative, but he admitted that there were some delays due to the late submissions of some SUCs. Senator Recto remarked that it should be easier for the SUCs because they only have to collect from CHED, unlike previously when they had to collect from about two million parents. Also, he mentioned that there was no more provision for bad debts.

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Upon query, Senator Angara confirmed that SUCs cannot increase tuition fees and miscellaneous fees charged to the government in the next five years because of the law.

Considering the implementation of the K-12 program, Senator Recto asked on the student population at present. Senator Angara said that they are mostly in their first and fourth year, and lesser students in the second and third year. Senator Recto stated that in the next two years, the student population would increase, hence the budget should be doubled by that time, and since the student population would be increasing, he asked about the contingency plans for plantilla positions. Senator Angara replied that DBM gave CHED 6,000 plantilla items in the previous year, while in SUCs, 73,000 plantilla positions were authorized.

Upon query, Senator Angara confirmed that the budget of SUCs is P66 billion, P16 billion of which is for UP and P50 billion for the rest.

Senator Recto said that of the P50 billion budget of the CHED, only P43 billion would be allocated for RA No. 10931. Asked if the SUC budget ratio would be reflected in the budget for that law, Senator Angara answered that the two budget items are not connected. He stated that of the P43 billion budget, P3.1 billion would go to UP.

Regarding the manpower and ability of CHED to perform its mandate, Senator Angara said that the agency had to hire contractual employees to fill the gap, but he informed the Body that the agency has a pending request for 44 plantilla items with DBM.

With the new law passed and with the number of students projected to increase, Senator Recto opined that it would be a heavy burden for the CHED. Asked on the number of employees CHED has vis-à-vis the number of students, Senator Angara said that there are 655 employees in total, divided into the various regions of the country, to cater to 1.3 million students at present, which would later double in number.

Senator Recto stated that it should be a concern because everybody would want the law to be implemented well.

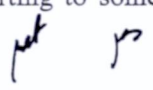
Regarding the remaining P7-billion budget, Senator Angara stated that it is a combination of PS, MOOE and capital outlay.

Senator Recto said that he would propose amendments and possible adjustments to the budget at the appropriate time.

INTERPELLATION OF SENATOR AQUINO

At the outset, Senator Aquino mentioned the issue of some SUCs that collect certain fees from students, and he asked which fees should and should not be collected. He stated that in the deliberation of Republic Act No. 10931, it was clear that the legislative intent was that students will not pay anything in SUCs and those accredited local universities and colleges. He added that the basic rule that Congress set was the determination of whether a fee was mandatory or voluntary. He believed that mandatory fees should be paid for by SUCs and local universities and colleges. Senator Angara enumerated the fees which the students should no longer pay under the free college tuition law, to wit: library fees, computer fees, laboratory fees, school ID fees, athletic fees, admission fees, development fees, guidance fees, handbook fees, entrance fees, registration fees, medical and dental fees, cultural fees, leadership trainings, field trips, student partnerships, student publications, life-long learnings, spiritual values programs, and bridging remedial programs; on the other hand, according to CHED, fees not general in nature and those enumerated in the rules pursuant to the law, could still be chargeable to the student, like Related Learning Experience (RLE) for BS Nursing program, the maritime course fees for BS Marine Transportation and BS Marine Engineering programs. He said that these should still be scrutinized.

Senator Aquino explained that there were 13 fees identified and enumerated in the law as mandatory fees, and he noted that developmental fee has a wide leeway in terms of definition. He acknowledged that there would still be fees to be charged, usually those voluntary or course-specific ones. He stated that majority of the SUCs do not collect anything, but that he knew of three SUCs that charged some fees like alumni fee, Red Cross fee, graduation fee, and others, apart from the course-specific fees. Asked if such practice is allowable, Senator Angara replied in the negative. Senator Aquino, however, said that such lapses are understandable, since it was a new law. However, he pointed out that the law included a list of items which may be charged against CHED and a penalty clause which prohibits the SUCs from charging fees from its students. Adverting to some



news reports, he recalled that people from CHED said that if the item was not among those enumerated in the law, the school, through a board resolution, may impose and charge the necessary fees.

Senator Angara clarified that a school may collect fees if there is a board resolution justifying the collection.

But Senator Aquino maintained that no fees may be charged and collected using the authority of a board resolution. He disclosed that the UniFAST Executive Director, Attorney Sison, suggested that the CHED come up with a memorandum clarifying various questions related to the law. Relative thereto, he clarified that the miscellaneous expenses listed in the law may be availed of by a SUC from the CHED; in the event that it was disallowed by the CHED, the SUC is not allowed to charge the fees from the students.

Asked whether alumni, Red Cross and graduation fees and other miscellaneous expenses are allowed, Senator Angara replied in the negative. He said that they are voluntary and students are not obliged to pay them, and in case a student could not pay the miscellaneous fees, his or her grade should not be affected.

Senator Aquino observed that Related Learning Experience (RLE) is one source of the big costs for some courses, and that the affiliation fee for RLE, OJT or practicum, more or less, refers to where the students would go for their training or work experience. Senator Angara said that it is especially true for nursing, medicine, maritime courses, engineering and hotel and restaurant management (HRM) courses.

Senator Aquino suggested that there has to be a free option for it to be considered voluntary. He opined that a student should be given a choice where he/she would want to go for OJT or practicum. He said that HRM students, for instance, should have a choice whether to take it abroad or locally, and there should be a zero-cost option available to a student. Without that, he said, students have no other option but to join the same single institution where everyone goes to; thus, the activity becomes mandatory, not voluntary. He said that providing students with different options from various institutions would give them different amounts with regard to costs.

Senator Angara expressed concern that imposing where the students may take their OJT could raise a problem concerning academic freedom.

Senator Aquino clarified that it was a proposal, not an imposition. However, he reiterated that without free options it would become mandatory for students to take their OJT to a lone accredited provider where they have to pay. That way, he said that the spirit of the law is contravened because it is opposed to the legislative intent of ensuring that all students could enroll and go to college.

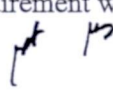
But Senator Angara stated that according to the CHED chairman, it was impossible for CHED to subsidize all the costs, but if government wants to provide free OJT, it has to make tough choices as to where to source its funding. With regard to a partner-institution or venue for the OJT, he said that according to CHED, it is the school that decides, as part of its academic freedom, how the course would be pursued as part of its curriculum.

Assuming a school has a partner for a fee of P15,000.00, Senator Aquino inquired whether it becomes a course requirement to pay that amount to the third party. Senator Angara replied in the affirmative, but he clarified that the school does not earn from the fee as it is just a pass-through.

Senator Aquino clarified that the miscellaneous fees that he spoke about are voluntary and not mandatory. In this case, he said that the only matter left to decide on refers to the RLE or affiliation fees as part of the course requirements for maritime, nursing and HRM which the CHED does not want to cover. Senator Angara argued that it was not a matter of not wanting to do but making a choice between difficult choices. He also clarified that the fee was not exclusive to the three courses because OJTs are also required for engineering, agriculture and business administration courses.

Asked if a student would fail if he or she is unable to pay for the RLE that was identified by the school, Senator Angara replied in the affirmative. He said that according to CHED, it is mandatory but degree-specific. He explained that different courses have different requirements; for instance, those in nursing should work in the hospital, while other courses require an OJT in a company.

Recognizing that every course has a different cost, Senator Aquino asked if CHED could determine the cost of the RLE and look for a more cost-effective or zero-cost solution for some students so they could comply with the course requirement with



either a minimal fee or no financial cost at all. He raised the possibility of allowing the school to work with a partner in the private sector for the purpose. He expressed hope that the CHED could fulfill the mandate of the law of giving free education to students enrolled in SUCs. He said that he was willing to work with Chairman Prospero De Vera and Executive Director Sison regarding the memorandum to clarify a number of issues.

Upon query, Senator Angara said that according to CHED, it would take them 15 days to release the money to the SUCs provided the SUCs complied with all the requirements, including submission of documents.

Senator Aquino noted that in the special provision, funds coming from RA 10931 is listed as income. He asked whether such provision is already included in the GAB and the Senate version. Senator Angara replied in the affirmative. He agreed with Senator Aquino that it was done so that when the SUCs receive the funding, they would have more leeway in terms of spending.

Senator Aquino said that he supports the initiative completely because a number of SUCs have some issues with the leeway that they have in spending the funds. Asked if the special provision would be retained, Senator Angara replied in the affirmative.

Concerning the Tertiary Education Subsidies (TES), Senator Aquino recalled that some senators do not want any scholars currently enjoying their educational benefits from government to lose their scholarships. He asked if there would be students who would lose their scholarship in the current budget. Senator Angara said that there are programs like PAMANA that would be discontinued due to unavailability of funds; and those under the *Iskolar ng Bayan* Law which in effect has been superseded by the present law. He said that their scholarships have already subsumed under the Free College Tuition Act.

Asked whether those students would still be supported under RA 10931, Senator Angara replied that they are still eligible to apply under the Free College Tuition Act where the requirements are less stringent. He expressed optimism that they would be accepted when they apply.

On further queries whether there are other students who would lose their scholarships apart

from the aforementioned programs, Senator Angara said that some students from the *Tulong Dunong* program would likely be affected. He said that for the program the amount allotted was a little over P4 billion for 2018 and a little over P1 billion for 2019; thus, some of the current beneficiaries of *Tulong Dunong* would no longer be able to renew their scholarships unless they apply and qualify under the TES.

Asked how much money was allocated for TES, Senator Angara said that it was P16 billion for 2018 and a maximum of P27 billion for 2019.

Senator Aquino noted that the P27 billion was larger than the allocation for the SUCs which need about P16 billion. He said that he was willing to look at the requirements for RLE to be able to fulfill the true mandate of making tertiary education really free.

Asked how many students would be supported by the P26 billion for the TES, Senator Angara replied that for 2018, there are 300,000 slots and for 2019, it would be around 500,000.

As to the number of students in the SUCs, LUCs and private institutions funded by the government, Senator Angara stated that there are 1.3 million in public institutions and almost 1.7 million in private institutions.

Senator Aquino noted that out of the target of three million students, government is already funding 1.3 million. He stated that with the remaining 300,000 slots, the number could reach 1.6 million or more than half of the projected three million students. He then inquired if it is possible that 50% of students would be supported by the government, whether public or private.

Senator Angara stated that of the 1.7 million for 2018, 107,000 applicants have qualified for TES in private schools where there are no SUCs and LUCs in the area.

As regards the 2019 CHED budget, Senator Aquino observed that P26 billion was allocated for TES. He inquired about the number of students coming from the SUCs/LUCs and private institutions. Senator Angara stated that it has not been determined yet as students would have to apply first.

On whether there is pre-allocation of the P26 billion for public and private, Senator Angara replied in the

negative. He stated that what the law provides is prioritization, and the allocation would depend on the number of applicants who qualified from each category.

Senator Aquino stated that with 300,000 slots a scholar could get P40,000 to P60,000, depending on whether one goes to a public or private school. He recalled that during the budget hearing, it was suggested that two or three layers of lesser amounts be created so that the number of TES beneficiaries would increase. He said that while it is healthy for the 4Ps or *Listahan* 2.0 families to deserve P40,000-60,000 level, providing lesser levels like P15,000 to P20,000 could increase the number of TES beneficiaries. He opined that 300,000 is quite a small number for P26 billion. He said that when he did the back-of-napkin computation, P15,000 to P20,000 level could increase the beneficiaries to 500,000. Nevertheless, he said that he would leave it to the CHED and the UniFAST to determine the number.

Senator Angara stated that the CHED is open to the proposal of Senator Aquino. However, he said that the consequence of having smaller levels would mean lesser subsidy to other students.

As regards the Expanded Student's Grants-In-Aid Program for Poverty Alleviation (ESGP-PA), Senator Angara replied that there are 13,000 students enrolled in SUCs who are getting P40,000.

Senator Aquino stated that the 13,000 who have been chosen through *Listahan*, as suggested by the DSWD, are already guaranteed with P40,000. He supposed that the remaining 287,000 if reallocated to P20,000-category tuition could increase the scholars by 25%. He then inquired if CHED has a goal to increase the number of students to be supported, whether public or private, taking into consideration the 1.3 million out of three million scholars.

On whether the current number of scholars in private universities would be affected by the proposed additional category, Senator Angara stated that the CHED would have to compute.

Asked for the data of 1.7 million private school scholars belonging to the first seven income deciles, Senator Angara stated that the private schools would have it and not CHED.

Senator Aquino supposed that if the UniFAST made an audacious goal of supporting 75% of all

college students belonging to the first five to seven decile as stated in the law, with 1.3 million existing scholars, the CHED would only need to provide support to 950,000 students then check if the remaining balance could actually provide support in lower categories.

Senator Angara stated that the chairperson of CHED is already thinking about the language that would empower the UniFAST Board in creating other categories.

On another matter, Senator Aquino inquired about the recipients of TES. Senator Angara stated that there are 13,000 continuing ESGP-PA identified beneficiaries. He said that both public and private institutions would disburse the fund to the students that the CHED has identified and approved.

Asked if the disbursement of fund would be possible by year end, Senator Angara stated that it would be downloaded by then, but the private schools would have to have a MOA with CHED. He said that there is a budget of about P3 billion for public schools, and for private schools, 1,700 students out of the 13,000 would be subsidized at P60,000 per student. He added that UniFAST and CHED would release the subsidy for public schools by the end of 2018 and for private schools, by the first quarter of 2019.

On the release target of the 2019 TES allocation, Senator Angara stated that the CHED promised to have the subsidy released by the first semester of the school year, meaning June to October.

Senator Aquino narrated that whenever he goes around to talk about the law and TES, he is met with blank stares because the schools and students would say that they have not received anything except for the ESGP-PA of 13,000 students. He expressed hope that the funding would be released sooner.

As regards the *Tulong Dunong* program, Senator Angara stated that the CHED would submit a memorandum to the House and the Senate on the reforms needed. He said that the CHED would make sure that all slots would be filled up and the funding continued. They also want to make sure that the program would run smoothly, he added.

On the matter of foreign funding, Senator Angara stated that the subsidies are through schools, whether public or private. He agreed that schools would have

a pre-allocation of TES based on demographics and that the mother agency and the SUC would work on the criteria and then the school would determine the criteria for entrants to subsidies.

Senator Aquino recalled that when the law was passed, it was intended that everything would be under TES, including the UniFAST to put everything under one umbrella.

Senator Angara stated that because 30 agencies were giving out some form of financial assistance to education, the UniFAST merged all the scholarships under one umbrella.

On whether all the scholarship programs have been consolidated under UniFAST considering that it is fully functional and with a huge budget, Senator Angara stated that it has started the process of integrating the various funding. He said that UniFAST and CHED are asking Congress additional language to be provided in the GAA so that it would give them additional powers to consolidate other grants and in order to create new categories, as suggested by Senator Aquino.

On another matter, Senator Aquino noted that the teaching personnel items have already been granted by the DBM and CHED. He then inquired if the non-teaching personnel items would also be granted. Senator Angara stated that under the Revised Organizational Standards for SUCs (ROSS), the SUCs were requesting 28,000 new non-teaching personnel with a funding requirement of P11.48 billion. He supposed that if the SUCs were asked to choose between the National Budget Circular 461 (NBC 461), which increases the salary increase of instructors, the unanimous response would be to prioritize the NBC.

Senator Aquino expressed hope the the CHED has a timeline in filling out the non-teaching personnel requirement. Senator Angara stated that according to the Philippine Association of State Universities and Colleges (PASUC), the DBM has committed to a three-year timeline.

Senator Aquino thanked the Committee and expressed support for the CHED, UniFAST and all its reforms. He stated that it is never easy to enforce the law, but he believed that they are getting there. He said that except for the three universities, he knows that most students are not paying a single centavo for their education.

Asked by Senator Angara to name the three universities, Senator Aquino stated that Executive Director Sison would know these schools.

INTERPELLATION OF SENATOR LACSON

At the outset, Senator Lacson called Senator Angara's attention to a special provision under the GAB concerning the Tertiary Education Subsidy (TES) which he read to the Body, to wit:

"Sec. 7. TES for Filipino Students. – To support the cost of tertiary education or any portion thereof, a TES is hereby established for all Filipino students who shall enroll in undergraduate/post-secondary programs of SUCs, LUCs, private HEIs and all TVIs."

He then asked if the amount appropriated for the Universal Access to Quality Tertiary Education Act (UAQTEA) for 2019 which was more or less P43 billion would cover subsidy for technical vocational institutions (TVIs) since they are supposed to be covered pursuant to the special provision that he cited. Senator Angara replied that there is a separate item under the TESDA budget for TVIs.

Senator Lacson said that assuming that there is a separate item for TVIs, the problem occurred when TESDA's budget was slashed by P4.861 billion because under the TESDA Special Provision No. 5, it said, in part, that "The amount of P7 billion appropriated herein for the universal access to quality tertiary education shall be used to cover the cost of tertiary education for all Filipino students..." He said that what was left of TESDA's appropriation of P14,676,000,000 was only P9.8 billion after slashing P4.8 billion. He asked if the P4.8 billion could be restored for the TVIs.

Senator Angara disclosed that TESDA has a 58% obligation rate up to the present. But Senator Lacson pointed out that according to the explanation he got from TESDA, the agency received the budget from CHED only on September 2018 so there was little time to obligate. He supposed that the agency's obligation rate of 58% was the justification for not giving them enough appropriation, when actually it was not their own doing because had they received their budget from the CHED earlier, they could have obligated a larger portion of their budget.

Senator Angara disclosed that the forecast for TESDA is that it would have over P5 billion unspent

from the 2018 budget, which was the reason for the NEP change. He said that the P4.8 billion, which was taken from the TESDA's budget, still remains within the higher education sector because it was the source of funding for the P2.9 billion for the teachers' salaries under NBC 461, the circular which has not been funded by the DBM for the last two years, and also the source of the P1 billion capital outlay particularly for the 35 SUCs, which have not been given any capital outlay funding by the DBM. But Senator Lacson maintained that based on some documents he received from the agency, they were able to serve only 2.7% clientele for the past three years because of scarcity of funds. He then conveyed the appeal of TESDA to have the P4.861 billion restored because anyway the Body already agreed to give the *Tulong Dunong* of CHED P3.8 billion. He said that he would help Senator Angara look for other sources for CHED. Senator Angara accepted the suggestion of Senator Lacson, but he stated that the agency must show good faith that they can spend the money in a timely manner.

SUSPENSION OF SESSION

With the permission of the Body, the session was suspended.

It was 3:32 p.m.

RESUMPTION OF SESSION

At 3:33 p.m., the session was resumed.

INTERPELLATION OF SENATOR GORDON

Senator Gordon asked whether CHED has an athletic program for SUCs. Senator Angara explained that each SUC has its own athletic program and they compete on a regional level and then on a nationwide basis through the SCUAA. This competition, he said, is in the collegiate level.

Senator Gordon said that it would be a good idea to have a regional competition among the universities and colleges that would graduate into the national championships. He noted that under Republic Act No. 9163, "The Commission on Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA), in consultation with the Department of National Defense (DND), Philippine Association of State Universities and Colleges

(PASUC), Coordinating Council of Private Educational Associations of the Philippines (COCOPEA) and other concerned agencies, may design and implement such other program components as may be necessary in consonance with the provisions of this Act." He said that in the United States, they have athletic and college scholarships which, he believed, would also suit the country's program.

Senator Angara stated that credit should be given to where it is due as he cited UP President Danny Concepcion who managed to unite the different tribes within the UP Campus. Senator Gordon agreed, recalling how former Senator Edgardo Angara, during his term as UP president, was able to do the same in 1986 which earned the Maroons the championship trophy.

On a related matter, Senator Gordon said that it is not only ideal and pragmatic to legislate extra-curricular activities like the Reserve Officers Training Corps (ROTC) for proper implementation.

Senator Angara agreed, saying that extracurricular activities are part of the role of a university education to mold well-rounded individuals.

Senator Gordon explained that a university is called a university because the students not only learn the arts and letters and the classics before they go into specific courses of action and field of interests but also engage in sports. However, he noted a very big gap in the current educational system as he has not seen any spectacular gyration showing where the educational system is going to in the next two years. He asked if there are plans geared towards bridging the big gap between academic and extra-curricular activities. Senator Angara replied that the DepEd is willing to work with Senator Gordon to come up with the necessary program.

Senator Gordon stated that Congress should allocate a budget to form a group to study the matter and craft a coordinating system for the purpose. He believed that it would not need a bigger budget and that funds from UP's shares from the ticket sales and merchandising in their UAAP Games can be used to augment the budget for similar university activities.

Also, Senator Gordon pointed out that UP is the only state university, which used to wear a jersey with a "State" mark in the UAAP even though there are many state universities in the country, and he wished that state colleges and universities tie up their

sports program just like what the Department of Education did years ago. He said that nothing can be done if nobody would start the program.

On another matter, Senator Gordon pointed out that one of the aims of CHED as stated in its charter is to provide excellence in education and that it must be able to identify, support and develop centers of excellence and program areas. Relative thereto, he also cited one of the missions of DOST, to wit: "Also develop criteria for allocation or additional resources such as research and program development grants, scholarships and other similar programs." Thus, he said that with the enactment of the Free Tuition for College Education Act, there should be more funds for scholarships and research. Asked whether funds are available for university scholarships and research, Senator Angara replied that they are getting more subsidies from the government.

Senator Gordon asked on the purpose of CHED in identifying centers of excellence, noting that UP has Iloilo for fisheries, Los Banos for agriculture. He noted that UP has become a total university platform and that he was unsure if UP branches still have specific thrusts.

In reply, Senator Angara stated that there are already 199 centers of excellence and 233 centers of development.

At this juncture, Senate President Sotto relinquished the Chair to Senate President Pro Tempore Recto.

Senator Gordon wished that the programs were identified so that students can exercise freedom in choosing which particular university or state college that they would want to pursue. For instance, he pointed out that aside from the areas of fisheries and agriculture, there are institutions that are best in science or information technology.

Senator Angara stated that the Isabela State University was identified as the center of excellence for agricultural development; Central Mindanao University in Bukidnon for biology; Tarlac State University for teacher education; and PUP for journalism.

Senator Gordon expressed his admiration to PUP as one of the best universities in the country. He said that he has gotten a lot of PUP graduates who are hardworking and hungry to learn. He stated that it is

about time that the government promoted specific colleges so that the young can choose and apply for scholarships. Senator Angara replied that information on scholarships and the programs which the institutions are offering are available in the internet.

Asked how many PhDs CHED had produced, Senator Angara replied that for 2016-2017, there were 1,362 doctorate graduates from SUCs, 69 from local colleges, and 1,773 from private institutions for a total of 3,204.

Asked if there are also PhDs for IT, biology or physics, Senator Angara replied that the data is yet to be asked from CHED.

Senator Gordon reminded the CHED to have such data ready especially when education officials go abroad to look for tie-ups.

Senator Angara revealed that this was the first time that the University of Southeastern Philippines (USEP) in Davao made it to the top 200 in the rankings of Top 200 in Southeast Asia.

Senator Gordon stated that law schools in the provinces are doing good, for instance, University of San Carlos. Thus, he wished that in the next budget hearing, he would see an improvement in the programs where all the functions and powers of the Commission are really put into reality.

In another matter, Senator Gordon stated that the country is prone to disaster and he pointed out that activities in ROTC, NSTP and Red Cross go hand in hand in the woodwork of being able to have a more resilient community. However, he noted that CHED has done very little regarding the matter.

Senator Angara said that there was a Memorandum of Agreement between Red Cross and CHED to roll out the disaster resiliency reduction among all the different state universities and colleges.

Senator Gordon revealed that he filed a bill introducing ROTC especially with the flashpoints in Southeast Asia. Asked whether CHED would be willing to support a modified ROTC program, Senator Angara answered in the affirmative.

Senator Gordon said that he was elated about the positive response of CHED, suggesting to start the ROTC on a slow-burn basis to avoid incidents of

tactical officers being bribed by cadets to avoid attending the drill.

Asked whether the CHED is prescient to introduce a new ROTC program following the slow-burn method with them at the helm, Senator Angara answered in the affirmative.

Senator Angara believed that Senator Gordon was only trying to instill to the young the sense of patriotism.

Senator Gordon pointed out that sports put in the hearts of the people the sense of patriotism and vision, and in the case of ROTC, those traits are needed in case the country goes to war. He noted that people in Israel, Korea or even Singapore are forced to join the ROTC for two to three years. Also, he cited "sense of duty" as another important trait that should be inculcated in UP and all the schools in the country.

Senator Gordon underscored the need for a school-based program that would encourage students to learn, and he emphasized the importance of education, research, and duty. He stated that creating such programs would improve not only their sense of patriotism but also their sense of duty for the common good.

Senator Angara agreed on the assertions of Senator Gordon that the CHED Chair and the UP President are the right persons for their respective positions and that they are willing to work with the Senate to come up with concrete ideas and create programs that would encourage students who are given free education to give back to the country.

FURTHER INTERPELLATION OF SENATOR AQUINO

Asked by Senator Aquino whether there are already commitments from the DBM to provide funds for non-teaching personnel to be sourced from the MTBF, Senator Angara replied in the affirmative. He said that according to the president of the PAASCU, it is a commitment to PAASCU for a three-year timeline which would only start if CHED endorses the program. However, he revealed that the DBM would only provide a certain amount and not the full amount since it is a three-year program.

On whether the CHED is willing to endorse the program, Senator Angara replied that they are willing to do so with a few conditionalities, such as complying

with certain laws or fulfill mandates such as having a resident ombudsman or an anti-harassment officer. As to the concern of Senator Aquino that such conditionalities should be for the registrars and all administrative non-teaching personnel, he stated that there is still an ongoing debate on the mandatory positions to be filled for SUCs.

Senator Aquino said that since it is a three-year program, it would be wise for them to begin with the most basic and most crucial positions and move forward to the second and third tranches of the other positions which need to be clarified and specified with the different schools. Relative thereto, Senator Angara said that the DBM is still awaiting what the PAASCU and CHED would agree on, and on the question whether the DBM has money and could release by 2019, 2020, and 2021, he said that they would provide certain amounts and would endeavor to do it within three years or more. He affirmed the possibility of getting the CHED and the PAASCU to immediately agree and prepare an endorsement so that the first tranche would be available the coming year.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON HIGHER EDUCATION

There being no other reservation for interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Commission on Higher Education was deemed submitted for the Body's consideration.

STATE UNIVERSITIES AND COLLEGES

Thereupon, upon motion of Senator Zubiri, there being no objection, the Body proceeded to consider the budget of the state universities and colleges for fiscal year 2019.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

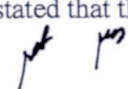
It was 4:15 p.m.

RESUMPTION OF SESSION

At 4:18 p.m., the session was resumed.

MANIFESTATION OF SENATOR ZUBIRI

Upon resumption, Senator Zubiri stated that there



were no members who wished to interpellate on the budgets of the SUCs. However, he said that Senator Villanueva has a concern, particularly on the Bulacan State University. Relative thereto, Senator Angara clarified that according to the staff of Senator Villanueva, it was not a reservation but was just an expression of concern which he was willing to let go given the commitment of Chairman De Vera to thresh it out with the state university concerned.

At this point, Senator Zubiri acknowledged the presence of the heads of Bukidnon State University and the Central Mindanao University. He said that he has no questions for them and that he just wanted to laud them for their efforts in trying to help fight and eradicate poverty in their province, in particular Bukidnon State University with their extension campuses which Chairman Popoy De Vera had agreed to build all over the province.

At this juncture, Senator Recto relinquished the Chair to Senate President Sotto.

Senator Zubiri hoped that with the support of CHED and the state universities and colleges, the country would no longer be in the top 10 in terms of poverty incidence in the coming years. He then thanked and congratulated UP President Dan Concepcion as well as the UP Maroons for making it to the finals after 32 years. He said that although UP did not win the championship, they have given hope, happiness, and chance to once again win a title. He thanked the entire UP community from UP Los Baños, UP Baguio, UP Iloilo, UP Davao, and UP Mindanao for coming together to support the team. He also congratulated the Ateneo Blue Eagles for winning the championship.

At this juncture, Senator Zubiri read a post of a UP alumnus, Reb Atadero, to wit: "I wasn't able to watch the game so I just watched the highlights when I got home. I couldn't help but get emotional upon seeing the mutual respect between UP and Ateneo. Positivity and mutual respect can bring more people together than any kind of superiority. Ateneo won the title but UP won the hearts of the entire country."

Senator Zubiri disclosed that Senators Angara, Ejercito, Villanueva, Binay, Gordon, Drilon, and himself have expressed support to push, in the period of amendments, for an increase in the budget of the sports program of the UP System in the amount of

P20 million. He hoped that UP would finally win the title the next year.

MANIFESTATION OF SENATOR DRILON

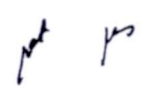
Citing the feat achieved by the UP Fighting Maroons under the leadership of UP President Danny Concepcion, Senator Drilon expressed elation that after a long time, the UP alumni like him felt that they belong to the university, especially with what transpired in a very grand manner, the UAAP basketball championship. He also expressed his admiration for the players from the two schools for their sportsmanship and respect toward each other.

On a recent episode relative to the UP-Ateneo game, Senator Drilon asked about the Board of Regents member who wished ill-will and even death to the Ateneo players. Senator Angara said that the member's name was Frederick "Spocky" Farolan, his contemporary from the UP College of Law. Although the posts were made in jest, he said that Mr. Farolan's sarcasm was not a clean joke because there were some who perceived it as a serious threat, the reason that the UP administration quickly dissociated itself from his remarks.

Senator Drilon said that he was also made aware of several circumstances which made him doubt the response that Mr. Farolan's post was done in pun, saying that although he did not have the details, he heard unsavory remarks about Mr. Farolan's behavior, such as berating other personnel in the university and barging into examination rooms during UPCAT which, he believed, makes Mr. Farolan unbecoming to be a Board of Regents member.

Asked when Mr. Farolan was appointed member of the Board of Regents, Senator Angara said that he was appointed in October 2016 for a two-year term. He said that Mr. Farolan is currently on a holdover capacity until the appointment of his substitute by the Office of the President.

Asked if the Board of Regents has expressed its disappointment over Mr. Farolan's behavior and if there was an opinion regarding his continued stay in the Board, Senator Angara replied that the Board of Regents has actually expressed its disagreement and displeasure on Mr. Farolan's statement and that, in fact, it has withdrawn its endorsement of Mr. Farolan for a second term as UP Regent.



Asked if the Board has gone one step further and expressed an objection to Mr. Farolan's reappointment, Senator Angara said the discretion remains with the President on who he wants to appoint. Senator Drilon remarked that it is also the discretion of the Board of Regents to express an opinion. Senator Angara said that the Board has expressed an unfavorable opinion with regard to having Mr. Farolan back as member of the Board of Regents. He said that according to the chairperson of the Board, the Board did not want to interfere with the discretion of the President on the matter. Senator Drilon averred that while the President has full discretion, it is important to know the position of the Board insofar as the reappointment of a particular person is concerned.

At this juncture, Senate President Sotto asked if one has to come from the University of the Philippines to become a member of the Board of Regents. In reply, Senator Angara stated that for *ex-officio* positions, it is not necessary that one should come from UP to be a member of the Board of Regents, *i.e.*, the chairperson of the Senate Committee on Education, Arts and Culture, and the chairperson of the House Committee on Higher Education are both *ex-officio* members of the Board who may not necessarily come from UP; however, it is necessary for the members of non-*ex-officio* positions to be UP graduates.

Asked from what school Mr. Farolan came from, Senator Angara stated that he came from the UP College of Law.

SUSPENSION OF SESSION

Upon motion of Senator Angara, the session was suspended.

It was 4:31 p.m.

RESUMPTION OF SESSION

At 4:36 p.m., the session was resumed.

Replying to Senator Drilon's query regarding the Board of Regents' willingness to state its objection to the reappointment of Mr. Farolan, Senator Angara said that the chairperson of CHED claimed that it was a historic decision for the UP Board of Regents because it was the first time that they were withdrawing any favorable recommendation to the President for a member of the Board.

Thereupon, Senator Drilon hoped that more caution and examination be made for future appointees to such an important position especially in an institution of learning like the University of the Philippines. He added that he does not want to look forward to another appointment of another individual who would act in a similar way as Mr. Farolan.

SUBMISSION OF THE BUDGETS OF THE STATE UNIVERSITIES AND COLLEGES AND THE UNIVERSITY OF THE PHILIPPINES SYSTEM

There being no other reservation for interpellation, the budgets of the state universities and colleges, including the budget of the University of the Philippines System, were deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Angara, the session was suspended.

It was 4:38 p.m.

RESUMPTION OF SESSION

At 4:43 p.m., the session was resumed.

PHILIPPINE SPORTS COMMISSION

Senator Angara presented the budget of the Philippine Sports Commission (PSC) in the amount of P274.794 million.

INTERPELLATION OF SENATOR DRILON

Asked by Senator Drilon on the current year's budget of the PSC, Senator Angara said that under the 2018 GAA, the budget was P199.493 million, and he affirmed that the increase of about P75 million already included the capital outlay needed for the country's hosting of the 2019 SEA Games.

Asked which agency holds the capital outlay budget for the 2019 SEA Games, Senator Angara replied that it was lodged with the Department of Foreign Affairs (DFA).

Senator Drilon stated that he has examined about 20 budgets of the national government until that day, and that it was the first time that he had heard of a

sports facility budget being lodged with the DFA, particularly since the activity has nothing to do with the mandate of the department. Senator Angara explained that a total of P17.044 billion was set aside for the hosting of 30th SEA games with P7.5 billion allotted to the Office of the Secretary of the DFA and P9.544 billion to the Bases Conversion Development Authority (BCDA).

Senator Drilon asked how the Committee on Finance viewed the unusual arrangement and if the huge amount for sports facilities could indeed be lodged with the DFA. He noted that even though the budget was lodged with the DFA because Secretary Cayetano headed the organizing committee for the SEA Games, it is the Philippine Sports Commission that ought to have the mandate of hosting such international sports event. He also clarified that he had no problems with allocating funds for the BCDA as the infrastructure agency for the SEA games but he asked whether infrastructure budgets for the event had also been lodged with agencies other than the PSC.

Senator Angara stated that the amounts were left untouched in the current Senate committee report since these were included in the NEP and the GAB. However, Senator Drilon believed that their mere inclusion in the NEP and GAB was not a valid reason to leave them untouched because the Senate is tasked to examine the budget. He maintained the proposition that the Senate ought to scrutinize the budget of the agency where such funding is being lodged because the budget is in support of a policy and a mandate and is not based on who heads the agency.

At this juncture, Senate President Sotto noted that Senator Drilon did not have a problem with allotting capital outlay for the construction of the SEA Games facilities with the BCDA or with the P274-million budget of the PSC but that he simply wanted clarification on why a P7.5-billion budget was being lodged with the DFA. Senator Angara disclosed that LBRMO Director Yolly Doblón had called his attention to a letter that the Senate received from the new Foreign Affairs secretary that day requesting to transfer the P7.5 billion from the DFA to another government agency.

Asked by Senate President Sotto for the breakdown of the P7.5 billion allocation, Senator Angara enumerated the expected expenditures as:

- Sports
– P1.371 billion;
- Venues
– P1.326 billion;
- Game Services
– P1.525 billion;
- Medical and Doping
– P107,000 million
- Athlete's Village Operations
– P368.680 million;
- Volunteers – P125.320 million;
- Accreditation and Uniforms
– P47.840 million;
- Ceremonies
– P450 million;
- Broadcast and Media
– P296 million;
- Marketing and PR
– P525 million;
- International Relations and Protocol
– P55 million;
- Administration and Finance
– P566 million;
- Human Resources
– P38 million;
- Information Technology and Telecom
– P446 million; and
- Security
– P250 million.

Senator Drilon pointed out that even the new secretary of the Department of Foreign Affairs felt uncomfortable with the budget being lodged in his department. He clarified that he was not objecting to the budget, only that it should be lodged with the Philippine Sports Commission.

At this juncture, asked by Senate President Sotto whether the PSC was capable of handling the items covered by the budget, Senator Angara replied in the affirmative.

On whether the Committee on Finance would agree to transferring the P7.5 billion budget of the DFA to the PSC during the period of amendments as it is the appropriate agency which has the mandate to handle the sports program, Senator Angara posed

no objection to the suggestion, saying that the PSC would be most willing to accept it. However, he said that he would like to go through the proper channels and consult with the sponsor of the DFA budget before committing to such an arrangement.

Senator Zubiri voiced his support for the suggestion of Senator Drilon, saying that he would, at the proper time, make the motion to transfer the funds to the PSC.

INTERPELLATION OF SENATOR RECTO

Asked by Senator Recto regarding the schedule of the 2019 SEA Games and how much it would cost the Philippine government to host the SEA Games, Senator Angara replied that it would be held from November 30 to December 15, 2019. He explained that P7.5 billion of the total projected appropriation of P17 billion would be lodged with the DFA budget, while the BCDA would receive P9.544 billion for infrastructure and P35.7 million would be included in the budget of the PSC.

On whether the budget would include training for the athletes, Senator Angara replied that P37.7 million of the P17 billion was allotted for the training of the athletes.

Asked by Senate President Sotto if part of the P7.5 billion could be realigned for the training program of athletes, including those from the Philippine Bowling Federation, Senator Angara replied in the affirmative.

In closing, Senator Recto stated that he raised the questions to find a way to support the athletes. He expressed his intention to propose amendments at the appropriate time.

MANIFESTATION OF SENATOR ZUBIRI

For his part, Senator Zubiri informed the Body that he had appealed to the senators to make a joint effort to help support the SEA Games, particularly since Senate President Sotto is the leader of the NSA for bowling while Senator Angara is with the NSA for basketball and he was supporting the NSA for arnis. He hoped that by doing so, the Philippines can win the overall championship in the 2019 SEA Games.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE SPORTS COMMISSION

Upon motion of Senator Zubiri, there being no

objection, the budget of the Philippine Sports Commission was deemed submitted for the Body's consideration.

DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

Senator Angara presented the budget of the Department of Information and Communications Technology (DICT) amounting to P5,073,207,000.

INTERPELLATION OF SENATE PRESIDENT SOTTO

Asked by Senate President Sotto on the plans of the DICT regarding the issue of tower-sharing, Senator Angara said that the Department would support a policy of common towers which was not currently being pursued.

Senate President Sotto asked when such arrangement would be implemented.

SUSPENSION OF SESSION

Upon motion of Senator Angara, the session was suspended.

It was 4:59 p.m.

RESUMPTION OF SESSION

At 5:05 p.m., the session was resumed.

Upon resumption, Senator Angara said that Secretary Rio had expressed support for a common tower policy which is a departure from the current policy where each telecommunications company builds its own towers, the reason why there are hardly any shared facilities, unlike other countries. He also told the Body that the DICT was supporting a third party provider for the construction of the cell phone towers to meet the goal of having ideally 70,000 cell phone towers all over the country.

Asked how it would be operationalized, and which agency would give the directive, Senator Angara replied that the DICT would come up with a policy by the first quarter of 2019 where they would ask the NTC to accredit those who qualify in terms of standards for building the towers. He said that bidding would take place as required in all government disbursements.

Senate President Sotto asked if it could be taken as a firm commitment from the DICT. Senator Angara answered in the affirmative.

INTERPELLATION OF SENATOR RECTO

Asked by Senator Recto on the budget of the DICT in 2018 and the department's disbursement rate, Senator Angara replied that the agency's budget was P5.4 billion, 56% of which was disbursed, amounting to around P2.675 billion.

Senator Recto pointed out that the DICT had a low disbursement rate in 2017 at only 38%, and that the COA auditor's opinion of their budget was adverse. Senator Angara reiterated that the disbursement rate of the DICT as of October 31, 2018, was at 56%, under which the National Privacy Commission has a 67% utilization rate as of the same date, and the NTC at only 17% as of June 30, 2018. He added that the agency had a problem with the slow roll-out of the free Wi-Fi because of problems in bidding, the reason why it had to outsource to PITC. Senator Recto said that he would propose amendments in the budget of DICT at the proper time.

On whether the DITC signed any contract with China when the Chinese president was in the country, Senator Angara replied that only a memorandum of agreement was signed with the Ministry of Industry and Information Technology (MIIT) of China and being only a preliminary agreement, it would not have any implication on the 2019 budget.

Senator Recto asked if the DICT took part in the commercial contract "The Safe Philippines Project" Phase I. Senator Angara replied that it is a DILG contract, and the DICT does not have any participation in the project. Senator Recto, however, pointed out that as an ICT project, it should go through the DICT. Senator Angara agreed.

Asked what the project was all about, Senator Angara explained that it is like a CCTV project for local governments for the purpose of public safety and for the PNP's use. Senator Recto stated that it is a public safety and security issue, and the suppliers would be coming from China since it is an ODA loan from China. He said that he raised the issue because there is a possibility of a Chinese telecommunications company competing with Globe and Smart, most likely the same company associated with the Safe Philippine Project.

Senator Angara said that the Secretary of DICT has given assurance that the department would check the cyber security aspect of any ICT project as it is their responsibility.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY AND ITS ATTACHED AGENCIES

There being no other reservation for interpellation, upon motion of Senator Zubiri, there being no objection, the budgets of the Department of Information and Communications Technology, the Office of the Secretary, the Cybercrime Investigation Coordination Center, the National Privacy Commission, and the National Telecommunications Commission were deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 5:16 p.m.

RESUMPTION OF SESSION

At 5:24 p.m., the session was resumed.

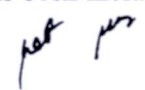
DEBATE ON GENERAL PRINCIPLES (Continuation)

Senator Zubiri stated that the Body would resume the Debate on General Principles.

The Chair recognized Senator Legarda, sponsor of the measure, and Senator Recto for his interpellation.

INTERPELLATION OF SENATOR RECTO

Senator Recto said that President Duterte requested Congress to pass several urgent administration measures, such as the Rice Tarification bill, the Coco Levy Trust Fund bill, the Universal Health Care Act, among others. Relative thereto, he asked whether the minimum P10 billion for rice tariffication has been appropriated. Senator Legarda said that it was not in the President's budget and the GAB but the Committee has allocated it under the Unprogrammed Funds. Similarly, she said that the P10 billion needed by the Coco Levy Trust Fund bill has been included in the Unprogrammed Funds.



On whether the additional P20 billion for the Universal Health Care, which would be enacted the following week, has been included in the Unprogrammed Funds, Senator Legarda replied in the negative, but she assured Senator Recto that the Committee would find funds for it.

Senator Recto asked for a copy of the details of the allocations made under the Unprogrammed Funds. He noted that based on the Senators caucus held earlier, the Body may not be able to pass the budget in time by the end of the year. Agreeing with his observation, Senator Legarda stressed that it was not due to the inaction of the Senate as the Finance Committee received the GAB only on November 26, 2018. She said that everyone has been exerting superhuman efforts as it is a herculean task to pass the budget. She predicted that interpellations would run until the following week and she expressed optimism that budget deliberations would be finished and the budget passed on Second and Third Reading by December 12, when the Body is expected to adjourn. However, she said that in case it is not passed before the adjournment, the Body would resume by January 14, 2019, possibly for the bicameral conference and for the President's signature by February.

Senator Recto said that the schedule would cause a reenacted budget for one or two months. He asked how the reenacted budget would affect the GDP target for the first two months of 2019, especially on account of the elections and the ban on the implementation of infrastructure projects until June, and considering that under a cash budgeting system, all the funds would be good only until December 31, 2019 plus three months. He feared that a reenacted budget would affect the GDP targets and the country's productivity and ability to reduce poverty.

Senator Legarda cited the possible implications of a reenacted budget: agencies would have to live within the 2018 budget levels which could jeopardize the delivery of the 2019 targets as originally intended in the proposed 2019 but just for one or two months at the most; no new projects can start until the 2019 GAA has been signed by the President, and the anticipated delay in its implementation could result in a five-month implementation gap for new projects because of the election ban on March 29, 2019 up to the end of the elections; and capital spending proposed for 2019 would have to wait until a 2019 budget is passed and becomes effective. Other implications, she said, are the following: 2018 capital outlays

cannot be reenacted because projects expanded in 2018 are assumed to have been obligated or already completed or done and no new projects can be authorized to start without enactment from Congress for at least January and February; Personal Services (PS) and MOOE are also deemed reenacted based on a 2018 level, therefore, salary adjustments for civilian and military personnel programmed for 2019 would have to wait, meaning, salary increase of military and police would be delayed by one or two months; and the Internal Revenue Allotment for LGUs and debt service are automatically appropriated, therefore, they would be provided budgetary allocations based on a 2019 budget as proposed by the Executive.

Asked for the projection in terms of numbers based on a growth rate of 7% to 8%, Senator Legarda believed that there was no projection yet.

Senator Recto lamented that with a big chance of having a reenacted budget and with elections and the rainy season coming up, nothing could be done.

Senator Legarda suggested that perhaps she could have the interpellations terminated the next day and write a memorandum to all senators to have their amendments submitted by December 8, 2018, and then work over the weekend, include the individual and committee amendments by December 11, Tuesday; have a Bicameral Conference Committee by December 15; extend the session for one week, ratify the budget by December 19 and have it signed by the President by December 31, 2018.

Senator Recto said that the possibility has been discussed and he was now working on the premise of a reenacted budget. He inquired whether the resolution extending the validity of the 2018 budget would be of help. Senator Legarda replied that it would help because whatever is remaining from the budget could still be utilized at least for the first two months of 2019.

Asked how much the amount would be, Senator Legarda said that the DBM would not have the figures for the remaining CO and MOOE. However, she believed that it could help some agencies which have not even obligated much of their budget to help the poor.

Senator Recto said that there were appropriations that have not been obligated which could probably be used for January, February and March.

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Senator Legarda said that without realizing that there would be a reenacted budget, it was good foresight that Congress granted the extension of the life of the 2018 budget so that there could be more funds for CO and MOOE.

Asked whether there was at least something like P400 billion available to cover the budget for the next quarter, Senator Legarda replied in the affirmative, citing the unreleased P254.722 billion and an unobligated current year allotment of P1.207 trillion plus the P722.6 billion estimated obligation for the fourth quarter.

As to the other measures the Body could undertake apart from the extension of the life of the 2018 budget, Senator Recto suggested the inclusion of a general provision in the 2019 budget that all capital outlays for infrastructure projects would not be subject to the election ban.

At this point, Senator Drilon said that he does not question the Senate's power to remove the rule on the election ban but he doubted whether it could be done in a general appropriations act because what is sought to be removed is contained in a specific, substantive law which is the Election Code. He doubted whether a substantive law could be repealed or amended through a special provision.

Senator Recto maintained that the provision can be placed in the General Appropriations Act and let someone take it to court and by that time, the elections would be over. He said that Congress would not be able to pass the budget on time and he only wanted to ensure that the growth of the economy as well as the government's ability to reduce poverty is not hampered and affected.

Senator Legarda said that the special provision would be game changing. She opined that economic activity must continue during elections and people should not suffer because politicians are being reelected.

On the matter of the cash-based budgeting for 2019, Senator Recto pointed out that under the cash-based budgeting system, all projects must be obligated, implemented, paid and inspected within one year, or plus three months. Senator Legarda clarified that under the GAB for infrastructure, it was six months but three months for PS and MOOE.

Senator Recto said that in the GAB and in the NEP, for goods and services, it was 12 months plus

three or 15 months or simply put, payments could be made in one fiscal year until March 2019.

Senator Legarda said that it would apply only to payment but obligation and implementation was limited to one year. Asked whether it would incentivize identification of small projects, she replied in the affirmative, saying that it would be easier to implement within the 12-month period.

Senator Recto said that within the 12-month period, he would expect a surge in the construction of basketball courts and small or short roads, among others.

Going back to Senator Recto's earlier question on the six-month period, Senator Legarda adverted to General Provisions, 627, Section 60, third paragraph, to wit: "In consideration of the first year implementation of the annual cash-based budgeting system, appropriations for infrastructure capital outlays shall be valid for obligation until the end of fiscal year where the construction, inspection and payment shall be made until the end of June of the following year."

SUSPENSION OF SESSION

Upon motion of Senator Recto, the session was suspended.

It was 5:44 p.m.

RESUMPTION OF SESSION

At 5:45 p.m., the session was resumed.

Senator Recto reiterated that a shorter period on payment would incentivize the identification of smaller projects. He underscored the need for the DBM to also identify which projects would be funded for more than a fiscal year and which ones are multi-year obligated projects. He noted that the budget, as it is presented, does not present which projects should be finished within a year and which are projects that would be finished in three to five years.

Senator Legarda stated that the DBM intends to create a registry of all the projects. She said that the Committee would welcome an amendment in the form of a special provision to that effect. Senator Recto, however, stated that it would not require a special provision as it is a presentation for the DBM.

As regards the 29 contracts that President Duterte and Chinese President Xi signed, Senator Recto inquired if there were commercial contracts signed between the two countries that would require local counterpart or any sovereign guarantee in the 2019 budget.

Senator Legarda informed the Body that included in the list of projects is the Kaliwa dam that is entirely worth P12.2 billion, for the water security of Metro Manila and parts of Cavite and Rizal.

SUSPENSION OF SESSION

Upon motion of Senator Recto, the session was suspended.

It was 5:51 p.m.

RESUMPTION OF SESSION

At 5:55 p.m., the session was resumed.

Senator Recto stated that during the suspension, the staff provided him with a copy of the commercial contracts. He expressed concern over some of them as he surmised that some are probably in foreign-assisted projects in the budget. He said that not all documents have been submitted and that some could be found in the unprogrammed portion of the budget. He said that he would look forward to the submission of all the documents so that he could go over them and at the proper time propose amendments to the budget, if and when necessary.

At this juncture, Senator Legarda instructed the DBM to provide Senator Recto a copy of the loans.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 5:57 p.m.

RESUMPTION OF SESSION

At 6:00 p.m., the session was resumed.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri informed the Body that Senator Legarda was feeling very weak and tired. He stated that nobody would want any of the Members to be put in harm's way and while there are several

agencies still pending and no Member expressed intention to interpellate, the Body would dispose of the agencies. He then requested that NEDA, Department of Finance and DBM return on Monday morning for their budgets to be heard.

SUBMISSION OF THE BUDGET OF THE BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the Budgetary Support to Government Corporations, particularly the Land Bank of the Philippines, Philippine Tax Academy, and Philippine Institute for Development Studies, was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE JOINT LEGISLATIVE-EXECUTIVE DEVELOPMENT ADVISORY COUNCIL

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Joint Legislative-Executive Development Advisory Council was deemed submitted for the Body's consideration.

SUBMISSION OF THE ALLOCATION TO LOCAL GOVERNMENT UNITS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the Allocation to Local Government Units (ALGUs), which includes the budget of the Metropolitan Manila Development Authority, Special Shares of Local Government Units in the Proceeds of National Taxes, Barangay Officials' Death Benefits Fund, and Special Shares of LGUs in the Proceeds of Fire Code Fees was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS - OTHERS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the Budgetary Support to Government Corporations - Others was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL DISASTER RISK REDUCTION AND MANAGEMENT FUND

There being no interpellation, upon motion of

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Senator Zubiri, there being no objection, the budget of the Disaster Risk Reduction and Management Fund (Calamity Fund) was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET FOR THE CONTINGENT FUND

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget for the Contingent Fund was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET FOR THE MISCELLANEOUS PERSONNEL BENEFITS FUND

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget for the Miscellaneous Personnel Benefits Fund was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE UNPROGRAMMED APPROPRIATIONS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Unprogrammed Appropriations was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE PENSION AND GRATUITY FUND

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Pension and Gratuity Fund was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE CLIMATE CHANGE COMMISSION

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Climate Change Commission was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON THE FILIPINO LANGUAGE

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Commission on the Filipino Language was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE ENERGY REGULATORY BOARD

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Energy Regulatory Commission was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL COMMISSION FOR CULTURE AND THE ARTS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Commission for Culture and the Arts was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL HISTORICAL COMMISSION OF THE PHILIPPINES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Historical Commission of the Philippines was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL LIBRARY OF THE PHILIPPINES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Library of the Philippines was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL ARCHIVES OF THE PHILIPPINES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Archives of the Philippines was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE NATIONAL INTELLIGENCE COORDINATING AGENCY

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Intelligence Coordinating Agency was deemed submitted for the Body's consideration.

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SUBMISSION OF THE BUDGET OF THE NATIONAL SECURITY COUNCIL

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Security Council was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE PASIG RIVER REHABILITATION COMMISSION

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Pasig River Rehabilitation Commission was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE CULTURAL CENTER OF THE PHILIPPINES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Cultural Center of the Philippines was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE COMPETITION COMMISSION

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Philippine Competition Commission was deemed submitted for the Body's consideration.

SUBMISSION OF THE BUDGET OF THE PRESIDENTIAL MANAGEMENT STAFF

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Presidential Management Staff was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 6:09 p.m.

RESUMPTION OF SESSION

At 6:18 p.m., the session was resumed.

DEPARTMENT OF FOREIGN AFFAIRS

Upon motion of Senator Zubiri, there being no objection, the Body considered the budget of the

Department of Foreign Affairs under which are the Office of the Secretary, Foreign Service Institute, Technical Cooperation Council of the Philippines, and the UNESCO National Commission of the Philippines.

Thereupon, the Chair recognized Senator Legarda to sponsor the budget of the DFA.

INTERPELLATION OF SENATOR DRILON

At the outset, Senator Drilon asked on the amount of the DFA budget and how much its increase was from the current GAA. Senator Legarda replied that it was P27,477,690,000, an increase of P7.5 billion from the 2018 GAA of P20,390,813,000.

Senator Drilon recalled that when the Body took up the budget of the Philippine Sports Commission an hour ago, it was discovered that about P7.5 billion for the Southeast Asian Games was lodged in the DFA under the National Expenditure Program (NEP), under the General Appropriations Bill, and carried in the Senate version, prompting him to question the policy behind its inclusion in the DFA budget since promotion of sports is not part of its mandate. In fairness, he said, he was informed that day that the Secretary of Foreign Affairs sent a letter officially advising the Senate to transfer the P7.5 billion lodged in the sports program of the DFA to any appropriate agency. He nevertheless asked how it happened, why after three stages of the budget preparation, the funds still remained in the DFA. He said that if such a huge amount of funds could be misallocated to an agency for an activity that has nothing to do with its mandate, the Body might be prompted to scrutinize every item in the budget.

Senator Legarda replied that it was former senator and former DFA Secretary Alan Cayetano, being the chairman of the organizing committee, who requested that the fund be lodged under the DFA. She commented that anyway it was already water under bridge since the new DFA secretary already officially asked the Senate for transfer the money to a more competent agency. Senator Drilon pointed out that such erroneous practice of allocating budget needed to be brought out in the open because it could be repeated in the future.

Senator Drilon also informed Senator Legarda that although the vice chairman of the committee in charge of the budget of the PSC agreed that the funds for the Southeast Asian Games be transferred

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to the PSC, the agreement was still subject to her approval as chairperson of the Committee on Finance. He then asked Senator Legarda for her position on the matter.

Senator Legarda stated that she has already discussed with the DFA Secretary the transfer of the funds to the PSC.

Senator Drilon explained that he only wanted to advise those concerned to exercise caution in the preparation of the national budget, reminding them that allocations cannot be moved on the basis of personal preferences of the head of office since certain rules need to be followed. Senator Legarda noted the advice of Senator Drilon, saying that the budget was now lodged with the PSC. However, Senator Drilon also requested that the transfer of funds should not be considered as his amendment, to which Senator Legarda agreed.

Senator Drilon asked whether the Department of Foreign Affairs would be willing to make a public commitment to allow the Senate, through the Committee on Foreign Relations, to look over and comment on any bilateral agreements before they are signed, particularly those involving possible questions on the sovereignty of the country. He acknowledged that it is bad practice to open for public scrutiny a document before it is signed, saying that he only wanted the Senate, the branch of government that participates in the conduct of foreign affairs, to be informed and given the opportunity to comment on bilateral agreements before they are signed, especially those that involved questions that can affect the sovereignty and territorial claims of the country. He specifically cited the agreement with China regarding oil exploration in the South China Sea which he wanted the Senate to have the opportunity to be briefed and to make comments on the points of the agreement before it is signed.

Senator Legarda replied that a briefing can be held anytime as she clarified that there are no negotiations made yet and what the DFA was holding is a Memorandum of Agreement.

Senator Drilon said that he asked the questions in anticipation of possible discussions beyond the MOU and before the agreement would be signed, and the Senate, being a partner of the Executive on foreign policy and following the system of checks and balance, should be briefed on the terms of the agreement.

SUSPENSION OF SESSION

With the permission of the Body, the Chair suspended the session.

It was 6:34 p.m.

RESUMPTION OF SESSION

At 6:36 p.m., the session was resumed.

Upon resumption, Senator Legarda reiterated her agreement with Senator Drilon that indeed a briefing on the exploration in the West Philippine Sea be made even before an agreement is made or even with the MOU. Also, she also agreed with Senator Drilon that the allocation of P7.5 billion lodged in the budget of the DFA should be moved to the Philippine Sports Commission.

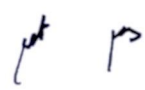
Senator Drilon expressed his appreciation to Senator Legarda for her positive response to his request to let the Senate comment on any bilateral agreement before it is signed. He also thanked her for accepting his suggestion to transfer the amount of P7.5 billion lodged in the DFA to the PSC where it truly belongs.

INTERPELLATION OF SENATOR GORDON

Senator Gordon stated that one of his pet thrusts for the Department of Foreign Affairs is to make sure that the people in the agency have good intelligence which, he said, could be achieved if they are multi-lingual, for instance, Arabic-speaking or Chinese-speaking ambassadors, and are able to read the periodicals and documents written in foreign language in order to find out what is in the mind of the people in the areas that are sensitive to the country.

Senator Legarda replied that a budget of P30 million was included in the Senate version of the budget for scholarships in Arabic and French, among others.

Senator Gordon asked if the budget for scholarship was part of the P69.4 million that was lodged in the budget for the Foreign Service Institute, and whether there was an active effort to campaign among the many Filipinos with mixed ancestry who could make excellent staff in the department. He noted that the Department of Foreign Affairs has many desks abroad and he found it woeful that foreign officials have translators during their meetings while Filipino officials do not.



Senator Legarda informed Senator Gordon that there was already an ongoing training for various languages, including Arabic, Chinese, French, German, Spanish, Bahasa, Russian, Korean and Nihonggo.

Senator Gordon suggested to have an order of priorities, pointing out the presence of millions of Filipinos scattered all over the world who could be tapped to man the different embassies so that officials back here in the country would be informed of what is going on in their respective posts; otherwise, Filipino officials would always be blind-sided and no one would respect them. Respect, he stated, is the most important part of foreign affairs.

Senator Legarda said that there are competent DFA personnel or officers who know the language in every jurisdiction, aside from the local hires who speak the language. She reiterated that there was already an ongoing training using the augmentation given by the Senate at the FSI for various languages including, but not limited to Arabic, Mandarin, Spanish and Russian.

Senator Gordon pointed out that there are still challenges being faced by the country in its bilateral relations with the other countries, and that it is not only a question of language but also a question of knowing the things that make the other countries think strategically. He then asked how much it would cost to hire someone to teach foreign language such as Arabic to the colleges and universities in the country with scholarships.

Agreeing with Senator Gordon, Senator Legarda asked the DFA to submit to the Body a list of all the embassies and their respective local hires or competent DFA officers who speak the language in their area. She stated that those areas where the department lacks personnel must be coordinated with the FSI to be able to recruit more people, students and graduates who would be trained in those languages that are most needed.

Senator Gordon believed that being able to get someone on the ground like an expert with a doctorate in other countries who would be provided with scholarships in UP or in any of the universities in the country would ease up the bilateral relations of the Philippines with other countries. For instance, he said that such an expert in the Middle East could advise the President and the Senate on the top

trends in their area, on what their people are talking about in terms of what policies they will change, on whether they would start pushing Filipinos out of their country or on what their reaction is on the migrants of the Philippines, among others. He asserted that with the said expert, it would also be easier to address any complaint against another country without fear of offending them. He emphasized that the program must be started right away not only because it is a long-term effort but also because it is strategically important. Relative thereto, he asked the DFA to provide a timeline and an initial budget for the program. He reiterated that the goal is not just knowing the language but also understanding the culture, history and the nuances of the place.

Senator Legarda agreed that when DFA personnel are assigned to a region, they are expected to be competent not just in the language but also in the knowledge of the jurisdiction where they are serving; they must learn not just the language of an area but also its geopolitics, history and culture.

Thereupon, Senator Legarda asked the DFA for an accurate status of the competencies of DFA personnel, and the list of experts that the department has, saying the Senate is willing to fund the language training scholarships through the FSI.

Senator Gordon opined that instead of coursing it to FSI, it would be better to put the money in the foreign service, history, and government courses of colleges and universities such as UP and Lyceum where training could be started. Senator Legarda replied that she would be open to the amendments that Senator Gordon would propose not just in the budget, but also to a special provision for the DFA to develop an in-house expert training on politics, culture, and government, among others. She said that she would also be open to Senator Gordon's idea to converge the FSI with the internal DFA and with the other private and state-owned universities to address the lack of language training and expertise in culture.

Senator Gordon hoped that the FSI would also grab the opportunity to make a plan right away. He believed that many would benefit from such program by being given free education to study language and history and by having a sure job in the foreign office if they do well. Senator Legarda asked the FSI to reach out to UP and to all the other SUCs.

Senator Gordon explained that the popular term “progressive thinking” is not an ideology but a term that describes how to grow a country, to get more effective information and to get experts to avoid being blind-sided. He hoped that the DFA would submit immediate plans so that the Body could put aside a supplemental budget for them that is dedicated to the thrust of producing competent experts.

Senator Legarda thanked Senator Gordon for his suggestions and she assured that the Committee would favorably consider them if they were not included yet in the present committee report.

At this juncture, Senator Legarda informed the Body of the embassies that presently lack ambassadors, namely, New York, Germany, Denmark, Turkey, Brunei and Kuwait, all of which are strategic embassies that must have ambassadors. She said that Stockholm, Sweden and Ireland would be reopened next; in the United States, the consulate in Houston, Texas was reopened while there is still no consulate in New Orleans.

Asked if the DFA is getting reports from the trade attachés from the DTI, the ambassadors and the consul generals, Senator Legarda replied in the affirmative, emphasizing that the task of the ambassadors and consul generals is not just to issue visas or assist in the issuance of passports but also to know the trade and economic opportunities in a country.

Citing the issue on oil, particularly on how the country could be affected by the dispute between Qatar and Saudi Arabia, Senator Gordon underscored the importance of filling up the positions there with qualified persons who would understand what is going on especially in an isolated country like Qatar. He also underscored the need for these persons to have a target economic activity, like former Ambassador Ricky Manalo who considered the Malampaya investment of Shell as one of the investments from the UK along with their other investments in BPOs and IT which at present totalled to around 200 British companies in the Philippines.

Senator Gordon stated that aside from target economic activity, the ambassadors must also have political and intelligence activities that would be good for the country. He stressed that there must be a periodic briefing by the ambassadors with the leaders

of the country such as the senators so that they are updated about investment opportunities and the measures to be taken for the country. In this regard, he expressed confidence that the new Foreign Affairs secretary, Teodoro L. Locsin Jr., a very active, frank, and blunt official, would be able to implement his suggestions.

Relative thereto, Senator Legarda cited her project with the DFA in collaboration with outgoing Ambassador Manalo which was the School of Oriental and African Studies (SOAS) for which she allocated funds in her capacity as Committee on Finance chairperson. She informed the Body that two years ago, the agreement for Philippine Studies Program was signed between Antonio Lagdameo, Philippine Ambassador to the United Kingdom, and Baroness Valerie Amos, director of SOAS at the University of London and Undersecretary of the United Nations.

Senator Gordon remarked that the DFA should also get a briefing about Africa just like the Chinese who even established a naval base in Djibouti, or submit a report about the 4,000 Filipinos sent to Israel for agricultural training but did not do anything for the country when they returned. He said that he was aghast at the DFA for being complacent, saying that its officials should look into themselves to find out how they could make the DFA work for the country.

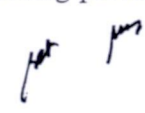
On another point, Senator Gordon said that inasmuch as there is a Philippine embassy in Ankara, the capital of Turkey, Filipinos in Istanbul have to travel all the way there to secure their passports. Thereupon, he asked when a consulate would be posted in Istanbul.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Zubiri, there being no objection, the Body suspended consideration of the bill.

CONFERENCE COMMITTEE REPORT ON SENATE BILL NO. 1454 AND HOUSE BILL NO. 8078

Upon motion of Senator Zubiri, there being no objection, the Body considered the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1454, entitled



AN ACT REMOVING THE RESTRICTIONS IN THE REGISTRATION OF LAND TITLES UNDER SECTIONS 118, 119, AND OTHER RESTRICTIONS AGAINST ENCUMBRANCE OR ALIENATION ON FREE PATENTS ISSUED UNDER SECTION 44 OF COMMONWEALTH ACT NO. 141 OR THE PUBLIC LAND ACT, AS AMENDED,

and House Bill No. 8078, entitled

AN ACT REMOVING THE RESTRICTIONS IMPOSED ON THE REGISTRATION, ACQUISITION, ENCUMBRANCE, ALIENATION, TRANSFER AND CONVEYANCE OF LAND COVERED BY FREE PATENTS UNDER SECTIONS 118, 119 AND 121 OF COMMONWEALTH ACT NO. 141, OTHERWISE KNOWN AS "THE PUBLIC LAND ACT," AS AMENDED.

The Chair recognized Senator Gordon to sponsor the report.

SPONSORSHIP SPEECH OF SENATOR GORDON

Senator Gordon submitted to the Body the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1454 and House Bill No. 8078, both entitled "Agricultural Free Patent Reform Act of 2017," which, he said, is going to be a game changer.

He explained that agricultural free patents are land grants to Filipino farmers who are in possession or who have been cultivating such lands and have paid taxes thereon for at least 30 years pursuant to Commonwealth Act No. 141, as amended, or the Public Land Act. He informed the Body that in the last 25 years, about 2,000,000 agricultural free patents have been issued.

Senator Gordon stated that those who hold agricultural free patents are farmer-entrepreneurs but under the law, they are restricted from mortgaging or selling their land within five years from the issuance of the patent. He also cited another restriction on agricultural free patents which is that upon conveyance, the original owner is allowed to

repurchase the land within five years. He said that due to the restrictions on agricultural free patents under the Public Land Act, these agricultural land titles become non-transferable and non-bankable.

Thus, Senator Gordon emphasized the need to amend the present law which both houses of Congress did when they adopted *in toto* House Bill No. 8087 which proposes to remove the restrictions on agricultural free patents under the Public Land Act to make the agricultural land titles immediately tradeable and bankable, and provide farmer-entrepreneurs the much-needed access to credit to make investments, create jobs, increase productivity, and reduce poverty in rural areas, and have something to transfer to their children when they pass on.

JOINT EXPLANATION OF THE CONFERENCE COMMITTEE

Upon motion of Senator Zubiri, there being no objection, the Joint Explanation of the Conference Committee was deemed read and inserted into the record, to wit:

The Conference Committee on the disagreeing provisions of Senate Bill No. 1454 and House Bill No. 8078 after having met and having fully discussed the subject matter in a conference, hereby report to their respective Houses that the Conferees agreed to adopt the House of Representatives version *in toto*.

APPROVAL OF THE CONFERENCE COMMITTEE REPORT

Submitted to a vote, there being no objection, the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1454 and House Bill No. 8078 was approved and ratified by the Body.

CONFERENCE COMMITTEE REPORT ON SENATE BILL NO. 1716 AND HOUSE BILL NO. 5615

Upon motion of Senator Zubiri, there being no objection, the Body considered the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1716, entitled

AN ACT CREATING AND ESTABLISHING A SPORTS COMPLEX KNOWN AS THE "PHILIPPINE AMATEUR SPORTS TRAINING CENTER," AND

FUNDING FOR THE ACQUISITION OF PROPERTY, CONSTRUCTION OF FACILITIES, INCLUDING ITS ADMINISTRATION, MAINTENANCE AND MANAGEMENT, AND FOR OTHER PURPOSES, and

House Bill No. 5615, entitled

AN ACT ESTABLISHING A SPORTS COMPLEX KNOWN AS THE "NATIONAL SPORTS TRAINING CENTER," AND PROVIDING FUNDS FOR THE ACQUISITION OF PROPERTY, THE CONSTRUCTION OF FACILITIES, AND THE ADMINISTRATION, MAINTENANCE, AND MANAGEMENT OF THE CENTER.

JOINT EXPLANATION OF THE CONFERENCE COMMITTEE

At the instance of Senator Pacquiao, upon motion of Senator Zubiri, there being no objection, the Body approved the insertion of the Joint Explanation of the Conference Committee in the Journal and Record of the Senate.

Following is the full text of the Joint Explanation of the Conference Committee:

JOINT EXPLANATION OF THE CONFERENCE COMMITTEE ON THE DISAGREEING PROVISIONS OF SENATE BILL NO. 1716 AND HOUSE BILL NO. 5615

The Conference Committee of the House of Representatives and Senate and on the disagreeing provisions of House Bill No. 5615 and Senate Bill No. 1716, after having met and fully discussed the subject matter, hereby submits the following joint statement to both Houses in explanation of the amendments agreed upon by the conferees and recommended in the accompanying Conference Committee Report:

1. The matrix which contains the Senate and House versions was adopted as the working draft;
2. Section 1 of the Senate version after deleting the word "amateur" was adopted, with the acronym PSTC to mean Philippine Sports Training Center in the entire bill, and as an omnibus amendment, the acronym PASTC will be read as PSTC;

3. Section 2 of the House version was adopted as the first paragraph. On the same Section 2 of the Senate version, the phrase "As stated" was deleted, and replaced with the word "FURTHERMORE" and adopted as the second paragraph;
4. Section 3 of the Senate version was adopted with minor amendments. The phrase "Creation and" and the word "Amateur" in the section title were deleted, and the word "created and" in the sentence was likewise deleted;
5. Section 4 of the House and Senate versions were consolidated where the section title of the Senate version was adopted after deleting the word "Amateur";
 - Subsection "(a)" of the Senate version after inserting the phrase "OFFICIAL HOME AND" before the word "primary" was adopted;
 - On the same section, subsections "(b)," "(d)" and "(e)" of the Senate version were adopted;
 - Section 4, Subsection "c.)" of the House version after deleting the words "It shall" and replaced with the word "TO" was adopted;
6. Section 5 of the House and Senate versions were consolidated, where title section of the Senate version was adopted;
 - The First paragraph of Sec. 5 of the Senate version was adopted as the 1st paragraph;
 - For the 2nd paragraph, the first paragraph of the House version was adopted with some amendments (i.e., replace NSTC with PSTC, delete "thirty-two (32)" before the word "Olympic," and include all sports except "Equestrian" and add "FLOORBALL, JIU-JITSU, and SAMBO" and renumber accordingly;
 - For the 3rd paragraph, the third paragraph of the House version was adopted after inserting the phrase "with duly accredited and recognized national sports association" after the word "sport"; then delete the last or 4th paragraph in the House version;
7. Section 6 of the House version was adopted with amendments, to wit:
 - Delete the word "Ownership" in the title and the succeeding whole sentence;
 - In the 2nd paragraph, delete the phrase "Upon completion of the construction

of the sports facilities and amenities of the NSTC”;

- Delete the word “likewise” before the word “vested” and replace the word “center” with the acronym “PSTC”; and
 - After the word “personnel,” insert the phrase “AND HIRING OF MANAGERS, SPECIALISTS AND OTHER ADMINISTRATIVE STAFF AS MAY BE NEEDED AND AS DETERMINED BY THE PSC.” Then delete the phrase “to manage and operate the complex as deemed necessary”;
8. A new Section was added to be numbered as Section 7 on ownership of the PSTC to read as follows:
- “SEC. 7. OWNERSHIP OF THE PHILIPPINE SPORTS TRAINING CENTER. - THE OWNERSHIP OF THE PSTC, INCLUDING ITS SPORTS FACILITIES AND AMENITIES, IS HEREBY VESTED UPON THE PSC.
- THE TITLE OF THE LAND OVER WHICH THE PSTC IS ESTABLISHED SHALL BE TRANSFERRED TO PSC IN ACCORDANCE WITH LAW EITHER BY GRANT, DONATION OR PAYMENT OF JUST COMPENSATION.”
9. Section 7 of the Senate version on Report to Congress was adopted to be numbered as Section 8;
10. Section 7 of the House version on Ad Hoc Board of Trustees was deleted;
11. Section 8 of the House version was adopted with amendments (i.e., replace Executive Director with DEPUTY EXECUTIVE DIRECTOR in the entire section and renumbered as Sec. 9;
12. Section 8 of the Senate version on Assistance by the Government Entities was adopted and renumbered as Sec. 10;
13. Section 9 of the Senate version was adopted with amendment (i.e. in the last sentence, after the word “operation,” insert the phrase “OF THE PSTC”; then renumbered as Sec. 11;
14. Section 10 of the Senate version on Tax Exemptions was deleted;
15. Section 11 of the Senate version on Implementing Rules and Regulations, after inserting the phrase “SHALL, IN CONSULTATION AND IN COORDINATION WITH THE” after the acronym “PSC,” and deleting the

word “shall” before the word “promulgate”, was adopted and renumbered as Sec. 12;

16. Section 12 of the House version was adopted and renumbered as Sec. 13;
17. Section 13 of both the House version and the Senate version were adopted and renumbered as Sec. 14;
18. Section 14 of the House version was adopted and renumbered as Sec. 15; and
19. The Title of the Bill of the House version was adopted with amendment (i.e., delete the word “National” and in lieu thereof, replace with the word “PHILIPPINE”) Hence, the title of the reconciled bill now reads as follows:

AN ACT ESTABLISHING A SPORTS COMPLEX KNOWN AS THE “PHILIPPINE SPORTS TRAINING CENTER,” AND PROVIDING FUNDS FOR THE ACQUISITION OF PROPERTY, THE CONSTRUCTION OF FACILITIES, AND THE ADMINISTRATION, MAINTENANCE, AND MANAGEMENT OF THE CENTER.”

In case of a conflict between the statements/ amendments stated in this Joint Explanatory Statement and that of the provisions of the consolidated bill in the accompanying Conference Committee Report, the provisions of the latter shall prevail.

APPROVAL OF THE CONFERENCE COMMITTEE REPORT

Submitted to a vote, there being no objection, the Conference Committee Report on the disagreeing provisions of Senate Bill No. 1716 and House Bill No. 5615 was approved and ratified by the Body.

SENATE CONFEREES

Upon nomination by Senator Zubiri, there being no objection, the following senators were designated to constitute the Senate panels in the Bicameral Conference Committee on the disagreeing provisions of the measures hereunder indicated:

1. Senate Bill No. 192 and House Bill No. 810
(*Handbook for OFWs Act of 2016*):

Chairperson - Villanueva

Members - Ejercito
Angara
Pacquiao
Hontiveros

2. Senate Bill No. 1997 and House Bill No. 8617
(*Regional Investment Infrastructure
Coordinating Hub of Central Luzon - RICH*):

Chairperson - Gordon
Members - Binay
Villanueva
Angara
Aquino

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 7:18 p.m.

RESUMPTION OF SESSION

At 7:21 p.m., the session was resumed.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri informed the Body that Senator Legarda was feeling under the weather, and that she agreed that Senator Villar, the vice-chairperson of the Committee on Finance, would take her place to sponsor the budget of the Department of Foreign Affairs.

COMMITTEE REPORT NO. 538 ON HOUSE BILL NO. 8169

(Continuation)

Upon motion of Senator Zubiri, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 8169 (Committee Report No. 538), entitled

AN ACT APPROPRIATING FUNDS FOR
THE OPERATION OF THE GOVERN-
MENT OF THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY ONE
TO DECEMBER THIRTY-ONE TWO
THOUSAND AND NINETEEN, AND
FOR OTHER PURPOSES.

Thereupon, the Chair recognized Senator Villar, cosponsor of the measure, and Senator Gordon for his interpellation.

INTERPELLATION OF SENATOR GORDON (Continuation)

Senator Villar stated that the DFA would be opening a consulate in Istanbul in 2019 with a budget

of P123,441,000 which budget was not yet included in the NEP, and she assured Senator Gordon that the budget would be approved as an amendment to the NEP.

As regards Senator Gordon's concern regarding the status of Filipinos in Iran who are languishing in prison, Senator Villar volunteered to write the DFA and to ask them for the necessary information on Monday. She committed to make sure that those Filipinos in Iran would be repatriated.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF FOREIGN AFFAIRS

Upon motion of Senator Zubiri, there being no objection, the budget of the Department of Foreign Affairs, including the budgets of the Office of the Secretary, Foreign Service Institute, Technical Cooperation Council of the Philippines and the UNESCO National Commission of the Philippines, was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Thereafter, upon motion of Senator Zubiri, the session was suspended.

It was 7:27 p.m.

RESUMPTION OF SESSION

At 7:41 p.m., the session was resumed.

DEPARTMENT OF AGRARIAN REFORM

Senator Villar presented the budget of the Department of Agrarian Reform amounting to P8.2 billion. She explained that of the DAR's total budget, 55% or P4.51 billion would be earmarked for Personal Services (PS), 25% or P2 billion would be used for projects, 17% or P1.5 billion for Maintenance and Other Operating Expenses (MOOE), and P160 million for capital outlay.

She explained that since the DAR is the lead agency tasked to implement various components of the Comprehensive Agrarian Reform Program (CARP), the proposed budget would be allotted to such programs as the Agrarian Reform Beneficiaries Development and Sustainability Program (P1.2 billion), Land Tenure Services and Sustainability Program (P406 million) and Justice Delivery Program (P423

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million). She expressed hope that the proposed budget would benefit the agrarian reform beneficiaries (ARB). Moreover, she said that DAR aims to distribute 41,000 hectares of land which would benefit a total of 31,000 ARBs in 2019.

INTERPELLATION OF SENATOR HONTIVEROS

Preliminarily, Senator Hontiveros said that her interpellation would focus on two main issues.

Senator Hontiveros asked whether all farmer awardees from previous years have already been installed, and if there are no more backlogs in the issuance of certificate of land ownership award (CLOA). Senator Villar replied that there are still 3,000 uninstalled land beneficiaries, including farmer awardees from previous years who have not yet been installed due to conflicts among farmers, not with landowners.

Asked on the number of uninstalled ARBs due to conflict with the landowners, Senator Villar said there are 4,000. Senator Hontiveros stated that the total would be 7,000 uninstalled ARBs, including those due to inter-farmer conflicts.

Asked if the DAR has a detailed inventory of the awarded lands, Senator Villar replied that they have a database which they could submit to her office.

As to the major action points of DAR to facilitate and install the 7,000 CLOA holders, Senator Villar replied that the department has an Agrarian Justice Delivery Program with a budget of P423 million that is going to be used to settle the cases and be able to install the land reform beneficiaries. She said that if the case can be settled out-of-court, it could be through consultation.

Asked on the the top provinces with the most number of undistributed private lands. Senator Villar cited Negros Occidental and Negros Oriental, with a total of 107,000 hectares of undistributed lands, and Leyte and Isabela, with 32,000 hectares undistributed lands each. She said that the four provinces account for one-third of the total remaining undistributed land in the country, or 171,000 of 561,000 hectares.

Regarding the target for distribution in the aforementioned provinces, Senator Villar said that the target would be 10,000 hectares for Negros

Occidental and Negros Oriental, and 3,000 hectares each for Leyte and Isabela.

To Senator Hontiveros' concern that a 10% target was quite low, Senator Villar explained that the distribution target for the year, or until September, was around 40,000 hectares, but 30,000 more hectares could be added in the last quarter of the year. She said that the DAR would use the same budget to implement the land distribution, award, and installation specifically in the top four provinces.

Senator Hontiveros recalled that in the previous DAR budget hearing, she questioned the agency's conservative targeting and low accomplishment rate not only in land distribution but also in justice delivery and beneficiaries development because, to her, with such a very low rate, it would take them 12 years to accomplish the distribution, while a study suggested that it would require a funding of P92 billion. She asked what plan the DAR has to accelerate CARP implementation, and whether they require a bigger budget allocation or are discussing the prioritization of the program with the NEDA and the DBM, as she believed that land distribution and farmers' development are key ingredients in pursuing poverty alleviation and economic development.

Senator Villar said that with a 70,000 hectare target per year, the distribution could be done in eight years, as she pointed out that the remaining undistributed lands are difficult to process due to problems relative to the land itself and not with budget. Senator Hontiveros maintained that if the government would fully support the land installation program of DAR, even the most recalcitrant former landowner would accede. She pointed out that the Congress cannot consider something that has not been requested, and so DAR should request an increase in budget, so that Congress could consider it in the budget debate. She noted that there were no changes in the department's budget in the NEP to GAB and the Senate committee report and that, in fact, the proposed DAR budget was 17% lower than the current year's obligation budget.

Senator Hontiveros stated that in the Philippine Development Plan, 4.8 million hectares had been distributed as of 2016 out of the 5.4 million hectares targetted for distribution until 2022. Upon query, Senator Villar replied that the remaining land to be distributed was 560,000 hectares so that if 70,000 hectares could be distributed in a year, it could be

done in eight years. She clarified that the problem was not with the budget but with the difficulty of implementation, hence the need for DAR to be more efficient. Senator Hontiveros agreed that the department should have the desire to achieve targets within a given timeframe, and should have the initiative to cooperate with the Executive department in the budget-making process. She maintained that at the rate of 70,000 hectares a year, it would still take a lot of time compared to Japan, Korea and Taiwan, considered tiger economies, which completed implementing their agrarian reform programs in two to three years. She then asked whether the DAR is championing a bigger budget allocation in order to catch up and deliver their target under the Philippine Development Plan. She said that she initially thought of proposing an amendment to a special provision that would allow the DAR to prioritize distribution in the provinces with the largest backlog. She expressed disappointment that despite Senator Villar's satisfactory defense and sponsorship of the DAR's budget, she found the responses and replies of the resource persons wanting. She expressed frustration that for such a historic program that the farmers have been fighting for such a long time, together with their partners from the Department and the private sector, there seemed to be lack of passion. She said that she would have to see if there are other ways to propose supportive amendments. She said that she found it difficult because as the farmer awaits a certificate of land ownership award (CLOA), the DA appears disinterested in implementing its own program.

Senator Villar said that according to the DAR, it was easier in the beginning when they were distributing government and public lands because there was no conflict then, but when they started distributing private lands, it was then that they encountered more difficult situations.

Senator Hontiveros disagreed, pointing out that the state has a magnificent power which is the power of eminent domain which the DA could exercise if they wanted to, not for privileged citizens but for the farmers and the others in the agricultural sector who put their hope in the department to champion their concerns and to fight for their cause which they have been fighting for in the past three decades. She reiterated that the program always leaves a big void in the uninstalled CLOA holders or unawarded beneficiaries who are left clueless as to why the DAR, at every end of an administration's term, lacked the boldness to finish the program which

they started. She said she would no longer badger Senator Villar who seemed to be equally frustrated with her desire to help the DA improve its performance and be able to use a bigger budget more efficiently, and that she would just provide her feedback should she get a spark of inspiration on how to help the department move swiftly.

Agreeing with Senator Hontiveros' statement, Senator Villar said that Congress has to exact more performance from the government agencies, and hoped that they would rise up to the challenge.

INTERPELLATION OF SENATOR DRILON

At the outset, Senator Drilon stated that as somebody coming from Region VI, he was a bit concerned about the various pronouncements emanating from Malacañang on the agrarian reform program as far as Boracay was concerned. He pointed out that Region VI is basically a region which grows its economy from services, particularly tourism, principally because of Boracay, which has attracted a million or more tourists over the past year, and so as far as the regional Gross Domestic Product was concerned, services would form the biggest chunk of the economy.

He said that he fully supported the President's closure of Boracay for six months which he believed was abused by the local government unit, but he pointed out that the presidential announcements on the agrarian reform program in Boracay have made tourism, the principal source of income of the people of Aklan, shaky.

Asked by Senator Drilon about the policy and situation in Boracay on the matter of agrarian reform, specifically the total hectares available for land reform, Senator Villar said that Boracay has 1,028 hectares broken down as follows: 400 hectares of forest land which could not be distributed but could be developed as an ecotourism area where the local people of Boracay could be employed as caretakers, and another 628 hectares which are formerly agricultural land that have already been titled. She said that out of the 628 hectares, 3.2 hectares have been distributed, and the DENR has given DAR 16 hectares which could also be distributed, or a total of 19.2 hectares.

Asked where all the pronouncements came from, Senator Villar surmised that the pronouncements were made before the Executive reviewed the situation in Boracay. She said that the lands were initially

declared as agricultural land but by the time the DAR came in, they were found to have been titled, or some have been given tax declaration to the land. She said that the reported statement of one under-secretary that they would put topsoil in Boracay should be ignored and dismissed as overenthusiasm. She nevertheless admitted that the investors in Boracay are jittery with the pronouncements coming out of Malacañang. Upon query, she confirmed that there are only 16 hectares left for distribution and that anything distributed beyond the 16 hectares would no longer be valid but if there should be lands to be distributed, it should be upon the declaration of the DENR.

MANIFESTATION OF SENATOR HONTIVEROS

Adverting to the Philippine Development Plan's *Results Matrices 2017-2022*, on Chapter 8, entitled "Expanding Economic Opportunities in Agriculture, Forestry and Fisheries," Senator Hontiveros challenged the DAR to see how far their targets in the plan are from the budget they are requesting. She noted that in the subchapter on "Access of Small Farmers and Fisherfolk to Land and Water Resources Unprotected," the indicators showed an increase in the share of actual ARBs with emancipation patent or CLOA to total potential ARBs from 2017 to 2022. She noted the increase every year of the annual plans: 90%, 91%, 93.2% 97.7% and 100% in 2022.

She said that the means of verification in the DAR annual report on the assumptions and risks are all problematic, such as in CARP-covered landholdings transformed into workable landholding. She said that the feuding farmers and the recalcitrant former landowners were contemplated in the Philippine Development Plan but the targets set by the DAR and the budget they are requesting are lower than what they requested last year as if they never heard of the Philippine Development Plan.

At the proper time, Senator Hontiveros said that she would propose an amendment to push the DAR to measure up to the Philippine Development Plan in behalf of its constituents, the farmers. At this point, she moved to suspend the DAR budget to give a little more time to work with Senator Villar to improve the DAR budget to make it attuned with the Philippine Development Plan.

Senator Villar appealed to Senator Hontiveros to reconsider her motion to suspend the consideration of the budget of the DAR. She said that the Committee

should first study the matter because the Philippine Development Plan was not made by them. She refused to believe that increasing the budget of the department would make them efficient, and she maintained that they could give more land with the same budget if they are more efficient. She said that she would suggest to the DAR how to increase their productivity and their budget which the Committee can insert as an amendment.

Senator Zubiri suggested that during the period of amendments, a provision could be put in place for the DAR to abide by the Philippine Development Plan.

Senator Hontiveros said she was open to Senator Villar's appeal and to Senator Zubiri's suggestion. At this point, she asked Senator Villar for an example of an amendment that she would be proposing during the period of committee amendments.

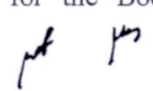
Senator Villar said that she has yet to confer with the department on how they could increase their target and how much budget they need before she could make the amendment. Senator Hontiveros said that the target has to be attuned to the targets under the Philippine Development Plan. She then reconsidered her motion to suspend the declaration of DAR budget and that she would instead work with Senator Villar on how to possibly increase the agency's budget for land distribution according to the Philippine Development Plan.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri manifested that the DAR supported Bukidnon during the planning of the national airport there. He said that the DAR was the go-to agency that helped them gather the agrarian reform beneficiaries, as well as doing the land requisition and the conversion of the area for the DOTr to be able to place the airport. Specifically, he thanked the DAR Secretary for his support as well as Undersecretary Pangulayan and Bello who also helped them out.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF AGRARIAN REFORM

There being no further interpellations, upon motion of Senator Zubiri, there being no objection, the budget of the Department of Agrarian Reform under the Office of the Secretary and all the other attached agencies was deemed submitted for the Body's consideration.



SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 8:25 p.m.

RESUMPTION OF SESSION

At 8:31 p.m., the session was resumed.

DEPARTMENT OF AGRICULTURE AND ITS ATTACHED AGENCIES

Senator Villar presented to the Body the budget of the Department of Agriculture and all its attached agencies. She informed the Body that the budget of the agency for 2019 amounted to P122 billion, which is 3.24% of the P3.757 trillion proposed national budget. She then gave a breakdown of programs to be funded by the DA's budget of P36.34 billion, as follows: National Rice Program - P7.41 billion; National Livestock - 1.005 billion; National Corn - 1.53 billion; National High Value Crop - 1.48 billion; National Organic Agriculture - P500 million; Halal Food Industry Development - P44 million and; Other Regular Programs - P3.63 billion. She added that the P14.9 billion would be for local and foreign-assisted projects, the major part of which are the farm-to-market roads (FMR) in the amount of around P10 billion.

Senator Villar expressed hope that the proposed 2019 budget of the DA would realize the government's goal of lifting Filipino farmers and fisherfolk out of poverty, particularly rice and coconut farmers who make up seven million of the 12 million farmers in the country. She added that under the proposed budget, P20 billion had been realigned to provide for the Rice Competitiveness Enhancement Fund (RCEF) of P10 billion and the Coconut Industry Development Fund also of P10 billion.

Senator Villar gave the breakdown of the the RCEF under the Rice Tariffication bill, as follows: P5 billion for farmers association-registered rice cooperatives and local government units in the form of rice equipment to be implemented by the Philippine Center for Post-Harvest Development and Mechanization, or Philmec; 30% or P3 billion for the development, propagation, and promotion of inbred rice to rice farmers and rice organizations to be implemented by the Philippine Rice Research Institute; 10% or P1 billion

in the form of credit at preferential rates to rice farmers and cooperatives, to be managed by the Land Bank and the Development Bank of the Philippines; and the remaining 10% or P1 billion for extension services to teach rice farmers, and for the mechanization and seed production to be administered by Philmec PhilRice, the ATI and the Technical Education Skills Development Authority or TESDA.

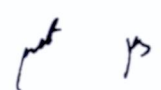
As regards the P10 billion earmarked for coconut farmers, Senator Villar stated that the fund was divided as follows: P2 billion for infrastructure; P2 billion for planting, replanting, and establishment of hybrid coconut nurseries; P1.5 billion for shared facilities; P1 billion for research and development on coconut disease prevention, control and eradication; P1 billion for credit through Land Bank and Development Bank of the Philippines; P500 million for fertilization; P500 million for new products and all derivatives of coconut oil and marketing; and P500 million, or 5%, for training of farmers through TESDA.

She expressed confidence the department would efficiently utilize and implement its programs and projects using its 2019 budget and that it is on track in removing the barriers that keep Filipino farmers and fisherfolk from being more competitive and profitable.

INTERPELLATION OF SENATOR PANGILINAN

At the outset, Senator Pangilinan recalled that during the Subcommittee on Finance hearing on the NFA budget, he made reservations to ask questions in plenary. He then inquired about the effect of the Rice Tariffication Act when the importation of rice is no longer its function; on its budget moving forward and its stock; and on its personnel. He also asked whether there is need to retool the NFA in order to address its new mandate.

In response, Senator Villar stated that the P7 billion budget of the NFA would remain the same as originally intended for buffer stocking because under the new law, the agency would focus more on buying from local farmers who, more than ever, would need attention in the advent of liberalization. She said that if a government agency would buy from the local farmers, there would be no more worry about not having enough market to cater as a result of the liberalization.



On whether the P7 billion was the entire budget of the NFA or if it was only for procurement, Senator Villar stated that the amount would be used for buffer stocking since the NFA has income to cover other expenses. She believed that the P7 billion, which is a government subsidy, would suffice as the income to be removed would be around P100 million only. She explained that before the rice tariffication, the budget of the NFA was P4 billion for overhead costs that covered trading and buying rice, and that they also made money out of importation because they did not pay any tariff. She stated that since they would no longer import, their overhead budget would go down, but she said that the agency would still have money from accounts receivables from previous years to answer for their overhead costs.

Asked if the NFA operations would not suffer under the new tariffication regime, Senator Villar stated that when rice tariffication is fully implemented, the agency's budget would be affected as it is normal for any agency to retrench when its regular functions are reduced to half.

On whether the P7 billion subsidy for palay procurement is enough for a buffer stock of 15 days during regular season and 30 days during lean season, Senator Villar explained that using its money, the NFA buys palay which it immediately sells so that the proceeds from the sale could be used again to buy palay.

To Senator Pangilinan's observation that the challenge would be that at the time of harvest, the NFA has to ensure that there is a 15-day buffer stock every month until June which they have to increase to 30 days under the LEDAC mandates, Senator Villar stated that buffer stocking is done to maintain the price of rice because if the NFA buys and sells it cheap, the consumer would be assured of cheap rice. She said, however, that there is also the chance that rice would be cheaper when bought from importers because of the liberalization of rice importation.

At this juncture, Senator Drilon said that lifting the quantitative restriction as well as imposing tariff on rice importation, by provision of the law, would remove the role of the NFA in stabilizing rice prices, except in providing buffer stock in cases of calamities. He believed that by express provision of the law, it is no longer the policy of the government to stabilize prices through the NFA but to stabilize prices by open and free importation. Senator Villar agreed,

saying that buffer stocking is done only to assure local farmers that there is someone, in this case the NFA, that would buy from them at a definite price because it is their protection in addition to the tariff.

Senator Drilon, however, recalled that buying from the local farmers was only for buffer stocking in cases of emergency and it was never the intention to have stocks in order to stabilize prices. Senator Villar explained that since the local farmers are not used to the liberalization of rice importation, buffer stocking would assure them that someone would buy from them in case they are not able to sell their palay, thus, it is all for their benefit.

At this point, Senator Pangilinan asked if the P7 billion would be used to pay for the loans. Senator Villar hoped that with a new management, the NFA would not commit the same mistake of using the money for loan payments.

Senator Pangilinan recalled that during the last committee hearing of the Subcommittee on Finance on November 26, he raised a number of questions on alleged irregularities involving the NFA, particularly in relation to the accusation of manipulating the minimum access volume (MAV) of rice to favor certain traders, as well as the disappearance of buffer stocks. He noted that the mandate is to have a 15-day buffer stock during the good months and 30 days during the lean months but it was found out that at one point, the buffer stock could only be good for 1 1/2 days. He also cited issues of alleged diversion of NFA stocks to preferred private traders which prompted him to write Agriculture Secretary Piñol, chair of the NFA Council, who, in his letter reply dated December 3, 2018, explained that the alleged diversion of rice in Region VIII involved selected Bulacan traders. He said that the secretary also endorsed to him the answer of the NFA on the alleged irregularities on the disposition of 290,000 bags of 25% broken rice during the first semester of 2016, that the bags of rice were old stocks that had to be unloaded and had to be sold. He noted that the basis for claiming that they were old stocks was the laboratory analysis prepared by the regional director and his staff in Region VIII, the same regional director who was involved in the alleged diversion and sale. He then asked if the authenticity of the analysis was checked, especially since the one who did the analysis was himself under investigation. He disclosed that he also had the experience of discovering traders in cahoots with regional or

provincial NFA personnel to divert bags of rice. Assuming that there was basis for the allegation of a connivance, he stressed the need for an independent investigation.

Senator Villar replied that the new NFA administrator was now conducting another investigation to see if the previous investigation was reliable.

Senator Pangilinan said that he would like to be assured that a separate independent investigation is undertaken and that a report is submitted to the Committee on Agriculture so that the results could be monitored. Senator Villar hoped that the report would be submitted as soon as possible so that she would furnish Senator Pangilinan with a copy and, if he is still not satisfied with the report, an investigation could be conducted after the budget deliberations.

Senator Pangilinan thanked Senator Villar for her offer to look into the matter, recalling that on her first term as the chairperson of the Committee on Agriculture, she conducted an investigation on the NFA and its role in the smuggling of rice and had witnessed how the rice traders would run circles around the NFA personnel.

As regards the letter of the NFA on the issue of misallocation to a number of cooperatives in San Miguel, Bulacan, claiming that only 22 cooperatives with an allocation of only 8% were given licenses after complying with the documentary requirements, Senator Pangilinan recalled that during the investigation it was established that the cooperatives were used as part of the standard procedure to corner MAV imports.

Senator Villar replied that the issue could be investigated again. She recalled that there were cooperatives that gave their import permits to traders for a fee, so that there was one instance that it was the cooperative that was charged because the traders, who actually used the import permit of the cooperative, could not be found anymore.

Senator Pangilinan asked if the reply forwarded by Secretary Piñol and the NFA's OIC was a preliminary response, noting that there was still an ongoing investigation conducted on the issues that he had raised. Senator Villar said that if Senator Pangilinan would not be satisfied with the report on the succeeding investigation, her committee could conduct another public hearing on the matter.

Senator Pangilinan placed on record the issues that he raised during the February 27, 2018 hearing, to wit: 1) the matter of rebagging and the diversion of NFA stocks in Region VIII; 2) the allegations of manipulation of the MAV rice importation in 2017; and 3) the allegations made by the former NFA administrator that the NFA rice was already with the traders instead of the retailers. He stressed the importance of going through the process; otherwise, same abuses and excesses would again be repeated.

At this point, Senator Villar informed the Body that the Department of Justice (DOJ) has filed a case against David Bangayan.

Adverting to a COA report on the bidding for the NFA building, Senator Pangilinan asked if the NFA was still holding office in the same building. Senator Villar replied that the agency was still occupying the same building but that another building was under construction.

Asked what the response was to the COA finding that the procurement of the infrastructure project for the construction of the NFA Central Office building with a contract cost of P460 million was not compliant with the provisions of the 2016 revised IRR and the Government Policy Procurement Board Manual of Procedures, Senator Villar said that the NFA management has already answered the COA. She then asked the NFA for a copy of their reply, saying that if the explanation is not sufficient, then she would call for a reinvestigation in the committee to let the NFA know that such kinds of questions about them are not being tolerated.

Asked whether the COA responded to their explanation, Senator Villar answered in the negative.

Asked whether the contract was awarded and whether the construction was still ongoing despite the findings of the COA, Senator Villar replied in the affirmative, explaining that the letter was only an observation by the COA.

Senator Pangilinan pointed out that the COA issued the observations because of the violations. Senator Villar said that she would request the NFA to go to COA to have themselves cleared and should furnish the Committee with a copy of the clearance.

At this juncture, Senator Pangilinan read a portion of the COA report, to wit: "direct the Legal Affairs

Department to: conduct investigation to determine the liability of the contractors who are supporting deficient documents to support compliance with the eligibility requirements of the contract; take appropriate actions against the contractor for submitting deficient documents to conceal relevant information that lead to the awarding of the contract instead of disqualification.”

Senator Villar asked the NFA to furnish the Committee with a copy of their answer to COA so that the Committee could ask COA’s response to the explanation of the NFA.

Senator Pangilinan continued reading a portion of the letter to wit: “conduct investigation to determine the extent of the participation of NFA officials, members of the BAC and its TWG in the award of contract to a noncompliant contractor; and file appropriate charges, if warranted.” Given the seriousness of the allegation, he said that he would want to get the response of the NFA. Senator Villar assured that the Committee would take care of the matter.

Asked on the current average income of the farmers, Senator Villar replied that the amount is P4,500 a month, or P150 a day or P54,000 a year as against the poverty level which is P72,000.

Senator Pangilinan asked for strategic targets on how to increase the income of farmers until 2022 or a three-year target in terms of income which was the benchmark followed by Thailand, Vietnam, and China. He stated that the income of farmers in China increased from Y150 in 1979 to the current Y7,000 because to the Chinese policymakers, interventions must be benchmarked in terms of increased incomes of their farmers. He added that Vietnam was doing the same, targeting at doubling their farmers’ income in a period of 10 years.

Asked if there are policy initiatives and recommendations aimed at increasing the income of farmers, Senator Villar stated that 90% of the crop farmers are either rice farmers numbering to 3.5 million, or coconut farmers at 3.5 million, or a total of P7 million farmers. She hoped that with the approval of the RCEF, mechanization could contribute to the decrease in the cost of rice by 25% which, in effect, would translate to an increase of their income, and with the introduction of better seeds, the farmers are expected to produce 50% more from four to six metric tons of rice per hectare, or an expected increase of 50% in their income. She expressed hope that the RCEF

would be successful so that the farmers could compete with Vietnam, which produces P6 per kilo of palay compared to P12 per kilo of rice that the Filipino farmers produce.

Asked what would happen to the interventions if the income of the farmers would not increase, Senator Villar hoped that their income would increase.

Senator Pangilinan asked if there were benchmarks, noting that the farmers are earning an average of less than P4,500 a month. Senator Villar replied that aside from the Coconut Farmers Industry Development Law with an allocation of P10 billion, the farmers would be encouraged to do intercropping. She said that the mandate of the Coconut Farmers Industry Development Law is to provide farmers with hybrid seeds which could produce 150 coconuts per tree a year, much higher than the 40 coconuts produced by the current crop, thus tripling the farmers’ monthly income of P1,500. Likewise, he said that with the introduction of intercropping, the planting cacao or coffee under the coconut trees, for instance, the coconut farmers could earn additional income estimated to reach P10,000 a month.

Asked whether the coconut farmers still earn P50 a day from copra, Senator Villar said that she could not assume there was an increase since there was not much intervention in terms of improving copra production.

Senator Pangilinan asked why the coconut farmers are still earning P50 a day producing copra despite initiatives to push for the programs of the PCA, and despite increased performance indicators as to hectares intercropped, number of hectares fertilized, and the number of hectares replanted. He asked what use these indicators have if they do not translate into outcomes that would increase the income of coconut farmers. He stated that unless the target of increasing the monthly income of coconut farmers from P20,000 to P100,000 is reached, then there is no way of determining whether the lives of the farmers are improving. However, he believed that once intercropping, fertilization and replanting are done simultaneously, including producing coconut water and coconut sugar as value added, then the estimated monthly income of the farmers would increase from P100,000 to P150,000.

Senator Villar said that that the coconut farmers are expected to earn more from intercropping of

cacao and coffee, and from dairy, aside from the replanting program which is expected to triple their harvest because of the introduction of hybrid seeds and the provision for shared facilities program which is a mandate of the Coconut Industry Development Fund. She hoped that the coconut farmers would venture into processing coconut because the prices of coconut are determined by market forces in the international market which the country cannot control. She informed the Body that at the Anuga Fair in Germany which she visited, the most popular product is coco-sugar and coco-water. She expressed hope that the farmers would produce the same through the Shared Facilities Program.

Senator Pangilinan hope that the *Sagip Saka* Act, a bill he filed when he was still chair of the Committee on Agriculture in 2017 and which was already approved on Third Reading by the Senate, would have a House counterpart measure, so that it could be enacted before June. He said that the measure seeks to provide farmers access to the markets, support from the government, possible exemption from the Procurement Law, and allows local government units to purchase directly from accredited farm cooperatives and organizations. He lamented that the Department of Agriculture is still following the Procurement Act, which, he opined, is unnecessary since the agency is dealing with fresh produce like vegetables, which would wilt if the bidding process is followed.

Senator Villar noted that the measure that Senator Pangilinan was referring to was being acted upon in the House of Representatives. She expressed hope to have the bill passed by June.

Senator Pangilinan stated that the measure is simple but of great impact because it would give the farmers, once organized, to have access to markets; it would be the government that would buy their produce so that they would not struggle in looking for the buyers of their products. He believed that Senator Villar could be of great help to advance the measure given her influence in the House of Representatives.

Senator Villar assured that she would ask the party-list representative involved in agriculture to make sure the bill is passed in the House of Representatives.

Senator Pangilinan said that her daughter Frankie, who is turning 18 years old, told him that the farmers

should be treated like parents because they are the ones who feed the people. For that to happen, he said that the Department of Agriculture should take care of them, and that they should be given utmost importance so that the problem on food security could be addressed.

Senator Villar agreed with Senator Pangilinan, saying that the small farmers are the ones feeding the next generation; thus, it is important to take care of them.

INTERPELLATION OF SENATOR HONTIVEROS

Senator Hontiveros noted that the budget of DA under the NEP was P47.433 billion while it was P49.339 billion in the GAB, or an increase of about P1.7 billion which was adopted in the Senate committee report for machinery, equipment, facilities and farm-to-market roads. She said that while she approves of farm-to-market roads because the farmers need them, she wondered how the NEP overlooked such a need to add P1.7 billion worth of new roads. Relative thereto, she asked how much was allocated to programs such as crop diversification, livestock production, and other programs which aim to augment the productivity and income of the farmers. She pointed out that such programs are necessary as they would cushion the projected loss of income of farmers due to rice tariffication.

As regards the basis for the P1.7-billion increase in the DA budget, Senator Hontiveros asked for the details of programs and projects where it was allocated and the number of farmers who would benefit from it. She asserted that the projects must be reviewed as to whether they are cost-effective or not. She recalled that when the Rice Tariffication bill was being considered, she supported the proposal of Senator Recto to allocate funds for the diversification of the sources of income of the rice farmers. She noted that the NEDA has actually listed the provinces where productivity is less than the national average of 3.5 tons per hectare, namely, Palawan, Antique, Iloilo, Aklan, Surigao del Sur, Capiz, Masbate, Catanduanes, Eastern Samar, Guimaras and Maguindanao. She said that aside from the reassurance of support from the RCEF, the chances of farmers surviving the shift to tariffication would be enhanced if they would also shift to different crop lines. However, she lamented that there are no substantial funds for the income diversification because the fund of ACEF

under the DA is limited only to those farmers who were affected by the earlier rounds of import liberalization under the WTO agreements.

Senator Hontiveros believed that the P1.7-billion increase in the budget of DA should be added to the budget of the ACEF instead of being incorporated in the repair and rehabilitation of FMRs. She believed that farmers from the 14 provinces who would be negatively affected by the rice tariffication must not wait for the rice tariff collection of the Bureau of Customs to exceed P10 billion to get help.

Senator Villar pointed out that the budget of ACEF must come from the tariffication of agricultural products since it was created by a law. She opined that if Senator Hontiveros would want the P1.7 billion to be transferred to a particular program, it should not be ACEF but other programs such as National Livestock Program, National Corn Program, National High Value Crop Program, National Organic Agriculture Program, and Halal Food Industry Development, among others. She explained that under the ACEF law, 80% of the ACEF would go to the Landbank which would lent out P1 million maximum each to small farmers, P5 million each to cooperatives, grant scholarships to be managed by CHED, and for research and development to be managed by SUCs.

But Senator Hontiveros believed that since the GAA is also a law, it could also add to the fund of the ACEF. She said that she would present her amendments regarding the P1.7 billion additional fund at the proper time.

As regards her previous questions and amendment that she would later propose on the budget of BFAR, Senator Hontiveros asked whether the agency has a bureau or a senior official assigned specifically to implement fisherfolk settlements as provided in the Fisheries Code. Senator Villar replied that Attorney Tabios was still the one in charge. Senator Hontiveros recalled that during her visit to Siay, Zamboanga, one of the first areas where fisherfolk settlement was implemented in early 2018, she learned that the fisherfolk there were asking for help and leadership from the BFAR itself. She then asked for the number of fisherfolk settlements targetted to be implemented and facilitated by the bureau in 2019 because according to the DENR, the BFAR has not involved itself in identifying and formalizing the tenure of the fisherfolk settlements.

In reply, Senator Villar cited a report which showed that P20 million was allocated for the acquisition of parcels of land in the municipalities of Aroroy, Masbate and in the municipality of Siay, Zamboanga Sibugay through the joint effort of BFAR and the concerned local government units which shall thereafter be sold at cost to the registered fisherfolk in that particular LGU. Moreover, she said that the BFAR shall provide for the livelihood of the beneficiary fisherfolk to ensure that the lands that they acquired are paid to the LGU.

Senator Hontiveros lamented that while there was a proposed budget of P20 million for the said program for 2019, the 10 settlements targeted for 2018 was reduced to only two. In reply, Senator Villar asked for the list of the settlements that Senator Hontiveros would want to be included and which could be funded through the P1.7-billion budget for the farm-to-market roads that she wanted earlier to transfer.

Senator Hontiveros pointed out that the NAPC-DENR-BFAR team has already a list of settlements from where they could select their target. Senator Villar said that according to BFAR, they could pinpoint 10 places wherein they could duplicate what they did the previous year. Senator Hontiveros asked BFAR to pinpoint more than 10 as their target so that they would have higher possible outcomes unlike in 2018 where they pinpointed 10 settlements but were only able to start two.

Moreover, Senator Hontiveros suggested that the BFAR coordinate with HUDCC regarding the latter's shelter plans in coastal municipalities where fisherfolk are located.

Senator Villar clarified that when the BFAR identified 10 settlements last year, they were not given a budget for it.

On another matter, Senator Hontiveros recalled that in the previous year, BFAR entered into partnerships with municipal and coastal fisherfolk, particularly during closed season, in the Balayan Bay. She then asked the present source of livelihood of the fisherfolk during closed season, and whether the registry was updated to facilitate the program.

Senator Villar replied that at present there are 1.8 million fisherfolk in the municipal waters, 30% or 600,000 of whom are marginalized. Hence, she said that during a closed season, they are paid by planting

mangrove or by cleaning the coastal areas under the program of the BFAR, entitled "*Masagana at Malinis na Karagatan.*"

Senator Hontiveros stated that at the proper time, she would propose an amendment to mandate the bureau, in partnership with the DSWD, to increase livelihood replacement or livelihood programs during closed season. Senator Villar assured that she would identify the affected CCT beneficiaries in the closed fishing areas so they would be given another livelihood program.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF AGRICULTURE AND ITS ATTACHED AGENCIES, AND BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS

There being no further interpellations upon motion of Senator Zubiri, there being no objection, the budget of the Department of Agriculture and its attached agencies, namely, Office of the Secretary, Agricultural Credit Policy Council, Bureau of Fisheries and Aquatic Resources, National Meat Inspection Service, Philippine Carabao Center, Philippine Center for Post-Harvest Development and Mechanization, Philippine Fiber Industry Development Authority, Philippine Council for Agriculture and Fisheries, Fertilizer and Pesticide Authority; and the Budgetary Support to Government Corporations - Department of Agriculture, namely, the National Dairy Authority, Philippine Crop Insurance Corporation, Philippine Fisheries Development Authority, Philippine Rice Research Institute, Sugar Regulatory Administration, National Food Authority, Philippine Coconut Authority; and Other Executive Offices including the National Irrigation Administration, were deemed submitted for the Body's consideration.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Angara, there being no objection, the Body suspended consideration of the bill.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, there being no objection, Senate President Sotto declared the session suspended until ten o'clock in the morning of the following day.

It was 9:48 p.m.

RESUMPTION OF SESSION

At 10:08 a.m., Friday, December 7, 2018, the session was resumed with Senator Honasan presiding.

COMMITTEE REPORT NO. 538 ON HOUSE BILL NO. 8169

(Continuation)

Upon motion of Senator Villanueva, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 8169 (Committee Report No. 538), 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 NINETEEN, AND FOR OTHER PURPOSES.

Senator Villanueva stated that the parliamentary status was still the period of interpellations.

DEPARTMENT OF LABOR AND EMPLOYMENT

Senator Angara presented the budget of the Department of Labor and Employment.

INTERPELLATION OF SENATOR VILLANUEVA

At the outset, Senator Villanueva expressed his full support for the budget of the Department of Labor and Employment and its attached agencies particularly since he has once a part of the One DOLE family, saying that his intention was only to raise questions regarding DOLE's actions amid recorded incidents of apprehension of illegal foreign workers.

In this regard, he recalled alarming revelations in past hearings of the Committee on Labor, Employment and Human Resources Development including the following:

- 1,316 Chinese workers were caught in Fontana working for Next Games, an online gambling outfit registered as a BPO;
- May 23, 2017 – Nine Chinese and Indonesian nationals were caught operating a dredging vessel in San Felipe, Zambales;

- May 2, 2018 – a waitress from Barangay Tambo, Paranaque was beaten by a Chinese chef who was unable to produce his passport and work visa;
- September 6, 2018 – 34 Chinese nationals were arrested at a construction site along Disosdado Macapagal; and
- November 22, 2018 – 93 illegal Chinese workers were arrested in Pasig.

Senator Villanueva reminded the DOLE that Article XII, Section 12 of the Constitution mandates the preferential hiring of Filipino workers. He clarified that there was nothing wrong with companies legally employing foreigners, only with those who illegally hire foreigners over Filipinos as it effectively robs the latter of much-needed jobs.

Senator Angara reported that 99% of the estimated 60,000 establishments inspected by the DOLE were compliant, while only 212 establishments failed to follow DOLE regulations. These, he said, include the firms mentioned by Senator Villanueva. He explained that the ongoing efforts of the DOLE to address the issue include:

1. Convening an inter-agency task force composed of the DOLE, the Department of Justice (DOJ), the Department of Foreign Affairs (DFA), the Department of Public Works and Highways (DPWH), the Bureau of Immigration, (BI) the Philippine Amusement and Gaming Corporation (PAGCOR), the Philippine Economic Zone Authority (PEZA), Clark Development Corporation (CDC), Clark Economic Zone Authority (CEZA) and the Subic Bay Metropolitan Authority (SBMA);
2. Conducting advocacy campaign to licensed Philippine Offshore Gaming Operators (POGOs) and recommending that all foreign nationals intending to work in online gaming be issued Alien Employment Permits (AEPs) prior to the issuance of the PAGCOR license to POGO applicants;
3. Conducting a joint review or amendment of policies with respect to the issuance of special work permits;
4. Proposing the issuance of an inter-agency joint memorandum circular with respect to the application of a work visa in the consular office in the worker's country of origin; and
5. Intensifying the routine inspection of establishments to ensure full compliance with the labor rules.

Asked whether only the DOLE has the sole and exclusive right to issue AEPs, Senator Angara affirmed, saying it is pursuant to the agency's mandate under the Labor Code and the Constitution to ensure full employment which is one of the main goals of the government. He cited Article 40 of the Labor Code mandating that non-resident aliens should obtain employment permit from the DOLE. He stated that the DOLE is solely authorized to issue the permit because it has the capacity and technical knowhow to distinguish whether Filipinos are capable of taking on the jobs being offered to them.

Relative thereto, Senator Villanueva informed the Body that in a hearing conducted by the Committee on Labor and Employment on November 26, 2018, he learned that the Bureau of Immigration had an agreement with the DOLE in the issuance of special working permits (SWPs) reportedly for concert productions and PBA imports, and that, in fact, the agency had already issued about 119,000 permits. He said that to this knowledge, prerequisite to the issuance of a working visa is the AEP which is issued by the DOLE, and so he asked what the role of the DOLE is the issuance of special working permits. Senator Angara explained that there was a memorandum that allows the BI to issue SWPs for periods not exceeding six months. However, he admitted that such authority is subject to abuse particularly since aliens acquiring such permits are casual employees.

Senator Villanueva stated that he has a copy of Memorandum Order No. AFFJR05-009 that indicated that the BI is the sole authority to issue the AEP which, for a short time, was called special working permits to address the lengthy process in the issuance of AEPs particularly during the time of DOLE Secretary Patricia Sto. Tomas. He then asked if the DOLE has a part in the memorandum order because it issued Department Order No. 186, series of 2017 which governs the implementation of Article 41 of the Labor Code which provides that "all foreign nationals who seek employment are required to secure an alien employment permit from the department." Senator Angara confirmed that Memorandum Order No. AFFJR05-009 has been abused in practice. He lauded Senator Villanueva for protecting the jobs for Filipinos since the Labor Code sets a condition that alien work permits can be issued only when no

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local is available to perform the jobs being offered. He expressed dismay over reports that foreigners are taking on basic blue collar jobs even though many Filipinos are unemployed. However, he took note that Senator Villanueva's efforts had resulted in a joint review or amendment of policies with respect to the issuance of the SWPs to ensure that only qualified foreign nationals are allowed to work in the Philippines subject to the requirements of existing laws. He said that the DOLE would look into the possibility of issuing a joint memorandum circular regarding BI Memorandum Order No. AFF05-009.

Senator Villanueva expressed concern over the fact that the BI issued the memorandum order without coordinating with the DOLE since it was not merely a violation of the Labor Code but of the Constitution as well. He said that he had received information that the DOLE and the BI had an agreement to expedite the issuance of short-term work permits only which supposedly were for highly technical jobs that could not be performed by locals in contrast to M.O. No. AFFJR05-009 which was general as it covered all sorts of employment. He hoped that the DOLE would support his initiative of ensuring that there are available jobs for Filipinos and would make a clear stand that it is not tolerating the entry of illegal workers.

On another matter, Senator Villanueva believed that the Philippine situation should not be compared with China because despite having illegal workers in Macau, Hong Kong, Beijing and Shanghai, it is a superpower with all its money and resources to create jobs and help its citizens. He noted that some Filipinos work in China because Chinese nationals do not have a competent skillset for the task. He added that even service providers are either incompetent or unwilling to do the tasks performed by Filipino workers. Senator Angara replied that most Filipino workers in China are English teachers, a job which no local or Chinese could perform.

On another matter, Senator Villanueva stated that more than half of the 119,000 aliens issued working permits by the BI work for Philippine Offshore Gaming Operators (POGOs). If proven that there are no Filipinos available or competent to do the job given to foreigners, he stated that the DOLE, being the chair of the board of TESDA, should lead the way in preparing or training the people, especially if it is seen as an emerging industry, market, or sector, and it is anticipated that the

industry would last for the next five or ten years, TESDA has a Language Skills Institute (LSI) that teaches Mandarin, among other languages.

Senator Angara agreed that language skills are among the waves of the future in terms of employment generation, and that TESDA should be encouraged to go to that direction.

Senator Villanueva hoped that the DOLE would be more proactive as jobs equate to livelihood. He assured that he would always stand with the department in ensuring full and gainful employment for all Filipinos.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 10:33 a.m.

RESUMPTION OF SESSION

At 10:34 a.m., the session was resumed.

SUSPENSION OF THE CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF LABOR AND EMPLOYMENT

Upon motion of Senator Zubiri, there being no objection, the Body suspended the consideration of the budget of the Department of Labor and Employment.

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY

Senator Angara presented the budget of the Technical Education and Skills Development Authority (TESDA).

INTERPELLATION OF SENATOR VILLANUEVA

At the outset, Senator Villanueva expressed his support for the budget of TESDA, saying that he would raise two issues that he failed to raise during the hearing of the budget of DOLE. First, with regard to the issuance of Executive Order No. 67 which transferred TESDA to DTI as an attached agency without consulting the DTI, as claimed by the department itself, he acknowledged that there was

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logic in bringing TESDA policy directions nearer to the employers and bringing employers to participate in shaping policies in TESDA. He clarified, though, that he was not questioning the authority of the President to reorganize offices under him, but he pointed out that the charter of TESDA itself, indicated that it is an attached agency of DOLE. He then asked if TESDA was consulted on the move to transfer it to DTL. Senator Angara replied that the DOLE Secretary was informally consulted and had given his favorable comment. He explained that the idea was to solve the job skills mismatch problem and to have the industries ready to absorb the skilled and semi-skilled workers.

Senator Villanueva questioned if TESDA would not be able to do what it is mandated to do if it was not transferred as an attached agency to DTL. He reminded the Body that the father of the TESDA law, the late Senator Edgardo Angara, made sure that the said agencies would work together, the reason why the TESDA Board is made up of the DTI, DepEd, DOST, and other pertinent agencies. Senator Angara agreed that the TESDA could have still done its mandate without the transfer, but that apparently the problem was quite serious that the agency had to defer to the wishes of the President.

Senator Villanueva asked if TESDA was consulted by DOLE or BI on the issuance of alien employment permits or special working permits. Senator Angara said that they were consulted by the DOJ, the mother agency of the BI, but as regards the issue of working permits for online gaming, he said that TESDA was not consulted.

Senator Villanueva recalled that during the hearing, he was surprised when the BI mentioned that there were no Mandarin-speaking Filipinos. He then asked how many Language Skills Institutes the TESDA has and where are they located. Senator Angara stated that there are 37 LSIs offering the Mandarin language as well as other languages, and for the years 2015 to 2017, there had been 951 graduates for the Mandarin language course. Senator Villanueva said that TESDA should therefore furnish the BI with a copy of the information.

Regarding other skills, Senator Villanueva asked if TESDA was being a proactive agency, if it can anticipate emerging industries and sectors, if it keeps track of certain sectors, if it has a projection of growth and a demand for jobs increase, and if it

is doing anything so that jobs would not be given to foreigners. Senator Angara replied that TESDA has indeed a National Language Skills Institute which offers Mandarin language courses, and that it could be expanded to offer more training slots to as many as 3,700 people by accrediting more LSIs and including more private schools or institutions offering Mandarin language courses. He agreed with Senator Villanueva that TESDA should be proactive in anticipating emerging sector and not just concentrating a language skills.



On the issue of universal access to tertiary education through the TVET, Senator Villanueva recalled that as pointed out by Senator Lacson the previous day during the interpellation on the budget of CHED, the reason for the 18% utilization rate was that TESDA received the amount in September 2018 only, that was why the agency cannot be expected to obligate and quickly disburse such amount of money, adding that it should not be their policy that people suffer due to the inefficiencies of government agencies. He then asked how much money was still pending with the TESDA board, considering that the UAQTEA is not just for tuition fees but also for tool kits which are used in the Special Training for Employment Program (STEP) of TESDA.

Senator Angara said that for 2018, there was P5.6 billion.

Asked by Senator Villanueva what would happen supposing at the end of December 2018, the joint resolution that would extend the validity of the capital outlay and MOOE in the 2018 budget is not approved on time by Congress, Senator Angara gave the assurance that the money would not revert to the Treasury because it is in the nature of a trust fund and as long as the program is ongoing, the agency could access the fund.

Senator Villanueva disagreed, saying that just for the tool kits alone, the funds therefor that are sourced from the Universal Access to Quality Tertiary Education and the Special Training for Employment Program (STEP) which already stood at P1.5 billion would go back to the Treasury in the event Congress failed to approve the joint resolution.

Senator Angara affirmed Senator Villanueva's observation that the funds would revert to the Treasury since the STEP is not subject to the Trust Fund principle and non-reversion.

Senator Villanueva said that he somehow agreed with the decision of Senator Angara that unused funds be realigned but on the other hand, he likewise agreed with Senator Lacson that the people who wish to be trained, empowered and employed should not be punished. He then appealed to Senator Angara if it was possible to strike a balance so that those who expect to enjoy free quality vocational training would not suffer.

Senator Angara replied that he had, in fact, talked with the TESDA about restoring some of the money realigned and, for the record, he said that the money has not gone out of the educational sector. He said that given that there would be over P5 billion carried over into the 2019 budget from the 2018 budget for TESDA, such would be placed in CHED. He said that there were many SUC presidents appealing that the salary increase promised by the DBM since 2015 which has not been implemented for the last three years be finally realized.

Senator Angara said that all the goals that he and Senator Villanueva mentioned go towards providing quality education and opportunities to the Filipinos. Like Senator Villanueva, he said that he had been trying to find the appropriate balance and he committed to work together with TESDA Secretary Lapeña and CHED Chair De Vera towards finding the right balance in the spending.

For his part, Senator Villanueva said that he was looking forward to working with Senator Angara on the particular budget item and accepted his commitment to ensure that the funds for the purpose would be restored.

On a related matter, Senator Villanueva recalled that when Senator Angara defended the budget of the CHED earlier, it was placed on record that the TESDA and the DepEd have not yet given their commitment to the drafting of the IRR of the Philippine Qualifications Framework (PQF) Act which was passed into law in January, 2018.

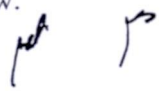
Asked to give an update on the IRR, Senator Angara said that a TWG on the PQF's IRR was set on December 18, 2018 by Undersecretary Malaluan of DepEd to synthesize the results of the nationwide public consultations which they had in August and September, this year. He said that the TWG was already in its final stages and by the first quarter of 2019, they are expected to finally have the IRR.

Senator Villanueva said that he was glad that the IRR would finally be completed after a year. However, he lamented that it seemed that the TESDA had been remiss in its duty to comply with its commitment to the IRR of the PQFA. Senator Angara said he believed that the TESDA had done its part as the secretariat for the three agencies but it was unfortunate that it was identified as being remiss in its duty concerning the IRR.

Moving on to another matter, Senator Villanueva said that he signed earlier the Bicameral Conference Committee Report on the *Tulong Trabaho* Act which specifically provides for the upgrading of skills of employed workers who intend to develop and expand their current skills and training. Asked if there are plans to immediately execute the *Tulong Trabaho* should the bill become a law in 2019, and whether there would be funds available for its implementation, Senator Angara said that according to TESDA, they are committed to implement the law because it expands access to technical education and skills development and it could facilitate the development of new programs. He explained that although funds specifically for the *Tulong Trabaho* were not yet available in 2019 because of its non-inclusion in the NEP, its target beneficiaries could access the existing TESDA scholarship programs such as the TWSP, the STEP and the PESPA. For the record, he reported that there was P2.36 billion for TWSP, P1.757 billion for STEP and P200 million for PESPA for a total of P4.321 billion for the beneficiaries of the law.

At this point, Senator Villanueva volunteered to help find additional funding for such an important measure because it does not only talk about free quality training program for the people but that it guarantees job creation and harmonizes and encourages the partnership of TESDA with the various employment-generating sectors, such as the semiconductors in electronics, the construction sector and the IT-BPO. He recalled that that not too long ago, the IT-BPO industry managed to overtake India's call center industry. He believed that the industry would be able to do a lot more, not only in creating jobs but also in establishing partnerships with the emerging industries and sectors that would help the Filipinos land jobs.

Lastly, he expressed hope that the labor secretary would continue to push for the passage of the Security of Tenure (SOT) bill with the same vigor as he did with RA 11058, or the Occupational Safety and Health Standards (OSHS) Law.



Adverting to RA 11058 anew, Senator Villanueva said that the TESDA training regulation prescribes inclusion of safety and health as a common unit of competency, specifically Section 16 on safety and health training thereof which mandates that all workers shall undergo the mandatory eight hours safety and health seminar. Asked if TESDA was coordinating with DOLE insofar as implementing Section 16 was concerned, Senator Angara said that he was informed by the expert panel of TESDA that they are in touch with the expert panel of DOLE regarding the OSHS law and they are trying to fine-tune its implementation.

SUSPENSION OF SESSION

Upon motion of Senator Angara, the session was suspended.

It was 11:05 a.m.

RESUMPTION OF SESSION

At 11:07 a.m., the session was resumed.

INTERPELLATION OF SENATOR HONTIVEROS

Preliminarily, Senator Hontiveros said that she would have only three questions for the DOLE. She recalled hearing Secretary Diokno say in an interview at the ANC several months ago that there was an alleged shortage of Filipino construction workers and the difficulty of the construction industry to hire construction workers for the 75 major infrastructure projects under the Build, Build, Build program. She said that she found Secretary Diokno's claim as sweeping especially since the administration claimed that the Build, Build, Build project could create two million jobs yearly for six years.

Asked whether the Labor Secretary would agree with Secretary's Diokno's statement regarding the alleged shortage of Filipino construction workers, Senator Angara said that he was in Iloilo a few months ago and he was told that there was indeed a shortage of construction workers, that was why they had to import workers. However, he said that perhaps the alleged shortage was not an indication of the overall situation in the country but only in a particular province.

Since there was anecdotal evidence from one province and that the labor secretary agreed with the budget secretary's statement, Senator Hontiveros

wished that the Institute for Labor Studies could provide specific indicators to track and test such claims. Relative thereto, she asked for a study or technical report from the DOLE regarding the number of low and high-skilled Filipino workers and those available and those with potential to be trained to work in the construction industry.

Senator Angara assured Senator Hontiveros that the DOLE is capable of doing the study which would require close collaboration with the construction industry.

Senator Hontiveros believed that it would be good to foster cooperation, not only with Congress but also with DOLE and the construction industry.

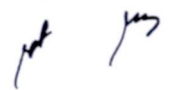
On another matter, Senator Hontiveros stated that Akbayan Representative Walden Bello, along with Representatives Kaka Bag-ao and Tom Villarin, filed House Bill No. 2512 or the Wage Fixing Bill which aims to address wage gaps brought about by RA 6727 or the Wage Rationalization Act that was enacted in 1989. She then inquired if the DOLE was able to make an assessment on the work of the Regional Wage and Productivity Boards in implementing the law.

Responding thereto, Senator Angara stated that minimum wage setting is a function delegated by Congress to the Regional Wage and Productivity Board which, in turn, defers to the wisdom of Congress on the policy to be pursued while the DOLE is ready to provide the necessary technical advice given its experience in minimum wage setting.

Asked if the DOLE could include third-party experts in evaluating and improving the regional wage setting, Senator Angara stated that the DOLE would welcome the suggestion of Senator Hontiveros who, in turn, said that she would work with the chair of Senate Committee on Labor, Senator Villanueva, on the matter.

Adverting to RA 11036 or the Mental Health Law, Senator Hontiveros read to the Body Section 25 thereof, to wit:

"Sec. 25. Mental Health Promotion of Policies in the Workplace. – Employers shall develop appropriate policies and programs on mental health in the workplace designed to raise awareness, correct stigma and discrimination, identify and support individuals with mental health conditions to treatment and psychosocial support."



She inquired what measures the DOLE, as a member of the Mental Health Council and one of the framers of the IRR, was undertaking in implementing the said section.

Senator Angara stated that the Department had consultations with all the stakeholders and had committed to complete the IRR by January 2019.

Senator Hontiveros expressed her gratitude to the Department, adding that it would be a great Christmas gift to the labor sector.

Senator Angara thanked Senator Hontiveros for her concern for the workers and for ensuring that the laws are properly implemented.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF LABOR AND EMPLOYMENT

Upon motion of Senator Zubiri, there being no objection, the budget of the Department of Labor and Employment, including the Office of the Secretary, Institute for Labor Studies, National Conciliation and Mediation Board, National Labor Relations Commission, Philippine Overseas Employment Administration, Professional Regulation Commission and Overseas Workers Welfare Administration, was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 11:16 a.m.

RESUMPTION OF SESSION

At 11:29 a.m., the session was resumed.

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY

(Continuation)

Upon resumption, the Body resumed consideration of the budget of the Technical Education and Skills Development Authority (TESDA).

The Chair recognized Senator Angara, sponsor of the TESDA budget, and Senator Gordon for his interpellation.

INTERPELLATION OF SENATOR GORDON

At the outset, Senator Gordon stated that TESDA is a very important arm of the government whose mandate has always been his advocacy when he was mayor of Olongapo City and administrator of Subic. He said that it is important to make sure that its budget would go a long way, especially because most of its beneficiaries are those who are not adequately educated.

He stated that the Congress, through legislation, tries to create job opportunities and business through the Department of Trade and Industry, and hone students through education from the DOST, DepEd and CHED.

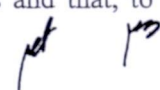
Asked on the total appropriation for TESDA, Senator Angara replied that it was P9,815,663,000 under the Senate committee report. He affirmed that there are 2.3 million unemployed Filipinos, 29 million underemployed and 13.8 million not in the labor force or a total of 45.1 million or almost 45% of the total population who are in need of technical and vocational education.

As regards the unspent appropriation of TESDA because it was released only on September of the current year, Senator Angara replied that it is one of the reasons why the agency has a carryover of around P5.6 billion for 2019 which was transferred to the SUCs and CHED.

Senator Gordon asked if the amount could be restored to the TESDA, with the provision that they give a program and a report on how the money was spent. He said that the higher education institutions are already well-taken care of while there is a need to address the many out-of-school youth so that they would have the necessary skills for job opportunities. Senator Angara replied that during his discussion with Senator Villanueva, chairman of the Committee on Labor, Employment and Human Resources Development, he committed to restore some of the budget to TESDA.

Senator Gordon said that he just wanted to be assured that the people in TESDA would have all the funds they need. Senator Angara gave his commitment that he would thresh out the details on the return of funds to TESDA and to ask the agency's commitment on its ability to obligate the funds.

Senator Gordon stated that he has been a Red Cross volunteer for more than 50 years and that, to him,



there is really no need for another Cabinet for disasters because if there are volunteers from the education department, specifically from TESDA, who could be trained to do CPR or first-aid as an extra skill, then it would be easier for them to respond in case there is an emergency. He then suggested that the TESDA embark on emergency management training for first-aiders. He informed the Body that in other countries, a high school graduate could qualify to be an ambulance rider with emergency management capability which could be upgraded. He wished that TESDA would do the same thing because people with such skill in the Middle East, especially in Qatar, have good jobs with good pay. He said that a lot of Filipinos could be trained with such skill, and he suggested that Senator Angara convinced TESDA to pursue the idea. Senator Angara disclosed that the agency is already in partnership with Red Cross.

Senator Gordon opined that TESDA would be very good vehicle in getting a lot of young people help the country during disasters and eventually also help them get more jobs abroad because of their skills.

SUBMISSION OF THE BUDGET OF THE TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY

There being no further interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Technical Education and Skills Development Authority was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 11:39 a.m.

RESUMPTION OF SESSION

At 1:55 p.m., the session was resumed.

HOUSING AND LAND USE REGULATORY BOARD AND KEY SHELTER HOUSING AGENCIES

Upon resumption, Senator Ejercito presented the budgets of the Housing and Land Use Regulatory Board, Housing and Urban Development Coordinating Council, Home Guaranty Corporation, National Home

Mortgage Finance Corporation, National Housing Authority, and Social Housing Finance Corporation for Fiscal Year 2019.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 1:58 p.m.

RESUMPTION OF SESSION

At 2:02 p.m., the session was resumed.

Upon request of Senator Zubiri, Senator Ejercito submitted for the Body's consideration corresponding allocations of the following: Housing and Urban Development Coordinating Council (HUDCC) with a budget of P174.745 million; Housing and Land Use Regulatory Board (HLURB) P259.992 million; Home Guaranty Corporation (HGC), P500 million; National Home Mortgage Finance Corporation P500 million; Social Housing Finance Corporation, P800 million; the HUDCC, and National Housing Authority, with P2,860,208,000.

INTERPELLATION OF SENATOR HONTIVEROS

Senator Hontiveros noted that President Duterte had requested to allot P5 billion to Task Force *Bangon Marawi* which was lodged in the budget of the NDRRMC. She suggested that the funds be transferred to the Department of Budget and Management or to the National Treasury for efficiency in the obligation and disbursement to the implementing agencies, but with proper clearance and go-ahead signal from the HUDCC secretary who heads Task Force *Bangon Marawi*.

Senator Ejercito said that the request of Senator Hontiveros was timely as he revealed that HUDCC Chairman Eduardo Del Rosario, head of the Task Force *Bangon Marawi*, and Marcelino "Jun" P. Escalada Jr., the NHA general manager and concurrently HUDCC secretary general, have already come to an agreement that all the different agencies would join hands to implement the projects.

Asked why only P5 billion was allocated for the Task Force and whether the DBM was contemplating on asking for a supplemental budget given that NEDA

and HUDCC have already specified their programs, activities and projects (PAPs) for the Task Force rehabilitation and reconstruction plans, Senator Ejercito explained that the allocation of P5 billion is intended only for the first year of the program which, according to GM Escalada, would cost the government P4.7 billion. He added that an allocation of P6 billion is earmarked for the second year and P3 billion for the third year, for a total budget of P13.7 billion.

Senator Hontiveros expressed her approval of the budget for the medium-term rehabilitation of Marawi, especially noting that it was not limited to P5 billion.

Asked whether a supplemental budget was being considered for year 2019 to augment the allocation, Senator Ejercito replied in the negative, explaining that the budget is enough for the affected area.

As regards the timeframe of the rehabilitation program, Senator Hontiveros expressed alarm over the duration of the rehabilitation process which, she said, should be fast-tracked, noting the admission of the secretary in the HUDCC budget briefing regarding the delay in the PPP Center, particularly the joint venture contract assembled for *Bangon Marawi* which involved the private proponents and the Chinese-Filipino property developers. She surmised that the developers could not come up with an estimate as regards the significant number of expenses and investments, especially in the central battle zone which needs more revenue streams that could compensate for the investment demands of the PPP proponents. She believed that there is a need to enumerate the investment items amounting to more than P20 billion that is supposed to be incorporated not only in the GAA for 2018 but also for 2019, as well as the obligation of the funds from 2018 to 2019. Thus, she underscored the need for the rehabilitation process to be expedited, and she suggested that Secretary Del Rosario and General Manager Escalada furnish the Committee with a copy of the work and financial plans of *Bangon Marawi*.

Senator Ejercito said that according to the Task Force *Bangon Marawi* head and the GM of NHA, the joint venture agreement was already scrapped, and that to fast-track the rehabilitation of Marawi, especially the most-affected areas, the programs and projects would be done through public bidding and then dispersed to the different agencies, such as NHA, DPWH, DOTr, DOT, DOH, and the DENR. He said that all of the agencies under the Task Force

Bangon Marawi would implement the different projects which are all subject to public bidding.

Senator Hontiveros asked that Secretary Del Rosario and GM Escalada gather from the different implementing agencies and give to the Committee the work and financial plans, similar to the MAA and non-MAA areas that were approved by the NEDA Board. She also asked for the budget of expenditure with specified sources of financing, saying that such would be useful in the succeeding years, especially in the planning stage for the second and third year of the program. She stressed that the draft consolidated procurement and disbursement plan of all the agencies involved is also important not only for the Senate but also to the many stakeholders who claimed that the information they received about the rehabilitation efforts in Marawi are not sufficient.

Asked whether the work and financial plans as well as their specific components could be given to the Committee, Senator Ejercito stated that GM Jun Escalada and Chairman Del Rosario have committed to submit the documents on Monday, including the master plan which they approved earlier in the day to complete with the costing and financial plan of the whole rehabilitation process in the next 34 months.

Senator Hontiveros expressed hope that the degree of participation of the direct stakeholders could be evaluated in the Senate, particularly their output in terms of the work and financial plans.

Senator Ejercito added that one of the options proposed to the Committee on Urban Planning and Housing is to avoid a repeat of what happened in *Yolanda*. To hasten the work, he said that the Committee suggested that Task Force *Bangon Marawi* would prioritize infrastructure development, for instance, roads, land development, and utilities. He said that another option is to give financial assistance to the residents so that they could build their own houses; otherwise, the residents would have to wait for four to five years for government to do everything for them because consolidation and construction would take a while. He noted that securing permits alone for consolidation would take about six months to one year, thus, it was the suggestion of the Committee to undertake horizontal land development and let the residents do their housing construction themselves with the government providing financial assistance. He believed that the suggestion was also made in deference to the customs and the traditions of Muslims.

Senator Hontiveros cited as the most interesting part of the process the participation of the residents or those internally-displaced persons in the construction.

Senator Hontiveros said that she was of the impression that the approval of the NEDA Board has not been secured yet for the investment at MAA. She recalled that in an earlier discussion, only the non-MAA Public Investment Plan was approved by the NEDA Board. Senator Ejercito said that according to the Task Force *Bangon Marawi* head, there was no need for NEDA approval since the supposed joint venture agreement was already scrapped. Hence, he said that it would be the different agencies under the Task Force *Bangon Marawi* which would directly implement the said projects.

Senator Hontiveros asked for the work and financial plans to be checked once received by the Senate. She also asked for the big-ticket items that have to undergo the NEDA-ICC and if the Department of Finance would issue Marawi bonds or not. Senator Ejercito said that according to the head of the Task Force *Bangon Marawi*, there would be Marawi bonds that would be issued in the first quarter of the coming year. He said that the only big-ticket items that would be left is the horizontal development which would be undertaken by the DPWH amounting to about P2.5 billion.

As regards the Marawi bonds, Senator Hontiveros said that the Senate would support the same with great interest. However, she averred that raising funds is not tantamount to securing authority to use it. Relative thereto, she asked whether the HUDCC and the DBM have thought of proposing a supplemental budget so that the 2019 fund obligations could be properly authorized. Senator Ejercito replied that the HUDCC chair saw no need for a supplemental budget and that the spillover of the existing funds would be enough for 2019.

To the concern over the P13.7 billion that is to be lodged in the General Fund until year three, Senator Ejercito said that the request was to extend the P10 billion as reflected in the 2018 budget so that they would be able to use it for 2019.

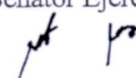
Senator Hontiveros stated that it is important for *Bangon Marawi* to develop a spending plan for 2019 such that Congress would no longer be asked for a supplemental budget. She opined that in case *Bangon*

Marawi still believes that the P5 billion must be lodged in the budget of the NDRRMC, they must formally request it to an appropriate subcommittee of the Senate Finance Committee. However, she said that she was sufficiently assured that based on earlier discussions, *Bangon Marawi* has already made a decision as to where the funds would be lodged so that it would be properly spent and would yield desired outcomes.

On another matter, Senator Hontiveros noted that a compensation bill was filed in the House of Representatives in relation to the *Bangon Marawi* expense items. Similarly, she noted that in the Senate, there was also a bill that was filed by Senator Aquino seeking to compensate Marawi residents for their loss. She said that the Finance Committee has not yet convened to discuss the said compensation bill. Revealing that there was an information from the senior officials of the DBM that the DOF does not look kindly on compensating people and entities for the damages and displacement brought about by the Marawi Siege, she said that she would like to clarify the matter with Secretary Dominguez when interpellations on the General Principles are resumed in the next session day. In case that the matter is tackled by the subcommittee on housing, she said that she would also like to ask the view of the HUDCC secretary on the issue of compensating Marawi stakeholders. Senator Ejercito said that the HUDCC secretary general, the HUDCC chair, and the Task Force *Bangon Marawi* chair are in favor of the compensation bill.

Senator Hontiveros said that she welcomes differing opinions with the Executive department, but she believed that the reason bodies like *Bangon Marawi* are created is for the Executive to get critical input. Relative thereto, she asked whether the HUDCC secretary general believed that it would be prudent to include a line item in their budget for expenditures for the Marawi rehabilitation dedicated for the compensation of the victims of the Marawi Siege. She suggested providing a footnote referring to the possible passage of a Marawi compensation bill even without determining yet the amount. Senator Ejercito said that the HUDCC secretary general, the HUDCC chair and the *Bangon Marawi* chair are in favor of Senator Hontiveros' proposal.

As regards the social cartography effort in Marawi which Senator Hontiveros requested through Assistant Secretary Michelle Go of the DENR, Senator Ejercito



said that the process was still ongoing and that it would last until April 2019. Senator Hontiveros asked whether the data could be used in compensating the families affected by the siege. She also asked whether technical assistance has been mobilized from development partners like the World Bank which has similar experience in post-conflict situations to maximize the social cartography data sets and images. Senator Ejercito said that according to the Task Force *Bangon Marawi*, it could establish the metes and bounds, and the ownership as the basis for compensation. Senator Hontiveros said that she was glad that while they are discussing the budget of key shelter agencies, particularly regarding Marawi, they are having more areas of agreement that could lead to more possible areas of common action. She expressed her intent to propose a special provision in the budget of the DENR which would allow the social cartography process and the data generated from it to be recognized by the courts. Since it was the first time to the DENR to have such kind of data set, she believed that its importance must be recognized through a unique experience like the Marawi rehabilitation which other countries that underwent the same experience could also use.

Senator Ejercito said that the intention is for the local government unit to establish the local arbitration committee that would settle disputes.

Senator Hontiveros asked how the results would be officially recognized by the LGUs, the stakeholders on the ground, and the traditional leaders, whether a special provision in the budget of the DENR would help in assuring that the courts would recognize the data generated from the social cartography process to establish the metes and bounds and the ownership as the basis for compensation. She stated that she would continue to work with Senator Ejercito who agreed to draft a special provision that would make the courts recognize the results generated from the social cartography.

As regards arbitration, Senator Hontiveros relayed the information she received last September that the land and property dispute resolution body has not been created yet. She then asked when it would be created and when it would start to function. Senator Ejercito replied according to Chairman Del Rosario, the membership of the body was already composed except for the leader which must still be agreed upon by the mayor and the governor.

To the concern over the timeframe for choosing a leader, Senator Ejercito said that their self-imposed deadline is January 2019.

Senator Hontiveros asked how they would conduct their work as a dispute resolution body, as she emphasized the need for a rule book that would guide them. Senator Ejercito replied that the local government would supervise the body to make it more responsive and faster.

Asked whether *Bangon Marawi* could give a briefing so that the Senate would be able to provide appropriate support to the decision of *Bangon Marawi* particularly on the dispute resolution body as well as to reduce the possibility of endless legal challenges regarding their decision, Senator Ejercito conveyed Chairman Del Rosario and GM Escalada's willingness to make a presentation the first week of January 2019 so that they would have more information and more data by then.

As to the proposed special provision for the NHA in the 2019 NEP that was submitted by the President, Senator Hontiveros said that it was not mentioned by the NHA presenter in the previous subcommittee budget briefing with the key shelter agencies. That being the case, she said that she, together with Senators Ejercito, Villar, and Zubiri, had the impression that there was no fund at all for the key shelter agencies. Hence, she asked Senator Ejercito to read the said special provision into the record. In reply, Senator Ejercito read the said provision, to wit:

"Prior Years' Subsidy Releases from the National Government – The NHA is hereby authorized to use subsidy released for programs and projects in 2017 and prior years to cover the funding requirements of activities or projects covered by programs or subprograms indicated herein."

Adverting to the same provision, Senator Hontiveros read: "Accordingly, the NHA shall prepare a work program and financial plan covering the projects or activities to be funded from prior years' subsidies which shall be subject to the approval of the NHA's Board of Directors to be submitted to the DBM for further approval." Relative thereto, she asked if the NHA could provide an update regarding the P15 billion worth of its unobligated funds from the previous year. Senator Ejercito replied that the P15 billion was already obligated and was, in fact, in the various

stages of implementation. He said that according to GM Escalada, the DBM has given them the authority to realign because of the cash budgeting system.

Asked where the amount of P15 billion came from, Senator Ejercito said that it came from the funds for Yolanda and the AFP and PNP housing programs.

Asked why the authority granted by the DBM did not expire, Senator Ejercito explained that since the NHA is a government-owned or -controlled corporation, the government subsidy would revert to corporate funds which they could use until 2019.

Senator Hontiveros inquired if it could be made to expire through an administrative issuance that mandates the return of funds to the NEP by virtue of an amendment so that the approval would not only come from the NHA board but also from Congress, in the exercise of its oversight functions over the national budget. Senator Ejercito stated that since the budget was fully obligated, all funds and projects of the NHA would be utilized and implemented by 2019.

As regards the funding for urgent priorities, Senator Hontiveros stated that prior to the budget interpellations, the senators have no clue as to how the DBM or the NHA Board allocated funds for priority projects, four of which were even mentioned during a Senate hearing with the NHA, such as: *Oplan LIKAS*, resettlement funds in line with Manila Bay cleanup; the LGU land acquisition, land development and housing proposals; and the improved housing for uniformed personnel. Stating that Congress or the DBM should have a say in the authorization and disposition of NHA funds, she however noted that the period to propose provisions was already moot.

As regards the dispute between the NHA and R-II Builders, Senator Hontiveros asked on the background of the case, the stand of COA and OGCC on the issue, and who the debtor was, stating that she was interested to know the issue in a more extensive briefing. She opined that given the limited funding support that it received, it is only prudent to identify how the agency utilizes its funds, noting the debt issue with R-II Builders.

Senator Ejercito said that the executive summary and briefing was quite lengthy since the case started in 1995 when the NHA entered into a joint venture agreement with R-II Builders; in fact, there was a court decision which awarded the lot to R-II Builders.

Thereupon, he said that the NHA would submit the executive summary to provide more details to Senator Hontiveros.

To Senator Zubiri's disclosure that R-II Builders was already paid in full by different administrations for the Smokey Mountain project, the receipt of which payment was even acknowledged until after a few years when the court reversed its decision, Senator Ejercito noted that two issues were involved in the case – one with the NHA and one with the HGC. He said that General Manager Escalada would provide executive summaries of the NHA issue. Senator Zubiri remarked that he would be watching the case very closely to avoid double payment.

Asked why the secretary general was publicly dismissed, Senator Ejercito admitted that there were four affidavits executed by different complainants against the former secretary general of Housing and Urban Development Coordinating Council (HUDCC) involving issues with one contractor, and with the Social Housing Finance Corporation (SHFC), Filinvest, and the Bases Conversion and Development Authority (BCDA).

At this juncture, Senator Zubiri reminded the housing agencies to avoid a *sub judice* case, and to be very careful not to go above and beyond the boundaries of legal statutes before the actual completion of arrangements or settlements. Senator Ejercito believed that the President has complete trust and confidence in HUDCC chairperson Del Rosario and NHA General Manager Escalada who are both reform-oriented. Furthermore, he stated that henceforth, all actions of the board would be forwarded to the court for approval.

As regards the stand of the Commission on Audit and the Office of the Government Corporate Counsel on the issue, Senator Ejercito stated that the COA has no findings yet especially since the issue was from 25 years ago; the OGCC, on the other hand, was raising some questions. Thereafter, Senator Hontiveros indicated that she would wait for a more exhaustive briefing of the case next year.

On another issue, Senator Hontiveros mentioned that her office sent a letter to the president of SHFC regarding possible enhancements to its system of due diligence particularly when financing a purchase of land especially large properties like the Tala Estate which straddled areas in Quezon City and Caloocan

City. She revealed that SHFC was misled to pay more private entities for properties that were being reclaimed by the Office of the Solicitor General, reverted the ownership of the parcels of land to the Republic of the Philippines. Since the LRA records have not reflected that the government has taken legal action to retake the possession of the parcels of land involved, she said that the NHA Board and the SHFC managers might need to secure regular reports from the OSG to complement such LRA records to arm the SHFC with necessary information to ascertain that the lots for financing have clean titles. She believed that a simple administrative enhancement to secure OSG information would help a lot considering the allegation from some Tala Estate residents that the SHFC has been illegally using government funds to pay private entities whose properties are owned by the Republic of the Philippines. She noted that the resulting confusion created leeway to fake owners—some were Quezon City government personnel who enticed new residents into buying cheap lots, thus displacing existing residents, and others were SHFC clients and residents who initiated the process of securing tenurial instruments for themselves.

Asked what administrative steps the SHFC leadership could implement to stop the confusion and discontinue the displacement until the land issue has been concluded, Senator Ejercito said the SHFC, together with the Office of the Solicitor General, has been monitoring such concern.

On whether SHFC and HUDCC could formally communicate to the Quezon City government that the properties being claimed by the OSG indeed belong to the Philippine government, Senator Ejercito replied that the SHFC head would do so.

Senator Hontiveros expressed hope that administrative actions including dialogues with the concerned stakeholders are being undertaken to clear the air and make way for the needed solutions.

Pursuant to the Philippine Fisheries Code, Senator Hontiveros said that the DENR and BFAR are working together to determine the fisherfolk clusters which need easier access to safe and near shore settlements since many of them reside along the coastal areas which are part of the water code easement and are near the danger zone. She asked whether the HUDCC has a similar mandate and if it has personnel who can assist LGUs in updating their local shelter plans. Senator Ejercito assured the Body that the

HUDCC will undertake the shelter plan and the SHFC will be the implementing agency for the fisherfolk.

On whether the HUDCC has committed to work with the LGUs for shelter plans annexed to the land use plans as a pilot project of 20 municipalities and calculate the estimated funding requirement, Senator Ejercito replied in the affirmative, adding that the fishermen's village is a project of the SHFC.

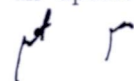
Asked if the SHFC was open to working with the 20 fisherfolk clusters as part of its pilot for the incoming year, Senator Ejercito said that the agency was willing to work with these organizations but would need an additional budget.

Senator Hontiveros clarified that the activity would be an inter-agency effort also involving the DENR. She said that the Senate could help facilitate its implementation by providing the necessary budget as she believed that the shelter plans which have parcels identified by the DENR and BFAR ought to be conveyed to the key shelter agencies. She also pointed out that the BFAR and DENR wanted to hand over the programs in the pilot areas to the concerned agencies so that the land development grants and financing for the housing projects could be considered in the budgetary programming of the agencies involved. She disclosed that the DENR was expecting that the fisherfolk settlement program could be supported by the HUDCC and the NHA and eventually be replicated in other fisherfolk areas.

Replying thereto, Senator Ejercito said that the HUDCC would submit to Senator Hontiveros the particulars on the inter-agency coordination regarding the programs. He also expressed optimism that the passage of the Department of Human Settlements Act would bridge a better coordination among the agencies involved in these housing programs.

On a related matter, Senator Hontiveros stated her intention to propose a special provision concerning the DENR, BFAR, HUDCC, NHA and SHFC for Senator Ejercito's consideration.

Commending the HUDCC for shepherding the implementation of EO No.48, series of 2001, which mandates that idle assets of government entities be utilized for socialized housing pursuant to the Urban Development and Housing Act (UDHA), Senator Hontiveros asked the HUDCC for an update on



reports that the Philippine National Railways (PNR) halted the processing of land proclamations considered as non-core assets for the purpose of socialized housing. Senator Ejercito explained that E.O. No. 48 (Declaring Non-Core Properties of the PNR as Socialized Housing Sites and Providing for The Disposition of the Same to Bonafide Occupants) has about 65,000 beneficiaries. He also reported that:

- 18,635 beneficiaries had been awarded certificates of entitlement and lot allocation;
- There had been 3,342 beneficiaries in nine completed projects under conditional contracts to sell;
- 21 TCTs had been awarded by PNR to urban settlements in Taguig;
- 133 conditional contracts to sell had been executed in Baguio City; and
- A P27 million service fund had been released by the HUDCC to survey 449 hectares of land.

Adverting to the summary of PNR lands as of December 2001, Senator Hontiveros pointed out that the properties are part of the HUDCC inventory along with other unprocessed lands in Taguig, Paranaque, Balagbag, and Pandacan. She asked whether the halt in the implementation of EO 48, which had caused apprehension among the intended beneficiaries, had been relayed to the DOF, GCG or the Office of the President. She presented a Certificate of Lot Award from the local inter-agency committee which showed that the signatories included the mayors of the concerned cities/municipalities and HUDCC Chairperson del Rosario. She also cited an instance wherein the provincial government of Laguna was following up on the processing of the Certificate of Lot Award and the turnover of lands to the intended beneficiaries only to be told by the PNR that its request was denied because PNR is not in the position to dispose of that specific property nor any of PNRs properties in Laguna. Quoting from the PNR letter, she said that the disapproval was in line with the Build, Build, Build program and the revitalization project of the Duterte administration wherein the revitalization of the PNR railways system is one of its priorities. Senator Ejercito clarified that it was the PNR that requested that the issuance be put on hold and be subject for review because of the ongoing rehabilitation effort to modernize the Philippine National Railways.

However, Senator Hontiveros pointed out that PNR itself had categorized the lands as non-core assets. She echoed the concern of the intended

beneficiaries that the properties may just end up being sold to the highest bidder. She also questioned whether a PNR request could supersede an executive order. Senator Ejercito replied that the HUDCC is only concerned with awards and that the matter is something that is entirely the decision of the PNR. He suggested that Senator Hontiveros make the necessary inquiries to the Department of Transportation as the agency's budget would be presented for the Body's consideration on Monday. Senator Hontiveros recalled that the same concerns regarding the PNR properties had been raised during a hearing at the House of Representatives.

In a related matter, Senator Hontiveros noted that the NEDA and the key shelter agencies were working to finalize the draft of the resettlement policy framework. She asked whether the HUDCC was working with the DBM to formulate the budget requirements for future ISF resettlement sites, including the basic services for these sites and the livelihood restoration. Senator Ejercito replied that HUDCC Secretary General Jun Escalada had informed him that there were ongoing discussions with the DBM for future housing projects.

Responding to concerns over those that might be displaced by the Build, Build, Build projects, Senator Ejercito recalled that the House and the Senate issued Joint Resolution No. 02 authorizing the NHA to dispose of or redistribute the available and unoccupied AFP-PNP housing in Bulacan, Pampanga, Tarlac and La Union to qualified beneficiaries. He said that his Committee was proposing that those housing units be also awarded to ISFs who will be displaced as a result of the government's infrastructure program. He said that the DOTr would have to reimburse the NHA for the cost of the housing so that it could build more houses. He suggested that the DOTr and the NHA coordinate with regard to the possible relocation of those that would be affected by the new PNR North railway system so that they could avail of the unoccupied AFP-PNP housing.

Senator Hontiveros asked which projects of the HUDCC have estimated future budget requirements and which agencies it was partnering with for this purpose. She also asked if HUDCC has a part in determining budget requirements for resettlement of those that would be affected by PNR North Railway System project. Senator Ejercito replied that the agency is part of those involved in social preparation. For PNR South, he said that about 77,104 families

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would be affected by the South Commuter and South Long Haul project from Los Baños, Laguna to Matnog, Sorsogon. Similarly, he said that the HUDCC is also part of those involved in social preparation for all major projects of the DPWH and NHA. To illustrate, he noted the number of families that would be affected by the following projects: C5 Southlink road project, segment 8 – about 28,917 families; NLEX-SLEX connector road project – about 4,000 families; Mindanao Avenue Extension project – 251 families; road widening of C3 – 230 families; and improvement and widening of General Luis, Caybiga in Novaliches – 76 families.

Senator Hontiveros said that the affected informal settlers should know the agencies with which they could coordinate regarding matters relative to the resettlement sites, basic services therein, and livelihood restoration. She asked if the HUDCC and NHA have dedicated personnel to monitor resettlement support to ISFs that would be affected by the BBB projects, and given the BBB has 73 flagship projects, she asked how many would be provided resettlement with basic amenities. She requested that the HUDCC furnish her with a work and financial plan for those projects. Senator Ejercito said that the agency would submit the data. As regards the number of dedicated personnel, he said that the HUDCC has one coordinator each for DOTr and DPWH. He further explained that the implementation is by region, thus, the regional offices are in charge; but in terms of coordination, there is one for each agency. As for the complementation per region for implementation, he said that they have about 80 personnel per region. Senator Hontiveros said that it takes two years to procure and provide basic amenities in resettlement sites. She hoped that they would not repeat what happened during the *Yolanda* crisis, and that they would always be prepared to help key shelter agencies in such endeavors.

For the ISFs that would be affected by the BBB projects, Senator Hontiveros pointed out that it is not only social preparation but also forward budget estimates required by the DBM that should be part of the discussion.

Regarding the ISFs living in the Metro Manila waterways, Senator Hontiveros stated that she had conferred with the SFHC and NHA on its dangers. She also recalled the Supreme Court issuing mandamus which gave way for the previous administration to provide about P50 billion to resettle families. She said that around 20,000 families developed People's Plans

to negotiate with landowners, design their own community, get their own contractors, secure permits for licenses, and manage their own estates, which are seen as force multipliers of the housing sector that helped address the bottlenecks. She then asked if the houses built by the NHA for ISFs living in waterways would be available to other parties, like what was done for the uniformed personnel. She remarked that ISFs are not eager to transfer to the relocation sites because they are quite far from their workplaces. Senator Ejercito stated that under the present leadership of NHA, they always consult those affected and those who would be resettled. He added that the NHA would only construct if the ISFs are part of the land identification. On how the NHA has spent the P50 billion as a consequence of the mandamus issued by the Supreme Court, he said that P32 billion had been spent for 92,185 units out of the 101,210-unit target that are ready for occupancy. Senator Hontiveros lamented that the old administration might not have consulted the ISFs on the matter. She hoped that they could replicate what was done for the ISFs from the waterways and use it as a model for other projects.

Senator Hontiveros reiterated that there are a lot of BBB projects which could be close to the established resettlement areas of NHA. Building on best practices of previous years, she asked if it was possible for the ISFs that were dislocated because of the waterways infrastructure projects to be able to live in finished or soon-to-be-finished resettlement sites using the P50 billion fund from the previous year. Senator Ejercito explained that the projects were undertaken because of the mandamus, thus it could not be used for other beneficiaries. However, for the other NHA inventories as earlier mentioned, he said that the NHA has been given authority through a joint resolution approved by both Houses, to redistribute the same to qualified beneficiaries. He stated that it is one option the DOTr could utilize as the housing units are ready for occupancy and allowed by law to be redistributed.

Asked if there would be a legal way to utilize the P50 billion for the ISFs who would be affected and resettled from waterways and infrastructure projects to maximize the different sources for housing units, Senator Ejercito stated that the Supreme Court decision specifically mentioned the assistance for those living in danger zones. As for those who would be affected by the BBB or major infrastructure projects, he reiterated that other NHA inventories could be

utilized. Senator Hontiveros recalled that earlier Senator Ejercito mentioned that some waterway areas could also be considered as danger zones, so she believed that there could be a way to explore the idea. She said that she appreciated that the Executive was mindful of the rulings of the Judiciary, like in the Legislature.

Senator Hontiveros said that since the DPWH and DOTr have budgets allocated to the NHA, the NHA would have money to use for those who would submit People's Plans since those people would like to choose and design the land they would live in. Asked if the NHA and SHFC could coordinate to open the possibility to fund People's Plans of the ISFs in Metro Manila waterways, Senator Ejercito answered in the affirmative, as he attested that the new leadership of the NHA and HUDCC are reform-oriented, and that they have implemented the suggestions given to them from the start of the administration. Senator Hontiveros affirmed that areas of cooperation are increasing, from the policy side and implementation side. At present, she said that the People's Plans are lined up in the SHFC, and she hoped that the NHA would be open to accepting them. She disclosed that the SHFC has agreed to accept funding from the NHA to be a partner implementor for the People's Plans and hoped that they would be able to pen a special provision as she previously suggested. If not, she asked for a detailed explanation so that she could relay the same to the urban poor and key shelter agencies.

INQUIRY OF SENATOR ZUBIRI

Noting that there would be a new Department of Human Settlements, Senator Zubiri asked if the NHA people would be absorbed therein. Senator Ejercito gave assurance that nobody would be displaced and all key shelter agencies would be under one roof. As regards the status of the proposed law, he said that the enrolled bill had already been transmitted to the Office of the President for signature. He assured that the affected agencies are in favor of having a new department, and that in the case of the NHA, it would remain as an attached agency, a support entity under the department.

SUBMISSION OF THE BUDGETS OF OTHER EXECUTIVE OFFICES (KEY SHELTER AGENCIES)

There being no other reservation for interpellation, upon motion of Senator Zubiri, there being no objec-

tion, the budgets of the following Other Executive Offices (Key Shelter Agencies), namely, Housing and Land Use Regulatory Board, Housing and Urban Development Coordinating Council, Home Guaranty Corporation, National Home Mortgage Finance Corporation, National Housing Authority, and Social Housing Finance Corporation, were deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 3:35 p.m.

RESUMPTION OF SESSION

At 3:46 p.m., the session was resumed.

BASES CONVERSION AND DEVELOPMENT AUTHORITY

Senator Ejercito presented the budget of the Bases Conversion and Development Authority (BCDA) with a budget of P17,178,853,000 for Fiscal Year 2019. He said that Mr. Vivencio B. Dizon, president and CEO of BCDA, was present in the Chamber.

INQUIRY OF SENATE PRESIDENT SOTTO

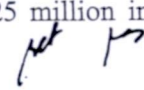
Senate President Sotto said that he was informed that a big amount intended for the Southeast Asian Games was lodged with the BCDA. Responding thereto, Senator Ejercito said that according to Mr. Dizon, the budget was intended solely for the infrastructure or the sports facilities for the SEA Games.

SUBMISSION OF THE BUDGET OF THE BASES CONVERSION AND DEVELOPMENT AUTHORITY

There being no other interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Bases Conversion and Development Authority was deemed submitted for the Body's consideration.

NATIONAL YOUTH COMMISSION

Senator Ejercito presented the budget of the National Youth Commission with a proposed budget of P174,513,000 for Fiscal Year 2019. He said that the Senate gave an increase of P25 million in the



agency's budget for youth development programs, especially for the new Sangguniang Kabataan officers. He said that Mr. Ronald Gian Cardema, chair and CEO of the NYC, was present in the Chamber.

SUBMISSION OF THE BUDGET OF THE NATIONAL YOUTH COMMISSION

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the National Youth Commission was deemed submitted for the Body's consideration.

CREDIT INFORMATION COMMISSION

Senator Ejercito presented the budget of the Credit Information Commission with a budget of P110,311,000.00. He said that Mr. Jaime Garchitorena, president and CEO of CIC, was present in the Chamber.

SUBMISSION OF THE BUDGET OF THE CREDIT INFORMATION COMMISSION

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Credit Information Commission was deemed submitted for the Body's consideration.

MOTION AND TELEVISION REVIEW AND CLASSIFICATION BOARD

Senator Ejercito presented the budget of the Motion and Television Review and Classification Board (MTRCB) with a budget of P38,949,000.00. He said that former Congresswoman and Red Cross Governor Rachel Arenas, chair of the MTRCB, was present in the Chamber.

SUBMISSION OF THE BUDGET OF THE MOTION AND TELEVISION REVIEW AND CLASSIFICATION BOARD

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Motion and Television Review and Classification Board (MTRCB) was deemed submitted for the Body's consideration.

COMMISSION ON FILIPINOS OVERSEAS

Senator Ejercito presented the budget of the Commission on Filipinos Overseas (CFO) with a

budget of P112,267,000.00. He said that Undersecretary Astravel Pimentel Naik, CFO Executive Director and former PLLO Assistant Secretary, and Justice Francisco "Nick" P. Acosta, CFO chairperson, were present in the Chamber.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri manifested that the Commission on Filipino Overseas was asking an additional P100 million for the CFOs 2019 budget.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON FILIPINOS OVERSEAS

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Commission on Filipinos Overseas was deemed submitted for the Body's consideration.

DEVELOPMENT ACADEMY OF THE PHILIPPINES

Senator Ejercito presented the budget of the Development Academy of the Philippines (DAP) with a budget of P466,484,000.00. He said that there was an increase of P110 million from its 2018 budget.

SUBMISSION OF THE BUDGET OF THE DEVELOPMENT ACADEMY OF THE PHILIPPINES

There being no interpellation, upon motion of Senator Zubiri, there being no objection, the budget of the Development Academy of the Philippines was deemed submitted for the Body's consideration.

CIVIL SERVICE COMMISSION AND THE CAREER EXECUTIVE SERVICE BOARD

Senator Ejercito presented the budget of the Civil Service Commission for 2019 in the amount of P1,566,837,000.

INTERPELLATION OF SENATE PRESIDENT SOTTO

Asked by Senate President Sotto for the budget of the CSC in 2018, Senator Ejercito replied that the Commission received P1,483,294,000, or an increase of about P80 million.

Senator President Sotto noted that the CSC was claiming that their budget was cut by P500 million.

Senator Ejercito stated that the Commission proposed a budget of P2.2 billion, but what was approved was only P1.5 billion. He reiterated that the agency's budget was increased by P80 million from its previous year's budget.

Senate President Sotto suggested that the Commission's request that at least half of the budget cut from the NEP be restored be taken up with the chair of the Committee on Finance.

SUBMISSION OF THE BUDGET OF THE CIVIL SERVICE COMMISSION AND THE CAREER EXECUTIVE SERVICE BOARD

Upon motion of Senator Zubiri, there being no objection, the budgets of the Civil Service Commission and the Career Executive Service Board were deemed submitted for the Body's consideration.

COOPERATIVE DEVELOPMENT AUTHORITY

Senator Ejercito informed the Body that for 2019, the recommended budget for the Cooperative Development Authority was P609.645 million.

MANIFESTATION OF SENATOR ZUBIRI

Senator Zubiri stated that he had the pleasure of working with Executive Director Ray Elevazo, who was with the representatives of the CDA in the hall, in crafting the Cooperative Code and strengthening the CDA Charter.

SUBMISSION OF THE BUDGET OF THE COOPERATIVE DEVELOPMENT AUTHORITY

Upon motion of Senator Zubiri, there being no objection, the budget of the Cooperative Development Authority was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Zubiri, the session was suspended.

It was 3:58 p.m.

RESUMPTION OF SESSION

At 4:01 p.m., the session was resumed.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 8169

Upon motion of Senator Zubiri, there being no objection, the Body suspended consideration of the bill.

INSTRUCTION OF SENATE PRESIDENT SOTTO

Senate President Sotto instructed the Secretariat and the Office of the Majority Leader to inform the senators that the session had adjourned and that there would be a roll call at ten o'clock in the morning on Monday, December 10, followed by an executive session of the entire Senate to hear the briefing by the Armed Forces of the Philippines in the Senators' Lounge.

ADJOURNMENT OF SESSION

Upon motion of Senator Zubiri, there being no objection, Senate President Sotto declared the session adjourned until ten o'clock in the morning of Monday, December 10, 2018.

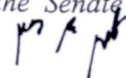
It was 4:03 p.m.

I hereby certify to the correctness of the foregoing.



ATTY. MYRA MARIE D. VILLARICA

Secretary of the Senate



Approved on January 14, 2019