

REPUBLIC OF THE PHILIPPINES

S e n a t e

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Journal

SESSION NO. 57

Monday to Friday

January 31 - February 4, 2005

Monday to Thursday

February 7 -10, 2005

**THIRTEENTH CONGRESS
FIRST REGULAR SESSION**

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CALL TO ORDER

At 10:17 a.m., Monday, January 31, the Senate President, Hon. Franklin M. Drilon, called the session to order.

PRAYER

Sen. Juan M. Flavier read the following prayer prepared by Sen. Richard J. Gordon:

Our Father and Our God, we praise You for Your goodness to our nation, giving us blessings far beyond what we deserve. Yet we know all is not right with the Philippines. We deeply need that change in men to help us meet the many challenges that we face. Convict us of sin. Help us to turn to You in repentance and faith. Set our feet on the path of Your righteousness and peace.

We pray today for the members of the Senate, as we deliberate on the nation's budget. May we be led by Your wisdom; may we search Your will and see it clearly; and may our decisions be guided by a sincere desire to lift the country and its people from the throes of crisis and difficulty.

Give us the wisdom to know what is right and the courage to do it. Help us transcend personal interests and divisions and act in unity that we may be a model and an inspiration for our people. Create in us clean hearts, O God, and sustain us by Your Holy Spirit.

Amen.

NATIONAL ANTHEM

The *Kawan ng Diyos* of Our Lady of Mount Carmel Parish of Quezon City led the singing of the national anthem and thereafter rendered the song entitled *Tagumpay Nating Lahat*.

ROLL CALL

Upon direction of the Chair, the Secretary of the Senate, Oscar G. Yabes, called the roll, to which the following senators responded:

Angara, E. J.	Enrile, J. P.
Arroyo, J. P.	Flavier, J. M.
Biazon, R.G.	Lacson, P. M.
Cayetano, C. P. S.	Lapid, M. L. M.
Defensor Santiago, M.	Pangilinan, F. N.
Drilon, F. M.	Pimentel Jr., A. Q.
Ejercito Estrada, J.	Villar Jr., M. B.

With 14 senators present, the Chair declared the presence of a quorum.

Senators Ejercito Estrada (L), Gordon, Lim, Madrigal, Magsaysay, Osmeña, Recto, Revilla and Roxas arrived after the roll call.

APPROVAL OF THE JOURNAL

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading of the Journal of Session No. 56 and considered it approved.

REFERENCE OF BUSINESS

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

**MESSAGES FROM THE
HOUSE OF REPRESENTATIVES**

Letter from the Secretary General of the House of Representatives informing the Senate that on January 24, 2005, the House of Representatives passed House Bill No. 884, entitled:

**AN ACT CREATING THE PROVINCE
OF DINAGAT ISLAND**

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in which it requested the concurrence of the Senate.

To the Committees on Local Government; and Constitutional Amendments, Revision of Codes and Laws

Letter from the Secretary General of the House of Representatives, informing the Senate that on January 27, 2005, the House of Representatives passed House Bill No. 3555, entitled:

AN ACT RESTRUCTURING THE VALUE-ADDED TAX, AMENDING FOR THE PURPOSE TITLE IV OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES,

in which it requested the concurrence of the Senate.

To the Committee on Ways and Means

BILLS ON FIRST READING

Senate Bill No. 1893, entitled

AN ACT AMENDING ARTICLES 135 AND 137 OF THE LABOR CODE (PD 442 AS AMENDED) SO AS TO EXPAND THE PROHIBITED ACTS OF DISCRIMINATION AGAINST WOMEN ON ACCOUNT OF SEX, AGE, ETHNIC, ORIGIN OR BELIEFS

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Labor, Employment and Human Resources Development; and Youth, Women and Family Relations

Senate Bill No. 1894, entitled

AN ACT AMENDING SECTION 42 OF BATAS PAMBANSA BILANG 129, AS AMENDED, OTHERWISE KNOWN AS THE JUDICIARY REORGANIZATION ACT OF 1981, EXEMPTING ALL THOSE MEMBERS OF THE JUDICIARY AS MAY HEREIN BE QUALIFIED FROM

THE CONTINUOUS SERVICE REQUIREMENTS THEREIN PROVIDED

Introduced by Senator Jinggoy Ejercito Estrada

To the Committees on Justice and Human Rights; and Finance

Senate Bill No. 1895, entitled

AN ACT AUTHORIZING GOVERNMENT HOSPITALS TO UTILIZE ALL ITS INCOME FOR HOSPITAL OPERATIONS PARTICULARLY MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE) AND CAPITAL OUTLAY

Introduced by Senator Angara

To the Committees on Health and Demography; Local Government; and Finance

Senate Bill No. 1896, entitled

AN ACT TO REGULATE THE PRE-NEED PLANS INDUSTRY OF THE PHILIPPINES

Introduced by Senator Mar Roxas

To the Committee on Banks, Financial Institutions and Currencies

Senate Bill No. 1897, entitled

AN ACT REORGANIZING AND MODERNIZING THE NATIONAL BUREAU OF INVESTIGATION AND PROVIDING NECESSARY FUND THEREFOR, AND FOR OTHER PURPOSES

To the Committees on Civil Service and Government Reorganization; Justice and Human Rights and Finance

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 10:27 a.m.

RESUMPTION OF SESSION

At 10:29 a.m., the session was resumed.

**PRIVILEGE SPEECH
OF SENATOR PIMENTEL**

Availing himself of the privilege hour, Senator Pimentel delivered the following speech:

**CREDIT RATERS SHOULD NOT BE
ALLOWED TO PLAY GOD WITH
THE LIVES OF OUR PEOPLE**

There are three major credit rating agencies in the world today: 1. Standard & Poor's; 2. Moody's Investor Service; and, 3. Fitch Ratings, all mainly headquartered in the U.S.

They rate the credit standing not only of corporate borrowers but also of sovereign country borrowers – without accountability to any outside responsible body other than their own corporate boards.

Recently, the credit rater, Standard and Poor's, downgraded our country's credit rating by one notch from "BB" to "BB-".

As a result of the downgrading, I am told that the interest payments of our existing loans will rise by one percentile point. In real terms, Secretary of the Budget Emilia Boncodin said that those payments would increase by some P20 billion to P30 billion.

More privation

What the Budget Secretary did not say is that to the extent that those billions are added to our interest payments, we also lose the capacity to service the basic needs of our people by that amount. Prosaically put, that means that many roads, bridges, schools, hospitals, power and water facilities would not be constructed and made available to our people. Consequently, many farmers and fisherfolk would not be able to raise their usual products and bring those products to market; many students would not have the books and the computers that would elevate them to a level of education that is on par with their counterparts

elsewhere in the world; many ill people would not be treated or cared for at the public hospitals; many entrepreneurs would not have lower priced power at their disposal and many poor Filipinos would not even have clean water to drink.

In other words, by the mere say so of S&P, not only will the country have to shoulder additional dollar obligations that may not have been embodied in the original loan agreements or intended to be born by us, as borrower, the teeming millions who live in dire poverty in this country will be worse off than ever before.

I ask how fair is that?

What gives Standard and Poor's and other credit raters the right to play God with the lives of our people?

I submit that they do not have that right. I submit that the President of our country has no right at all to say, "Thanks, at least, we were downgraded only one notch!"

I think that the statement attributed to the President was nothing less than a cop-out, an abject surrender, a spineless squawk coming from the supposed leader of the land.

*Political will**(a) Germany*

Germany has recently shown that with political will, a country can fight off arbitrary downgrading by the credit raters.

S&P had wanted to downgrade the guarantees of Landesbanks and the credit standing of Thyssen Krupp, a giant steel manufacturer of the country, in February 2003.

The ZKA, the umbrella organization of Germany's Banking Association (Zentraler Kreditausschuss) took up the cudgels for the country's banking industry and denounced the credit rater's moves as unreasonable and unprofessional. ZKA also said that it was time for Europe to have its own credit rating agency.

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Believe it or not, Standard and Poor's backed off and sought to mollify the German banking industry by holding a formal dinner for the leaders of the industry where they tried to thresh out the problem that it had caused.

But even after that peace offering from S&P, BaFin, the financial regulator of Germany, through its president, Jochen Sanio, still wants to have the credit raters governed by "internationally accepted principles." Sanio, if we will remember, was also the president of FATF.

Uncontrolled world powers

Sanio complained publicly that the lack of transparency of the way the credit rating agencies work has made them the "uncontrolled world powers that are directing global capital flows by appraising the credit standing of debtors. x x x (O)nly three rating agencies x x x dominate the market and they do so without international regulations" that would "guarantee independent and transparent rating procedures."

(b) Japan

The credit raters also issued several downgrades against Japan which the latter simply ignored. The downgrades, according to S. Balakrishnan, a writer of the *Financial Daily* of the Hindu Group of Publications, hardly affected Japan's currency or bonds. Far from plunging, the yen held its own. The worst level against the dollar – "Y135 rose to Y115 while the downgrades were on." Japan's 10-year bond yields which were "0.66% several years back later yielded 1.2%, still the most expensive in the world."

(c) India, too

Lest if we think that only Germany and Japan, being developed countries, resisted the misplaced opinion of S&P and other credit rating agencies, I would like to mention that India, a developing country, also fought off unreasonable downgradings by a credit rating agency.

India's local currency debt was reduced to "junk" status one year after its domestic and foreign currency was put down from stable to negative. If the credit raters thought that they had India by the neck, they had another thought coming. India simply ignored the downgrade or, shall we say, did not seem to mind it at all.

It looks like India did right to act the way it did. In fact, the UN in its report on the World Economic Situation and Prospects 2005 that was quoted by the *New York Times* in its issue of January 25 said that India is "doing better than the industrialized nations."

Rebuffing credit raters

In sum, Germany, Japan and India fought against the credit raters' downgrades and they apparently prevailed.

The common thread of their resistance was that the credit rating agencies were less than fair in handing out their questioned ratings. To quote Mr. Sanio again, the credit raters "operate without being forced to adhere to generally recognized or binding principles" that are enforced internationally.

Moreover, *The Washington Post* and German authorities also raised the issue that the credit raters had given unreliable and, to use a kind word, flawed ratings.

Journalist Alec Klein wrote in *The Washington Post* of November 23, 2004, that credit raters "have become some of the most important gatekeepers in capitalism without the commensurate oversight or accountability."

Klein says that "From their Manhattan offices, they can, with the stroke of a pen, effectively add or subtract millions from a company's bottom line, rattle a city budget (might we not add, a nation's budget, too?) shock the stock and bond markets and reroute international investment. Without their ratings, in many cases, factories cannot expand, schools cannot get built, highways cannot be paved. Yet there is no formal structure for overseeing the credit raters,

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no one designated to take complaints about them, and no regulations about their employee qualifications.”

With no independent body to oversee what they are doing, the credit raters do constrict or expand at their whim the flow of the economic lifeblood of the world, particularly of the Third World or the developing countries. As U.S. Senator Joe Lieberman commented at the hearing of the Senate Committee on Government Affairs on March 20, 2002: “The credit raters hold the key to capital and liquidity, the lifeblood of corporate America and of our capitalist economy,” which, of course, includes the economy of this country.

Pressure to open economies

At this point, may I share with this Chamber a suspicion that Mahathir Mohamad, the former Prime Minister of Malaysia, alludes to in a 1999 book, *A New Deal for Asia*. He asks if there is a conspiracy against East Asian nations to force open their economies and allow (their) domination by (the) more powerful nations. Mahathir quotes with approval the conclusion of a Japanese researcher, Ehito Kimura, that “the agreements recently signed by Asian leaders in the face of economic pressure and imminent collapse are the modern equivalents of the unequal treaties of the 19th century.” The “unequal treaties” served as the entry points of western imperial powers into the economies of the East.

Like a crowbar

Under the circumstances, then, it is more difficult to believe that whatever happens to the economies of the developing countries occurs without the good- or ill-will of the developed countries. And it may not all be that improbable that the credit rating agencies are acting like a crowbar mainly of the US financial institutions to pry open the lid that in their mind covers the economies of the developing countries to enable the former to penetrate the innermost recesses of the financial houses of the latter and control them as their neo-colonies.

But whether Mahathir’s thesis is right or wrong, the fact is that a growing number of EU parliamentarians consider the credit rating agencies as “new the boss men of the Continent”. That is another way of saying that the credit raters are the hatchet men and women of economic neocolonialists who intend to control the financial health of the countries of Europe as far as the EU parliamentarians are concerned.

And these parliamentarians are moving their respective governments to create a Euro rating agency. With a Euro credit rating agency, they believe that their banks and financial institutions need not rely on ratings by the three major credit rating agencies. In the alternative, Europeans urge that the three major credit rating agencies should be subjected to the requirements of a global code of conduct that will ensure accountability and transparency.

Global Code of Conduct

The need to create a new global code of conduct for the credit rating agencies has generated a lot of support not only from European but also from US financial organizations. For instance, the Association of Financial Professionals, which represents some 14,000 US corporate finance officials, and their counterparts in the UK and France have echoed the need for such a code of conduct. They are one in saying that investors “have lost confidence in the credibility and accuracy of the big three’s ratings”.

This is one call, I would suggest, that needs to be supported by our government and by the country’s banking community and financial experts. Unless such a call is heeded, developing countries like us will always be at the mercy of the credit raters.

Unsavory conduct

For without accountability for and transparency in their decisions, the credit raters according to *The Washington Post* of November 27, 2004, are tempted to engage in unethical conduct. *The Post* cited the case of William Zeller, chair of the

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world's largest insurance company, Hannover Re. The company was reportedly pressed by a rating company to allow it to rate its financial health. When refused, the rating company downgraded Hannover stocks to junk status. The downgrade resulted in shareholders' dumping Hannover's stocks cutting their market value by about \$175 million within hours.

In other cases, credit raters have allegedly strong-armed their clients by threatening to withdraw their ratings – a move that can raise a borrower's interest payments.

Ratcheting up fees

In still other instances, questionable acts of credit raters were brought to the attention of the US Securities and Exchange Commission. Some credit raters were said to have “used their leverage to ratchet up its fees without negotiating with their clients.”

Conflict of interest

Such misconducts likewise raise the issue of conflict of interest. After all, as Klein has found: “The rating companies get the bulk of their revenue from the fees they charge to the very entities they are rating.” That means that their “opinion” as to the stability of the financial conditions of their clients – be they corporate or sovereign nations – could be influenced by what is paid them by the very entities that they are rating.

Moreover, the big three are so dominant they keep their rating processes secret, force clients to pay higher fees, and fend off complaints about their mistakes.

Klein notes that those who disagree with a credit rating have little recourse. Lawsuits generally have been unsuccessful because courts have upheld the rating companies' argument that they are publishers of opinions, like newspapers, and that their views are protected by the First Amendment of the US Constitution that deals with freedom of speech.

As “opinion”, the credit rating is based on objective and subjective factors.

Deficit?

Objectively, S&P ostensibly lowered our credit rating because, among other things, we have a huge deficit.

I wonder what S&P, Moody's and Fitch have to say about the gargantuan deficit of the US government, which according to *The Washington Post* on January 25 will hit “a record \$427 billion for fiscal 2005,” and growing as a result, among other things, of a “\$80 billion request of the US administration for additional war spending.” In the words of the IMF, “the American current account deficit – the broadest expression of the trade and financial flows into and out of a country – stands at \$631 billion, or 5.4 percent of the nation's gross domestic product.”

The IMF assessment of the American current account deficit is critical because while it is equivalent to 5.4 percent of the US GDP, it does not seem to bother the credit raters. In our case, the Philippines' current account deficit only stands at \$2.9 billion last year and is equivalent to 4.7% of our GDP. Yet it rattles the credit raters so they downgrade us one notch that costs us millions of dollars in additional interest payments on our international debts and, worse, causes more hardships on the lives of our people.

Subjective norms

Obviously, then, there is much subjectivity that infuses the ratings of – and the downgrades issued by – the credit raters that in our case have wrought havoc upon the lives of our people.

If it is any consolation, we can say that it is not only the Philippines that has suffered a downgrade in recent times but other countries as well like the Dominican Republic, Malaysia and South Korea.

Dominican Republic

The Dominican Republic is a fairly recent example. The Republic was one of

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the fastest growing economies in Latin America in the 1990s. In 2001, it floated its first international five-year bond issue with 9.5 interest rate and was able to raise \$500 million.

In 2003, Moody's and Standard and Poor's downgraded the Dominican Republic's credit rating. Now the poor country is in danger of defaulting in its international debts.

As a result of the downgrade, the Dominican Republic had to scrap its plans for road building, road repairs and to put up a water purification plant.

Malaysia

In 1998, Malaysia's credit rating was downgraded following the Asian financial crisis. As a result, the country had to stop its projected \$2 billion bond offering. So-called market forces appeared to have, at least, momentarily derailed Malaysia's "Asian Dream".

But Malaysia can thank its lucky stars that its Prime Minister, Mohammad Mahathir did not go down on his knees sulking or supplicating the economic power markets of the world for mercy. He chose to fight. He berated the "Market forces (that) profit from chaos and economic and financial instability (and which) destroyed half of our wealth x x x."

When Western observers pointed to alleged "failed policies" and "weak institutions" of Malaysia as the cause of the downgrade, Mahathir replied, sarcastically, "But why I ask, if these things were so blatant and basic, did nobody call a warning before the house of cards came tumbling down? x x x If our fundamentals were rotten, why did the legion of clever analysts not say so? Why were the foreign investors so eager, or even so foolish, as to keep pouring billions upon billions of investment dollars into our region if there was no substance to our achievements? All the international banks kept on lowering interest rates in order to persuade us to borrow more money, even when we were not in

need of additional funds. Obviously they had plenty of confidence in Malaysia, its economic management and future."

Mahathir probably hit the problem on the head with the stinging observation that "the international banks kept on lowering interest rates in order to persuade us to borrow more money, even when we were not in need of additional funds."

I remember that in the 1980s, there was a huge surplus of the so-called petro-dollars wanting to get out of the vaults of the World Bank. The Bank sent missions abroad to look for borrowers. A Bank "sales force" or "origination team" discovered that a small city called Cagayan de Oro in faraway Mindanao was a good prospect. At that time, I was the Mayor of the city and the Bank's team tried to convince us to borrow as much as we wanted. I turned down the sky's-the-limit kind of offer and told them I would borrow only the amount that we can afford to pay back. And we did, apparently to their great annoyance and disappointment in that our borrowing was, in their mind, a minuscule amount. I stood pat on my decision because had we borrowed more than what we could afford to pay, the city would be in hock to the World Bank for eternity.

No currency trading transparency

But let us go back to Mahathir's refusal to buckle down under pressure to the then Western conventional wisdom on how Malaysia should develop. When the Malaysian financial system was criticized for lack of transparency, Mahathir had this scathing repartee: "With all the West's insistence on transparency, why is currency trading allowed to be completely free from inspection and reasonable control? Currency trading is not open or transparent, but, on the contrary, highly secretive. It is virtually impossible for governments to ascertain with any degree of accuracy how much of a currency is held by traders and what might occur in the case of a sudden sell-off, despite the fact that such sell-offs, however justified, play with the lives of millions of

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ordinary people, men, women and children who have no idea of high finance and merely wish to carry on with their lives. Would it not be appropriate to begin talking about the transparency of financial transactions, which in a matter of months can impoverish entire countries and render meaningless the concept of a "sovereign nation?" x x x we should strive for greater transparency, yes, but first of all let us demand greater transparency of the global financial markets."

Looking at Malaysia, today, can anyone honestly say that Mahathir was wrong in his economic thrusts and that his critics from the developed countries were right?

South Korea, too

But there is no question that developing countries like South Korea and us, are hardest hit by capricious downgrades. South Korea, for instance, complained against the harsh effects of a credit downgrade because it would "exacerbate (its) already stressed situation". Claudio Loser, IMF former director of the Western Hemisphere, supports the assessment that "the rating companies (do) tend to overreact and if a country is in a difficult situation, they may aggravate it and make it worse."

When South Korea complained against the downgrade, there was no immediate remedy because — as stated earlier — there is no international body to which the country could bring the complaint and expect a formal hearing on their grievances against the credit raters.

So powerful

Credit raters have become so powerful that it is said that even US President George W. Bush reportedly had to back off from his publicly announced position that China should revalue its currency after he heard the views of the credit raters that to do so would jeopardize China's credit rating. Incidentally, China today is said by the UN in its report that was mentioned earlier as "doing well" along with India, two countries

which apparently do not heed the ratings of the international credit raters.

Summing up

To sum up, the criticisms against the credit raters are that they are: overrated in their importance, unsupervised in their conduct, hence, unaccountable in the discharge of their functions. They are also susceptible to abuse their unbridled power.

D. Sampathkumar, Corporate Editor of *Business Line*, wrote: "These agencies do not have a monopoly of economic wisdom. Certainly, not after the way they badly misjudged the economic events in Southeast Asian countries in 1997." We might even add that the credit raters have committed tremendous blunders in the rosy ratings they gave to Enron, WorldCom, Parmalat, and other huge conglomerates that came tumbling down even as the raters failed to warn the investing public of the impending collapse.

Thus, Sampathkumar suggested that foreign capital should be delinked from foreign appraisal of credit risk.

Paying the piper to play the tune

To the same effect, Robert Cole, the deputy editor of the *Business Times*, urged that credit raters "should sever their connections with their paymasters." For unless the linkage is cut, the situation will arise where the one who "pays the piper will call the tune." And that will lead inevitably to inaccurate "opinions" by the credit raters on what scenarios await the companies and countries that they are rating.

While we agree with Nils Bohr, the Danish Nobel Laureate in Physics, who is quoted to have said that "prediction is very difficult, especially if it is about the future," still we deplore the fact that credit raters seem to dish out credit ratings based on "opinion" without compunction as to whether or not those ratings cause disaster in the lives of people.

Perhaps, for a developing country like ours that has hardly any clout with the world financial institutions, the *ideal* thing that we

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can do is not to borrow from abroad. Because if we borrow from foreign lenders, how then we can demand that they refrain from doing things their way, which among things, would normally include a check by the credit raters on the state of health of our finances?

Tax our people?

I am told that the only other way for governments to raise money aside from borrowing is to tax their people.

Theoretically speaking, taxing people may be the right thing to do. But and this is a big but, how do we do that in a country like ours where more than 40% of the people are poor?

Print money?

Some business people like Romy Roxas, the principal, if controversial, stockholder of that corporation that has hit the headlines in the last several days, Green Circle, believe that our Central Bank should print money to finance viable infrastructure projects to jump start the economy. If it were as easy as that, as a non-economist, I ask, why has it not been done before?

Perhaps, the better-educated members of this Chamber in matters of the economy should enlighten us on the issues I have brought up and suggest ways by which we may protect our people from the arbitrary and unreasonable credit rating downgrades that are directed at our country. Otherwise, in my view, the credit raters will continue to laugh at us on their way to the bank.

DEFERMENT OF INTERPELLATIONS ON SENATOR PIMENTEL'S PRIVILEGE SPEECH

The Chair requested that the interpellations on Senator Pimentel's speech be deferred to another date as the Committee on Finance has already submitted and filed its report.

SUSPENSION OF SESSION

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

It was 11:02 a.m.

RESUMPTION OF SESSION

At 11:02 a.m., the session was resumed.

ADDITIONAL REFERENCE OF BUSINESS

The Secretary of the Senate read Committee Report No. 10 on House Bill No. 3154 which the Chair referred to the Calendar for Ordinary Business:

Committee Report No. 10 submitted by the Committee on Finance on House Bill No. 3154, introduced by Representative Andaya Jr., *et al.*, 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 FIVE, AND FOR OTHER PURPOSES,

recommending its approval with amendments.

Sponsors: Senators Villar Jr., Arroyo, Biazon, Defensor Santiago, Gordon, Magsaysay Jr., Recto, Roxas, and the members of the Committee on Finance

SPECIAL ORDER

Upon motion of Senator Pangilinan, there being no objection, the Body approved the transfer of Committee Report No. 10 on House Bill No. 3154 to the Calendar for Special Orders.

SUSPENSION OF SESSION

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

It was 11:03 a.m.

RESUMPTION OF SESSION

At 11:05 a.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

COMMITTEE REPORT NO. 10 ON HOUSE BILL NO. 3154

Upon motion of Senator Pangilinan, there being no objection, the Body considered, on Second

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Reading, House Bill No. 3154 (Committee Report No. 10), 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 FIVE, 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 Pangilinan, 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 Villar, Chairman of the Committee on Finance, for the sponsorship.

**SPONSORSHIP SPEECH
OF SENATOR VILLAR**

In sponsoring House Bill No. 3154, Senator Villar delivered the following speech:

Today I have the honor of presenting for the consideration and approval of this august Body the proposed budget of the national government for fiscal year 2005.

Ours is not an easy task. Legislating a national budget in times of fiscal difficulties means making choices that are equally difficult to make. Our persistent fiscal deficits over the past years require that we rein in public spending, yet public expenditure is a much-needed stimulus needed by our growing economy. We have to fulfill our huge debt service obligations, yet every peso given to foreign creditors is also a peso taken away from vital basic services for 23.5 million Filipinos whose meager income fall below the poverty line. We are faced with a spiraling inflation rate, soaring to a high of 7.9% in December of last year, yet fiscal austerity precludes any salary hikes to match the rising cost of living.

And yet, choices have to be made. A national budget we must enact, for a

government cannot exist without this vital tool that serves as the fuel that revs up and allows the machinery of government to steer the country towards growth and development.

A Conservative, Core Budget

Our country's fragile fiscal position today puts us in a bind. To put it crudely, we are in a fiscal straitjacket. Because of the need to tame our runaway deficits, we are working on a national budget that ties the hand of government, restraining and denying it the freedom of expending our financial resources to the fullest so as to spur economic growth. Our fiscal difficulties allow only minimal changes on the national budget while instituting broad austerity measures, leaving little room for amendments.

Last August 25, 2004, President Gloria Macapagal-Arroyo presented the proposed national budget to Congress – a conservative budget that primarily seeks to restore health to the ailing fiscal sector while aiming for responsible development.

The proposed 2005 national budget amounts to P907.59 billion. As in recent years, the increase over the previous year's budget is minimal, a nominal increment of P46 billion or a mere 5.3%. A total of P30.2 billion of this increase will go to debt servicing, particularly for interest payments. The Department of Budget and Management estimates the proposed budget's real increase over the 2004 budget at a negligible 0.8%. Excluding interest payments, the proposed budget will even register a 1.8% decrease relative to fiscal year 2004.

The President's Budget is supposed to be a core budget, representing only the expenditures that can be funded by existing revenues and targeted deficit financing. A supplemental budget to further fund the President's 10-point agenda for development will be submitted to Congress upon the approval of eight new tax measures that are targeted to raise additional revenues for the government.

In a nutshell, the 2005 budget consists of New General Appropriations of P446.040 billion, and Automatic Appropriations of P496.404 billion. This is the first time that Automatic Appropriations have exceeded New Appropriations, leaving Congress with even less room to maneuver.

Of the P496 billion Automatic Appropriation, or those that do not require periodic approval by Congress, 61% or a total of P301.692 billion consists of Interest Payments on national government debts. The second biggest automatically appropriated item is the Internal Revenue Allotment (IRA), amounting to P151.623 billion.

In terms of expense classes, Personal Services constitutes 31.87% of the proposed budget and contains provision for the annualized salaries of teachers, uniformed and military personnel.

Maintenance and Other Operating Expenses (MOOE), on the other hand, constitutes 60.19% of the total budget. Let me note at this point that out of the total MOOE of P546 billion, more than half or P301.7 billion is for Debt Service-Interest Payments, while another 28% or P151.6 billion is for the Internal Revenue Allotment. The actual MOOE allocation for various departments/agencies/corporations will amount to only P93 billion, which is even lower than what was allocated for this purpose in fiscal year 2004.

Capital Outlays will be allotted P64.462 billion, out of which 73% or P46.8 billion will be utilized for Public Infrastructure. Increased government spending for public infrastructure like railroads and highways are intended to stimulate economic activities and spur economic growth. Scheduled for implementation this year are major infrastructure projects intended to boost economic productivity.

Reformist and Spartan

From August 25, 2004 to December 9, 2004, the House worked on the President's proposed budget. The Committee would

have wanted to avoid the specter of another reenacted budget with all of its negative implications. But unfortunately, the budget bill was again transmitted by the House to the Senate only a week before Congress was supposed to go on recess, a repeat of our 2003 experience.

House Bill No. 3154 is described by House Speaker Jose de Venecia as a "reformist and Spartan budget" designed to arrest the huge budget deficit without sacrificing basic services and the need for an economic turnaround.

The House of Representatives approved a total of P597.63 billion in New Appropriations. This may be classified further into P562.81 of programmed appropriations, and P34.85 billion in standby or unprogrammed appropriations. The total budget still stands at P907.59 billion, the same amount proposed by the President.

Basically, there are no significant changes in the House-approved budget. The Internal Revenue Allotment (IRA), however, now forms part of New Appropriations, rather than Automatic Appropriations. To strengthen the government campaign against graft and corruption, an additional P140 million was provided for the Office of the Ombudsman, specifically for additional personnel and MOOE. This amount was taken from the Miscellaneous Personnel Benefits Fund.

Fast-tracking the Senate Version

The Committee, immediately resumed budget hearings upon the resumption of session this year to fast-track the enactment of the national budget.

As per the Senate version, the total budget of the national government proposed by the Committee amounts to P597,543,400,000.00.

Total increases amount to P1,698,902,000.00 while the total decrease is P1,818,902,000.00, resulting in a net decrease of P120 Million.

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The following are the salient features of the Senate version:

1. Provision of P300 million to the Department of Education for the School Feeding Program to address child malnutrition;

This is the proposal of the administration, specifically Secretary of Budget Emy Boncodin.

2. Provision of P50 million for the computerization of the Office of the Ombudsman;
3. Provision of P20 million to the Department of Foreign Affairs for the repatriation of undocumented Filipinos;
4. A P17.181 million cut in the budget of the Energy Regulatory Commission to be reduced from its Consumer Education and Protection Program; the said amount represents the increase over the FY 2004 allocation for this item;
5. A P57.43 million cut in the budget of the Department of Energy, the bulk of which will be deducted from its allocation for the Electric Power Industry Management and Control which shall also be reduced to its FY 2004 level.

Amendments on the Special/General Provisions include the following:

1. An amendment in Special Provision No. 2 of the Department of Agrarian Reform which states that the requirements for payment of maturing Agrarian Reform Bonds amounting to P2.094 billion shall be automatically appropriated;
2. Use of Savings Provision for the Philippine National Police for the payment of valid prior years' obligations, repair and maintenance of motor vehicles and purchase of spare parts, procurement of foodstuffs for units actually engaged in the security or counter-intelligence operations in combat areas, and for the acquisition of mission-essential equipment.

3. Use of Income for the following: Fertilizer and Pesticide Authority; Livestock Development Council; Bureau of Fire Protection; Philippine Information Agency
4. Creation of a Revolving Fund for all agencies of the Department of Science and Technology for Contract Research and Development, Technology Transfer and Commercialization and other Technical Services Program.
5. Grant of tax expenditure subsidy to the National Dairy Authority's Expended Dairy Program for Rural Enhancement on milk powder importation starting 2004 which shall be deemed automatically appropriated.

We would have wanted to enact a national budget that truly serves as the government's financial master plan for national development. But this we cannot do at this time. We have to put our fiscal house in order first through broad austerity measures. Like any household, the government cannot continue living beyond its means. Either we significantly increase available resources, or we have to reconcile what we want with what we can afford. Public expenditures have to be made prudently and revenues need to be greatly enhanced. Only until then can we craft a national budget that will truly serve as a catalyst for sustained growth and development.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:19 a.m.

RESUMPTION OF SESSION

At 11:19 a.m., the session was resumed.

INTERPELLATION OF SENATOR LACSON

Asked by Senator Lacson on the legal basis of the operational expenditure of the national government from January 1, 2005 up to the present, Senator Villar said the government is operating under the 2004 reenacted budget.

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As to whether the Congress passed the General Appropriations Act of 2004, Senator Villar replied in the negative, saying that under the Constitution, in the absence of any approved budget, the government could operate under a reenacted budget.

Citing Article VI, Section 25 (7) of the Constitution, Senator Lacson queried if a reenacted budget could be reenacted anew. Senator Villar opined that the issue, which has been raised by other quarters, is one that is better resolved by the Supreme Court. He noted that the framers of the Constitution did not want a situation where the government cannot operate so they provided for a mechanism to allow it to continue operating on a reenacted budget.

Senator Lacson noted that the framers of the Constitution never anticipated that the government would operate on a reenacted budget for two consecutive years. He said that he raised the issue to guide the members in initiating proper corrective measures. He stressed that while it is the duty and mandate of the Supreme Court to interpret any provisions of the Constitution or the law, the budget is the function of Congress.

For his part, Senator Villar said that he shared the same concern as he noted that very few people seem to be concerned about the reenacted budget and the people seem to be getting used to it. Moreover, he believed that the government should not make a habit of operating on a reenacted budget and should only resort to it in cases of extreme emergency. He pointed out that the government has a system of checks and balance, with Congress handling appropriations and the Executive overseeing disbursements. However, he stressed that when a budget is reenacted, Congress gives the Executive the right to appropriate and to disburse which is an unhealthy practice that goes against the system.

He underscored that this is the last time the government should be allowed to operate on a reenacted budget, adding that the country's image suffers each time Congress fails to pass the budget as it sends negative signals to the public as well as to foreign creditors and investors.

REQUEST OF SENATOR ANGARA

Senator Angara requested that the Members be provided a one-page outline of the macroeconomic

assumptions used in the proposed 2005 national budget. Senator Villar said the members would be furnished with copies of the same before the afternoon session.

INQUIRY OF SENATOR ROXAS

Senator Roxas asked whether a copy of the House bill or just the proposed amendments to the House bill would be distributed to the Members as reference for the deliberations. Senator Villar replied that the senators have been given each a copy of House Bill No. 3154 and the proposed amendments shall also be distributed to them.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon to explain why the Senate failed to pass the budget on time, Senator Villar explained that under the system, the Senate could tackle the GAA only after the House shall have transmitted its approval of the GAA to the Senate. He revealed that the House submitted the budget to the Senate a few days before the adjournment of sessions for the Christmas break as what happened in 2004. He pointed out that normally, the Senate receives the House-approved GAA in the first or second week of November, giving it about one-and-a-half months to work on the budget.

Senator Biazon observed that this illustrates that the work of the Senate is dependent on the whims and caprice of the House. Senator Villar conceded that while this is the system, he is not in favor of it.

As to whether there is a way to correct the situation, Senator Villar replied that it would require an amendment to the Constitution. Senator Biazon opined that there should be a way to resolve the matter through internal arrangements between the two Houses, one of which, he suggested, is for the Senate to separately work on the budget submitted by the Executive Department instead of depending on the output of the House. Senator Villar replied that while this is possible, the output of the Senate would be considered unofficial and the Senate would have no way of knowing about the amendments that the House would make on the budget submitted by the Executive. This, he noted, would make it very difficult for the Senate to be thorough in its review of the budget.

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INTERPELLATION OF SENATOR LIM

Asked by Senator Lim whether he believed that a reenacted budget should only be allowed in cases of extreme emergency, Senator Villar replied in the affirmative.

Asked to explain the extreme emergency that resulted in the reenactment of the 2003 budget in 2004, Senator Villar admitted that he did not know the reason behind the reenactment or why the House of Representatives did not attend the bicameral conference for the 2005 budget.

Senator Lim asked if the election last year caused an emergency, Senator Villar replied that some people were making such speculation.

On the observation that the reenactment of the budget was planned in order to use the 2003 savings for election purposes, Senator Villar commented that he was not in a position to confirm the allegation.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:37 a.m.

RESUMPTION OF SESSION

At 11:39 a.m., the session was resumed.

In reply to further queries, Senator Villar stated that the budget proposal for 2004 was P864.763 billion. He clarified that the budget for 2003 was P811 billion which went up to P861 billion because of the debt service payment. He said that the budget deficit for 2004 was P186 billion and for 2003, P199 billion. He added that for 2005, the proposed budget is P907 billion.

Asked on the debt service payment, Senator Villar pointed out that it has always been increasing. He cited that, in fact, in the proposed 2005 budget, the interest is about P301 billion. He explained that under the 2005 budget, P151 billion is allocated for the IRA, P514 billion for the MOOE, and P91 billion for the regular expenditure.

Senator Lim noted that the gigantic stone that is dragging the country to "perdition" is the interest payment of P301 billion on local and foreign debts.

He asked if the administration could request a suspension of interest payments for three years to give the country a breathing spell and the money could be used instead for infrastructure and services. Senator Villar replied that the request can be made; however, he expressed doubt if the foreign creditors would be that benevolent.

Senator Lim noted that the foreign debt of Iraq was fully condoned because of its precarious economic situation, and that countries that suffered from the tsunami would also be given a breathing spell by suspending their foreign debts payment. Senator Villar replied that it is the Executive that should decide on the matter, but he surmised that the request would make the country's foreign creditors/lenders nervous.

Senator Lim suggested that the economic advisers of the President should give the proposal a try because the savings could be used to support the victims of the recent calamities that hit the Philippines. He said that the tragedy in Quezon and Aurora had caused a tremendous economic setback not only in terms of money but also in lives lost.

At this juncture, Senate President Pro Tempore Flavio Reyes relinquished the Chair to Senate President Drilon.

Senator Lim agreed with Senator Pimentel that, indeed, the international rating institutions are causing more harm than good to developing countries. He recalled that in 1983, Hong Kong suffered financial difficulties with respect to its foreign exchange which at that time was HK\$7.80 to US\$1 and climbing to HK\$9.30 to US\$1. He said that the British administrator of Hong Kong requested financial experts in the London home office to study the matter in order to forestall a financial debacle. He said that the group's recommendation was that Hong Kong fix the exchange rate at HK\$7.80 or HK\$7.60 to US\$1, prompting the IMF and the World Bank to predict that Hong Kong will collapse in three months' time, a prediction that did not materialize.

Moreover, Senator Lim recalled that during the 1997 Southeast Asia financial crisis, when the Indonesian currency collapsed and there was a chain reaction up to South Korea and Singapore, the financial advisers of Mahathir advised him to fix the exchange rate of the Malaysian ringgit at

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3.70 to US\$1; when this was announced, the IMF and the World Bank predicted that in six months, the economy of Malaysia will collapse. He underscored that since 1997 to date, the exchange rate of the Malaysian ringgit is still pegged at 3.70 to US\$1 dollar.

Senator Villar agreed to the observation, adding that, in fact, the economy of Malaysia prospered. He said that the Malaysian experience is an eye-opener to policy-makers who should not follow the IMF and World Bank at all times but think "outside the box."

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

ANNOUNCEMENT OF SENATOR PANGILINAN

Senator Pangilinan announced that Senator Villar had prepared a schedule of the interpellation on the budgets of the different agencies which is subject to change depending upon the requests of the senators.

Senator Pangilinan read the proposed schedule for interpellation, to wit:

PROPOSED SCHEDULE OF INTERPELLATION ON HOUSE BILL NO. 3154

1. January 31, 2005 (Monday – A.M.)

SPONSORSHIP

January 31, 2005 (Monday – P.M.)

General Principles

Department of Budget and Management
National Economic & Development Authority
Department of Finance

* The department budget of DBM, NEDA
and DOF may be considered after the
General Principles

2. February 1, 2005 (Tuesday – A.M.)

Department of Labor
and Employment - Senator Villar
Department of Health - Senator Villar
Department of Justice - Senator Villar
The Judiciary - Senator Villar
Office of the President - Senator Villar
Office of the Vice President - Senator Villar

February 1, 2005 (Tuesday – P.M.)

Department of Trade
and Industry - Senator Roxas
Department of Social Welfare
and Development - Senator Villar
Department of Public
Works and Highways - Senator Villar
Office of the Press Secretary - Senator Villar
Department of the Interior
and Local Government - Senator Villar

3. February 2, 2005 (Wednesday – A.M.)

Department of Agriculture
and attached corps. - Senator Magsaysay
Department of Science
and Technology - Senator Magsaysay

February 2, 2005 (Wednesday – P.M.)

Department of
National Defense - Senator Biazon
National Unification Fund - Senator Biazon
Pension and Gratuity Fund - Senator Biazon
NICA; NSC - Senator Biazon
Department of Transport-
ation and Communications - Senator Arroyo
Motor Vehicle User's
Charge Fund - Senator Arroyo
Commission on Information
and Communications
Technology - Senator Arroyo
Department of Tourism and
attached corporations - Senator Gordon

4. February 3, 2005 (Thursday – A.M.)

Department of Environment
and Natural Resources - Senator Villar
Department of Education - Senator Villar
DECS-School Building - Senator Villar
Commission on
Higher Education - Senator Villar
State Universities
and Colleges - Senator Villar

February 3, 2005 (Thursday – P.M.)

Civil Service Commission - Senator Villar
Commission on Audit - Senator Villar
Commission on Elections - Senator Villar
Office of the Ombudsman - Senator Villar
Commission on
Human Rights - Senator Villar
Other Executive Offices
CDA - Senator Villar
Housing Agencies
and Corporation - Senator Villar
Anti-Money Laundering
Council - Senator Villar
Games and
Amusement Board - Senator Villar
Film Development Council
of the Philippines - Senator Villar
Philippine Sports
Commission - Senator Villar

National Anti-Poverty Commission	-Senator Villar
Philippine Racing Commission	-Senator Villar
MTRCB	-Senator Villar
NCCA	-Senator Villar
National Commission on Indigenous Peoples	-Senator Villar
NCRFW	-Senator Villar
Presidential Commission for the Urban Poor	-Senator Villar
Presidential Legislative Liaison Office	-Senator Villar
Optical Media Board	-Senator Villar
National Book Development Board	-Senator Villar
National Water Resources Board	-Senator Villar
National Youth Commission	-Senator Villar
Office on Muslim Affairs	-Senator Villar
Palawan Council for Sustainable Development Staff	-Senator Villar
Presidential Commission on Good Government	-Senator Villar
Presidential Management Staff	-Senator Villar
Professional Regulation Commission	-Senator Villar
Commission on the Filipino Language	-Senator Villar
Securities and Exchange Commission	-Senator Villar
Dangerous Drugs Board	-Senator Villar
Philippine Drug Enforcement Agency	-Senator Villar
Allocations for Local Government Units	-Senator Villar
Congress of the Philippines Development Academy of the Philippines	-Senator Villar
Autonomous Regions Area Development Assistance Fund	-Senator Villar
Calamity Fund	-Senator Villar
Contingent Fund	-Senator Villar
Miscellaneous Personnel Benefits Fund	-Senator Villar
Priority Development Assistance Fund	-Senator Villar
LEDAC	-Senator Villar
BSGC, ZCEZA, CEZA - Cagayan, CCP	-Senator Villar

5. *February 4, 2005, (Friday – A.M.)*

Department of Agrarian Reform	-Senator Recto
Agrarian Reform Fund	-Senator Recto
Department of Energy and attached corporations	-Senator Defensor Santiago
Department of Foreign Affairs & ICF	-Senator Defensor Santiago
Energy Regulatory Commission	-Senator Defensor Santiago

Thereafter, the Chair stated that the schedule is intended to give the Body an idea as to the order of the deliberation on the department/agency budget.

Senator Pangilinan stated that it was agreed last Wednesday that the session would convene an hour earlier if a member wishes to avail of the privilege hour. He said that Senator Defensor Santiago was scheduled to speak at 2:30 in the afternoon, and Senator Enrile at nine o'clock in the morning of the following day.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended until 2:30 in the afternoon.

It was 11:59 a.m.

RESUMPTION OF SESSION

At 3:23 p.m., the session was resumed with Senate President Drilon presiding.

PRIVILEGE SPEECH OF SENATOR DEFENSOR SANTIAGO

Also availing herself of the privilege hour, Senator Defensor Santiago delivered the following speech:

GOVERNORS ARE RESPONSIBLE FOR ILLEGAL LOGGING

Cyclone Quartet 2004

Four tropical cyclones visited the three provinces of Aurora, Quezon, and Nueva Ecija in Central Luzon during the period from the middle of November to the first week of December last year. Together, the cyclones constituted an awesome manifestation of the power of nature not only to create, but also to destroy. The result was an apocalypse: 1,068 people died and 56,591 houses were totally destroyed. Damage to various properties was placed at P7.6 billion.

Government agencies rose to the occasion, and rendered assistance that has been quantified at some P177 million. But our government was not left alone to undertake these expenses of search and rescue, evaluation and retrieval, relief and

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recovery operations. Kind-hearted people, both within our own country and from abroad, donated some P186 million, which is being used for clearing, restoration, reconstruction, and rehabilitation operations, including the establishment of a proposed resettlement site.

What I will call the cyclone quartet of 2004 has happened in our country before in several places such as Ormoc, Mindoro, and Central Luzon. In other words, our very geographical location on planet Earth makes it inevitable that we shall be visited periodically by the malign forces of nature. In the way of politicians, government has passed laws to give early warning and deal with these natural disasters. But laws passed by Congress or promulgated by the President and her Cabinet are no match for nature.

When nature sends us one of her challenges, we can defend our country only by the good faith and honesty of our government officials. If these disasters happen over and over, repeating themselves as headline events, it is because the public officials in effect turn a blind eye to the crime of illegal logging, which is accepted as a major contributory factor to the devastation that follows in the wake of one or a series of tropical cyclones.

Who are these public officials who serve as patrons and protectors of illegal loggers? They could consist of the highest officials of the land because in Philippine politics, illegal loggers are often major campaign contributors, thus precipitating both the blindness of public officials to what is going on right under their noses, and in some cases, even the devious defensive tactics of such public officials, when their favorite illegal loggers are mentioned in the media.

If only we could send to jail at least one senator, one Cabinet member, or one governor for acting either as a principal or as an accessory to the crime of illegal logging, perhaps the public outcry for blood could be muted, and we could then gain the political equilibrium that we need to study the problem in depth. So embark with me in the search for those who are indirectly

responsible for major landslides, massive flooding, storm surges and power interruptions, the sinking of boats, and the unnecessary deaths of those at sea and on land that take place after destructive tropical cyclones descend on our country and engage in a dance of death.

Governors are the public officials responsible

The main public officials responsible for the fatal after-effects of illegal logging are the governors of the provinces where notorious illegal logging activities are allowed to continue. My authority is R.A. No. 7160, also known as the Local Government Code of 1991. I refer particularly to Chapter 3, entitled "Officials and Offices Common to all Provinces." Article One is entitled "The Provincial Governor." Section 465, paragraph (b), subparagraph (3), defines the powers, duties and functions of the governor as follows:

- (v) Adopt adequate measures to safeguard and conserve land, mineral, marine, **forest and other resources of the province**, in coordination with the mayors of component cities and municipalities...

The governor works with the *sangguniang panlalawigan*, which is the legislative body of the province. The Local Government Code, in Article 3, Section 468, provides that one of the powers and duties of the *sanggunian* is as follows:

- (vi) Protect the environment and **impose appropriate penalties for acts which endanger the environment**, such as dynamite fishing and other forms of destructive fishing, **illegal logging and smuggling of logs**, smuggling of natural resources products and of endangered species of flora and fauna, slash and burn farming, and such other activities which result in pollution, acceleration of eutrophication of rivers and lakes, or of ecological imbalance.

Hence, when illegal logging takes place in a certain municipality, the mayor and the barangay chairperson are guilty; but the governor and the provincial board are more guilty, because under the law the governor has the following specific functions:

- ♦ To "ensure that all executive officials and employees of the province faithfully discharge their duties and functions."
- ♦ To "visit component cities and municipalities of the province at least once every six months to deepen his understanding of problems and conditions."
- ♦ To submit to the Office of the President "supplemental reports when unexpected events and situations arise at anytime during the year, particularly when man-made, or natural disasters or calamities affect the general welfare of the province, region, or country."
- ♦ To "call upon the appropriate national law enforcement agencies...to apprehend violators of the law when public interest so requires, and the police force of the component city or municipality where the disorder or violation is happening is inadequate to cope with the situation or the violators."

Governors of provinces with illegal logging

The DENR secretary has furnished me with a list of provinces in the country where notorious illegal logging operations are conducted. In such provinces, the governor assumes the responsibility of identifying and causing the arrest of those engaged in illegal logging operations. I shall now proceed to read the list of provinces where illegal logging operations have been or are conducted, as well as the names of the corresponding governors for the present and the immediate past terms of office; in other words, the names of governors for the last nine years. A governor who was elected only last May may not be responsible for illegal logging considering that he has been in office only six months. I make no individual judgments of these governors, but leave them to explain themselves.

Governors of provinces where illegal loggers operate

Region 3

Central Luzon, the situs of the last calamity

Aurora

Bellaflor Angara-Castillo (2004-2007)

Ramoncita P. Ong (2001-2004)

Edgardo L. Ong (1998-2001)

What did they do to protect their province from the calamities that they now so loudly denounce? I expect that media should go to these people in this list and ask them exactly whether they heard the chainsaws in the various municipalities of their province. Chainsaws operate at high decibels that any person continuously exposed to them is likely to turn deaf. Do we mean to say that they never heard from anybody in their province that there was a logging operation in a certain municipality? And that during their annual six-month visit as mandated by law, they never asked any question, and never received any information about something, creating such a racket that it was sufficient to make the dead rise from their graves?

Nueva Ecija

Tomas N. Joson III (1998-2007)

For three terms he sat as governor, suddenly, his province became inundated, his people died, their products were destroyed. What is the answer of Mr. Joson?

Region 4

Quezon

Wilfrido L. Enverga (1998-2007)

What did Mr. Enverga do from 1998 to present, that the province of Quezon completely fell under the malignancy of the forces of nature?

Region 10 - Northern Mindanao

Bukidnon

Jose Ma. Ruben R. Zubiri (2001-2007)

Carlos O. Fortich (1998-2001)

Camiguin

Pedro P. Romualdo (1998-2007)

Misamis Occidental

Loreto Leo S. Ocampos (2001-2007)

Ernie D. Clarete (1998-2001)

Misamis Oriental

Oscar Moreno (2004-2007)

Antonio P. Calingin (1998-2004)

Lanao del Norte

Imelda Q. Dimaporo (1998-2007)

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Region 11 - Southern Mindanao

Nagtatanong kayo, "Sino itong mga opisyal na ito na hindi inaatupag ang kanilang mga katungkulan? Ito ang sagot ko sa inyo, dito sa listahan na ito.

We are all pretending that we do not know what is the cause of the problem. Even an elementary school child with an IQ equal to room temperature can answer this question. And here we are, a nation of 86 million Filipinos, pretending that we do not know why. When cyclones strike our country, people by the thousands die and forest cover by the hectares, similarly, gasp an agonizing death.

Compostela Valley

Jose R. Caballero (1998-2007)

Ilang taon iyan? Bilangin ninyo. Ibig sabihin ba, wala siyang nalaman at wala siyang ginawa?

Davao del Norte

Gelacio Gementiza (2004-2007)

Rodolfo P. Del Rosario (1998-2004)

Davao Oriental

Ma. Elena T. Palma-Gil (2001-2007)

Rosalind Y. Lopez (1998-2001)

Region 12 - Central Mindanao*Cotabato*

Emmanuel F. Pifol (1998-2007)

South Cotabato

Daisy A. Fuentes (2001-2007)

Hilario L. De Pedro III (1998-2001)

Sultan Kudarat

Datu Pax S. Mangundadatu (2001-2007)

Pacong Mangundadatu (1998-2001)

Sarangani

Miguel Rene Dominguez (2004-2007)

Miguel D. Escobar (2001-2004)

Priscilla L. Chiongbian (1998-2001)

Region 5 - Bicol Region*Albay*

Fernando Gonzales (2004-2007)

Al Francis D.C. Bichara (1998-2004)

Camarines Norte

Jesus O. Typoco, Jr. (2001-2007)

Jess Pimentel (1998-2001)

Camarines Sur

Luis Raymund Villafuerte Jr. (1998-2007)

Catanduanes

Leandro B. Vercelles, Jr. (2001-2007)

Hector S. Sanchez (1998-2001)

Masbate

Antonio T. Kho (1998-2007)

Sorsogon

Raul R. Lee (1998-2007)

Region 4 - Southern Tagalog*Mindoro Oriental*

Bartolome Marasigan, Sr. (2001-2007)

Rodolfo G. Valencia (1998-2001)

Region 8 - Eastern Visayas*Leyte*

Carlos Jericho L. Petilla (2004-2007)

Remedios L. Petilla (1998-2004)

Region 13 - CARAGA*Agusan del Sur*

Adolph Edward G. Plaza (2001-2007)

Valentina G. Plaza (1998-2001)

Surigao del Sur

Vicente T. Pimentel Jr. (2001-2007)

Primo Murillo (1998-2001)

Will it forever be the national pre-occupation to ask rhetorical questions? Who is responsible for reporting cases of illegal logging that will denude the forests and precipitate mudslides and floods when a typhoon that we cannot prevent happens to occur as programmed by nature? Do we need to ask these questions repeatedly? Do we need to play up in the headlines the disasters and the calamities that are caused indirectly by illegal logging after cyclones and other natural disasters hit our country?

Palitan na natin iyong ugali natin of subterfuge, of self-deception. Some of these people, at least in this list, are responsible. Because if they are not, then there is no truth to the Local Government Code of 1991, and we may as well repeal it today since it is not working. The Code identifies the public officials who are supposed to be frontliners in our battles against those who want to savage nature and inflict intolerable poverty on the already poor.

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Suspected Big-Time Illegal Loggers

Group 1

I will group notorious illegal loggers in ascending order.

Group 1 consists of those charged in the so-called top 10 illegal logging cases already filed, based on the value of the illegal logs involved. This list is already contained in the letter of the DENR Secretary to the chair of the Senate Committee on Environment and Natural Resources. The list consists of:

Rank	Region	Individuals Involved	Amount (in PhP Millions)
1	10	Rodrigo Pupos and John Does*	2.3
* John Doe is a name that is used in law when the person has not been fully identified			
2	11	Roland Sebiano, Virgilio Duterte, William Paredes, Loreto Emactao and Eliseo Nermal	1.2
3	3	Ester de Guzman	1.1
4	3	Oscar Soro	1.0
5	12	Major Dencio Antonio Jr. et. al.	.759
"Major" pa! Top 10 illegal logger. Iyan ang uri ng ating bansa. Pagkatapos, naglulupun-lupon tayo kapag wala tayong ginagawa at magtatanung-tanong sa sarili natin kung bakit ganito ang inabot natin. Kasi "Major" na nga, illegal logger pa.			
6	5	Jose Colle	.665
7	3	Carlito Tiu	.610
8	4A	Alfredo Marquez and Dante Medina	.463
9	8	Ramon Co	.458
10	11	Aristotle Abella, Ronie Cainoy, Nestor Clamor, Pelectrino Latiban, Jolito Cadayog and John does	.284

Kung may kaunting dunong at may kaunting tapang ang gobernador sa probinsiya nitong mga taong ito, matagal na silang na-Muntinlupa. Kaya lamang lumitaw itong top 10 kuno na illegal loggers because media made a big fuss about the death and the destruction of the last four cyclones. Ibig sabihin, kapag hindi sinundot ng media ang mga opisyal na nakalagay sa batas na siyang mananagot para sa ating mga gubat ay hindi sila kumikilos. Bakit kaya? Hindi naman sila mga paralitiko; hindi naman sila mga bingi upang hindi marinig ang chainsaw; hindi naman sila mga bulag upang hindi makita ang mga truck at forklift at iba pang paraphernalia nitong mga illegal loggers sa buong probinsiya. Ikot na sila nang ikot sa mga munisipyo lalo na kung fiesta, pero wala silang nirereport tungkol sa illegal logging.

Group 2

Group 2 consists of the following alleged big-time illegal loggers:

1. Romy Roxas of Green Circle Development Corp.;
2. Benito Ching, sub-contractor of Romy Roxas;
3. William Marquez;
4. Mayor Hernando Avellaneda, Gen. Nakar, Quezon;
5. Ricardo Avellaneda, brother of the above mayor;
6. Ronnie Avellaneda, brother of the above mayor

Hindi na siya nakuntentong mag-isa, buong pamilya hinakot niya doon sa kaniyang free-enterprise venture. Pero nahalal siya bilang mayor. What does that say of our electorate? An electorate that is always complaining and whining or winging—to use the English of Britain—about the smallest item but never take seriously their duties to elect only the best-qualified candidate. Kantahan mo lamang, iboboto ka na. Sayawan mo lamang, magpatawa ka lamang, iboboto ka.

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Pagkatapos, kapag hindi mo alam ang katungkulan mo at hindi mo ginampanan, rereklamo ngayon itong mga botanteng ito. Iyan ang napala ninyo. Because you did not take your duty of suffrage seriously. Not everything is funny in this country. You might find it so, but I do not.

7. Brgy. Chairman David Prudente, Brgy. Batangan, Gen. Nakar, Quezon, conduit; purchaser of illegal logs together with Ricardo Avellaneda.; and
8. John Lim

Group 3

Group 3, consisting of the alleged most deadly illegal loggers in the Philippines today, I will now reveal for the first time to the Filipino public. And if they have anything to say, I challenge them to say it to my face.

Antonio Libuangan, Operation Code Name Ay-Enng

He is allegedly conducting illegal operations within the areas of Laak, Loreto, and Vuela, which are found along the boundaries of Agusan del Sur and Compostela Valley. He is allegedly operating with so-called "recycled" or fake transport documents, meaning the "Certificate of Timber and Lumber Origin." These are issued under the Community-Based Forest Management Agreement (CBFMA) and the Certificate of Ancestral Domain Claims (CADC). Libuangan is said to supply illegally sourced logs to such sawmill or veneer plants as Alcantara and Sons-WPP; Fancy Panel-WPP at Km. 14, Panakan at Davao City; and to Tagum Premium Plywood Manufacturing Corporation (TPPMC) owned by a certain Albert Ng, also located at Tagum City.

These are people of flesh and blood. There are people who traverse the main thoroughfares of their cities yet they walk with heads held high as free men or women, as the case may be.

Libuangan is known to own the following logistical equipment and I challenge the

governor of this province to explain why that governor never noted that Libuangan owns them: 6 bulldozer units; fork loaders; 10 trucks identified as Saddam Rio 6 x 6; 25 6-wheeler trucks used for hauling logs from cutting areas to their designated log ponds; and 6 dump trucks described as 10-wheelers, high-side, used for transporting logs from the log pond to the sawmill or veneer plants.

Libuangan's alleged *modus operandi* is to transport illegally sourced logs in the night, from 12:00 AM to 5:00 AM, escorted by PNP personnel. Does this Chamber wonder why our bailiwicks are cynical with us politicians? That is because the major politician of the province, the governor, allows the police to escort criminals. And yet, when he runs for reelection, he wins. The convoy includes an advance vehicle for obtaining clearance from DENR and military checkpoints. Libuangan is said to connive with high-ranking DENR officials from CENRO to RED, to whom his alleged average monthly pay-off is P1 million. That is the story of the life of the Filipino nation. *Sisirain nila ang buong bansa para sa kakaunting kikitain na paghahatian nila kaya sarili lang nila ang iniisip nila. Kapag may reklamo, unang-una sila, numero uno sila. Pero pag may mali, krimen man o kasalanan sa Diyos ang ginagawa sa harap nila, sa halip na magbatikos sila, nakikisama pa.*

Every Filipino must examine his own heart, his own conscience, on whether his words match his actions for that is the key to the continued existence of this State. I predict that if we do not act and change our patterns of behavior in ways that are considered moral by a moral society, there will be no more Republic of the Philippines or even Philippine Islands as proposed, within my generation and I would not even regret it if I live that long. *Biro mo, kriminal nagbibiyah, ang escort niya pulis. Ang senador, kung minsan, hihingi ng police escort baka ma-late dahil napakaimportante ang engagement niya, dahil may darating na foreign dignitary, hindi makakuha ng pulis dahil nga they*

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are supposed to be directing traffic. We accept that equably in the interest of public service. *Papaano tayo makakita ng pulis, e, nag-escort sa mga kriminal, maliban sa patay. Iyon ang favorite vocation ng mga police, mag-escort ng mga kriminal, mag-escort ng mga patay.*

At one time, Libuungan's operation was allegedly financed by the Binondo-based Chinese group called Hong Kong Boys, and was allegedly protected by local politicians and top military officers. The Chinese involved are called Hong Kong Boys, because – *Bakit pa ako nagtatalumpati dito? Kung hamunin ko na lang kaya ng barilan, di tapos* – when an exposé or an arrest is about to be made, they flee to Hong Kong, and hide there until the situation allows them to resume their illegal logging operations. *Matatanggap ba natin iyong ganyan? Kunwari mayroong operation. Lilipad sila ng Hong Kong, pagkatapos, babayaran na lamang ang mga tao, tatahimik na, babalik na sila at mag-i-illegal logging na naman o kung anong krimen ang uulitin nila.* This makes our country and our government sound like a charade. It makes us sound like we were living not only in a nightmare but in another dimension normally called "hell." People like to describe the Philippines as "paradise," but it is not. By the way its government operates, it is the complete opposite.

Rolly Ma, Operation Code Name Datu

Ma is said to operate in New Bataan, Compostela Valley, and in Cateel Mati, up to Bagangga, in the areas of the boundaries of Davao Oriental. At present, he is said to be operating within the CBFM areas of New Bataan, Compostela Valley. He is said to own logistical equipment consisting of: four bulldozers, three trucks described as Saddam Rio, and four trucks described as 10-wheelers.

Ma allegedly owns a sash factory at Holy Cross, Davao City, as well as a veneer plant at Bgy. Magading, Nabunturan, Davao del Sur. Illegally sourced logs from CBFM areas are sawn into lumber or flitches. The products are loaded into

40-foot container vans via TEFASCO Wharf, Davao City, and brought to certain ports of entry such as Manila, Cebu, Leyte and Samar.

Ma is said to be a protégé of a former secretary for special concerns in the Arroyo administration. The illegal logging operation is allegedly used as a front for alleged upland development projects in Mindanao, carried out by the Organization of Islamic Countries or OIC. It also fronts for the natural resources utilization projects of the CBFM and CADC. Ma is said to be a protégé of a certain congressman in his area.

PICOP Resources Incorporated (PRI)

PRI is owned by Teodoro Bernardino, who has been awarded a Timber License Agreement to operate in Surigao del Sur and Agusan del Sur. Thus, he is a legal logger; but it is alleged that he operates beyond the area approved for logging. It is also alleged that at present, PRI is conducting harvest operations within an area designated as forest reserve within Km. 4. PICOP harvests naturally growing dipterocarp and *gubas*, which are species belonging to the small tree diameter. After harvesting, RTI allegedly hired JTS as contractor to conduct hauling operations.

PRI is a protégé of a certain congressman, for whom it supplies paper printing requirements for the congressman's newspaper business. Very recently, an association of private land tree-farmers with farms outside or adjacent to PRI's concession area complained about harassment by PRI. The farmers claimed that PRI confiscated all planted trees, harvested, and sold to neighboring local wood processing plants, on the claim that the logs came from PRI's tree plantation. This development reportedly prompted tree-farmers to rally against the congressman, whom they suspect to be the protector of PRI.

A certain Mr. Baluyot

He is said to own a wood processing plant, known as Magnum Wood Core that buys illegally sourced logs. His corporation

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owns three mini-veneer plants located at Bgy. Giniwitan, Compostela Valley; Manikling, Gov. Generoso, Davao Oriental; and Bgy. Magdum, Tagum City. It is said that the Tagum City plant is operating without DENR authority.

Tony Ong

He is said to own Lechang Corporation, also known as 747 Lumber. His wood processing plant is located at Montista, Compostela Valley, and allegedly sources its raw materials from illegal operation outside CBFM areas.

Shaway Uy

Uy allegedly owns a wood processing plant located at Makilala, Kidapawan, which sources its raw materials illegally from outside CBFM areas.

Group 4

Finally, Group 4 consists of the names of persons alleged by public officials and NGOS on different occasions to be big-time illegal loggers:

- ♦ Benson Ching and Angelito Chan, who operate in Umiray, Aurora; Pinga Chua in Mauban, Quezon; and Wilson and William Marquez in Infanta, Quezon. They were named by former DENR Secretary Heherson Alvarez.
- ♦ A certain "Trajano" and Frank Chua. They were named by Senator Juan Ponce Enrile.
- ♦ The owners of two companies: Furniture Group, Inc., and Nagan Forestry Development Corporation. They were named by Apayao Nature Watch through Bambina Perez.
- ♦ Rosy Bal, Francisco Bal Jr., Fontina Pacuribut, Susana Factor, and Eddie Bulacan. They were named by the Community Environment and Natural Resources Officer, or CENRO for southern Nueva Ecija led by Joselito Blanco.
- ♦ Enrique Amarillo of Mauban, Quezon; Roselyn Banagan; Mayor Irenia Hitgana of Trento, Agusan del Sur; and Sonny

Barrios, municipal environment and natural resources officer of Bunawan, Agusan del Sur. They were named by the DENR Task Force for Illegal Logging through retired Gen. Alfonso Dagudag.

Dito sa grupong ito, mapapansin natin, mayroong mayor, mayroong municipal environment and natural resources officer. Ang mandadakip ang siyang kriminal. Paano niya madadakip ang sarili niya?

The Final Solution

The final solution would be to impose the death penalty on illegal loggers, and possibly their political protectors. But short of this gory and radical solution, there are other considerations.

In the 1890s, the total land area of the Philippines was 30 million hectares, of which 19.5 million hectares formed our forest cover; by comparison, today, the forest cover is only 7.17 million hectares. God, in His benevolence, gave us 19 million hectares of forest cover, and we, the Filipinos, have succeeded, by graft and corruption, to reduce this asset to only 7 million hectares. What a country of hypocrites! Everyone declaiming about patriotism, nationalism, honesty, integrity and we have these going on, even as I speak. According to Philippine experts, since 1990, the Philippine forests have been disappearing at the alarming rate of 100,000 hectares per year.

According to the Forestry Development Center of the U.P. College of Forestry and Natural Resources in Los Baños, the problem of forest destruction is very complex. Deforestation is not the single cause of landslides, flash floods, and other forms of forest destruction. The causes of forest losses include the following:

- ♦ Illegal logging
- ♦ Land use conversion
- ♦ Kaingin-making
- ♦ Forest fire
- ♦ Pest and diseases

It has been suggested many times that logging through the Timber License Agreement (TLA) system is the main cause of

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forest destruction. But a 1987 study showed that cancellation of the TLA does not guarantee abatement of forest destruction. In a follow-up 1996 study, the cancellation or expiration of TLA resulted in the displacement of some 30,000 workers, when 33 TLA holders stopped operations. The displaced workers became upland cultivators, who exert increased pressure on remaining forest resources.

Many sectors advocate a total logging ban. They should be aware that people who depend on the forest would be the first to oppose that proposal. The U.P. Forestry Development Center opposes the proposal for a total log ban on this argument: "This will not only aggravate pervasive and widespread poverty, but deforestation as well. What is needed is a law that can integrate the various sectors to effectively pursue sustainable development at all levels with poverty eradication as a foremost initial strategic objective. Sustainable development is not attainable unless widespread poverty is eradicated and not merely poverty alleviation, because this can further perpetuate poverty. Instituting a total log ban would be a disservice to the rural poor," said U.P.

Attainable development will be achieved if, in addition to integration at the local regional and national levels, the law would provide for the sustainable development unit (SDU), defined as a watershed/sub-river basin, river basin, island, and group of small islands. The sustainable development plans and programs at the different levels should be absolutely transparent to be effective, and must be owned and supported by the stakeholders, so that there can be continuity.

Over the years, various programs have been implemented, including the community-based forest management, timber license agreement, and the integrated forest management agreement. The logging ban has been implemented in critical watersheds, national parks, and protected areas. But the ban has proved ineffective to decrease forest destruction. This draws us to the conclusion that the total logging ban is difficult and costly to implement. Even if

we add to the existing population of forest rangers, they would not be capable of protecting forest resources from people who are sorely in need. Further, if we pursue the logging ban, our country would have to source its wood requirements from foreign countries, which is a very costly alternative.

The U.P. Forestry Development Center makes the following recommendation: "We have to pursue sustainable forestry, which is infinitely more superior than a logging ban. At this point, reform is heavily needed to institutionalize sustainable forestry, which includes both conservation of the protected areas, or the protected forest, and the continuous production of goods and services in the agro-forestry areas, tree farms, forest plantation, and natural forest production areas."

Finally, I quote from Dr. Ben Malayang, formerly DENR undersecretary, and at present professor at U.P. Los Baños. He argues that forest cover is a critical element in our environment security in the following ways:

- ♦ Forests regulate surface water flow, and so they are critical mitigators of flooding in low-lying areas where many of our people live.
- ♦ Forests improve water percolation, and so they are critical to the water supply of many of our downstream communities.
- ♦ Forests regulate local temperatures and moisture formation, and act as wind and pest breaks, and so they affect our ability to do agriculture and reduce the risks to our settlements from severe weather events, like typhoons and droughts.

Professor Malayang advocates that we should look at the larger picture of geo-hazards and ecological risks that threaten the environmental security of our nation. Thereafter, we should reengineer the structures of environmental management and the administration of government. He warns that the cyclone quartet tragedy will be replicated many more times in the future because our country is heavily prone to

natural hazards and disasters, aggravated by the failure to implement the principles of good governance.

We in the Senate should heed his list of warning signals that consists of the following:

- ♦ High incidence of tectonic hazards
- ♦ Much reduced protective cover of forest
- ♦ Steep slopes and soils prone to slides and slips
- ♦ High frequency of severe typhoons and rainfall that can easily saturate soils and cause flooding
- ♦ Policy failures
- ♦ Corruption among the regulators and the regulated
- ♦ Continuing inequality of access to the nation's primary resources.

In my humble view, the final solution is for government to fully understand this complex of threats to our environmental security so that we can address these threats in their unity and their complexity. Clearly, the structure and system of environmental administration in our country must be reformed. And the first step to reform is to exact criminal retribution from illegal loggers and their political patrons.

DEFERMENT OF INTERPELLATIONS ON SENATOR DEFENSOR SANTIAGO'S PRIVILEGE SPEECH

Thereafter, the Body deferred the interpellations on Senator Defensor Santiago's privilege speech.

REMARKS OF SENATOR PANGILINAN

Senator Pangilinan stated that Senator Cayetano has expressed her desire to interpellate on the privilege speech of Senator Defensor Santiago at a later date.

SECOND ADDITIONAL REFERENCE OF BUSINESS

The Secretary of the Senate read proposed Senate Resolution No. 166 which the Chair referred

to the Committee on Banks, Financial Institutions and Currencies.

RESOLUTION

Proposed Senate Resolution No. 166, entitled

RESOLUTION DIRECTING THE COMMITTEE ON BANKS, FINANCIAL INSTITUTIONS AND CURRENCIES, TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE ILLEGAL SALE OF UNREGISTERED AND HIGH-RISK SECURITIES BY STANDARD CHARTERED BANK, WHICH RESULTED IN BILLIONS OF PESOS OF LOSSES TO THE INVESTING PUBLIC

Introduced by Senator Enrile

COMMITTEE REPORT NO. 10 ON HOUSE BILL NO. 3154 (Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154 (Committee Report No. 10), 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 FIVE, AND FOR OTHER PURPOSES.

Senator Pangilinan stated that the parliamentary status was the period of interpellations.

SUSPENSION OF SESSION

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

It was 4:06 p.m.

RESUMPTION OF SESSION

At 4:07 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

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Thereupon, the Chair recognized Senator Villar, Sponsor of the measure, and Senator Angara for his interpellation.

INTERPELLATION OF SENATOR ANGARA

At the onset, Senator Angara said that he would limit his questions on the general principles and assumptions of the 2005 GAB as he congratulated Senator Villar for his presentation in spite of the difficulty in proposing a budget based on very scarce resources.

Asked whether he believed that the 2005 national budget is reformist and spartan, Senator Villar expressed doubt whether the national budget could be used to reform the country as it is merely a continuation of past general appropriations. He admitted that the 2005 national budget is a "skin and bones budget" because the increases would only be for debt service and internal revenue allotment while basic services would be allotted the same amount. However, he agreed that "spartan" would appropriately describe the national budget.

Senator Angara believed that it could be a reformist budget if it is an instrument of change. Senator Villar clarified that the national budget could be an instrument of change depending on how one looks at it. He reiterated that while basically, it is just a continuation of the previous year's budget, it is used as a guide for the government's expenditures and to preserve the checks and balance between Congress and the Executive for a more efficient operation of government. He underscored that although the Committee tried its best to be fair in effecting realignments to make the budget a developmental tool, it has failed to become a reformist budget.

Senator Angara noted that almost P1.7 billion was realigned but a total of P1.8 billion was deducted which resulted in a net decrease of P120 million. He emphasized that the resources of a limited budget could be used to effect changes and reforms. He expressed hope that in the course of the debate on the budget of the agencies, the Committee would be able to identify these items. For instance, he cited the school feeding program, a genuine change for the better that was introduced in the budget. Senator Villar agreed, stating that such a program would go a long way in improving the quality of education and health.

Senator Angara reiterated that what he would like to find out in the course of the discussion is whether the major realignments are really intended to effect a change in priority in the areas of education, health and social services, for instance. He asserted that if these items were simply carried over from the previous budgets, there would not be improvements at all. In reaction, Senator Villar said that the realignment was prompted by a study which showed that there was a serious deterioration in the quality of education caused in part by poor nutrition of school children.

Senator Angara noted that six out of ten school-age children were malnourished in one form or another, for which reason he initiated an experimental 120-day school feeding program for three years for students aged 6 to 10 years in Grades I, II and III. He stated that tests administered thereafter showed remarkable improvement in the academic performance, attendance and physical health of the students.

Senator Villar admitted that according to surveys, Philippine education is close to the bottom in terms of standard which, he believed, could be addressed through the improvement of health services for school children.

At this juncture, Senator Angara requested the Committee to provide him a breakdown of the P1.698 billion increase and the P1.818 billion decrease in the national budget to trace whether the shift of resources would advance any special cause or effect a change in priority. Senator Villar gave assurance that all the senators would be provided the breakdown of those items.

As regards the macro-assumptions, Senator Angara noted that the budget assumed that the economy would grow between 5.3% and 6.3%. Senator Villar clarified that the growth estimates for GNP is between 5.5% to 6.5% and the GDP from 5.3% to 6.3%. He noted that in 2004, the GNP and GDP grew by 6.1%.

Asked if the high-end 6.3% growth rate was higher than the estimates of the ADB, the IMF and the World Bank, Senator Villar replied that the estimates of these institutions were much lower last year but the performance of the Philippine economy proved them wrong.

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However, Senator Angara reasoned that 2005 could be a more difficult year than 2004 because the debt stock had risen so rapidly and the debt service had increased by US\$1.5 billion.

Senator Villar explained that the assumption is that the government would be able to address the fiscal crisis and that the agriculture, real estate, banking, tourism and export sectors would grow as they did last year. He also pointed out that early this month, there has been a sharp increase in stock market trading, an indication of a better performance for 2005. He posited that if the peso would continue to appreciate vis-à-vis the dollar and would remain at P53.35 to a US\$1.00, the debt stock would be reduced by P171 billion.

Senator Angara believed it is possible that the peso would strengthen against the dollar; however, he pointed out that oil imports and debt stock are rising, thus, 2005 could be a little bit more difficult than 2004. Senator Villar expressed the view that allowing the Napocor to increase its rates would improve its finances, radically reduce its debt and, thus, pave the way for its privatization. He said that except for the energy sector, the other sectors would do just fine. Further, he informed the Body that the tourism sector posted its highest record of increase since 1997, with 2.22 million tourists visiting the country last year.

Asked about his assumption for the interest rates, Senator Villar replied that the Committee assumed a 7.5% to 8.5% interest rate on 91-day treasury bill as he anticipated a relatively high inflation for the first half of the year given the low interest rate in the first half of 2004. He expressed the belief that the inflation rate in the second half of the year would eventually taper off, the interest rate being dependent on the inflation rate. With less pressure on the BSP to increase interest rates, he said that there is no reason why the interest rate on 91-day treasury bill would go beyond 8.5%.

Senator Angara recalled that a year ago, the interest rates in the U.S. and Europe increased by at least 50 basis points and that the trend is still continuing. He said that the U.S. Federal Reserve adopted a neutral policy that allows interest rates to go up which is bad for the Philippines because part of its debts is in dollars.

Senator Villar maintained that these indicators would not seriously affect the budget as a whole. Senator Angara argued that the country would be required to shell out more money in order to pay the foreign debt as a result of an increase in the U.S. interest rate. There is also the P200 billion debt of Napocor that the national government absorbed, he said.

To the observation that the debt payment has become bigger, Senator Villar agreed as he said that existing loan stock has fixed interest rates and would not change unlike the new loans that are more expensive to contract.

On the \$4-billion loan with a higher interest rate that has to be refinanced, Senator Villar explained that it was considered by the Committee in the preparation of the assumptions.

With regard to the maturities on loans that are piling up and the transfer of the P200 billion Napocor debts to the national government, Senator Angara asserted that the debt service would increase by at least \$1 billion this year. Senator Villar expressed confidence that the projections on the debt service are relatively precise. Further, he explained that relative to the US\$4 billion loan, because of the downgrade, the Committee assumed that the interest rate would go up by 100 basis points or 1% or \$40 million which is equivalent to P2 billion.

On the argument that the increase of the debt service by at least \$1 billion this year would wreak havoc on the projections, Senator Villar remarked that the country's existing debt stock would remain the same and the most that would increase is the interest on the \$4 billion loan.

In reply to further queries, Senator Villar replied that the CSPD is about P6 trillion. However, he said that using a new format, upon advice of the IMF, the country's debt has gone down by 5.9% or P6 billion to P4.350 trillion at the end of 2003. He informed the Body that IMF suggested the removal of double counting, meaning, if a debt is owed to another government institution then it should not be counted twice. Having removed the overlaps, he said, the total debt was reduced to P4.35 trillion as of 2003 but this increased to P4.7 trillion at present.

Senator Villar disclosed that the country was very slow in adopting the international standards.

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He stated that having a background in accounting, he also questioned the change in accounting procedure, especially if it results in an improvement of the image, but that was how the IMF wanted the computation to be done.

To the observation of Senator Angara that the contingent debt would amount to about P1.7 trillion by the year 2007, following the shortfall in SSS and GSIS, Senator Villar clarified that their combined contingent obligation is about P800 billion.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:37 p.m.

RESUMPTION OF SESSION

At 4:48 p.m., the session was resumed.

Relative thereto, Senator Villar reported that the country has a contingent liability amounting to P1.7 trillion made up of guaranties on GOCCs, GFIs, PSB and BOT projects and buyout of IPPs, excluding the reserve problems of SSS and GSIS. He admitted that up to the present, SSS and GSIS have not provided the Committee the needed information.

On the study made by the World Bank pointing out the actuarial deficiency of both social security systems, Senator Angara recalled that the amount just depended on the deficiency. Senator Villar argued that based on the GSIS report, the deficiency is only P5.2 billion that COA claims is just temporary. The fund has more than enough resources to back up the deficiency, he said.

Senator Angara remarked that the figures in the World Bank's study could be easily checked. He recalled that the combined actuarial deficiency of SSS and GSIS amounted to P1.8 trillion, P900 for GSIS and the rest for SSS.

In reply to a query of Senator Angara, Senator Villar stated that the projected CPSD for 2005 is P253 billion which is 3.9% of the GDP. He stated that the projection has taken into consideration the two new tax measures and the proceeds from privatization.

Senator Angara expressed uncertainty how a percentage point would reduce the CPSD on the basis of the sin tax and the lateral attrition measures when the most optimistic forecast would result in an amount between P25 billion to P28 billion. He noted that the CPSD in 2004 was already P316 billion.

Senator Villar explained that there had been a change in the CPSD submitted by the GOCCs from the original P91.85 billion to the current P42.5 billion – the figure coming mainly from estimates for the Napocor.

Upon further queries, Senator Villar said that the total nominal amount of P263 billion CPSD estimate was based on figures submitted by the National Food Authority, Napocor, and the Light Rail Transit Authority.

Asked how government could lower the CPSD by almost a percentage point based only on the sin tax and lateral attrition laws, Senator Villar replied that the reduction would come from the reduced deficit of GOCCs, the proceeds from the privatization of government assets, and the revenues to be generated from the two tax measures. He said that the projected privatization covered the sale of power plants, particularly that of Masinloc.

Senator Angara asked for a list of the power plants to be privatized as he expressed the belief that getting more proceeds from such an effort would ease the pressure on Congress to pass more tax laws. In reply, Senator Villar stated that the power plants to be privatized in 2005 are the following:

Manila Thermal	-	US\$27.5 million
Iligan 1 and 2	-	15.8 million
Pantabangan	-	13.8 million
Cebu	-	18.6 million
Masiway	-	4.1 million

However, he clarified that the projection does not include the sale of Transco.

Senator Angara asked about the total projected revenue for 2005 from the government's privatization program.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:51 p.m.

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RESUMPTION OF SESSION

At 4:51 p.m., the session was resumed.

In reply, Senator Villar enumerated the government assets scheduled to be privatized as follows:

Talomo	- US\$1.37 million
Agusan	- 1.5 million
Barit	- 4.48 million
Loboc	- 1.4 million
Cauayan	- 0.41 million
Masinloc	- 22.4 million
Navotas 1	- 28.9 million
Limay, Bataan	- 85 million

Senator Villar clarified that the total proceeds including the sale of Masinloc would amount to US\$423 million as it was assumed that Masinloc would be sold with a 40% downpayment.

Senator Angara argued that exacting additional taxes from the public would be difficult as they have no more purchasing power. Hence, he believed that adjusting the deficit reduction program and concentrating on privatization efforts would relieve the pressure on Congress to pass additional tax measures. Senator Villar noted that the projections are rather conservative considering that revenues from an increased VAT have not been included. He stated that including revenues from the VAT or other revenue-generating tax measure would reduce the national government deficit to P150 billion or 3% of GDP. Further, he said that supplementing this with an improvement in the CPSD through the privatization of some government assets would allow the government to hit its target in 2005. However, he clarified that he was not proposing an increase in the VAT.

Senator Angara clarified that it is the administration that made the proposal, hence, he suggested that instead of putting much emphasis on taxes, the government could have the right mix and balance tax revenues, non-tax revenues and proceeds from privatization to achieve the goal of deficit reduction. He pointed out that government has already raised P28 billion of the P80 billion projected revenues needed but that the P40 billion to P50 billion balance could not be raised solely out of the proposed hike in the VAT. He noted that in the public hearing on VAT held earlier that day, it was pointed out that raising the VAT by 2 percentage points and eliminating all exemptions would generate

P87 billion in revenues for the government but at a very heavy price. He expressed the belief that government should even be more optimistic and aggressive in going for privatization proceeds than tax revenue take.

Senator Villar, however, pointed out that revenues raised through privatization are only a one-time benefit for the government. He stressed that the government would also have to think of a more sustainable strategy. On the other hand, Senator Angara posited that if government could surmount the deficit problem in the next two to three years, then by the third year, Congress would have refined not only the new tax measures passed but even the tax enforcement processes as well. He opined that focusing on privatization efforts would buy the government critical time.

Noting that the government would continue to be hobbled by the high national deficit and debt stock, Senator Angara believed that the methods for raising tax and non-tax revenues would determine whether the goal of lowering national debt would be achieved. However, he lamented that the public hearing of the Ways and Means Committee reflected the negative reaction of the people to any tax or rate increase. He expressed hope that the government would be able to strengthen its fiscal position in order to improve the economy and uplift the lives of everyone instead of just the rich.

In closing, Senator Angara expressed hope that the Senate would be able to identify other innovations when the budgets of the different departments are discussed on the floor.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan informed the Body that Senators Defensor Santiago, Osmeña and Roxas have also made reservations to interpellate.

INTERPELLATION OF SENATOR DEFENSOR SANTIAGO

At the outset, Senator Defensor Santiago expressed hesitation over interpellating Senator Villar as she is the vice-chair of the finance committee, but she clarified that her queries are meant to clearly establish the macroeconomic assumptions of the Committee.

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Noting that the NEDA projected a 6.2% GDP growth as opposed to the more conservative 5% forecast of the Asian Development Bank and the World Bank, Senator Defensor Santiago then inquired about the assumed GDP growth for 2005. Senator Villar explained that the Committee projected a growth rate of 5.3% to 6.3%, but it used the more conservative 5.3% forecast as the basis of the GAB.

On the assumed impact of the recent downgrade of the country's credit standing by Standard and Poor's on the debt service requirement of the national government, Senator Villar replied that due to fixed interest rates, the downgrade would not likely have much effect, but it would be more costly for the government to borrow from its creditors. He noted that with the government expecting to borrow \$4 billion from its creditors this year, a 1% increase in its borrowing rate would translate to about P2 billion to P2.5 billion increase in interest payments. Senator Santiago concluded that as such, Senator Pimentel was correct in saying that the figures of the credit rating agencies ought to be disregarded as they are merely purveying so-called public opinions. Senator Villar agreed as he pointed out that most or about half of the government debts or bonds are held by Filipinos.

Asked if the recent downgrade would have minimal impact on the total public sector deficit, Senator Villar said that it would, but only on existing debts.

Asked about the assumed cost of crude oil in the world market, Senator Villar replied that the \$37 per barrel price on Dubai crude oil was made as the basis for the budget projections. Senator Defensor Santiago noted that the cost of crude oil per barrel at the moment is about \$48 to \$49 dollars. Senator Villar noted that Senator Defensor Santiago was quoting the Brent price.

Senator Defensor Santiago stated that the cost of crude oil per barrel at \$48 to \$49 is grounded on several reasons: on the supply side, there is lower output because of the war in Iraq and some production problems in major oil-producing countries like Venezuela and former Soviet Republics; on the demand side, the severe winter in North America and higher-than-expected demand from fast-growing large countries like China and India. She noted that

higher cost has the effect of slowing down the world economy; and in the case of the Philippines, it means lower exports.

Asked how higher cost of crude oil would affect Philippine exports and GDP growth, Senator Villar replied that every \$10 increase in Dubai price would mean a .4% decrease in the GDP.

Asked on the impact of higher taxes on growth and employment, Senator Villar replied that on growth, higher taxes have a negative impact on consumption; on the other hand, they reduce the country's deficit. But overall, considering the fiscal crisis, he believed that higher taxes would have a positive effect.

Senator Defensor Santiago explained that as a second round effect, slower growth means lower revenues; also, higher taxes on cigarettes, for example, would mean higher prices of cigarette products and consequently, less consumption of cigarettes. With lower demand and output, she said, the cigarette industry would use fewer resources, labor, capital and materials to produce cigarettes, and as a consequence, however, there would be more unemployment, lower utilization of capital and lower farm output.

Asked on the impact these developments would have on growth and tax revenues, Senator Villar replied that generally, it would have a negative impact on those items. However, he pointed out that since the country is in crisis at present, reducing the fiscal deficit by increasing revenues is very important.

Senator Defensor Santiago asked how higher sin taxes would affect growth, employment and taxes if indeed they would raise about P15 billion. Senator Villar reiterated that the effects of the sin tax would be on consumption. He stated that P9 billion or P15 billion in revenues is minimal because the product is inelastic.

In case a revised VAT law would raise an additional P35 billion, Senator Defensor Santiago asked its impact on growth and unemployment. Senator Villar replied that the impact would not be that much and immediate. He noted that in Thailand, the VAT rate was reduced from 10% to 7% to stimulate demand and boost the economy. However, he said, the objective of the VAT bill

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is to increase the revenues to boost the confidence of the investors, businessmen, and creditors. He believed that given the many factors and the country's immediate problem, the overall effect would be positive.

On whether he had earlier taken a position against the VAT, Senator Villar clarified that he was referring to tax measures, not necessarily the VAT. He clarified that there were eight measures proposed by the President and the Senate had passed only two.

Asked on the second round effect of the VAT bill on taxes, Senator Villar revealed that the traders cannot just be instructed to compute the exact effect of the VAT on their products and increase their prices correspondingly. He cautioned that many traders could take advantage of the situation and actually increase the prices of their prices higher than they ought to. From experience, he noted that there is a predisposition on the part of the traders to increase the prices more than the increase in the cost of the VAT. He said it was the reason many analysts say that the increase should only be so much.

Asked on the impact of higher than planned inflation on nominal interest rates, Senator Villar replied that there is a tendency to increase interest rates and, consequently, the quality of life goes down. He posited that increasing the interest rates would mean increasing the cost of production as he stated that inflation is more directly related to interest rates.

Along the same line, Senator Defensor Santiago asked on the impact of higher than planned inflation on the debt service. Senator Villar replied that when the interest rates go up, the debt service also goes up. Since a big part of the country's debt is domestic, he stated that an increase in the interest rates on the domestic debts would significantly increase the interest cost for the government.

Senator Defensor Santiago asked what assumptions the Committee used in computing the servicing requirement for the national government's foreign debt. Further, she wondered if CB Governor Buena Ventura was correct in his assumption that the peso would strengthen to P52 to US\$1. Considering that the government debt is about US\$32 billion, Senator Villar said that

a P4 drop in the exchange rate, from P56 to P52 to US\$1, would bring down the total debt by about P128 billion or a P6.4 billion drop in the interest payment on debts.

On whether he was going to act on such an assumption, Senator Villar commented that he would rather stick to a conservative assumption of P56 to US\$1 because P52 might be too optimistic. Nevertheless, he acknowledged the possibility that the exchange rate might go to as low as P52 or P53 to US\$1 because the inflows had been quite well in January of this year, and foreign investors, particularly short-term foreign investors, are likely to increase their investments significantly this year once the stock market continues to show radical improvement and give very good returns to them. Also considering that tourism is very robust and that remittances went up by 11% last year, he said that the optimism of the CB governor might be well-founded.

Asked on the planned national government deficit for 2005, Senator Villar replied that it is about P180 billion, after taking into consideration the assumption by government of the P200 billion Napocor debt.

Asked on the planned capital expenditures for 2005, Senator Villar replied that there is a P96.6 billion capital outlay, including P56 billion for infrastructure, P191 million for corporate equity, P7.7 billion for other capital outlay, and P32.2 billion capital transfer to LGUs.

Senator Defensor Santiago wondered whether the figure P96.6 billion is realistic considering that the approval of the fiscal year 2005 budget has been delayed. She noted that public works construction is characterized by seasonality because of the weather pattern, hence, the best time to construct is during the summer months, April to June, and the last quarter, October to December. She said that the approval of the budget has been delayed, and considering that it takes about two to three months to bid, approve and issue notice to proceed, most public works construction would take place during the final quarter of the year.

Asked how the delay in public construction would impact on GDP growth and development, Senator Villar stated that the amount is very small as there has been a significant cut in the budget for public works. While investments for capital outlay

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have been going down in the past few years, he expressed optimism that there would be greater efficiency on the part of the public works department and its contractors to take advantage of this very limited budget and go out of their way to make it successful this year.

Senator Defensor Santiago stated that when she was conducting budget hearings in her capacity as one of the vice-chairs of the finance committee, she discovered that some agencies lobby senators for the insertion of special provisions on the use of income. She said this is the way of circumventing the budgetary ceilings imposed by the DBM and the items approved by the President.

As regards these special provisions on the use of income, Senator Villar replied that the President vetoed most of these provisions but in some meritorious cases, approved them. He said that he is inclined to grant the use of excess income, the income over and above what was collected last year or what was committed to be remitted to the Treasury.

Senator Defensor Santiago said that she was glad that the practice would simply be in the manner of exemptions rather than the general rule because from the standpoint of constitutional law, she believed that allowing the special provisions to become a general feature of the budget would upset the political balance of power as it would diminish the power of the President over the Executive Branch and its own budget and strengthen the power of Congress especially the senator sponsoring the budget. Moreover, she said, it would also allow the use of income not originally contained in the President's budget, effectively reducing the non-tax revenues reported in the BESF. She believed that this special provision has the potential effect of increasing the budget deficit. She pointed out that the language of the special provision allows the agency to augment its operation requirements.

Thereafter, Senator Defensor Santiago expressed hope that as the Body goes through the budgets of the various department, it would bear in mind the adverse effects of the special provisions on the constitutional law.

Senator Villar stated that the Committee was still adopting the one-fund concept but the special provisions are exceptions.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:26 p.m.

RESUMPTION OF SESSION

At 5:28 p.m., the session was resumed.

MANIFESTATION OF SENATOR DEFENSOR SANTIAGO

Senator Defensor Santiago informed the Body that the Foreign Affairs Secretary has requested that the deliberation on the budget of the DFA be scheduled on Wednesday instead of Friday because at that time, he would be out of the country. She asked if Senator Villar would approve the change of schedule.

Senator Villar stated that he was not inclined to grant the request since other Cabinet members might do the same. He added that he would have to confer with the Minority on the matter.

Senator Defensor Santiago asked Senator Villar to inform the DFA of his decision.

INTERPELLATION OF SENATOR OSMEÑA

Asked by Senator Osmeña to give an overall picture of the P907 billion budget, Senator Villar replied that 31% or P301 billion would go to debt service, 33% to personal services or P91 billion, P514 billion to MOOE.

On the projected deficit for the 2005 budget, Senator Villar stated that it is P180 billion, while P42 billion is the projected deficit for other sectors not included in the national budget such as GOCCs and other obligations that would constitute the projected CPSD for 2005.

Senator Villar clarified that the initial public sector deficit projection of P253 billion for 2005 was revised to P199.84 or 3.9% of the GDP. He clarified that in 2004, the CPSD was P263 billion.

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SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:35 p.m.

RESUMPTION OF SESSION

At 5:36 p.m., the session was resumed.

Asked what adjustments were made, Senator Villar stated that there were only two basic items – the reduction in the estimates of the national government from P184.5 billion to P180 billion; and the reduction of the assumed deficit of the GOCCs from P91.86 billion to P42.5 billion mainly coming from Napocor.

Recalling the larger projections during the committee hearings last October and November, Senator Osmeña inquired what attributed to the adjustments. Senator Villar said that for the national government, the savings reached P186 billion.

Asked if the savings were being pushed to a later year, Senator Villar replied that when he raised the same question to DBM, he was told the government had implemented a cost-cutting program.

Senator Osmeña asked the DBM to give the Body information as to where the cuts were made. Senator Villar acceded to the request.

On the matter of sourcing funds to support the national budget and the deficit for 2005, Senator Villar said that in 2004, BIR projected P468 billion and P551 billion for 2005 or an increase of 17.8%.

Asked if the figures were adjusted to include increases in collection because of the passage of the Lateral Attrition Law, Senator Villar stated that the said law would contribute to the efficiency in collection which, however, is difficult to quantify.

Senator Osmeña opined that the projected target of the BIR was very high since it has not been able to reach a high of 17.8% over the past ten years. Senator Villar said that other tax measures that have been approved were not included in the projections.

Senator Osmeña stated that such target could be achieved by moving part of the expenditure program to the unprogrammed side of the budget.

Senator Villar informed the Body that the BIR had registered the following collection rates from 1996-2004:

1996	-	24%
1997	-	21%
1998	-	7.14%
1999	-	1.23%
2000	-	5.71%
2001	-	7.73%
2002	-	1.51%
2003	-	7.81%
2004	-	10%

Senator Osmeña expressed doubt on the ability of the BIR to achieve even an average 6% increase in collections this year. Senator Villar said that the BIR's confidence to hit a 17.8% increase stems from the fact that it was able to hit its target of 10% in 2004. He admitted it would be hard to justify a 17.8% increase on the basis of increased efficiency without no new tax measures enacted.

Senator Osmeña said that he was hoping that the 17.8% increase would come from tax collection efficiency, considering that the BIR is not collecting 40% of the taxes. Thus, he said that there is not much to be expected from the BIR if additional tax measures would be factored into its target. Senator Villar admitted that the BIR's optimism rose because of the lateral attrition law.

Replying to another query, Senator Villar said that between 2003 and 2004, income taxes grew by 12%, that is, 6% for inflation plus 6.1% for the nominal growth in the economy. He affirmed that BIR's projected collection of 10% is a nominal number, which means that it is not adjusted for inflation.

Senator Osmeña observed that if the BIR increased its collections in 2004 by 10% and the economy's nominal growth was 12%, then the BIR undershot its target again. Senator Villar, however, reasoned that if the target is not met, the deficit would go up and the DBM would have to adjust by reducing expenditures.

Senator Osmeña pointed out that the job of Congress is to determine first what would be the total level of expenditures that it would authorize the national government to spend, and to see that

whatever is projected is based on reality and on certain assumptions that either are happening or are based on historical numbers.

Asked if it would be safe to assume at least a 15% growth in revenue collections by BIR and Customs if the economy grows by 15% in 2005, Senator Villar replied in the affirmative.

However, Senator Osmeña said that the 10% growth in revenue collection does not speak well of the tax collection effort considering that the economy grew by 12%. Senator Villar said that when he was reviewing the figures, he also made the same comments on the target being too high despite the passage of the lateral attrition law. However, he clarified that it is possible to meet the target, especially if another tax measure, not necessarily VAT, would be passed.

Senator Osmeña said that what is bothersome is the fact that the historical growth in collections over the years, for instance, from 1998 to 2004, was merely an average of 6% to 7%. Likewise, he noted that the BIR collection rate of 10% in 2004 was not at par with the 12% nominal growth in the economy; thus, the BIR has not been effective in collecting taxes and has not even kept track with the growth in the economy plus inflation. He said that he would like to know what the BIR was doing to collect existing taxes under existing tax laws.

On the suggestion to cut the national budget to bring it down to more realistic levels, Senator Villar countered that the Body could do it or increase the deficit target.

Asked on the growth in Customs collections in 2003 and 2004, Senator Villar replied that collections for 2003 amounted to P106 billion at a growth rate of 10.12%, and P122.4 billion for 2004 at a growth rate of 15.3%. Senator Osmeña expressed satisfaction that the growth rate for 2004 was higher than the growth in GDP.

Replying to further queries, Senator Villar said that the target growth in collections for 2005 is P146.687 billion, a 19.9% or P24-billion increase over last year's collections. He affirmed that the percentage increase already includes revenue projections from tax measures, P6 billion of which comes from imported alcohol and tobacco products.

Senator Osmeña asked if this meant that the Bureau of Customs had already determined the volume of alcohol importations that have escaped taxation.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:56 p.m.

RESUMPTION OF SESSION

At 5:57 p.m., the session was resumed.

Upon resumption, Senator Villar said that the P6 billion projected revenues would come from importations passing through Subic and Clark.

Senator Osmeña pointed out that during all the hearings conducted by the Committee on Ways and Means, the BOC could not give any real numbers on the total number of cases of either cigarettes or alcohol that had come into the country but escaped taxation. He said that he was surprised how the BOC came up with the figure of P6 billion. He asked the Committee to give him the basis for collecting the amount that would be multiplied by the excise tax rate on the particular products.

Asked if VAT would be paid on any importation the moment it enters Subic, whether it is a free port or not, Senator Villar said that instead of VAT, all types of duties and taxes would have to be paid because the law lifted the exemptions on liquor and cigarettes.

Senator Osmeña commented that since the BOC has already determined the volume of importation, it could now also determine how much was smuggled into the country the previous years. Senator Villar said that the Committee would submit a report on the volume of importations and the manner by which taxes would be collected.

On another matter, Senator Osmeña asked how the sale of a Genco would substantially lower the CPSD. Senator Villar said that the Committee has enumerated the Gencos for privatization, the proceeds from which would amount to US\$23 billion. He said that these sale of these assets would have a substantial effect on the deficit.

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Senator Osmeña clarified that what contributes to the CPSD is the debt service, not the asset, so that if the asset incurs a net loss every year including interest payments, that very small amount is what would contribute to the CPSD. For example, he said that the sale of a plant worth P50 billion does not have a direct one-to-one impact on the CPSD; it would just lower the debt stock which is not part of the CPSD into which debt service interest payments go. He reiterated that selling an asset would just lower the total amount of loans owed but would not considerably lower the debt service payments. Senator Villar affirmed that the sale of an asset would not lower the debt service payment but would increase the inflows by P23 billion.

Senator Osmeña asked how the inflow was factored into the national budget.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:03 p.m.

RESUMPTION OF SESSION

At 6:12 p.m., the session was resumed.

Senator Osmeña stated that the incoming Energy Secretary and the Finance Undersecretary had told him that the sale of Napocor assets would be reflected in the cash inflow of the government and that it would just be a one-time sale and a non-recurring cash flow to the government. He said that there may come a time when Napocor would run out of prime assets to sell and would still be incurring operational losses particularly on its IPP-stranded contract cost. Senator Villar confirmed the information.

Senator Osmeña pointed out that this could happen unless the universal levy is raised to sufficiently cover the difference between the contracted cost for the IPP and the income Napocor would make on its portion of the universal levy that is supposed to go to the subsidized stranded contract cost.

As regards the type of savings to be generated by the government from various GOCCs including about 736 corporations and GCEs, non-chartered government entities, Senator Villar said that the

assumed reduction in the deficit would come from increases in rates more than cost-saving, which is a wrong policy as the issue on the pay of officials of the GOCCs had not been included. He stated that he has yet to hear a GOCC that has presented a clear-cut cost reduction program since most of the proposals coming from the GOCCs are about rate increases.

Senator Osmeña pointed out that Napocor can afford rate increases because it has a fee-based income, but there are other corporations that do not have, as their basis for inflows, any fees that they can unilaterally or arbitrarily raise. He said that while the liabilities of GSIS and SSS are contingent liabilities of the government, the government would cover any shortfall in their contracted liabilities to their members.

He pointed that these corporations have been very profligate in awarding themselves large monthly pay, allowances, and separation and retirement benefits. He added that these institutions have no annual stockholders meetings to answer to and that it is Congress that reviews its annual operations during budget deliberations and ensures that the appropriate measures are instituted so that operations would work within reasonable limits and pay scales that are commensurate with those of the private sector.

Senator Villar confirmed that there has been no concrete proposal on the pay of GOCC officials yet, although there is a DBM and DOF joint cost reduction program that aims to rationalize the GOCCs; but so far, the increase has been made only on the Napocor and the SSS employers' rates. The program, he added, is encouraging the increase of LRT rates and the reduction of benefits given to SSS members.

On whether there is a need for more substantive cuts in the GOCC operations particularly on the pay of government officials, Senator Villar informed the Body that the budget is projecting a reasonable cut in the operations, but mainly an increase in the revenues coming from the increase in the rates.

Senator Osmeña revealed that what bothers him is that instead of reexamining, analyzing and downsizing the operations of various GOCCs, the government seems to encourage revenue increase which is wrong since the taxpayers are the ones

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who pay for the inefficiencies and corruption of those who run the GOCCs. The Finance Committee, he said, should look very closely into GOCC operations. He asked whether the GOCCs answer to anybody.

Senator Villar said that he does not think so, but he noted that these corporations go to the DOF for loans from time to time which is the only opportunity that the DOF officials impose austerity measures on them.

In the case of Pagcor, Senator Osmeña pointed out that it does not ask loans from the DOF by virtue of the monopoly that was given to it under its charter. He surmised that Pagcor makes twice as much in net profits than what they actually report.

Senator Villar said that since Pagcor's franchise is up for renewal, this would be the opportunity for the Body to look into its operations.

Asked whether Pagcor's profits have been included in the national budget, Senator Villar replied that it is part of the national budget to the extent of the share of the government.

On whether Congress looks into the annual operations and financial reports of Pagcor, Senator Villar replied in the negative, saying that it looks only into the amount that Pagcor remits to the government whose share was P9.2 billion for 2004.

Asked whether the government takes it at face value whatever the amount Pagcor declares in its annual report, Senator Villar said that theoretically, Pagcor is audited by the COA.

On whether GOCC loans for expansion or operation are subject to approval by the national government or any of its agencies, Senator Villar stated that foreign loans pass through the DOF and the Monetary Board, while domestic loans pass through the DOF, but it would also need the approval of the Monetary Board if the loan is in the form of bonds.

Asked whether the Monetary Board could disapprove a loan that is being incurred by a GOCC, Senator Villar replied in the affirmative.

Senator Osmeña opined that it is not within the jurisdiction of the Monetary Board because it deals

with macro-monetary concerns and not the fiscal health of a particular government or GOCC that is applying for the loan.

Senator Villar said that traditionally, foreign debts are subject to the approval of the Monetary Board although he was not sure whether the Monetary Board has been strict in the performance of this function.

Senator Villar pointed out that the Monetary Board merely gives an opinion on the impact of a project on the national economy and its approval is needed for dollar loans. Senator Osmeña pointed out that the Board cannot be the comptroller of all government-owned and -controlled corporations that want to borrow money.

In this regard, Senator Villar informed the Body that he filed a bill putting a cap on foreign debt and requiring congressional approval for certain kinds of foreign debts.

Senator Osmeña believed that the bill should also cover local debt as he pointed that six months ago, the total public sector debt amounted to US\$94.6 billion or roughly P5.3 trillion, of which about P3.3 trillion was the portion of the national government; and P2.1 trillion, the GOCCs on a 3:2 ratio. Senator Villar agreed that GOCCs should be watched more closely, particularly Napocor.

Asked how the GOCCs could be monitored, Senator Villar replied that the DOF and the DBM have a program whereby the GOCCs are divided into two groups – under the DBM are NSMFC, NIA, LRTA, NTA, PCA, PNOC, PNR, and TLRC; and under the DOF are the NBC, NFA, NHA, HSDC, PCIC, PTV4, and Amanah Bank.

Senator Osmeña pointed out that the aforementioned GOCCs are all losing money as he asked why the government has not sold television stations 4, 9, and 13. Senator Villar stated that it was time Congress looked into the operations of the GOCCs and did something radical along the lines of closing or merging them.

Senator Osmeña suggested that the government begin the reorganization and downsizing of all the GOCCs and agencies that do not really have any particular use or do not deliver the services expected of them. However, he said that the oversight commission should be led and manned

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by highly qualified and very experienced officials and personnel. Senator Villar stressed that the ability to turn companies around is the main criterion that the President should follow in appointing people to those GOCCs.

However, Senator Osmeña decried the fact that a lot of presidential appointments to GOCCs were political accommodations, so Congress should already find ways to monitor these appointees. For instance, he pointed out that a lawyer from Cebu who has no experience in banking, insurance or finance and who cannot read the balance sheet was appointed to head the Government Service Insurance System. He expressed concern over this kind of appointment because the government employees who really own the GSIS have no voice in policy-making or in the management of affairs and operations of the institution.

Asked whether he could make a commitment to prioritize a bill that would create an oversight commission for the GOCCs, Senator Villar replied in the affirmative.

Senator Osmeña stressed that regardless of the fiscal crisis, it is the proper way to manage things so as to have more funds for infrastructure, education, health care and subsidy to the farmers. However, he lamented that in spite of the fiscal crisis, the response of the government, it seems, is "business as usual" and that there is nothing in the proposed budget that redirects priorities that would result in the qualitative and quantitative improvement of the welfare of the people in the medium and long term.

Asked what the budget deficit would be if Congress did not enact tax measures, Senator Villar replied that it would have resulted in higher deficits.

Senator Osmeña stated that there would be a higher deficit simply because a lot of loans were pegged at a rate above the U.S. treasuries which are expected to rise by 1% to 2% in two years and which would result in the increase of the interest rates on loans. Senator Villar said that the government is expecting that its foreign currency loan would be pegged at 3% LIBOR.

In closing, Senator Osmeña thanked Senator Villar for working hard on the budget and for his patience in learning the effects of certain expenditures on the overall welfare of the country

and the direction that the national economy would take in the future.

INTERPELLATION OF SENATOR ROXAS

Senator Roxas noted that in his sponsorship speech, Senator Villar pointed out that there was nothing much to allocate out of the P900 billion national budget for 2005. Senator Villar reiterated that the increases in allocations would mainly go to debt service and IRA, so that very few allocations would be left for the delivery of basic services of the various departments and agencies.

Given the fact that most of the increases would go to debt servicing and appropriations for MOOE, IRA and capital outlay, Senator Roxas said that only P160 billion could be realigned.

Asked if he would be willing to substantially reconfigure the allocations for capital outlay to provide substantial resources for other priorities, Senator Villar replied in the affirmative. However, he expressed concern that a lot of the inclusions in the P68 billion capital outlay were commitments made in the House of Representatives which are, from a political standpoint, very difficult to scrap or to postpone. But he maintained that it would be a good management strategy to simply focus on a few existing projects and finish them to give the people something positive to talk about.

Senator Roxas stated that he would like to explore the possibility of solving at least one problem, like the schoolbuilding program. With about P2.5 billion capital outlay allotted for the project, he suggested that the money be apportioned to address the problem of classroom shortage perhaps over a period of time. He asked if the NEDA could provide an estimate of how much it would really take so that this way, the legislators could tell the people that the schoolbuildings would be finished in a certain period. He observed that the way the present budget is presented, only a small amount of money is allocated for a number of projects and as a result, not much is accomplished.

Senator Villar admitted that the thought of government availing itself of a one-time loan instead of making a number of loans came to mind just to have a zero backlog in classroom. He revealed that he had broached the idea to some members of the Executive Branch who promised to look into it,

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unfortunately, nothing has been done about it. He also acknowledged that the problem of a one-time loan for a specific purpose could lead to a number of proposals and prioritizing could be a problem. It will end up giving a little to every project, he said. He affirmed that the suggestion of Senator Roxas is psychologically and strategically good but it would need the agreement of the House of Representative.

Senator Roxas stated that he would try to find one or two programs that could be solved and present the same during the period of amendments for consideration of the Body. He remarked that it would be worthwhile to report to the people that Congress has made a substantial progress in one area, thereby assuring the people that their government is working for them.

On another matter, Senator Roxas commended Senator Villar for the P140 million budget allotted for the Office of the Ombudsman. He said that the amount makes a statement that the Senate is against corruption and is close to fully funding the requirements of the chief agency that is tasked to go after corrupt practices.

At this point, Senator Roxas asked the views of the economic managers of the Executive on the sequencing of the fiscal reform measures. He noted that the general response has always been that the revenue-raising measures would be good for the economy, but he pointed out that there is a time lag before benefits, like the country's improved credibility in the financial markets, could be felt. He asked what the impact on domestic spending would be until such time.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:52 p.m.

RESUMPTION OF SESSION

At 6:53 p.m., the session was resumed.

As regards the effects of the revenue measures, Senator Villar clarified that the revenues would go straight to the reduction of deficit and would not result in an increase in spending. He reported to the Body that with the approval of a

VAT increase of -2%, there is a GDP computation of a -0.2% for the first two years in the short run, and a 0.17% decrease in the GDP when some exemptions are repealed. He recalled Senator Defensor Santiago mentioning earlier that the initial impact would be negative on the economy and that it would only address the fiscal crisis.

SUSPENSION OF SESSION

Upon motion of Senator Roxas, the session was suspended.

It was 6:55 p.m.

RESUMPTION OF SESSION

At 7:02 p.m., the session was resumed.

Thereafter, Senator Villar informed the Body that the initial impact of a VAT increase and the debt reduction program of Napocor would result in a 1% reduction in the GDP growth. Senator Roxas remarked that the impact on the economy could be discussed further in the Committee because certain sectors could be affected. He observed that in trying to solve the fiscal crisis, there is a view to deliberately underborrow from foreign sources and overborrow from the domestic sources.

Senator Villar replied that the government is moving towards a 50-50 domestic to foreign debt ratio from the current 60-40 in favor of domestic debts.

Senator Roxas noted that the movement is a substantial change from the BESF projection that the government's foreign debt payment would increase by P4.6 billion.

Noting that the ratio had been 80-20 in favor of domestic debt, Senator Villar believed that the movement towards a 50-50 mix was prompted by renewed confidence in the projected strengthening of the peso with an exchange rate of P52 to a \$1.

Senator Roxas suggested that the government borrow from foreign creditors before the exchange rate weakens. Additionally, he said that he favored the actions of the Department of Finance and *Bangko Sentral* in moving towards an equal debt ratio because at present, BESF figures show that the government will, in effect, be paying about P127 billion which is in excess of its gross

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borrowings of P122 billion. On the other hand, he pointed out that government's P218 billion domestic debt would place an inordinate burden on the local financial market.

Asked if the movement towards a 50-50 foreign to domestic debt ratio is the official policy of the government, Senator Villar said that the current policy is about 50-50, but the assumption being made for the presentation of the GAB is for a 60-40 ratio.

On whether the expenses for relocation of some department offices were included in the budget, Senator Villar replied that no such allocation has been made at least in the proposed 2005 GAB.

Senator Roxas said that it would be unfortunate if the new revenues to be generated this year would only be used to transfer offices rather than provide new services to the public. Further, he observed that the proposed budget has only been minimally increased compared to the 2003 GAA and as such there would not be enough funds. He then suggested that the Members study the possibility of substantially increasing the budget for one or two activities that the government could claim it could solve. This, he said, would provide critical mass of funding and concentration of government's meager resources.

MANIFESTATION OF SENATOR OSMEÑA

Senator Osmeña recalled that in last week's caucus, there had been an agreement for the Members to be given copies of the committee report and sponsorship speech last Friday, January 28, so that they would have two days to study the same and prepare their interpellations on the various agencies. However, he said that some of the senators complained that they had not been given sufficient time to prepare for the interpellation on the budgets of the Departments of Justice, Health, Interior and Local Government, and Public Works and Highways that are scheduled for the following day. As such, he asked that the session be suspended so the senators could resolve that problem.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:12 p.m.

RESUMPTION OF SESSION

At 7:24 p.m., the session was resumed.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan informed the Body that following discussions with Senators Villar, Lacson, Enrile, Osmeña, Cayetano and Senate President Drilon, the Members had agreed to suspend interpellations on House Bill No. 3154 until tomorrow. Additionally, he stated that upon the request of Senators Lacson, Enrile and Osmeña, interpellations scheduled for the next day, February 1, would be moved to Thursday, February 3, while those scheduled for Thursday, February 3, would be tackled on February 1. He clarified that if any member is not satisfied with the interpellation on the budget of some of the agencies in the next day, then the representatives of the agencies concerned would be called back.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session suspended until nine-thirty in the morning of the following day.

It was 7:25 p.m.

RESUMPTION OF SESSION

At 10:07 a.m., Tuesday, February 1, the session was resumed with Senate President Pro Tempore Flavio presiding.

PRIVILEGE SPEECH OF SENATOR ENRILE

Availing himself of the privilege hour, Senator Enrile delivered the following speech:

ARROGANCE OF WEALTH

I rise to denounce the illegal practice committed by a foreign bank in selling unregistered foreign securities to our

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countrymen who, instead of gaining wealth for themselves, lost billions of their hard-earned savings because our laws failed to protect them. And so, I urge this Senate to immediately conduct an inquiry, in aid of legislation, so as to prevent the occurrence of a similar fraudulent activity in the future.

The foreign bank involved was the Standard Chartered Bank. The unregistered securities sold were high-risk foreign mutual fund securities, falsely advertised and marketed as safe investment haven for our foreign residents and local nationals.

Most of the funds invested are pension funds of some of our local companies and I will give the details later on. I have a listing of the investors here.

The Standard Chartered Bank abused the privilege granted to it to do business in our country under Republic Act No. 7721, which liberalized the entry and scope of operations of foreign banks in the Philippines.

Not only that, it violated the provisions of Section 37 of Republic Act No. 7653, the New Central Bank Act, by committing "irregularities" and "conducting business in an unsafe or unsound manner," as well as the provisions of Section 8 of Republic Act No. 8799, the Securities Regulation Code, which commands that "securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Commission." Parenthetically, the provisions of Section 56 of Republic Act No. 8791, the General Banking Law of 2000, clarifies the phrase "conducting business in an unsafe or unsound manner" to include *acts or omissions* that has resulted or may result in material loss or damage or abnormal risks to *investors* or to the *general public*.

Sometime in 1996, the Standard Chartered Bank launched in the Philippines the sale of foreign securities packaged as the "Global Third Party Mutual Fund." These foreign securities were not registered with the Securities and Exchange Commission, much less approved by that

commission to be sold in the Philippines. Prior to the sale of these foreign securities to buyers in the Philippines, the Standard Chartered Bank consulted with its lawyers, very reputable corporate lawyers in the country who advised it that the bank's proposed transactions were patently illegal under our laws.

In spite of the adverse opinion of its lawyers, Standard Chartered Bank proceeded to carry out its illegal scheme. In fact, the Standard Chartered Bank actively sought the help of its lawyers for the careful preparation of documents, including *pro-forma* agreements containing waivers of liability in favor of itself, that it needed to disguise its illegal acts and to achieve its desire for material gain.

This act alone shows the malice of this bank. It anticipated a defense in case its nefarious activity would be discovered as it was discovered.

The foreign securities were falsely advertised when they were launched as a safe investment haven, although in fact they were not. By the way, the launching of these high-risk foreign securities in the Philippine market coincided with the Asian Financial Crisis that occurred in 1997.

The Investments Company Association of the Philippines denounced to the *Bangko Sentral ng Pilipinas* the illegal activities of the Standard Chartered Bank in selling unregistered foreign securities in the Philippine market. As a consequence, the Standard Chartered Bank was found to have violated our banking laws and accordingly penalized for its illegal activities.

And what was the penalty imposed by the *Bangko Sentral* on the Standard Chartered Bank? To show how powerful and influential this bank was, the Monetary Board of the *Bangko Sentral* mildly tapped the dirty hand of the Standard Chartered Bank and merely fined the latter with the measly sum of P30,000.00 in spite of the fact that the amount involved in these sordid transactions is approximately P8 billion to P10 billion.

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Perhaps as an afterthought upon realizing the gravity of the misconduct of the Standard Chartered Bank, the Monetary Board, to its credit, required the Standard Chartered Bank to permanently withdraw the sale of its foreign mutual fund securities from the Philippine market. But even this was ignored by this powerful and influential foreign bank, the Standard Chartered Bank.

Several complaints were filed by irate investors with the Securities and Exchange Commission, for which it issued Cease and Desist Orders against the Standard Chartered Bank for the sale of unregistered securities. The erring foreign bank, without much ado, assisted by its well-paid highly placed corporate counsel, was able to escape with ease from the cases. The Standard Chartered Bank simply settled the cases with the Securities and Exchange Commission by paying P7,000,000.00. What this payment of P7,000,000.00 was for was not clear. Was the payment a fine? Or was it for something else? Was it to repair the damage done to thousands of investors? We do not know. Perhaps, the Securities and Exchange Commission should better explain this. But the worst aspect of this is the fact that we have a government agency supposed to protect the public from activities like these, settled the case for itself because the laws were violated, but it did not consider and protect the interest of the investing public in the country.

So brazen and so bold was the Standard Chartered Bank that despite the warnings issued and the fines imposed by the *Bangko Sentral ng Pilipinas*, the Standard Chartered Bank persisted in selling its "Global Third Party Mutual Funds" in the Philippine market. This forced the Securities and Exchange Commission finally to make a finding that the sale of the unregistered foreign securities in the Philippine market was "in utter violation of the Securities Regulation Code and disregard of the authority of the regulatory agencies." But still, all that the Securities and Exchange Commission did was to settle the case for the measly sum of P7 million of our utterly depreciated currency.

My interest in this case was initially kindled when I learned that almost 1,000 investors in our country lost their savings because of the illegal activities of the Standard Chartered Bank. I have here the list of the investors. One of them is, in fact, a nominee of this Administration to become the Secretary of Finance of the Republic, Mr. Cesar Purisima. Maybe Mr. Purisima will be kind enough to appear before our inquiry to explain whether indeed he was a client of the bank and because of that, the bank succeeded in enticing him to make the investment. There are so many prominent personalities in this list and I intend to ask the Senate to subpoena each one of them to tell their story so that we will unmask the activities of the Standard Chartered Bank in this country. Later, it was reinforced when I received a letter from Mr. Mark R. Bocobo dated 10 January 2005, which confirmed my initial information. Mr. Mark R. Bocobo is a lawyer and a grandson of one of the most notable and venerable legal scholars of the country, the late Jorge Bocobo who was a former dean of the College of Law of the University of the Philippines.

Mr. Mark R. Bocobo complained about the deceit and perfidy of the Standard Chartered Bank in dealing with him. With your permission, allow me to read into the records of the Senate material portions of the letter of Mr. Mark R. Bocobo to me.

"The Complaint and its supporting documents, which I am submitting with this letter, outlines how Standard Chartered Bank – a supposedly reputable bank granted the privilege of doing business in our country for many years now – has systematically defrauded hundreds of Filipino investors of billions of pesos through the *sale of unregistered securities* in the form of *high-risk foreign mutual funds* which it falsely advertised as a safe haven during the recent Asian financial crisis. In the process, it also cheated our government out of hundreds of millions of pesos in unpaid taxes, fines and penalties within a span of just a few years.

"What makes the illegal acts of this foreign bank especially condemnable is the

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fact that it knew fully well the administrative, civil and criminal liabilities it stood to incur. Prior to carrying out its fraudulent scheme, it consulted with its lawyers who gave consistent legal opinions that the bank's proposed transactions were patently illegal. But Standard Chartered Bank could not resist the billions of pesos to be swindled from the unsuspecting public, who were ripe for the picking.

"Standard Chartered Bank knew that with this kind of money, it could flaunt our laws with impunity and easily escape liability by buying the best lawyers in the country and polluting our justice system. Thus, instead of desisting when informed of the illegality of their proposed schemes, Standard Chartered Bank sought the help of counsel to carefully craft the documents that it needed to disguise its illegal acts, including the *pro-forma* agreements containing waivers of liability in favor of the bank that it required its investors to sign. In any event, Standard Chartered Bank estimated that only a small percentage of its victims will probably uncover the illegality of its acts, and an even smaller percentage will actually complain much less have the will or resources to refuse an amicable settlement or to fight a giant multinational bank like itself in court.

"In the early stages of its illegal operations, the *Bangko Sentral ng Pilipinas* (BSP) already advised and warned Standard Chartered Bank that it was violating Philippine securities laws and banking regulations. But this foreign bank simply ignored the BSP and persisted in selling the unregistered high-risk securities. When later reprimanded, the bank paid a measly P30,000 in fines and promised the BSP that it would permanently stop such sales. Despite this formal undertaking, Standard Chartered Bank continued to sell the unregistered securities.

"Several complaints were later filed with the Securities and Exchange Commission (SEC) which issued Cease and Desist Orders (CDOs) against Standard Chartered Bank for the sale of unregistered securities in at least two (2) occasions.

Unsurprisingly, the bank was able to easily sweep these cases under the rug. The case in which the latest CDO was issued was simply settled administratively and then dismissed when Standard Chartered Bank agreed to pay the SEC a measly P7M.

"In defending itself at the BSP and the SEC, Standard Chartered Bank had to resort to *patently perjurious allegations*. As advised in one of the legal opinions of its lawyers, Standard Chartered Bank alleged that it was performing 'purely informational function' without any form of solicitation, and that its clients took the initiative to invest with the bank merely acting as an agent or a 'passive order taker' that had no hand in recommending or actually choosing the funds to invest in. Nothing could have been further from the truth.

"The SEC, in fact, made official findings that Standard Chartered Bank was not merely disseminating information upon inquiry or request of its clients but was actively engaging in the business of selling Global Third Party Mutual Funds to the public. The bank pre-selected these mutual funds and chose the same for the investor. Far from merely reacting to requests for information from their clients or just being passive order taker, the Records show that Standard Chartered Bank actively promoted or marketed the sales of these unregistered high-risk securities as *safe, diverse investments portfolios*. Notably, there was a finding that the bank set Revenue Quotas for the sale of these mutual funds and compelled the employees of its 'Trust and Investment Services Department' to actively offer, solicit and sell these unregistered securities to the public. This is precisely how the bank victimized the undersigned.

"Sometime in the latter part of 1999, one of Standard Chartered Bank's Investment Relationship Managers approached the undersigned at the SM Megamall in Mandaluyong City to offer him the bank's Global Third Party Mutual Funds, complete with brochures and related literature.

While I do not normally entertain direct sales solicitations, my interest and attention

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were drawn by the fact that Standard Chartered Bank was a reputable bank. Moreover, it so happened that at that time, like many Filipinos, I was looking for a safe investment since the stock and real estate markets had crashed, the peso was falling and interest rates came crashing down,

"During the next few months, Standard Chartered Bank's zealous investment representative persisted in trying to convince me to invest in its foreign mutual funds. Since I was still undecided to invest, the bank even prepared and submitted to me a 'PROPOSED INVESTMENT PROGRAM' which showed the prospects of a high return on investments based on the historical performance of the funds.

"Sometime in 2000, I was finally convinced into investing US\$100,000.00 which the bank eventually used in purchasing about twenty-one (21) different foreign mutual funds. Since I had no knowledge or expertise whatsoever about these international funds, it was the bank that chose which funds to invest in.

"All these belie Standard Chartered Bank's perjurious allegations that it was not selling unregistered securities but merely acting upon requests for information from its clients. This is especially clear in my case considering that I was approached in a popular shopping mall by one of the bank's employees who was under instruction to market the unregistered securities. Moreover, prior to this one transaction, I had never dealt in any manner with Standard Chartered Bank. In other words, I was certainly not one of the bank's clients, and was certainly not requesting any information from it about any sort of foreign mutual funds or any other security.

"Moreover, contrary to Standard Chartered Bank's representations that the funds they marketed were safe haven, it turned out that they were *high-risk investments* which were heavily placed on 'Technology Stocks' and other stocks in the United States and in Europe, which by that time had already been declining. This is

contrary to the bank's proposal to me that the foreign mutual funds were 'heavy weighting on long term government securities (i.e. FXTNs)' or 'whose underlying investments are government securities and prime commercial loans.'

"Allow me to draw an analogy to paint a clearer picture of how reprehensible the illegal acts of Standard Chartered Bank were. Recently, there had been many reports on the raping, abduction and trafficking of many of the Asian tsunami victims, especially children and teenagers. Clearly, these are unconscionable acts of taking advantage of those who had already had just been victimized by a tragedy. In many ways, the financial crisis that swept Asia in the latter part of the 90's onward was a much bigger tsunami that devastated all Asian countries, not least the Philippines. Instead of buildings and structures, real estate markets, stock markets, currencies and interest rates all came crashing down. Definitely much more were lost then than in the recent tsunamis. And of course, there were no relief operations.

"Those, like myself, who were able to salvage any of their investments from the stock and real estate markets, were looking for safe havens. Victims of the Asian financial tsunami (were) seeking safe shelter. Standard Chartered Bank looked out, saw these victims and knew exactly what their plight was. Not unlike the tsunami rapists and white traders, they lured their victims with empty promises of help and intentionally false information. No wonder Standard Chartered Bank knew the billions to be made from this tragedy. No wonder Standard Chartered Bank persisted in marketing these foreign mutual funds despite being warned of the illegalities and the criminal nature of its acts, not only by their lawyers but (also) by the very institutions that supposed to protect our investing public.

"Flaunting our laws with impunity, with intent to corrupt our justice system; knowing our laws and justice system and exhibiting utter disdain for them; preying on and taking advantage of those who had just

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gone thru a tragedy; knowing they will escape liability thru the fruits of their crime; knowing they will be untouchable.

"Surely, an official investigation for remedial legislation and a recommendation for legal prosecution from the Honorable Senate are proper when foreigners like Standard Chartered Bank use their wealth and power to inflict wide-scale fraud and damage on the Filipino people and its (*sic*) government.

"From the documents and information I have received, which appears to be only part of the complete picture, Standard Chartered Bank made at least One Billion Pesos from investments of around Eight Billion Pesos, and cheated the Philippine government out of at least Five Hundred Million Pesos in unpaid taxes. This presumes that the bank actually invested all the placements of its clients or bought the mutual funds they represented to have bought as agents of their clients. It is more likely, however, that the bank merely purchased some selected funds under its name and kept the bulk of their clients' money since it knows the trends and risks in the foreign markets. The fact that the bank issued only its own statements to its clients, and not the actual stock certificates of the foreign mutual funds, enabled it to do so. At any rate, this and other very interesting issues of this case can easily be uncovered thru the subpoena powers of the Senate in a proper investigation."

The details of the case I have bared before you are not pleasant. They portray the arrogance, deceit, and cupidity of some foreign business interests that have been allowed to do business in our country, their utter lack of respect for our laws, and their facility and ease to inflict financial injury to our defenseless populace.

While we welcome foreign investments to come to our shores to help us create jobs for our people, we cannot allow them to be unjust to our residents and citizens, much less to trample on our laws with impunity. We must exact from them obedience to our

laws. We must compel them to respect the rights of our people.

They must be made to realize that they are mere guests in our country and that they are simply given a privilege to engage in a gainful activity in our land. They have no God-given right to remain here, much less continue to do business in our country, if they show such contempt for our laws and such callousness against our own people.

The pernicious influence of Standard Chartered Bank on our officialdom is appalling, to say the least. Apart from the miniscule fines and light penalties imposed upon it for violating our banking and securities laws, it seems that this foreign bank is well connected to some influential people in the country.

A leading legal practitioner and former Solicitor General of the Republic, Mr. Francisco I. Chavez, filed a criminal case of swindling against the members of the board and officers of the bank in June 2003. Up to now, to my knowledge, nothing so far has happened to the case. Instead, almost all the persons charged, many of whom are nonresident foreigners, have left the country in spite of a hold-departure order issued against them. They can reach out to officials of the Central Bank to get information. They can reach out to officials of the Securities and Exchange Commission to arrange the manner by which their cases would be disposed and settled. This is the kind of pernicious influence that we are encountering with this bank. Their exit from the country, while the criminal case was pending against them, was abetted and facilitated by a high official of the Department of Justice.

If our government cannot protect our people, who else will protect them? That is an issue that I will present before the Body today. If Japan could discipline an American bank that violated its laws, I see no reason why the Philippines cannot do the same against a British bank, like the Standard Chartered Bank, which exhibited such arrogance and such disrespectful behavior against our countrymen and our laws.

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INTERPELLATION OF SENATOR LIM

Senator Lim noted that there seemed to be a widespread fraud or scam committed against a certain number of Filipinos and yet the culprits were able to leave the country without being subjected to the Philippine criminal laws. In reply, Senator Enrile clarified that the culprits were subjected to criminal laws but the people implementing the laws, for reasons of their own, did not really impose the correct penalty or disciplinary action, despite the fact that billions of pesos were involved. He cited a case of Orlando Calzado who invested an amount of P34,181,389.71 and lost, but the *Bangko Sentral ng Pilipinas* (BSP), which is supposed to discipline the bank and protect Mr. Calzado from this kind of activity, merely charged the bank P30,000.00.

Senator Lim compared the amount of fine to a mosquito bite as against the huge amount taken by the foreign bank. Senator Enrile agreed, saying that he was going to ask Mr. Cesar Purisima, the newly appointed Secretary of the Department of Finance, what he has done to protect himself as he himself invested US\$48,000.

Asked what needs to be done to these government officials who are supposed to protect the interest of the citizenry in accordance with their oath of office but failed to bring these law violators to justice, Senator Enrile replied that the conduct of the officials of the BSP, the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) should be looked into and they should be held responsible for these losses without prejudice to requiring the restitution of the entire amount from the bank, considering that the activity that brought about this loss was illegal in the first place, and the contracts were void under Philippine laws.

On whether these officials could be charged as accomplice or accessory to the crime committed considering that the officers of the foreign bank could be considered as principals in the commission of the crime, Senator Enrile urged the Ombudsman, who was in the Session Hall hearing the details of the sordid event and the non-performance of duty by some high officials in the government, to *motu proprio* initiate an immediate investigation and prosecute the officials of government who failed to protect the interest of the public.

Senator Lim noted that apparently some highly placed people with proper connections could play around with the country's criminal laws because they were able to leave the country despite the case of estafa filed by former Solicitor General Frank Chavez under Article 318 of the Revised Penal Code.

Senator Enrile confirmed that Mr. Frank Chavez indeed filed a criminal case of swindling or large-scale estafa against the members of the board and officers of the foreign bank. But he revealed that a ranking official of the Department of Justice assisted, abetted and facilitated the departure from the country of these expatriates to escape the criminal liability. He said that he has no knowledge of what happened to the criminal case that was filed.

At this juncture, Senator Enrile adverted to the list of investors who lost their respective investments to the foreign bank, which included Luis Santos, former DILG Secretary, P374,000; Washington Sycip and Ana Sycip; Claret School of Quezon City which lost its retirement fund; Venancio Ponce, P34.67 million; and Ateneo de Manila University. He pointed that if this foreign bank was able to deceive these individuals and organizations, there must be a very interesting reason why they were able to mislead those who have no capability to read and understand contracts crafted by its legal counsel, the Romulo Mabanta Law Office, of which one of the partners is the brother of the BSP Governor. He observed that engaging the services of well-connected law offices has been the system employed by unscrupulous foreigners investing in the country in order to cover up their criminal activities. Finally, he declared that the Senate would portray itself as useless if it would not conduct an investigation into the matter, and the government would likewise be useless if it fails to prosecute these violators.

Senator Lim agreed that if that was the case, then laws have to be removed, stressing that a law applies to all, otherwise none at all if it cannot be implemented.

Senator Enrile also bared that even the Fort Bonifacio Development Corporation, a government corporation, was also a victim and lost its retirement fund.

Senator Lim surmised that these high government officials who were in connivance with the foreign bank may not be aware of the gravity of the crime they committed. However, Senator Enrile

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supposed that these officials are well-learned, the very reason why they were appointed to their posts.

Senator Enrile demanded that the bank's legal counsel should be investigated because they were a party to the fraud when they crafted the documents; they very well knew that what their client was doing was against the law, but still they devised a way as indicated in the documents which contained the following: "Let's prepare documents to indicate that you are selling these securities in the Philippines in the guise of a trust fund."

Senator Enrile expressed the view that these foreigners came to do business in the Philippines because they knew that the country is a weak republic unlike in their own countries where they would certainly land in jail if they commit fraudulent acts.

Relative thereto, Senator Lim recalled that when the officials of the Enron Corporation and Andersen accounting firm in the United States were found by the FBI to have violated the laws of the United States, they were handcuffed in full view of the public. He then asked how come these foreigners making a mockery of the Philippine laws were not subjected to similar treatment.

Senator Enrile replied that these foreign investors know that "money talks" in the Philippines, which is why more Filipinos are being duped and fooled. But he believed that it is time the government demonstrated its will to prosecute and put behind bars these violators of the law. He disclosed that it is not only the Standard Chartered Bank committing fraudulent acts but also other foreign banks doing business in the country which were exposed by the *Philippine Daily Inquirer* to be selling foreign securities but that in spite of this exposé, the SEC and BSP did nothing to stop them. In view thereof, he demanded that the Senate withdraw its support for the budgets of these offices. He said that if he were the head of SEC or BSP, he would suspend the licenses of these banks.

For purposes of record, Senator Lim read Section 1 of P.D. No. 1689, which could have been violated, to wit: "Any person or persons who shall commit estafa or other forms of swindling as defined in Articles 315 and 316 of the Revised Penal Code, as amended, shall be punished life imprisonment to death if the swindling, estafa is committed by a syndicate consisting of five or more

persons formed with the intention of carrying out the unlawful or illegal act, transaction, enterprise or scheme and the defraudation results in the misappropriation of monies contributed by stockholders or members of rural banks, cooperatives, *samahang nayon* or farmer's association or of funds solicited by corporations, association from the general public.

Senator Enrile hoped that the government would use the full force of the law against these foreigners and bring them back to the Philippines to face trial. He said he would let them know that the present Senate would not allow them to fool the Filipino people.

Senator Lim joined Senator Enrile in calling on the government to apply the full force of the law to these foreigners who made a mockery of the country's laws.

Senator Enrile added that more than putting behind bars those found violating the laws, they should be required to restitute the funds which were taken out of the country considering that these belong to the country and they could have been used here.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel to identify the DOJ official who assisted, abetted and facilitated the departure from the country of these expatriates so that summons could be served at an appropriate time in order not to prejudice the people and the country, Senator Enrile replied that the person referred to was former Acting Secretary of Justice and currently acting Presidential Legal Counsel Merceditas Gutierrez.

REFERRAL OF SPEECH TO COMMITTEES

Upon motion of Senator Pangilinan, there being no objection, the Chair referred the privilege speech of Senator Enrile and the related interpellations thereon to the Committees on Banks, Financial Institutions and Currencies; and Trade and Commerce.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 11:08 a.m.

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RESUMPTION OF SESSION

At 11:10 a.m., the session was resumed.

**THIRD ADDITIONAL
REFERENCE OF BUSINESS**

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

COMMUNICATIONS

Letter from Assistant Governor and General Counsel Jose de Zuñiga Jr. of the *Bangko Sentral ng Pilipinas* dated January 7, 12, and 21, 2005, respectively, furnishing the Senate with the following, in compliance with Section 15(a) of Republic Act No. 7653:

BSP Circular No. 462, Series of 2004 dated December 4, 2004; Memorandum to all Rural/Cooperative and Microfinance-Oriented Rural Banks; Memorandum to all Universal and Commercial Banks; Memorandum to all NBQBs; and Memorandum to all Thrift Banks, all dated December 10, 2004; Memorandum to all Banks and Non-Bank Financial Institutions with Quasi-Banking Functions; Circular Letter to all Thrift Banks; and Circular Letter to all Non-Bank Financial Institutions with Quasi-Banking Functions, all dated December 21, 2004; and Memorandum to all Banks and Non-Bank Financial Intermediaries with Trust License dated December 29, 2004; BSP Circular No. 463, Series of 2004, dated December 29, 2004; BSP Circular Nos. 467, 468, 469, Series of 2005; dated January 10, 12, and 13, 2005, respectively.

To the Committee on Banks, Financial Institutions and Currencies

Letter from Mr. Lamberto R. Barbin, OIC, Records Office of the Office of the President of the Philippines, transmitting to the Senate for its information and guidance, a certified copy of Executive Order No. 400, entitled

**REGULATING THE ASSIGNMENT AND
ISSUANCE OF LOW-NUMBERED
(PROTOCOL) LICENSE PLATES TO
MOTOR VEHICLES USED BY
OFFICIALS OF THE REPUBLIC OF
THE PHILIPPINES**

To the Committee on Public Services

Letter from Undersecretary & Acting Head, PLLO Catherine H. Bello of the Office of the President, transmitting to the Senate two original copies of Republic Act No. 9335, entitled

**AN ACT TO IMPROVE THE REVENUE
COLLECTION PERFORMANCE OF
THE BUREAU OF INTERNAL
REVENUE (BIR) AND THE BUREAU
OF CUSTOMS (BOC) THROUGH
THE CREATION OF A REWARDS
AND INCENTIVES FUND AND OF
A REVENUE PERFORMANCE
EVALUATION BOARD AND FOR
OTHER PURPOSES,**

which was approved and signed on January 25, 2005, by Her Excellency, President Gloria Macapagal Arroyo

To the Archives**COMMITTEE REPORT NO. 10
ON HOUSE BILL NO. 3154
(Continuation)**

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154, 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
FIVE, AND FOR OTHER PURPOSES.**

The Chair recognized Senator Villar, Chairman of the Committee on Finance, and Senator Cayetano for her interpellation.

**INTERPELLATION
OF SENATOR CAYETANO**

At the outset, Senator Cayetano noted that in his speech and in numerous occasions, Senator Villar has acknowledged the need to address the budget deficit and to prioritize management of the country's financial situation. She then inquired if the economic advisers of the Executive have also acknowledged the need to address the current situation in the areas of education, environment and health. For instance, in the field of education, she mentioned the report of

the Department of Education which showed that a lot of the teachers are not skilled in the basic course of science, mathematics and language and this explains why they can only impart substandard skills to their students. She noted that according to the same report, sixth grade graduates have only the training and comprehension equivalent to a fourth grader.

In the field of health, Senator Cayetano cited reports indicating that there are municipalities with no health officers, and hospitals with no doctors or nurses. Moreover, she stated that medical schools are closing down because there are no more students who aspire to become doctors, while many doctors are becoming nurses aspiring to leave the country.

In the area of environment, she pointed out that the tragedy that befell the provinces of Aurora and Quezon was merely symbolic of the environment crisis facing the country. She acknowledged that the government had made pronouncements that the environment issue would be given priority but she expressed concern that these may just be reactions with no long-term initiatives to pursue them. She added that based on international studies, the Philippines ranked 49th out of the 50 countries in terms of understanding or appreciating the importance of environment.

In reply, Senator Villar shared Senator Cayetano's observations and concerns that some very important activities of government such as in environment, health and education are not given attention. He also recalled having brought to the attention of the President in the previous LEDAC meetings regarding the priorities for legislation, most of which, he lamented, end up relating to finance, such as the recently approved and other pending tax measures.

On the other hand, Senator Villar acknowledged that it could be the constraints in the budget itself that there is not much left for basic services, adding that 31% of the budget is used for debt service, about 34% for personal services, and 16% for Internal Revenue Allotment (IRA).

To the suggestion of earmarking what could be derived out of the priority tax measures to address the concern for basic services, Senator Villar commented that the value-added tax measure which was recently passed by the House of Representatives would not serve the objective to fund social services because the tax rate increase

of 2% would apply to practically all the basic commodities and services. He even mentioned that when officials of the Executive Branch would discuss and analyze tax measures, they would talk about financial and economic consequence, the need to protect certain industries, and the need to encourage investments.

Senator Villar, however, gave the assurance that rectifications are being made through the budget, citing the realignment of P300 million to the school feeding program to improve not only the health of the school children but also the educational standard in the country. He noted that malnutrition has been discovered as one big factor in the deterioration of education in the Philippines and why school children are not faring well in their examinations. He added that the program was actually proposed by the Secretary of the Budget who, he hoped, would make more proposals of the same nature. Senator Cayetano agreed that the proposal was a very laudable initiative, expressing her hope to see more of the same in the near future.

Referring to Las Piñas City, Senator Cayetano inquired at what point the city government decided that education and health be prioritized. She noted that Las Piñas is a very progressive city, even more progressive than its neighboring municipalities and cities, and that it values basic services, specifically health and education. She observed that Las Piñas is not as rich as Makati where it can really put money into good schools, and that Las Piñas does not have the investors that Makati has.

Senator Villar replied that initially, the city officials just wanted to win in the local elections, but as they started providing services and began talking to the people, it became clear to them that it was very easy to win the support of the people if they perform well; they tried to look at the totality of things, and they approached the matter more systematically the way a businessman or an efficient manager would have approached it. He said that they made a long list of requirements of the people, such as health, education and even culture because they are putting up a historical corridor and a museum in the city, and when they looked at all these in totality, they began to see the needs of the people; they addressed them simultaneously, and they kept on improving. The people responded, which made the work easier, he continued. He noted that when people

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started cooperating, the work became easier, citing examples where people cooperated in the areas of cleaning, education and health.

Senator Villar expressed the view that perhaps one reason why the government is not getting the desired response from the people is that it has not been able to address the concerns that matter to the 90% of the population.

Senator Villar shared Senator Cayetano's observation that a good approach would really be to look at the issue in its totality and not just on its financial aspect. He lamented the lack of attention to basic services that has resulted in apathy among the people. Because of this, he said, the government is unable to elicit the cooperation of the people, thus making it difficult to implement its programs.

Further, Senator Villar disclosed that in LEDAC meetings, only the officials from the Department of Finance are talking, lamenting the lack of participation of the people from the basic services sector. He said that they are partly to blame if their sector is not given attention.

Senator Cayetano agreed that there must be a decision to focus on basic services while addressing the other needs of the community. She suggested that the Executive department consider prioritizing the issues simultaneously as what Las Piñas did.

Senator Cayetano then asked what the city government did after it decided to provide for the basic services of the people, whether its revenue-generating offices were collecting efficiently, or whether it raised local taxes.

In reply, Senator Villar informed the Body of a survey done by the DILG-Manila, which sought to determine the most efficient city in Metro Manila in terms of percentage of the income used in operations. He reported that Las Piñas City was ranked the most efficient, using only 46% of the total revenue for overhead expenses, as against Parañaque which uses 97% of its income while the others use about 70% to 75%. Because of this, he said, Las Piñas City had a lot to spare for capital outlays. He also recalled that when he took over, he ordered a freeze in taxes for five years, which explained why the income of Las Piñas was not high, but still its financial management was most efficient.

He said that he also initiated programs like clean and green that involved the community and that the city government treated its taxpayers as prized customers. As a result, he said, the people started to respond and feel proud of their city, recalling that Las Piñas won for three straight years the "Cleanest and Greenest" award. He stated that the taxpayers were so impressed that they started paying their taxes due them.

Senator Cayetano said that she always tries to support the President in all her endeavors. But she pointed out that what the people would like to see is "cleaning up of the house." She stated that with the passage of the Lateral Attrition Law, the people would like to see the Bureau of Customs and the Bureau of Internal Revenue to truly intend to "clean their house." She wondered whether there are officers in these agencies who have the passion to contribute in easing the country's financial concerns. She also wondered what had happened to the issue that cropped up in the middle of last year regarding the cleaning of the GOCCs. She observed that while there are many GOCCs that are functional, there are a lot of them that are just there existing and spending money, which otherwise could have gone a long way for health and education.

Further, Senator Cayetano noted the government's policy of focusing on many programs but ending up with not much to show as an accomplishment because of the small amounts allotted to each of them. She suggested that in the coming year, the Executive change the system and just decide that for a particular year, it would focus on certain issues and problems and get over with them.

REQUEST OF SENATOR PIMENTEL

At this point, Senator Pimentel requested Senator Villar to be more specific in his citation of the allocations for the various departments because some members of the Opposition found it very difficult to match figures cited on the floor with the figures that were reflected in the documents given to them. He also conveyed the concern of some of his colleagues over the change of schedules of the various departments that were set for discussion on specific dates. He particularly cited Senator Madrigal who was quite upset because she was prepared to interpellate on the budget of the Department of Social Welfare and Development this morning, only to find out that it was transferred

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to another date, and that other departments have been moved to replace those that were scheduled earlier. He then suggested that a caucus be conducted to thresh out the problem at hand.

Senator Villar apologized to the members of the Minority for the changes that occurred. He gave the assurance that should any senator wish to ask questions on any particular department or agency, even if its budget had been approved, that approval would be recalled and the department head would be asked to come back to answer the question/s of any member of the Senate. He expressed confidence that as the Body goes through each department, the figures would be more detailed, as he assured the Body that the Committee would not stop until conflicting figures are reconciled before the budget of each department is approved.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the session was suspended.

It was 11:48 a.m.

RESUMPTION OF SESSION

At 11:48 a.m., the session was resumed.

ANNOUNCEMENT OF SENATOR PANGILINAN

Senator Pangilinan informed the Body that after conferring with the Minority Leader and the Chairman of the Committee on Finance, they have agreed that a caucus would be held at two o'clock in the afternoon at the plenary hall.

STATEMENT OF SENATOR DEFENSOR SANTIAGO

Referring to the macroeconomic scenario, Senator Defensor Santiago observed that the difference between the House version and the Senate version on the agencies under Finance Subcommittees A and B is very minimal. She said that if one nets out the IRA and the inflation rate, the proposed budget increase over the 2004 budget is negligible at only 0.8%. She noted that excluding interest payments in debt servicing, the proposed budget would register a net decrease of 1.8%.

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

Senator Defensor Santiago stressed that there is no longer a question of the size of the budget of an agency, which is normally the focus of any budget hearing. She pointed out that every year, when budget deliberations come up, every agency complains that its budget is insufficient. She observed that at this time, the government has very little resources with too many departments aiming for a slice of the pie. Hence, she proposed that one should adopt the attitude that it is not a question of how little an agency has received or will receive, but a question of how well each agency used its very scarce resources. She emphasized that what must be reviewed at this time is the agency's performance, not the budget which, anyway, is a "skin and bones" budget. However, with the exception of a few, she lamented that the reports of the Subcommittees made very little mention on the performance evaluation of the agencies concerned. She then proposed that when the sponsorship speech for each department, if any, is delivered, it should account for the performance of the agencies whose budgets are recommended for approval.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:53 a.m.

RESUMPTION OF SESSION

At 11:57 a.m., the session was resumed.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile if he, as chair of the Committee on Finance, had gone through the budget and studied, item by item, the requests for funding, Senator Villar replied in the affirmative, but he stated that the Committee could not assure 100% that these requests should be granted.

Senator Enrile noticed that all the agencies requested similar items, i.e. representation allowances, traveling expenses, professional services, intelligence funds, training, and the like, and he observed that there was no effort on the part of the Lower House, as well as the Senate, to slash any of these items. He then inquired whether the Committee on Finance quantified the totality (in terms of billions of pesos) of all these requests.

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Senator Villar replied that the DBM has significantly reduced the requests made by these various agencies. He revealed that many of the agencies are even approaching the Committee to restore the cuts made by the DBM, only to be told that it is not possible given the huge government deficit.

SUSPENSION OF SESSION

Upon motion of Senator Enrile, the session was suspended.

It was 12:02 p.m.

RESUMPTION OF SESSION

At 12:02 p.m., the session was resumed.

Upon resumption, Senator Enrile asked for a quantification of the amounts being asked for the following: representation allowance, traveling allowance, training and scholarship expenses, representation expenses, confidential expenses, intelligence expenses, communication expenses, subsidies and donations, transportation and delivery expenses, extraordinary and miscellaneous expenses, professional expenses, advertising expense, etc. He said that he would go through the budget line by line, and office by office, and slash these expenses where they are not needed, and would be distributed to departments that he believed would provide better service to the people by way of health, education, agriculture, economic activities, etc.

He likewise emphasized that there was no need for the Body to be discussing macroeconomics and the like. What should be done, he reiterated, is to prune down the unnecessary expenditures embedded in the budget, without increasing the totality of the same as presented by the President.

Senator Villar welcomed the suggestion, adding that it is an option open to all senators to introduce amendments and give suggestions as to how they can make the budget more efficient and more responsive to the times.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan informed the Body that the budgets of the following agencies would be tackled this afternoon; CSC, COA, Comelec, Office of the Ombudsman, CHR, DBM, CDA, Housing Agencies and Corporations, AMLC, GAB, FDCP, PSC, NAPC,

Philippine Racing Commission, MTRCB, NCAA and attached agencies, NCIP, NCRFW, PCUP, PLLO, OMB, NBDB, NWRB, NYC, PCGG, PMS, OMA, PCSDS, PRC, CFL, SEC, DDB, PDEA, Allocations for LGUs, Congress, DAP, Autonomous Regions, ADAF, Calamity Fund, Contingent Fund, E-Government Fund, Miscellaneous Personnel Benefits Fund, Priority Development Assistance Fund, LEDAC, BSGC-ZCEZA, CEZA, CCP and Unprogrammed Funds.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the session was suspended until two-thirty in the afternoon.

It was 12:07 p.m.

RESUMPTION OF SESSION

At 3:54 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

The Chair recognized Senator Villar, Sponsor of House Bill No. 3154 (General Appropriations Act of 2005).

CIVIL SERVICE COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Civil Service Commission was deemed submitted for the Body's consideration.

COMMISSION ON AUDIT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Commission on Audit was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE COMMISSION ON HUMAN RIGHTS

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Commission on Human Rights in view of the reservation of Senator Pimentel to interpellate thereon.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 3:56 p.m.

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RESUMPTION OF SESSION

At 3:56 p.m., the session was resumed.

COOPERATIVE DEVELOPMENT AUTHORITY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Cooperative Development Authority was deemed submitted for the Body's consideration.

ANTI-MONEY LAUNDERING COUNCIL

Upon motion of Senator Pangilinan, there being no objection, the budget of the Anti-Money Laundering Council was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE GAMES AND AMUSEMENTS BOARD

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the Games and Amusements Board in view of the reservation of a member to interpellate thereon.

FILM DEVELOPMENT COUNCIL OF THE PHILIPPINES

Upon motion of Senator Pangilinan, there being no objection, the budget of the Film Development Council of the Philippines was deemed submitted for the Body's consideration.

NATIONAL ANTI-POVERTY COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Anti-Poverty Commission was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE PHILIPPINE RACING COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Philippine Racing Commission in view of the reservation of Senator Ejercito Estrada (J) to interpellate thereon.

MOVIE AND TELEVISION REVIEW AND CLASSIFICATION BOARD

Upon motion of Senator Pangilinan, there being no objection, the budget of the MTRCB was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE NATIONAL COMMISSION ON INDIGENOUS PEOPLES

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the National Commission on Indigenous Peoples in view of the reservation of Senator Pimentel to interpellate thereon.

NATIONAL COMMISSION ON THE ROLE OF FILIPINO WOMEN

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Commission on the Role of Filipino Women was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE PRESIDENTIAL COMMISSION FOR THE URBAN POOR

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the Presidential Commission on the Urban Poor in view of the reservation of Senate President Drilon to interpellate thereon.

PRESIDENTIAL LEGISLATIVE LIAISON OFFICE

Upon motion of Senator Pangilinan, there being no objection, the budget of the Presidential Legislative Liaison Office was deemed submitted for the Body's consideration.

PRESIDENTIAL MANAGEMENT STAFF

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Presidential Management Staff in view of the reservation of Senator Pimentel to interpellate thereon.

DEFERMENT OF THE BUDGET OF THE OFFICE ON MUSLIM AFFAIRS

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Office of Muslim Affairs in view of the reservation of Senator Pimentel to interpellate thereon.

PALAWAN COUNCIL FOR SUSTAINABLE DEVELOPMENT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Palawan Council for

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Sustainable Development was deemed submitted for the Body's consideration.

COMMISSION ON THE FILIPINO LANGUAGE

Upon motion of Senator Pangilinan, there being no objection, the budget of the Commission on the Filipino Language was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE SECURITIES AND EXCHANGE COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Securities and Exchange Commission in view of the reservation of Senator Pimentel to interpellate thereon.

DEFERMENT OF THE BUDGET OF THE DANGEROUS DRUGS BOARD

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Dangerous Drugs Board in view of the reservation of some senators to interpellate thereon.

DEFERMENT OF THE BUDGET OF THE PHILIPPINE DRUG ENFORCEMENT AGENCY

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Philippine Drug Enforcement Agency in view of the reservation of Senator Enrile to interpellate thereon.

NATIONAL WATER RESOURCES BOARD

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Water Resources Board was deemed submitted for the Body's consideration.

CONGRESS OF THE PHILIPPINES

Upon motion of Senator Pangilinan, there being no objection, the budget of the Congress of the Philippines was deemed submitted for the Body's consideration.

DEVELOPMENT ACADEMY OF THE PHILIPPINES

Upon motion of Senator Pangilinan, there being no objection, the budget of the Development Academy of the Philippines was deemed submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE AUTONOMOUS REGIONS

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Autonomous Region in view of the reservation of Senator Pimentel to interpellate thereon.

AREA DEVELOPMENT ASSISTANCE FUND

Upon motion of Senator Pangilinan, there being no objection, the budget for the Area Development Assistance Fund was deemed submitted for the Body's consideration.

CALAMITY FUND

Upon motion of Senator Pangilinan, there being no objection, the budget for Calamity Fund was deemed submitted for the Body's consideration.

CONTINGENT FUND

Upon motion of Senator Pangilinan, there being no objection, the budget for the Contingent Fund was deemed submitted for the Body's consideration.

PRIORITY DEVELOPMENT ASSISTANCE FUND

Upon motion of Senator Pangilinan, there being no objection, the budget for the Priority Development Assistance Fund was deemed submitted for the Body's consideration.

LEGISLATIVE-EXECUTIVE DEVELOPMENT ADVISORY COUNCIL

Upon motion of Senator Pangilinan, there being no objection, the budget of the Legislative-Executive Development Advisory Council was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:08 p.m.

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RESUMPTION OF SESSION

At 4:09 p.m., the session was resumed.

ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY AND THE CAGAYAN ECONOMIC ZONE AUTHORITY

Upon motion of Senator Pangilinan, there being no objection, the budgets of the Zamboanga City Special Economic Zone Authority and the Cagayan Economic Zone Authority were deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:09 p.m.

RESUMPTION OF SESSION

At 4:11 p.m., the session was resumed.

DEPARTMENT OF BUDGET AND MANAGEMENT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Budget and Management was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:12 p.m.

RESUMPTION OF SESSION

At 4:17 p.m., the session was resumed.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan manifested that Senator Ejercito Estrada (J) has withdrawn his reservation to interpellate on the budget of the Philippine Racing Commission.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE RACING COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Philippine Racing

Commission was considered submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE PHILIPPINE SPORTS COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the Body deferred consideration of the budget of the Philippine Sports Commission.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:18 p.m.

RESUMPTION OF SESSION

At 4:19 p.m., the session was resumed.

COMMISSION ON HUMAN RIGHTS

Senator Villar presented the budget of the Commission on Human Rights.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel asked what the CHR has done in connection with the warrantless arrests of some suspected Muslim terrorists in Manila who, however, were subsequently released because there was no ground for their arrest.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:20 p.m.

RESUMPTION OF SESSION

At 4:21 p.m., the session was resumed.

In reply to the query of Senator Pimentel, Senator Villar stated that the CHR is currently conducting an investigation on the matter, adding that it has also assisted in the release of those who were illegally detained.

Senator Pimentel also asked the CHR to thoroughly look into the activities of a certain Police Colonel Mendoza who supposedly was involved in

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some Abu Sayyaf-kind of activities during his assignment in Mindanao. He requested a report from the CHR on the matter within a month or two. Senator Villar gave assurance that the CHR would submit the report.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON HUMAN RIGHTS

Upon motion of Senator Pangilinan, there being no objection, the budget of the Commission on Human Rights was deemed submitted for the Body's consideration.

PRESIDENTIAL COMMISSION FOR THE URBAN POOR

Senator Villar presented the budget of the Presidential Commission for the Urban Poor.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:24 p.m.

RESUMPTION OF SESSION

At 4:24 p.m., the session was resumed.

INTERPELLATION OF SENATE PRESIDENT DRILON

Senate President Drilon recalled that on January 18, 2005, he received a letter from the Presidential Commission for the Urban Poor, signed by Commissioner Mohammad Isa Perfecto C. Vergel de Dios Jr., asking him to buy a fashion show ticket worth P20,000. He asked if selling tickets is a way of raising the budget of the office. Senator Villar said that according to the chairman of the commission it was an unauthorized activity.

Senate President Drilon wondered how many other offices received the same letter that was printed on the letterhead of the Office of the President. He asked what has been done about the matter. Senator Villar replied that the chairman has issued a memorandum requiring that all communications pass through his office. He gave assurance that such activities would not happen again.

Upon motion of Senator Pangilinan, there being no objection, the budget of the Presidential

Commission for the Urban Poor was deemed submitted for the Body's consideration.

NATIONAL YOUTH COMMISSION

Senator Villar presented the budget of the National Youth Commission.

INTERPELLATION OF SENATOR PIMENTEL

Asked about the function of the National Youth Commission, Senator Villar replied that it is the policy-making arm of the government for the youth.

On its relation to the *Sangguniang Kabataan*, Senator Villar said that they are parallel agencies, as the president of the SK sits in the board of the National Youth Commission.

Noting the SK elections are scheduled on October 31, 2005, Senator Pimentel said that there is a lot of resentment regarding the continuance in office of the SK in general, and that there are even proposals to abolish it. He asked about the stand of the Commission on the issue of its abolition and requested that it be put in writing. Senator Villar said that the official position of the Commission is not to abolish the SK but to reform it. The Commission, he said, is also prepared to submit a report at the soonest possible time.

INTERPELLATION OF SENATOR GORDON

Senator Gordon inquired if the view of the National Youth Commission includes redefining the *Sangguniang Kabataan* into a voluntary organization sans the salaries, emoluments, other allowances and even scholarships. He stated that he has nothing against the grant of scholarships, if the individual is qualified; however, he stressed that the spirit of volunteerism molds the character of the youth. Senator Villar replied that the Commission is open to such proposal.

On the synchronization of the local elections with the SK elections, Senator Villar remarked that he has made a similar proposal to synchronize the elections of as many elective positions as possible to save money. He stated that he has nothing against synchronizing the barangay and the SK elections.

Senator Gordon said that he has strong reservations insofar as what the SK has become

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because it is being initiated into transactional politics instead of transformational leadership. This practice, he pointed out, creates a warped sense of values that is different from the system where young volunteers become active in extracurricular activities without having to be given allowances and all sorts of emolument.

Senator Villar agreed with the observation, saying that something should be done to correct the flaws.

SUBMISSION OF THE BUDGET OF THE NATIONAL YOUTH COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Youth Commission was deemed submitted for the Body's consideration, subject to the submission of the documents requested by Senator Pimentel.

NATIONAL COMMISSION ON INDIGENOUS PEOPLES

Senator Villar presented the budget of the National Commission on Indigenous Peoples.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel what the stand of the agency is on the resurgence of mining activities in the country, especially in relation to the recently promulgated decision of the Supreme Court that opens up mining activities also to foreigners, Senator Villar disclosed that the agency has nothing against the mining industry so long as it recognizes the right of the indigenous peoples to free, prior and informed consent (FPIC).

Senator Pimentel requested that he be given a report on the areas in the Philippines where the indigenous peoples feel threatened by mining activities, and what is being done about it.

Senator Villar said that the Committee would submit the report within the week.

SUBMISSION OF THE BUDGET OF THE NATIONAL COMMISSION ON INDIGENOUS PEOPLES

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Commission on Indigenous Peoples was deemed submitted for

the Body's consideration, subject to the submission of the report requested by Senator Pimentel.

DEFERMENT OF THE BUDGET OF THE PHILIPPINE COMMISSION ON GOOD GOVERNMENT

Senator Villar presented the budget of the Philippine Commission on Good Government.

Senator Enrile asked that the consideration of the budget of the agency be deferred as he made reservation to interpellate thereon.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:40 p.m.

RESUMPTION OF SESSION

At 4:43 p.m., the session was resumed.

OFFICE ON MUSLIM AFFAIRS

Senator Villar presented the budget of the Office on Muslim Affairs.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel asked what the Office on Muslim Affairs is doing in the light of the sporadic bombings of Muslim towns in Maguindanao, the most recent of which killed 40 so-called rebels. He said that he was surprised that the Armed Forces of the Philippines announced that those killed were Muslim rebels including two Jemaah Islamiyah agents, when not a single body has been recovered from the scene.

Senator Villar stated that the Office of Muslim Affairs is conducting an investigation and has dispatched its people to the area. He added that the Office has coordinated and communicated very closely with the local officials concerned.

As regards the Muslims who were arrested because they were suspected of being terrorists, Senator Villar said that all of them had been released and it was the Director of the Legal Office of the Office on Muslim Affairs who personally handled the matter.

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On whether the agency has not thought of suing the people who arrested, detained and subjected these Muslims to adverse publicity, Senator Villar stated that the agency is conducting further investigation on the matter and it would submit a report on the incident to the Senate.

Being the only senator from Mindanao, Senator Pimentel said that the agency should be more aggressive in fighting for the rights of Muslims as he suggested that the agency consider very seriously suing whoever caused the unwarranted arrest. He asked that he be given a report on the matter within the week.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon whether the Office on Muslim Affairs is represented in the GRP Panel in the ongoing peace process, Senator Villar said that the agency is represented only in the technical committee by Mr. Ampatuan.

On whether he did not find it strange that an agency representative is not a member of the panel where decisions are made, Senator Villar said that it is a very important observation and this only indicates the importance the Administration is giving the agency.

Asked whether the Office on Muslim Affairs has any influence in the formulation and implementation of the "Balik-Baril Program" that provides livelihood assistance for rebels who have surrendered, Senator Villar said that the program is being handled by the military.

Senator Biazon said the Office on Muslim Affairs should have a say in the formulation and implementation of said program that was reported to have a backlog. Senator Villar replied that the agency is very much willing to be at the forefront of said program.

Senator Biazon suggested that the Office on Muslim Affairs make a representation to the decision-makers so that it would have a say on what happens in the Muslim Mindanao area. Senator Villar agreed.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile when the Office on Muslim Affairs was created, Senator Villar said that it was in 1987.

Senator Enrile asked on the aggregate budget of the agency from 1987 up to present.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:53 p.m.

RESUMPTION OF SESSION

At 4:54 p.m., the session was resumed.

Senator Villar said that he does not have the cumulative figure since 1987, but for 2004 and 2005, the Office on Muslim Affairs has a budget of P225 million and P230 million, respectively.

Asked on the mission of the Office on Muslim Affairs, Senator Villar replied that it is the creation and attainment of a stable and prosperous Muslim communities that provide ample opportunities for gainful livelihood and social well-being. The OMA, he said, is involved in the following programs: efficient supervision of the *Haj*; securing credible *Halal* certification; medical missions; disaster relief operations; livelihood assistance; legal assistance; support to *Madrasah* teachers and cultural practitioners; construction, repair and management of mosques and *Madrasas*.

Senator Enrile pointed out that lines 46 to 54 on page 898 of House Bill No. 3154 lists the following objectives: 1) promotion and development of Muslim cooperatives; 2) promotion and enhancement of Muslim culture and institutions; 3) promotion and development of Muslim settlements; and 4) coordination with Muslim countries in soliciting assistance.

Asked how much had been accomplished as far as the first objective is concerned, Senator Villar admitted that it is one of the objectives that OMA has not been pursuing.

Asked why the amount of P5.9 million was allotted for the first objective, Senator Villar replied that OMA provides technical assistance to cooperatives in the Muslim areas.

Asked to name the cooperatives in the Muslim areas that OMA had assisted, Senator Villar replied that the Committee would provide Senator Enrile a list.

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On the promotion, development and enhancement of Muslim culture and institutions for which P2.5 billion has been spent for the last 17 years, Senator Villar replied that OMA is sponsoring cultural activities such as participation in Koran reading competition in Malaysia as well as organizing Koran reading up to the municipal level.

However, Senator Enrile expressed doubt whether such activities enhance the Muslim culture because the very essence of Islam is to read the Koran and pray, and the Koran is being taught in Madrasas.

In regard to the promotion and development of Muslim settlements, Senator Enrile asked how many settlements were developed by OMA since 1987. Senator Villar replied that at present, there are 32 Muslim settlements spread throughout Muslim Mindanao, citing as specific examples the town proper of Columbio in Sultan Kudarat and Maharlika Village in Taguig, Metro Manila.

Asked if OMA put up a settlement in the town of Boldon in Lanao, Senator Villar replied in the negative.

Still on the objectives of the OMA, Senator Enrile queried what countries the OMA had coordinated with in soliciting foreign assistance. Senator Villar admitted that OMA has not solicited any assistance for the past 17 years.

Asked why OMA should still be given a budget with such a performance, Senator Villar admitted that he was, in fact, having a hard time defending the OMA budget.

Senator Enrile questioned the need for an Office on Muslim Affairs given the fact that other offices exist such as the Autonomous Region for Muslim Mindanao and the Office of the Presidential Adviser for Peace Process. He noted that there is too much duplication of work in the government, stating that it was time Senate trimmed the excess fat in the budget and diverted the funds to other useful programs. Senator Villar recalled that he asked the same question during the hearings and he simply assumed that the existence of the OMA was based on political considerations.

In closing, Senator Enrile warned all concerned agencies that in the next budget hearing, the Members would pose searching questions and seek

ways to prune the budget. He advised Senator Villar to study the proposed budget of the various offices because the Members would no longer accept general answers to specific questions.

SUBMISSION OF THE BUDGET OF THE OFFICE ON MUSLIM AFFAIRS

Thereafter, upon motion of Senator Pangilinan, there being no objection, the budget of the Office on Muslim Affairs was deemed submitted for consideration of the Body, subject to the submission of the report.

PRESIDENTIAL MANAGEMENT STAFF

Senator Villar presented the budget of the Presidential Management Staff.

INTERPELLATION OF SENATOR ENRILE

At the onset, Senator Enrile inquired why the Presidential Management Staff has a travelling expense of P16,725,000. Senator Villar replied that the budget is mainly used for the local trips of the staff who accompany the President.

Asked why the PMS has a confidential, intelligence, extraordinary and miscellaneous expenses of P1,085,000, Senator Villar replied that the amount is not an intelligence fund but a reserve for unexpected activities.

On whether the funds are subject to the ordinary auditing rules and regulations, Senator Villar replied in the affirmative.

Asked if it would be better to rename the item as EXTRAORDINARY EXPENSES, Senator Villar informed the Body that the Committee is conducting a thorough study of all similar expenses of agencies which would be completed within two days.

As to the P16 million outlay for professional services, Senator Villar explained that aside from the fact that the PMS is handling most of the activities of the President, it is often consulted on almost everything that the President wants to know, thus, it was deemed important to hire the services of consultants.

To the observation that services such as intelligence or security information and military hardware could be handled by line departments like the Departments of National Defense, Local

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Government and Finance, Senator Villar replied that the PMS is the closest office to the President and because it is often consulted on a lot of matters, it should be knowledgeable about a lot of things and should possess a certain level of technical competence.

As to professional services, Senator Villar explained that this would include legal, auditing, consultancy, environment and sanitary as well as janitorial and security services.

Asked why the PMS should engage the services of lawyers when there is the Presidential Legal Counsel and the Department of Justice, Senator Villar replied that the PMS has its in-house lawyers.

Senator Enrile said that he wanted to clean up the budget that has too many intelligence and confidential funds. He recalled that when he was a member of the Cabinet for two decades, it was only the Office of the President that had a confidential fund.

Senator Villar gave the assurance that the Committee would review the intelligence and confidential expenses of the concerned offices of the government.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

Replying to Senator Ejercito Estrada (J) on whether the more than one hundred presidential assistants, advisers, special assistants and the like, are not enough to provide technical support to the President, Senator Villar replied that they would always be not enough because of the magnitude of problems that confront the President everyday. There is a continuing need, he said, for more information, advice and services that the PMS provides. He stressed that it is important for the PMS to be prepared and cover as many areas as possible, thus, it hires the consultants and advisers. He admitted that the assistants are quite numerous, but he pointed out that the government is a very complicated bureaucracy and as such, the numbers could be justified.

Asked if he could be provided with the list of consultants, Senator Villar said that the Committee would submit the list within the week.

To the observation that it would be more cost-efficient for the government to abolish said positions,

Senator Villar replied that the Committee would consider the suggestion but underscored that the President needs a very competent Presidential Management Staff in the light of the difficult problems that call for tough solutions. He expressed the belief that it is important to give the President flexibility.

Asked if PMS has regional offices or regional field units and where these offices are located, Senator Villar replied that it has the Office of Regional Concerns and the field units are extensions of this office.

Asked on the purpose of the office and if it really needs field units, Senator Villar replied that the President has to have direct feedback from people that she trusts.

On the other sources of funds for the PMS other than the GAA, Senator Villar replied that the GAA is its only funding source. He clarified that any amount coming from Pagcor goes to the Office of the President and not to PMS.

SUBMISSION OF THE BUDGET OF THE PRESIDENTIAL MANAGEMENT STAFF

Upon motion of Senator Pangilinan, there being no objection, the budget of the Presidential Management Staff was deemed submitted for the Body's consideration, subject to the submission of the documents requested by Senator Ejercito Estrada (J).

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:21 p.m.

RESUMPTION OF SESSION

At 5:24 p.m., the session was resumed.

HOUSING AGENCIES AND CORPORATION

Senator Villar presented the budget of the Housing Agencies and Corporation.

INTERPELLATION OF SENATOR BIAZON

At the outset, Senator Biazon stated that the government borrowed \$503 million or P27 billion

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from China for the modernization of the North Rail from Kalookan to Malolos. He informed the Body that the project would entail the relocation of 40,000 for which P5 billion to P9 billion is needed.

Asked if there are allocations in House Bill No. 3154 for the relocation expenses, Senator Villar replied that there is an P850 million allotment in the GAB but the total relocation would probably cost about P7 billion.

On whether the amount is solely for the relocation of the North Rail residents or a lump-sum appropriation for projects of housing agencies, Senator Villar replied that it is only for the relocation program.

Senator Biazon asked the total requirement to relocate the 40,000 families and if there is any schedule as to when the project is supposed to be completed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:29 p.m.

RESUMPTION OF SESSION

At 5:30 p.m., the session was resumed.

Senator Biazon revealed that he has received reports that the concerned agencies were not aware that they are in charge of the relocation. Senator Villar replied that the P850 million is for a three-year relocation program of informal settlers in Bulacan and Malolos only.

Asked how many families had been relocated, Senator Villar replied that there were 700 families relocated at a cost of approximately P200,000 per family.

Replying to further queries, Senator Villar stated that the initial target is to relocate 2,625 families in the North Rail settlement at a cost of P525 million, and in the South Rail, 3,250 families at a cost of P325 million.

Senator Biazon said that he would vote for the proposed P850 million budget of the Housing

Agencies and Corporation if he could be given the assurance that it would be used for the relocation of the 40,000 families affected by the North Rail project. He expressed hope of getting more answers to queries during next week's hearing on the planned relocation of the 86,000 families affected by north and south rail projects.

SUBMISSION OF THE BUDGET OF THE HOUSING AGENCIES AND CORPORATION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Housing Agencies and Corporation was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:36 p.m.

RESUMPTION OF SESSION

At 5:37 p.m., the session was resumed.

NATIONAL COMMISSION ON CULTURE AND THE ARTS

Senator Villar presented the budget of the office of the National Commission on Culture and the Arts (NCCA).

INTERPELLATION OF SENATOR GORDON

At the outset, Senator Gordon noted that the NCCA's mandate is to formulate and implement policies for the development of culture and the arts. He revealed that when he was tourism secretary, he had received complaints that the country has become known for sex tourism and cyber-pornography. Believing that the NCCA plays an important role in educating Filipinos about the soul and history of the nation, he asked about the programs and accomplishments of the NCCA in 2004, specifically in promoting and preserving culture and the arts.

Senator Villar said that the NCCA is pursuing a 7-point program, namely: culture and development; support for artistic excellence; culture and education; promotion of culture and arts; conservation of

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cultural heritage; culture and diplomacy; and culture and peace. Further, he cited specific programs including workshops, lectures, symposia, concerts, festivals, competitions, exhibits and support for historical sites that are being undertaken by the NCCA for these purposes.

Senator Gordon said that he and the other Members as well as the audience in the gallery were surprised to learn about the specific projects that would normally be activities that should be shared and participated in by the youth. He wondered how much impact the NCCA has had on schools or if students are even able to take part in the activities. He stressed the importance of having something cogent happening in the area of cultural development; however, he expressed doubt whether this is the case today because of the sparse budget of the NCCA or its unwise allocation.

Senator Villar shared Senator Gordon's sentiments over the lack of support by the government for the promotion and development of Filipino culture and arts. He conceded that while the NCCA presented numerous accomplishments, in general, the development and promotion of culture and the arts is not what it should be, especially since it has been neglected in the last 10 or 20 years. Likewise, he believed that the NCCA could do much not only to help preserve local culture but also to promote tourism, and thereby help uplift the economy.

Senator Gordon opined that with so many ethnic minorities in the country, it is important to generate true appreciation for culture and the arts lest Filipinos lose their sense of completeness. He stressed that cultural appreciation allows Filipinos to define their identity as a nation. He reiterated the belief that the NCCA's failure to pursue its mandate is not due to lack of funds as the National Endowment Fund for Culture and the Arts (NEFCA) has a P2 billion budget. However, Senator Villar pointed out that this fund is with the National Treasury and not with the NCCA. Senator Gordon agreed as he clarified that even he did not have immediate access to NEFCA when he was tourism secretary. He said that he merely wanted to underscore the fact that there are funds available.

Senator Gordon expressed apprehension that the program is a platter of small projects that are not attainable or understood or felt by the masses.

He clarified that he does not wish to blame anyone for this, saying he only wanted to find out what is wrong so that he can help solve it.

Senator Villar agreed that the funds for the NCCA should be released; however, he doubted if this can be done owing to financial constraints. He said it was unfortunate that the government has failed to fund some of its trust funds, including that of the NCCA.

Senator Gordon informed the Body that the NCCA is funded out of government contributions particularly from travel tax and from contribution of the private sector. Senator Villar mentioned that the amount released for NCCA for 2004 was only P223 million.

Senator Gordon believed that the NCAA should have a champion in the Cabinet who can help it. He stated that precisely, in a bill that he authored, he proposed that the DOT be made into a Department of Tourism, Culture, History and Arts so that these matters can be brought to the attention of the highest government offices. He asserted that inviting more tourists is a way of promoting the country's culture, arts and crops. He lamented the fact that the NCCA does not want to be a part of that department.

On another matter, Senator Gordon asked about the centerpiece program of the NCCA last year. He recalled that the DOT sponsored last year a contest for the best indigenous dances and the best music and it gave a million pesos to the winner. Senator Villar replied that there is no mention of any single project by the NCCA.

Senator Gordon pointed out that the problem is that there is no centerpiece in the country's culture unlike in other countries where there is a defined culture, art, or costume. He lamented the fact that the Philippines is known for having overseas performing artists or the so-called *japayukis* who are pleading to the Japanese government not to close the door to them. He believed that in the presentation of tourism, culture and the arts, the Philippines has to present its best product, not its women.

Senator Gordon recalled that when he was Secretary of Tourism, he was promised P50 million by the NCCA for the Banawe Rice Terraces.

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Unfortunately, he said, the people of Banawe no longer want to plant because they have been invaded by Western culture; they believe it is better to work in the lowlands than in the farms upland. He lamented the absence of any effort to preserve the kind of architectural genius that created the rice terraces 2,000 years ago, as he wondered what had happened to the P50 million. Senator Villar disclosed that the P50 million was given to the provincial government.

Senator Gordon said that he would like the NCCA to present to the Senate a report indicating where the money was spent. He stated that he has been trying to tell the NCCA and the people in Banawe that the release of the money should have a caveat—the removal or the relocation of the squatters blocking the view of the Banawe Rice Terraces. He also mentioned that there are other places that should be taken care of such as the rice terraces of the Mayuyao.

Senator Villar stated that the centerpiece of the NCCA last year was the improvement and promotion of the 26 churches in the Philippines for which P50 million was allocated.

Asked if these properties had been properly transferred to the State, Senator Villar replied that these properties have been declared as national cultural heritage sites, meaning, these are treasures of the Filipino people that can be supported by the government.

Senator Gordon observed that the Banawe Rice Terraces national treasure has not been adequately protected by the government, to which Senator Villar agreed.

Senator Gordon requested that the conditionalities he proposed be included in the NCCA report before the Committee considers the budget of the NCCA next year. Senator Villar assured the Body that the NCAA officials who have been listening intently to the discussion would consider such conditionalities in its activities in the next 12 months.

Senator Gordon disclosed that many church artifacts and antiquities are missing as in the case of a church in Aurora whose pulpit and other antiquities have been stolen allegedly by a bishop. He observed that there are religious artifacts in Intramuros that are under the care of the Intramuros

Administration but to date, there is no museum to house them. He stressed that the Intramuros Administration, under the supervision of the DOT, should have a proper inventory of these religious treasures, otherwise, they might be lost. He wondered if funds could be set aside for the construction of a museum that would house all these religious treasures so that someday, Intramuros could become like the old city of Krakow or Prague.

Senator Gordon stated that available money should be utilized for purposes of enhancing the country's cultural character and spirit. He informed the Body that he was able to get a grant of \$5 million from Japan to build the wall in Intramuros that was bombed by the Americans; however, to date, the wall is still not being built due to a restraining order. He believed that the NCCA should be part of the renewal of Intramuros as the Walled City that the Philippines can showcase.

Senator Villar assured the Body that the NCCA officials would take the proposal into consideration.

Senator Gordon stressed the need for institution-building in the country. He believed that the position paper submitted by the NCCA is a mere scrap of paper that has not been well thought out and was borne out of a mistaken belief that only certain people should have control over the preservation of culture and the arts.

As regards the intelligence funds of the NCAA and NHI, Senator Villar assured the Body that the Committee would review the intelligence funds of all the government agencies.

Senator Gordon stated that history is part and parcel of who the people were in the past and that it helps them define and makes them confident about the present and makes them stronger for the future. Relative thereto, he noted that the National Historical Institute which is sparsely funded is one area that would showcase the Philippine character as a nation. He opined that this agency should be properly funded.

On a related matter, Senator Gordon briefly narrated the life of Wenceslao Vinzon: the youngest delegate to the Constitutional Convention of 1935; a young student of law who debated with President Quezon; proponent of Maphilindo,

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proponent of *Bahasa* as the national language to prevent conflicts borne out of the introduction of a Tagalog-based Filipino language; governor of Camarines Norte who fought the Japanese who captured and jailed him.

Senator Gordon recalled that he was a member of the UP Student Council and of the committee that moved the Bonifacio monument from Balintawak to Vinzons Hall in U.P. He said that like every Filipino, he treasures Philippine history and if one cannot look back at that history, the National Historical Institute can be asked about it.

Asked if there are monuments of Wenceslao Vinzons and former Chief Justice Jose Abad Santos, Senator Villar replied in the negative. He said that there is a museum in honor of Wenceslao Vinzons in Camarines Norte, while an avenue had been named after Jose Abad Santos.

Senator Gordon pointed out that the National Historical Institute does not seem to exert effort in giving importance to the country's history. He opined that the agency may not have the motivation due to very little funding. He noted that the director of the National Historical Institute never appeared in the deliberation of the agency's budget.

Asked if there is a monument in honor of the Filipino soldiers who fought in the Korean War, Senator Villar replied in the negative. However, he said that an avenue had been named after Boni Serrano.

Senator Gordon informed the Body that the South Korean government put up a monument in memory of the Filipino soldiers who died during the Korean War. He expressed doubt that the Korean War veterans were paid adequately, adding that he would ask questions about their pensions at the proper time.

Senator Gordon stated that the National Historical Institute is supposed to be the guardian of the country's history, but it opposed, at first, the installation of a brass statue of Lapu-lapu that the Korean government gave to the Philippines in Bagumbayan on the ground that it did not belong there. However, he noted there is a monument of the Spanish conquistador, Legazpi, in the same place. He said that though Lorenzo Ruiz has a

statue in front of the Quirino Grandstand, Lapu-lapu should have a statue in Luneta since he drove away the Spanish conquistador. He recalled that the lyrics of the Philippine national anthem in English "never shall invaders trample thy sacred shores," referred to Lapu-lapu, and the lyrics in Pilipino "*ang mamatay ng dahil sa iyo*" refers to Jose Rizal.

While there are good people at the National Historical Institute, Senator Gordon stated that he does not see fervor in the leadership. He said that 60 years have passed yet most of the Bataan veterans have not been given benefits because most people do not know the country's history. He added that if officials of the government cannot create the substance of their country, they should resign because they have become part of the wall that blocks the view into the future.

Thereafter, Senator Gordon expressed his intention to promote cultural renaissance and a better appreciation of the country's history, arts and culture. He said that funding would be given these agencies if there is an assurance that it would be properly used.

Finally, Senator Gordon said that the NHI should finish the long-standing debate on whether or not Andres Bonifacio is a hero and deserved to be given a heroes' burial when his bones are found.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel if it is within the mandate of the National Historical Institute to protect historical sites, Senator Villar replied in the affirmative.

Asked about the Huluga Caves in Cagayan de Oro, Senator Villar stated that the National Museum has jurisdiction over this archeological site.

Senator Pimentel pointed out that the DPWH allowed the construction of a road which passed through a portion of the Huluga Caves. He said that centuries-old porcelain wares and tombs were found in the caves.

As regards the action that the National Historical Institute and the National Museum took on the road construction, Senator Villar stated that the National Museum investigated the matter.

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He said that it was unfortunate the mayor misinterpreted the archeological data as he assumed that the national heritage was merely a part of and not the entire area, that is why he had a road built.

Senator Pimentel said that precisely, building a road does not happen overnight. He said that when the project begins, one can already foresee the path of the road, where it begins and where it ends. In fact, he said, a number of people in Cagayan de Oro had raised the issue to the National Museum even before the road was built. He said that if the excuse that nothing can be done because the road has been built is accepted, one might as well forget preserving national heritage sites.

Senator Villar said that the NCCA has no role in the approval of zoning plans because, unlike before, they are not consulted. He said that the DENR has removed the agency from the team that reviews plans. He observed that clearly, the NCCA had not monitored the area, otherwise, it would have known about the road construction.

On the information that a school would be constructed within the Mehan Gardens in Manila, Senator Villar said that the place is an archeological site and a historical landmark under the National Historical Institute and the National Museum. He disclosed that an excavation project was underway and, under a tripartite agreement between the National Museum, the National Historical Institute and the City of Manila, the National Museum would dig for the artifacts first before anything could be built thereon.

In reply to further questions, Senator Villar affirmed that a school would be built but only on 14% of the space. However, he stated that he was also against the building of a school in the historical site. Senator Pimentel said that indeed, cities, especially the congested ones, also need open spaces. He lamented that officials often mistake the notion of development as consisting merely of raising structures but if they are built on historical sites, that would contribute to the loss of a sense of identity. He said that he raised the issue considering that about 3,000 people leave the country everyday to look for work which aggravates the loss of national identity.

He expressed hope that the National Historical Institute would be a little more aggressive because

it is mandated to assume jurisdiction over historical sites, otherwise, there would be nothing left of the country's national heritage because the pressure of population always demands that a historical site give way to modern facilities.

Senator Pimentel said that in the United States and Europe, a building that has been declared a national building cannot be repaired or demolished to give way to new structures. He said that unlike in Paris where trees are avoided whenever roads are widened, the MMDA had been accused of lack of sensitivity for cutting acacia trees that are over a hundred years old. He suggested that a tree that is a hundred years old be declared a national tree and part of the national heritage considering that it takes 35 years to grow a tree to maturity.

SUBMISSION OF THE BUDGET OF THE NCCA

Upon motion of Senator Pangilinan, there being no objection, the budget of the NCCA was deemed submitted for the consideration of the Body.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:45 p.m.

RESUMPTION OF SESSION

At 6:47 p.m., the session was resumed.

INQUIRY OF SENATOR ROXAS

Senator Roxas asked on the order of consideration of the budgets of other government agencies/offices.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:49 p.m.

RESUMPTION OF SESSION

At 6:50 p.m., the session was resumed.

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METROPOLITAN MANILA DEVELOPMENT AUTHORITY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Metropolitan Manila Development Authority was deemed submitted for the consideration of the Body.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:50 p.m.

RESUMPTION OF SESSION

At 6:51 p.m., the session was resumed.

At this point, Senator Villar said that the budget of various agencies/offices would be considered in the following order: Securities and Exchange Commission, Professional Regulation Commission, Philippine Sports Commission, Games and Amusements Board, Ombudsman and Comelec.

Senator Pimentel believed that the budget of the Comelec could not be tackled that night because he has numerous questions to ask.

SECURITIES AND EXCHANGE COMMISSION

Senator Villar presented the budget of the Securities and Exchange Commission.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel on the action being taken by the SEC on the problem of the College Assurance Plan, aside from announcing in the papers that it was approving the plan of CAP to recapitalize in the amount of several thousands of dollars, Senator Villar informed the Body that the SEC has cancelled the dealer's license of CAP and did not issue permit to sell additional securities.

Senator Pimentel noted that the absence of a denial from SEC is tantamount to an endorsement of the recapitalization plan of CAP. If indeed the SEC has no jurisdiction over CAP, he asked why it allowed its name to be mentioned in the press statement. Senator Villar clarified that the SEC has

jurisdiction over CAP, for which reason it has cancelled the dealer's license of CAP as well as its permit to sell additional securities. Senator Pimentel, however, stated that allowing its name to be included in the press statement is tantamount to saying that what CAP is doing is all right. Senator Villar opined that the reason might be that the decision on the CAP is not yet final because it has filed an application to amend its Articles of Incorporation to address liquidity problems.

Senator Pimentel said that the SEC should not give the impression it is defending CAP which is under stress arising from the complaints of thousands of people. He related that his relative, who has paid the CAP insurance premiums for two of her children, is anxious that her children would not be able to go to college. The same is true with his driver and even with some Senate employees, he said.

Senator Pimentel said ambivalent statements emanating from the SEC would tend to befuddle the issue of a fraudulent act. He added that if the SEC is of the opinion that it is not yet done with the investigation, it should at least announce that the investigation is still ongoing rather than give the impression that everything is all right so it is safe to continue buying insurance from CAP.

Senator Villar explained that the SEC is in a dilemma because it has to give due process to CAP and it is also worried about the contagion effect on the other pre-need companies. He added that pre-need companies have many scholars and with the recent events, there is fear that CAP and other pre-need companies might go under. He said that it is a very sensitive issue that is beyond SEC.

Senator Villar averred that the President may have to look into the matter in order to save the industry, the students and other pre-need plan holders. He revealed that many college students are presently enrolled through these programs and many colleges and universities are threatening not to accept payments from pre-need companies which is a very dangerous situation.

Senator Villar opined that the SEC is adopting a very careful stance lest it harms not only the whole industry but also the future of children who are presently enrolled. It is important to look into the plight of the school children who are presently

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enrolled and who might lose the opportunity to continue schooling, he said.

On the observation that the pre-need industry is bigger than the insurance industry, Senator Villar explained that the reason for caution is that the problem of CAP could affect the financial sector and the people who depend on the industry. He said that he understood SEC's careful move on the issue because panic could worsen the situation.

Senator Pimentel pointed out that the problem of CAP is a matter that the SEC should address pursuant to its mandate under the laws. Certain commissions and agencies, he said, must be taken to task if they do not respond to their mandate to protect the people. He agreed that while the SEC should be careful, it should not give the impression it is siding with CAP. Senator Villar concurred with the points raised by Senator Pimentel, adding that SEC did not mean to give such impression.

Senator Pimentel reasoned that given the circumstances, the people could lose hope and the SEC could lose credibility if it is perceived to be unresponsive to the demands of the people. He added that the pre-need industry must be protected and one way of doing it is to weed out any institution that has compromised the integrity of the industry.

On the veracity of a report that the parcels of land in Quezon owned by Mr. Romy Roxas were offered to revitalize CAP, Senator Villar replied that Mr. Roxas made a proposal that the SEC has not yet accepted.

Relative thereto, Senator Pimentel said that the SEC should really be careful about accepting such offer in view of a pending case relative to the validity of the title to those parcels of land. He added that there is a Supreme Court decision sustaining the view that there was something wrong with the title. However, he acknowledged that Mr. Roxas acquired the lands from someone who had the title to the lands since 1912, thus, there is a long history of changing ownership.

Senator Villar gave the assurance that the SEC would carefully study the proposal of Mr. Roxas and would be more circumspect in its approach and press releases in relation to the CAP problem.

Senator Pimentel explained that his main concern is that the people should not be further duped by the past operators of CAP. He noted that CAP started out as a very reliable company but got into trouble because of expansion of its businesses. He posited that CAP probably needs a new infusion of money.

INTERPELLATION OF SENATOR BIAZON

Replying to the queries of Senator Biazon, Senator Villar revealed that the SEC generates more than P900 million annually, out of which P100 million is authorized to be retained by the office and the rest remitted to the Treasury. He explained that the P100 million is added to the SEC budget in the GAA, but first, it is remitted to the Treasury, after which, the SEC makes a request and justifies the need for the P100 million before it can be reimbursed. He affirmed that the money goes through the usual auditing procedure.

On whether the SEC is provided with intelligence fund, Senator Villar replied in the negative.

Asked how the SEC examines the entities that seek licenses and certifications and determines their capability to deliver services and goods to the public, Senator Villar disclosed that the SEC staff scrutinizes, reviews and monitors the corporations.

On whether an examination of CAP was done to ensure that it can deliver the services it sold to the public, Senator Villar replied in the affirmative.

On the frequency of the examination and the monitoring of companies, Senator Villar replied that the SEC has disclosure requirements and its staff examine such disclosures. He stated that penalties are imposed when disclosures are not made, and there are cases where SEC personnel go on off-site and on-site inspections. However, he expressed doubt whether SEC could have discovered the problems of CAP, beyond examining its disclosures and the financial statements. He further related that there was a proposal to put the CAP under the Insurance Commission where it could be monitored thoroughly.

On whether the SEC believes there is a need for additional legislation to regulate on the pre-need industry, Senator Villar replied in the affirmative.

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There are proposals that would strengthen the SEC, he said.

INTERPELLATION OF SENATOR LIM

Asked by Senator Lim to verify a report that a US\$300 million loan from the First American Investment, Ltd. would be used to increase the capitalization of CAP to enable to meet its obligations, Senator Villar replied that the report was true. However, he noted that CAP has only a draft Memorandum of Agreement and it is doubtful if the company would eventually come in.

Senator Lim posited that if the report was true and accurate, then CAP would be able to satisfy the claims of its plan holders. Senator Villar said that if that was true, then it would strengthen the viability of CAP although the proposal was for the company to invest in tranches.

On whether the existence of the American investment group in the United States has been verified, Senator Villar replied in the affirmative. He said that the company is based in Nevada but it does not have any financial statement. He disclosed that the Filipino representative who signed the supposed memorandum of agreement on behalf of the American investment group is a certain Mr. Jay Baron Alzate who resides in Alabang Hills. He agreed with Senator Lim that if the American firm is nonexistent as reported in the *Philippine Daily Inquirer*, then the Filipino representative is also non-existent.

Asked whether it is possible that the Philippine peso appreciated because of the infusion of the US\$300 million, Senator Villar replied that it is not likely since only a draft memorandum of agreement is involved.

He believed that the SEC should go beyond just looking at the memorandum of agreement and conduct a credit and physical check on the pledgor to establish his credibility because a normal person would take more than a second look at infusing capital to a company that has some financial difficulty.

On whether it was true that SEC officials were quite cautious in going over the books of CAP because it might cause a chain reaction among other pre-need companies, Senator Villar said that the

SEC's refusal to issue CAP the license and permit to sell additional securities is a recognition that CAP has serious problems.

Senator Lim stated that SEC officials should be commended for protecting other pre-need companies that are not suffering from any financial difficulty. He asked whether a more aggressive move should be made against CAP following SEC's investigation.

Senator Villar said that while an immediate decision on CAP should be made, government should also prepare the safety nets, otherwise, a lot of school children depending on CAP and other pre-need companies might stop schooling while those depending on these companies for health maintenance might have problems in addressing their medical concerns.

On the apprehension that CAP is still offering educational plans to the public, even if its license to operate was suspended on September 30, 2004, Senator Villar said that CAP would be held liable for violating SEC rules. But he maintained that while the SEC should be acting decisively on the matter even assuming that CAP violated SEC rules and committed crimes against the people, CAP should be given due process under the law.

Asked whether the complaints aired to the SEC were referred to the NBI or PNP, Senator Villar replied that SEC has asked CAP to comment on the accusations.

Senator Lim requested that the SEC group of lawyers study possible criminal prosecution for those who have taken advantage of the trust and confidence of ordinary citizens. He stressed that the people are expecting immediate action and not empty promises.

Senator Villar agreed, saying that the statement would guide SEC in its decision on the matter.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon whether the US\$300 million, if realized, would enable the CAP to honor its commitment to its clients, Senator Villar said that the money would cover the shortfall of the trust fund but he doubted that it would be realized.

As to the nature of the US\$300 million, Senator Villar stated that it is a clean loan by the company to CAP, so it would not require any sovereign guarantee. The only role of *Bangko Sentral*, he said, would be to monitor the remittance. But he pointed out that the most important thing is to establish the credibility of the US\$300 million.

Senator Biazon stressed that the country's foreign debts rose to \$63 billion because in the past, many private companies took net loans, with sovereign guarantee.

SUBMISSION OF THE BUDGET OF THE SECURITIES AND EXCHANGE COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Securities and Exchange Commission was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:32 p.m.

RESUMPTION OF SESSION

At 7:33 p.m., the session was resumed.

PROFESSIONAL REGULATION COMMISSION

Senator Villar presented the budget of the Professional Regulation Commission.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel asked what happened to the controversy between groups of customs brokers over the law that was enacted by the Senate as he heard that the PRC was able to thresh out the problem.

Senator Villar informed the Body that Senator Magsaysay is helping finish the draft of the implementing rules and regulations and would take into consideration Senator Pimentel's suggestions.

Senator Pimentel stressed that he would ask for the deferment of the consideration of the PRC budget if he would not receive a categorical answer to his question.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:36 p.m.

RESUMPTION OF SESSION

At 7:57 p.m., the session was resumed.

Upon resumption, Senator Villar manifested that the Professional Regulation Commission would seek the opinion and ruling of the Department of Justice to settle the issue.

SUBMISSION OF THE BUDGET OF THE PROFESSIONAL REGULATION COMMISSION

There being no other interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the PRC was deemed submitted for the Body's consideration.

OFFICE OF THE OMBUDSMAN

Senator Villar presented the proposed budget of the Office of the Ombudsman.

Thereupon, the Chair recognized Senator Enrile for his interpellation.

INTERPELLATION OF SENATOR ENRILE

Senator Enrile noted that the Office of the Ombudsman is seeking the creation of 429 new positions. He asked the rationale for the additional positions.

Senator Villar explained that the 48 Special Prosecution Officers (Assistant Special Prosecutors) would beef up the present prosecutors who are handling more than 2,000 cases before the *Sandiganbayan*, while the 220 legal researchers and field investigators would bring the manpower capacity of the office to 40% of the minimum 500 field investigators with multi-disciplinary backgrounds required by the office in order to

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expand the lifestyle check program in other government offices. About 150 people, he said, would be recruited to man three pilot field offices in Luzon, Visayas, and Mindanao for the *Dulugan Bayan* project of the office which would serve as the quick response public assistance centers in various government agencies. In the long term, he added, the office hopes to bring the assistance centers closer to the people by establishing not only regional but also provincial offices.

Replying to further query, Senator Villar informed the Body that the new positions would bring the present 1,187 personnel of the Ombudsman to 1,600.

Senator Enrile asked on the number of cases processed by the Office of the Ombudsman and their disposition since its inception in 1989.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:05 p.m.

RESUMPTION OF SESSION

At 8:06 p.m., the session was resumed.

Upon resumption, Senator Villar disclosed that from 1989, 109,000 cases have been filed by the Ombudsman with the *Sandiganbayan*, of which 100,000 have already been decided. But he explained that he did not have the statistics on the number of convictions and the names of those serving their sentences. He conceded that not a single graft and corruption case against high profile personalities has been decided by the *Sandiganbayan* which is precisely why the Committee wanted to beef up the Ombudsman's personnel in order to improve its prosecuting capability. He admitted that the inability of the Office of the Ombudsman to perform its job was due to lack of manpower and competent prosecutors.

Senator Enrile commented that being a constitutional body, the Ombudsman can act on its own to carry out its mandate to arrest the incidence of corruption in the government without fear or favor, and should evaluate cases based simply on

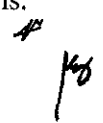
the evidence in its possession. Senator Villar affirmed that such is the attitude of the present Ombudsman.

Asked why there is a need for a graftbuster in the Office of the President, Senator Villar admitted that the functions of the Malacañang graftbuster overlap with that of the Ombudsman. He expressed the view that the Office of the President must have seen the need to strengthen the drive against graft and corruption, so it created its own graftbuster to go after high ranking corrupt government officials. He clarified that the graftbuster in the Office of the President simply investigates and submits its findings to the Office of the Ombudsman which, in turn, files the cases in court.

On the programs and activities that the office has undertaken since its creation to arrest the incidence of corruption in the government, Senator Villar recalled that the first thing that the new Ombudsman did was to train the prosecutors. In addition, he said, the office enhanced its administrative powers by improving its systems and procedures. He informed the Body that almost 50% of the new positions would go to the Office of the Special Prosecutor to increase its personnel complement. He believed that the additional manpower would improve the drive against corruption but the level of corruption in government is largely dependent on the level of economic development. He said that an effective Office of the Ombudsman could only reduce but not completely eradicate corruption.

Asked on the punitive and preventive programs for dealing with corruption, Senator Villar informed the Body that the Office invites private observers to witness the procurement bidding to demonstrate transparency and fairness in its dealings, while a unit monitors the implementation of contracts.

Replying to further queries, Senator Villar affirmed that the Ombudsman enforces the Anti-Graft and Corrupt Practices Act as well as the Plunder law, and that it has jurisdiction over all public officials as well as private parties in conspiracy with the government officials. He said that the Office of the Ombudsman conducts seminars to educate the public on the necessity of rectitude in the discharge of public functions.



On the present caseload of the Office of the Ombudsman, Senator Villar reported that there are about 9,000 cases, of which close to 1,800 are pending before the *Sandiganbayan*. He disclosed that the Office of the Special Prosecutor handles all the 1,800 cases, while prosecutors from the Department of Justice handle cases in the RTC involving public officials below Salary Grade 27.

Asked how many cases had been disposed of, Senator Villar reported an 18% conviction and 82% acquittal. He conceded that the batting average is too low, thus the need to get more people to increase the prosecuting capability. He informed the Body that the highest ranking public officer convicted was a regional director while one congressman served a six-month suspension.

Replying to further queries, Senator Villar said that only 12 offices have a Resident Ombudsman at present. He affirmed that the military has its own Ombudsman, but noted that some officers are smarter than the graftbusters.

On the observation that the Ombudsman has not arrested the incidence of corruption in the bureaucracy given that the Philippines is already ranked second most corrupt country in the world, Senator Villar reiterated the need to improve the Ombudsman's capability by hiring more prosecutors and training its present lawyers.

Asked if the office of the Ombudsman *motu proprio* involves itself in directly investigating cases reported by media, Senator Villar replied in the affirmative, citing the need for additional field investigators.

On a related matter, Senator Villar informed the Body that the Ombudsman has P3 million in intelligence fund which is used by the investigators for surveillance and gathering intelligence.

On the argument that being a constitutional office, the Ombudsman can direct other intelligence units to gather information for it, hence, it has no need for a separate intelligence fund, Senator Villar pointed out that sometimes it becomes necessary for the Ombudsman to do its own intelligence work. He reported that the P3 million allotment for intelligence purposes has not increased since 2003 although the need for such fund has been increasing.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

In reply to Senator Ejercito Estrada's queries, Senator Villar informed the Body that the Office of the Special Prosecutor is allotted P100,000 annually in intelligence funds. He agreed to provide Senator Ejercito Estrada (J) with documents detailing the intelligence expenditures of the Office of the Special Prosecutor from year 2000 and the person responsible for the disbursements. He also agreed to provide Senator Ejercito Estrada (J) with a copy of the liquidation expenses of the two agents sent to the U.S. to investigate the properties of Major General Garcia.

Asked if the budget of the Office of the Special Prosecutor provides for the purchase of vehicles, Senator Villar replied in the negative. He said that the Special Prosecutor has a Honda CRV service vehicle from the central office of the Ombudsman.

On reports that the special prosecutor treated some members of the media to lunch arising from a bet that former President Estrada would come back from abroad, Senator Villar stated that the Ombudsman was not aware of the incident. He agreed to invite the special prosecutor to shed light on the report.

On the observation that the office is politicized since the President appoints the Ombudsman, his deputies and the special prosecutor, Senator Villar clarified that the President could only choose from the nominees of the Judicial and Bar Council.

Asked how the Ombudsman could ensure that ordinary citizens would also receive the treatment of a fair trial against high-ranking government officials, Senator Villar conceded that a lot depends on the integrity of the Ombudsman whose decisions are appealable to the Supreme Court. He believed that the present Ombudsman's integrity is beyond question.

Adverting to reports that some employees in the office, especially in the administrative bureau, are tainted with graft and corruption, Senator Ejercito Estrada (J) asked what steps are being done to weed out these people. Senator Villar replied that the Ombudsman has created the internal affairs board which investigates these employees.

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He said that one senior prosecutor and two investigators had been dismissed and two employees suspended.

Senator Ejercito Estrada (J) noted that President Macapagal Arroyo assumed office on a platform of anti-corruption and good governance and that before the 2004 elections, a series of lifestyle checks on government officials and employees were conducted and officials of the Bureau of Internal Revenue, Bureau of Customs and DPWH had failed the lifestyle check. He then asked to be updated on the status of this campaign. Senator Villar said that the campaign has resulted in the dismissal of Customs deputy commissioner Gil Valera as well a regional undersecretary and a DPWH regional director. He added that another Customs deputy commissioner who reportedly owns a mansion and millions of pesos is now under investigation but has not yet been charged before the *Sandiganbayan*.

Upon further queries, Senator Villar affirmed that the case against former Justice Secretary Hernani Perez is pending before the Ombudsman who is awaiting the result of the investigation of the Swiss government. Senator Ejercito Estrada (J) wondered why the Ombudsman has not sent any special agents to Switzerland to follow up on the Perez case when two agents had been dispatched by the same office to investigate the graft case against Major General Garcia. Senator Villar explained that the Philippines has a mutual legal assistance treaty with the United States, but not with Switzerland. However, he said that communications between the Swiss government and the Ombudsman are ongoing. He conceded that the resolution of the Perez case depends on the cooperation of the Swiss government.

Relative thereto, Senator Ejercito Estrada noted that with the expected approval of 429 new positions in the Office of the Ombudsman, it is likely that there would be some developments in the case. However, Senator Villar reiterated that the Ombudsman could not make much progress in the case without the cooperation of the Swiss government.

Asked if the approval of budget of the Office of the Ombudsman would ensure an improved performance of the agency, Senator Villar expressed optimism it would happen, particularly with more

manpower. Additionally, he explained that the failure of the Ombudsman in handling cases is due to the lack of personnel as well as its heavy caseload.

Upon further queries, Senator Villar said that graft charges against the Chingkoe brothers have been filed with the *Sandiganbayan* in connection with their involvement in the tax credit scam and that both have been arraigned but are now out on bail. Drawing a parallel between his own case and that of the brothers, Senator Ejercito Estrada posited that the Ombudsman does not have a strong case against the Chingkoes.

To the information that the Chingkoes are allowed to freely leave and enter the country, Senator Villar said that the Ombudsman, through the Office of the Special Prosecutor, has expressed its opposition to these special travels. Senator Ejercito Estrada said he would reserve further questions for the Special Prosecutor.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon to identify the individuals in government covered by presidential anti-graft agencies, Senator Villar replied that only presidential appointees or members of the Executive department fall under the jurisdiction of such agencies.

Noting that the Office of the Ombudsman is supposed to be an apolitical body, Senator Biazon wondered how the performance of the Ombudsman is affected by these presidential anti-graft agencies insofar as investigating presidential appointees is concerned. Senator Villar explained that presidential anti-graft agencies only conduct investigative work but it is the Ombudsman that ultimately files cases against suspected grafters.

As to whether the Ombudsman exercises any control over these agencies, Senator Villar replied in the negative. He explained that the Ombudsman and the presidential anti-graft commission have separate sets of investigators but cases are filed with the Ombudsman. Relative thereto, Senator Biazon asked whether such an arrangement inhibits the Ombudsman from conducting investigations of presidential appointees on its own rather than doing so as a result of cases filed by presidential anti-graft agencies. Senator Villar replied in the negative.

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On whether the Ombudsman encounters difficulties in carrying out its mandate in view of the fact that presidential anti-graft agencies could encroach on its investigative function, Senator Villar said that while there is an overlap of functions, the Ombudsman believes these presidential anti-graft agencies could help improve its capability in pursuing its numerous cases.

Asked how the 1,800 cases with the *Sandiganbayan* are apportioned vis-à-vis the three branches of government, Senator Villar said that while he does not have the exact figures, it is likely that most of the cases involve those in the Executive branch. Senator Biazon commented that this is understandable because the Executive branch handles the implementation of programs that utilize government resources.

On whether investigations conducted by presidential anti-graft agencies help achieve the constitutional mandates of the Ombudsman and the *Sandiganbayan*, Senator Villar replied that the Ombudsman believes that such offices would no longer be needed once it has enough prosecutors and field investigators.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel about the budget of the Presidential Anti-Graft Commission, Senator Villar replied that the PAGC has an P18 million budget allocated solely for investigative work.

Senator Pimentel stated that he would move to transfer this budget to the Office of the Ombudsman considering that the latter's need for more manpower is such that it has asked Congress to create new offices under its helm. He expressed support for the proposal as he believed that the Ombudsman should assign its own representatives in government agencies most prone to corruption rather than having these agencies, such as the BIR, BOC or Comelec, install their own in-house Ombudsman. This, he believed, would show the public that the Office of the Ombudsman would not hesitate to go after grafters. Relative thereto, he said that he would introduce an amendment to the proposal stating that certain offices should be filled up. He opined that the Ombudsman should field its own personnel in line with its budgetary request, particularly since people want to see a serious

effort by government to run after crooks in the bureaucracy.

Asked about the status of the case that he had filed against the chairman and commissioners of the Comelec for misuse of funds for its computerization project, Senator Villar said that the owners of the private firm that won the project bidding are included in the consolidated case. Additionally, he said the motion made by the owners for a suspension of the case had been denied and they had been given ten days to file their counter-affidavit. Senator Pimentel clarified that it is not his intention to prejudice these individuals.

Since there appeared to be a basis for filing the case pursuant principally to the decision of the Supreme Court, Senator Pimentel said that he brought the case to the Ombudsman which, to him, is the proper office to thresh out the problem. He urged the Office of the Ombudsman to decide the case as soon as possible because the ARMM, the Barangay and the SK elections are forthcoming. He underscored the need to give the people the assurance that the persons running the Comelec deserve the trust and confidence of the people. Senator Villar replied that the Ombudsman, who was listening intently to Senator Pimentel, would consider all the points raised.

At this point, Senator Pimentel commented that the reputation of the present Ombudsman remains unsullied, unless there are cases that are shown to be meritorious against him.

Asked what the recourse is in case the Ombudsman is sued, Senator Villar replied that he could be impeached.

SUBMISSION OF THE BUDGET OF THE OFFICE OF THE OMBUDSMAN

Upon motion of Senator Pangilinan, there being no objection, the budget of the Office of the Ombudsman was deemed submitted for the Body's consideration, subject to the submission of the documents requested by Senator Ejercito Estrada (J) and the appearance of the Special Prosecutor.

PHILIPPINE SPORTS COMMISSION

Senator Villar presented the budget of the Philippine Sports Commission.

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INTERPELLATION OF SENATOR BIAZON

Senator Biazon stated that the Philippines is scheduled to host the Southeast Asian Games towards the end of the year, that is why the government is programming the construction of sports facilities. Senator Villar explained that the arrangements are being done by the Southeast Asian Organizing Committee but the physical facilities are being prepared by the Philippine Sports Commission (PSC).

To Senator Biazon's query whether there would be pistol, rifle and skeet shooting events, Senator Villar replied in the affirmative, adding that the Port Area and Fort Bonifacio are being considered as possible venue for said events. However, with the P30 million budget for the repair of existing facilities for the different sports events, he expressed doubt whether the Philippines can show something decent to its guests.

Asked on the actual amount needed for the SEA Games, Senator Villar replied that the Philippine Olympic Committee (POC) is trying to raise P850 million. He said that the Southeast Asian Organizing Committee has assured that the POC would get the P850 million that it needs.

Asked if the P850 million would be in the form of a loan or a grant, Senator Villar replied that the fund would be raised through marketing and fund-raising with the help of the private sector through television and radio rights, endorsements and sponsorships.

Senator Biazon expressed apprehension on the potential embarrassment that could result from hosting this event. He asked if the Philippines can be excused from hosting it. Senator Villar explained that the SEA Games held in Vietnam was supposed to be held in the Philippines. He said that begging off from hosting the event a second time is more embarrassing. Nevertheless, he noted that the POC seems to be confident that it can raise the needed amount. He shared the concern of Senator Biazon.

INTERPELLATION OF SENATOR PIMENTEL

Preliminarily, Senator Pimentel stated that he has been trying to watch the performance of

Filipino athletes abroad. He asked who takes care of the athletes. Senator Villar replied that international games are under the aegis of the Philippine Olympic Committee, while the training and well-being of the athletes, and sports development on the grassroots level are under the care and supervision of the Philippine Sports Commission. He acknowledged, however, the overlapping in the functions of the sports agencies.

Senator Pimentel appreciated the grassroots development being undertaken by the PSC as it is imbedded in the PSC Law that he authored. Among other things, he said, the authors of the law wanted the PSC to go to the barangays to identify potential athletes because they did not envision the PSC to get and develop athletes in a very limited environment in Metro Manila. With an 82 million population, he believed the country has a huge potential for developing athletes. He asked what the PSC is doing to identify, recruit and train athletes from all over the country, particularly in Mindanao. In reply, Senator Villar said that the Philippines has a very promising swimmer, Ms. Bacolod, who is from Iligan; a badminton national player from Cagayan de Oro; and a diver from Davao who ranked no. 29 in the Olympics.

Senator Pimentel stated that the PSC should focus its drive on developing athletes in sports and activities where the Filipinos, regardless of physical stature, could successfully compete against foreign athletes.

Asked on the budget of the PSC, Senator Villar replied that it has an allocation of P104 million, P30 million of which would go to the preparation for the Southeast Asian Games. On whether there is any allocation for Mindanao or the Visayas, Senator Villar replied that the PSC instituted a friendship game in Mindanao.

Senator Pimentel said that there should be a systematic training for the athletes of Mindanao which would entail a portion of the PSC budget. Senator Villar replied that the PSC is complaining that Pagcor, which is mandated by law to give the PSC 5% of its gross income, is only giving 5% of its net income.

Asked if there is a PSC representative in Northern Mindanao, Southern Mindanao and ARMM, Senator Villar replied in the affirmative,

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saying that there are 13 regional coordinators. He added that the coordinator for Southern Mindanao is Cecille Miquiabas, while Atty. Roy Raagas is being considered for appointment for Cagayan de Oro.

Senator Pimentel stated that the presence of a representative from the PSC in Mindanao is important so that potential athletes would be given notice. He added that he would support the budget of the PSC and, at the proper time, he might introduce amendments.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE SPORTS COMMISSION

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

GAMES AND AMUSEMENTS BOARD

Senator Villar presented the budget of the Games and Amusement Board.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

At the outset, Senator Ejercito Estrada (J) inquired about the sports activities that are under the jurisdiction of the Games and Amusements Board. Senator Villar cited golf, mixed martial arts, boxing, table tennis, billiards and professional basketball. He said that amateur basketball is under the Basketball Association of the Philippines.

As regards the difference between the functions of the GAB and the Philippine Racing Commission as far as horse racing is concerned, Senator Villar stated that the GAB is the regulatory board with regard to betting.

On the role of GAB with respect to cockfighting, Senator Villar said that the GAB issues licenses to international derbies.

Asked how much income is derived from the fees and charges levied by the GAB, Senator Villar stated that P8.3 million was collected in 2004.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:22 p.m.

RESUMPTION OF SESSION

At 9:22 p.m., the session was resumed.

Asked if *jueteng* is under the jurisdiction of the GAB, Senator Villar replied in the negative. He said that one of GAB's main objectives is to combat and eradicate illegal gambling in professional sports.

As to the kind of illegal gambling that the GAB apprehends, Senator Villar replied that these include illegal bookies and point-shaving. He added that there have been no arrests for point-shaving.

Asked if the GAB has identified the persons involved in point-shaving, Senator Villar said that although the GAB has yet to determine if there is point shaving, it is on guard.

On the matter of the GAB's workforce, Senator Villar said that there are 190 employees, 16 vacant positions, and 5 consultants. He added that each consultant is paid P15,000 a month, subject to the availability of funds.

Senator Ejercito Estrada (J) stated that racehorses were imported under the watch of Mr. Eric Buhain as chairman of the PSC.

Asked who was responsible for the importation of the racehorses, Senator Villar replied that a certain Mr. Jun Almeda and the Equestrian Federation imported the horses. But Senator Ejercito Estrada (J) recalled that during the hearing of the Committee on Games, Amusement and Sports, Mr. Buhain mentioned that the racehorses were brought in by the son of a prominent leader, and that when asked about the racehorses, Mr. Peping Cojuangco, president of the Equestrian Federation, answered that he never saw the horses and they were never endorsed to the federation.

As regards the tax exemption for the importation of the racehorses, Senator Villar stated that the PSC issued a certification to the Department of Finance which issued the tax exemption.

Senator Ejercito Estrada (J) informed the Body that 18 racehorses were imported from Australia. Senator Villar said that the PSC did not push through with the acquisition of the racehorses as it would have difficulty looking after them.

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Senator Ejercito Estrada (J) said that Mr. Buhain knows where the racehorses are. He said that he was inclined to block the passage of the GAB's budget if Mr. Buhain does not submit the document showing where the racehorses are kept. Senator Villar said that the racehorses are probably with Mr. Almeda who imported them. Nevertheless, he gave assurance that the Members would be furnished with a copy of said document.

On another matter, Senator Ejercito Estrada (J) inquired if there are health workers in the GAB. Senator Villar explained that the health workers are the five clinic staff members.

On the item for professional services amounting to P710,000, Senator Villar said that it is for security services, legal services, auditing services and maintenance services.

On the issue of the non-remittance of payments to the GSIS, BIR and Meralco, Senator Villar stated that Meralco had been paid while the BIR is being paid monthly amortization.

Asked if the GAB has incurred debts since Mr. Buhain became chairman, Senator Villar replied that the GAB has no debts.

On the confidential, intelligence, extraordinary and miscellaneous expenses, Senator Villar clarified that the P85,000 item is for extraordinary and miscellaneous expenses.

Senator Ejercito Estrada proposed the deletion of the word "confidential."

In reply to further queries, Senator Villar said that the GAB has a Boxers' Welfare Fund that comes from 1% of the boxer's purse from fights. He said that the fund totalling P458,000 provides assistance to retired or injured boxers.

Asked if the GAB has already helped Rolando Navarette who frequents the offices of senators for help, Senator Villar replied in the affirmative. He said that the GAB would take up the matter of extending more help if Mr. Navarette asks for it since there are enough funds. Unfortunately, he said, GAB has no livelihood programs for injured boxers.

As to the position of the GAB on the issue of foreign players in the PBA, Senator Villar said that

GAB is still awaiting the court's decision on the cases. He said that the GAB issues permits or licenses to professional basketball players.

Replying to further queries, Senator Villar said that Asi Taulava has been allowed to play pending a decision of the court on his case because the DOJ has granted him clearance. However, he said that the licenses of those who were deported were automatically cancelled.

At this point, Senator Ejercito Estrada reiterated his request to be provided the documents regarding the alleged importation of racehorses by a congressman, the son of the highest-ranking government official in the land, to know if he paid the right taxes.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel on the qualifications of Mr. Buhain, Senator Villar replied that the former PSC Chairman and current GAB Chairman was a champion swimmer and a *cum laude* graduate of the De La Salle College in Philadelphia, Pennsylvania.

Senator Pimentel commented that he could not understand why the word "Amusement" is used in the name of agency as it covers a lot of things. Senator Villar admitted that the word has a broad meaning.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:42 p.m.

RESUMPTION OF SESSION

At 9:43 p.m., the session was resumed.

Upon resumption, Senator Villar said that the GAB is also at a loss as to the definition of "Amusement" in its name and was requested that "amusements" be included in its scope of responsibilities. However, he said that this request should not be considered until such that time that the GAB could properly define the term. In the meantime, he said, it would be wise to just limit the scope of GAB to games.

Senator Pimentel agreed that the meaning of the words used in the law should be tightened to avoid confusion.

Asked what games the GAB oversees, Senator Villar said that these are the games that are played professionally, even including computer games when played professionally.

Senator Pimentel underscored the need to define just exactly what the acronym GAB stands for to know the exact scope of its functions. For instance, he said, GAB has jurisdiction over basketball but there is also a body known as the Basketball Association of the Philippines (BAP). Senator Villar clarified that the BAP is a private organization. Noting the existence of various sports organizations in the country, he stressed the need to delineate the functions of each to avoid the overlapping of functions.

Replying to other queries, Senator Villar said that professional games are those where coaches and players get paid. He said that the professional games under the GAB are boxing, cycling (Tour of Luzon), billiards, table tennis, mixed martial arts, and golf. He said that the country does not have a professional football squad and professional swimming teams at the moment.

Asked on the participation of GAB in the forthcoming Pacquiao-Morales bout in the U.S., Senator Villar said that the license, permit, medical examination, and management contract would be the responsibility of the GAB. He said that the GAB ensures that the contract between a boxer and his manager is fair and it also prohibits mismatches such as a better fighter fighting a newcomer.

Senator Pimentel requested a report on the accidental deaths of boxers in Mindanao after bouts. He underscored the need to monitor the safety measures that GAB is introducing in a rather brutal athletic competition like boxing. Senator Villar said that the case is already in court and the GAB is coming up with rules on the conduct of boxing tournaments.

Senator Pimentel, however, opined that the court only looks at the legality or illegality of the incident that led to the death of the boxer but the fact of his death in the aftermath of a boxing bout is not a court problem but a problem for GAB.

Senator Villar said that the license of the promoter was cancelled. Senator Pimentel asked for a copy of the documents on the cancellation of license, reports of injuries, and on the action taken by the GAB on the incident.

SUBMISSION OF THE BUDGET OF THE GAMES AND AMUSEMENTS BOARD

Upon motion of Senator Pangilinan, there being no objection, the budget of the Games and Amusement Board was deemed submitted for the Body's consideration, subject to the submission of documents requested by Senator Pimentel.

PHILIPPINE DRUG ENFORCEMENT AGENCY

Senator Villar presented to the Body the budget of the Philippine Drug Enforcement Agency.

INTERPELLATION OF SENATOR BIAZON

In reply to the queries of Senator Biazon, Senator Villar affirmed that the Philippine Drug Enforcement Agency (PDEA) is mandated by law to develop up to 13,000 organic personnel. He said that at present, it only has about 800 law enforcement personnel.

Asked if the proposed budget has provisions for the gradual increase in personnel so that PDEA would not depend too much on the assistance of the AFP, PNP and NBI, Senator Villar replied in the negative.

Senator Biazon disclosed that in December 2004, a councilor of Pagadian by the name of Sultan Marican was ambushed because of his serious advocacy against drug trafficking.

As regards the suspected drug lord from Zamboanga del Sur, Senator Biazon asked that PDEA look into the matter as there is a public perception of a breakdown of peace and order in that part of Mindanao. He disagreed that the incident was more politically motivated than drug-related, since 13 policemen were killed in a period of one year. Senator Villar said that PDEA is pursuing the investigation into the matter.

Asked if PDEA has provided security for a certain councilor who was ambushed and had to be transferred to a hospital outside the area,

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Senator Villar replied that PDEA's offer to provide security was turned down by the councilor.

Senator Biazon stated that this was understandable given the suspicion that some PDEA people were involved in the illegal drugs. He disclosed that the councilor met with the President last week and gave her a situationer. He underscored that PDEA must do something to erase the perception that there is a total break-down of peace and order in the area and the suspicion that some of its people are involved in illegal drugs. He suggested that PDEA be given the funding support to acquire its own personnel because some of its operatives are not under its administrative and operational control.

Senator Villar agreed, adding that PDEA should be given more support and a higher budget to combat the drug menace which is more serious than graft and corruption. He further noted that it was unfortunate that when PDEA was formed, the country was going through a financial crisis. He assured Senator Biazon that he would look for resources which can be tapped to increase PDEA's budget.

INTERPELLATION OF SENATOR PIMENTEL

Replying to the queries of Senator Pimentel, Senator Villar said that the PDEA regional office in the ARMM covers Jolo and that it is currently conducting operations on the reported proliferation of openly sold drugs in the said area which are bought not only the locals but also by people who distribute them to other parts of the country. He said that PDEA has committed to beef up its operations in the area.

Asked about the recently uncovered shabu manufacturing plant in Cebu, Senator Villar replied that the trial is currently ongoing and the leader who was arrested in Hong Kong is awaiting deportation to the Philippines. His counterpart in Cebu, including 11 others, has already been arrested, he added. He disclosed that the person who dined with a top policeman was not part of the group. He said that PDEA is proud of what it had accomplished in Cebu. He assured Senator Pimentel that a detailed report on the number of drug busts, the amount of shabu confiscated and how it was disposed of would be submitted by Friday. He admitted that he had heard reports that the confiscated drugs are being recycled and as chairman of the Committee on

Public Order and Illegal Drugs, he intended to call an investigation on the matter.

SUBMISSION OF THE BUDGET OF THE PHILIPPINE DRUG ENFORCEMENT AGENCY

There being no other interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Philippine Drug Enforcement Agency was considered submitted for the Body's consideration.

DEFERMENT OF THE BUDGET OF THE COMMISSION ON ELECTIONS

Senator Villar said that he was ready to present the budget of the Commission on Elections. However, Senator Pimentel moved that its consideration be on Friday.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 10:10 p.m.

RESUMPTION OF SESSION

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

PASIG RIVER REHABILITATION COMMISSION

There being no interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Pasig River Rehabilitation Commission was considered submitted for the Body's consideration.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 10:11 p.m.

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RESUMPTION OF SESSION

At 10:11 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session suspended until ten o'clock in the morning of the following day.

It was 10:12 p.m.

RESUMPTION OF SESSION

At 10:21 a.m., Wednesday, February 2, the session was resumed with Senate President Pro Tempore Flavio Reyes presiding.

**ANNOUNCEMENT
OF SENATOR PANGILINAN**

Senator Pangilinan announced that the Body would tackle in the morning session the proposed budgets of the following agencies: Department of Agriculture and attached corporations, and Department of Science and Technology; and for the afternoon session: Department of National Defense, National Unification Fund, Pension and Gratuity Fund, National Intelligence Coordinating Agency, National Security Council (NICA-NSC), Department of Transportation and Communications, Motor Vehicle User's Charge Fund, Commission on Information and Communications Technology, and Department of Tourism and attached corporations.

**COMMITTEE REPORT NO. 10
ON HOUSE BILL NO. 3154**

(Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154 (Committee Report No. 10), 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
FIVE, AND FOR OTHER PURPOSES.**

Senator Pangilinan stated that the parliamentary status was the period of interpellations.

**DEPARTMENT OF AGRICULTURE
AND ATTACHED CORPORATIONS**

Thereupon, the Chair recognized Senator Magsaysay, chairperson of Finance Subcommittee B which has under its jurisdiction the budget of the Department of Agriculture and its attached corporations, and Senator Angara for his interpellation.

INTERPELLATION OF SENATOR ANGARA

Senator Angara acknowledged that the agriculture sector performed very well last year, but he asked whether it really posted a remarkable 5.06% growth in 2004 as compared with its two percent growth rate for the past three-and-a-half decades. Senator Magsaysay confirmed, citing crops, poultry and fishery as the engines of growth in the agriculture sector.

Senator Angara noted that the livestock sector has not been performing very well because livestock importation has not been forthcoming since PL 480 has not been used for the past few years. In reply, Senator Magsaysay indicated that, in fact, the live-stock sector has been a concern of the Congressional Oversight Committee on Agriculture and Fisheries Modernization (COAFM) as part of AFMA.

Senator Angara noted that the drop in livestock production is largely attributed to the hog and cattle production decrease, more so to hog production, which used to be a very vibrant subsector, which is now lagging behind. He then inquired if this was due to the high cost of feed or to the smuggling of a lot of meat into the country. He also asked what the main reason was for the fall in cattle production. In reply, Senator Magsaysay pointed out that although the hog industry is about 95% self-sufficient, local hog-raisers are mostly made up of family-owned backyard hog-raising business and very few large-scale businesses like Foremost Farms. He surmised that it could be mainly due to the high input cost like the cost of feed which has been going up. He added that the price of pork in the market has gone beyond P150 per kilo, which is a consequent reaction to the demand.

As regards smuggling of hog meat as the cause of the fall, Senator Magsaysay replied that smuggling of hog meat is not that rampant since smuggling mostly involved vegetables like carrots and broccoli coming from China.

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With respect to the high input cost factor, Senator Angara asked whether it is corn, soya, fish meal or other substances that particularly represent the high cost of input. Senator Magsaysay cited the corn factor as it constitutes 50% of the feed industry, adding that the price of corn has gone up to P11 per kilo at farm gate.

To the observation that based on statistics, the country's production of corn has nearly tripled, Senator Magsaysay, however, cited the lack of post-harvest facilities which contributes to a lot of wastes and losses up to about 25% or more. He also mentioned the inefficiency in handling because they are a lot of layers between the farm gate and the retail up to the end-users.

Regarding the fall in cattle production, Senator Magsaysay blamed the depreciating value of the peso as against the dollar (P56:\$1) which made the importation of large cattle or livestock coming from Australia prohibitive – from 100,000 heads to 40,000 heads a year in 2003. He said that only feedlot owners who have the capital are the ones bringing in cattle to fatten and after a few weeks, they process or slaughter them for marketing.

Moreover, Senator Magsaysay cited the lack of interest of businessmen or even private investors to venture in cattle production, which is why the usual 100,000 heads per year in 2000 and 2003 have gone down to 60,000 to 40,000, and consequently the price of beef went up.

Asked by Senator Angara what the country's sufficiency level is in cattle and hog, Senator Magsaysay stated that the country's present local stock is about more than 600,000 heads while the annual demand is almost about 1.2 million heads, which is equivalent to 2.7 kilos per capita consumption. Senator Angara remarked that the cattle and hog industry could only supply 50% of the demand.

Senator Angara then inquired what happened to the five-year genetic upgrading program he launched before he left the Department of Agriculture as its secretary to be funded from PL 480. He said that this was intended to aggressively use cattle artificial insemination. Senator Magsaysay stated that the DBM has never released the money although it is part of the supplemental budget under PL 480 which is still available but remains unreleased.

In this regard, Senator Angara stressed that the government should decide on what sufficiency level

it wants to achieve since the country could not achieve a 100% meat sufficiency level for the simple reason that the Philippines does not have enough land on which to raise cattle. He also pointed out that even the country's pasture lease system is so difficult and that because there is no coordination between the Department of Agriculture and the Department of Environment and Natural Resources over the control of pasture lands. He believed that it might be cost-effective for the government in the long run to raise as much hog and poultry as possible and just target a realistic meat sufficiency level for the country and import the rest.

Senator Magsaysay agreed and he indicated that the Department of Agriculture, as it is setting up the policy environment and strategy, is looking into the aspect of inviting private investors or enterprises because the government could not do it alone. Senator Angara cautioned that the reliance on imported live cattle from Australia is disastrous because of currency fluctuation.

Asked which agency is preparing the strategy, Senator Magsaysay named the Bureau of Animal Industry, the Livestock Development Council, and the Secretary of Agriculture as well as the COCAFM. Senator Angara suggested that the COCAFM should look at the whole problem on a macro-level rather than on a micro-planning level, to which Senator Magsaysay agreed.

On the fisheries aspect, Senator Angara pointed out that fisheries account for almost one-fourth of the total agricultural output, specifically aquaculture and seaweed development which contributed to the fantastic performance of the agriculture sector. He then asked what the prospect would be of the seaweed and aquaculture development in the future.

In reply, Senator Magsaysay confirmed that the growth in seaweed production and aquaculture or aqua-farming is very strong. He cited the 21% growth in the *carrageenan* or seaweed production and the so-called two million hectares for agricultural productivity especially in Southern Philippines, which includes marine products and the inland fisheries such as *tilapia* production. He indicated that the government is inviting private investors or individuals and agri-SMEs to get involved in order to make a healthier environment for this subsector, and that the Bureau of Fisheries and Aquatic Resources (BFAR) is pursuing the policy of utilizing, managing, developing, conserving and protecting the marine resources.

Senator Angara commented that the BFAR should not just simply concentrate on developing and propagating *tilapia* although this specie has already acquired a distinct taste nowadays. He noted that Taiwan is currently concentrating on the other high-value species like *lapu-lapu*. He then asked what other species of fish that the BFAR is currently developing apart from *tilapia*.

Senator Magsaysay replied that there are species like the African catfish in Gingoog, Mindanao, which was developed by BFAR, along with some freshwater water prawns and shrimps or *ulang*, which seem to be profitable. He also mentioned the development of the St. Peter's fish or carp.

With regard to agricultural commodities, Senator Angara asked what the farm-gate price of agricultural commodities was in 2004 and whether it went higher, lower or just stayed plateau. He said that he wanted to look at the income of farmers because the increased production might not have positively affected their income. He asked whether in relative terms the farmers receive 10% price higher than last year's.

Senator Magsaysay stated that the cost of palay is P10 per kilo while the price of chicken is P60 per kilo.

Senator Angara pointed out that the current palay production has reached 14.5 million metric tons, two million metric tons higher than the previous year's production of 12.5 million metric tons, an indication that the country had already achieved 94% sufficiency in rice production, with the 6%-gap plugged by the importation of about 1.3 million metric tons of rice. On this note, he inquired whether the government has a plan to achieve 100% self-sufficiency in rice production and when this would be achieved.

Senator Magsaysay replied that the country could be 100% self-sufficient in rice in two years, as he mentioned the government's plan to convert more than 400,000 hectares of irrigated land to be devoted solely for hybrid rice.

Senator Angara acknowledged that additional acreage of land for hybrid rice would increase the yield, but he asked if the government is also focusing on post-harvest facilities. He underscored the importance of post-harvest facilities in achieving self-sufficiency in rice because they prevent loss or

wastage in rice production which is estimated at 10%-20% or about 1.4 million metric tons of palay. He proposed that within the next three to five years, the government should allocate budget for post-harvest facilities such as integrated rice mill, which he has seen operate successfully in the provinces of Bohol and Mindoro and even in countries like Taiwan and Japan. Aside from eliminating the wastage, he stated that the integrated rice mill would also transform the palay farmer from a palay seller to rice seller, giving him more income since palay only sells at P5.00 per kilo while rice sells at P20.00 per kilo. He added that putting up integrated rice mills in strategic regions would save the government millions of pesos spent for irrigation, conversion of additional land acreage and importation of rice.

Replying thereto, Senator Magsaysay informed the Body that the Department of Agriculture (DA) had already started putting up post-harvest facilities and that under the National Food Authority (NFA) budget, P200 million has been allocated for this program. He cited the integrated rice mill constructed in Sultan Kudarat, which has a capacity of milling three to five tons of palay per hour. He added that an integrated rice mill costs about P10 million but smaller modules costing about P5 million could be built in other areas.

Senator Angara demanded the commitment of the DA to pursue the program on post-harvest facilities, hoping that integrated rice mills would be built this year in big rice-producing regions in the country. He added that the program could be replicated in other areas such as fisheries since there is also tremendous waste in fishery products.

Moving on to the overall budget of the DA, Senator Angara pointed out that the 2005 proposed budget of P14,534,783,000 is about P300 million lower than last year's budget. He then asked for the breakdown of the 2005 budget, i.e. how much is allocated for the operations of the department and for the agriculture and fisheries modernization program (AFMA).

Senator Magsaysay replied that the 2005 proposed budget of the DA was divided into: P4,273,715,000 for the DA, and P10,261,068,000 for the AFMA.

Senator Angara commented that despite the progressive decline of the budget for agriculture over the last five years, the production has

increased. Senator Magsaysay credited the increase in production to private sector participation.

At this point, Senator Angara raised the issue of smuggling of agricultural products, which is hurting the local farmers. According to him, the smuggling of agricultural products has increased, noting that almost all products including rice, sugar, vegetables and onions are now being smuggled into the country. He then asked what the department has recommended to combat smuggling.

In reply, Senator Magsaysay presented the measures taken by the Department of Agriculture in coordination with the Bureau of Customs to address the smuggling of agricultural products, to wit:

1. Confiscation of all incoming agricultural products with no import permit specifically the veterinary quarantine clearance (VQC);
2. One hundred percent examination of all refrigerated vans;
3. Daily review of inward foreign cargo manifesto of all incoming vessels;
4. Complete disposal of all confiscated or abandoned shipments of agricultural products either by disposal or rendering; and
5. Only original VQCs are allowed for single use and stamped with "used" upon clearance completion of the release.

Senator Magsaysay informed the Body that the DA has established a computer link-up with the BOC pursuant to a Memorandum of Agreement entered into between both agencies. He explained that under this agreement, the BOC would give to the DA the daily list of all entries of agricultural products applied for inspection and documentation for that day by all quarantine officers assigned at major sea and airports; all import permits issued by the DA shall use a security paper; and for "No VQC for meat and meat products, no unloading" policy shall be strictly implemented for all incoming cargo ships.

Senator Angara proposed that the process of confiscation, instead of forfeiture and disposition, should be looked into to make it a quick-action type instead of a formal protracted process because by the time the process ends, the culprits could have already found a way of getting the goods out of the pier, or the goods have become practically worthless.

Senator Magsaysay gave the assurance that the BOC is trying its best but he also acknowledged that there are external factors that make the agency less effective. But Senator Angara noted that the BOC is operating under an antiquated procedure. He maintained that putting additional guardians and checkpoints would not help if the procedure itself is so protracted and liable to be evaded, which is actually happening. He then emphasized the need to find a more radical solution to the problem of smuggling of agricultural products.

Adverting to the gross value added (GVA) in agriculture for the year 2004, Senator Angara pointed out that the incremental value added in agriculture was P783 billion, and under the WTO rules, a developing country like the Philippines is permitted to provide 10% subsidy of the GVA or P73 million which could be given away to farmers and fishermen without violating any stricture of the WTO. But he noted that in the country, only two crops – rice and corn – were provided with price subsidy and not a single centavo was given to the farmers. He said that the Agricultural Competitiveness Enhancement Fund (ACEF) was conceived precisely to be a subsidy to farmers, that is why he has resisted the proposal that the ACEF should be strictly administered like a loan and given out on a commercial criteria basis because that would destroy the concept of subsidy.

Senator Angara expressed the view that the success of Western and Japanese farmers lies in the fact that they get in nominal terms almost US\$33,000 per capita every year which translate to \$1 billion in subsidy. He maintained that helping agricultural products and the farmers by providing them as much support in production, marketing, and the most important, research and development does not violate any WTO rules.

Replying thereto, Senator Magsaysay explained that as the bill extending ACEF was being deliberated upon, there were proposals to make it socialized, setting aside 70% as loan with no interest actually although there were suggestions to impose 3%-4% interest in order that the fund can survive, 15% as equity, and 15% for research and development to be granted to certain private and public colleges and universities for the improvement of their R&D facilities and technology.

To Senator Angara's observation that about P800 million from the ACEF was appropriated in the

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2005 budget, Senator Magsaysay clarified that in 2004, P108 million was allocated for R&D and P820 million for 2005.

Senator Angara warned that unless assistance is provided to the farming sector, there is a possibility of being wiped out in the next decade. Insofar as the ACEF is concerned, he emphasized the need to review the priorities, saying that while the fund could be given to individuals, the general rule should be on an industry or trade basis as this would provide a genuine enhancement to sectors that need to be developed.

Senator Magsaysay then presented the basic commodities that are being pushed to be competitive not only locally but globally as well, as follows: mango, banana, citrus, durian, pili, pineapple, cassava, coffee, vegetable oil (virgin coco oil), rubber and carrageen.

Senator Angara insisted that there has to be a revision of the commodity priorities. For instance, he asked why banana and pineapple are provided subsidy when the private sector has successfully developed them and their market expanded without help from the government. He proposed instead that the money rechanneled to *carrageen* or to coconut products, in particular, to take advantage of the fact that duo textile market in China and Japan is unlimited. He disclosed that in China, duo textile from coconut has been found to be valuable and that it can stop the desert from advancing towards Beijing because it encourages growth of plants.

Senator Magsaysay, for his part, stated that the textile industry could move forward should the demand for local clothing materials, like ramie and abaca, increase, for instance, by requiring the entire government bureaucracy to have locally produced fibers for their uniform.

Senator Angara believed that the market for textile products could be tremendous if given the direction and support, and the ACEF could serve as an instrument of encouragement for this undertaking.

As to the status regarding the imposition of phytosanitary requirements to allow entry of the country's tropical fruits to countries such as Japan and Australia, Senator Magsaysay stated that the Secretary of the Department of Agriculture has recommended to temporarily ban in the market the pesticide *Chloripyrifos* so that mangoes for export would pass the residue level requirement of the

importing country. He further pointed out that all shipments of mango exports to Japan will have a Certificate of Inspection Analysis issued by the National Pesticide Analytical Laboratory and also Phytosanitary Certificate issued by the plant quarantine. He noted that despite the rigid inspection of mangoes for export, the volume of exports went up.

As regards the U.S. market, Senator Magsaysay explained that Philippine mangoes are more expensive than those coming from Mexico, Columbia or Florida, adding that Mexico is even lobbying with Washington to monopolize the mango market. He said that only the fresh mangoes from Guimaras Island and the dried ones from Cebu province are allowed entry into the United States.

Senator Angara suggested that rather than eyeing the United States as market for the country's mangoes, focus should be directed to China which is a huge market and very near to the Philippines. He cautioned, however, that with all the impositions, the country could end up being excluded from the many traditional markets like the European Union which tightened up its phytosanitary requirements for tinned tuna which, in effect, would exclude the Philippines' canned tuna that accounts for about US\$200 million as export commodity. He also stressed that the government should also exercise its leverage so that foreign countries could relax and open up their market. He then mentioned that Australia could not have opened its market for Philippine mangoes if the Philippine government had not imposed a ban of cattle importation from said country. He also cited the case of Thailand which cancelled its order for 10 aircraft from a member of the EU that would not change its phytosanitary requirements for imported tuna.

Senator Magsaysay noted that dairy products should also be given importance considering that the country is 95% to 98% dependent on milk importation with an estimated foreign exchange value of \$500 million. He stated that companies which import milk should set aside about 5% of their budget to buy local milk in order to develop the local dairy industry. He said that this would also boost the government's feeding program for school children from grades 1 to 6 just like the case of Thailand which has a \$1 billion annual budget to sustain its feeding program for school children. He then suggested that the Department of Finance, the Department of Education and other agencies work

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together to propagate local production of carabao and cow milk, adding that a family of two milking cows could earn an income of about P600 a day.

He also urged the Secretary of the Department of Agriculture to set aside a budget for the import of livestock to boost local dairy production and other related programs. He also mentioned how local officials such as those in Nueva Ecija work with the officials of the Philippine Carabao Center in order to help more than 1,500 farmers earn income ranging from P300 to P600 a day from milk production just for two cows or carabaos.

Senator Angara pointed out that there is need to activate the fund intended to upgrade or improve the country's livestock or cattle to boost programs on local dairy production. A review of the budget of the DA as well as its expenditures, he said, could assess the performance of the department in relation to the said program.

In reply, Senator Magsaysay recalled how his father, former President Ramon Magsaysay, exerted efforts in the dispersal of cattle in the 1950s in order to help a cooperative in Sta. Maria, Bulacan succeed in producing milk of up to 2,000 liters a day, although this has now gone down to 400 liters a day because the demand shifted to cattle's meat. He also mentioned about a couple from Muñoz, Nueva Ecija who were frustrated because of the meager resources available to them that constrained their milk production business despite good investment potentials, and also the many farmers who want to have cattle in their backyard to earn extra income. He expressed optimism that should the DBM release P440 million from PL 480 for the livestock program, there would be improved dairy production which would certainly bring benefits in terms of income and health.

Senator Angara stressed that livestock development program should be tied up with the use of the vast resources underneath coconut lands covering about three million hectares.

INTERPELLATION OF SENATOR DEFENSOR SANTIAGO

Senator Defensor Santiago stated that her main concern during the budget hearings was to ensure that there are no loopholes in the budget that violate the provisions of the Constitution, specifically

the provision that Congress may only decrease but it cannot increase appropriation for certain governmental agencies.

She noted that in the past few years, the so-called "special provisions" in the budget have served as a loophole to circumvent the constitutional prohibition against the increase of appropriations. She cited as an example the special provision authorizing the governmental agency to use its income for some of its projects as an indirect violation of the constitutional prohibition because, in effect, it diminishes the budgetary power of Congress.

On the inclusion of a new special provision on the use of income for the Livestock Development Council, Senator Defensor Santiago noted that the allocation of additional P2 million is redundant as it would effectively increase the budget of the Council, which, in effect, circumvents the constitutional prohibition she earlier cited. She noted that under Section 6 of Presidential Decree No. 914 of 1976, which she said remains valid and effective, the new budget of the Council is already provided for in the Department of Agriculture. She recalled that in her previous interpellation with the chair of the Senate Finance Committee, she pointed out the spreading practice of increasing the budget through a special provision and the Chairman agreed with her that the practice should not be availed of except in certain exceptional cases.

Asked about the impact of the proposed special provision for the Livestock Development Council on the overall deficit of the national government, Senator Magsaysay explained that the Council was tasked to oversee, unify and integrate the development and rationalization of livestock industry. He recalled that on January 21, he wrote Senator Villar on the basis of a request from the Council asking for an additional budget of P2 million on top of its P8 million. Quoting from the said letter, he said that an additional budget of "P2 million shall be funded from the Special Account Fund, 151, representing collections from the registration of large cattle to assist private organizations and associations in their development work on the livestock industry and to carry out the functions of the Council in accordance with Section 6 PD 914." He pointed out that Section 6 of PD 914 authorizes the Council to collect P3 as fee for the registration of large cattle, P1 of which shall go to the Livestock Development Fund, actually Fund 151 which has a balance of P10 million.

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He said that the share of the municipalities shall be used to assist accredited private organizations in their livestock development work. He noted that the law specifically and unconditionally credits such collection for the use of the Council in carrying out its initiatives and functions.

Senator Defensor Santiago remarked that she was not focusing particularly on the Council, but that she was merely seizing the opportunity to reiterate her observation that the practice of increasing the budget through special provisions is becoming more frequent in the budget every year. Reiterating her view that the practice is unconstitutional on the part of Congress, she suggested the holding of an all-party caucus next year before the start of the budget hearings to determine whether they should allow the special provisions or stop the practice. She clarified that while she understands the need for additional P2 million, it is the practice that she was trying to criticize.

As to the impact of the proposed special provision on the overall deficit of the national government, Senator Defensor Santiago maintained that the practice would increase the deficit, and noting the many special provisions for the various departmental agencies, she said that the deficit of the national government would be increased without Congress' conscious knowledge.

Senator Defensor Santiago also cited the Fertilizer and Pesticide Authority as another example of the inclusion of a special provision on the use of income, noting that it is even more damaging because the proposed provision is open-ended both on the spending side and the utilization side.

She clarified that she was just using the agencies under the Department of Agriculture as her way of saying that Congress must beware of the special provisions on the use of income, and suggested that the Body must come to a consensus on what its policies should be.

She also expressed concern over the realignment of funds from a foreign-assisted project under item "AFMA-GAOSEC," particularly the amount of P100 million from the Southern Philippines irrigation sector project in Regions VI, VII, XIII and ARMM, and the amount of P50 million from the Balog-Balog irrigation project in Tarlac.

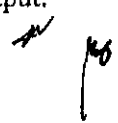
Senator Defensor Santiago disagreed that the proposed reallocation would speed up the utilization of foreign-assisted projects, saying that on the contrary, it would reduce the speed of utilization and might turn off foreign donors for lack of absorptive capacity on the part of the government.

She warned that the World Bank is going to raise a howl over this practice of realignment as it might see it as a shift in emphasis, and might affect future World Bank allocations for the country. She said that the country would have to pay a very high economic cost for the realignment of the funds for the Southern Philippines irrigation sector project in terms of payment of commitments fees to creditors as this would delay the project's implementation. She clarified, though, that she was only trying to prove a point in accounting and budgeting procedures, and that she was not necessarily objecting to the budget of the Department of Agriculture.

As to the impact of the reduction of the budget allocated for Balog-Balog irrigation project on its completion, Senator Defensor Santiago said that it would delay the completion of the project because the move would mean taking away allocation from Tarlac and adjoining provinces and allocating the funds to other projects nationwide. She said that those who are tasked with crafting the law must bear in mind all of these considerations.

At this point, Senator Defensor Santiago posed the following questions: whether or not anyone has done any cost-benefit analysis on the reallocation of P150 million from the Southern Philippines irrigation project and from the Balog-Balog project to nine other small projects; what is the estimated benefit to cost-ratio and the internal rate of return; what is the opinion of the NEDA on the proposed reallocation; and whether or not the Department of Agriculture sought the opinion of the NEDA on the matter.

Replying thereto, Senator Magsaysay acknowledged that the issues raised by Senator Defensor Santiago were very valid based on the Constitution and the law. He explained that the US\$5 million was reduced from the original loan to be used for the two irrigation projects, and that the funding agency has to be informed for its approval. He said that the Department of Agriculture has gone through a cost-benefit analysis, which is why the Department came up with the proposals to use the funds where they can yield the best output.



Citing the December 10 letter-request of the DA Secretary through the National Irrigation Administration, to the Chair of the Finance Committee regarding foreign-assisted projects, Senator Magsaysay said that the realignment of funds for the Southern Philippines Irrigation Sector from P625 million to P525 million resulted in a difference of P100 million to be used for the procurement of pumps, drilling grades and related equipment nationwide, in anticipation of the El Niño drought. He mentioned as justification for the amount the three-year project included in 2001 RP-Spain MOU, which was approved by NEDA.

He also cited the following realignments involving various irrigation projects: the Adalam Irrigation Project in Quirino Province – from P109 million to P69 million; nationwide construction, repair and the rehabilitation of the national irrigation systems – from P350 million to 390 million, for the repair of existing national and community irrigation systems covering about 24,064 hectares; *Balikatan Sagip Patubig* Project – from P360 million to P400 million; Tarlac irrigation – from P140 million to P90 million; nationwide repair of ground water irrigation – from P20 million to P30 million; Bukidnon – from P0 to P20 million; Kalinga/Apayao – from P0 to P20 million; Misamis Oriental – from P0 to P20 million; Agno River Integrated Irrigation in Pangasinan and Tarlac – from P0 to P20 million. He noted that these realigned amounts total P969 million, and that new projects in certain provinces that have no allocation before were given P20 million each.

Senator Magsaysay informed the Body that the construction of diversion dam and facilities in Misamis Oriental, when completed, would irrigate 2,500 hectares, to benefit 600 farmers. He noted that this case proved that there was cost-benefit analysis that was conducted and that the realignment was justified and approved by the NEDA.

Senator Defensor Santiago informed the Body that she sought the considered and respected opinion of the Senate President, the Senate President Pro Tempore and the Minority Leader in the budget hearings on whether they should allow the continued use of the special provisions on the use of income. She asserted that because the special provisions suggest an increase in the budget, they violate the Constitution.

Moreover, Senator Defensor Santiago stated that the amendment to Section 14 of the General

Provisions, the Grant of Tax Expenditure Subsidy, effectively changes the existing government policy that tax expenditure subsidies provided for in the budget should apply only to national government agencies and to local government units. She added that the grant of tax expenditure subsidies to GOCCs should be reviewed and granted by the Fiscal Incentives Review Board (FIRB). She then inquired whether this proposed change has been cleared with the Secretary of Finance who chairs the FIRB, and by the Development Budget Coordination Committee. Senator Magsaysay replied that the subject at hand is the MDA's request for tax expense subsidy which covers the import duties on a donation of 2,000 metric tons of milk powder from the U.S. Department of Agriculture, the same commodity grant received in 2004 by the MDA under the program provided by Section 41 of the U.S. Agricultural Act of 1949.

Further, Senator Magsaysay explained that a part of the donation was monetized or sold at market price, the proceeds of which were used to purchase dairy animals and the like for new dairy zones in Negros Occidental, Iloilo and Zamboanga del Norte, and another part was bartered with local dairy cooperatives that supply meat to feed 105,000 malnourished children. He stressed that the tax subsidy is a non-cash budget allocation that involves import duties due to the government, and would be repaid upon approval of the subsidy; if the subsidy is not approved, the MDA must pay the customs duties and would have to deduct the same amount from the program funds that would otherwise go to buy more dairy animals.

Senator Defensor Santiago noted that previously, the tax expenditure subsidies in the budget were only applied to national government agencies and local government units, but at present, Congress seemed to be applying the same to GOCCs. She reiterated that the legislators must make sure that these tax expenditure subsidies to GOCCs should be reviewed and approved by the Fiscal Incentives Review Board. She particularly called the attention of Senate President Drilon; Senate President Pro Tempore Flavio, the Minority Leader, Senator Pimentel; and the Chair of the Committee on Finance, Senator Villar, to this practice.

INTERPELLATION OF SENATOR BIAZON

Senator Biazon recalled that during the deliberations of the General Agreement on Tariffs

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and Trade (GATT) in the 9th Congress, the Senate realized that for the country to benefit from the potential benefits of the GATT, there was an imperative need to provide some safety nets, among them which were eventually enacted were the Countervailing Act, the Anti-Dumping Act, and the Agricultural and Fisheries Modernization Act (AFMA). He said that among the proposals of the AFMA was the appropriation of P120 billion, to be given in tranches of P20 billion a year. He then queried on the status of the implementation of the law. Senator Magsaysay replied that the allocation that was supposed to be released in 1997 was finally released in 1999 in the amount of P9.950 billion; P11.682 billion in 2000; P11.380 billion in 2001; P11.081 billion in 2002; P9.743 billion in 2003; and P7.818 billion in 2004, all totaling P61.655 billion. He then agreed with Senator Biazon that the amount released was still short of the actual appropriation and that the very sector that the law is supposed to protect, the farmers, is being shortchanged.

Asked whether there is a provision in the 2005 GAA providing for an appropriation for the completion of the implementation of this particular law, Senator Magsaysay replied that the Department of Agriculture and the Office of the President have been releasing the AFMA funds that go into all these modernization efficiencies, irrigation and farm-to-market roads. He then apprised the Body that on August 2004, the AFMA law was extended by another ten (10) years, up to 2015; and that the amount of P9.361 billion was allocated for the AFMA in 2004, specifically spread over several agencies and attached corporations such as the National Dairy Authority, the Philippine Coconut Authority, the Philippine Fisheries Development and the Philippine Rice Research Institute. For 2005, he averred that the amount of P10.261 billion has been allocated for the AFMA program, while the regular budget of the DA is P4.273 billion, totaling P14.534 billion.

To illustrate how the government has not been serious with its approach in fully implementing the law, Senator Biazon noted that the country is not competitive and is still lagging behind its Asian neighbors in terms of agricultural produce. He revealed that the Philippines still remains to be the largest market for American agricultural produce in Southeast Asia, with more than US\$800 million worth of imports, followed by Thailand, which imports about US\$600 million worth of American

agricultural produce. He emphasized that the competitiveness of the country is affected by a certain unilateral act by developed countries, especially in the area of subsidy. He pointed out that developed countries are providing a subsidy of almost US\$1 billion a day, which probably explains why local chicken produce cannot compete with its American counterpart in terms of price; local rice cannot compete with Thai rice and Vietnam rice, which can be produced at 60% and 40% of production cost, respectively. He lamented the fact that the country still continues to import rice.

Senator Biazon suggested that the government has to be assertive in achieving two things: first, to increase production or yield in the agricultural sector, and second, to lower the cost of production so that it would put the country in a competitive position vis-avis the other countries in terms of agricultural produce.

He also cited the national population growth rate at 2.36%, which contributed to the migration of farmers from the farms to the cities.

Referring to the Casecnan project, Senator Biazon pointed out that the government is paying P6.8 billion: P2.8 billion for the electricity that it is supposed to deliver but which the consuming public do not use; P2 billion for an advance tax payment to the government but which it was not able to reimburse; and P2 billion for the water from Casecnan to the Pantabangan dam which cannot be fully used, supposedly to irrigate more than a hundred hectares, because of the absence of distribution canals.

Asked if the National Irrigation Administration (NIA) has in its budget for 2005 funds for the construction of canals, Senator Magsaysay replied that construction there is ongoing and hopefully it would be completed within the next 36 months.

Likewise, Senator Biazon inquired when the water coming from the San Roque dam, which is supposed to irrigate 85,000 hectares in Pangasinan and Northern Tarlac, would be used, saying that he was told the P10.4 billion loan was already forthcoming to be used for the construction of the following: a retention pond; a new weir to control the flows of water from Agno River; and distribution canals. He added that these components of the project could be attended immediately.

Handwritten marks: A small star-like symbol and the number 145.

SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the session was suspended.

It was 12:21 p.m.

RESUMPTION OF SESSION

At 12:22 p.m., the session was resumed.

In reply, Senator Magsaysay informed the Body that the NEDA has yet to approve the P8-billion Agno River Irrigation Project which would rehabilitate two national irrigation systems: 1) the Agno River Irrigation System (ARIS) at the right bank of the Agno River covering 26,000 hectares; and 2) the Ambayawan-Dipalo Irrigation System (ADRI) at the left bank covering 7,600 hectares. He then proceeded to cite the scope of the project as follows:

- 1) Construction of a new diversion dam;
- 2) Construction/rehabilitation of irrigation and draining facilities, including appurtenant structure of ARIS;
- 3) Construction/rehabilitation of irrigation and drainage facilities of ADRI;
- 4) Organization and training of about 125 Farmers Irrigators Associations (FIAs); and
- 5) Right-of-Way acquisitions.

Senator Biazon stated that factors affecting a lot of farmers include the cost of inputs to production, marketing and availability of post-harvest processing facilities. To cushion the impact of these problems, he pushed for the promotion of cooperativism which, he said, would democratize the distribution of the agricultural produce, thereby enabling the farmers to own the source of inputs to production, as well as the post-harvest processing facilities and even marketing facilities.

Replying thereto, Senator Magsaysay informed the Body that the Cooperative Development Authority (CDA) has been in the forefront in this endeavor along with the Department of Agriculture and the Department of Agrarian Reform which have been supportive in encouraging more effective

cooperatives particularly among the Agrarian Reform Beneficiaries (ARBs). But he emphasized that just like any organization, its leadership and membership must have values.

To the observation that if there is any sector that should be more focused on cooperativism, it should be the Department of Agriculture, Senator Magsaysay affirmed as he cited the Villaluna Multipurpose Cooperative in Cauayan, Isabela, Sta. Pedregosa Multipurpose Cooperative in South Cotabato and the Villa Norte United Farmers' Multipurpose Cooperative in Maddela, Quirino, all of which are involved in corn mechanization and to which training assistance and facilities were extended by agencies attached to the Department of Agriculture.

Asked if there is any provision in the budget that deals with cooperativism, Senator Magsaysay disclosed that one-third of the ACEF's recipients were cooperatives and that the National Food Authority buys rice and corn from over 5,000 farmers cooperative.

Asked whether the farmers could avail themselves of cheap capital, Senator Magsaysay mentioned the rural banks and cooperatives. Likewise, he informed the Body that Landbank is still offering loans to farmers at 12% to 14% interest, while Quedancor is thinking of offering 9.5% interest. He noted that to date, Quedancor has already given out loans to farmers in the amount of P5 billion in just less than a year and that the repayment rate is over 90%.

Senator Biazon also mentioned Senator Flavio's initiative of placing his Priority Development Assistance Fund (PDAF) at the disposal of Landbank at low interest rate. He said that such an initiative prompted him to file a bill seeking to create a P10-billion fund (P5 billion from Landbank and P5 billion from Congress) to be administered by Landbank at half the prevailing interest rate.

Senator Magsaysay also mentioned the other initiatives of the DA, through its attached agencies, to help the cooperatives, among them, the P204 million from the Agricultural Credit Policy Council for the development assistance program for cooperatives which has, among its recipients, the Federation of Free Farmers' Cooperatives, Malig-Samahang Nayan Marketing Cooperative, Cagayan

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Valley Marketing Cooperative, Bicol Road Development and the Bukidnon Integrated Network of Home Industries. He acknowledged that in order to prevent relying too much on these credit programs, the government must launch a massive education and information campaign to develop the culture of savings among the farmers. He also proposed that the government go into security credit information from private entities to determine credit worthiness of loan applicants.

Senator Biazon recalled that in a conference in Cancun, Mexico, the Philippine delegation joined 50 other countries in opposing the unilateral acts of developed countries on the issue of subsidy and imposition of tariffs on imported goods that compete with their local goods but unfortunately, no agreement was arrived at. He then inquired if the delegation to the coming conference of the same nature has already defined a stand against these unilateral acts involving quantitative restrictions, phytosanitary requirements and tariff impositions.

Senator Magsaysay replied that a position has already been formulated after a series of meetings with Senator Roxas, former Secretary of Trade and Industry. He opined that entering into bilateral agreements could be resorted to as it is easier to negotiate and more responsive before considering going to the World Trade Organization.

Senator Biazon concluded his interpellation by expressing his support of the budget of the Department of Agriculture.

Senator Magsaysay said that he would join Senator Biazon in filing a resolution asking the President to release the P440 million from PL 480 to help the livestock industry.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended until two-thirty in the afternoon.

It was 12:54 p.m.

RESUMPTION OF SESSION

At 2:50 p.m., the session was resumed with Senate President Pro Tempore Flavio Presiding.

ANNOUNCEMENT OF SENATOR PANGILINAN

Senator Pangilinan announced that the deliberations on the Department of Agriculture and attached corporations would be finished that afternoon and afterwards, the budgets of the Department of Science and Technology, Department of National Defense, National Unification Fund, Pension and Gruatuity Fund, NICA, NSC, Department of Tourism and attached corporations would be considered.

Thereafter, the Chair recognized Senator Magsaysay, chair of Subcommittee B, and Senator Roxas for his interpellation.

INTERPELLATION OF SENATOR ROXAS

Senator Roxas stated that since the passage of the law mandating the fortification of several products like rice, sugar, flour etc., he has received complaints on the feasibility and the added cost of fortifying food. He said that some complained that fortificants of rice, for instance, are washed away, while sugar planters and millers are in a quandary as to who would bear the cost.

Asked how the problem on fortification is being addressed by the DA, Senator Magsaysay said that as the policy-making body and advisory board on basic nutrition, the National Nutrition Council conducts periodic review of the micronutrients being added to food. He said that the NNC requires processed foods or food products to be fortified if the result of the review warranted it.

Senator Magsaysay noted that despite the passage of the iodized salt law, not even one-third of the salt being sold in the market is iodized. He said that with the correct technology, the risk of washing away fortificants is rendered negligible. He noted that fortificants are being mixed into the food in some instances.

Senator Roxas wondered if the DA could look into the matter so that it can effectively implement the law. He averred that the failure of the government to implement the law reduces its credibility. Meanwhile, he warned, producers and traders would use the nonimplementation of the law as an excuse to increase the prices of commodities.

Senator Roxas took note of allegations that certain fortificants or formulae of fortificants are tailor-fitted to products of multinational companies. He said that the law, in effect, has a captive market in local producers who use the fortificants and are being charged expensive fees by the multinationals. He asked the DA to look into the allegations.

Senator Magsaysay stated that the DA is committed to implement the fortification program as mandated by law; in fact, it is organizing the forthcoming summit on food fortification with the DOH, the lead agency.

On the issue that fortificants are being charged to the consumers, who do not actually benefit from them because the foods are not fortified, Senator Roxas opined that it might be better for the people to be given multivitamins.

Thereafter, Senator Roxas made reservation to continue his interpellation at a later hour, after he shall have retrieved his notes.

INTERPELLATION OF SENATOR PIMENTEL

Initially, Senator Pimentel inquired why the markets are being flooded with fruits from foreign countries, noting that these fruits are easily grown in the Philippines. Senator Magsaysay said that the local fruit industry is concerned because Filipinos prefer fruits from abroad that actually cost less.

Senator Pimentel wondered why imported fruits cost less when costs are incurred in importing them. In reaction, Senator Magsaysay said that the importation of fruits has been liberalized since 1995 and, in fact, only a 3% tariff is imposed thereon. He added that some of the fruits are also being smuggled into the country.

Asked what can be done about the situation, Senator Magsaysay said that with the ratification of the WTO in 1994, foreign fruits have flooded the local market. He noted that the U.S., Japan and Canada have large-scale fruit farms that use modern farm equipment; moreover, foreign fruit producers are heavily subsidized by government.

Senator Magsaysay informed the Body that WTO has 146 member-countries, including China, that have liberalized importation.

Asked if there are prohibitions against Philippine mango in other countries, Senator Magsaysay said that except for the phytosanitary requirement Japan has imposed, there is none.

As regards fruits from Thailand like lanzones and durian that Filipinos find to be more delicious than the local varieties, Senator Pimentel wondered why the Philippines cannot create a demand for Philippine fruits in other countries. Senator Magsaysay stated that Thailand had unified its approach by concentrating on tourism and food. He said that Thai fruit producers and food makers follow uniform standards for their produce and use common bottles like they do with *patis*.

Senator Magsaysay lamented that there is more focus on small cottage industries and SMEs that could only address Filipino communities in the East and West Coasts but not on global competitiveness and discipline that is being inculcated in the DTI and DA. He believed that there is a micro approach rather than a national approach to certain standards for being globally competitive.

Senator Pimentel asked if there is a public corporation that helps market and package Philippine products, as he noted that the beautifully packaged bottle of Thai *patis* obviously looks more pleasant to the eye than Philippine *patis* in a recycled rum bottle.

Senator Magsaysay said that the PITC, an attached agency of the DTI that is now headed by Robert Pagdanganan, has been more concerned about doing countertrade with other countries.

Upon further queries, Senator Magsaysay affirmed that the country is now 94% sufficient in rice. However, he said that it does not mean that rice, especially high-value rice that is quite attractive to upscale consumers, is no longer smuggled into the country. He agreed with the observation that smuggling inhibits growth particularly in the sugar and vegetable industries.

Senator Pimentel wondered how the vegetable growers in the Cordilleras are reacting to the rosy picture that is being painted about vegetables no longer being smuggled into the country. Senator Magsaysay admitted that smuggling still continues; in fact, last year, Customs was able to confiscate 194 container vans of vegetables that the importers left to rot knowing that there were some defects in the documentation.

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Senator Pimentel pointed out that any shipment has a bill of lading containing the addresses of both the sender and the consignee. While there is little knowledge on the whereabouts of the sender who lives abroad, he said that it is fairly easy to locate the address of the consignee, although this is not necessarily authentic as some use aliases. He said that it is unbelievable that 194 container vans with contraband could pass the scrutiny of law enforcement agencies.

Senator Magsaysay agreed that the bill of lading sometimes does not contain the true names of the real importers or the owners of the shipments and are sent "care of" a broker or a party that could never be found. He wondered whether the importations were covered by letters of credit that go to the *Bangko Sentral* or if fees were just paid abroad and the items shipped to the country without the proper documentation.

Senator Pimentel suggested that the broker be summoned and investigated to establish whether he was in cahoots with the exporter. This, he said, would inhibit such kind of anomalies.

Senator Magsaysay agreed that the brokers can be held responsible for the irregularities. He said that the Bureau of Customs should see to it that the brokers are not allowed to practice their profession thereafter. Senator Pimentel added that another serious sanction is to suspend the permit of the broker or even to disqualify him outright in appropriate situations. Senator Magsaysay said that indeed, there are many ghosts in the country—ghost corporations, ghost brokers, ghost owners, ghost importers, and even ghost employees in government offices.

At this point, Senator Pimentel asked on the preparations of the DA for the *El Niño*. Senator Magsaysay stated that rainfall in Western Mindanao, Western and Central Luzon, and most areas of the Visayas is expected to be below normal from January to March which would greatly affect soil moisture. He added that the expected "below normal" rainfall condition in the Angat watershed from January to May would also likely affect the allocation of water for irrigation, and even potable water for human consumption.

Senator Pimentel revealed the existence of a World Bank-commissioned study on the construction

of water catchment basins all over the country that is in the possession of the DA. He said that the project is worth pursuing because there is a lot of rainfall in the country and rainwater just flows into the sea or penetrates the soil. He wondered whether it is possible to restart the project that has been completely abandoned over the years.

Senator Magsaysay pointed out that among the projects of the DA are the Small Scale Irrigation Project (SSIP), Small Water Impounding Project (SWIP), Small Farm Reservoir (SFR) and Shallow Tube Well (STW). As regards the suggestion to revive the catchment basins projects, he said that this should be addressed to the National Water Resources Board, an attached agency of the DENR. He said that the LGUs could identify the areas, together with the DA and the DENR, so that the agencies and even the private sector could work together in conserving water.

Senator Pimentel recalled that Paul Dominguez, the Mindanao czar of then President Ramos, estimated that the war in Mindanao between the Moro rebels and the government was costing the country about US\$10 million a year in terms of unearned income and devastation of properties, not to mention the cost in lives. He asked the DA to submit a report quantifying the loss of farmlands in areas affected by the shooting war to be able to provide a picture of the problem in realistic terms. He believed that the problem affects not only the Moros of Mindanao but also the people throughout the country who are being deprived of the produce of the land.

At this point, Senator Pimentel forewarned the AFP that the same questions would be raised when its budget is considered. He said that based on reports, the government had spent P4.5 million for ammunition on the first day of hostilities in Buliok, Maguindanao in 2001. Had there been peace in Mindanao, he said, that money would have been spent on school buildings, hospitals, and farm-to-market roads.

On another query, Senator Magsaysay stated that there are 3 million carabaos and 2.4 million cows.

Asked about the Carabao Center in Muñoz, Nueva Ecija, Senator Magsaysay said that it is doing well and propagating carabao milk and that the Department of Agriculture is overseeing the center.

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He added that the budget for the artificial breeding center in Malaybalay, Bukidnon was reduced because its technicians were reassigned.

Senator Pimentel asked that Mindanao be given its fair share of the available resource of the Department. He argued that if Mindanao is given its fair share, it would also help dissipate the causes of the Moro people's unrest once they see signs of development.

Senator Pimentel recalled that he and Secretary Yap were members of the delegation that went to China with the President last year. He clarified that he went as the representative of the Opposition. He mentioned that one of the accomplishments of the delegation is that the concept of propagation of hybrid rice was introduced to the Philippines.

Asked to be updated on the concept, Senator Magsaysay said that the hybrid rice was cultivated starting in 1998. He pointed out that more focus is being given to hybrid and certified seed technologies instead of interventions with long-term benefits such as irrigation and drying facilities. He explained that with limited resources, new technology such as the use of certified and hybrid seed has increased yield. Besides, he said, it is also sensible to teach farmers more efficient ways of producing rice through hybrid technology; that way, they have doubled their output from 3.5 to 7 tons per hectare.

Senator Magsaysay revealed that there are not enough nurseries to spread the hybrid seed as the method is expensive and requires a lot of input. For the year 2004, he stated, 90,000 hectares were planted to hybrid rice during the dry season and 130,000 hectares during the wet season; the target for this year is 173,000 hectares during the dry season and 200,000 hectares during the wet season.

In reply to a query, Senator Magsaysay stated that the Department of Agriculture and the PhilRice, along with other private practitioners, are propagating hybrid rice. He added that 5% or 200,000 hectares of the four million hectare riceland is planted to hybrid rice during the wet season.

Replying to further queries, Senator Magsaysay disclosed that it is too early to say if hybrid rice has significantly impacted the country's overall rice production. As of this year, he noted, the country is already 94% self-sufficient in rice production

which he believed would increase with a shift to a hybrid rice.

Senator Pimentel requested the Department of Agriculture to submit to the Senate within three months an assessment of the hybrid program to give the Members an idea whether it should be promoted or shelved.

Senator Magsaysay revealed that the Department of Agriculture is very active in propagating hybrid rice, adding that in 2004 alone, there were 1,800 hybrid seed growers working on 2,000 hectares of nurseries. There is also a continuous increase in seed growers, many of whom are from the private sector, he said.

Senator Pimentel stated that for over a year, he has been sponsoring discussions on the issue of GMOs or genetically modified organisms. He added that he tried to gather scientists promoting GMO and oppositors in an attempt to find a middle ground. He noted that the GMOs appear to be a good program. He said that some people say that the GMOs can cause the destruction of farmlands that are not isolated from the germs used in immunizing certain plants. He believed that the continuing scientific experiments would eventually ensure that the GMOs would be harmless to human beings.

Asked about the DA's stand on the issue, Senator Magsaysay pointed out that the Philippines, just like the members of the WTO, is not against the development of the GMO. He disclosed that the Philippines is one of the countries that support WTO protocols that ensure the safety of the seeds. Even China, he said, is actively embracing GMOs. He said that GMOs have better yields and are more resistant.

Senator Pimentel stressed the importance of assuring the people that GMOs are safe. He suggested that the DA conduct information drive on this matter. The allocation for the dissemination of the right information, including seminars and conferences, should be provided, he added. Senator Magsaysay related that the hybrid corn is one good example of how the GMO is developing; in fact, there was a model farm in Cotabato some years ago. He underscored that GMOs present an alternative technology that improve the yield of the crops. He gave assurance that the DA is fully supportive of the program.

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Asked why farm inputs are expensive, Senator Magsaysay explained that imported fertilizers are oil-based and there is also a policy of using local organic compost on a 50-50 basis.

Senator Pimentel disclosed that urea, a component of fertilizers, is principally imported. He wondered why the farmers of China, Thailand and Malaysia are not complaining about the high cost of farm inputs. Senator Magsaysay clarified that the farmers in these countries are subsidized by government.

Senator Magsaysay said that the demand for fertilizers is high during the planting season, so the price of fertilizers is also high during this period. The lean month for urea, he added, is from May to October. He recommended that there should be a bank that would monitor so that when the prices are low, urea is put in an inventory and when prices are high, urea is offered to balance the annual growth.

Asked whether duties are imposed on the importation of farm inputs, Senator Magsaysay stated that under the AFMA, the importations are duty-free but are subject to value-added tax. He added that fertilizer importation is exempt from VAT. Senator Pimentel said that farmers have the perception that farm inputs are expensive because government imposes duties on them.

On the suggestion that the importation be done by cooperatives, Senator Magsaysay said that cooperatives are allowed to import so long as they have a permit.

Senator Pimentel stated that being allowed to import duty-free and being supported by the government are two different things. In Germany, he pointed out that rural banks sell farm inputs to the members of the cooperative which also supports the banks. This concept, he said, should be shared with the people through the DA to make them more productive and less exploited by establishments. He noted that the most exploited person in the session hall is the Agriculture Secretary who is supposed to be the *ex officio* chairman of the Quedancor under Republic Act No. 7393 and yet, somebody else was appointed to the position and nobody in the DA is complaining about it. The legislators, he said, could do something about the situation by providing in a law that the Agriculture Secretary shall not lead the Quedancor in an

ex officio capacity and by creating the Quedancor as a different entity under the supervision of the DA, which is important because the agency has lots of funds that are lent out to various qualified beneficiaries.

Senator Magsaysay stated that according to Quedancor President Nelson Buenaflor, the ACEF loaned the agency an interest-free P1 billion in 2001 that is payable in seven years and because of this, the agency was able to lend P4 million to farmers, micro-enterprise and agri-SMEs; it has a revolving fund of P5 million and a collection rate of over 95%. He pointed out that Quedancor, in its 26 years of operation, has generated over P32 billion worth of loans to more than four million beneficiaries nationwide, most of whom are marginalized farmers, fisherfolk, and small agri-entrepreneurs. He said that he would request that Senate President Drilon and Senator Pangilinan bring up the matter of the appointment — as Quedancor chair in the next LEDAC meeting with President Arroyo.

Senator Pimentel said that the same is true with Landbank where the Finance Secretary is supposed to be the *ex officio* chair of said bank but another person is occupying the position. The Bureau of Immigration which is entitled to have only three commissioners under the law, he pointed out, has two additional commissioners who were appointed by the President. He wondered who would follow the laws when the President does not follow them.

REMARKS

OF SENATOR DEFENSOR SANTIAGO

Senator Defensor Santiago affirmed that certain appointments in the Executive branch have been made in violation of the Administrative Code and special laws, and these violations seem to be following a pattern ignoring the legal system. She pointed out that in the 2005 directory issued by the DBM, it shows that the DND has six undersecretaries, namely, Francisco del Rosario Jr., Antonio Santos Jr., Jose Santos, Rafael Antonio Santos, Ernesto Carolina and Rodel Cruz; and six assistant secretaries, namely, Jose Ferrer Jr., Leticia Gloria, Alejandro Melchor III, Ricardo San Andres, Roberto Nuque and Alfredo Bunye Jr.. While the DND budget provides for only five undersecretaries and five assistant secretaries, she wondered how the excess positions would be funded and whether

Congress could authorize the payment of salaries and allowances of the people. The budget of a particular department, she said, should be reduced if any appropriation is made for the salary and other income of any government official, particularly in the Executive branch, who is occupying a position by virtue of an appointment that is counter to the provisions of existing laws.

REMARKS OF SENATOR PIMENTEL

Senator Pimentel stated that studies made by population experts revealed that there is a correlation between population density and economic development but not necessarily just broad terms of population. He said that he would continue the discussion on the matter with Senator Biazon at the proper time.

INTERPELLATION OF SENATOR REVILLA

Asked by Senator Revilla whether there is any duplication in terms of funding, planning, and implementation of farm-to-market roads and other infrastructure between the Departments of Public Works and Highways, and Agriculture, Senator Magsaysay replied in the negative, saying that the implementation of farm-to-market roads is within the domain of the Department of Public Works and Highways.

On the role of the DPWH in the farm-to-market road and other infrastructure projects of the Department of Agriculture, Senator Magsaysay replied that barangay or farm-to-market roads are projects of the department under the Agricultural Fisheries Modernization Act (AFMA) while the provincial roads are public work projects that fall under the DPWH.

On another matter, Senator Revilla noted that in the DA budget, P87 million was allocated for professional services in the Office of the Secretary and P199 million for the benefit of civilian personnel. He requested that he be given the breakdown of the allocations for 2004 and 2005.

SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the session was suspended.

It was 4:08 p.m.

RESUMPTION OF SESSION

At 4:09 p.m., the session was resumed.

Upon resumption, Senator Magsaysay presented the breakdown of the allocations for professional services in 2004 as follows:

<i>Professional Services</i>	<i>Allocations</i>
legal services	P329 million
consultancy services	72 million
environmental and	
sanitary services	310 million
maintenance	136 million
janitorial services	13 million
security services	14 million
other professional services	162 million

In addition, he pointed out that LGUS also receive financial support for the allowances of the devolved employees of the department.

Still on the budget for farm-to-market roads, Senator Revilla noted that the allocations for 2004 and 2005 were the same. He asked whether the allocation for 2005 is intended mostly for construction or rehabilitation of these roads. Senator Magsaysay replied that the P200 million allocation is for the construction of new farm-to-market roads.

On whether there are farm-to-market road projects that have foreign assistance, Senator Magsaysay replied that there are infrastructure projects in Mindanao under the Mindanao Rural Development Program which is funded by the World Bank and IMPRESS for depressed areas which is funded by the Asian Development Bank in the amount of P123 million.

With regard to the Foot and Mouth Disease Control and Eradication Program, Senator Revilla disclosed that he has received reports that the officials implementing the program are using the funds mostly on information and educational campaign rather than on eradication and control projects like vaccination, surveillance, monitoring and quarantine. He asked whether the information campaigns could stop the spread of the disease more than the preventive and monitoring activities. Senator Magsaysay explained that the department launched a holistic approach that includes information and educational campaigns to address the food and mouth disease. Considering that it is a

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contagious disease which could gravely affect the hog industry, he believed that it would be better to have a well-informed public. In this regard, he informed the Body that the department had issued an order containing guidelines in maintaining FMD-free areas and had networked with private stakeholders and LGUs to intensify the campaign against the disease. In addition, he stated that both Visayas and Mindanao have already been declared FMG-free areas.

Asked on the action plan of the department on the bird flu and whether an allocation for it was included in its budget, Senator Magsaysay replied that at present, the Philippines is not affected by the Avian influenza or bird flu; however, he acknowledged that it could easily wipe out a huge poultry population and be fatal to people who contract the disease.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

Asked by Senator Ejercito Estrada (J) on the number of farm-to-market road projects that have been constructed by the department in 2004, Senator Magsaysay replied that there were 111 projects worth P230 million, of which 78 were fully funded by the department but implemented by the DPWH.

On the cost for every kilometer of farm-to-market road, Senator Magsaysay stated that P3 million is spent on a kilometer of concrete farm-to-market road and about P1.5 million to P1.6 million on a kilometer of asphalted road. He added that the department is concentrating on concrete farm-to-market roads.

Asked if there are foreign-assisted farm-to-market road projects, Senator Magsaysay replied in the affirmative, stating that all such projects are in Mindanao.

Senator Magsaysay said that P168 million out of the P230 million fund has been spent to complete 129 kilometers of concrete farm-to-market roads. Senator Ejercito Estrada (J) asked that he be furnished with the pertinent data on farm-to-market roads. Senator Magsaysay acceded to the request.

INTERPELLATION OF SENATOR ENRILE

Observing that funds had been distributed among the various regional offices, the office of the

Secretary and other offices as well, Senator Enrile asked what criteria were used for the distribution.

SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the session was suspended.

It was 4:32 p.m.

RESUMPTION OF SESSION

At 4:33 p.m., the session was resumed.

Senator Enrile queried if the distribution was done arbitrarily or using any measurable standard. Senator Magsaysay replied that the basis is the President's priorities and the medium-term program.

Asked why general administration and support services have to be prioritized, Senator Magsaysay stated that historically, the regional offices receive certain allocations each year.

On whether the allocation was based on a particular weighted-average or on some fractional mathematical division, Senator Magsaysay replied that the allocations were based on the number of personnel in each regional office, their salary grades and years in service.

Asked if the criteria hold true for all the offices under the DA, Senator Magsaysay replied in the affirmative.

Senator Enrile asked on the difference between the item for representation allowance under Compensation, and the item for representation expenses under MOOE. Further, he asked who uses the allowance and who uses the expense in the same office.


SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the session was suspended.

It was 4:39 p.m.

RESUMPTION OF SESSION

At 4:39 p.m., the session was resumed.



Senator Magsaysay explained that officials and those of equivalent rank as may be determined by the DBM while in the actual performance of their respective functions are granted monthly commutable representation and transportation allowances payable from the program appropriations provided by the respective offices not exceeding the following rates which shall apply to each type:

P7,500 for department secretaries
 P6,000 for department undersecretaries
 P5,500 for department assistant secretaries
 P5,000 for bureau directors and department regional directors
 P4,500 for assistant bureau directors and department assistant regional directors; bureau regional directors and department service chiefs.
 P4,000 for assistant bureau regional directors and
 P3,000 for chief of division

He said that RATA are given monthly. He confirmed that the allocation budget of P16, 474,000, would be utilized as representation allowance.

Replying to further queries, Senator Magsaysay reported that DA has five undersecretaries and three assistant secretaries.

Senator Enrile asked what the item "Overseas Allowance" of P39, 690,000 is and who in the DA enjoy it.

SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the Chair suspended the session.

It was 4:46 p.m.

RESUMPTION OF SESSION

At 4:47 p.m., the session was resumed.

Senator Magsaysay explained that the agricultural attachés assigned to China, Brussels, United States, Geneva, Canberra, Tokyo and Rome respectively, receive overseas allowances. The agricultural attaché in Tokyo, he said, deals with Official Development Assistance issues and the one in Rome represents the Philippines in the Food and Agricultural Organization.

Senator Enrile wondered what the UN Food and Agriculture Organization does which would impinge

on the national interest such that agricultural attachés are required. Senator Magsaysay promised to give the information when the resource person from the Department of Agriculture would be available. Senator Enrile clarified that he merely wanted to know the purpose of the expenditure.

Noting that the DA allocated P34.716 million for clothing allowance, Senator Enrile asked why government employees are required to wear office uniforms when the government is cash-strapped. Senator Magsaysay pointed out that there is mandatory annual P4,000 uniform allowance for each civilian employee similar to the clothing allowance for military personnel. He expressed the view that it is possible to forego uniform in the civilian bureaucracy.

Upon further queries, Senator Magsaysay replied that the P43,000 subsistence allowance of the DA is spent for its four medical and dental staff while the P17.358 million allocation for Productivity Incentive Benefits, as stated in Section 257 of the COA manual of the New Government Accounting System (NGAS), is given in recognition of the productivity and performance of government officers and employees who receive a "Very Satisfactory" rating based on the evaluation made by the head of the department. He said that the PIB budget for 2004 is the same as that proposed for 2005.

Asked which officials or employees make use of the representation allowance, Senator Magsaysay adverted to Section 327 of the NGAS which states that the account is used for expenses incurred for meetings, conferences and official entertainment.

Asked for the purpose behind the annual P56,954,000 allocation for training, Senator Magsaysay cited Section 271 of the NGAS which states that the account is used to record expenses incurred for attendance in conventions and workshops, payment of honoraria to lecturers, for handworks and materials as well as meals and snacks outside of the representation expenses; on the other hand, the scholarship expense is allocated for academic training of government personnel.

At this juncture, Senator Enrile requested a suspension of his interpellation.

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SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:02 p.m.

RESUMPTION OF SESSION

At 5:12 p.m., the session was resumed.

FOURTH ADDITIONAL REFERENCE OF BUSINESS

The Deputy Secretary for Legislation read the following matters and the Chair made the corresponding referrals:

BILLS ON FIRST READING

Senate Bill No. 1898, entitled

**AN ACT TO PREVENT AND PUNISH
DRIVING UNDER THE INFLUENCE
OF ALCOHOL AND/OR DRUGS**

Introduced by Senator Gordon

**To the Committees on Justice and Human
Rights; and Public Services**

Senate Bill No. 1899, entitled

**AN ACT PROVIDING FOR THE
CONTROL AND ERADICATION OF
RABIES, PRESCRIBING PENALTIES
FOR VIOLATION THEREOF
AND APPROPRIATING FUNDS
THEREFOR**

Introduced by Senator Flavio

**To the Committees on Health and Demo-
graphy; and Finance**

BUDGET OF THE DEPARTMENT OF AGRICULTURE

(Continuation)

Senator Pangilinan stated that the Committee is ready for the continuation of the interpellation on the budget of the Department of Agriculture.

The Chair recognized Senator Magsaysay, Chairman of the Committee on Agriculture and Food, and Senator Osmeña for his interpellation.

INTERPELLATION OF SENATOR OSMEÑA

Senator Osmeña stated that the Department of Agriculture, the lynchpin of 21 attached agencies and nine bureaus, covers roughly 18% of the gross value added to the economy. He asked whether the agricultural sector's contribution to the economy has gone up or down over the past six or seven years.

Senator Magsaysay replied that in absolute terms, at constant 1985 prices, the share of the agri-industry is 19.91% in 1999, 19.75% in 2000, 20.06% in 2001, 19.99% in 2002, and 19.8% in 2003, such that in relative terms, the sector's contribution remains almost at 20% level.

At this juncture, Senator Roxas requested that the DA leadership designate one of its staff members to keep track of all the figures and present these to the Body so the senators can follow the specifics of the debate.

Senator Osmeña suggested that the DA submit all the requested information the day after.

In terms of the number of workers in the agricultural sector vis-à-vis total employment in the whole country for the last six years, Senator Magsaysay reported the following data:

Year	Total Employment	Sector Employment	Sector Growth Rate (%)
2000	27,452,000	10,181,000	
2001	29,156,000	10,850,000	6.57
2002	30,062,000	11,122,000	2.51
2003	30,635,000	11,219,000	0.87
2004	31,611,000	11,377,000	1.41

He agreed with Senator Osmeña that the figures indicate that less and less Filipinos tend to rely directly on the agricultural sector for a living.

Senator Magsaysay informed the Body that in the year 2000, 593,000 jobs were lost in the agricultural sector but the number in 2001 was 669,000; 2002 – 272,000; 2003 – 97,000; and 2004 – 158,000

Senator Osmeña concluded that the net increase in employment in the agricultural sector for the years 2001 to 2004 minus the 593,000 jobs lost in the year 2000 would indicate that the sector had net increase of 603,000 jobs for the last five years.

As to the definition of the term "jobs," Senator Magsaysay replied that the National Statistics Board defined "job" as a 90-day work in a year and not as a continuous employment in layman's term. He acknowledged the probability of double counting in the computation.

Supposing Juan dela Cruz had a job for 30 days harvesting rice in October, another 30 days planting onions in January, and another 30 days harvesting rice in March, Senator Osmeña asked whether the National Statistics Office would count these as three jobs. Senator Magsaysay acknowledged such possibility.

In view thereof, Senator Osmeña opined that the numbers presented by the subcommittee are not accurate as to the actual number of Filipinos gainfully employed throughout the year. He decried that the DA has not tried to fine-tune the data in order to get more accurate readings of the growth of manpower in the agricultural sector.

In like manner, he said that the NSO, to date, has not been able to capture the quality of jobs that it counts and presents to Congress.

Senator Osmeña stated that this matter was covered in studies made either by the World Bank or by the Philippine Institute of Development Studies (PIDS). A growth in job, he asserted, does not actually reflect an improvement in the well-being of the Filipino family. He explained that, for instance, if the father of the family loses his good-paying job, the mother would pitch in by starting a livelihood; but the earnings from the livelihood may not even be 1/4 or 1/5 of what the father used to earn. He added that in spite of statistics showing that more jobs were created, a look at the volume of income would indicate that there has been a decrease in the quality of life. He stated that he finds it difficult to accept NSO data because it has not been able to fine tune "quality of life."

Senator Magsaysay stated that the analysis applies to what happened in the U.S. where there was a jobless growth. He said that because of the

IT industry and multi-tasking individuals, there have been an increase in efficiencies and growth in the economy; however, he pointed out that many of those who were laid off from 2001 to 2005 have not gone back to work.

Senator Osmeña stated that in the case he cited, the Administration can brag that it created two jobs when in truth and in fact, the quality of life has decreased. He said that a 30% increase in text messaging does not necessarily equate to a 30% increase in employment in the telecommunications industry. The gross revenue increased but the net hiring did not, he said.

Senator Magsaysay said that only the wireless communication sector increased with the reported 6.1% growth in GDP.

Senator Osmeña said that the Body should not dwell too much on jobs created in the agriculture sector. He said that among other things, rice production takes up about 13% of the gross value added in agriculture.

Upon queries, Senator Magsaysay explained that the total GVA of agricultural crops in 2004 – palay, corn, coconut, sugarcane, banana and other crops – is 52.64% of P780 billion. He added that with respect to palay, its contribution to agricultural crops is 50% and its GVA is 17% of P780 billion. He said that the GDP for the year 2003 was P4,359,000,000,000, with a total agricultural GVA of P632 billion or 14% of the GDP. He said that excluding forestry, the GVA was P629.626 billion.

Senator Osmeña noted that his computation would show that the share of the agricultural sector has declined by an average of 20%. He clarified that he would like to see how much of the national budget went to agriculture from 1995 to 2005 in absolute and nominal terms.

In reply, Senator Magsaysay gave the following data:

Year	DA Budget	% to GVA
1995	P10.735B	2.76
1996	15.769 B	3.99
1997	17.165 B	3.96
1998	15.7 M	2.88
1999	14.9 B	2.56
2000	20.800 M	3.13
2001	16 B	2.42

Year	DA Budget	% to GVA
2002	20 B	2.48
2003	16,517 B	2.72
2004	13.6 B	1.57
2005	14,295	1.58

Senator Osmeña noted that even in nominal terms, the DA budget, except for 1995, was very low which is indicative of the priority that the Administration gives the agricultural sector. Despite the growth in food consumption as population grew for the last ten years, he lamented that agriculture gets smaller amounts in absolute and relative terms.

Asked if the proposed budget would achieve the goals and vision set forth in the Agricultural and Fisheries Modernization Act (AFMA) of 1997, Senator Magsaysay conceded that he felt uncomfortable with the proposed budget but it is what the government could afford.

Senator Osmeña stressed that the most critical elements in the family are food, clothing and shelter and food always comes first. To determine whether the food demands of the country are met, he requested a breakdown of the contribution of the various subsectors such as rice, corn, and fisheries. If the proposed budget is far from achieving the goals of AFMA, he said that obviously, the Administration is not serious about its vision of *"pagkain sa baw't mesa."*

Senator Magsaysay disagreed, stating that the Administration is very serious in helping the agriculture sector by putting a proactive secretary who entices the private sector to go into agriculture.

Senator Osmeña said that the BOI has numbers indicative of the amount of total foreign direct investments as well as domestic investments in the country. He lamented that he has seen very little investment in the agricultural sector in the past ten years except for San Miguel Corporation which depends a lot on raw materials from the agricultural sector for their alcohol plants, food and feed mills.

Senator Osmeña said that he looks at the annual budget of each department during the budget deliberations to determine how the budget brings the Chamber closer to its dreams for each sector. But the DA budget over the years, he pointed out, had been on a roller coaster ride downwards. He believed that the budget would not contribute considerable growth unless a constant ratio is maintained.

Senator Magsaysay agreed that a constant growth ratio of 3%, for example, would be much healthier than the downward roller coaster figures.

Of the P14,294 billion proposed budget of the DA for 2005, Senator Magsaysay said that P2,358,078,000 would go to Personal Services (salaries and wages); P6,471,357,000, MOOE; and P5,750,348,000, Capital Outlay.

He disclosed that the Capital Outlay is broken down as follows: land and land Improvement, P101 million; building structures, P45 million; office equipment, furniture and fixtures, P97 million; livestock, P11.631 million; and machineries and equipment, P11 million.

Asked on the difference of P5.4 billion, Senator Magsaysay said that about P4.4 billion would go to irrigation. Still, Senator Osmeña said that P1 billion remains unaccounted for.

Senator Magsaysay presented a more detailed breakdown of Capital Outlay, to wit:

Capital Outlay	P 5,720,000,000
Investments	P 31,625,000
Loans	4,100,000
Livestock & Crops	11,631,000
Other Land & Land Improvements	141,000,243
Buildings and Structures	147,002,000
Furniture, Fixtures & Work	113,000,000
Work Animals	2,315,000
Other Transportation Equipment	21,913,000
Machineries	172,978,000
Public Infrastructure	<u>5,074,317,000</u>
Total	P 5,719,881,243

Senator Osmeña asked where the balance of P600 million would go. Senator Magsaysay said that P667 million would go to AFMA as follows: GMA rice, P8,481,000; GMA corn, P4 million; high-value crops, P181,496,000; GenSan Fish Ports, storage, etc., P400 million; Support for Emergency Livelihood Assistance Program (SELAP), P14,859,000. Senator Osmeña said that the amounts total more than the missing P600 million.

As regards the GenSan project, Senator Magsaysay said that the total cost is P1.4 billion which includes foreign funding counterpart, and P400 million for the local counterpart.

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As regards the irrigation status as of December 31, 2003, Senator Magsaysay gave the following data:

in hectares

Estimated Total Irrigable Area	3,126,000
Total Irrigated Service Areas	1,396,081
Remaining Area to be Developed	1,729,839

He stated that the percentage of irrigation is 52% for Luzon, 46% for Visayas and 29% for Mindanao.

Irrigated Areas *in hectares*

Functional (59%)	819,425
Communal	306,423
Private	82,659
Nonfunctional (41%)	575,961

Senator Osmeña observed that in a span of four years, the functioning area increased only by 200,000 hectares.

Asked on the total breakdown of the P4.4 billion allocated for irrigation in the year 2005, Senator Magsaysay bared that foreign-assisted irrigation projects is P2,920,309,000 and its local counterpart is P1,137,030,000. He explained that the total allocation for irrigation includes foreign assistance and the local counterpart.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:23 p.m.

RESUMPTION OF SESSION

At 6:39 p.m., the session was resumed.

SUSPENSION OF CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF AGRICULTURE

Upon motion of Senator Pangilinan, the being no objection, the Body suspended the interpellations on the budget of the Department of Agriculture in view of the request of Senator Osmeña for some documents.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:41 p.m.

RESUMPTION OF SESSION

At 6:59 p.m., the session was resumed.

DEPARTMENT OF TOURISM

Senator Gordon presented the budget of the Department of Tourism.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel observed that while Thailand is visited by about 11 million tourists a year, the Philippines, which has better beaches and people who can communicate better with foreigners, has only a little over one million tourists a year.

Senator Gordon said that last year, the Philippines was visited by almost 2.3 million tourists; unfortunately, this dropped by 6% because the advertising capabilities of the DOT have not been utilized.

Senator Pimentel stated that tourism is like a commodity that must be sold in a competitive environment as he cited the "Malaysia, Truly Asia" which is a truly magnetic advertisement and the "Wow, Philippines" advertisement during the term of then Tourism Secretary Gordon which was shown in the CNN and BBC. He said that he had taken some European airlines coming to the Philippines where his co-passengers, mostly tourists, disembarked in Hong Kong, Singapore, Malaysia or Thailand, and left only Filipinos to proceed to the Philippines.

Senator Gordon stated that while the Philippines does not advertise in Europe, it does not have an air carrier that services tourists like that of Thailand, Malaysia and Vietnam.

Senator Pimentel said that this is very unfortunate because the Philippines has much to offer in terms of cultural traits and beautiful beaches.

Senator Gordon agreed, saying that the country needs to have more hotels and inbound carriers to attract foreigners. Incidentally, he said that the new Airbus 380, which can accommodate about 850 passengers and would make travel cheaper by providing nonstop flights from Europe or the United States to countries like the Philippines, would be in operation in 2006; and another new aircraft would

soon fly passengers nonstop to secondary destinations. There would be an influx of tourists in the country, he said, if government could get an aircraft that would fly passengers from places like Tokyo directly to Cebu or other provinces.

On the recommendation that a vigorous team negotiate for air rights travel from foreign points to the Philippines, Senator Gordon stated that it was time that the Senate participated in negotiations as an oversight function which, he underscored, is important because it provides the opportunity to open up air linkages to the Philippines.

Senator Pimentel informed the Body that last week, the CEO and some members of the San Diego Airport Authority came to the country because they wanted to negotiate with Philippine Airlines for a direct flight from Manila to San Diego, which is a welcome development because the Filipino people would benefit from it. The country, he said, should take advantage of available technology and facilities that airplanes offer to people who want to see other places, and the DOT should aggressively sell the country.

Senator Gordon said that the San Diego Airport Authority officials came to him and asked him to intercede with Philippine Airlines, and he suggested that they also talk to Cebu Pacific. Government, he stated, should look into this concept of a city airport authority so that cities like Cebu, Cagayan de Oro, and Olongapo would have their own airports and be involved in promoting tourist destinations in the country.

On another matter, Senator Gordon expressed concern that the DOT would be closing the Philippines' tourism attaché offices in Europe to concentrate on Brussels. Government, he said, should look for funds to support offices that assist Filipinos abroad.

Senator Pimentel stated that the members, as policymakers, should strongly recommend that the plan to pull out the offices be reconsidered. He suggested that to facilitate communication and promote the country further, tourism brochures and letters be translated into languages of the countries where they are intended to be distributed.

Senator Gordon agreed with Senator Pimentel that the government should put more money in

tourism because every peso invested would mean one dollar earned. He lamented that the President did not do more to increase the miniscule budget of the Department for promotion which is a pygmy compared to Malaysia's \$US235 million.

He likewise lamented that the government was squeamish to open the country to the Middle East, India, and Europe which are now the rich sources of tourist dollars. He urged the government to go all out in promoting tourism.

In this regard, Senator Gordon believed that the thrust of the Department should be attracting quality tourists similar to what other countries like Spain, Germany, England, and France are presently undertaking.

As regards the issue of facilities, Senator Pimentel noted that Boracay, which is the most famous tourist destination of the Europeans and Americans, is now overcivilized because of the concrete structures blocking the view of the beaches and destroying the pristine quality of the environment. He believed that the need for modern tourism facilities, like water, electricity and communication, should be balanced with the need to preserve the natural state of the tourist destination.

Senator Gordon agreed that Boracay is "overburdened" due to the proliferation of resorts which were put up without any zoning plan and without considering its growing population. In this regard, he cited Maldives whose government allows its people to live in an island but severely limits their activities so as not to overburden the water resources and sewerage systems. He said that Maldives authority only allowed the establishment of quality resorts which he would have done for Boracay, Banaue, and Subic Bay. He countered that commercialization of a tourist destination deprives the people of their right to see and show off the beauty of the Philippines.

In reaction, Senator Pimentel said that Mayor Atienza had done a lot in cleaning and lighting up Roxas Boulevard; however, the establishment of many food stalls and other commercial outlets along the baywalk destroyed the beauty and ambience of the place, even blocking the view of the famous Manila Bay sunset.

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Senator Gordon recalled that when he became Secretary of Tourism, he recommended the expansion of the boulevard for sightseeing and viewing of the sunset along the bay. However, he lamented that thick-skinned opportunists took advantage of development plans and deprived everybody of the common membership and enjoyment of the country's beaches and parks.

Senator Pimentel said that tourism would only succeed as a national effort if the leaders would have a vision. In this regard, he suggested that the Department establish a direct liaison with officials of LGUs so that their tourist spots could be developed along the national tourism effort.

Senator Gordon disclosed that the tourism efforts at present are still on grade one level, pointing out that the term "WOW PHILIPPINES" was not merely an expression of wonderment but a desire to reach out to the hearts and minds of the Filipino to create a culture that protects the *Wealth of Wonders* called the Philippines. He urged the Tourism Secretary to continue the effort to promote domestic tourism and sustain the interest of local communities to show off the best in their regions. He cited Intramuros which has become a local tourist sport, allowing ordinary Filipinos to see the beautiful destinations in Panay, Iloilo, Boracay and Cagayan de Oro.

On the statement that the influx of tourists increases the prices of commodities and services and gives rise to prostitution, Senator Gordon recalled that the exhibit of native products of the various regions of the Philippines in Intramuros created a lot of business relationships and opportunities and made the prices of those products more affordable to the people.

As to the issue of tourism engendering prostitution, Senator Gordon stated that as Secretary of Tourism, he showcased the Filipina as a very accomplished woman as exemplified by Cory Aquino, Gloria Macapagal Arroyo and Lea Salonga. He stressed that he wanted to remove the bad image of Filipinas as objects of sex.

Senator Gordon stated that the country's prostitution and pornography laws are sufficient. He stressed that there is enough to sell in the country without prostituting the people. Instead, he said, tourism could give small earners like taxi drivers and

street vendors the chance to make it big. He agreed with Senator Pimentel that the DOT should develop not only international tourism but must also promote domestic business for one should not be a stranger in his own land. He said that domestic tourism promotion was intensified during the Philippine Tourism Year with the President making high-profile visits to tourist destinations around the country.

On the observation that an adequate transportation system is a basic requirement for a good tourism industry, Senator Gordon cited the RO-RO transport style that connects the islands via ferryboats. He suggested that the government fast-track the seaports and airports so that the people would really discover their own country.

Senator Pimentel agreed that the country's transportation system has considerably improved. He expressed the view that a cheap way to promote domestic tourism is for schoolchildren to visit tourist spots in their locality. He recalled that when he was the mayor of Cagayan De Oro City, he asked principals of elementary schools to bring their students to historical sites in the city twice a month. The schools were provided with transportation for the trip which did not cost much, he said, but the experience could spark in the minds of the children the desire to see other places in the future.

Senator Gordon informed the Body that during his term as Secretary of Tourism, he used the earnings of the Duty Free Shops to develop areas in the country like creating the Light and Sound Show of the Victories of the Revolution in Cavite and the Light and Sound Show in Intramuros. He said that field trips are now part of the public schools' budgets. He expressed gratification that kids who visited Intramuros for the first time appreciated the trip very much. He stressed that the thrust of domestic tourism must continue to grow especially with the young people.

On the upcoming exposition in Aichi, Japan where the Philippines is a significant player, Senator Gordon informed the Body that the exposition will stretch from six months to one year and the DOT has invested close to P30 million for the Philippine booth. He said that it will be like the Intramuros of Asia where some 127 countries are participating. He added that the budget for the Philippine booth would be pooled from the funds of the DOT, Office of the President, DTI, DFA and PTA, among

others. He expressed hope that the exposition would attract more Japanese to the country.

On another matter, Senator Pimentel suggested that DOT get more honorary consuls who can promote the country, citing the German honorary consul who built the *Bahay Pilipino* in Germany which serves as a hostel to Filipino tourists.

Senator Gordon affirmed that the relationship between the German honorary consul who is married to a Filipina and the Philippines is like that between Blumentritt and Rizal. But he complained that the DFA tends to be slow in accrediting honorary consuls. He agreed that DOT should appoint tourist attachés in certain places in India, Europe and the United States who will monitor developments in tourism in their areas. In fact, he pointed out, the Philippines should have a PR man who has contacts in the local media of other countries in order to advertise the Philippines effectively.

INTERPELLATION OF SENATOR REVILLA

Senator Revilla observed that the allocation for the payment to expatriates and local consultants as well as other expenses of the Sustainable Management Project in Northern Palawan increased from P4.609 million in 2004 to P20.800 million in 2005. He asked for a clarification for the big increase.

SUSPENSION OF SESSION

Upon motion of Senator Gordon, the session was suspended.

It was 7:54 p.m.

RESUMPTION OF SESSION

At 7:54 p.m., the session was resumed.

In reply, Senator Gordon explained that the agency was operating on a reenacted budget the previous year which did not provide for the salaries of the consultants, that is why the amount had to be readjusted in the proposed budget for 2005.

On the three corporations attached to the DOT, asked why the Philippine Convention and Visitors Corporation (PCVC) receives subsidy from the

government in the amount of P67,080,000 in its corporate budget for 2005, P64,080,000 of which would come from the national government, P1.45 million from the contribution of its members and the rest would come from other sources. He queried when it has earnings as a corporation, Senator Gordon explained that PCVC does not earn because although it is tasked to create conventions, it does not have its own convention center like the PICC which is owned by *Bangko Sentral*. But he stressed that the PCVC is a very important agency that supports the tourism marketing initiatives which is why he was proposing that it be made the marketing arm for Philippine tourism.

To the suggestion that PCVC's big allocation for personal services be rechanneled to projects which would benefit the people, Senator Gordon replied that PCVC handles the marketing strategies of various advertising agencies and prepares the brochures and other promotional materials of the DOT like those needed for the Aichi exposition. He believed that the country gains a lot from the services of the PCVC; in fact, theoretically, it should be the DOT paying for the marketing services of PCVC.

Asked on the allocation for the DOT's *WOW Philippines*, Senator Gordon clarified that the Intramuros project, initially called History Town Philippines, is only one facet of that campaign, which, in general, intended to create a positive feeling among Filipinos in discovering the wealth of wonders in their own country. He added that it is in Intramuros where all the products of the campaign are exhibited. However, he informed the Body that he has received complaints from tourists that Intramuros is no longer beautiful or interesting. He pointed out that the government should have made a tourist site similar to other great international tourist attractions such as Williamsburg in the United States or the Louvre in France. He said that the DOT had an additional P200 million budget for *WOW Philippines*, which included advertisements, support for both domestic and foreign tourism campaign and subsidy for regional representatives coming to Manila for this effort.

To the observation that the P2 million to P3 million allotment per region for the 2004 campaign was rather small, Senator Gordon said that with an allocation of P2 million per region for 2005, it is likely that those interested in joining the program

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would no longer have the initiative to do so. As such, he urged the DOT to continue these promotional efforts. He said that he had wanted to rebuild historical sites like Intramuros, Fort San Pedro in Cebu and Fort Pilar in Zamboanga into tourist attractions similar to Old Town Poland which was reconstructed by the communists after World War II. He stressed that the court should lift the injunction on the reconstruction of the walls of Intramuros.

Asked to identify the domestic sites that the DOT would promote, Senator Gordon said that he would like to see the different provinces promoted through tourism packages like the one created for Cavite. Relative thereto, he lamented the fact that a building built by the Centennial Commission in Tejeros, Cavite has remained unused and is now in disrepair. He said that he planned to request an investigation into the matter.

Upon further queries, Senator Gordon said that the DOT budget, which covers Intramuros and the PCVC (Philippine Conventions and Visitors Corporation), has been increased to P1.1 billion. This, he clarified, does not include the Philippine Tourism Authority which is subsidized through travel taxes. Moreover, he informed the Body that Duty Free Philippines has managed to pay off its P3 billion debt and is again in the black.

Senator Revilla opined that the DOT budget should be doubled in 2006. For his part, Senator Gordon expressed hope that the budget would be increased 20 times over as a successful tourism effort would help generate budget support for other government agencies as well. Further, he said that the 6% drop in tourists in January 2005, given the fact that 2.3 million tourists came in 2004, indicates the lack of development of the Philippine tourism industry. However, he said that the DOT should be lauded for having maintained and increased tourist visits despite recent negative events like the Abu Sayyaf kidnappings, strikes, bombings and others. Nevertheless, he opined that the DOT currently lacks the capability to make tourism not only a dollar-earner but also a means of generating livelihood for Filipinos. As such, he hoped that everyone would realize that tourism, along with agriculture, mining and the information technology industries, is the true hope of the nation and that government should encourage the entry of more entrepreneurs.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon whether the DOT is doing a profile of foreign tourists and a study on their reasons for visiting the country, Senator Gordon replied in the affirmative, as he gave the occupancy rate of the following establishments:

HOTEL CLASSIFICATION	OCCUPANCY 2003	RATE 2004
De Luxe	74.97%	80.45%
First Class	73.42%	70.44%
Standard	67%	64%
Economy	58%	53.61%

Senator Biazon said the figures indicated an increase in quality tourists but a decline in backpackers. Senator Gordon stressed that the DOT would not ignore backpackers as they have helped in the development of tourist destinations like Boracay. He disclosed that a study jointly conducted by the DOT and PR marketing firm McKenzie revealed that beach-loving tourists comprise the biggest segment of the market, and thus, offer the greatest potential for development. Additionally, he said that the DOT is now targeting tourist markets from China, Japan, Korea and the Balikbayan group although they are not ignoring the European market. He pointed out that the most viable markets for the Philippine tourism industry are tourists from America, Japan, Korea, Hong Kong, Singapore, Taiwan and Australia not only because these are closest to the Philippines but also because Philippine Airlines has regular flights to these countries.

Senator Gordon said that in 1998, there were about 68,000 tourists from Germany but when PAL stopped flying there, the number went down to 24,000; at present, there are potential 36,000 German tourists. Moreover, he said, the 80,000 tourists from England have gone down to about 30,000. He opined that there is potential in attracting tourists from temperate zones who would like to spend the winter months on warm beaches. Although the Philippines does not have tourist airline, he believed that nothing prohibits it from having relationships with Singapore Airlines or the Middle Eastern airlines by letting them fly in tourists. He said that precisely, this is the reason he wanted the DOT to maintain its tourism attachés in those countries.

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Senator Biazon said that everytime he goes to another country with Philippine mission, he makes it a point to visit the attaché and ask for a briefing. He recalled that during his visit to Frankfurt, the attaché informed him that she always promotes the Banaue Rice Terraces and the Pagsanjan Rapids. He noted that the feedbacks she got on Banaue are: the view of the rice terraces is blocked; the rice terraces are crumbling; and it is difficult to reach the site. Regarding Pagsanjan, he said, the remark is that the place has an unpleasant smell because the residents urinate on the riverbank. He believed that developing tourism necessitates the presence of tourism attachés in the target countries.

Upon query, Senator Gordon stated that the budget for tourism in 2005 is P93.1 million for domestic promotion and P218.9 million or \$4 million for international promotion. He said that the advertising campaign would be in Japan, China, Korea, and North America for the balikbayan market; all would be on the domestic channels and the presentation would be in the language of the target country.

Asked how far the \$4 million could go, Senator Gordon replied that it could not go very far that is why the DOT is asking for more money. However, even if the DOT can raise \$7 million, he believed the amount is still not enough to create a brand image for the Philippines.

Senator Biazon said that each country has its own tourism theme, for instance, Thailand is identified with Phuket or crocodile wrestling; and Malaysia has its "Truly Asia" campaign. He asked what theme the Philippines is projecting. Senator Gordon replied that advertising agency had proposed the theme "Feel the Philippines," meaning, there is action or beauty in the Philippines a tourist must feel or experience. But Senator Biazon warned against possible misconception of the theme.

Senator Biazon noted that a massive tourism development in Cuu Long was being undertaken at the time he attended the APEC parliamentarians' forum in Vietnam. He said that Cuu Long is being projected as the place of 2,000 islands, that Cuu Long means nine dragons represented by nine exit points of the Mekong River as it flows into the sea, and the Angkor Wat. Similarly, he said, Indonesia is known for Borobudur; and Malaysia, for Twin Towers.

Senator Gordon observed that *Wow Philippines*, should project a "more than the usual Philippines." He said that the reason he was pushing the Lapu-Lapu monument along side the Rizal Monument is that he wanted a place where tourists could have their picture taken just like the Statue of Liberty in New York.

Asked how big that icon is, Senator Gordon replied that it is about 45 feet tall, about four-storey high. Senator Biazon proposed that the icon be mounted to increase its height.

Senator Biazon underscored the need to think of ways to project the image of the country to potential tourists and to study the profile of the tourists and the reason why they come to the Philippines.

On the possibility of recreating the seafront along Roxas Boulevard by building another seafront wall along the shore of the reclaimed area, Senator Gordon expressed optimism that if the seafront is built, the people might be ashamed from throwing the garbage along the boulevard.

Asked on the attraction in Corregidor, Bataan, Senator Gordon replied that there is the light and sound show aside from the MacArthur Tunnel.

Asked how many tourists, on the average, go to Corregidor every year, Senator Gordon replied that they number 80,000.

Asked if there were plans of developing Corregidor as a destination for both foreign and local tourists, Senator Gordon clarified that the site had been developed with the PTA subsidizing the operations. All that is needed, he said, is a ferry boat that would provide a cheap ride to kids and their parents to go to and from Corregidor. He expressed the hope that the government invest in such a ferry boat.

As to the status of the Expo Filipino in Clark, Senator Gordon stated that it is not a project of the DOT but of the Clark Development Corporation. With the development of the North Expressway, he believed that Clark could become a very good tourist destination along the path of *WOW Philippines* in San Fernando, Pampanga.

On another matter, Senator Biazon inquired if the country is prepared to meet the coming age of super jumbo aircrafts.

Senator Gordon conceded that many adjustments need to be done in order to accommodate the jumbos, namely, negotiations for new air rights; adjustments in airports and customs processing; transportation of tourists; security arrangements; and hotel accommodations. He agreed that the government should prepare for these things now, otherwise, the country would again miss a very huge market which would benefit the Filipino people. For instance, he said, FAA may not approve the opening of the new airport unless the design conforms to security standards.

Senator Biazon hoped that the budget of the Department of Tourism could be doubled next year.

Likewise, Senator Gordon expressed his full support to the DOT as it is in the nation's interest, but warned that failure is not an option.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF TOURISM

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Tourism was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 8:49 p.m.

RESUMPTION OF SESSION

At 8:51 p.m., the session was resumed.

DEPARTMENT OF SCIENCE AND TECHNOLOGY

Senator Villar presented the budget of the Department of Science and Technology.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:52 p.m.

RESUMPTION OF SESSION

At 8:54 p.m., the session was resumed.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel about the P1.95 million budget of the Office of the Secretary, Senator Villar explained that the allocation covers the extraordinary expenses of the department secretary, P180,000; undersecretary, P65,000; assistant secretary, P35,000; head of bureau, P30,000; regional director, P18,000 and their maintenance expenses not exceeding P50,000 each.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:56 p.m.

RESUMPTION OF SESSION

At 8:57 p.m., the session was resumed.

Senator Villar said that most government offices have extraordinary expenses for flexibility.

As to the number of undersecretaries, Senator Villar said that there are four undersecretaries, three assistant secretaries, 15 regional directors and 20 agency directors.

On the P15,755,000 budget for professional services, Senator Villar stated that the amount covers auditing services, legal services, consultancy services, general services, security services and janitorial services.

Senator Villar said that he would check if the figure is in thousands or in millions. He said that for the Office of the Secretary, the allocation is P18,000.

Senator Pimentel recalled that two years ago, he discovered that another department had hundreds of consultants and their fees ate up a lot of the department's budget. Senator Villar said that the DOST has about 200 part-time consultants who would be paid P4.398 million in fees. Expressing amazement at the very large number of consultants of the DOST, Senator Pimentel requested that he be furnished the next day with a copy of the list of

the consultants, their compensation, the kind of work they are doing, and their qualifications. Senator Villar acceded to the request.

Senator Pimentel asked about the budget of the Philippine Science High School.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:05 p.m.

RESUMPTION OF SESSION

At 9:06 p.m., the session was resumed.

In reply to the query, Senator Villar said that the PSHS has a P227 million budget, P624,000 of which is allotted for extraordinary expenses.

Upon further queries, Senator Villar said that PSHS has eight campuses: Diliman, Southern Mindanao, Western Visayas, Eastern Visayas, Cagayan Valley, Central Mindanao, Bicol Region and Ilocos Region. He added that the Southern Mindanao campus is in Davao.

Asked on the possibility of establishing a branch in Northern Mindanao because of the huge population of Mindanao, Senator Villar said that in fact, the law mandates the establishment of one science high school in each region; however, he pointed out that this has not been realized due to funding constraints. He expressed certainty that a branch in Northern Mindanao had already been lined up for implementation.

In reply to another query, Senator Villar said that a council had been formed to study and propose alternative sources of energy. He pointed out that the DOST has, in fact, established several micro-hydro projects in Abra, is promoting the use of bio-diesel, and is setting up a pilot facility for coconut methyl esters in Romblon. He admitted that not much has been done to develop ethanol since the DOST is still studying the economics of producing it as an alternative source of fuel.

Senator Pimentel believed that ethanol fuel, with coconut as its source, is cheaper than bio-diesel. Senator Villar stated that the DOST at this point

cannot say whether or not it is less expensive; in fact, initial studies show that the cost is not lower.

Senator Pimentel asked what the DOST has done about Thailand's offer to help develop the ethanol industry in the country. Senator Villar replied that the DOST is aware of the Thai offer; however, he noted that the Philippines does not have very efficient distilleries like those in Thailand where the cost of production is much lower.

Similarly, Senator Pimentel said that the sugar refineries in the country have offered to convert their refineries into ethanol fuel manufacturing centers with a US\$1 million help from the government. He wondered if this has been brought to the attention of the DOST.

Moreover, Senator Pimentel observed that ethanol is not a new fuel; it is in its advanced stage of development in a South American country. He said that it would be expensive to produce ethanol without any mixture; but if mixed with gasoline, the cost of production is reduced considerably. He said that in Thailand, for example, ethanol is 25% of the fuel mix that is being used in cars. He said that the percentage is much higher in the South American country with ethanol use of 50% up to 75%. He said that this means that as utilization increases, dependence on imported crude decreases. He expressed hope that the DOST would put its heart into such a worthwhile project.

Senator Villar agreed that the project is worth looking into especially in view of the minimal cost; moreover, the use of agricultural products such as sugar and coconut would be maximized. He gave assurance that the matter would be given immediate attention.

Senator Pimentel suggested that the DOST budget be increased provided it would be allocated for ethanol research. He recalled that when he was Minister of Local Government in the Aquino administration, a wide-eyed Filipino scientist approached him about a discovery that would enable cars to run on hydrogen and oxygen. He said that the scientist lamented that he had gone to numerous departments but he was dismissed. He said that he brought the scientist to Malacañang and arranged a demonstration, at which time, the scientist drove President Aquino around the Malacañang grounds. He stated that the President's reaction was that she

would rather have Minister Pimentel refer the matter to the Ministry of Science and Technology (MOST). He stated that he referred the matter to the MOST which never replied, so after six months, he called the MOST to inquire into the matter and he was told, "*Hindi naman totoo, Sir, eh. Inek-samin, mayroong halong gasoline.*" He insisted, however, that even if there was gasoline in the mixture, it was still a worthwhile invention since the addition of water would definitely lessen the cost of gasoline. He stated that Honda would be unveiling soon a car that runs on water and would start commercial production in five years time. The lesson of the story, he emphasized, is not to slam the door on inventions that might appear weird and queer.

Senator Pimentel recalled that there was a Filipino inventor who could harness waves to produce electricity; the man was referred to the DOST but he ended up discouraged so he is now selling his invention to European financiers.

Asked about DOST's assessment of the so-called harnessing waves device, Senator Villar replied that the proponent was asked to come up with a pilot prototype to check the invention and validate his theory. He added that the DOST wants to help in the funding if the initial evidence shows that the technology is worth pursuing.

Senator Pimentel remarked that there is no question in his mind that the invention must be supported. He underscored that the DOST should have people who are technically and scientifically prepared to help develop inventions that can eventually be manufactured and commercialized.

Senator Villar revealed that the DOST was willing to help the inventor financially but he has refused to have his prototype tested, leading the department to doubt if the invention could really be of commercial value.

Senator Pimentel remarked that one of the fears of local inventors in exposing their inventions without the patent is that they would lose their rights. He noted that there seems to be very little confidence in the security of patents because competitors are willing to pay for them.

Upon query, Senator Villar replied that the Patents Office is under the Department of Trade and Industry.

On another matter, Senator Villar stated that the DOST assessment of the reliability of solar energy generating devices is done upon the request of the inventors. Senator Pimentel said that his office receives funding requests for such devices from provincial and municipal authorities but he is hesitant to give funding unless there is a government agency that would check the efficiency of the devices.

In reply to further queries on inventions, Senator Villar stated that one of the interesting inventions is a hard coating on metallic surfaces that is tougher than the current materials available.

Asked if the DOST has certified any useful product invented last year, Senator Villar replied that a turbo charger which helps cut down fuel consumption has been invented by a certain Mr. Planas. Senator Pimentel asked if this is the same device that claims to help save 50% of gasoline consumption. Senator Villar pointed out that it is just one of the products currently peddled in the market.

Senator Pimentel posited that it is important to inform the people about new inventions so that they would not be deceived by quack inventors. He pointed out that it is part of the duty of the DOST to ensure that products are supported by certification. He added that the DOST should also come up with an information campaign on products that have passed its standards.

Senator Villar emphasized that the DOST and other government agencies and departments should be more result-oriented so that when Congress reviews their operations, they can show concrete accomplishments. Senator Pimentel agreed, saying that a summary of the agency's principal activities and accomplishments should be a requirement and the same should be furnished to all the members of both Houses during the budget review.

Asked if the DOST is involved in promoting competition in science and technology among youth, Senator Villar replied that it is participating in the intel-science fair. He added that the DOST is viewed as a dull department but it has a lot of accomplishments that the people are not aware of. He remarked that the department should not only be science-oriented but also marketing-oriented. Senator Pimentel pointed out that the

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department should not only participate in science fairs but should also initiate them.

Senator Villar, on the other hand, underscored the importance of encouraging the youth to participate in science and technology activities. He noted that the DOST officials should ask themselves if people know what they are doing and what the DOST is doing to encourage the young people to invent.

Asked if there is money for research done by schools and the private sector, Senator Villar replied that there are grants and programs available to the private sector amounting to P300 million.

On the requirements to qualify for research support, Senator Villar said that it is on competitive basis – the submitted proposals are evaluated by the department and it chooses which ones to support. Further, he said, schools also have access to the grants through joint research.

Senator Pimentel said that all the time, he thought there is no money being shared with the private sector. He noted that the fault does not lie with the department but in publicizing what the department is doing.

INTERPELLATION OF SENATOR GORDON

At the onset, Senator Villar said that government should pursue research in science and technology to help in the development of tourism in the country.

Senator Gordon stated that in the Trans International Mathematics and Science examination, the Philippines placed 43rd out of 45 countries. He asked what the DOST is trying to do to improve this mediocre performance.

Senator Villar said that in addition to the eight science high schools nationwide that the DOST operates, it has implemented through the Science Education Institute the Rescue Initiatives in Science Education or Project RISE in regional science teaching centers and other selected training institutions to substantially increase the number of qualified science and math teachers in the elementary and secondary levels. He stated that this is a nondegree program undertaken for a period of 180 hours for the subject area the teacher is to

specialize in. In 2004, he pointed out, 1,048 elementary and secondary science and math teachers were trained nationwide.

Further, Senator Villar informed the Body that the DOST has also implemented the Project Mindanao Upgrading of Science Teachers or Project MUST, which is a 90-hour nondegree training program, that aims to improve and enhance the teaching capabilities and competence of elementary science and math teachers and students in Muslim and ethnic communities in Mindanao. He said that 1,242 elementary and secondary science and math teachers in Mindanao have been trained under the program. He stated that there are other human resource development programs.

Asked how many science and math teachers in the elementary and secondary levels in the public school system would undergo training, Senator Villar replied that there are about 100,000.

Adverting to an information that there are 500,000 teachers who should undergo training in English, Science and Math, Senator Gordon underscored that the DOST should find a way to fast-track the program. Senator Villar stated that the DepEd, CHED and DOST should discuss the matter and find out how this could be done, pointing out that the country has lost its advantage in English, the use of which should be restored in schools given the rise of information technology and call centers.

On whether it is a question of money, Senator Villar replied in the affirmative, pointing out that it would cost the government P12,500 to train one person in one month.

Senator Gordon said that the government is asking the people to pay their taxes but there seems to be no focus on where the money should go. He asked what the DOST has achieved for the development of the country. Senator Villar stated that the DOST is spending P100 million to fast-track the commercialization of technologies to help small-scale enterprises.

Senator Gordon lamented that Filipinos lack the “nothing is impossible” attitude such that their entrepreneurial capability has never been triggered, unlike the Chinese, Hong Kongers and Japanese. He stated unless there are teachers who are

imaginative and proficient in English, Math and Science to teach the young, the Filipinos are condemned to mediocre performance. Senator Villar agreed, saying that the quality of education in the country is going down not only in the field of science and technology, which the DepEd claims is due to lack of funds. The country, he said, should make use of its manpower resource and encourage young people to be innovative and independent entrepreneurs.

Senator Gordon stated that the country needs an institution that would focus on uplifting the requirements for teaching in Science, Math and English and would help government generate the much-needed funds. Government, he said, should have the political will to face the people and tell them that the money would be used to fast-track its programs and once the people have seen the improvement in the country's educational system, they would be more than willing to pay taxes.

Asked how many doctors in philosophy there are in the country, Senator Villar said that most of them are probably in the United States.

Senator Gordon stated that for a country that once had the second highest literacy rate in Asia and that prided itself in being the only English-speaking Asian nation in the world, the centerpiece program of the DOST should be the reeducation of the school teachers, and education officials should always remind the President that "it can be done."

Senator Villar gave the assurance that he would remind the Secretary of Science and Technology to relay the suggestions of Senator Gordon to the President.

Senator Gordon believed that the proposal should be constantly pushed and its proponent should have the fortitude to face the President and say that the government should embark on a national retraining and reeducation of teachers.

Senator Gordon stressed that the core of the problem is that the Philippines can never be competitive unless agencies like the DOST have a focus. For instance, he said that people living in disaster-prone areas like Mt. Pinatubo should be taught how to survive natural and man-made disasters.

Noting that the Philippines is one of the most disaster-prone countries in the world, Senator Gordon lamented that the Filipinos have not learned their lessons. He said that since nothing much can be done with a bare-bones budget, new ideas and solutions should be considered and the concerned officials should have the fortitude to do the hard things that must be done.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon on the mandate of the DOST, Senator Villar stated that the mission of the department is to provide leadership and direction in all science and technology activities in the country, and formulate policies, programs and projects in support of personal development.

As to what level the department is organized, Senator Villar replied that the DOST is organized in all 79 provinces.

On the total number of DOST personnel and the budget for personal services, Senator Villar replied that the department has a manpower complement of 4,500 funded by an allocation of P1.220 billion.

On the breakdown of its Maintenance and Other Operating Expenditures of P1.3 billion, Senator Villar gave the following data: travel, P32 million; training, P7.3 million; scholarship, P370 million; supplies, P86 million; utility expense, P83 million; communication, P37 million; and membership dues, etc., P87 million.

As to the requirements for the scholarship program, Senator Villar replied that the applicant should be in the upper 5% of the class and must pass the qualifying examinations.

On the courses that the scholarship offers, Senator Villar stated that the courses are related to science and technology — chemistry, bio-chemistry, chemical engineering, chemistry teaching, computer engineering, mathematics, physics, physics teaching, statistics, molecular biology, mechanical engineering, mathematics teaching, and materials engineering.

On the number of individuals who were granted scholarships in the past 10 years, Senator Villar replied that about 15,000 scholarships were granted.

Asked if the scholarship program ever produced an inventor, Senator Villar expressed doubt if the program produced an inventor because most of the scholars are working in companies.

Senator Biazon said that the role of science is to search for new concepts, new designs and new structures. However, he noted that the DOST budget also speaks of development of small and medium industries which properly belong to the Department of Trade and Industry or the Cooperative Development Authority. Senator Villar clarified that the allocation is merely to support the SMEs which need new technologies.

Senator Biazon believed that it would be better to use the P2.3 billion to conduct research on methanol, ethanol, or the invention of rice dryers to maximize the use of the funds. Senator Villar expressed doubt whether the budget of the DOST is focused on the aforecited activities.

Senator Biazon posited that there is a need to reexamine the mandate and structure of the department which could be the subject of legislation. Senator Villar agreed as he expressed the view that it is also good to make such observations in the presence of DOST officials who could ponder on them.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan manifested that Senators Angara and Defensor Santiago would interpellate on the DOST budget.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

FIFTH ADDITIONAL REFERENCE OF BUSINESS

The Secretary of the Senate read Proposed Senate Resolution No. 167 which the Chair referred to the Committee on Rules, to wit:

RESOLUTION ENTERING INTO THE SENATE RECORDS THE

**INVALUABLE CONTRIBUTIONS
OF THE LATE BLAS F. OPLE TO
THE COUNTRY AS "FATHER
OF OVERSEAS EMPLOYMENT"
AND AUTHOR OF THE LABOR
CODE OF THE PHILIPPINES.**

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair suspended the session until ten o'clock in the morning of the following day.

It was 10:17 p.m.

RESUMPTION OF SESSION

At 10:11 a.m., Thursday, February 3, the session was resumed with Senate President Pro Tempore Flavio Reyes presiding.

PROPOSED SENATE RESOLUTION NO. 167

Upon motion of Senator Pangilinan, there being no objection, the Body considered Proposed Senate Resolution No. 167, entitled

**RESOLUTION ENTERING INTO THE
SENATE RECORDS THE
INVALUABLE CONTRIBUTIONS OF
THE LATE BLAS F. OPLE TO THE
COUNTRY AS "FATHER OF
OVERSEAS EMPLOYMENT" AND
AUTHOR OF THE LABOR CODE
OF THE PHILIPPINES.**

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

Thereupon, the Chair recognized Senator Enrile for the sponsorship.

SPONSORSHIP SPEECH OF SENATOR ENRILE

In his sponsorship of Proposed Senate Resolution No. 167, Senator Enrile delivered the following speech:

It is my pleasure and distinct honor to sponsor this resolution, Proposed Senate Resolution No. 167, to honor a man who

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may be considered to have contributed so much to the welfare of our working class, a man who hails from the province of Bulacan which happens to be also the province of my father, my father being a native of Baliuag, Bulacan. And the man who is the object of this resolution hailed from the town of Hagonoy which is actually a neighbor of Baliuag.

But more than being a Bulakeño, the late Blas Ople, springing from a very humble beginning from a humble family, rose to the summit of popularity and fame in our land through his industry and effort as a creator of God. He became a well-known journalist, a well-known writer. He was a worthy and one of the stalwart members of the Cabinet of various presidents.

But his greatest contribution is in the field of labor. He was, in effect, the father of Philippine Overseas Employment Program of the republic. The Philippine Overseas Employment Program began in 1974 during the administration of the late President Ferdinand E. Marcos when his longest serving Labor Minister – in fact, he is the longest Labor Minister or Labor Secretary who served in that capacity – Blas Fajardo Ople, successfully negotiated a labor agreement with the Kingdom of Saudi Arabia and other Middle East countries for Filipinos to work in their oil fields and construction sites.

The social infrastructure to ensure the protection of Filipino workers abroad were largely the brainchild of Blas F. Ople when, as Labor Secretary, he spearheaded the creation of agencies that later evolved into the Philippine Overseas Employment Administration, the Overseas Workers' Welfare Administration and now the Commission on Filipino Overseas.

The records of the Department of Labor and Employment would show that in 1980, there were an estimated 1.7 million Overseas Filipino Workers (OFWs) in 107 countries of the world. This number has now grown to 7 million to 8 million workers stretched across the globe, thus, the phenomenon of Filipino Diaspora.

In fact, they are the main spring of our economy today. Our export products, of course, are dependable sources of foreign exchange for our country but more than our export products, the exportation of Filipino labor to help in the development of foreign economies is well known and they have contributed to the well-being of other countries as well as the well-being of our country.

During the early '70s, the world was reeling from a severe oil shock and our local economy was at a tailspin. Then and even now, it was the overseas employment program that saved the day for the Philippine economy as thousands of Filipinos sought greener pastures abroad, so to speak.

This humble Representation, having served in the same administration as our departed colleague, Blas F. Ople, who was a President of this Chamber and who became the shaper of our foreign policy later on as Secretary of Foreign Affairs, deems it vital to record in the annals of history of our country through this humble resolution, the invaluable contributions and historic role played by this poor writer and genius son of Hagonoy, Bulacan in shaping the destinies of millions of Filipinos overseas workers through the overseas employment program.

It is now, in my opinion, incumbent upon the present administration and those that would precede it, to strengthen the economy so that the Philippines can now slowly transit from being a source of foreign labor to that of a labor-receiving country. Hopefully, we can achieve this in our lifetime and that is the thrust of the efforts that all of us are doing today in memory of this man that I wish the Senate to honor.

The burden of economic stability must not rest solely on the weary shoulders of our homesick overseas Filipino workers but must rightfully and properly be borne by the well-to-do members of our society who shirk from their duties and obligations to pay the right taxes.

Today, this morning, it is my great pleasure to urge the Senate to approve

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Proposed Senate Resolution No. 167 to honor a man who deserves such an honor to be enshrined in the history of the Republic.

ADOPTION OF PROPOSED SENATE RESOLUTION NO. 167

Upon motion of Senator Pangilinan, there being no objection, the Body adopted Proposed Senate Resolution No. 167.

ALL MEMBERS AS COAUTHORS

Upon motion of Senator Enrile, there being no objection, all the Members of the Senate were made coauthors of Proposed Senate Resolution No. 167.

COMMITTEE REPORT NO. 10 ON HOUSE BILL NO. 3154

(Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154 (Committee Report No. 10), 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 FIVE, AND FOR OTHER PURPOSES.

Senator Pangilinan announced that the morning session would be devoted to the consideration of the budgets of the Department of National Defense, National Unification Fund, NICA and NSC, and in the afternoon session, the budgets of the Department of Trade and Industry, NEDA, the DOTC and the NTC.

DEPARTMENT OF NATIONAL DEFENSE AND ITS ATTACHED AGENCIES

Thereupon, the Chair recognized Senator Biazon to sponsor the budget of the Department of National Defense.

SPONSORSHIP SPEECH OF SENATOR BIAZON

The Committee on Finance, Sub-Committee C, submits for this Chamber's

consideration the proposed appropriations for the following agencies: Department of National Defense (DND), National Security Council (NSC), National Intelligence Coordinating Agency (NICA) and the National Unification Fund (NUF).

The budget proposed for these agencies is found in the General Appropriations Bill (GAB), approved by the House of Representatives, and is the same as that submitted by the President under the National Expenditure Program (NEP).

I. Department of National Defense

This year's appropriation for the DND is P46.17 billion. It is higher by 1.38% or P627.806 million compared to last year's adjusted budget. By expense class, Personal Services represents 77.82%; 22.80% for Maintenance and Other Operating Expenses; and Capital Outlay, .09%. Compared to the 2004 adjusted obligation, there is an increase of 3.88% for Personal Services to realize the full implementation of Republic Act No. 9166. However, for MOOE, there is a decrease of 6.88%. Although there are modest increases in the MOOE of major services, GHQ, AFP had a significant decrease of 40.2%.

In addition to the regular budget, there is a Special Purpose Fund for the DND totaling P22,593,110,000. The Special Purpose Fund contains the AFP modernization fund and the pensions and gratuity. For this year, however, nothing is allocated for the AFP modernization. The whole amount is intended for pensions and gratuity.

This fund is broken down as follows:

- ♦ P9.532 billion for the pension requirements of 103,254 AFP regular pensioners. However, this does not include mandated increases in pensions as well as the resumption of pensions for FY 2000, 2001 and 2003 retirees who availed of the 36 months lump-sum payment. Also, it excludes those who retired in 2004 and those retiring in 2005. For the information of the members of the Chamber, last

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January 19, 2005, the retirees of the AFP filed a writ of *mandamus* with the Supreme Court. In this petition, they are urging the Executive Department to pay all that is due the retirees but have not been paid by government up to this date. The amount being claimed by these retirees is P12.905 billion.

- ♦ The amount of P13.061 billion is for the payment of pensions of 263,943 veterans. Actually, the total requirement to meet the payment of the pensions of these veterans, including those that will become qualified this year, is P15.411 billion. As it stands, what is being appropriated will be short by more or less P2 billion.
- ♦ Aside from this, the government is still in arrears to the tune of P23 billion representing old age, death disability, and total administrative disability pensions as of December 31, 2003.

For the Armed Forces of the Philippines, the biggest bureau under the DND, it is allocated P44.554 billion which is 1.31% bigger than that of 2004. The increase of P1.342 billion for Personal Services is to fully implement RA 9166. There is a significant decrease of 7.89% for MOOE.

The decrease in the AFP allocation for MOOE of the AFP may affect the accomplishment of new tasks given the AFP such as the protection of the Malampaya Gas Project in Palawan, the implementation of the recommendations of the Feliciano Commission and the support for the maintenance of new acquired assets for the Philippine Air Force which would number, if realized, to additional 50 UH1E helicopters.

II. National Security Council (NSC) and National Intelligence Coordinating Agency (NICA)

The allocations for the National Security Council and the National Intelligence Coordinating Agency (NICA) for this year shall be P49.321 million and P243.967 million, respectively. These figures are likewise similar to the National Expenditure

Program and the General Appropriations Bill as submitted by the House of Representatives.

By expense class, more than half of the NSC's budget goes to MOOE while the rest is allocated for Personal Services. The amount of P27.763 million for MOOE will be allocated to the operations programs which include formulation of plans, conduct of strategic studies and regular coordination with other agencies.

As for the NICA, its thrust for this year, among others, is to "provide overall coordination in the conduct of intelligence operations on domestic and international terrorism to facilitate intelligence-gathering, processing, disseminating and sharing as well as to capture and fuse at the operational and tactical levels all intelligence outputs of concerned agencies in their respective areas of operations."

For 2005, your sub-committee endorses the amount as reflected in the General Appropriations Bill, of P243.967 million. This is higher by 1.85% than the adjusted 2004 budget, which increase will go mainly to Personal Services for personnel in foreign posts. The MOOE will be the same, but there will be adjustments in some items within. There is also allotted P1 million Capital Outlay which will be used for the procurement of communications and information technology equipment for the foreign posts and replacement of old and defective equipment in regional offices.

III. National Unification Fund

Finally, your sub-committee submits for consideration the proposed budget for the NUF under the Office of the President which is the fund utilized in the government's peace process programs. Under this fund are the Office of the Presidential Adviser on the Peace Process (OPAPP), the National Amnesty Commission (NAC) and the *Balik-Baril* Program which is administered by the DND. There are two components in the handling of the livelihood concerns of surrenderees – rebels who surrendered or returned to the folds of the

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law. *Balik-Baril* Program is the first component and the livelihood program is the second component. But the livelihood program is not provided for within the needs and requirement of the DND but it is implemented by the other agencies of the government such as the DSWD.

For 2005, your sub-committee recommends a P50 million appropriation which is 35.38% lower than that of last year's. This budget will support the government's peace negotiating panels with the different armed groups and the extension of financial assistance to those who return to the folds of the law.

Summary and conclusion

With these, your Sub-Committee C respectfully submits the budget of the different agencies under its jurisdiction based on its recognition of fiscal and budgetary constraints and at the same time taking into consideration the demands of these trying times.

REQUEST OF SENATOR ENRILE

Senator Enrile requested that he be provided with a copy of the sponsorship speech of Senator Biazon.

The Chair directed the Secretariat to provide copies of the speech to the Members of the Chamber.

INTERPELLATION OF SENATOR DEFENSOR SANTIAGO

At the outset, Senator Defensor Santiago stated that one cause of the government's ballooning deficit is its bloated bureaucracy which she described as "top heavy," with just too many officers like undersecretaries and assistant secretaries than what the Administrative Code and the enabling act of a certain department provide.

Asked how many undersecretaries and assistant secretaries are provided for in the Administrative Code of 1987, Senator Biazon replied that the authorized positions would be three undersecretaries and another three assistant secretaries in a given

department, but he admitted that at present, there are six undersecretaries and six assistant secretaries in the DND.

As to the legal basis for the appointment of the excess officials, Senator Biazon cited Executive Order No. 112 issued in 1998, which allowed the rationalization of the Office of the Secretary of National Defense, and the Administrative Code of 1987 which allows the filling up of six positions for six assistant secretaries.

Senator Defensor Santiago pointed out, however, that the Administrative Code and the special laws that enabled certain agencies to staff their offices were promulgations of Congress, which, as a general rule, can only be amended by Congress itself, and the Executive Branch, by virtue of the principle of separation of power, only to implement the laws passed by the legislature. She argued that the cited executive orders, in effect, attempted to amend the law, so that in legal contemplation, they are *functus officio*, issued beyond his or her official powers.

While agreeing to the views raised by Senator Defensor Santiago, Senator Biazon cited instances when Congress allowed the Executive branch to issue Implementing Rules and Regulations (IRR). He acknowledged the need to examine more deeply the matter of appointment of officials in all the departments and to clearly define the functions and jurisdictions of each agency of government.

Senator Defensor Santiago clarified that when the President is given the power to implement the law, all she could do, if given the power by Congress, is to issue IRRs but she is not necessarily given the power to amend the law.

She then asked how the officials of the defense department or other departments who were appointed in excess of the number of positions authorized by the DBM would be paid considering that budget appropriations do not include salaries of officials who were illegally appointed.

Asked if it was really necessary to appoint six undersecretaries and six assistant secretaries in the defense department, Senator Biazon admitted that he could not make an accurate assessment on the issue.

He opined, however, that Congress must examine very well the need to pass a law

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prescribing the number of officials such as undersecretaries and assistant secretaries to be appointed in the DND, taking into consideration the fact that the DND has been given additional tasks which include the implementation of the government's basic anti-counterinsurgency campaign, securing the Malampaya gas exploration project, and handling disaster and relief operations.

But Senator Defensor Santiago said that the DND personnel could be retrained so that in addition to the tasks already assigned to them, they could assume new functions in light of the globalization process taking place in the international community. She opined that it would not be sound policy to keep changing the assistant secretaries or even undersecretaries who could be political appointees. She stated that the rest of the officials should be part of the professional bureaucracy in order to ensure the continuity of service that is expected of the department.

On another matter, Senator Defensor Santiago noted that the 2005 proposed pension and gratuity fund amounts to P34.7 billion, of which P24.5 billion or two-thirds of the fund would be used for the payment of the pension and gratuity of uniformed personnel in the AFP, PNP, NAMRIA, and the Philippine Coast Guard who comprise only one-fourth of the total government employees; in contrast, less than one-third of the proposed budget is allocated for the retirement and terminal leave benefits of the civilian employees. She then asked why the government would spend large amount of money for the pension and gratuity fund of the uniformed personnel at a time when the government is experiencing a fiscal deficit. She noted that there is an ongoing litigation in the Supreme Court regarding the gratuity fund and she expressed concern that the military would demand for more money because the P24.5 billion may not even be enough.

In reply, Senator Biazon informed the Body that the government has a total arrearage of P35 billion to the pension and gratuity fund of the AFP, and that several laws granting retirement benefits to the AFP personnel are not fully implemented because of the shortfall in the government budget. He then cited the three categories of pensions received by AFP retirees, to wit: 1) the regular pension paid in the form of a three-year lump-sum given immediately to the new retiree and a monthly pension to be received three years after retirement; 2) the old-

age pension amounting to P5,000 per month to be given to uniformed personnel once he reaches the age of 65; and 3) total disability pay amounting to P1,700 per month which has arrearage of more than P20 billion because it has never been implemented.

Senator Biazon explained further the difference between the pension fund of the civilian employees and the military personnel: the pension fund of the civilian employees is paid up by the Government Service Insurance System (GSIS), which automatically deducts nine percent from the monthly salaries of government employees while the national government provides a counterpart fund of 12% per employee, or 21% of the monthly salary goes to the pension fund; on the other hand, there is no similar mechanism for the pension fund of the military – a soldier in active duty contributes five percent of his basic monthly salary to form the pension fund in the RSBS but the government does not provide a counterpart fund. He pointed out that the RSBS is supposed to pay the retirement benefits of the military but is unable to do so under the present circumstances – the RSBS assets have declined over the years from P19 billion in 1995 to about P11 billion at present. To address this problem, he said that he has conducted several public hearings to determine whether to liquidate or restructure RSBS so that it can pay the pension of the military retirees. He emphasized that presently there is no recourse but for Congress to allocate budget for the AFP pension and gratuity fund, and he also proposed to develop a citizens' army as provided for in the Constitution instead of recruiting more soldiers into the AFP, in order for the government to save a huge amount of money because each recruited soldier has a future cost to the government in the form of pension paid to retired soldiers. For instance, during the Estrada administration, he suggested that P1.2 billion allotted for the hiring of additional soldiers be used to hire CAFGUs because with that amount of money, 40,000 CAFGU members could be recruited as compared to only about 7,000 regular soldiers.

Senator Defensor Santiago ended her interpellation with the recommendation that Senator Biazon conduct hearings on how to overhaul the AFP pension system

INTERPELLATION OF SENATOR ENRILE

Senator Enrile assumed that the Defense budget of P46.17 billion was prepared to support the

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activities of the Armed Forces of the Philippines in its effort to address various circumstances that may affect the territorial integrity, sovereignty and security of the Republic. He added that these circumstances could affect both external and internal interests of the country.

As to the perceived external and internal threats that prompted the financial planners of the defense department to recommend to Malacañang and to Congress, a budget of P46.17 billion. Senator Biazon replied that international terrorism could be probably be one.

Asked on the allocation for external and internal threats and the various circumstances, Senator Biazon explained that isolating the allocation of resources purposely for the external threat only would be difficult to do since the force development and asset deployment sometimes overlap. For instance, he cited the development of the air patrol and naval patrol capabilities which both address the external and internal threats. Likewise, he pointed out that members of the Jemaah Islamiyah, who are suspected to be present in Mindanao, are being addressed by the forces that are at the same time addressing the MILF problem in Mindanao. Senator Enrile insisted that whether or not it is difficult, there must be a quantification of the amount intended to address that external threat, which is mixed with the problem of secessionist.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 11:16 a.m.

RESUMPTION OF SESSION

At 11:17 a.m., the session was resumed.

Senator Biazon stated that he could not give an exact figure intended for the external and internal threats, adding that the 2005 proposed budget is just a reenactment of the previous year's appropriation with only a slight increase. He said that he was told that the Department of National Defense and the Armed Forces of the Philippines had submitted a request of about P53 billion allocation, which would include the requirements to adjust to the situation of external and internal security concerns, but it was reduced to P46 billion by the Executive department.

Senator Enrile pointed out that the AFP is not the only agency addressing the country's security problem, citing the budget of the police, which must be tacked onto the AFP budget since they also deal with the same problem. He stressed that the people are entitled to know the magnitude of the threats the country is facing in order to justify to them the allocation of about P46 billion not only for the defense and military establishment but for the police as well, since they are also involved in addressing the so-called "terrorism."

Senator Biazon agreed with Senator Enrile, adding that the PNP, together with the National Security Council, is addressing the most apparent external threat, terrorism. He said that in the area of intelligence, the defense department's proposed allocation is P111 million, while the PNP's proposed allocation is about P200 million. He presumed that both agencies are coordinating with each other in their campaign against terrorism.

Senator Enrile clarified that he has no intention of proposing a budget cut, saying that he was just testing the validity of the premise upon which this budget was prepared. He surmised that the proposed budget is not enough, and he asked why it was all that was requested or approved. Senator Biazon reiterated that the original proposal of P53 billion was slashed by the Executive department to about P46 billion.

Senator Enrile posited that the most ideal degree of preparation to protect the security and economic interests, and the integrity and sovereignty of the Republic would be 100%. He then asked the degree of preparation of the AFP to protect the territorial integrity and sovereignty of the country.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, there being no objection, the session was suspended.

It was 11:24 a.m.

RESUMPTION OF SESSION

At 11:26 a.m., the session was resumed.

Senator Biazon informed the Body that there was an activity conducted jointly between allied countries, the United States and the Philippines,

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called the "Joint Defense Assessment" which seeks to address the external and internal securities, including the developmental activity of the government to protect national interests, the economy and integrity of the territory. He disclosed that the assessment of the defense officials as far as capability is concerned was 50% of what was required.

Asked whether the said activity was presented to the Senate Sub-Committee on National Defense during its budget hearing, Senator Biazon replied that the discussion was in the form of a presentation of the threat situation and the proposed development of the capability to address the security concerns. He stressed though that in the presentation, the bulk of concern was focused on the internal security situation.

Asked whether the deficiency of 50% was in the Air Force, in the Navy or in the Army, Senator Biazon replied that it was in the whole capability. For instance, he pointed out that for the Army to attain its objective of addressing the situation, it proposed to increase the reserved force, the CAFGU, by another 10,000 warm bodies to be recruited for fiscal year 2005; on the other hand, the Air Force's concern has something to do with the operational condition of its assets and the anticipated expenditures needed to address the operating and maintenance requirements of the new assets, 50 Huey helicopters, that are about to be delivered. He explained that the Philippine Air Force does not only provide air-support in terms of the delivery of ordnance to targets but also to provide troop movements. As such, he expressed that the incoming 50 helicopters would greatly multiply the capability of the Philippine Army's (PA) foot troops through the conduct of helicopter-borne operations. In the case of the Philippine Navy (PN), he stated that it is looking at the need to at least put into ship-readiness condition its three Peacock Class Patrol boats (PCBs).

Accordingly, Senator Biazon cited the following deficiencies across the three branches of the Armed Forces that should be addressed by the AFP's modernization fund, to wit: the patrol boat capability of the PN; the air-support capability of the PAF in terms of assault troop movement that would provide supplies and evacuations, among others; and the land mobility capability of the PA. He also noted the lack of communications equipment and

weaponry as basic deficiencies in the Armed Forces. In sum, he said that there is indeed a deficiency in the AFP, both equipment-wise and manpower-wise.

Noting that the AFP is deficient to the extent of 50% of its capability to defend the country both equipment-wise and manpower-wise, Senator Enrile inquired what the total troop strength of the AFP is. Senator Biazon replied that there are 125,000 officers and men in the AFP. Senator Enrile then asked how many of the 125,000 officers and men of the AFP are assigned to the GHQ.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 11:35 a.m.

RESUMPTION OF SESSION

At 11:35 a.m., the session was resumed.

Senator Enrile pointed out that exact figures should be given and that they should pertain to Fiscal Year 2004. Senator Biazon replied that drawn from the three major services in 2004 and assigned to the GHQ were 1,415 officers and 8,012 enlisted men.

Senator Enrile asked how many of the 9,247 officers and enlisted men were assigned to the PA, PAF and PN, respectively, for the same year. Senator Biazon replied that in 2004, there were 5,765 officers and 71,646 enlisted men in the Philippine Army; 2,000 officers and 13,200 enlisted men in the Philippine Air Force; and 2,070 officers and 18,430 enlisted men in the Philippine Navy.

Asked how many of the 2,000 officers in the PAF are combat-ready pilots, Senator Biazon stated that according to the PAF commanding general, there are 980 combat-ready pilots. Senator Enrile further inquired how many fighter pilots, helicopter pilots, transport pilots and fixed-wing combat pilots there are in the PAF as well as what kind of assets they handle and their distribution. He also asked how many helicopters are air-worthy and are being used and how many fighter planes and transport planes there are in the PAF.

As regards the Philippine Navy, Senator Enrile asked what the biggest combat vessel the navy has

and how many are there. Senator Biazon replied that it has one Destroyer Escort. Senator Enrile then asked how many combat vessels and what naval assets there are in the PN as well as their degree of sea-worthiness.

Senator Biazon requested that the pertinent figures and information would just be submitted to Senator Enrile in order to abbreviate the discussion.

Asked by Senator Enrile how many CAFGUs there are in the Armed Forces at present, Senator Biazon replied that there are 52,748. Senator Enrile then inquired about the total strength of the government's internal enemies, given the total of 125,000 manpower in the AFP plus 52,748 CAFGUs, which is apart from the PNP strength. Senator Biazon replied that it is estimated to about 22,000, including the elements from the MNLF, MILF, Abu Sayyaf and NPA.

Moreover, Senator Enrile asked how many and what type of armaments the government's internal enemies have as well as the data regarding their ammunitions supply. Senator Biazon requested that the information be submitted likewise.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 11:47 a.m.

RESUMPTION OF SESSION

At 11:49 a.m., the session was resumed.

Senator Enrile agreed that the fact and information he was asking for be just submitted to him in order not to delay the approval of the entire budget especially the budget of the Department of National Defense. Specifically, he requested the submission in writing of the following: total strength of the AFP as of December 2004, including their distribution in the various commands in the AFP; the number of CAFGU elements, their disposition and deployments; the assets, apart from manpower, of the ground forces in the AFP; and the degree of readiness of the Armed Forces to perform their mission to safeguard the territorial integrity, sovereignty and security interests of the country.

He explained that he was raising the questions to learn the problems of the defense establishment and to enable the policy-formulators and the appropriators of financial resources to understand the defense problems and needs.

On the number of civilian personnel in the defense department and the AFP, Senator Biazon replied that there are a total of 3,070 civilian personnel in the general headquarters, the Philippine Army, Philippine Air Force, Philippine Navy, AFP Medical Center, and Philippine Military Academy for the year 2004.

Senator Enrile observed that the defense department has actually emasculated almost one division of its military personnel to perform jobs at the GHQ numbering 8,012. He inquired whether the AFP could not employ civilians to do the work of military people who, in turn, could be asked to address the internal and external security needs of the country. He supposed that the figure included military personnel driving cars for officers and performing clerical and janitorial jobs, and orderlies and cooks. He then requested Senator Biazon to submit in writing the list of civilian personnel in the AFP and defense department. Senator Biazon replied that the DND and AFP would comply.

Asked if there are military personnel assigned outside of the military establishments performing nonmilitary functions, Senator Biazon replied in the affirmative, but he admitted that he has no idea as to how many they are and to what office they are assigned. He acceded to Senator Enrile's request to submit in writing the list, their dispositions and the services they are rendering outside of military control.

As to whether the total budget of the AFP could be quantified for internal defense and external defense, Senator Biazon admitted that it would be very difficult to classify the budget in such a manner, but he said that adopting such a system in 2006 would be a major innovation in the presentation of the budget.

To the observation of Senator Enrile that the budget of the DND and the AFP has been going down, from 8.5% of the total budget in 2003 to about 5.09% in 2005, Senator Biazon admitted that there is such an apparent trend but that he still has to examine the figures.

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As to whether the efficiency of the DND's security service for the country deteriorated corresponding to the decline in the share of the DND from the total budget, Senator Biazon explained that the decrease was due to the transfer of some items from its budget, citing the transfer of the payment of gratuity to the Special Purpose Fund as an example. While admitting that its budget has remained as it was in terms of personnel, equipment and other assets, he said that there is no significant decrease in the AFP's capacity, except perhaps in its failure to maintain certain major items of equipment like some helicopters and patrol boats.

On whether the MNLF Integration Program has already been terminated considering that nothing has been allocated for 2005 compared to 2004 when it was allocated P148.84 million, Senator Biazon explained that the MNLF had already been integrated, and that the submission of P50 million would be for the Cordillera People's Liberation Army Integration Program.

Senator Enrile noted that the CAFGU program started with a budget of P272.10 million in 2003, and in 2004, it has P1.434 billion. He asked whether the Committee is asking for the same amount for the year, and whether the increase in CAFGU allocation is reflective of the insurgency problem in the country. He further inquired whether there are CAFGUs in the MNLF areas in Mindanao, and whether CAFGUs are deployed only in the areas where the New People's Army is perceived to operate, Senator Biazon replied that there are CAFGUs in Mindanao.

Senator Enrile assumed that forces are deployed according to the perception of the security planners of the intensity of the threat. In reply, Senator Biazon stated that in Northern Luzon (Regions I to III), where there are 1,408 armed NPAs, deployed in the area are 84 companies of CAFGU numbering 6,120, two division (5th to 7th divisions) of regular troops numbering 7,285.

As to the quality of armamentation of the 1,408 armed NPAs, Senator Biazon assumed that it could be a mixture of M-16s, M-14s and possibly M-203.

Senator Enrile then asked how many combat incidents happened in Northern Luzon – how many were initiated by the enemy and how many were initiated by the Armed Forces.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 12:17 p.m.

RESUMPTION OF SESSION

At 12:17 p.m., the session was resumed.

Replying to Senator Enrile's query, Senator Biazon gave the following information: from January to November 2004, there were 118 AFP-initiated encounters and 55 enemy- or NPA-initiated encounters, or a total of 173 encounters.

As to casualty rate, Senator Biazon disclosed that on the government side, 30 were killed in action and 35 were wounded; on the side of the enemy, 23 were arrested, 30 were captured, who were subsequently charged in court and turned over to the appropriate authorities, 24 were killed, 33 surrendered and 9 were wounded. He affirmed that all these happened in Cagayan Isabela, Ilocos Norte, Ilocos Sur and the Cordilleras. He further stated that the 33 surrenderees, majority of whom were not in the order of battle, were those who responded to the government's program for rebels returning to the folds of the law. He said that he would furnish Senator Enrile with a record of these surrenderees.

Adverting to the COA report, Senator Enrile asked why the DND has still unliquidated cash advances of P48,990,660 as of year-end in spite of a P21,185,003.20 or 4% reduction made during the year, and how long these have been outstanding.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 12:26 p.m.

RESUMPTION OF SESSION

At 12:27 p.m., the session was resumed.

In reply, Senator Biazon pointed out that the unliquidated cash advances even reached P1 billion as these accumulated since the 1950s.

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Senator Enrile detailed the P48.9 million unliquidated cash advances as follows: cash with disbursing officers – P4.6 million plus; due from officers and employee – P2.9 million; due the national government agencies (NGAs) – P41.4 million. He also mentioned the Quick Respond Fund of P30.6 million.

Senator Biazon replied that he would ask the DND to prepare an explanation of those unliquidated cash advances.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the Chair suspended the session.

It was 12:30 p.m.

RESUMPTION OF SESSION

At 12:30 p.m., the session was resumed.

Upon resumption, Senator Enrile also cited the P354 million unliquidated cash advance of the General Headquarters; P465 million balance in various accounts which remained dormant for more than 10 years; P34 billion which remained unsubstantiated; and P397 million for items in transit.

SUSPENSION OF SESSION

Upon motion of Senator Drilon, the Chair suspended the session until two o'clock in the afternoon of the same day.

It was 12:32 p.m.

RESUMPTION OF SESSION

At 2:18 p.m., the session was resumed with the Senate President Pro Tempore Flavio presiding.

ANNOUNCEMENT OF SENATOR PANGILINAN

Senator Pangilinan announced the resumption of interpellations on the budget of the Department of National Defense and its attached agencies.

The Chair recognized Senator Biazon, Chairman

of the Subcommittee, and Senator Enrile for his interpellation.

INTERPELLATION OF SENATOR ENRILE (Continuation)

Adverting to the 2003 COA Report, Senator Enrile asked whether the cash advances in the amount of P48,990,660.20 which remained unliquidated as of the end of that year have already been liquidated. Senator Biazon replied that as of 2004, P7,000,219 in cash advances, including that of the SDOs 103 in the amount of P4,388,789.19, had already been liquidated, leaving a balance of P41 million covering the cash advances of the AFP Construction Brigade, the 51st, the 52nd, and 525th Brigades.

Asked about the limiting factor in liquidating all these accounts, Senator Biazon replied that liquidation is ongoing. He said that the figures contained in the report can be traced back to as far as 1990 and 1999.

In terms of inventory accounts, Senator Enrile referred to the COA report which says that the existence and validity of inventory accounts valued at P36,142,293.09 as of December 31, 2003 is doubtful because of the discrepancy of P28,915,123.66 between the accounting and property records, as shown below:

	ACCOUNTING RECORD	INVENTORY REPORT	DIFFERENCE
Office Supplies	P16,740,688.29	P1,979,418.28	P14,761,270.01
Drugs & Medicine Inventory	2,882,484.63	1,984,117.62	898,367.01
Medical, Dental & Laboratory Supply	679,243.65	39,862.00	639,381.65
Gasoline, Oil & Lubricants	10,653,757.01	589,031.83	10,064,725.16
Spare Parts	3,713,140.77	941,484.79	2,771,655.98
Construction Materials	(error)	(less) (excess: 220,276.15)	
TOTAL	P36,142,293.09	P 7,227,169.43	P28,915,123.66

Senator Biazon explained that the report indicated that the difference could be attributed to the failure of management to periodically reconcile physical inventory reports and accounting records, an example of which is the comparison between the COA report and the report of the Chief Accountant of the Office of the DND Secretary.

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Senator Enrile asked if the DND has made any comment on the COA report and, if so, he requested that the Senate be furnished with a copy thereof. Senator Biazon stated that Senator Enrile would be given a copy of the comment.

On a related matter, Senator Enrile noted that the DND received the amounts of P31,067,000 and P2,546,875 or a total of P33,614,675 as calamity funds for CYs 2002 and 2003. As of the end of 2003, he said that DND liquidated only 47% or P15,796,000 of the total fund transfer during the year. He asked whether the outstanding balance of P17,818,675 had already been liquidated.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 2:31 p.m.

RESUMPTION OF SESSION

At 2:31 p.m., the session was resumed.

Senator Biazon stated that the Subcommittee would have to dig deeper into the record to get the breakdown or details of the figures. He said that the problem is that in addressing disasters, the NDCC taps the funds of the DND and local government units. He informed the Body that the NDCC is about to implement a mechanism whereby there shall be a direct liquidation of resources expended by LGUs as part of NDCC operations.

But Senator Enrile pointed out that such funds were received and disbursed by the DND. Had the funds been transferred to an LGU, he said there should be a receipt to liquidate them. He wondered why it is so difficult to liquidate the amounts. Senator Biazon replied that there are receipts supporting the expenditures, but these are not enough to completely comply with the COA requirements.

Senator Enrile said that all that is needed is to back up any expense with receipts and a certification that it was spent for a purpose. He said that during his stint as DND Secretary, when an LGU received any amount, the signature of the official concerned was required and the local government was asked to certify that the signature

is genuine; the document then serves as part of the liquidation. Senator Biazon explained that the COA is requiring the actual utilization of the fund. He said that the NDCC is working out an arrangement whereby the COA shall accept the receipt for the amount issued by the LGUs and the latter, for proper clearing, shall be required to produce the legitimate instruments for liquidation.

Adverting to the COA report on the AFP Proper, Senator Enrile noted that General Headquarters has unliquidated advances of P355 million at the end of 2003, broken down as follows:

GAA PJHQ	—	P347,638,000.00
Nolcom	—	2,690,725.55
Solcom	—	297,128.00
Southcom	—	3,359,883.35
Westcom	—	15,555.55
Cencom	—	0

Total Balance as of December 31, 2002	- P857,939,186.70
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Total Balance as of December 31, 2003	- P354,100,970.41
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Senator Biazon stated that the balance of P254 million has been reduced by more than P100 million to P234 million as a result of the consolidation and reconciliation of existing records, and perhaps, within a period of time, the P254 million can be totally liquidated. He assured the Body that he would look into the matter more deeply.

Further, Senator Enrile said that the COA report states that various accounts with a balance value of P465,159,622.82 remained dormant for more than 10 years, while P34,309,829.02 remained unsubstantiated and unaccounted. He disclosed that the various accounts of AFP/GHQ totaling P465 million plus and unsubstantiated amount of P34.3 million are broken down as follows:

ACCOUNT TITLE	
Cash in Bank	
- Unsubstantiated and Unaccounted	- P3,187,970.54
Cash	
- Disbursing Officer (Dormant)	- 40,554,285.00
Due from Officers & Employees	- 13,177,090.64
Due from National Government Agencies	- 3,125,000.00

Handwritten initials: "H" and "mo"

ACCOUNT TITLE

Due from LGUs	- P 8,660.35
Due from GOCCs	- 442,194.19
Other Receivables	- 264,556.61
Deposits on Letters on Credit	- 3,857,858.44
Other Prepaid Expenses	- 2,521,155.40
Other Payables	
Unsubstantiated/	
Unaccounted	- 25,101,523.25
Items in Transit	- 397,982,596.40
Other Supplies Inventory	
Unsubstantiated/	
Unaccounted	- 5,200,560.50
Office Supplies Inventory	- 3,226,225.75
Unsubstantiated	- 665,483.93
Total Dormant	- 465,159,622.83
Unsubstantiated	- 34,309,829.20

Citing a COA report that the cash advances of disbursing officers amounting to P40.5 million were unliquidated for five years, Senator Enrile stated that the information came out after COA made a thorough investigation. He said, however, that the whereabouts of the concerned accountable officers could not be located. He added that the COA also reported that cash advances in the amount of P13.2 million granted before 1998 due from officers and employees were unliquidated despite completion of their purposes; again "the whereabouts of the concerned officers and employees could not be determined."

Furthermore, Senator Enrile noted that items in transit amounting to P397,982,596.40 had been in the books of accounts for at least five years. He said that there are no supporting documents to validate the same.

Senator Biazon expressed doubt if the items being referred to included those that dated back from 1993 to 1999. He said that the report on Item II stated that P323,833,865.34 out of the P465,159,622.83 had been liquidated as of September 30, 2004, while the remaining P149,325,757.50 was still being processed.

Senator Enrile pointed out that if the accounts were in the hands of the disbursing officers it means they have not been used. He opined that these should be deducted from the current appropriation of the department.

Senator Biazon said that the report covering the period 1990-1999 revealed that out of the

P40.5 million dormant accounts, P8,491,984.84 had been liquidated from January to September 3, 2004, the balance of P32,062,300.76 in hands of the disbursing officers are being liquidated.

On the unsubstantiated and unaccounted amount of P34 million, Senator Biazon said that the present leadership had been fast-tracking its liquidation.

At this juncture, Senator Enrile requested the department to submit to the Senate a written explanation so that in the next budget deliberation, the Body could find out if the issues raised had been attended to. Senator Biazon stated that the points raised by Senator Enrile could form part of the ongoing Philippine Defense Reform Program.

Asked how "Items in Transit" worth half a billion pesos could be justified, Senator Biazon expressed hope that all accounts shall have been settled by next year's budget deliberation.

Senator Enrile observed that according to the COA report, "book balance of account, cash in bank, deferred against the reported balances per bank and per cashbook, P164 million which led the COA to doubt the accuracy and validity of existence of the account balances, thus, urged an investigation into the noted discrepancy and an adjustment of the books of accounts accordingly." Thereafter, he inquired what the command had done about the report.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 2:50 p.m.

RESUMPTION OF SESSION

At 2:51 p.m., the session was resumed.

Senator Biazon stated that actions have been taken on the matter. He said that the reported discrepancy in the AFP-AFPMA accounting officers' cashbook balance is still being reconciled. However, he said that the unreconciled balance had been reduced from P36 million to P6 million. He added that the noted difference in the balance per book and per bank has been corrected in the year 2004, while there are continued efforts to determine the real balance.

Senator Enrile stated that the same report showed that "the existence, validity and accuracy of the property plant and equipment, PPE, valued at P13.8 billion is doubtful due to the agency's failure to conduct complete physical count." He said that the despite COA's previous recommendations, the department failed to conduct or complete the physical count of the PPE which made the COA doubt the validity, existence and accuracy of the account. Senator Biazon agreed, saying that a task force had been organized to conduct an inventory of the department. He said that the U.S. government is providing assistance probably because the equipment given to the AFP is in the form of a grant or a loan. He said that there is no time limit to complete the task.

Asked why there is a discrepancy of P3,983,494,053.23 in the PPE account which is 9,880,417,735.80 per accounting record, and P5,896,923,681.80 per actual physical count, Senator Biazon said that the Office of the G-4, Philippine Army, is tasked to conduct the inventory on the PPE.

On the reported failure of the department to conduct physical count of the accounts of the Philippine Army Headquarters, 51st Engineering Brigade, 53rd Engineering Brigade, 54th Engineering Brigade and the 6th Infantry Division which were valued at P524 million, Senator Biazon said that these accounts covered the lands, the construction of new buildings and facilities of the Philippine Army-wide units and the same are being reconciled and adjusted. He hoped that the projects would be completed within the year.

Senator Enrile asked for written explanation on the matter so that in the next budget, the Body could review the same.

On the cash balances of trust funds amounting to P131,046,545.94, Senator Enrile stated that the amount was not remitted to the National Treasury contrary to Executive Order No. 338 but was deposited in various authorized government depository banks.

Senator Enrile asked if the fund is earning interests and, if so, if these are remitted to the National Treasury.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 3:00 p.m.

RESUMPTION OF SESSION

At 3:05 p.m., the session was resumed.

Senator Biazon said that the trust fund was generated through collections from concessionaires and used to pay trust liabilities, water bills and other utility bills. He said that according to reports, the use of the trust fund of the AFP is authorized under Executive Order No. 1002 issued in 1995 by President Ramos, and such utilization requires the approval of the Chief of Staff.

Asked whether the law authorizes the President to dispose of the rentals of government property without remitting them to the General Fund for Congress to dispose, Senator Biazon replied in the negative. He agreed that the authority should be examined.

Senator Enrile posited that only Congress can create trust funds, for which reason, the COA as the constitutional watchdog of the government called the attention of the AFP. He believed that it is not the President but Congress that has the power to appropriate money for any purpose. He said that if the executive order indeed authorized the disposition, then the President committed an illegal act.

Further, Senator Enrile said that the COA also reported that the following are of "doubtful validity and existence": cash in bank amounting to P87,045,873.11 and other prepaid expenses account of P240,727,614.93; balances of the account, cash in bank-local currency and current account of the Philippine Navy Finance Center and the Bonifacio Naval Station in the amounts of P86,516,362.36 and P529,510.75, respectively, because of unreliable supporting documents. Senator Biazon informed the Body that the Philippine Navy Finance Center is still in the process of verifying the remaining balances of P33 million out of the P86-million account that is in question.

Senator Enrile asked on the nature of the prepaid expenses of the Philippine Navy amounting to more than P240 million.

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SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 3:12 p.m.

RESUMPTION OF SESSION

At 3:13 p.m., the session was resumed.

Senator Biazon said that the prepaid expenses amounting to P240,727,614.93 went to Class E allotments for calendar year 1994 and prior years. Class E allotments, he explained, are the pay and allowances of servicemen that are put aside for their dependents, to be collected from the finance centers of the commands upon presentation of a written consent or affidavit.

Asked on the answer of the Philippine Navy to the COA finding that the prepaid expenses were of "doubtful validity and existence," Senator Biazon said that the amount was paid to the designated beneficiaries as evidenced by the books of the Philippine Navy Finance Center in 1994. Senator Enrile said it is possible the allotments were recorded as paid but were not really paid. Senator Biazon agreed that such transaction would be questionable.

Relative thereto, Senator Biazon said that the Philippine Navy has requested the COA Central Office for authority to write off and subsequently transfer to the Registry of Accounts the amount of P240.72 million. He said that the Resident Auditor of the COA at the Philippine Navy Headquarters had already indorsed the request to the COA Central Office, hence, the final disposition of the question would be dependent on the action of COA whether to further allow the Philippine Navy to continue consolidating the documents and liquidating instruments or to come to a conclusion that some illegal acts had indeed been committed. Senator Enrile stated that Congress, in the exercise of its power to appropriate, has the right to inquire into the matter.

Senator Biazon said that by its wording, the COA report was not conclusive as it merely stated doubt on the veracity of the financial reports and, thus, might be giving allowance to further verify them. The Senate, he said, could start a legislative inquiry on the issue.

Senator Enrile remarked that the Senate should know whether COA would finally dispose of the matter in favor of the Philippine Navy and rectify its doubt so that the Body would be guided in the next budget hearing. Senator Biazon stated that the Committee would monitor the developments on the issue.

In the case of the Philippine Air Force, Senator Enrile noted that it is also reported that balances of property account and equipment account differ per books and per account, as follows:

Air Educational and Training Command	P 281,652,905.95
15 th Strike Wing	P 1,598,808,502.38
5 th Fighter Wing	P 543,305,882.49
TOTAL	P 2,423,767,290.82

Asked to explain the discrepancies, Senator Biazon clarified that the inventory of assets included aircraft of the 5th Fighter Wing and 15th Strike Wing that crashed but were not removed from the books. He further explained that the inventory is ongoing with the help of the U.S. team.

Senator Enrile inquired if the intermittent interruption of the 30-day Weekend Active Duty Training (WADT) under the 1st Air Reserve Wing, Air Reserve Command is due to lack of funds or delays in the release of funds for the purpose.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 3:26 p.m.

RESUMPTION OF SESSION

At 3:27 p.m., the session was resumed.

In reply to the query of Senator Enrile, Senator Biazon explained that the WADT requires funding for subsistence allowance, uniforms and incidental expenses such as training aids and even the payment of instructors. He added that the activity is funded from savings.

Replying to further queries, Senator Biazon disclosed that the Southern Luzon Command covers

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Regions IV and V, and has 6,247 regular manpower and 5,926 CAFGU's, with a local communist force of 1,805. The ratio of the AFP to the communist force is 3:1 in the SouthCom and 4:1 in NolCom, he said. He explained that the CAFGU is employed for point defense.

As to the area covered by certain commands, Senator Biazon stated that for Southern Command (Southcom), it is the whole of Mindanao; Western Command (Westcom), Palawan and the Kalayaan Group of Islands; and Central Command is Regions VI, VII and VIII.

As to the manpower of Central Command, Senator Biazon said that there are 6,868 regulars and 7,257 CAFGU's, facing an enemy force of 1,990 with the ratio of 3:1. The local communists, he said, are fully armed with various weapons.

Asked about the number of encounters in 2004 between the Solcom and the enemy, Senator Biazon replied that there were a total of 232 encounters.

As to the intensity and length of the encounter and the extent of firepower of the enemy, Senator Biazon said that the DND has no record; however, he assumed that an ambush normally takes some minutes. He noted that an attack from both sides takes longer.

Senator Enrile opined that the DND should have an idea of the length of encounter in terms of government-initiated incidents. He stated that the supply of ammunition determines the intensity of the enemy's firepower.

Asked about the enemy's size when it attacks the position of the armed forces, Senator Biazon replied that normally, it is squad size if the enemy is foraging especially in the countryside; but deliberate attacks involve a platoon or a company. He added that in the '80s the enemy staged attacks using its main regional guerilla units, which are battalion size.

In reply to Senator Enrile's query, Senator Biazon said that in 2004, the Nolcom gained 55 high-powered firearms from the enemy and lost 40 to them. The captured firearms, he stated, were taken from the NPA during actual engagements while the recovered firearms were taken after being abandoned by the enemy.

In reply to another query, Senator Biazon said that of the soldiers, policemen and CAFGU's in the Solcom, 46 were killed in action and 60 were wounded; and of the 1,805 enemies, 46 were arrested, 28 captured, 43 killed, 13 surrendered and 5 wounded.

On whether the armaments captured and recovered from the enemies are from American, Russian or Chinese inventory, Senator Biazon stated most of the armaments are American models like M-16s, M-14s, carbines, Garand rifles, and .45 caliber pistols.

To determine whether there is a foreign element in the problem, Senator Enrile asked whether non-American firearms like the AK-47 had been captured and recovered from the NPAs, or similar to those captured in Digoyo Point. The military, he said, should be interested in this information because it is essential and vital intelligence material. Senator Biazon stated that he would submit the information at a later time.

Asked where the enemies got their M-16s, M-14s, and World War II vintage Garand rifles and carbines, Senator Biazon said that most of these armaments came from encounters, and raids on the Philippine Navy and the Philippine National Police units.

On whether authorities have checked the serial numbers of the captured armaments against the serial numbers of AFP's armaments, Senator Biazon stated that the AFP have checked only those with intact serial numbers.

As to the average normal ammunition load of the firearms that were captured from the NPAs, Senator Biazon said that it is less than 100 rounds.

On whether the NPA uses crew-served weapons, Senator Biazon replied that it uses M-70s, Browning automatic rifles, M-60 machine guns, M-72 light anti-tank weapons, and 60mm mortars; but the NPA does not use weapons like rocket-propelled grenade launchers.

Asked who has better armaments between the NPA and the MILF, Senator Biazon said that it is the MILF because it has rocket-propelled grenade launchers, 61mm and 81mm mortars, and .50 caliber machine guns.

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On another matter, Senator Enrile asked how many regulars and CAFGUs there are in the Central Command. Senator Biazon said that there are 6,868 regulars and 7,257 CAFGUs who face 1,990 armed NPAs.

Asked how many encounters have been carried out in Central Philippines in 2004, Senator Biazon stated that there have been 124 government-initiated encounters and 58 enemy-initiated encounters. He said that in the Cencom, 22 soldiers were killed in action and 21 wounded, and 25 weapons were captured by the enemy; on the other hand, the Cencom captured 22 high-powered firearms, confiscated 2, recovered 3, and received 7 surrendered firearms.

Asked if there were M-16s among the captured firearms, Senator Biazon admitted that he did not have the breakdown; however, he presumed that the ratio is similar to the national configuration where the bulk of recovered firearms were M-16s and M-14s.

As to the strength of the regular troops and CAFGUs of Solcom, Senator Biazon stated that there are 7,334 regulars and 13,546 CAFGUs facing a communist force of 3,335 or a ratio of 2:1.

On the strength of the AFP in the areas of the secessionist movement, Senator Biazon said that at present, there are 22,278 regular soldiers and 19,371 CAFGUs facing 13,331 rebels – the Misuari breakaway group (451), Abu Sayyaf group (472), and MILF (12,110). He affirmed that in Mindanao, the total AFP deployment is about 30,000 regular soldiers and more than 22,000 CAFGUs. He stated that the most number of soldiers deployed in Mindanao are on a ratio of 2:1.

Senator Enrile asked why thousands of regular soldiers and CAFGUs were deployed in Luzon where the only enemy is the NPAs who can be handled by the mobile forces of the Philippine National Police. He suggested that the AFP troops in Luzon be moved instead to Mindanao to eradicate the insurgency and secessionist movement in that area.

Senator Biazon recalled that after the enactment of the PNP law in 1991, the police and military leadership concluded that the strength of communist and secessionist forces has gone down, thus, the PNP became the primary force that deal with

insurgency. He noted that the AFP retooled itself to address external threats and simply assumed a supportive role in the counter-insurgency campaign. However, he recalled that when the PNP took over the responsibility of handling the problem of insurgency whose strength at that time was reduced to about 5,000, the police could not do it, thus, a new law was enacted which returned the responsibility of fighting the insurgency to the AFP.

As a matter of strategy, Senator Enrile asked why the Commander-in-Chief, and the Secretaries of National Defense and Interior and Local Government, could not allow the PNP to hold the NPAs at bay and move the regular soldiers to Mindanao and other areas where they are needed. Senator Biazon stated that such deployment was done in 1999 when two to three battalions from Luzon and two battalions from Visayas were moved to Mindanao to recover the Camp Abubakar in Maguindanao. However, he pointed out that the redeployment of regular troops created a vacuum in areas that were previously cleared by the AFP of the NPAs who, subsequently, recaptured them. Thus, he said, the AFP leadership immediately redeployed armed forces to NPA-influenced areas in Luzon.

As to the total number of military personnel deployed in Metro Manila, Senator Biazon replied that the AFP leadership revived the National Capital Region Defense Command.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 4:13 p.m.

RESUMPTION OF SESSION

At 4:13 p.m., the session was resumed.

Upon resumption, Senator Biazon informed the Body that at present, 777 regular troops are with the NCRDC under the command of General Cabalquinto.

Asked if there is a battalion or an MP brigade assigned to Camp Aguinaldo, Senator Biazon replied in the negative.

Upon further query, Senator Biazon said that the Second Division of the army which is in Tanay is

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under the Solcom. However, he explained that when there is a need to augment the troops under the NCRDC, army troops are taken either from the Nolcom or from Solcom.

Senator Enrile queried on the total number of office-bound military personnel assigned to Metro Manila.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 4:19 p.m.

RESUMPTION OF SESSION

At 4:22 p.m., the session was resumed.

Thereafter, Senator Enrile requested that he be provided a report on the matter. He stressed that the excess manpower should be assigned to the field and help solve the internal security problem.

Senator Biazon reported to the Body that the matter is being addressed by the new Chief-of-Staff General Abu by closing three or four J-Staff offices. He indicated that an initial estimate showed that the deployment of about 2,000 troops is possible following the collapse of the offices. He assured Senator Enrile that the Committee would submit a report on the matter.

On another matter, Senator Enrile asked if the allocation of P47,810,000 is for the basic pay of civilian employees. Senator Biazon replied in the affirmative.

On the allocation of P17, 733,000 for contractual, casual and emergency personnel, Senator Enrile asked for a written explanation on why the DND is employing casual and emergency employees and related information. Senator Biazon gave assurance that the written explanation would be furnished.

Senator Enrile asked on the purpose of the P17,260,000 allocation for traveling expenses; who were subsidized by the allocation for subsidies and donations; who are being benefited by the P10 million allocation for scholarships.

Regarding traveling expenses, Senator Enrile asked on the purpose of the P17,260,000 allocation,

specifically its breakdown. Senator Biazon replied that traveling expenses are divided into local travel of P8.260 million and foreign travel of P9 million.

Asked if there were any savings in 2004 from the item, Senator Biazon replied in the negative. On the item "Subsidies and Donations," he reported that the recipients of donation are Bridges Foundation Inc., Armor Cavalry Association of the Philippines, Optometric Association of the Philippines, *Alay Lakad* and the Children's Hour.

Senator Enrile asked what kind of corporation Bridges Foundation Inc. is. Senator Biazon said that the Committee would determine the identity and nature of the recipients.

Asked on the beneficiaries of the subsidies, Senator Biazon stated that what the Committee holds at the moment is just the list of the donations. Senator Enrile requested that he be provided with the list of the identities of the beneficiaries.

SUSPENSION OF SESSION

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

It was 4:37 p.m.

RESUMPTION OF SESSION

At 4:38 p.m., the session was resumed.

Thereupon, Senator Enrile likewise requested that a written response to the queries be submitted so as not to waste time.

On the P34 million Intelligence Fund, Senator Enrile asked if this is the support for the DND's security group and if so, what the present strength of the group is. Senator Biazon replied that the group has 12 officers and 150 enlisted men.

Senator Biazon replied that the fund is for both intelligence and counterintelligence.

Senator Enrile recalled that during his term as defense secretary, only funds for counterintelligence were available as operational intelligence was conducted on the level of the Chief of Staff. As a supervising unit, he explained that the DND needed intelligence funds to be informed of what is

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going on. He requested a written explanation on the matter which he promised he would keep in confidence.

Asked on the P20 million for professional services when the department is already well-staffed, Senator Biazon said that the amount would be used for the payment of the following: auditing services — P300,000; consultancy fees — P6,480,000; and general services — P40,045,000. He asked for a justification of the allocations.

Asked for the rationale for the P1.5 million intelligence and confidential fund of the Philippine Military Academy, Senator Biazon pointed out that the PMA, as a military camp, needed counter-intelligence, particularly to do background checks on prospective cadets who have already passed the psychological exams.

Upon further queries, Senator Biazon explained that the AFP Medical Center earned P133,000 from tax and non-tax revenues as well as P10,000 from fines and penalties in 2004. Senator Enrile informed the Body that under a special provision, the Center can use these earnings without surrendering them to the general fund.

Asked why the DND needed P10,000 additional CAFGU members, Senator Biazon stated that the budgetary requirement therefor is not included in the 2005 DND budget just like the budgetary requirement for the maintenance and operation of 50 Huey helicopters; these are, however, included in the list of additional concerns being prepared by the DND and the AFP. He stated that P318,047,000 is needed to hire 10,000 additional CAFGU members.

On whether the CAFGU members to be recruited should be retired soldiers or former trainees, Senator Biazon replied that there is no such requirement; however, he said that retirees and former trainees would be given priority, provided that they were honorably discharged from the service. He explained that due to the territorial nature of the job, CAFGU members are required to be residents of the area where the unit is being organized.

Upon further queries, Senator Biazon disclosed that the subsistence allowance of soldiers is P60 per day or P1,800 per month. He said that he was proposing an increase in the subsistence allowance

to P100 per day as a consequence of which, the CAFGU allowance would be also hiked.

Senator Enrile clarified that his suggestion is for the military to prioritize recruiting retired soldiers residing in localities where the New People's Army is active since these men are already trained in warfare. However, Senator Biazon pointed out the membership in the CAFGU is voluntary and the most of the retired or resigned soldiers no longer want to be involved in combat.

Asked whether the government arsenal produces ammunitions for the military, Senator Biazon replied that the ammunitions locally produced are for small weapons like the 5.56 armalite or M-16 as well as for the 7.26 M-14, 9 mm submachine gun and the caliber .45, but admitted that he has no data on the volume of production. He noted that the soldiers have not complained about the quality of the 5.56 ammunition; however, he said that the government arsenal would have to be reconfigured if ammunitions for the squad automatic weapon shall be produced locally.

Senator Enrile recalled that during the Marcos era, the government had a "Self-Reliance Defense Program" that promoted in-country manufacture of military requirements. He asked whether the DND would pursue the same policy or continue to import its equipment. Senator Biazon replied that he raised the same issue in view of the fact that retooling the arsenal would require a huge investment. He said that the military would continue to import ammunitions for heavy caliber weapons such as the 50 caliber machine gun and the 105 and 155 Howitzer.

Asked how the DND plans to resolve the pension problems of military retirees, Senator Biazon said that the matter would require a radical restructuring of the pension system. One solution, he said, is to amend the Veterans Law.

Senator Biazon stated that the one who has served at least six years of honorable service is considered a veteran, the implication of which is that the veteran who served at least six years but less than 20 years is authorized to receive P5,000 when he reaches the age of 65. He believed that this policy should be restudied so that a law could be crafted to solve the problem. He bared that another thing that he asked the DND to examine is the RSBS charter because at present, it cannot provide

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for the needs of the retirees. He stated that a veteran who reaches the age of 70 is entitled by law to receive P1,700, but since the enactment of the Veterans Law, not a single centavo has been paid to veterans so that the arrears have built up to P18 billion to P19 billion. Relative thereto, he said that he had filed a bill proposing that the government issue a certificate of indebtedness to veterans; however, he said that the bill was not passed by Congress probably because of the huge funding requirement. The certificate, he explained, could be used by the veteran to purchase medicine, food, and pay for the education of his dependents, including his grandchildren.

Senator Biazon noted that another problem that needs to be looked into is the pension of the retirees that are being addressed by two entities, the AFP which continues to pay the regular pension of the retirees, and the PVAO which takes care of the old-age retirement, death benefits, and complete disability pension, among others. This fund, he said, is no longer included in the budget of the DND but is incorporated in the Special Purpose Fund under the control of the DBM.

Senator Biazon noted that Senator Enrile had raised issues that could be the subject of reform measures to help the DND. The Chief of Staff, he pointed out, had already implemented two reform measures: the conversion issue and dissolution of four G-staff.

SUSPENSION OF SESSION

Upon motion of Senator Biazon, the session was suspended.

It was 5:04 p.m.

RESUMPTION OF SESSION

At 5:09 p.m., the session was resumed.

INTERPELLATION OF SENATOR LAPID

Asked by Senator Lapid on the government's plan for the Philippine Air Force in Clark in light of the proposed construction of the Diosdado Macapagal International Airport therein, Senator Biazon replied that the PAF is only temporarily staying in Clark; it is still using the Basa air strip. He stated that issue of the PAF leaving Clark is a matter that the policy-makers should decide.

Asked where the PAF would be relocated, Senator Biazon replied that it would depend on the kind of airplane that would be acquired — if it is the F-5E, the Basa air strip might be long enough.

INTERPELLATION OF SENATOR LACSON

Senator Lacson asked if the F-5s of the Philippine Air force are being rehabilitated by the CG-PAF. Senator Biazon answered that there are some provisions in the proposed expenditure of the AFP Modernization Program on the refurbishment of the F-5s. But at that moment, he said, he is unsure if that would be economical, safe and wise to refurbish these airplanes which the depot level maintenance, after a nondestructive examination, found to be irreparable.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel recalled that during the Eleventh Congress, an investigation into the anomalies at PVAO uncovered that many records were not authentic and many data were missing. He asked what the present AFP administration is doing about it. Senator Biazon replied that the PVAO continues to cleanse its roster of pensioners.

Senator Pimentel noted that one of the things that were uncovered by the investigation was that many spurious scholarships had been awarded to the beneficiaries who had the choice of what school to go to and what courses to take. He asked what has been done about the matter. He also requested that the Congress be provided a copy of the list.

Senator Pimentel inquired if the PVAO administration had run after the crooks that misused or allowed the misuse of the funds. He anticipated that when the funds run out, PVAO would come running to the Congress to ask for more money. He added that it would be ridiculous to have a situation wherein the PVAO funds are misused by beneficiaries but there is no sincere effort to ferret out the identity of the culprits. Senator Biazon gave assurance that there are attempts to cleanse the roster; in fact, cases are being investigated although no one has been charged in court so far.

Senator Pimentel underscored that it is very important for the people to know that the AFP

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leadership does not take anomalies for granted as if they are part and parcel of the life of the AFP. He said that people no longer believe that there could be redress of grievances if there is no honest-to-goodness cleansing of the system and those liable are brought to court. He asserted that it would be a terrible blight on the record of the AFP if its own funds are dissipated from misuse and deserving soldiers cannot get their benefits. Senator Biazon said that in the cleansing campaign of the AFP, 3,000 names were removed from the roster in 2003; 4,000 in 2004; three cases were filed in court for anomalous claims; seven cases are pending in the Office of the Ombudsman involving two military and five civilian personnel; three civilians were charged in court for fake pension collection.

Upon queries, Senator Biazon stated that the following pensions are given by the AFP: P5,000 for retirees who have reached the age of 65; P1,700 for veterans who have reached the age of 70; and the regular pension of military retirees, excluding veterans. He reiterated that the regular pension funds are under the supervision of the AFP, while the PVAO funds under the category of "special purposes" are controlled by the DBM, a change that was implemented only last year.

Senator Pimentel said that at least, the actual release of funds has to come from the DBM. Observing that pension plans in other countries are being administered by people who know the business, he posited that PVAO should not be run by AFP officers. Senator Biazon pointed out that it is the prerogative of the President to appoint the head of PVAO.

Senator Pimentel asserted that the PVAO pension plan differs in the sense that the government is expected to infuse money into the funds every year. He said that it pains him that people are made to pay for the mistakes in the management of the funds as such mistakes could have been avoided. He urged the AFP to professionalize the management of the funds and if needed, Senator Biazon could craft a measure to protect his peers. Senator Biazon said that indeed an examination of the mechanism provided for in law points to the need to restructure the system.

Senator Biazon said that the regular pension fund, not including other benefits after retirement, has grown to more than P10 billion. He recalled

that before 1986, the RSBS was created to take over the responsibility of paying the pension of military retirees from the government. Unfortunately, he said, the structure of the pension plan is flawed in such a way that the objective of the RSBS has not been realized. He added that this prompted him to file a bill that he is still in the process of refining since he had to ask for the inputs of pension funds experts who promised to make the result of the study available within three months. He expressed optimism that the measure would correct the present situation where taxpayers pay the pension of military retirees.

Senator Pimentel recalled that the Committee which investigated the RSBS recommended the prosecution of General Ramiscal. He said the investigation showed how easy it is to evade the trust character of the pension funds.

Senator Biazon said that the RSBS has assets whose values have decreased over the years; for instance, a P500-million investment in the Philippine Airlines made 10 to 15 years ago is now worth only P35 million. He said that the real value of the assets could not be assessed unless a formal inquiry is conducted. He recalled that when he retired 14 years ago, the assets of the RSBS amounted to about P18 billion; to date, it is worth only P11 billion. The dissipation of the assets, he opined, might be due to a series of bad investments.

Reacting thereto, Senator Pimentel stressed the need to professionalize the management of the RSBS and, if necessary, enact a law along this line. He said that the people should not continuously shoulder the ballooning demands of the AFP pension plan when, in fact, other countries have been able to successfully sustain their pension plans.

Senator Biazon said that two options had been proposed to solve RSBS's woes: first, to dispose of its assets; and second, to restructure it. He pointed out that a restructuring should examine the difference in the systems for civilian employees and military personnel. He said that a civilian employee's contribution of 9% of his basic salary remitted to the GSIS has a 12% counterpart contribution from government; a soldier's contribution of 5% of his basic salary remitted to RSBS has no equivalent government counterpart. He said that it was revealed during one of the hearings, that the 5% deduction could not provide for the future

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needs of the retiring soldier as no other funds go into the system. He opined that restructuring the pension plan of the military by adopting the GSIS system would need raising the percentage contribution of the soldier and getting a counterpart contribution from the government.

Asked who could be admitted to the Veterans Memorial Medical Center (VMMC), Senator Biazon replied that prior to the enactment of the new Veterans Law authored by Senator Romulo in the Eighth Congress, the hospital catered to the veterans of the Spanish Revolution, Philippine-American War, World War II, PEFTOK, Korean and Vietnam wars to the exclusion of AFP retirees. Under the new law, he said, the AFP retirees could now be admitted to the hospital but VMMC needs a lot of convincing to accept AFP retirees. Technically, he believed that V. Luna Hospital is for soldiers in active service while VMMC is for retirees.

As regards the needs of the hospital, Senator Biazon said that aside from the routine medical supplies, VMMC should be provided modern equipment such as MRI and CT Scan, considering that its patients are geriatric. Senator Pimentel urged the realignment of part of the DND budget to procure the modern equipment.

Senator Biazon said that among the problems of the VMH are as follows: 1) lack/shortage of medicines; 2) lack/shortage of materials for laboratory and diagnostic procedures; 3) lack/shortage of medical equipment; 4) antiquated infrastructure and drainage systems; 5) costly maintenance due to advances in medicine and technology; and 6) increasing load due to the inclusion of AFP retirees in its coverage. He stressed that anyone who has served at least six years in the AFP is a "veteran" under the new law.

On another matter, Senator Biazon said that the golf course beside the VMMC earned P4,241,225.31 in 2004 which was remitted to the National Treasury while donations from client golfers from 2002-2004 amounting to P4,183,107.70 was spent to support the operations of VMMC.

As regards the procurement of 97,257 pairs of low-quality boots at P1,047 per pair, Senator Biazon clarified that one of the reform measures instituted by Gen. Narciso Abaya relieved himself of the responsibility for some procurements; thus, DBM effected the procurement of the boots.

Senator Pimentel urged the AFP top brass to initiate the filing of charges against those responsible for the very glaring anomaly that is a crime not only to the soldiers but also to the Filipino people, and if need be, to hale DBM people to court in order to cleanse the name of the AFP.

Asked about ammunitions that are no longer functioning, Senator Biazon stated that howitzers are purchased abroad but no case of malfunction on the 105 mm howitzer had been reported.

As regards the promotion system in the military, Senator Biazon explained that in cases of enlisted personnel, procedures include: evaluation of performance; examinations at each level except for the rank of private; and minimum requirements of service in the particular rank and in the military. He further explained that in the case of commissioned officers, one category includes company grade promotion – from the rank of 2nd lieutenant to 1st lieutenant and 1st lieutenant to captain – which is automatic but requires neuropsychiatric and physical examinations.

From the rank of captain to major, he said that a board of officers in the different services determines the fitness for promotion; quota or authorized ceiling also determines promotion; the military also has forced lateral attrition when there is no movement in an officer rank which applies all the way to the four-star rank.

On the issue of Colonel Mapalo who complained of being bypassed in the promotion, Senator Pimentel contended that the top brass of the military harassed Colonel Mapalo because he was going to be a witness in an inquiry.

Senator Biazon clarified that cases were already filed in court against Colonel Mapalo which was the reason he was placed under restriction. Since the arrest was effected by the Armed Forces, he explained, Colonel Mapalo is facing court martial. He urged the Body to allow AFP to proceed in accordance with law.

On the case of General Garcia, Senator Biazon said that hearings on his cases – violation of the articles of war before the military court and perjury before the Sandiganbayan – are currently ongoing.

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MANIFESTATION OF SENATOR EJERCITO ESTRADA (J)

Senator Ejercito Estrada (J) manifested that he was withdrawing his reservation to interpellate on the DND budget.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:13 p.m.

RESUMPTION OF SESSION

At 6:16 p.m., the session was resumed.

MANIFESTATION OF SENATOR PANGILINAN

Senator Pangilinan manifested that Senator Revilla was withdrawing his reservation to interpellate on the budget of the Department of National Defense.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF NATIONAL DEFENSE

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of National Defense was considered submitted for the Body's consideration.

DEPARTMENT OF TRADE AND INDUSTRY

Senator Villar presented the budget of the Department of Trade and Industry.

INTERPELLATION OF SENATOR PIMENTEL

Replying to queries about the Department of Trade and Industry, Senator Roxas stated that the DTI is tasked to promote industrial investment and exports, look after the interests of domestic producers and consumers, and negotiate and monitor the international trade treaties that the country enters into.

On the issue of the Piatco terminal, Senator Roxas pointed out that the involvement

of DTI was upon the instructions of President Macapagal Arroyo for the Secretary to check if any progress could be made in the opening of the airport.

Asked by Senator Pimentel whether the DTI had nothing to do with the initiation, construction and final accomplishment of the Piatco project, Senator Roxas stated that the DTI was not involved in the conceptualization and negotiation of contracts regarding the NAIA Terminal 3 that is registered with the Philippine Ecozone Authority and not with the Board of Investments (BOI).

Senator Pimentel stressed that whatever be the outcome of the final decision of the case, the paramount concern is to place the facility which compares favorably with other regional airports at the service of the people the soonest possible time.

Asked when NAIA Terminal 3 would be opened to the people, Senator Roxas believed that DOTC would be the best agency to answer the question as it oversees the work of government on the terminal. But he urged that the facility should be opened at the soonest possible time and that government does not overpay for it.

Senator Pimentel stated that the Regional Trial Court was correct in ruling that the government can take over the facility only after payment of just compensation, otherwise, the takeover would amount to confiscation of property. Noting that NAIA Terminal 3 was conceptualized and implemented under the build-operate-transfer program, he asked what the government is doing to appease foreign investors particularly those from Europe who feel that the BOT law has been reshaped to "build-transfer-operate."

Senator Roxas said that the government is concerned with the perception of European investors particularly relating to the Fraport, Piatco and the NAIA Terminal 3 situation. The DTI, he pointed out, has sent several investment missions to a number of capitals in Europe while the DFA is actively presenting the country's case that some misdeed had happened along the way, so the Supreme Court rendered such a decision. He stressed that the government has stood firm in the principle of just compensation for this asset.

On the matter of the arbitration cases going on abroad, Senator Roxas informed the Body that

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there are two claimants, Piatco which filed its case in Singapore, and Fraport which filed its case in Washington. He believed that the government would consider the results of the arbitration cases in the final settlement of the issues although the government's view is that the country is not necessarily bound by findings elsewhere as it must uphold the primacy of its own courts. He reiterated that the government is firm on its position that just compensation would be paid to Piatco and Fraport but, precisely, the value of the project is the subject of the dispute. Piatco/Fraport claims that the value is between \$520 million and \$600 million while government maintains that the turn-key contract between the consortium and the Japanese contractor is about \$350 million, he said.

Senator Pimentel said that whatever comes out in the arbitration cases would depend on the wording of the contract. On another matter, he asked whether it is true that the investment of the Germans in the Philippines sank from \$306 million in 2003 to \$3 million in 2004.

SUSPENSION OF SESSION

Upon motion of Senator Roxas, the session was suspended.

It was 6:30 p.m.

RESUMPTION OF SESSION

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

Upon resumption, Senator Roxas affirmed that German investments declined in 2004 because one major power plant project of about \$290 million led to the spike in 2003, after which, German investments returned to their minimal levels of prior years.

Asked whether the BOI has retained its relevance to the times considering government's move to remove many incentives to attract foreign investors, Senator Roxas believed that the BOI as an investment promotion agency is even more important now when competition for investments among neighboring countries is very intense. He believed that specific incentives offered to specific industries need constant review.

Replying to further queries, Senator Roxas informed the Body that a close relationship exists

between the trade attachés and the BOI; the former scout around for prospective investments while the latter sends a mission where there are sufficient interests. He disclosed that 35 trade attachés man 25 posts located in 20 countries. He affirmed that countries like the United States, China and Japan have more trade attachés than the others.

As to the thrusts of trade attachés in their places of assignment, Senator Roxas said that all trade attachés come home to the Philippines once a year for a planning session before the Christmas holidays. Attachés who have been abroad for three to four years, he added, are brought back to the country to reacquaint themselves with Manila and the countryside in order to have a better sense of what they are promoting abroad.

As regards the use of the English language as the medium of communication even in communities where English is not used as the first language, Senator Roxas conceded that it is always better to speak in the native tongue of the person with whom one is communicating but the DTI does not have enough funds to print brochures and other paraphernalia in different languages. He gave assurance that the DTI leadership would look into the matter.

Senator Pimentel urged the department to address this recurring concern. He disclosed that a perspective investor who inquired into the requirements of a mining project was referred to an English website.

On whether the DTI has representatives at the regional, provincial and city level, Senator Roxas replied that the department has representatives in 87 provinces but its regional personnel work with the municipal planning and economic development officers on the programs that can be implemented at the city and municipal levels. One of these programs, he said, is the DTI job caravan that goes around the country like a one-stop shop for export promotion, small business development and financing to bring the national government closer to the countryside.

Noting that the DTI cannot deploy representatives in all the more than 1,400 municipalities throughout the country, Senator Pimentel asked where consumers especially in far-flung areas could go to air their grievances.

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Senator Roxas conceded that consumers in remote municipalities have difficulty accessing the grievance mechanisms for consumer welfare which is why the department is strengthening its website, *DTI.gov.ph* or its special consumer complaints website, *i-reklamo.ph* manned by DTI personnel who are willing to furnish Senator Pimentel with its record of complaints and their resolution.

Noting that not too many people have computers to access websites, Senator Pimentel suggested that the DTI tie up with local radio stations which have a wide coverage where consumers can air their grievances.

Senator Roxas informed the Body that the DTI is piloting such a concept in Region II which, if successful, could be replicated in other regions.

Senator Pimentel further suggested that the department allocate a small portion of its budget for the establishment of a network of contact radio stations in major centers of population, provincial capitols and town centers where people can bring their complaints to the high officials of the DTI. This effort, he said, would remove the public's impression that they are outside the protection of the government.

Senator Roxas informed the Body that the department is already drafting an order for every provincial director to speak with the managers of radio stations in their localities on the existence of the complaints mechanism and the contact numbers.

On the request that the Committee on Trade and Industry act on a "lemon bill" in response to a lot of complaints regarding inferior vehicles being sold to unsuspecting buyers, Senator Roxas said that the Committee would schedule a hearing on the issue of consumer welfare and protection after its work on the issue of smuggling. In this regard, he enjoined the DTI to prepare a position paper on the status of "lemon" cases.

Senator Pimentel reiterated that it is important for the people would know where to go to air their complaints.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF TRADE AND INDUSTRY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of

Trade and Industry was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:50 p.m.

RESUMPTION OF SESSION

At 6:51 p.m., the session was resumed.

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Upon motion of Senator Pangilinan, there being no objection, the Body considered the budget of the National Economic and Development Authority.

Thereupon, the Chair recognized Senator Roxas, sponsor of the budget, and Senator Pimentel for his interpellation.

SUSPENSION OF SESSION

Upon motion of Senator Roxas, the Chair suspended the session.

It was 6:51 p.m.

RESUMPTION OF SESSION

At 6:58 p.m., the session was resumed.

INTERPELLATION OF SENATOR PIMENTEL

At the onset, Senator Pimentel noted that the COA report showed NEDA has unliquidated advances in the amount of P2,932,626.75. He asked about the purpose of the cash advance.

SUSPENSION OF SESSION


Upon motion of Senator Roxas, the session was suspended.

It was 6:59 p.m.

RESUMPTION OF SESSION

At 7:01 p.m., the session was resumed.

Senator Roxas stated that the NEDA accountant confirmed that there was a finding by COA that as



of the end of 2003, the validity of the cash balance amounting to about P66 million was questionable. He noted that NEDA reduced the balance to P50 million as of November 2004, and there is a continuing effort to further reduce it. He said that the problem is that the amount represents the unliquidated cash advances of accountable officers who are no longer connected with the office, hence, the difficulty in obtaining records.

Senator Pimentel observed that this is the common answer of all government agencies faced with the same problem. However, he stressed that the Body should not accept it as an excuse. He stated that he would like to have the proposals of the department heads on how they would deal the problem. He cautioned that it would be a recurring problem if, at every budget hearing, the department heads would give the same response.

SUSPENSION OF SESSION

Upon motion of Senator Roxas, the session was suspended.

It was 7:04 p.m.

RESUMPTION OF SESSION

At 7:09 p.m., the session was resumed.

Senator Roxas clarified that the balance net of P50 million as of November 2004 includes all unliquidated expenses for the year; this amount is expected to be reduced to P30 million when the accounting books are closed at the end of February, at which time, a report will be submitted to the Committee.

Asked how the accounts were incurred and reached P52 million, Senator Roxas stated that he would ask the agency head to submit a report explaining how the amount grew. In reaction, Senator Pimentel stated that the problem must be explained by categorical and reasonable answers, not by a promise to submit a report that anyone can prepare.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:13 p.m.

RESUMPTION OF SESSION

At 7:15 p.m., the session was resumed.

Senator Roxas explained that the P66 million included salary advances, payments to contractual employees, travel expenses and the like. He disclosed that the first action of the agency head when he took over was to reduce the amount.

Asked on the COA report stating that the balance of the property, plant and equipment of the National Statistics Office amounted to P338,262,274.25 as of the end of 2003, Senator Roxas pointed out that the annual audit report on the NSO explained the findings. The reconciliation of accounts, he said, is ongoing and the difference is attributed to the depreciated amount of the PPE. He revealed that there is a difference of opinion between COA and the NSO on the accounting value of the assets. He assured the Body that the NSO will also submit a report at the end of February.

In reply to the query of Senator Pimentel, Senator Roxas stated that the head of NSO is Carmelita Ericta who is, however, out of the country and is represented by her deputy.

Asked if the NEDA was involved in the conceptualization and negotiations for the North Rail project, Senator Roxas replied that the idea for the project came from the NEDA Director General although technically, it was the BCDA that submitted the plan to the NEDA for assessment.

Senator Pimentel pointed out that a Japanese firm had submitted a more manageable bid price for the project compared to the approved contract that the government entered into with the Chinese. Senator Roxas clarified that the proponent was not a Japanese firm but a Spanish-led group that presented a project proposal that was supposed to be financed by the Japanese Bank for International Cooperation (JBIC). Moreover, he said that the bid presented by the Spanish-led group was US\$1.05 billion for 40 kilometers whereas the current project cost is US\$500 million for 32 kilometers. Additionally, he said that in 1997, the cost was pegged at \$26 million per kilometer while the current cost is \$15 million per kilometer. He, however, admitted not knowing whether the later project bid included works that were part of the \$1.05 billion project bid.

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Noting that the Spanish-led project would have cost P850 million per kilometer, Senator Pimentel wondered why the NEDA never issued a statement regarding the expensive cost of the project. Senator Roxas clarified that at an exchange rate of P55 to \$1, the cost would be about P859 million per kilometer. Consequently, he said that the NEDA contended that the ongoing project is cheaper per kilometer than the \$26 million per kilometer bid, which, at current exchange rate, would amount to P1,430 million per kilometer.

Senator Pimentel wondered why the NEDA made the comparison only against one previous bidder and that neither a serious feasibility study nor a bidding was made for the North Rail project. Senator Roxas opined that the NEDA should welcome a full Senate probe into the matter in the interest of transparency and good governance. Warning of an adverse reaction from investors to an investigation at this stage of the project implementation, Senator Pimentel nonetheless believed that it is better to investigate now than later when the project is near complete, as what happened in the Piatco case, especially in the light of information that the old exchange rate would be applied.

On the contention that the standard bidding rules should not be set aside in the case of the North Rail project just because of a bilateral agreement. Senator Roxas opined this is one reason why GOCCs must be subjected to the appropriation power of Congress. He noted that in many instances and under the ambit of commercial transactions in line with their own charters, GOCCs, such as BCDA, enter into agreements and undertake borrowings backed by a sovereign guarantee without the projects going through congressional review.

Senator Pimentel opined that the failure of a high-caliber institution like the NEDA to give a clean, unbiased assessment of the economic viability of the project is one reason why the public mistrust such transactions. While stressing that this sense of mistrust does not reflect on the current officials of the agency, he suggested, however, that the NEDA be created into an independent body that could provide unbiased assessments.

For this part, Senator Roxas asserted that the best way to ensure that the legislators would have a say on projects of this magnitude would be to exercise oversight over all GOCC-initiated projects

or to subject them to the appropriating power of Congress. In this instance, he decried that the BCDA took on a P25 billion project with a \$400 million loan component guaranteed by the national government that eventually would require congressional appropriation. Moreover, he noted that the project came at time when the legislature is being asked to raise money through the VAT and other tax measures.

Senator Pimentel recalled the existence of the Congressional Economic Planning Office, an independent congressional body, that dealt with economic affairs during the term of Senator Gerardo Roxas.

Asked on the position of NEDA on the proposed hike in the VAT, Senator Roxas stated that the NEDA Director General has submitted studies on the matter to the Committee on Ways and Means.

Senator Pimentel pointed out that the administration should justify its proposal to increase VAT since the Minority has a counter proposal to remove VAT exemptions for certain professions and economic activities or corporations to widen the tax base.

Upon further queries, Senator Roxas replied that the NEDA used to offer foreign scholarships to government employees but this function would soon be transferred to the CHED through an executive order.

On the position of NEDA with regard to the removal of incentives, Senator Roxas said that NEDA agrees to the general principle of rationalizing the incentive to make them appropriate to development directions, thereby closing them off to industries that no longer need them.

Senator Pimentel asked whether the NSO has an MOOE and CO in the present budget. Senator Roxas replied that NSO's MOOE is P142 million, about P110 million less than the preceding year.

To the observation that the NSO would not be conducting any census this year, Senator Roxas stated that it was the reason the NSO's traveling expense was reduced by P30 million.

Senator Pimentel asked how the NSO would respond to a request from a city or province to conduct a census in a non-census year for the purpose of redistricting. Senator Roxas replied that

technically, the census can be done provided the funds are available but there are issues as to what kind of certification would accompany such a census because people might be moving in and out at the time of the census.

SUSPENSION OF SESSION

Upon motion of Senator Roxas, the session was suspended.

It was 7:44 p.m.

RESUMPTION OF SESSION

At 7:45 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Upon motion of Senator Pangilinan, there being no objection, the budget of the National Economic and Development Authority was deemed submitted for the Body's consideration, subject to the reservation of a member to interpellate thereon and pending the submission of the requested data.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:46 p.m.

RESUMPTION OF SESSION

At 7:53 p.m., the session was resumed.

The Chair recognized Senator Arroyo, to sponsor the budget of the Department of Transportation and Communications.

DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

Senator Arroyo presented the budget of the Department of Transportation and Communications.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel asked why the government entered into a contract for the North Rail project

when it could cost \$503 million for a 32-kilometer railway from Caloocan to Malolos, which, if translated into pesos would cost P850 million per kilometer. Senator Arroyo stated that he shares the concern of Senator Pimentel that the cost of the project is too expensive and prohibitive; in fact, he recalled that in one of his privilege speeches, he touched on that project which was actually a loan from China. Unfortunately, he clarified during the budget presentation of the BCDA budget.

On the other matter, Senator Pimentel informed the Body that the people of Cagayan De Oro City have been dreaming of an international airport in Laguindingan. Reportedly, he said, the location for the runway and the terminal building have already been donated to the government by the Ayala Corporation. He wondered why the DOTC has only allocated P5 million for the airport. Senator Arroyo agreed that the P5 million is too small for the construction of an international airport.

SUSPENSION OF SESSION

Upon motion of Senator Arroyo, the session was suspended.

It was 8:00 p.m.

RESUMPTION OF SESSION

At 8:00 p.m., the session was resumed.

Senator Pimentel agreed that P5 million is a measly sum for an international airport. He said that he could only promise that the DOTC would find a way to find the budget for an international airport for Cagayan de Oro.

As to raising regulatory fees of agencies attached or under the supervision of the DOTC, Senator Arroyo stated that there has been no increase in registration for land transportation although collections have gone up.

As to charging PUVs for a copy of the fare matrix, Senator Arroyo stated that P50 is charged to jeepneys and P100 to buses for a certified true copy of the document.

Senator Pimentel stated that he had received complaints from operators in Mindanao that the fees are higher there and that the Land Transportation

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Franchising and Regulatory Board (LTFRB) Chair had taken a cavalier attitude towards the complaint. Senator Arroyo gave assurance that the complaint would be looked into.

Senator Pimentel observed that the modernization program of the LTFRB is good but its implementation may have been too harsh. According to complaints, he said that the program to ban the registration of 15-year old buses does not have an acceptable transition period so it would pose tremendous hardships on bus operators. Senator Arroyo explained that public hearings on the issue were held three years ago and the prescribed transition period had already lapsed.

Senator Pimentel argued that the transition period should not have begun while the issue was still being discussed, saying that it should have started upon implementation of the program.

SUSPENSION OF SESSION

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

It was 8:10 p.m.

RESUMPTION OF SESSION

At 8:12 p.m., the session was resumed.

Senator Arroyo informed the Body that the Secretary of Transportation and Communications and the chairperson of the LTFRB would convene a technical working group to study the phaseout of 15-year old buses, and that a five-year grace period would be given.

Still on the fare matrix, Senator Pimentel stated that from the time that the LTFRB was created in 1986 until 2000, the fare matrix was given to PUV operators free of charge. He asked why the matrix was being bought at a price. In reply, Senator Arroyo stated that it is part of the anti-*kolorum* campaign, so as to prevent the proliferation of fake documents.

Asked on the basis for the exaction of the fees, Senator Arroyo stated that the agency has a quasi-legislative power to exact fees. He explained that the agency has to put it on special paper so that the matrix would be tamper-proof, and that the plate number of the vehicle is attached to the document.

He added that the operators were advised of the changes during the hearings.

Nevertheless, Senator Pimentel said that a resolution on the matter had been filed so that the issues could be threshed out fully during the committee hearings.

Replying to another query, Senator Arroyo said that the reason for the deficiency is that the P170 million monthly expenses of the MRTC for rentals and the like exceeded its P130 million monthly income. Like MRTC, he said that LRTA does not earn money, so, in effect, the government indirectly subsidizes its operations.

Asked whether the advertisement in MRT coaches are sanctioned by the MRTC management, Senator Arroyo explained that the revenues for the advertisements accrue to the Sobrepeñas, the owner of the MRT coaches, as provided for in the contract. Senator Pimentel posited that the MRTC management should look into the matter, considering that the agency is not earning revenues.

In reply to another query, Senator Arroyo said that the Civil Aeronautics Board (CAB) under the DOTC is in charge of the licensing and franchising of airlines.

Senator Pimentel recounted that last week, he had the opportunity to talk to a delegation from the San Diego Airport Authority who wanted to negotiate with the Philippine Airlines for Manila-San-Diego-Manila direct flights four times a week. He asked on the prospects of the proposal. Senator Arroyo stated that he also had the chance to meet the delegation who informed him that the project is still in the exploratory stage and the timetable is for 2007. He said that he advised the delegation to talk to the Philippine Airlines, Cebu Pacific and some American carriers.

Senator Arroyo explained that according to the CAB, an interested Philippine carrier with a valid certificate of public convenience and/or congressional franchise would have to request the Philippine government to be the designated carrier to operate the Manila-San Diego route as required in the bilateral agreement; thereafter, the Philippine government, through the CAB, DOTC and DFA, would have to ask the U.S. government to extend to the Philippine carrier landing rights. What is

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encouraging, he noted, is that there is no limit on the capacity and frequency of flights between the Philippines and the United States. Reciprocally, he said, if any US airline is interested in serving routes to the Philippines, it would also have to ask the U.S. government to designate it as the carrier and, upon acceptance and issuance of a foreign air carrier's permit by the Philippine government through the CAB, the U.S. carrier could start to service flights to the Philippines also without any limit on capacity and frequency. He suggested that Senator Pimentel relay the message to the San Diego Authority people.

Adverting to the complaint that the high cost of shipping goods from Manila to Mindanao is a disincentive for production and shipment of farm goods, Senator Pimentel asked on the plans of the DOTC to address this concern. Senator Arroyo agreed that indeed, it is more expensive to ship in the Philippines than to an overseas destination.

SUSPENSION OF SESSION

Upon motion of Senator Arroyo, the session was suspended.

It was 8:30 p.m.

RESUMPTION OF SESSION

At 8:30 p.m., the session was resumed.

Replying to the query of Senator Pimentel, Senator Arroyo explained that the reason for the high cost of shipping is the high cost of handling shipments. To address the problem, he pointed out that the government has promoted the Roll on-Roll off (RO-RO) program which practically eliminates handling because the ship goes directly to its destination. He observed that it is cheaper to ship goods from Singapore to the Philippines, mile for mile, than, for instance, from Manila to Cagayan de Oro.

Asked on the success of the RO-RO program, Senator Arroyo disclosed that according to the Department of Agriculture, there was an immediate reduction in shipping cost by 30%. Senator Pimentel proposed that the government agencies disseminate this kind of information to the people, particularly in Mindanao, who generally think that shipping costs are all the same, regardless of the shipping system utilized.

Addressing another query, Senator Arroyo stated that by virtue of an executive order, all telecommunications agencies including the Bureau of Telecommunications, have been placed under the Commission on Information and Communication Technology in the Office of the President. As a consequence, he noted, the budget for telecommunications in the DOTC budget was removed.

Senator Arroyo observed that the LTO collects the road user's tax and remits the money immediately to the National Treasury without retaining any part of it for its operations. He said that the law mandates that all monies collected from the road user's tax should be earmarked solely and exclusively for: 1) road maintenance and improvement of road drainage; 2) installation of adequate and efficient traffic lights and road safety devices; and 3) air pollution control. He added that all such monies shall be deposited in four special accounts with the National Treasury, namely, 1) Special Road Support Fund - 80% of total collections; 2) Special Local Road Fund - 5%; 3) Special Road Safety Fund - 7.5%; and 4) Special Vehicle Pollution Control Fund - 7.5%. He said that the Special Road Support Fund, the Special Local Road Fund and the Special Road Safety Fund are under the DPWH, whereas the Special Vehicle Pollution Control Fund is under the DOTC. He added that 70% of the Special Road Support Fund is used for the maintenance and improvement of the drainage systems of national primary roads. He pointed out that the Special Road Safety Fund is used for the installation of adequate and efficient traffic lights; and the Special Vehicle Pollution Control Fund is apportioned among provincial and city governments in accordance with their respective vehicle population and road networks.

Noting the substantial decrease in smoke-belching vehicles on the roads, Senator Pimentel expressed hope that vigilance would continue because many vehicles are aging and might eventually become smoke belchers.

INTERPELLATION OF SENATOR ENRILE

Adverting to the 2003 COA report, Senator Enrile noted that a number of equipment under various foreign-assisted projects amounting to P1,195,072,551.88 remain uninstalled, including the following:

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Communications equipment for Global Maritime Safety System Project	P212,981,302.93
Telepono sa Barangay Project, Phase 2	P782,499,146.40
Communication equipment contributed by the department to the joint venture project with Capwire	P199,592,102.55

Senator Arroyo stated that the passage of years has rendered the equipment outdated. He disclosed that the contract with Thompson has been unilaterally terminated and the Telecommunications Office will start the installation of the equipment that are already delivered. However, he said that the equipment were rendered obsolete because of new technology. He also added that "the DOTC, in cooperation with the local government units will continuously make representations with Congress, DBM, NEDA and the Office of the President to provide the necessary counterpart fund for the equipment. In addition, LGUs will provide warehouse to store the equipment until they are installed."

Asked on the kind of the equipment and where they are stored, Senator Arroyo replied that the COA recommended the following activities: (1) take appropriate action to prevent further deterioration of the equipment and other facilities as well as structures; (2) transfer the equipment loaded in container vans to the premises of the DOTC offices to avoid incurrence of storage costs; and (3) decide on whether to use, install the outdated equipment or not. He informed the Body that the equipment remain unopened in the old warehouses.

Senator Enrile remarked that there are overdue accounts and interest receivables from private companies amounting to P1,080,327,899.84 which include the following:

Digitel Telecom, Philippines	P764.824 million
PLDT	P34.67 million
Capwire	P29,582 million
St. Bernard Services	P15.461 million
PSEI Transport Corporation	P6.491 million
Philtel	P5.8 million
St. Tomas Talesis, Inc.	P150,000.00

In answer, Senator Arroyo revealed that 47% of the accounts have been collected, leaving a balance of P575 million. He specified that the accounts of

PLDT, St. Bernard, PSEI, St. Thomas and Philtel have been fully liquidated; however, Digitel which has yet to pay its P276 million balance and P223 million interests has offered to buy out the facilities because its unpaid accounts were referred to the Office of the Solicitor General.

As regards the unremitted deposit amounting to P703,696.78 and P29,040,770.27 relative to Digitel's operation of the DOTC contracted facilities, Senator Arroyo revealed that both have been already recorded.

On the P3,245,380.06 interest income from the cash collection of MRT operations invested in time deposits which totaled P23,741,375.72, Senator Arroyo confirmed that the amount has been remitted and the deposit in PNB is a co-account in accordance with the agreement.

On the road user's tax, Senator Enrile inquired how much was the deposited share of the DOTC was from the fund. Senator Arroyo replied that in 2003, the amount was P986 million, of which the DOTC only got P68 million.

Senator Enrile contended that the road user's tax is a trust fund for a special purpose that is written in law. He also asked Senator Arroyo to explain the P23,716,000.00 representation item in the budget.

SUSPENSION OF SESSION

Upon motion of Senator Enrile, the session was suspended.

It was 8:54 p.m.

RESUMPTION OF SESSION

At 8:55 p.m., the session was suspended.

Senator Enrile pointed out that if the representation item in the budget under "Other Compensation," Personal Services, is additional compensation, it is subject to additional tax.

SUSPENSION OF SESSION

Upon motion of Senator Arroyo, the session was suspended.

It was 8:56p.m.

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RESUMPTION OF SESSION

At 8:58 p.m., the session was resumed.

In reply to the query of Senator Enrile, Senator Arroyo confirmed that the representation allowance is given to various officials of the government including division heads.

On the travel expenses in the MOOE, Senator Arroyo stated that the amount is for both local and foreign travels.

Senator Arroyo enumerated the following allocations for 2005 that the Office of the DOTC Secretary needs: local travels, P4 million and foreign travels, P3 million; Cordillera Autonomous Region (local travel), P476,000; Caraga Region (local travel), P665,000; OSEC Proper (local travel), P5,163,000; and OSEC Proper (foreign travel), P3,045,000.

Asked why there is a need for the DOTC to have confidential, intelligence funds, Senator Arroyo said that the P3.1 million would be used in operations against illegal transport, proliferation of fake plates and licenses, illegal fishing, transport strikes, smuggling, drug trafficking, and gunrunning.

On whether this should be the function of the police, Senator Arroyo said that there is the problem of overlapping of functions in almost all of the offices.

In reply to another query, Senator Arroyo stated that the P380,000 allocation for the Civil Aeronautics Board (CAB) would be used to gather information on colorum airport taxi operators. The Maritime Industry Authority (Marina), he said, would use the P2,462,000 confidential intelligence fund for information gathering, the P1,127,000 advertising budget for publishing its circulars and announcements in newspapers; printing of forms would be charged to the agency's printing budget. The Marina, he added, would need P5.549 million for professional services, P320,000 for legal services, and P631,000 for auditing services.

Senator Enrile said that the Marina should be subject to the legal advice of the DOJ and the Government Corporate Counsel.

As regards the Office of Transportation Cooperatives, Senator Arroyo stated that the agency

would need P80,000 for intelligence and confidential, miscellaneous and extraordinary expenses.

In reply to another query, Senator Arroyo said that the Office for Transportation Security (OTS) was created to ensure that the Philippine international seaports and registered international ships and airports are rendered compliant with the required international standards. The P1 million initial operating budget of the OTS, he stated, would be augmented, under the special provisions, with the share in the collection of aviation security fees.

Senator Enrile pointed out that the Aviation Security Command, airport police, and security force are more than enough to protect the airports. Senator Arroyo clarified that the creation of the agency was in compliance with the security requirements after the 9-11 terrorist attacks in the United States.

**INTERPELLATION
OF SENATE PRESIDENT DRILON**

Asked by Senate President Drilon if there is a similar provision in the previous budget that allocates P300 million for LTO which shall be sourced from the Special Vehicle Pollution Control Fund, and P18.255 million which shall be sourced from the Seat Belt Use Fund, Senator Arroyo stated that while the allocation of P18.255 million for the Seat Belt Use Fund was utilized by the LTO in the previous years, the allocation of P190 million for the Special Vehicle Pollution Control Fund in 2003 and 2004 was not released.

Senate President Drilon requested that he be furnished with a report on how the Seat Belt Use Fund was utilized. On another matter, he asked whether there was an allocation of P649,999,000 for the Follow-on Search and Rescue Vessels Acquisition Project in the previous budgets.

SUSPENSION OF SESSION

Upon motion of Senator Arroyo, the session was suspended.

It was 9:15 p.m.

RESUMPTION OF SESSION

At 9:16 p.m., the session was resumed.

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Senator Arroyo informed the Body that in 2003, the P877 million released for the project was sourced from the unprogrammed funds of the following slow-moving foreign-assisted projects: Maritime Safe Improvement Project Phase C, P496 million; Third Airports Development Project, P216 million; and Selected Airports Development Project, P165 million.

Senate President Drilon pointed out that this only shows that the DOTC spent P877,746,000 for the Follow-on Search and Rescue Vessels Acquisition Project without any authority under the General Appropriations Act. The amount, he stated, could have been used to fund the Laguindingan Airport. Apart from this, he said that P200 million was released for the same project in 2002 although there was no appropriation for this purpose in the budget.

Asked by Senate President Drilon on the amount paid for the Follow-On Search and Rescue Vessel Acquisition Project, Senator Arroyo stated that in 2002, P29 million was paid from unprogrammed funds and P30 million from the SADF; in 2002, P170 million was realigned from the LRT Line I funds; and in 2003, P296 million.

Senate President Drilon expressed dismay at the way the DOTC officials disregarded the authority of Congress to appropriate funds. He stated that the Senate might as well provide a one-line budget of P900 billion to the President.

In fairness to Secretary Mendoza, Senator Arroyo clarified that the project was initiated in 2000 with the purchase of two 56-meter and four 35-meter search and rescue vessels for US\$68.4 million with a peso equivalent of P4 billion at the present rates.

Senate President Drilon noted that the memorandum dated January 22, 2004, that Secretary Mendoza signed indicated that P1,147,746,000 had been released for the payment of the vessels.

On whether other payments had been made, Senator Arroyo revealed that US\$52 million had already been paid to the Australian supplier as of April 2004 and the remaining balance of US\$14 million, which is equivalent to P721 million, is still to be paid.

Asked who made the payments that had no congressional appropriation, Senator Arroyo replied that the legal basis used by the DOTC in the release

of the funds was Section 22, paragraph 6, Chapter V (IV) of the Revised Administrative Code which authorizes the DBM Secretary to modify or amend any allotment previously issued.

Further, he pointed out that Special Provision No. 1 of the unprogrammed fund of the annual GAA provides that, "in cases of foreign-assisted project, the existence of a perfected loan agreement shall be sufficient compliance for the issuance of SARO covering the loan proceeds."

Senate President Drilon stated that any item in the budget could be realigned only to an existing item so that the same can be supplemented if it is insufficient. Senator Arroyo agreed, pointing out that there was never a budget allocation for the project.

Asked what the Senate intended to do with the violation of the constitutional provision that no money shall be paid out of the Treasury, except in pursuance of an appropriation made by law, Senator Arroyo admitted that he has no answer as he disclosed that the vessels that were delivered to the Coast Guard were not in good order.

On whether there is any indication that the cost of the vessels were overpriced, Senator Arroyo said that the issue was taken up in plenary in 2003.

Asked by Senate President Drilon if he would be amenable to placing special conditions in the budget to the effect that the vessels should be placed in good condition before any fund could be released to give the DOTC leverage against the Australian supplier, Senator Arroyo agreed, suggesting that another special provision be inserted that no money out of the general appropriations shall be released until the warranties are fully complied with by the Australian firm.

Senate President Drilon requested Secretary Mendoza and the Coast Guard to craft the provision that would safeguard the interest of the government. In closing, Senate President Drilon warned the responsible officials of the DOTC that the Senate would not stand for nor tolerate such disregard of the authority of Congress to appropriate.

INTERPELLATION OF SENATOR GORDON

At the onset, Senator Gordon stated that over the years, a lot of second-hand right-hand drive

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vehicles were smuggled into Subic with the connivance of the officials and personnel of the local LTO who reportedly earned about P25,000 per vehicle. These smuggling activities, he said, were committed in gross violation of an administrative order which banned the importation of such vehicles.

Asked how many vehicles were imported into Subic in 1999, Senator Arroyo stated that for Region III which includes Subic, 7,943 units were imported in 2001; 7,648 in 2002; 15,605 units in 2003; and 34,750 units in 2004.

Senator Gordon disclosed that up to this time, smuggled vehicles are parked in "factories" operating under a certificate issued by SBMA authorities. He informed the Body that recently, General Calimlim has been confiscating luxury cars and sports utility vehicles which were registered in connivance with LTO officials and employees. He lamented that the car smugglers are bringing in as many cars as they want to the prejudice of the local car industry.

Senator Arroyo noted that the Secretary of the DOTC and Chairman of the LTO have confirmed Senator Gordon's disclosure and that the LTO registrar in Subic was replaced and the system of registration was changed so that any new car that enters Subic has to be registered only in Subic so as to easily pinpoint responsibility.

Senator Gordon stressed that he could not justify new taxes to the people when car smuggling get away with illegal activities. He reported the following importation figures:

<i>Year</i>	<i>Units of vehicles</i>
1994	no importation reported
1995	48
1996	1,460
1997	1,153
1998	477
1999	604
2000	None supplied
2001	7,943
2002	7,648
2003	15,605
2004	34,758

He said that the LTO people who refused to give any data on the matter would give the excuse that these cars were registered elsewhere, but it is common knowledge that car smuggling is happening

in places like Cebu and Laoag. He underscored that he would not tolerate such torpedoing of the economy.

Senator Gordon requested a report from DOTC on the actual number of cars that have been registered as he planned to get amnesty for the smuggled units so that they can be taxed properly and raise revenues for the government.

Senator Arroyo informed the Body that the Department has forged an MOA with the Bureau of Customs as a first step to curtail smuggling. He added that the DOTC expressed willingness to adopt Senator Gordon's recommendations except for the amnesty as it needs the approval of Congress. Bureaucracy, he said, is such that sometimes the best intentions cannot be carried out.

Senator Gordon believed that action must be taken on those who transgress the law, otherwise, the Body would just be helpless watchers.

Senator Arroyo stated that the Land Registration Office requires a certificate of payment from the Bureau of Customs and a sales invoice before a car is registered; computerized registration is also underway. Moreover, he said, the BIR imposes a VAT on the sales which would raise an additional P3.5 billion in revenues.

That the BIR under the leadership of Commissioner Parayno was very religious in matching the VAT between the client and the manufacturer that any undervaluation was traced, Senator Gordon stated that it is not difficult to trace all vehicles because records of the ships that brought in the vehicles could be obtained as well as the list of all the auctioneers who participated. He called on the DOTC, the Bureau of Customs and the LTO to do their jobs collecting the proper taxes and regulatory fees as well as in safeguarding the public. He pointed out that the conversion of a vehicle from a right-hand drive to a left-hand drive violates several laws and could result in accidents. He lamented the untrammelled corruption of SBMA, Customs, LTO and BIR authorities.

Senator Gordon remarked that he wanted DOTC to submit a plan to go after every imported vehicle that has not paid the right taxes. He said that the First Family is also being dragged into the issue because their names are being used.

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On another point, Senator Gordon recalled that when he was the Tourism Secretary, he received a number of complaints regarding crimes inside taxi cabs. He said that a memorandum of agreement between the DOT, the LTFRB and the LTO was drafted stating all taxicabs will carry details such as its body number, the names, addresses and photographs of the driver and the operator, to account for anything that could happen aboard the cab. He said that everything was computerized but when he resigned as Secretary of Tourism, he got reports that the program was discontinued.

Asked why it was stopped, Senator Arroyo replied that according to the LTFRB, the body marking of taxicabs is still being done and assured Senator Gordon that the program is still fully supported.

In line with efforts to promote the Philippines in other countries, Senator Gordon wondered whether the DOTC is pursuing his recommendation of constructing international airports in provinces like Palawan, Iloilo, Silay, Cagayan de Oro and Bohol. He noted that today's era of value flights would allow more foreign tourists from major cities like Nagoya and Kaoshung to fly to secondary airports in the Philippines. Senator Arroyo said that he had been informed that the construction of airports in Silay, Bacolod City and Iloilo are ongoing but constructing airports do require a lot of money.

Senator Gordon observed that the Poro Point facility, which the U.S. handed over to the Philippines in 1992, is still operational and continues to bring in Chinese tourists to Laoag. He lamented that Poro Point has not been developed for industries and tourism as he suggested that the DOTC make it a priority project for development.

Senator Arroyo stated that DOTC Secretary Mendoza had informed him that Poro Point is under the jurisdiction of the BCDA while its airport is managed by the Air Transportation Office. This being the case, Senator Gordon expressed hope that the ATO could provide the required technical data for the Poro Point airport. He believed it is time the control of the Poro airport was reverted to the local government.

On a related issue, Senator Gordon lamented the outcome of the NAIA III project that symbolizes the

lack of political will and corruption of the government. He expressed opposition to plans for the construction of a supermarket within the NAIA and instead, suggested that the DOTC put up a duty-free shop exclusively for passengers. He also suggested that the DOTC complete the rehabilitation of the airport in Bagabag so that it could accommodate major flights. Senator Arroyo stated that as relayed to him by Secretary Mendoza, the DOTC has released an additional P5 million for this purpose, but that the amount is insufficient. He explained that the construction of the runway is delaying the construction of the airport.

Senator Gordon believed that domestic airports would help increase tourism, stating that if the government could bring in 10 million tourists, it could generate US\$10 million. Senator Arroyo agreed as noted that less than 10% of the P990 billion national budget would be spent on infrastructure.

SUSPENSION OF SESSION

Upon motion of Senator Arroyo, the session was suspended.

It was 10:12 p.m.

RESUMPTION OF SESSION

At 10:13 p.m., the session was resumed.

Senator Gordon underscored that despite scarce infrastructure resources, Subic was able to build its airport in 29 weeks without any financial assistance from the national government. He stressed that he only wanted the DOTC to exert more effort by talking to local governments and going on joint ventures and securing loans from the World Bank. He gave assurance that the government would not lose money on airports in Panglao, Poro Point and Cagayan de Oro.

SUSPENSION OF CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

Upon motion of Senator Pangilinan, there being no objection, the Body suspended the interpellation on the budget of the Department of Transportation and Communications in view of the reservation of Senator Osmeña to interpellate thereon.

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OFFICE OF THE VICE PRESIDENT

Upon motion of Senator Pangilinan, there being no objections, the budget of the Office of the Vice President was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 10:18 p.m.

RESUMPTION OF SESSION

At 10:21 p.m., the session was resumed.

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

(Continuation)

At this point, Senator Pangilinan announced the resumption of interpellations on the budget of the National Economic and Development Authority.

The Chair recognized Senator Villar, Chairman of the Committee on Finance, and Senator Gordon for his interpellation.

At this juncture, Senate President Pro Tempore Flavio Dela Cruz relinquished the Chair to Senate President Drilon.

INTERPELLATION OF SENATOR GORDON

Senator Gordon recalled that in 1994 or 1995, before the British handover of Hong Kong to the Chinese, the port of Subic was bidden out. He narrated that the Subic airport was constructed; FedEx was convinced to use the Subic airport which became a hub for the world; a lot of factories located in Subic; and a new road was built to connect Central Luzon to Subic. The road, he pointed out, leads to the so-called Naval Supply Depot Port which serviced the entire United States Navy and, at different points in time, supplied not only the American forces in Japan, Vietnam, and Iraq. He recalled that there were several bidders including Hutchison Whampoa Ltd. which won the bid. He pointed out that Hutchison Whampoa has built a good reputation in ports management because it can move three million containers on the pier or ship-to-ship. However, he noted, those who lobbied

against the Hong Kong firm alleged it was a flawed bid and it was not reviewed by the Palace, for which reason, President Ramos sent two COA representatives to the bidding. The COA and the World Bank, he continued, confirmed that the Hutchison bid was the best; in fact, it was going to provide container operations without any cost to the government and it would build a pier for Subic. Apparently, he said, the bidding was scandalous so it was suspended and not awarded. He said that Subic lost the opportunity to have a container port from which cargoes could be transshipped throughout the Asia Pacific.

Senator Gordon lamented that influence, vested interest and greed coupled with weak political leadership destroyed the dream which would have resulted in three airports — Subic, Clark and Manila — and two seaports — Subic and Manila; and new highways connecting different points in Luzon with industrial parks and factories in between. He said he asked the Japan International Cooperation Agency (JICA) to come in and study the development of new ports that can be efficiently run because without a port, investments would not come. The JICA, he noted, proposed the closure of Cubi airport, to which he disagreed because it is hard to get an airport. He said he did not have any qualms about JICA except that the port it was proposing would destroy the magnificent view of Subic Bay and its corals, and would cause traffic in the surrounding areas. Initially, he said, the grant was P10 billion but he stopped it when he learned that the project was already bidden out and awarded to the losing bidder in Subic Bay. While he welcome infrastructure, he observed that the plan was initiated at a time when he was asking for money to build airports and seaports throughout in the country. He averred that the Japanese lend money not so much to help the Philippines but to start Japanese business in the country. He said he cannot accept the fact that just because the government had already contracted with the Japanese, it would be alright to give it to a Japanese contractor. He said that he got \$5 billion from the Japanese government but he was able to convince the Philippine government to use it on Intramuros.

On a related matter, Senator Gordon said that he had filed a bill creating industrial parks in Subic, Clark and Manila and all the way to La Union; the bill allows the SBMA and CDA to initiate industrial parks based on the ADB-WB study that was used during his incumbency as the DOT

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Secretary. However, since Olongapo is totally landless, nothing was built as an industrial park, he said.

Senator Villar shared the concern of Senator Gordon. He agreed that the project should have been given to the world's most respected company in ports management. He informed the Body that the three alternatives studied by the JICA were: 1) the existing NSDO Naval Supply Depot which would cost P7.4 billion; 2) the NSD with upgrades amounting to P9.8 billion; and 3) the new port in Cubi with upgrades amounting to P9.4 billion. He stated that JICA chose the third proposal which is not exactly what Senator Gordon preferred.

Noting that if there was a bidding and three proponents offered to build a pier for free, Senator Gordon asked why it could not be done. He said that because of the circumstances behind the loan, the government should go back to the initial proposal and bid it out. But Senator Villar doubted if the proponents would make such an offer again.

Senator Gordon said that he would not allow the deliberations on ports and airports including Poro Point that has never been touched for 12 years, to go unquestioned.

He insisted that there is an existing and operational port in Subic that the Americans constructed. He lamented that he was being asked to support a project to be funded from foreign borrowings – a project that never took into consideration the views of the residents, the environmental issue, the sacrifices of the people of Olongapo just so the Japanese, who would provide the fund, could be satisfied. He stressed that NEDA could have put the money in the Palawan airport.

Senator Villar stated that the project is in the advanced stage and time is of the essence. He said that the winning bid was actually P5.9 billion which is P1.1 billion less than the P7 billion NEDA estimate.

Senator Gordon expressed apprehension that the amount would balloon as the project goes on. He said that while the original amount was P10 billion, it went down to as low as P5.7 billion. He added that NEDA allowed the highway to branch out to municipalities where properties of congressmen and local officials are located. He contended that those who would benefit from

the project are people who have the contracts for hauling gravel inside Subic. He noted that *The Philippine Inquirer* even reported that quarrying was permitted by Secretary Defensor on Marathon Hill in Subic and the governor of Zambales, no less, covered the business in the entire province.

Senator Gordon stated that he would not mind if people get rich, so long as they do it with ethics. However, he said that using the influence of the government and positions to thwart the dreams and aspirations of the volunteers of Subic who took a leap of faith is too much.

Stating that what he saw was not just the dirty hand of politics but greed, Senator Gordon said that some people were pressured to go through the bidding process and award the bid to a new operator that is going to have a free ride at the expense of the government. He said that the very fact that the bid had changed and that the price had changed indicate that money had been passed around. He asked that an investigation be conducted to determine who really won the bid. He said that there were other ports that needed to be built but could not be built because of lack of funds.

Saying that the operations of the port in Cagayan de Oro was being contested by two government agencies, Senator Gordon stated, however, that it has yet to be proven if the government can manage it.

As to the expected volume of containers that the Subic port has handled since the new SBMA administration took over, Senator Gordon surmised that the number has gone down. He added that if the TEUs had increased, it was not because of manufactured products but because of smuggled goods.

Senator Gordon informed the Body that Subic no longer has a place for investments. He said that most of the land had been given away at peso rates.

Senator Villar stated that the accusations of Senator Gordon were worth looking into and that it should be the subject of a Senate investigation. He added that it is only ironic that the President envisions Subic and Clark to be the logistics hub and that the port is a vital component. As to the data on the volume of containers last year, he said that it would be furnished as soon as it is made available.

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Senator Gordon contended that Taiwanese investors would come back to the Philippines only if there is a change of leadership in Subic. However, he said that the Japanese and the Taiwanese are reluctant because of smuggling and corruption. He added that the 124,000 containers need 30 hectares.

Senator Gordon stated that the planning is on hold because the cost of the project is being adjusted so that it could be approved. He said that if the port is for the best of Subic, then maybe it should not have been there because it is not a priority. He added that for the purpose of transshipment, however, unlike Hong Kong, the Philippines cannot even handle three million containers.

Senator Villar stated that the Japanese government has reduced the cost of their project from P9.8 billion to P5.9 billion for the port and P29.5 billion to P21.5 billion for the road.

Senator Gordon said that he wanted to be assured that the project would not become another liability for the government. He expressed regret that Subic has become a smuggler's haven today.

Senator Villar said that, indeed, there are unscrupulous Japanese contractors but if the people watch them closely, it would be difficult for them to even think of adjusting their bids. He stressed, however, that it is only the President who can radically change a project of such magnitude.

Asked if the NEDA Secretary was imputing blame on the President, Senator Villar doubted if it would be possible for the P30-billion project to go on without the President's approval.

Senator Gordon said that he was stupefied to hear the Secretary's remark before he went to the President: "We can guard it." However, he said that he also heard the Secretary say that the Department was helpless in tracing the cars that were being smuggled out of Subic.

Senator Gordon expressed hope that the NEDA Director General would have the courage to tell the President not to go on with the project.

Senator Villar reminded Senator Gordon that policymaking in the NEDA is done by a collective body headed by the President of the Philippines who is the president and chairman of the NEDA Board

whose members are the Cabinet members and the NEDA Director General as its secretary. He disclosed that the NEDA Director General has confirmed Senator Gordon's disclosures.

Senator Gordon underscored the need for the NEDA to advise the President very well about projects and contracts, in view of the anomalies in contracts such as PEA-Amari and EPIRA.

Senator Villar observed that the JICA contract was approved by the NEDA Board on December 30, 1999, and President Estrada signed it on August 31, 2000.

Senator Gordon belied the claims that public hearings were held in Olongapo. He believed that the NEDA Director General advises the President and makes recommendations.

Senator Villar remarked that the project was also endorsed by the Regional Development Council of Region III. Senator Gordon said that the council, which was then headed by Governor Magsaysay, did not even consult the Mayor and the people of Olongapo.

Replying to other queries, Senator Villar said that money for the project would come from the Obuchi fund with one percent interest, 40-year payment scheme, and a 10-year grace period. Senator Gordon remarked that these are good rates; however, he said that he was not after the terms but the priorities of government.

Senator Villar warned that delaying the project might be very expensive. Senator Gordon stated that he wanted to be assured that the estimated 124,000 containers in 2005 would be realized but he predicted that this would not materialize considering that it is already February 2005. Senator Villar said that the figures were just guesstimates, and that, in fact, the project is part of the 10-point agenda of the President.

Senator Gordon believed that even if a port were built, it would take about three years to see business boom, unless it captures the business in Manila. Worse, he said, China has been taking all investments and industries from the Philippines.

Asked what new investments have come to the Philippines other than call centers, Senator Villar

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replied that Philip Morris did the latest biggest investment. Senator Gordon lamented that Subic would be related to just being a transshipment hub, so long as it does not capture other businesses. He underscored that industries and factories make a port active. He averred that the reason for the expensive proposal of the original bidder was to protect the business in Manila so that ships would not dock in Subic because of exorbitant fees.

On the schedule of the project's completion, Senator Villar said that it is supposed to be finished by the end of 2007. He further clarified that a new study projects that within the first year of its operation, the port shall handle 124,000 containers.

Senator Gordon said that he was petrified at the thought that no ships would come in once the port is finished. He restated his query as to where the business for the port would be sourced and what the JICA told NEDA about the logistics hub. Senator Villar observed that the Philippines is geographically situated in the middle of sea lanes and sea trade routes.

Senator Gordon agreed, adding that the Philippines also has a great English-speaking workforce, and there is a promise of industrial peace. However, he contended that once the port is finished, which should make a handful of people happy about it including those in the local government and those with contracts, the same thing that happened to Subic would happen to the port.

Senator Villar believed that once the financial crisis is solved and if the GDP growth continues, foreign countries would be interested in the Philippines. He added that the mining industry is getting a lot of interest from abroad, and there are interested bidders for Transco and the PNOC. Senator Gordon opined that the economic growth has been driven by call centers and remittances from Filipino overseas workers, noting that the dollar has gone down in value because the Americans want to have their products at cheaper rates since they have a large deficit and they want their businesses to continue.

Senator Villar stated that while he is not an administration propagandist, he sees some light because a decent economic growth would provide container volume for the port. Aside from mining, Senator Gordon mentioned that agriculture and

tourism are industries that would help spur the economic growth of the country.

Senator Villar believed that a positive effect of a revitalized mining industry is that more investors would come in. He pointed out that the dollar is weakening against the peso and this could sustain the 6%-7% GDP growth. He added that the country might not be able to compete in terms of manufacturing. However, he pointed out that there is an increase in trade that could cascade to all the aspects of the economy. He stated that when the President and the NEDA board studied the port project proposal, they decided to go ahead with it; it was a collective decision of the President and her Cabinet, not just the NEDA Director General, but it just so happened that the NEDA Director General is the key person associated with the project.

Senator Gordon stated that the NEDA Director General plays an important role as he is the economic brain and the keeper of statistics, and the President should heed his counsel. However, he stated that he holds the NEDA head responsible because the project favors the Japanese. He argued that Subic is a fairly complete hub as it has the same pier that the U.S. Navy used. He asked if the government could gamble on a port project when the trend in Asian countries, including Thailand and Malaysia, is tourism. He characterized the project as a fraud because it is stained with corruption and is being pursued for all the wrong reasons.

Senator Villar reasoned that although the President depends on the recommendations of NEDA, in the end, she is the one who finally decides. He pointed out that the contract has been signed and the NEDA Director General is in no position to tell the President to cancel it.

Senator Gordon said that he wanted the assurance that the port would be able to handle 124,000 containers in accordance with schedule, pointing out that in his six years with the SBMA, the port handled 30,000 containers that has not grown since then. Senator Villar stated that the target is only 1/10 the capacity of Manila, because with good management, that number could be improved.

Senator Gordon stated that he is really nervous that the people's taxes are being misused in some project and the agencies concerned are not even sure that if they could go after the culprits.

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Senator Villar acknowledged that there are, in fact, other projects that are more deserving of government approval.

On whether the country is in a financial crisis, Senator Villar stated that according to the NEDA, the country is on the verge of a financial crisis. He said that he does not feel good about government borrowings, pointing out that foreign-assisted projects could be justified independently but collectively, they only add to the country's debts.

Senator Gordon insisted that the port should be situated in the Naval Supply Depot (NSD) area where the road directly leads to the location thereby avoiding a difficult traffic situation and facilitating the loading and unloading of cargoes, underscoring that even the World Bank concluded that the area is an ideal site. The port, he believed, would be the selling point of Subic that is crammed with beer-houses and has lost its appeal because government tolerated corruption.

Further, Senator Gordon stated that in a letter to then President Ramos in 1993, World Bank Vice President Gautam Kaji, who is in charge of the East Asia and Pacific Region, said that:

"It is important that all stops be pulled out to ensure that the Subic Bay Economic and Freeport Zone is a success. The Zone has caught the imagination of many, and it can provide a magnet for investment which could ultimately have spill-over effects into the rest of the Philippines, particularly the surrounding areas of Central Luzon. Although Subic is blessed with good infrastructure, a skilled and dedicated workforce, and a dynamic and charismatic chairman, this success is not assured. Political jealousies and bureaucratic hurdles can easily thwart otherwise solid efforts. If success cannot be seen on the horizon for Subic, then it will be hard to convince investors that there is a truly investment-friendly climate in the rest of the Philippines."

Senator Gordon said that he pushed the contract in the hope that the Subic port could be privatized so that money would just flow in and government would be spared from spending for the port, but the JICA recommended another site for the port. Government money for the project, he argued, could

be used to fund meaningful projects to develop places like Bohol and Boracay, and establish airports in places like Panglao. Senator Villar stated that any move to turn around a P30-billion project could be done only by the President.

Senator Gordon pointed out that the directors and economic planners who should know could not even tell him where the containers would come from.

Senator Gordon believed that the people are willing to make sacrifices if they see that the government is sincere and has the will to do what must be done. However, he said that it would be hard to explain or to convince the people to make sacrifices or pay additional taxes if they see that a port which took millions of pesos of taxpayers money to construct cannot attract business.

Senator Gordon said that he does not have to prove or explain anything because his accomplishments and successes are there for everyone to see despite his detractors and critics. But as a senator, he said that he is being asked to support a project when doing so means that it is alright not to go after smugglers nor punish the crooks in the government. He stressed that he cannot abide such a situation, and he can stand up to any president who insists on doing something that is not in accordance with the law. He maintained that he would rather build hotels and call centers and other facilities, and develop and beautify tourist destinations than spend a huge amount on a port when NEDA cannot even say where the ships would come from. In this regard, he recalled that when he went to the World Bank in 1992 to sell his plan, he was told that he would not be able to attract ships within the next 40 years but six months later, the American Presidents Lines entered Subic Bay.

Senator Gordon stated that after he left SBMA, he turned down an offer to run the free ports in the Middle East. Modesty aside, he said that he can sense if a bill is being made to make money for somebody and if a bill is being enacted for the welfare of the country. In this case, he averred that the project is being pushed because somebody is going to make money and not for the welfare of the industry.

Senator Villar pointed out that according to the World Bank study, Subic could be a magnet for business, the Poro Point would be included in the

Public Investment Plan and that the Bohol Airport would be financed; however, he expressed doubt whether the assumptions are sound. He surmised that one of the reasons the President is pushing for the project is that Lubao would be passed going to Subic Bay.

Senator Gordon asked if Mr. Payumo, who is a graduate of Harvard and real estate man, really believed the need to construct a port when he did not even bother to put up industrial park in Dinalupihan where plenty of land is available. Asked where the container would come from, Senator Villar explained the methodology that NEDA used. He said that the actual type and volume of commodity being carried in Subic correlated it with GDP growth.

Senator Gordon stressed that if Subic is really a choice location, then the government could have made use of it. He asked on the container volume in Subic for the year 2004. Further, he asked what industries were put up.

Senator Villar said that it is not possible to put up industries at the moment because there is no highway but once it is built, the industries could be expected to come in.

Senator Gordon pointed out that it would have been better if the plan to build three airports and two seaports was implemented because businesses and investors would have a choice to either go to Manila, Subic or Clark. He argued that Mr. Payumo should have immediately decided building the industrial parks in Dinalupihan, Hermosa, and Morong where heavy industries could be located. But six years passed, he lamented, and nothing happened, thus, the official who proposed the port should not be believed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 12:17 a.m.

RESUMPTION OF SESSION

At 12:35 a.m., the session was resumed.

Senator Gordon clarified that his interpellation was not intended to delay the budget deliberation but to point out the inability of NEDA to answer a

legitimate question. He assured the Body of his commitment to make sure that the people are not unduly burdened by projects that benefit only just a few. The free port project, he said, is intended to leave not an infrastructure that will benefit the country, but a legacy to individuals who already thwarted a project to create a dynamic free port like Hong Kong. He stated that had people with vested interest not interfered with the free port program, Subic would have moved forward. He feared that the government is making a wrong turn and throwing all caution to the wind.

Senator Gordon maintained that no justification has been presented for the port. He stated that he would continue to fight. He expressed willingness to end his interpellation but he intended to file a resolution calling for a Senate investigation into the reported anomalies in the port project. He said that he took the floor in behalf of the thousands of free port volunteers who have sacrificed much for the project. He apologized to the people who have been inconvenienced by his lengthy interpellation and thanked Senator Villar, Senate President Drilon and the rest of the members for bearing with him.

NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

Upon motion of Senator Villar, there being no objection, the budget of the National Economic and Development Authority was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, there being no objection, the Chair declared the session suspended until ten o'clock in the morning of the same day.

It was 12:43 a.m.

RESUMPTION OF SESSION

At 10:26 a.m., Friday, February 4, the session was resumed with Senate President Pro Tempore Flavio presiding.

COMMITTEE REPORT NO. 10 ON HOUSE BILL NO. 3154

(Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration,

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on Second Reading, of House Bill No. 3154 (Committee Report No. 10), entitled

AN ACT APPROPRIATING FUNDS
FOR THE GOVERNMENT OF
THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY
ONE TO DECEMBER THIRTY-
ONE, TWO THOUSAND FIVE, AND
FOR OTHER PURPOSES.

OFFICE OF THE PRESIDENT

Thereupon, Senator Villar presented for the Body's consideration the budget of the Office of the President.

**INTERPELLATION
OF SENATOR PIMENTEL**

Preliminarily, Senator Pimentel pointed out that one of things bothering a lot of Filipinos is that the government has allowed credit raters to just ride roughshod over the rights of the people. For instance, he cited the downgrading by Standard and Poor's of the country's credit rating, the consequence of which, according to DBM Secretary Boncodin, would cost an additional P20 billion to P30 billion in terms of interest payments alone. He declared that it is about time that the Philippine government invoked its right to stand up and fight, as what Germany, Japan, Malaysia and India did, against these credit rating agencies whose reliability even in Europe is beginning to be questioned. He then inquired what kind of response the Office of the President was preparing in light of reports that the country would again be downgraded.

In reply, Senator Villar agreed with Senator Pimentel that the Executive Branch seemed to be very afraid of these credit rating agencies which, he surmised, could be doing the credit rating to compel the government to undertake so-called "charges" or "reforms" so that it could pay its loans to its creditor-countries, the same countries whose interests these credit raters represent and where they are based.

He further agreed that the country should do what Malaysia did and that the government should undertake reform measures not to satisfy these credit raters but to put its finances in order and improve the lives of the people. He surmised, however, that the reported downgrading may not be

forthcoming because credit rating agencies seemed to have recognized and taken seriously the steps that the government is taking to address its financial problems.

Senator Pimentel pointed out that even the United States itself, through the Senate Committee on Government Affairs which conducted an inquiry that was initiated by Sen. Joe Lieberman, has concluded that the people behind these credit rating agencies have no accountability outside of their own corporate boards and they tend to manipulate reports depending "on the way the wind blows" as far as they are concerned. He then proposed the creation of an Asian Credit Rating Association that can protect the economies of the member-countries.

In reply, Senator Villar hoped that officials of the Executive Branch would heed the advice of Senator Pimentel.

On another matter, Senator Pimentel reminded the Body that Myanmar, a blatant violator of human rights of its own people, is scheduled to assume the chairmanship of Asean in 2006. Believing that the Asean is committed to the principles of democratic dialogue, he urged the Executive branch to push for the disqualification of Myanmar to chair the Asean. He argued that interference in the internal affairs of Myanmar is justified because there were already instances when a member of Asean interfered in the internal affairs of another country, citing Singapore's former Prime Minister Lee Kuan Yew who called on Indonesia to do something about the fire going on in its forest since its smoke pollution was overpowering the people of Singapore. He also recalled that President Fidel V. Ramos, during his incumbency, tried to put a demarcation line between an outright endorsement of the way the generals in Myanmar composing the State Law and Order Restoration Council (SLORC) rule their country and a position of distance as a way of pressuring Myanmar to restore democracy in that country. He opined that pushing for the disqualification of Myanmar to chair the Asean would go a long way towards the restoration of democratic processes in that country. He expressed hope that the Executive would find merit in his proposal.

Senator Pimentel recalled that during the deliberations on the budget of the DOTC, he was told that the department was no longer DOTC but DOT; the C (Communications) was dropped and it

fell into the lap of the Office of the President. He then asked who is now in charge of communications.

In reply, Senator Villar explained that the change was pursuant to Executive Order No. 269 which placed together information technology (IT) and communications in one commission under the Office of the President in line with the strategy of pursuing ICT development in the country and recognizing the need to converge information technology with communications. He named Secretary Peña as the one in charge of communications.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 10:45 a.m.

RESUMPTION OF SESSION

At 10:45 a.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE OFFICE OF THE PRESIDENT

After conferring with the Senate Minority Leader and the Chairman of the Committee on Finance, upon motion of Senator Pangilinan, there being no objection, the budget of the Office of the President was deemed submitted.

Thereafter, Senator Villar said that he was ready to present for consideration of the Body the budget of the Commission on Information and Communications Technology (CITC).

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 10:46 a.m.

RESUMPTION OF SESSION

At 10:47 a.m., the session was resumed.

RECONSIDERATION OF THE SUBMISSION OF THE BUDGET OF THE OFFICE OF THE PRESIDENT

Upon resumption, upon motion of Senator Pangilinan, there being no objection, the Body

reconsidered the submission of the budget of the Office of the President.

The Chair recognized Senator Enrile for his interpellation.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile how much is the total budget of the Office of the President, Senator Villar replied that it is P3.4 billion for 2005.

As to the other funds which could be disbursed by the Office of the President, Senator Villar cited the Contingent Fund of about P800 million and the Social Fund of P1.48 billion which comes from the Philippine Gaming and Amusement Corporation (Pagcor). He clarified that there was no transfer of funds from the Philippine Charity Sweepstakes Office (PCSO) to the Office of the President.

Asked about the estimated half a billion pesos that was contributed by businessmen and private people for the calamity victims of the province of Quezon, Senator Villar said that the said fund went straight to the National Treasury but it was not included in the 2005 budget for disposition. As to when the fund is going to be used, he said that according to the Department of Finance, there are no guidelines yet on how and where it would be spent. He further clarified that for 2004, the Contingent Fund amounted to P800 million, the same amount being proposed for 2005.

As to the reason for proposing the same amount when the problems are supposed to vary every year, Senator Villar surmised that it could be the difficulty of predicting calamities.

On whether the amount was exceeded last year and if so, where the concerned agencies got the money to cover the deficiency, Senator Villar explained that it was not enough but the concerned agencies had to make do with what was allotted, although they could request from the DBM additional funds in cases of emergency. But Senator Enrile asked if there was a statute that would authorize DBM to increase the fund.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 10:56 a.m.

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RESUMPTION OF SESSION

At 11:01 a.m., the session was resumed.

Senator Villar admitted that in 2004, the Contingent Fund was actually exceeded since releases reached P1.252 billion, or an excess of P450 million. He said that the additional amount released by the DBM was taken from the savings of the Executive Department.

Senator Enrile then requested the identification of the department or agencies from which the additional fund of P400 million was drawn so that he could assess whether or not the efficiency of these government entities was affected by such transfers of funds.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:04 a.m.

RESUMPTION OF SESSION

At 11:04 a.m., the session was resumed.

Senator Enrile further requested that the officers of the agencies from which the excess of P450 billion was drawn be identified so that he could evaluate whether these transfers enhanced or affected their performance.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:05 a.m.

RESUMPTION OF SESSION

At 11:12 a.m., the session was resumed.

In reply, Senator Villar said that of the P452 million increase, P214 million came from the 2004 savings realized from the Calamity Fund, which was P238 million.

Responding to further queries of Senator Enrile, Senator Villar stated that there is a Calamity Fund of P700 million in the proposed budget and

Contingency Fund of P800 million, both of which are outside of the P3,404,000,000.

Asked why the P214 million savings from the Calamity Fund were not used for calamities in 2004, Senator Villar replied that the President opted to use the P238 million for contingency which, he surmised, could be for activities similar to calamities.

To the suggestion of Senator Enrile to just lump the two funds into the Contingent Fund since calamities are actually contingent events, Senator Villar replied that the nature of the two funds may not be exactly similar. But Senator Enrile pointed out that in 2004, an additional P214 million from the Calamity Fund was added to the P800 Contingent Fund.

Senator Villar explained that the amount of P214 million was the total savings from the Calamity Fund in 2004, and that the balance of P452 million came from the savings derived from the abolished agencies under the Office of the President. He said that there were a total of 32 abolished agencies, some of which were as follows; Inter-Agency Committee on Intellectual Property Rights, Mindanao Rail System Task Force, Presidential Committee on Flagship Programs and Projects, Program Office for the Central East Asia Growth Circle, Philippine International Film and Television Office, Lingayen Gulf Coastal Area Management Commission, Mt. Makiling Reserved Area, Laguna de Bay Commission, Presidential Commission on Rizal, Laguna, Aurora, Quezon Growth Area, Banaue Rice Terraces Task Force, Bicol Tourism Special Development Project Commission, Vigan Heritage Village Commission, Aklan Provincial Tourism Special Development Task Force, Sulu Development Task Force, and Central Mindanao Development Task Force.

Senator Enrile then asked for the submission of the list of abolished agencies because based on a report he received, there were 14 abolished agencies in the Office of the President, namely; Agno River Basin Development Corporation, Atlas Commission, Movie and Television Review and Classification Board Appeals Committee, Official Development Assistance Absorption Office, Office of the Presidential Adviser on Agricultural Modernization, Public/Private Sector Task Force to Coordinate Philippine Participation in Postwar Reconstruction of Iraq, Office of the Presidential Adviser for Constitutional Reforms, Office of the Presidential Adviser

for Strategic Projects, Presidential Commission for the Central Luzon Projects, Presidential Commission for the Central Luzon Blot Corregidor, Office of the Anti-Smuggling Presidential Adviser, Northern Luzon Development Plan Management Office, Presidential Assistant for Mindanao, Bipartisan Executive-Legislative Advisory Council on the Sabah Issues, Office of the Presidential Adviser on Special Concerns. He noted that the abolition of these agencies resulted in a total savings of P98,016,443.

Senator Villar clarified that what he had cited were agencies abolished pursuant to Executive Order No. 72 dated February 11, 2002 and that there were other executive orders abolishing certain agencies, mentioning Executive Order No. 80 dated March 11, 2002.

Senator Enrile requested that he be furnished with copies of the executive orders that abolished certain offices.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session

It was 11:22 a.m.

RESUMPTION OF SESSION

At 11:22 a.m., the session was resumed.

Senator Enrile noted that the offices under the Office of the President have a total allocation of P1,104,957. He then asked whether the abolished agencies were no longer included in the proposed budget. Senator Villar replied in the affirmative.

Senator Enrile then requested Senator Villar to read into the record the 14 offices under the Office of the President that had been abolished.

SUSPENSION OF SESSION

Upon motion of Senator Villar, there being no objection, the session was suspended.

It was 11:25 a.m.

RESUMPTION OF SESSION

At 11:25 a.m., the session was resumed.

Senator Villar informed the Body that the Information Technology and Electronics Commerce Council was abolished per Executive Order No. 334, dated July 20, 2004; the Office of the Presidential Adviser for Regional Affairs was abolished per E.O. No. 354, dated August 30, 2004; and the 14 offices abolished under the Office of the President were under E.O. No. 357, dated September 14, 2004.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:28 a.m.

RESUMPTION OF SESSION

At 11:29 a.m., the session was resumed.

Senator Enrile disclosed that in 2004, the Contingency Fund of the President was P800 million but P1.250 billion was spent, leaving a deficit of P452 million. He then asked the Committee to submit a breakdown of how this deficit was funded. He likewise requested that if the funds came from savings derived from the abolished offices, the listing should indicate the date and year when these offices were abolished.

As regards the Calamity Fund of P700 million for the year 2004, from which P214 million was saved to augment the Contingency Fund of the President, Senator Enrile noted that there was a balance of P486 million. He then asked what the calamities were for which the amount was spent. Senator Villar replied that the nature of expenditure was as follows: 1) Quick Response Fund, P233 million; 2) repair/rehabilitation of buildings, P6 million; 3) repair/ rehabilitation of roads and bridges infrastructures, P40 million; 4) repair/rehabilitation of water system and flood control, P13 million; and 5) rescue and relief operations, P62 million, all totaling P485,815,000.

For the current year, Senator Enrile noted that the amount of P800 million was allocated for the President's Contingency Fund; P700 million for Calamity Fund; and P1.448 billion for Social Fund, which are outside of the budget request of P3.404 billion. He then inquired if these are conservative or liberal estimates. He likewise asked why the Contingency Fund was not increased considering

that it exceeded the estimate by a very large margin of almost 50% in 2004. Senator Villar replied that the President probably wanted to increase it but because of limited funds, she had to settle for the earmarked amount.

As to why the President did not reduce her Calamity Fund for the current year considering that she did not use all of it last year, Senator Villar replied that it would be very difficult to predict which fund would be used more or less. There might be a year where the Calamity Fund would be used more than the Contingency Fund, and vice versa, he added. Since both funds are used for the same purpose, Senator Enrile then suggested to combine the two funds under one nomenclature, instead of juggling the figures from one item to the other. Senator Villar proposed that both funds be named the "Calamity and Contingency Fund."

Senator Enrile asked why the Office of the President is given an intelligence fund when it is not an intelligence gatherer, but an intelligence user. According to him, the President does not have intelligence operators to get information from, but she has the entire bureaucracy as a source of intelligence for herself. He cited the intelligence information from the intelligence service of the police organization, from other departments, and even the Central Intelligence Agency. He recalled that during his time in the defense department, they used to be briefed by the CIA, and were even provided with satellite photos of sensitive global information. In reply, Senator Villar argued that the President, being the commander-in-chief of the AFP, and knowing her wisdom and impartiality, allocates a portion of her intelligence fund to agencies as the need arises. Senator Enrile countered that intelligence funds should not be given to the President who, in turn, gives *ex gratia* to whichever agency she wants. He stressed that it is the function of Congress to give the fund to the rightful users, the gatherers of information.

Senator Enrile admitted that in a way, he was responsible for such anomaly. He recalled that in the previous Congress, he cut the proposed amount to be used to pay the indebtedness of the government to SGS. Since the cut was approved, they had to allocate the amount, he said. In addition, he pointed out that he caused the abolition of the entire item and transferred it to some other users. He stated that he allocated P0.5 billion to PAOCTF,

the disposition of which he placed under the Office of the President in order to safeguard its usage and to have a check-and-balance. But he believed that this was misunderstood because everyone who had served in the defense department knew that the President is being provided with intelligence material.

In the area of the Confidential Fund, Senator Enrile agreed that the President is entitled to it, and that she can, in fact, transfer it from the entire bureaucracy under her command, as stipulated in the special provisions of the budget. But he noted that there was no such provision before. He recalled that he used to be a disbursing officer of Malacañang for Confidential Fund, and he knew how these were sourced. He opined that such fund must be removed from the budget of the President to isolate her from any suspicion because these funds are liquidated with just a sealed envelope.

On the other offices under the Office of the President that are being funded by the P3.4 billion allocation, Senator Villar replied that the following are included in the locally funded projects: Mindanao Economic Development Council, with a budget of P25.5 million; North Luzon Growth Commission, P15 million; Office of the Presidential Adviser on the Peace Process, P99 million; Office of External Affairs, formerly the Office of the Presidential Adviser for Regional Development, P64 million; Presidential Anti-Graft Commission, P18.5 million; and repair list of air transportation equipment, P300 million.

Senator Enrile questioned the many advisers appointed by the President when she has a Cabinet to rely on and the line departments that are supposed to give advice to her. He opined that these many appointments are a drain on the financial resources of the government. He also urged the changing of the system of giving the Office of the President and even the Office of the Vice President the function of intelligence which, to him, duplicates the efforts done by the military and the PNP.

SUBMISSION OF THE BUDGET OF THE OFFICE OF THE PRESIDENT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Office of the President was considered submitted for the Body's consideration.

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COMMISSION ON INFORMATION AND COMMUNICATIONS TECHNOLOGY

Thereupon, Senator Villar presented the proposed budget of the Commission on Information and Communications Technology (CICT).

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel inquired whether the Commission has jurisdiction over telephone companies. Senator Villar replied that telephone companies are under the jurisdiction of the National Telecommunications Commission (NTC).

Senator Pimentel then asked for a clarification of the functions of the CICT.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:50 a.m.

RESUMPTION OF SESSION

At 11:50 a.m., the session was resumed.

Senator Villar clarified that the NTC, a quasi-judicial regulatory agency that has jurisdiction over telephone companies, is under the CICT.

Senator Pimentel asked if the CICT could speak for the NTC.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:51 a.m.

RESUMPTION OF SESSION

At 11:52 a.m., the session was resumed.

Senator Villar explained that although the NTC is now under the CICT, under the proposed budget, the NTC is still under the Department of Transportation and Communications (DOTC), whose budget would be presented by Senator Arroyo.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:52 a.m.

RESUMPTION OF SESSION

At 11:53 a.m., the session was resumed.

Senator Villar clarified that the head of the CICT could speak for the NTC.

Asked to explain the powers and functions of the CICT, Senator Villar stated that the CICT has as its power and functions the following: 1) digital infrastructure development 2) implementation of E-government and computerization of government services; 3) human resources development on computer literacy; 4) information and communications technology (ICT) development for global competitiveness; and 5) ICT policy and regulatory reforms.

Given the functions of the CICT to which the NTC is attached, Senator Pimentel inquired if there is an agency where the people, particularly the mobile phone users, could bring their complaints about the abuses committed by telephone companies. He informed the Body of the numerous complaints he received from mobile phone users who were made to bear the cost of unsolicited advertisements sent by mobile phone companies in the form of deductions from the prepaid credit or "load" of the individual cellphone user. He denounced the practice as fraudulent trade practice and he insisted that concrete actions be taken by NTC to stop it.

Senator Villar concurred, citing other complaints against telephone companies such as the drop call rates and the huge gap in overseas phone calls. He urged the NTC to protect the consumers' interests rather than the interests of the mobile phone companies.

Senator Pimentel pointed out that mobile phone companies are such powerful entities that they were even able to block the LEDAC proposal to raise the taxes on cellphones. He suggested that the NTC should appear before the Senate, which is the only body that can stand up against this powerful sector, to explain its plan of action to protect the consumers.

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In addition, he demanded to know why there is an attempt to prevent the use of higher technology that would allow people to place overseas calls from their personal computers. Such technology should be encouraged and not banned, he said.

Agreeing with Senator Pimentel, Senator Villar said that the ban would deprive eight million overseas Filipino workers the opportunity to call their loved ones and relatives in the country at cheaper rates. He also joined Senator Pimentel in calling on the NTC to put the interest of the consumers first.

Senator Pimentel then asked what the stand is of Secretary Peña, being the policy director of the development of technology, on the use of the voice-over internet protocol.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 12:08 p.m.

RESUMPTION OF SESSION

At 12:08 p.m., the session was resumed.

In reply, Senator Villar stated that according to Secretary Peña, the NTC should encourage the use of the new technology since it involves the internet which is not covered by RA 7925 (Telecommunications Act).

He surmised that the telecom companies wanted this voice-over internet protocol to be regulated because they could be classified as voice communication which, under the law, is subject to regulation. But Senator Pimentel argued that not every voice communication falls within the purview of RA 7925. He cautioned that there must be a clear interpretation of the law because involved here are very powerful interests in the country who could destroy anyone who is against them.

As to the name of the NTC commissioner, Senator Villar replied that it is Ronald Solis. He acceded to Senator Pimentel's requests for the bio-data of Mr. Solis, his background and what companies he might have had connections with.

INTERPELLATION OF SENATOR ROXAS

Asked by Senator Roxas to describe the nature of CICT which was created pursuant to EO 269, Senator Villar enumerated the strategic directions which CICT is mandated to pursue: 1) digital infrastructure development; 2) implementation of E-government/computerization of government services; 3) human resource development (computer literacy program); 4) ICT industry development for global competitiveness; and 5) ICT policy and regulatory programs. Further, he stated that under the commission are two offices — National Computer Center and the Telecommunications Office — and it has two attached agencies — the National Telecommunications Commission and the Philippine Postal Corporation. But he clarified that the CICT Commission is neither a member of NTC nor a member of the board of the Philippine Postal Corporation.

He agreed with Senator Roxas that insofar as CICT's relationship with NTC and Philpost is concerned, there is neither a line of responsibility nor a line of authority.

Asked what the authority of the CICT over the E-government fund which is P1 billion for 2005, Senator Villar explained that the CICT receives various proposals from government agencies and after reviewing them, it endorses the projects it feels are meritorious to the DBM for funding.

Senator Roxas remarked that the CICT is the all-encompassing, all-knowing, all-determining omnipotent body that determines all spending by government agencies in the area of information and communications technology. He then asked what separates projects that line agencies can undertake and projects that must pass through the CICT.

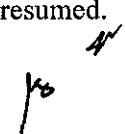
SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 12:25 p.m.

RESUMPTION OF SESSION

At 12:29 p.m., the session was resumed.



SUSPENSION OF CONSIDERATION ON THE BUDGET OF THE COMMISSION ON INFORMATION AND COMMUNICATIONS TECHNOLOGY

Upon motion of Senator Pangilinan, there being no objection, the Body suspended consideration of the budget of the Commission on Information and Communications Technology.

THE JUDICIARY

There being no interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Judiciary was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the Chair suspended the session until two o'clock in the afternoon.

It was 12:33 p.m.

RESUMPTION OF SESSION

At 2:10 p.m., the session was resumed with Senate President Pro Tempore Flavio Reyes presiding.

OFFICE OF THE PRESS SECRETARY

Senator Villar presented the budget of the Office of the Press Secretary.

INTERPELLATION OF SENATOR PIMENTEL

Asked to identify the officials who speak on behalf of the President, Senator Villar said that these are Press Secretary and concurrent Presidential Spokesperson Ignacio Bunye and Nonong Afable, the communications director. Senator Pimentel interjected that Secretary Bunye was doing a good job.

On whether sequestered media companies are placed under the jurisdiction of the Press Secretary, Senator Villar said that there is a group on government media headed by Cerge Remonde which is tasked to privatize these companies. Senator Pimentel asked when Mr. Remonde would make his appearance before the Body.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 2:13 p.m.

RESUMPTION OF SESSION

At 2:13 p.m., the session was resumed.

Senator Villar said that the budget of government media is under the Office of the Press Secretary.

As a member of the opposition, Senator Pimentel aired his concern over the unfair treatment they had received from sequestered media firms in the last elections; as such, he wanted to know whether Secretary Remonde would be able to answer this query. For his part, Senator Villar said that he had been given assurance by Secretary Bunye that the opposition would be treated fairly by the sequestered firms.

Senator Pimentel opined that fair and equal treatment of all electoral candidates is a matter of law and not a favor to be granted by the Office of the Press Secretary. Unless he receives a categorical response to this issue, he said that he would scrutinize any avenue that would level the playing field for the Opposition. Senator Villar pointed out that the People's Journal firm has been returned to its former owners by virtue of a Supreme Court order. Moreover, he said that the OPS has started a program, "Legislator's Hour," which is open to members of the Opposition and the administration.

Upon further queries, Senator Villar said that Cerge Remonde is in charge of privatizing sequestered media entities such as the Philippine Journal firm. In lieu of Mr. Remonde, he said that the legal counsel of broadcast firm RPN would be willing to answer questions on the matter. Senator Pimentel clarified that his queries shall be on policies made by the board or its head. Senator Villar expressed willingness to defer consideration of the budget of the OPS until Mr. Remonde shall have appeared. However, Senator Pimentel stated that he had no objection to the approval of the OPS budget, insofar as the office of Mr. Bunye is concerned; he only had reservations about the office headed by Mr. Remonde.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 2:20 p.m.

RESUMPTION OF SESSION

At 2:20 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE OFFICE OF THE PRESS SECRETARY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Office of the Press Secretary was deemed submitted for the Body's consideration, subject to the appearance of Mr. Cerge Remonde within the day.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 2:20 p.m.

RESUMPTION OF SESSION

At 2:25 p.m., the session was resumed.

AUTONOMOUS REGION OF MUSLIM MINDANAO

Senator Villar presented the budget of the Autonomous Region of Muslim Mindanao (ARMM).

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel noted that the proposed budget of the ARMM is too meager to address the basic concern of the ARMM and the people of Mindanao. Moreover, he opined that Basilan and Marawi were not included in the budgetary proposal as the current budget is a reenactment of the 2003 and 2004 general appropriations. As such, he suggested that a supplemental budget be required for this purpose. However, he said that he was willing to adopt the proposed budget with a collatilla that the matter be brought to President Gloria Macapagal Arroyo's attention.

While lauding the performance of ARMM Governor Parouk Hussein, Senator Pimentel

nevertheless noted that Mr. Hussein could not develop the ARMM without the support of the central government. Further, he pointed out that its 25,000 employees is a huge overload that should be reduced as government cannot allocate so much money to sustain government workers. He conceded that the local government can provide livelihood for residents by employing them in the service, but he believed that private business is the true engine of growth in any developing democracy. Thus, he said that the problem of law and order in the ARMM is also intimately linked with the development of the country.

Senator Villar agreed with Senator Pimentel that the ARMM deserves a higher budget. However, he emphasized that this year's budget is indeed tight and the increase would go mainly to debt service and IRA. He said that much as the Committee wanted to increase the ARMM budget to address the problem in Mindanao, it is impossible to do so at this point.

Senator Pimentel asked if the Committee could request the Office of the President and the DBM to address the shortfall, particularly for Basilan and Marawi City. Senator Villar replied that the Committee would communicate the request to the President and the DBM.

Senator Pimentel also requested the Committee to ask the President not to appoint the ARMM governor as ambassador to any country in view of a reported move to get him out of the ARMM through such devious means. Senator Villar replied that the Committee would do likewise.

SUBMISSION OF THE BUDGET OF THE AUTONOMOUS REGION OF MUSLIM MINDANAO

Upon motion of Senator Pangilinan, there being no objection, the budget of the Autonomous Region of Muslim Mindanao (ARMM) was deemed submitted for the Body's consideration, subject to compliance with the requests of Senator Pimentel.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 2:33 p.m.

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RESUMPTION OF SESSION

At 2:40 p.m., the session was resumed.

DEPARTMENT OF AGRARIAN REFORM

Senator Villar presented the budget of the Department of Agrarian Reform (DAR).

INTERPELLATION OF SENATOR MADRIGAL

Asked by Senator Madrigal why the name of the Department of Agrarian Reform (DAR) was changed to the Department of Land Reform (DLR), Senator Villar replied that it was changed by virtue of Section 1 of Executive Order No. 364 issued by the President in the exercise of her authority to reorganize the offices under the Executive branch pursuant to the Administrative Code of 1987. He clarified that attachment of the two agencies – the Philippine Commission on Urban Poor and the National Commission for Indigenous People – to the DAR necessitated the change of the department's name from Department of Agrarian Reform to Department of Land Reform.

On whether the budget being presented is for agrarian reform only, Senator Villar replied that it is the budget of the old DAR. He clarified that the budgets of the NCIP and PCUP are still under "Other Executive Offices," that would be tackled separately because the budget submission was made before the executive order was signed.

Senator Madrigal asked whether the other lands aside from agrarian lands are subject to land reform under the DLR.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 2:43 p.m.

RESUMPTION OF SESSION

At 2:44 p.m., the session was resumed.

Senator Villar clarified that there is no change in the functions of DAR.

Adverting to page 16 of the National Expenditure Program, on Land Use Management and

Development, Senator Madrigal noted that the funds allocated are for the following purposes: Support to operations – P11.785 million; Operations – P50.858 million. She asked what the program is for.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 2:48 p.m.

RESUMPTION OF SESSION

At 2:50 p.m., the session was resumed.

Senator Villar stated that the P49 million was used by DAR for its regular survey; the P11 million land use management and land development fund for delivering services; and the P50 million for surveying. He stated that the DLR would be surveying 742,000 hectares of land in 2005.

Asked on the geographic distribution of the survey, Senator Villar said that the bulk would be done in Negros, Camarines Sur, Iloilo, and the rest of Bicol. He affirmed that the survey is on agricultural lands.

Senator Madrigal asked why it costs so much to delineate agricultural lands that are subject to land reform. Senator Villar stated that the cost involves the documentation of ownership and delineation of the boundaries which is complicated. He opined that the DAR is doing a more detailed survey that involve delineation of boundaries and parceling.

Upon query of Senator Madrigal, Senator Villar replied that DAR has been in existence for 42 years.

Asked if the department surveys agricultural land every year during its 42 years of existence, Senator Villar replied that surveys started in 1988. He admitted that the DAR has been slow in surveying agricultural lands.

On another matter, Senator Madrigal asked if the DLR budget covers the NCIP budget. Senator Villar replied in the negative.

Senator Madrigal said that during the last hearing of the Committee on Cultural Communities, she learned that the NCIP budget does not have sufficient funds to survey and map out ancestral

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domains. Senator Villar confirmed that the NCIP had not been provided with enough funds to conduct its own surveys.

Asked if the DLR could realign a portion of its budget to the NCIP so that it could conduct its own studies on ancestral domain, Senator Villar stated that it was the intention of the Secretary of the DAR to realign some funds to NCIP. He said this is one of the reasons why the NCIP was attached to the department.

As to the legal basis for the inclusion of ancestral domain under the land reform program, Senator Villar replied that it is Executive Order No. 364.

Senator Madrigal expressed concern that the executive order raises constitutional questions that should be settled.

As to the IRR governing the attachment of the NCIP to the DLR, Senator Villar said that the department was still in the process of finalizing it. He expressed hope that it would be finished by March 2005. He acceded to the request to furnish each senator with a copy of the IRR.

Asked on the position of the DLR on the issue of ancestral domain, Senator Villar said that the department was delineating the ancestral land.

At this juncture, Senator Madrigal asked if it is the duty of Congress alone to delineate such lands since they had already been delineated in the law. She asked on the authority of the DLR to manage the ancestral domain. Senator Villar said that the DENR has a budget of P2.5 million for the delineation of ancestral domain.

Senator Madrigal said that nobody knows the ancestral land better than the indigenous peoples themselves. She wondered why the DENR is being tasked to do the job. Senator Villar noted that it is a policy issue and a question of how much authority the Senate should give the NCIP relative to the DAR. He said that DENR and DAR are pillars of the government program and that it is not easy to make a clear delineation between them. He said that there might be a need for the Supreme Court to clarify the issue.

Senator Madrigal contended that by virtue of an executive order, the NCIP was initially placed

under the control of the DLR but shortly afterwards, the executive order was amended so that the NCIP became an attached agency of the DLR, thereby retaining its own independence.

Asked on the function of the DLR with respect to ancestral domain, Senator Villar clarified that it coordinates policy and provides expertise where the NCIP lacks it.

As to the qualifications of DAR to look into the concerns of the indigenous peoples, Senator Villar stated that at the very least, DAR has been conducting surveys which the NCIP cannot do.

Upon further queries of Senator Madrigal, Senator Villar stated that in the past, it had been difficult for the NCIP, being a separate agency, to participate in the survey. He opined that one of the intentions of bringing the agencies together is to have a smoother coordination.

On the rights of indigenous peoples to ancestral domain, Senator Villar pointed out that there are laws that govern the rights of the indigenous peoples to ancestral domain; but there are also laws that protect the land owned by farmers. He said that concerned parties can only rely on and respect existing laws and they can go to court for the resolution of conflicting claims over land.

Senator Madrigal argued that the principle of land reform, as regards agricultural land, came into being because people wanted an equitable distribution of land. She said that the indigenous peoples already own the land collectively but the land, in some instances, is still subjected by government to land reform.

Senator Villar clarified that the indigenous peoples would identify their lands and the DAR would provide technical support like helping in the surveys. He shared the apprehension of Senator Madrigal that the indigenous peoples might not get what is due them.

Senator Madrigal disclosed that indigenous peoples have been coming to her office weekly, such as the Atis, numbering 200 families in Boracay's forest land, who are being kicked out without a relocation plan because government has absolutely no funds to relocate them.

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Asked on the revenues of the DLR for 2005, Senator Villar gave the following breakdown:

	2004	2005
Fees	P115,000	P118,000
Interest Income	P921,000	P930,000
Interest on Treasury Notes and Bills	P3,084,000	P3,115,000

He added that the dividend on stocks is P32,000; miscellaneous revenues, P4.619 million; Special Account in the General Fund, P1.2 million. He said that total revenue for 2004 was P9.7 million and is expected to be P10 million for 2005.

Asked on the P4 million miscellaneous revenues, Senator Villar said that these include fees as a result of its regulatory functions such as land conversion and land exemption fees. He said that the income of the DLR is remitted to the Treasury.

On whether the DLR land use management and development program incorporates environmental considerations, Senator Villar said that the budget is only for surveys. He agreed to the proposal for the DLR to work with environmental advice during the survey.

As regards the management of the funds of DLR, Senator Madrigal adverted to the COA Report for 2003, to wit:

There are unliquidated cash advances totaling P956,596,556.00 most of which are aged more than one year. Until liquidated, these long-standing advances served to overstate the total receivable when, in fact, most of these amounts had been expended for the purpose for which they were given.

These unliquidated advances account for 80% of the total receivable's balance.

Senator Madrigal asked why the DLR allowed the cash advances to remain unliquidated.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:19 p.m.

RESUMPTION OF SESSION

At 3:20 p.m., the session was resumed.

Upon resumption, Senator Villar said that the DAR does not implement all the projects assigned to it; normally, it gives the funds to the other agencies like DPWH for roads, NIA for irrigation, and DA for agricultural projects; unfortunately, the departments have not liquidated these funds. He agreed that this is not a healthy accounting practice because the DAR has to go out of its way to ask the various agencies to liquidate immediately; otherwise, these would keep on appearing in the COA report.

Asked if the DLR had initiated the appropriate remedies to collect from or used legal action against the accountable agencies, Senator Villar replied in the affirmative. He said that if the accomplishment reports are submitted to DLR and the expenses are liquidated, then the books are adjusted accordingly.

According to the same COA report, Senator Madrigal said that the DLR had outstanding receivables of P1,198,804,224 inclusive of the amount of P20,276,084 due from officers and employees consisting of cash advances for local travel expenses, PLDT personal calls, local scholarship and education support program. She asked why the DAR has been tolerating such practices. Senator Villar said that DAR Regions IV, VI, VII and IX have already directed their respective accountants to make the necessary adjustment of entries to be effected in the June 2004 trial balances to correct the balances of the accounts.

On the reported investments totaling P29.1 million in 2003, Senator Madrigal said that the COA reported that these were not sufficiently documented; likewise, investments totaling P36 million were dropped from the books without the required authority to write them off. She asked why the DAR did not sufficiently support these with the necessary documents.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:24 p.m.

RESUMPTION OF SESSION

At 3:25 p.m., the session was resumed.

Senator Villar revealed that the amount actually started at a much higher level. He said that the effort of the accountant of DAR Region IX to locate the needed documents proved futile as some documents were either destroyed due to wear and tear or by termites when the office transferred from one building to another in the late 1990s. Likewise, he said that despite efforts to collect some amounts with supporting documents, these have remained uncollected, hence the request to transfer them to the Registry of Dormant Accounts. He said that Regional Office XI was still reconciling the difference between its general ledger and subsidiary ledger accounts.

Asked on the nature of the P29 million worth of investments, Senator Villar said that the DAR was still in the process of validating them. Senator Madrigal asked if anyone in the DAR knows the nature of the investments and why P36 million was written off from the books without the required authority.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:28 p.m.

RESUMPTION OF SESSION

At 3:29 p.m., the session was resumed.

Senator Villar said that the DAR Central Office was still in the process of investigating why Region XI is unable to reconcile the difference between the general ledger and the subsidiary ledgers. He said it is possible that the matter is merely a reconciliation issue.

Senator Madrigal remarked that she would not suspend her interpellation, pending the submission of the documents. She added that she would be watching the movements of the DLR with regard to the indigenous peoples.

Replying to queries, Senator Villar stated that the DLR does not have intelligence and confidential

funds, adverting to a previous agreement among the senators to review and remove all intelligence and confidential funds from the budgets of agencies.

SUSPENSION OF SESSION

Upon motion of Senator Madrigal, the session was suspended.

It was 3:31 p.m.

RESUMPTION OF SESSION

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

As regards the P4.446 million fund for 2004, Senator Villar said that it is broken down as follows:

Department Secretary	P180,000.00
Undersecretary	65,000.00
Assistant Secretary	35,000.00
Bureau Head	30,000.00
Bureau Regional Director	18,000.00

He pointed out that the extraordinary fund is applicable to all branches of the government, including the Judiciary, and is expended pursuant to DBM guidelines.

Asked about utility expenses amounting to P63 million in 2003, Senator Villar clarified that the amount was used for water, power, janitorial and security services nationwide.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:36 p.m.

RESUMPTION OF SESSION

At 3:37 p.m., the session was resumed.

Replying to the queries on which got the biggest chunk for utility expense, Senator Villar replied it is power (40%) and security (35%). He stated that there are security guards in all DLR offices nationwide.

As regards the Survey Cost Expenses of P105 million, Senator Villar replied that survey cost per hectare is P12,000.

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SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:40 p.m.

RESUMPTION OF SESSION

At 3:42 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:43 p.m.

RESUMPTION OF SESSION

At 3:45 p.m., the session was resumed.

Replying to the query regarding the survey fund, Senator Villar clarified that in 2004, the allocation was P227 million; and in 2005, P270 million.

As regards the National Mapping and Resources Information Agency (NAMRIA), Senator Villar explained that the agency is under the DENR and is tasked to do cadastral survey.

Asked if there is no duplication of tasks, Senator Villar clarified that NAMRIA surveys political boundaries while the DLR surveys detail on land use.

On the standards used in prioritizing geographical areas for survey, Senator Villar explained that the primary criterion is the landholdings targeted for distribution.

The NCIP, he said, has a budget of P2.5 million for this purpose. He stated that while the DLR's budget is insufficient to pursue its objectives, it acknowledges that the NCIP needs more funds but this is something that the DBM should address.

On whether P2,750 per hectare is the best survey price, Senator Villar said that it is the average contract price of the Association of Geodetic Engineers, and the cost of surveys of this magnitude would be difficult to compare to others.

Asked whether the NAMRIA, which conducts land classification activities for segregation and demarcation of areas suitable for agricultural purposes, does not have the same function of the DLR, Senator Villar replied that the DLR only provides the specifics, for instance, the classification, the owner and the size of the property.

On whether it would be possible for the DLR and the NAMRIA to work together, Senator Villar said that this is one objective that the government has failed to do although there are many agencies that gain economies of scale by merging.

Senator Madrigal believed that it is very difficult to reconcile the conflicting mandates of the DLR and the NCIP. Nevertheless, she expressed hope that ancestral lands would not be deemed as agricultural lands and the indigenous people would be allowed to remain in their ancestral domain.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel on the reaction of the DLR Secretary to the criticism that agrarian reform is not working, Senator Villar stated that if the objective is to redistribute land, then agrarian reform is working, but if the objective is to increase the productivity of agriculture, then agrarian reform is not working.

Senator Pimentel recalled that when the provision on agrarian reform was placed in the Constitution, its objective was not only to distribute land, but also to dissipate the causes of social unrest and ensure that the beneficiaries of the agrarian reform are able to stand up on their own. He inquired into the DLR Secretary's assessment of the efficacy of the agrarian reform program in the light of observations that the parceling of land for individual beneficiaries works against economy of scale. Senator Villar stated there is no study to prove or disprove the assertion that parceling of land decreases productivity or output because of lack of economies of scale. He said that a study made by Dr. Celia Reyes of the Philippine Institute for Development Studies (PIDS) revealed that the average nominal income of an agrarian reform beneficiary household is consistently higher than the non-agrarian reform beneficiary household in 1990 and 2000. But he stated that technically, income depends on the crops, some of which do not require economy of scale.

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Senator Pimentel pointed out that the agrarian reform law does not cover the exemptions for huge haciendas from the obligation of parceling lands for distribution, and it was only Hacienda Luisita that was exempt because at that time, the tenant-beneficiaries of the hacienda were given shares of stock. He noted that since the adoption of the law in 1988, the DLR has not even tried to validate the efficacy of the land reform program especially in the light of the persistent criticism that the farms in the country are no longer competitive because they are too small.

Asked whether the DLR administration has considered the concept of "corporate planning" that combines corporate farming and cooperativism, Senator Villar replied that the DLR Secretary is open to the concept but the DLR could not take the initiative because it has to look into proposals first before it could evaluate them.

Senator Villar stated that the Department should be more creative and proactive in finding new approaches to land reform without violating the law.

On whether the DLR administration is embarking on the idea in the immediate future, Senator Villar said that it is open, but it recognizes that the DLR's primary function is to distribute land.

Senator Pimentel stated that the DAR should be more proactive and not just wait for things to happen, pointing out that he had a parcel of land in Misamis Oriental that was taken over by the DAR right after Martial Law, but he has not received a single centavo in payment for said land.

Asked what the present administration plans to do with the DARAB, Senator Villar replied that the Department acknowledges the problem in the DARAB, and it would work to eliminate the backlog by the end of the year.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF LAND REFORM

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Land Reform was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, with the permission of the Body, the session was suspended.

It was 4:14 p.m.

RESUMPTION OF SESSION

At 4:20 p.m., the session was resumed.

DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

Senator Villar presented the budget of the Department of Social Welfare and Development.

INTERPELLATION OF SENATOR MADRIGAL

Senator Madrigal stated that Executive Order No. 15 provides for the redirection of the functions and operations of the DSWD from direct service provider to technical assistance provider and mandates the agency to assist LGUs, NGOs, other government agencies, people's organizations, and other members of civil society in effectively implementing programs, projects and services that would alleviate poverty, and empower the disadvantaged individuals, families and communities for an improved quality of life. She then read into the record EO 15, to wit:

MALACAÑAN

Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 15

REDIRECTING THE FUNCTIONS AND OPERATIONS OF THE DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

WHEREAS, the Department of Social Welfare and Development, hereafter referred to as DSWD, has been transformed from a direct service deliverer to a technical assistance provider as a result of the devolution of basic services to the local government units;

WHEREAS, the DSWD seeks to serve as the national policy and regulatory institution for social welfare and development from which local government units, non-government organizations, and other members of civil society involved in social welfare and development will anchor their thrust and directions;

WHEREAS, to effectively fulfill its refocused mandate, the DSWD is required to undergo changes in its roles, functions, organizational processes, corporate values, skills, technology and structure;

WHEREAS, Section 20, Chapter 7, Title I, Book III of Executive Order No. 292, otherwise known as the Administrative Code of 1997, empowers the President of the Philippines to exercise such powers and functions as are vested in him under law;

WHEREAS, Section 78 of the General Provisions of RA 8522, empowers the President to direct changes in the organization and key positions in any department, bureau or agency;

WHEREAS, Section 80 of the General Provisions of RA 8522 (FY 1998 General Appropriations Act) directs heads of departments, bureaus and agencies to scale down, phase out or abolish activities no longer essential in the delivery of public services;

NOW, THEREFORE, I, JOSEPH EJERCITO ESTRADA, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order the following:

SECTION 1. *Mandate.* -- Consistent with the provisions of the Administrative Code of 1987 and RA 7160 (Local Government Code), the DSWD is hereby mandated to provide assistance to local government units (LGUs), non-government organizations (NGOs), other national government agencies (NGAs), people's organizations (POs) and other members of civil society in effectively implementing programs, projects, and services that will alleviate poverty and empower disadvantaged individuals, families and communities for an improved quality of life.

SEC. 2. *Roles.* -- To fulfill its responsibilities under this mandate, the DSWD shall serve as;

- a) the lead line agency and authority in formulating national social welfare and development policies, plans, programs, and statistics, especially as these relate to family development and poverty groups;
- b) the monitor and evaluator of the implementation of policies, plans and programs on family welfare and

development and poverty alleviation efforts in the social welfare and development sector;

- c) administrator of special social services and social development funds intended to assist disadvantaged individuals, families and communities;
- d) innovator of new strategies on social services and development in identified social laboratories and learning centers;
- e) enabler of LGUs, NGOs, other NGAs, POs and other members of civil society in implementing social welfare and development programs through technical assistance; and
- f) an advocate for social welfare and development concerns, to include disadvantaged families, children/youth, women, senior citizens, persons with disabilities and similarly situated individuals.

SEC. 3 *Powers and Functions.*

-- To accomplish its mandate and roles, the Department shall:

- a) Formulate, develop and promote policies, plans, programs and projects in the field of social welfare and development;
- b) Undertake researches and studies and adopt policies to ensure the effective implementation of public and private social welfare and development programs.
- c) Initiate, promote and maintain bilateral and multilateral linkages for technical cooperation, in coordination with the Department of Foreign Affairs;
- d) Deputize law enforcement agencies in the implementation of laws, rules and regulations for the protection of the rights of the exploited, abused and disadvantaged;
- e) Regulate fund drives, public solicitations and donations for charitable or welfare purposes;
- f) Set standards, accredit and provide consultative services to institu-

tions, organizations and persons engaged in social welfare activities and monitor performance on institutions, organizations and person engaged in social welfare activities, both public and private;

- g) Exercise technical supervision over social workers in other government settings or agencies like courts, hospitals, schools and housing projects;
- h) Promote, coordinate, establish, operate and maintain support institutional facilities, projects and services and social laboratories and learning centers for the benefit of its constituents and in furtherance of social welfare and development;
- i) Promote, build and strengthen people's organizations for a self-directing (welfare and development) system at the grassroots level;
- j) Develop and implement training standards and programs for personnel, social workers and students and third-country participants for career and staff development;
- k) Advocate for and disseminate information on social development issues;
- l) Provide augmentation funding and resources to partners in social welfare and development; and
- m) Perform such other functions as may be provided by law.

SEC. 4. *Preparation of a Rationalization and Streamlining Plan.* -- In view of the functional and operational redirections in the DSWD, and to effect efficiency and effectiveness in its activities, the Department shall prepare a Rationalization and Streamlining Plan (RSP) which shall be the basis of the intended changes. The RSP Plan shall contain the following:

- a) the specific shift in policy directions, functions, programs and activities/strategies;
- b) the structural/organizational shift, stating the specific functions and activities by organization unit and the relationship of each of these units;

- c) the staffing shift, highlighting and itemizing the existing filed and unfilled positions; and
- d) the resource allocation shift, specifying the effects of the streamlined set-up on the agency budgetary allocation and indicating where possible savings have been generated.

The RSP shall be submitted to the Department of Budget and Management for approval before the corresponding shifts shall be effected by the DSWD Secretary.

SEC. 5. *Redeployment of Personnel.* -- The redeployment of officials and other personnel on the basis of the approved RSP shall not result in the diminution in rank and compensation of existing personnel and shall take into account all pertinent Civil Service laws and rules.

SEC. 6. *Funding.* -- The financial resources needed to implement the Rationalization and Streamlining Plan shall be taken from funds available in the DSWD, provided that the total requirements for the implementation of the revised staffing pattern shall not exceed available funds for Personal Services.

SEC. 7. *Implementing Authority.* -- Following the approved RSP, the DSWD Secretary, in addition to his/her authority to implement RSP, is hereby authorized to determine the social laboratories/learning centers and other social welfare and development facilities necessary for carrying out the Department's mandate and roles, following strictly the principles of economy, efficiency and effectiveness.

SEC. 8. *Effectivity.* -- This Executive Order shall take effect immediately.

Done in the City of Manila, this 20th day of August in the year of our Lord, Nineteen Hundred and Ninety-Eight.

(SGD) JOSEPH EJERCITO ESTRADA

By the President:

(SGD) RONALDO B. ZAMORA
Executive Secretary

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However, Senator Madrigal noted some discoveries contained in the COA report, to wit:

Honorable CORAZON JULIANO-SOLIMAN
Secretary
Department of Social Welfare and Development
Batasan Pambansa Complex, Constitution Hills
Quezon City

Dear Secretary Soliman:

We are pleased to transmit the Annual Audit Report on the Department of Social Welfare and Development, for the calendar year ended December 31, 2003, in compliance with Section 4, Article IX-D of the Philippine Constitution, and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was made to ascertain the propriety of financial transactions, compliance of the Agency to prescribed laws, rules and regulations, the accuracy of financial records and reports and the fairness of presentation of the financial state-ments. Furthermore, the audit was conducted in accordance with the Generally Accepted Auditing Standards (GAAS) and we believe that it provides a reasonable basis for the results of the audit.

There is a reasonable assurance that the financial statements are free of material misstatement/s and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted accounting principles except for the following:

1. The validity, existence and accuracy of the balances of Property, Plant and Equipment (PPE) accounts amounting to P28.586 billion could not be ascertained due to the unaccounted difference of P51.1M between the books and inventory report in Regions II, IV, VII, IX and XIII and the non-conduct and physical inventory in DSWD-OSEC, Regions VIII and XI. Moreover, in Region VIII, Construction in Progress-Agency Assets amounting to P10.1M and Items-in-Transit account with a balance of P548.2M had long been recorded in the books without movement.

2. Inventory accounts amounting to P113M per accounting records were unreliable due to the unreconciled balance of some inventory accounts between accounting and property records in NCR, Regions II and VII and the inventory accounts of Regional Office Nos. XII and IX amounting to P18.6M, and P6.64M respectively, were overstated due to non-preparation and submission of Reports and Supplies and Materials Issued (RSMI) to the

accounting unit. Moreover, no physical inventory reports were submitted in Regional Offices Nos. V and XI, although physical inventory count were conducted amounting to P2.53M and P4.70M respectively.

3. The Property, Plant and Equipment account was overstated by P23.30M due to the inclusion of Land account held in trust at Regional office No. III.

4. Accounts Payable amounting to P58.2M have remained outstanding for more than two years and were not reverted to Government Equity. Also, no subsidiary records were being maintained for each account. In Region III, the amount of P7.34M was taken up in the books as payables based only on Projects Proposals and/or Memorandum of Agreements with the beneficiaries and in Region X, the balance of Accounts Payable was overstated by P2.53M due to the practice of the agency in recognizing liabilities even when goods and services have not been actually received/delivered.

5. Receivables from Officers and Employees, National Government Agencies (NGAs), Local Government Units (LGUs), and Non-Government Organization/Peoples Organization (NGOs/Pos) amounting to P456.5M remained outstanding/not liquidated from over one year to more than five years.

6. In Region VI, there was an understatement of Subsidy Income from the National Government account amounting to P1.05M because withholding taxes were not remitted with the BIR as provided by law.

7. An understatement of Income from Grants and Donations amounting to P28.6M due to unrecorded donations of 10,110 bags of premium rice and 3000 bales of used clothing from the Bureau of Custom. Also, P.22M worth of donated goods in Region IX intended for deportees and victims of calamities for distribution to different centers were not recorded.

The report consists of two parts, Part I presents the Audited Financial Statements and Part II details our Significant Observations and Comments which were discussed with concerned management officials and staff.

We request that our recommendations be implemented and would appreciate being informed of the action taken on this regard within sixty (60) days from the date of receipt of this report.

Very truly yours,

COMMISSION ON AUDIT
(SGD.) RICHARD C. PARDIÑEZ
Director IV

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Asked how the DSWD could properly account for its budget expenditure even with a relatively small appropriation as the agency has devolved a lot of its functions to local governments, Senator Villar stated that the following actions have been taken by the agency:

1. On the uncertain value of the Account Property, Plant and Equipment amounting to P28.58 billion –

- ♦ Field Office in Region II, the Accounting Unit would prepare the JEV for adjustment while the Supply Unit would prepare a revised listing of the inventories required.
- ♦ Field Office in Region IV, the Accounting is preparing the ledger card of Property, Plant and Equipment for Fund 101 and target date is on August 2004 and reconciliation with the Supply Unit would start on September 2004.
- ♦ Field Office in Region VII, equipment ledger cards would be updated before the year ends.
- ♦ Field Office in Region IX, the Accounting Unit is maintaining the Property, Plant and Equipment ledger card for specific items once the Supply Unit has the property cards, and reconciliation of accounting and supply records is ongoing.
- ♦ Field Office in Region X, partially reconciled.
- ♦ Field Office in Caraga, the Accounting records have been reconciled and a copy of the Supply Unit Inventory Report has been submitted to the COA.
- ♦ For the Central Office, physical inventory has already been conducted and reconciled with the accounting records.
- ♦ Field Office in Region VIII, the Accounting Unit is in the process of updating records, and proper journals have been made to update the corresponding depreciation of the assets; PPE ledger cards would be maintained if records are subsequently updated.
- ♦ Field Office in Region XI, physical count on hand as against balanced per card on July 1 and 2, 2004 has been conducted immediately at the close of the first semester of 2004 with a representative of the inventory committee, and the reconciliation between accounting and property records in the accounting unit started on a quarterly basis.

- ♦ Field Office in Region VIII, the construction program account consisting of buildings specifically for girls and RRCY as well as the construction of Day Care Centers.
- ♦ Field Office in Region VI, Subsidiary ledgers have been updated and reconciliation is ongoing.

2. On the unreliable balance of Inventory Account amounting to P113.09 –

- ♦ Field Office in Region II, still in the process of reconciling semi-expendable items converted as office supplies for inclusion to proper asset classification.
- ♦ Field Office in Region IX, the supply units maintain the supply ledger card and stock cards. Supply units submitted last June 29, 2004 amounting to P68,000 covering currently 2003 and first quarter inventory. Recording of the transactions shall be taken in June 2004.
- ♦ Field Office in Region XII, the supply unit is maintaining supply ledger cards and stock cards and has submitted copies of inventory on August 2004 for current year 2003. The supply unit was instructed to submit monthly RSMI to accounting unit.
- ♦ Field Office in Region IV, physical inventory was conducted but this is not reconciled with the Book of Accounts. Reconciliation is ongoing.
- ♦ Field Office in Region X, physical inventory was conducted and the reconciliation between physical count and records are ongoing.
- ♦ Field Office in Region IX, report on physical count of PPE as of December 2003 was submitted at the Central office and the COA as reconciled on May 17, 2004 against accounting records.
- ♦ Field Office - Caraga, physical inventory conducted to validate balances as of June 30, 2003, per book and supplies ledger. Inventory report already submitted to VOA.
- ♦ Field Office in Region V, partially complied with.
- ♦ Field Office in Region III, reconciled as of January 2004; field office has started implementation.
- ♦ Field Office in Region VI, the asset method and perpetual inventory method in recording inventory.

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- ♦ Field Office in Region VIII, the balances in the inventory accounts have long been outstanding in Region VIII and a physical inventory has been conducted as of September 2004 in order to establish the balance of the inventory accounts and for updating records.

3. On the findings on Statement of Property, Plant and Equipment – the lot amounting to P23.3 million has been reclassified under GAV – held in trust last August 2004;

4. The unreliable balance of accounts payable. The list will be completed until September 2004. For Field Office in Region IV, Field office of Region VII, adjustments were made as well as the reversion of long outstanding accounts payable and claims without valid creditors to government equity;

- ♦ Field Office in Region VIII, efforts are being made in order to determine the amount which would be reverted to government equity.
- ♦ Field Office in Region X, the field office has stopped the practice of recognizing the liabilities when goods are not delivered.
- ♦ Field Office in Region III, complied with.
- ♦ Field Office in region X, complied with.

5. Outstanding Accounts Receivable – Personal follow-up has been made and demand letters have already been sent to various creditors. However, due to following reasons, some creditors failed to submit their liquidation reports: Inadequacy of accounting records; failure of some officers and employees to turn over the documents to incumbent accountant;

In the case of LGUs, priority attention by incumbent officials were not given to address the liquidation of cash advances. Liquidation as of September 30, 2004 totals P138 million or 34.4% of the outstanding accounts receivable;

6. The understatement of subsidy income for national government amounting to P1.05 million. For Field Office in Region VI, currently 2003 remittances that were not entered in the book as of December 31, 2003 and was recorded only last January of the current year. The account due to BIR was verified to a certain possible indiscrepancy;

7. The understatement of deficiency and expense of P344,000 for Field Office in Region VII still for verification and reconciliation;

8. The understatement of income from grants and donations amounting to P28.6 million. The Deed of Donation was executed April 28, 2003 providing 10,110 bags of rice donation and 3,000 boxes of used clothing. The booking out of donation could not be taken from the books of DSWD because at the time of the donation, there was no valuation yet of the said donation. The valuation of 10,110 bags of rice was received by the DSWD on July 12, 2004 only through NFA letter dated July 16, 2004 to DSWD. Hence, the journal entry voucher was prepared in July 2004 for the donation. There has also been no delivery made by the Bureau of Customs of the 23,000 bales of used clothing until today.

Senator Villar pointed out the need for the DSWD to improve its accounting system.

Anent the 34.4% receivables from the liquidation of cash advances, Senator Madrigal asked whether the DSWD metes sanctions to employees who have not presented the proper supporting documents for this purpose. Senator Villar clarified that receivables from offices and employees are only minimal compared to the P226 million from LGUs and the P127 million from NGOs and purchase orders. Further, he said that the DSWD has already made personal follow-ups and sent demand letters to the concerned parties but there had been no compliance from either the LGUs or the national government agencies. He pointed out that the problem is that most of the concerned government agencies and NGOs are not keen on submitting their liquidation reports.

On the suggestion that the DSWD enforce more stringent practices such as setting a time limit for aging receivables, Senator Villar said that the DSWD is running after delinquent NGO offices but he agreed that its audit and collection departments are not up to par. Further, he believed that something has to be done to improve the operations of the department. Senator Madrigal suggested that the DSWD reallocate some of its budget to implement a stricter and more efficient auditing and accounting. Relative thereto, Senator Villar said that the DSWD has included a solidary liability clause in its new contracts to make it easier to run after delinquent NGOs.

Upon further queries, Senator Villar affirmed that the 3,000 bales of used clothing reported in

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DSWD's understatement of income from grants and donations were not delivered from the Bureau of Customs. He explained that the DSWD prepares a list of beneficiary LGUs and that the donations are tracked through the Municipal Social Welfare and Development Office. He added that the DSWD could account for all the items in its distribution list and would provide Senator Madrigal with a copy of its Beneficiary Local Government Units. Aside from a MOA, he said that a relief distribution sheet duly signed by listed beneficiaries or proof of receipt is submitted to the DSWD. However, he pointed out that the DSWD does not have the power to penalize erring LGUs although in the end, these units would be accountable to the COA.

Clarifying that she was not questioning the integrity of the DSWD, Senator Madrigal said she raised the matter because she had seen American relief goods being sold in the provinces. She stressed that those concerned with the distribution of such goods should be made accountable as it would be a tragedy to have these donations end up elsewhere. Senator Villar said that the DSWD Secretary is asking Senator Madrigal to furnish the Department with a list of the LGUs involved in such anomalies so that her office could make the necessary follow-ups.

Asked how the DSWD handles donations of used clothings, particularly since some end up in *ukay-ukay* outlets, Senator Villar replied that the used clothings are repacked in plastic family packs to lessen chances of these being sold through such establishments; additionally, these go through the same distribution system as other donated goods.

Senator Madrigal pointed out that one of the thrusts of the DSWD for 2005 is to strengthen the capacity of the LGUs in delivering social welfare services and that its summary report highlights its enactment of the implementing rules and regulations of R.A. 9208, (the Anti-Trafficking Persons Act of 2003) and the advocacy of the passage of R.A. 9231 (the Anti-Child Labor Law) and the Anti-Trafficking law. Further, she noted that the DSWD assists anti-trafficking efforts of the LGUs as well as take care of victims of this crime.

On another matter, she stated that the DSWD allotted P169,211,000 and P181,315,000 for training and scholarship expenses in its MOOE in 2003 and 2004 and P157,024,000.

Underscoring her concern about the proliferation of Internet pornography, Senator Madrigal cited the case of some children in La Union who got involved in cyber sex. She said her office gave assistance to the families because, apparently, the DSWD was unwilling to assist these cases of trafficking. She asked where the funds would go if the Department did not assist the victims.

Senator Villar explained that the DSWD has a project that expands the capacity of DSWD facilities and communities in three pilot areas, namely, NCR, Regions VII and IX, to assist the victims and witnesses of trafficking in persons. He said that the project enhances support activities for victims. He stated that the project also aims to strengthen the cooperation mechanism between DSWD and other partner agencies such as the DepEd, DOJ, DILG, Napolcom, PNP, PCTC, and concerned NGOs and victims. Moreover, he said, an 18-month project would be conducted jointly with the U.N. Office on Drugs and Crime (UNODC) that shall provide funding and technical training support agency. He said that the objective is to make available support services for victims and support structures to prevent re-victimization while the immediate objective is, by the end of the project duration, to facilitate the extension of a comprehensive support package in the three rehab centers that shall serve as the model for other areas.

Senator Villar maintained that the anti-child trafficking law is being implemented nationwide although not as thoroughly as in the pilot regions. He assured Senator Madrigal that the DSWD Secretary would personally take up with the La Union local government the case of the children who got involved in cyber sex. He stated that services for victims of trafficking are usually undertaken in DSWD residential care facilities called "haven" or substitute home care for women. He enumerated the broad range of free services offered to the victims of trafficking in persons, to wit: temporary shelter, medical services, psychological evaluation, maternal and child care, skills development, self-enhancement skills development, spiritual enhancement and renewal, livelihood skills development, and social communication skills development, legal services, and case work (individual-centered problem-solving method aimed at restoring and enhancing the social functioning of the person concerned), group work, and such other

services as educational services, transportation services, and aftercare services.

On another matter, Senator Madrigal asked why the DSWD seems to be spending a lot of money for foreign-assisted projects when it is possible to get foreign grants that incur no government obligation.

SUSPENSION OF SESSION

Upon motion Senator Villar, the session was suspended.

It was 4:57 p.m.

RESUMPTION OF SESSION

At 4:58 p.m., the session was resumed.

Senator Villar informed the Body that the DSWD has two foreign-funded projects, one of which is the Early Childhood Development Project that aims to develop and promote an integrated set-up of early childhood development service delivery to address health, nutrition, cognitive and psychosocial development needs of children under six years old. He said that in 2004, the peso counterpart was P119,500,000 and loan proceeds, P184,208,000 for a total of P303.7 million; and in 2005, the peso counterpart is P50 million and loan proceeds, P284 million, or a total of P334 million.

As to the DSWD's accomplishment report for the year 2004, Senator Villar cited the following:

1.) Production of 1,357 copies of manual on Day Care Service and construction of 200 day care centers for 3 regions, 122 municipalities and 1,522 barangays;

2.) *Kapit-bisig Laban sa Kahirapan*, a comprehensive and integrated delivery of social services, *Kapangyarihan at Kaunlaran sa Barangay*. This is the *Kalahi* CIDSS's KKB, a community-based poverty reduction program of the DSWD within the overall framework of *Kalahi*. It builds and strengthens the seed's program with elements from a development program of Indonesia.

For 2004, the peso counterpart was P170 million, loan proceeds was P228 million or a total of P398 million; and for 2005, the peso counterpart is P170 million, loan proceeds is P607 million or a total of P777.

Senator Villar agreed with Senator Madrigal that the DSWD should be more innovative and creative in looking for grants so that the government need not borrow money to fulfill its mandate to continue these programs. He mentioned that the DSWD was able to get a \$2 million grant from the World Bank and a one million Euro grant from the Spanish government.

Asked on the total amount of loan, the interest and amortization rates on the DSWD programs, Senator Villar replied that the total loan is \$100 million or P5.5 billion for the *Kalahi* CIDSS, payable in 18 years at 1% interest per annum. Senator Madrigal commented that the 1% interest on P55 million is still a big sum, hence, getting more grants instead of loans would be more helpful. Senator Villar agreed.

Asked on the DSWD counterpart in the two projects, Senator Villar replied that basically, it is only the personnel. He explained that the DSWD is using the same organic personnel so, in effect, it is only maximizing its present manpower complement.

On the P3.274 million allocation for extraordinary expenses, Senator Villar clarified that each government office is provided with some extra allowance for the department secretary, under-secretary, assistant secretary, bureau director, regional director and the like.

Upon further queries, Senator Villar explained that the following budgets are intended for the directors and officials of the agencies: P40,000 — Council for the Welfare of Children; P80,000 — Inter-Country Adoption Board; and P80,000 — National Council for the Welfare of the Disabled.

On another matter, Senator Madrigal asked how much was allocated for the blue guards or the security of the DSWD. Senator Villar replied that P1.6 million a month is allocated for the 81 security guards assigned to the following offices: Central Office — 18; Welfareville — 26; *Nayong Kabataan* — 6; NROC — 2; SWADCAP — 5; Kansas — 5; Haven — 12; and NCR — 6. On another query, he stated that the ground of the Central Office is five hectares and the nine security guards per shift are assigned to four floors.

Senator Madrigal said that when she was working with the DSWD a few years ago, she was

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surprised at the amount allocated for the security guards. Senator Villar said that the Vice-President was the concurrent Secretary of DSWD for which reason, there was a need to beef up the security. He said that the present Secretary is not given the same protection.

Senator Madrigal clarified that, in fact, then Vice-President Macapagal Arroyo questioned the presence of a lot of security guards in the department.

Senator Villar gave assurance that the number of security guards had been reduced.

Upon query, Senator Villar stated that the P7.5 million is for the repair and maintenance to existing structures nationwide such as the RRCY and RSEC.

Asked on the current location of the DSWD warehouses, Senator Villar replied that there is only one, in Villamor.

As to controlling the entry and exit of goods, Senator Villar stated that withdrawals can only be done in the presence of two DSWD officials and two security guards. He said that the warehouse contains bales of donated clothing and family packs.

Senator Madrigal expressed concern that the DSWD gives authorization to tax-exempt NGOs.

Asked if there were NGOs that brought in goods from abroad, tax-exempt, and if the warehouse is being used for storage, Senator Villar replied in the negative. He gave assurance that the Secretary is very strict about this matter.

Asked if customs police are present whenever goods are released, Senator Villar said that customs police and the customs commissioner are present. He said that the warehouse is under the supervision of Undersecretary Celia Yang and Director Villa Canberra.

At this juncture, Senator Madrigal asked that she be furnished with a copy of the inventory of what comes in and out of the warehouse. Senator Villar acceded to the request.

As to the number of personnel in the warehouse, Senator Villar said that the DSWD has packers, drivers and *kargadors*.

Senator Madrigal aired her concern over the personnel since warehouses are often locked or used for illicit purposes for which reason, they are bonded. She said that it is so easy for NGOs to take advantage of the situation because they are tax-exempt. She suggested that portions of the DSWD budget be reallocated so that the warehouse can be secured, the personnel can be rotated and spot-checking can be done frequently.

Senator Villar stated that the suggestion would be taken into serious consideration. He added that the DSWD is also cross-checking with the COA Administrative Service and the Program Management Bureau.

On the matter of the P906,478,000 subsidies and donations, Senator Madrigal asked what the DSWD is subsidizing and donating to.

SUSPENSION OF SESSION

Upon motion Senator Villar, the session was suspended.

It was 5:18 p.m.

RESUMPTION OF SESSION

At 5:20 p.m., the session was resumed.

Senator Villar informed the Body that the amount is from the *Kalahi* CIDSS Grant and ECD community projects like day-care, health centers, effective parenting seminar and others; the donations actually grants, are distributed among the communities. He asked that the DSWD acts or conducts grants.

As to the form the DSWD receives foreign aid, Senator Villar clarified that foreign aid are either in cash or in kind.

Asked on the disposition of foreign aid, Senator Villar replied that it is very much like the goods that come in. The goods, he said, are distributed as previously discussed, while the money goes to the Treasury. He said that DSWD is required to submit a project proposal to the DBM so that the funds would be released.

On the average amount the DSWD receives yearly, Senator Villar stated that it is P58 million in

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cash and the donations are either in peso or in dollars.

Asked if the donors attaches specific conditions on their donation, Senator Villar replied that it depends on the purpose of the donations which could be for relief or assistance to certain sectors.

Senator Villar clarified that once the donation is remitted to the Treasury, it can be given back to the DSWD if the project proposal can be justified to the DBM. He said that as experienced by the DSWD Secretary, the department can get the amount as needed, either partial or in full.

Asked on the length of time between the receipt of the donations and its dispensation by the DSWD, Senator Villar replied that the shortest time would be one week, and the longest, one month.

As to where the donations came from, Senator Villar said that most of it came from JICA for calamity loans, the Philippine Ambassadors Ladies Association, DFA, German Embassy, Manila Bulletin, Quezon City government, Jollibee, Province of Cebu, KMP, TUCP, and UPS, to name some. He said that Members would be provided with the copy of the donor's list.

Senator Madrigal questioned the time lost when the intent is to give speedy relief. Senator Villar said that if the donation is for a specified relief, the DSWD is authorized to directly implement relief operations.

In cases where the donor specified that the aid be used for relief operations, Senator Villar explained that the DSWD would be allowed to use it immediately and the National Treasury would no longer have any jurisdiction over it.

Senator Madrigal expressed her concern about the percentage that is brought back from the National Treasury, stating that \$1million is very low in foreign aid for a country like the Philippines. She expressed hope that the DSWD could improve its image of making such relief reach the victims so that it would not have to loan money for programs, its credibility would be increased, and it would become one of the favorite receptors for donors who are willing to give hundreds of millions of

dollars to projects when they know there is no bureaucratic bottleneck.

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel stated that the DSWD is one of the least-funded departments of the government whose budget should be increased because it relates directly with the poor of the country.

Asked what the Department is doing about juvenile delinquents especially those who are arrested and put in jail together with hardened criminals, Senator Villar said that part of the performance contracts of the DSWD field offices is to convince the local government units to have separate detention cells.

Noting that even an unexpected visit to the local jails in Metro Manila would show that indeed, young offenders are mixed with adult offenders, Senator Pimentel urged the DSWD to employ more dramatic ways considering that there are 2,100 incarcerated children throughout the country as of 2004, some of them with mental problems.

Senator Villar stated that even the DILG, which is responsible for the jails, had been asking for more funds to improve the jails nationwide. Senator Pimentel suggested that the Body adopt an approach to decongest the jails, for example, enacting a law that would grant minor offenders for very insignificant offenses time out of jail. He recalled that in a visit to the Parañaque City Jail, he came across some kids who were incarcerated for over a year for stealing a can of sardines from a grocery store.

Senator Villar informed the Body that the DSWD is lobbying for the passage of the Comprehensive Juvenile Justice System bill providing for the offenders to do community work instead of being jailed. Senator Pimentel gave assurance of his support for the bill.

Senator Pimentel suggested that the DSWD people make a big fuss of their visits to the jails by using the media so that the message could be brought to the attention of the people. Furthermore, he said that the Department could provide the

legislature not an annual report but a quarterly report of its activities so the Body would know what assistance it could give.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

There being no other interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Social Welfare and Development was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:40 p.m.

RESUMPTION OF SESSION

At 5:42 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF FINANCE

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Finance was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:43 p.m.

RESUMPTION OF SESSION

At 5:48 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS

Senator Pangilinan said that Senator Osmeña has withdrawn his reservation to interpellate on the budget of the DOTC.

There being no other interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Transportation and

Communications was deemed submitted for the Body's consideration.

DEPARTMENT OF HEALTH

Senator Villar presented the budget of the Department of Health.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (L)

Senator Ejercito Estrada (L) noted that the DOH has a budget of more than P11 billion but the DOH Secretary has not been confirmed for more than three years which is against the Constitution.

Senator Villar stated that Secretary Dayrit's papers are still being processed.

Asked on the funding of two new foreign projects, Senator Villar informed the Body that the *Katubig* Agricultural Advancement Project in Northern Samar would be funded by the Japan Bank for International Cooperation in the amount of P10 million while the development of a sub-specialty centers for heart, lung and kidney diseases would be funded by the government of the Netherlands in the amount of P317 million. He said that the DOH would administer and monitor the said projects which have a total project cost of P1.549 billion, with a grand component of P542 million and a loan component of P1.007 billion. The DOH, he said, has finalized these projects and has obtained the approval of the government.

Senator Villar also reported that proposed projects for the year 2005 include supply of equipment, P248 million; transportation delivery, P10 million; site preparation and infrastructure works, P48 million; and Human Resources Development, P16.6 million.

Asked if it is a practice of the DOH Secretary to realign projects, Senator Villar replied in the negative. He clarified that the DOH has its own production facilities that produce its advertisements including those before the start of the 2004 campaign period; these expenses are part of the regular budget under promotions.

Senator Ejercito Estrada (L) related that some of the 72 DOH-retained hospitals and sanitaria nationwide suffer from lack of funds, preventing them from purchasing medical supplies and medicines such that even hospitals like the Jose Reyes

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Memorial Medical Center, the Tondo Medical Center and the East Avenue Medical Center charge indigent patients for a wad of gauze or plaster, cotton, burnt ointment and a bottle of dextrose. In some cases, she said, the indigents are asked to buy their own medicines and supplies.

Senator Villar admitted that the facilities of some hospitals are not good. However, he noted that the lack of funds is currently being addressed by the following:

1. Retention of part of the income to improve the physical condition of the hospital;
2. Sub-allotment from the central and regional office in terms of endowment;
3. Foreign assistance in equipment, drugs and medicines; and
4. Austerity measures.

Senator Villar conceded that the DOH budget is insufficient and should be increased.

Asked how the DOH would respond to a case of Code Blue, Senator Villar remarked that some hospitals like the National Kidney Institute, the Philippine Heart Center, the Quezon Memorial Hospital and the Quirino Hospital, among others, are capable of code blue situations although hospitals in other areas nationwide lack the capability.

As regards the administrative order signed by the Secretary on the implementing rules and regulations of the law granting senior citizens 20% discount on food and medicines, Senator Ejercito Estrada (L) inquired whether the discount applies only to generic drugs. Senator Villar clarified that the 20% discount covers branded medicines.

On the official national policy on family planning, Senator Villar said that the government is allowing all legal methods, both natural and modern. He clarified that DOH has entered into agreements not just with Couples for Christ but also with other groups advocating artificial methods. He pointed out that the funds for the CFC project came from the Congressional Initiative Allocation of Speaker de Venecia.

Senator Villar said that the one-year duration of the *Gawad Kaginhawahan* Project with CFC would culminate on February 2005, after which,

the MOA would be amended to address concerns such as the exclusivity clause.

On the statement that the Department is partial to the natural method since the national government does not give free contraceptives, Senator Villar explained that the DOH is currently following four general principles:

1. To respect and uphold the free will and personal conviction of clients;
2. To provide correct and sufficient information on fertility and responsible parenthood before offering family planning;
3. To refrain from criticizing any other method; and
4. To create opportunities to build long-lasting relationship between the health workers and their clients.

To Secretary Bunye's claim that the official government policy is to provide the public with an informed choice and that the family planning service is a devolved function, Senator Villar agreed, adding that there are enough donations and a budget of P50 million in 2005 for artificial method.

Relative to the government policy on informed choice, Senator Ejercito Estrada asked if it is not violative of the national policy if mayors promote only one method of family planning.

Senator Villar explained that local governments have varying policies but the people can always go to national government hospitals for the services they need.

Senator Ejercito Estrada (L) remarked that the devolution of health services from the DOH to the local government units would not make health policies more responsible to the people's needs. She related that a former governor of Isabela closed down 10 health centers, thereby affecting more than 300,000 residents from 164 barangays. Senator Villar clarified that no health center, regional health office or barangay health station was closed but two community hospitals operated by the national government were closed due to lack of funds and two licensed hospitals were downgraded by the regional office due to noncompliance with standards.

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On the issue of generic medicines, Senator Ejercito Estrada (L) posited that the DOH has failed to properly inform the public about the cost-effective and quality substitute for branded preparations since only 5% to 15% of the public patronize generic medicines. Senator Villar revealed that there is an ongoing advocacy on the use of generic drugs but the reach is limited due to lack of resources.

Senator Ejercito Estrada (L) contended that the prescribing habit of doctors has hindered usage of generic medicines as even doctors' compliance with generic prescriptions has dropped from 90% to 60%. Some of the doctors, she said, do not even know the range of medicines available in the market.

Senator Villar agreed that the downward trend in generics use should be viewed with concern, but according to Health Secretary Dayrit, there is a return to generics because of the increasing cost of medicines.

Senator Ejercito Estrada (L) stated that the importation of low-priced drugs from India began during the term of then DTI Secretary Roxas under the Estrada administration. She asked why the imported drugs are presently being only in 72 hospitals of the DOH.

Senator Villar replied that the funds are limited but it is the goal of the DOH to distribute the imported drugs to health centers nationwide. However, he pointed out that while the DOH introduced the parallel drug importation program in 2001 to address the urgent need for quality, low-priced medicine, it also encouraged the local pharmaceutical industry to improve the quality of its local generic products and make the prices of these products competitive. He said that the DOH believes that the answer to the high cost of medicine is the development of a local, strong and responsive generic drugs industry. The Philippine International Trading Corporation, he pointed out, is expanding its network on private retail outlets, the 72 hospitals of the DOH, devolved provincial hospitals, and drugstores under the *Botika sa Barangay* program.

Asked whether the priority of the DOH is to promote the manufacture of generic drugs by big multinational companies or import low-priced, branded and quality medicine from India, Senator

Villar replied that the priority is low-priced medicine, whether branded or generics, but the DOH should encourage the use of generic drugs to enable local pharmaceutical firms to break free from the stranglehold of multinational companies and eventually bring down the cost of medicine in the country.

To the observation that the DOH would have realized huge savings by importing low-priced medicine from India and distributing these drugs to health centers nationwide, Senator Villar said that India is a good source so long as it would bring down the cost of medicine. Government, he stressed, should exhaust all means to attain this objective. He disclosed that China and Thailand are also good sources of medicine which should be explored by the PITC and the DOH.

As regards the controversy on the promotion of *ampalaya* as a cure for diabetes, Senator Villar stated that the controversy had been resolved with the agreement among the DOH, the Association of Municipal Health Officers, the Chamber of Herbal Industries in the Philippines, and all concerned that *ampalaya* is a food supplement intended to fortify the diet and those taking *ampalaya* food supplements are advised not to stop their regular medication without doctor's advice. He said that the parties also agreed to form a committee that would collate and analyze all scientific materials pertaining to the safety and efficacy of *ampalaya* as alternative treatment of diabetes.

Asked whether the DOH undertakes scientific studies on herbal medicine as a possible substitute for imported and high-priced medicine, Senator Villar said that the DOST is the one handling this area of concern.

On another matter, Senator Ejercito Estrada (L) observed that there is an impression among the people that PhilHealth has degenerated into a political campaign office after prominently displaying President Macapagal Arroyo's picture in PhilHealth indigent cards, and distributing "GMA" or "Greater Medical Access" cards during the election period. She asked whether it was a political gimmick made by PhilHealth President Francisco Duque who is seriously being considered as a replacement for Secretary Dayrit.

Senator Villar believed that the President did not intend it to be used politically since her objective is

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to get more members for PhilHealth. Nevertheless, he said, although it was viewed by people as a political move, President Macapagal Arroyo succeeded in expanding considerably the membership of PhilHealth.

On whether PhilHealth covers only P305 of the healthcare cost of an insured individual, Senator Villar clarified that PhilHealth pays between P0.85 and P0.90 for every P1.00 it collects from a member and the average value per claim paid by PhilHealth is P5,800 as of 2004 compared to a member's annual premium contribution of P1,600.

Asked how the PhilHealth would use its P780 million budget, Senator Villar said that it would be used to pay for the premium of indigent families.

As regards the *Ligtas Buntis* 2005 campaign, Senator Villar informed the Body that it is a program that the local government and the DOH would implement to address the unmet need for family planning and maternal health services by informing and educating people on the very basic principles of responsible parenthood and personal fertility that would enable them to plan their families by using the most appropriate means for each individual family, and referring them to different health centers and hospitals for assistance in areas that are not accessible to family planning services.

Further, Senator Villar pointed out that while these efforts would serve to decrease population growth and the fertility rate in the country, the achievements are complementary to the goals of minimizing maternal and child mortality, introducing plans for safe pregnancies, eliminating abortion, and promoting health families. The program, he said, would be funded by the DOH.

As to the meaning of "legally acceptable family planning service," Senator Villar stated that this include pills, condoms, hormonal injectables, IUDs, lactational amenorrhea method, voluntary surgical sterilization, bilateral tubal ligation, vasectomy and natural family planning.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:24 p.m.

RESUMPTION OF SESSION

At 6:25 p.m., the session was resumed.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile whether there are other funds disburseable by the DOH aside from its P9,725,318,000 budget, Senator Villar replied in the affirmative, pointing out that the PCSO under an executive order has an allocation of P50 million for Avian flu and SARS; P100 million for the *Ligtas Buntis* program; and P200 million for the *Gamot na Mabisa*, *Abot-Kaya* program or a total of P350 million.

As to the standards for the usage of this appropriation, Senator Villar stated that there is a memorandum of agreement between the DOH and selected local governments that details the guidelines for the disposition of the PCSO fund. He informed the Body that the allocation of P50 million is disbursed to provinces which would be hit by Avian flu and SARS, while the remaining P300 million for the *Ligtas Buntis* and *Gamot na Mabisa*, *Abot-Kaya* program benefits all provinces.

Senator Villar explained that the *Ligtas Buntis* is a nationwide program implemented under a MOA with the local governments. The amount of P50 million is a standby fund for any emergency that may come up like SARS or Avian flu epidemic, he clarified.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:31 p.m.

RESUMPTION OF SESSION

At 6:32 p.m., the session was resumed.

On the MOA with the local governments, Senator Villar stated that there is a standby MOA between the DOH and whoever will be hit by the Avian flu; the MOA on the low-priced medicine program is between the PCSO, PITC and DOH and the barangays that will put up a *Botika sa Barangay*.

Senator Enrile asked if there is an equitable distribution of the funds among the 40,000

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barangays, 1,600 municipalities and numerous provinces and cities which are entitled to share proportionately in the funds available for certain purposes. Senator Villar agreed that an equitable distribution of funds must be ensured. The *Botikang Barangay* can be established anywhere and senators, congressmen, governors, mayor and even NGOs may apply, he said.

Upon further query, he affirmed that the P200 million for the medicines is available.

On the *Ligtas Buntis* program, Senator Enrile asked the health reason behind the policy to prevent pregnancy. Senator Villar clarified that the goal is universal access to family planning and maternal care education and services particularly to the target population of 2.5 million men and women in their reproductive age. He disclosed that the 50 million involved in the MOA with the Couples for Christ is an allocation from the funds of Speaker De Venecia.

Considering that Couples for Christ is a religious organization operating in the guise of an NGO, Senator Enrile queried if the use of government money does not violate the constitutional provision that no public funds shall be used in favor of a religious organization. Senator Villar maintained that CFC has a foundation. Noting that the Secretary of Justice is present in the hall, Senator Enrile expressed hope that the DOJ Secretary would take note of the matter in order to avoid a transgression of the Constitution.

Senator Enrile asked the difference on policy formulation, standard setting and monitoring for health regulation, health operation and external affairs.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:38 p.m.

RESUMPTION OF SESSION

At 6:42 p.m., the session was resumed.

In reply to Senator Enrile's query, Senator Villar reported to the Body the data stated below:

A) HEALTH REGULATION

- ♦ Regulation of Foods and Drugs
 - National Pharmaceutical Policy
 - Food Fortification
 - Salt Iodization
- ♦ Regulation of Health Facilities and Services
- ♦ Regulation of Health Devices and Technology

B.) EXTERNAL AFFAIRS

- ♦ Quarantine Health Services and International Health Surveillance
- ♦ Formulation of Health Policies
 - Development of support mechanisms in collaboration with international health organizations for international health cooperation
- ♦ Local Health Systems Development

C) HEALTH OPERATION

- ♦ Epidemiology and Disease Surveillance
- ♦ Disease Prevention and Control
- ♦ Tuberculosis Health Policies

Replying to further queries, Senator Villar stated that the Health Care Assistance of P6 million is subsidy to indigent patients for confinement in specialty hospitals like the Philippine Heart Center, Lung Center and Kidney Center. To the suggestion that the subsidy be augmented by cutting some portions of the health budget considering that six million out of 84 million Filipinos cannot afford the cost of specialized treatment, Senator Villar agreed. He affirmed that operation centers for health development are established nationwide.

Asked on the P20 million allocation for Safety Equipment for Hospital, Senator Villar explained that the money is used for fire safety. On the department's involvement in illegal drug issues, he stated that the new law mandates DOH to extend rehabilitation services to drug dependents. As to the P10 million locally funded health sector reform project, he clarified that it refers to pilot projects on reform after devolution, for example, the district health system getting the municipal health system to work with the governor.

Moreover, Senator Villar informed the Body that DOH has eight rehabilitation centers for

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drug-addicted patients, one of which is the Central Luzon Drug Rehabilitation Center located at Magalang, Pampanga. He stated that the Center used to get assistance from the Office of the President but for 2005 the money was transferred to DOH, while the other rehabilitation centers are included in the line items of the proposed budget.

As regards the foreign-assisted projects, Senator Villar said that the *Katubig* Agricultural Advancement project is for the control of schistosomiasis or snail fever prevalent in Northern Samar and Mindanao; on the other hand, Netherlands is assisting four centers for the development of subspecialty capabilities for heart, lung and kidney patients located in Metro Manila, Legaspi City in Bicol, Cebu City and in Davao. He said that this Netherlands-assisted project has P317,122,000 allocation, P200 million of which goes to Bicol, P90 million to Cebu City and P128 million to Davao.

Asked for the criteria in allocating funds for 15 health centers nationwide, Senator Villar replied that historical data on poverty incidence, population and fund utilization are the primary consideration.

Senator Enrile observed that P1.161 million for MOOE had been allocated for the Center for Health Development in Cagayan Valley. On whether the DOH used the same criteria for allocating funds of support for general administration as those for the health development centers, Senator Villar replied in the affirmative.

Senator Enrile made a comparison of the funds allocated for the following health facilities, to wit:

<i>Health facility</i>	<i>Personal services</i>	<i>MOOE</i>
Tuguegarao	P72.390 M	P53 M+
Isabela	P9.8 M	P2.9 M
Batanes	P14.7 M	P8.8 M

He wondered whether a rational criteria was used by the DOH to allocate funds for provinces considering that a larger province like Isabela was given a smaller allocation compared to Batanes. Senator Villar explained that the allocation depends primarily on the bed capacity of the hospital, for instance, a tertiary medical center such as the Cagayan Valley Medical Center has a 500-bed capacity compared to that in Southern Isabela which is a much smaller hospital. On the argument that

bed capacity should not be the basis for fund allocation, Senator Villar noted that another important basis is the category of the hospital. Moreover, he explained that the DOH target is to have one tertiary hospital per region which happens to be located in Tuguegarao for Region II. He said that a tertiary hospital is a higher category than a secondary one. He agreed that the fund allocations should be done equitably so as not to deprive people in some areas of their due.

As to whether the P20 million allocation for MOOE and P8 million for Personal Services is enough for the disease prevention program, Senator Villar conceded that the DOH needs more funds for this effort.

On the incidence of malaria in the country, Senator Villar said there were about 41,000 confirmed cases of the disease in 50 out of 79 provinces in 2003; 62 of those identified, primarily in Palawan and Tawi-Tawi, had died; no mortality from the disease was reported in Cagayan Valley nor was any case reported in Metro Manila.

Upon further queries, Senator Villar said that contrary to reports, there has been a slow decline in tuberculosis cases. He affirmed that this disease is borne out of malnutrition, and that a higher incidence of poverty would increase the incidence of tuberculosis. He added that TB is curable.

He said that P139 million has been allotted for tuberculosis control while P3.4 million has been set aside to fight malaria.

INTERPELLATION OF SENATOR CAYETANO

Senator Cayetano asked about the DOH's policy on the prioritization of its budget, whether it is curative or preventive health care. Senator Villar said about 65% of the budget is for curative and 35% for preventive health care.

On the recommendation by international agencies that primary health care be given a bigger budget as this is more cost-effective, Senator Cayetano asked why DOH has not made primary health care as priority. Senator Villar explained that primary and second-ary health care are already devolved services whose budgets are reflected in the local appropriations.

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If all health budgets of LGUs would be summed up, asked if primary health care would have a bigger percentage, Senator Villar replied in the affirmative, pointing out that most of the budgets of the LGUs estimated at P15 billion would go to primary health care.

On the observation that some LGU hospitals do not receive the necessary funding support, Senator Villar conceded that the priority depends on the policy of the local government officials. Senator Cayetano believed that Congress should enact a law that would address the problem as the personal choices of local officials should not prevail over the health of their constituents.

Relative thereto, Senator Villar informed the Body that 70% to 80% of LGU budgets go to Personal Services and only 30% to MOOE.

Considering the big allocation for Personal Services, asked why the DOH has not implemented the law mandating the increase in the salary of nurses, Senator Villar replied that the DBM does not have the funds, hence, it wants to give the increase on a staggered basis. He expressed concern that the country might lose its competent nurses because of low pay.

Senator Cayetano underscored the need to invite the DBM officials to the hearings of the Committee on Health so that they would realize the sad state of health care in the country. She urged the Body to work together to uplift the standards of health care by providing higher salaries for health care providers.

On the issue of primary health care, Senator Cayetano believed that preventive health care is ideal and the government can implement this in many small ways. For instance, she cited present immunization laws which, by way of funding, would effectively facilitate preventive health care. She mentioned the RITM project which only requires P250 million to enable the DOH to sustain the needed vaccines for hepatitis, tetanus toxoid, DPT, measles, and homopholous influenza B.

Asked if the required funding of P250 million can be accommodated, Senator Villar disclosed that P40 billion is provided for the vaccine in the GAA and another P110 million will be donated by UNICEF so that about P100 million more would be needed for the project.

Senator Cayetano stressed the importance of supporting the RITM project so that it can produce more vaccines at a much lower price. Believing that the P250 million is not a big chunk of the P900 billion budget for this year, she urged the DOH to focus on the prevention side as this would address a lot of health-related problems.

On another matter, Senator Cayetano mentioned that the full implementation of the Generics Law requires regulation but the Bureau of Food and Drug's budget of only P110 million is not enough for it to perform all its functions. She said that regulating all the food and drug is indeed a big responsibility. She asked that the Body consider allowing BFAD to retain some of its income so that it can effectively do its work.

INTERPELLATION OF SENATOR ROXAS

Upon query of Senator Roxas, Senator Villar informed the Body that the DOH purchased four vehicles last year and no purchase of vehicle is scheduled for this year.

Senator Roxas clarified that his question had to do with the budget of the entire government even as he called the Body's attention to a number of brand-new late model vehicles with red plates occupying the Senate's parking lot and outlying streets. He requested that the DBM representative who monitors the budget deliberations give a report to the Chamber in time for the vote on Second Reading on the number of vehicles bought for the entire government in the preceding year or are slated to be purchased in the 2005 budget indicating the use of the vehicle, whether a passenger vehicle, ambulance or utility vehicle. He said he wanted to know if the government officials are complying with the austerity measures in the light of the new taxes being deliberated upon in Congress.

Senator Villar replied that the Committee would request the DBM to prepare the report immediately.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:25 p.m.

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RESUMPTION OF SESSION

At 7:26 p.m., the session was resumed.

**SIXTH ADDITIONAL
REFERENCE OF BUSINESS**

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

**MESSAGE OF THE PRESIDENT
OF THE PHILIPPINES**

Letter of Her Excellency, President Gloria Macapagal Arroyo dated February 3, 2005, certifying to the necessity of the immediate enactment of House Bill No. 3154, under Committee Report No. 10, 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
FIVE, AND FOR OTHER PURPOSES,**

to address the urgent need to sustain government appropriations beginning January 1, 2005, to fund immediately the CY 2005 programs, projects and activities, to maintain the momentum of our development, and to ensure budgetary preparedness that will enable us to effectively and fully perform our constitutional mandate.

To the Committee on Rules

BILLS ON FIRST READING

Senate Bill No. 1900, entitled

**AN ACT TO ESTABLISH A GRANT
PROGRAM TO PROVIDE COMPRE-
HENSIVE EYE EXAMINATIONS
TO CHILDREN**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Health and Demo-
graphy; Youth, Women and Family Relations;
and Finance**

Senate Bill No. 1901, entitled

**AN ACT TO CRIMINALIZE INTERNET
SCAMS INVOLVING FRAUDU-
LENTLY OBTAINING PERSONAL
INFORMATION**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Science and
Technology; and Justice and Human Rights**

Senate Bill No. 1902, entitled

**AN ACT TO REDUCE AND PREVENT
CHILDHOOD OBESITY BY ENCOUR-
AGING SCHOOLS TO DEVELOP
AND IMPLEMENT LOCAL, SCHOOL-
BASED PROGRAMS DESIGNED
TO REDUCE AND PREVENT
CHILDHOOD OBESITY, PROMOTE
INCREASED PHYSICAL ACTIVITY,
AND IMPROVE NUTRITIONAL
CHOICES**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Health and Demo-
graphy; Youth, Women and Family Relations;
Ways and Means; and Finance**

Senate Bill No. 1903, entitled

**AN ACT GRANTING OLD-AGE
PENSION FOR LIFE TO SENIOR
CITIZENS - RA 1616 RETIREES
AS WELL AS SURVIVOR-
SHIP BENEFITS TO THEIR
SURVIVORS, AMENDING FOR
THE PURPOSE PERTINENT
PROVISIONS OF THE SECOND
PARAGRAPH OF SECTION 12 (c)
OF COMMONWEALTH ACT 186,
AS AMENDED**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Government Corp-
orations and Public Enterprises; and Civil
Service and Government Reorganization**

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Senate Bill No. 1904, entitled

**AN ACT TO PROHIBIT THE
ESTABLISHMENT OF POLITICAL
DYNASTIES**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committee on Constitutional
Amendments, Revision of Codes and Laws**

Senate Bill No. 1905, entitled

**AN ACT PROVIDING THAT ALL
EDUCATIONAL INSTITUTION,
WHETHER PUBLIC OR PRIVATE,
SHALL HOLD MANDATORY
CONSULTATION WITH STUDENTS,
PARENTS OR GUARDIANS,
ALUMNI, TEACHERS, AND OTHER
NON-TEACHING PERSONNEL
ASSOCIATIONS, BEFORE
INCREASING AND/OR ADDING
MISCELLANEOUS FEES, OTHER
FEES, AND PAID SERVICES**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committee on Education, Arts and
Culture**

Senate Bill No. 1906, entitled

**AN ACT TO PROTECT CHILDREN
FROM FOODS THAT POSE A
SIGNIFICANT CHOKING HAZARD**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Trade and Commerce;
and Health and Demography**

**SEVENTH ADDITIONAL
REFERENCE OF BUSINESS**

RESOLUTION

Proposed Senate Resolution No. 168, entitled

**RESOLUTION CALLING ON THE
PHILIPPINE GOVERNMENT**

THOUGH *H.E.* PRESIDENT GLORIA
MACAPAGAL ARROYO AND ALL
REBEL FORCES IN THE COUNTRY
TO IMMEDIATELY DECLARE AN
AUTOMATIC CESSATION OF
HOSTILITIES IN CALAMITY-
STRUCK AREAS, TO FACILITATE
AND ENSURE THE SAFE AND
EFFICIENT CONDUCT OF RELIEF
AND REBUILDING EFFORTS TO
THESE PLACES

Introduced by Senator Angara

**To the Committee on Peace, Unification
and Reconciliation**

REMARKS OF SENATOR PANGILINAN

Senator Pangilinan requested that the budget of the DOTC be reconsidered as Senator Magsaysay had asked the ATO representative to appear before the Body on Monday, February 7, 2005.

**DEPARTMENT OF HEALTH
(Continuation)**

Senator Villar presented the budget of the Department of Health.

**INTERPELLATION
OF SENATOR PIMENTEL**

At the onset, Senator Pimentel disputed that a national policy on family planning had been adopted in the absence of consultations mandated under Article XV, Section 4 of the Constitution giving families and family associations the right to participate in the planning and implementation of policies and programs that affect them. He stressed that he would block the whole budget of the DOH unless he would be convinced that the Department did not adopt abortifacients and programs which contradict the dictates of his conscience.

Senator Villar assured Senator Pimentel that the DOH would not use any abortifacients as the respect for life is the Department's main direction which is not inconsistent with Senator Pimentel's position.

Senator Pimentel adverted to the various family planning methods mentioned earlier which were supposed to have been funded and which include,

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among other things, injectables. He expressed concern that injectables are only intended to expel life. He asked for a complete list of drugs being introduced into the program. He contended that the program was an attempt to circumvent the law because it did not comply with the constitutional requirement of consultation with families affected by family planning policies. He stressed that he does not want to see drugs banned from other countries find their way surreptitiously into the Philippines. He disputed the premise that he is agreeable to limiting the family as if the growth of the family is the cause of the nation's poverty.

Senator Pimentel informed the Body that numerous studies show that population is not a factor of poverty but population density, if not properly handled by government, can affect a nation's economic development. He asserted that misgovernment causes poverty in the Philippines, citing Hong Kong which has a more serious population density problem but whose people are much better off.

Moreover, Senator Pimentel pointed out that the Constitution provides that the primary right and duty of parents in rearing the youth for civic efficiency and development of moral character shall receive the support of government. But when young girls are allowed to have sex without getting pregnant, such is not within the constitutional right and duty of parents as it would destroy the moral life of young people, which, in turn, would destroy the family, the basic social institution in the country, he stressed. He said that Article II, Section 12 of the Constitution recognizes the sanctity of family life, thus the State is bound to protect the life of the mother and that of the unborn from conception. But he argued that injecting drugs which prevent the completion of the process of conception transgress the constitutional provision. He underscored that he would not compromise with any program which goes against the prescriptions of the Constitution.

Senator Villar gave assurance that Secretary Dayrit would give Senator Pimentel the list of drugs, none of which is abortifacient.

On the transliteral meaning of the term *Ligtas Buntis* which is to prevent pregnancy, Senator Pimentel stated that the program is promoting free sex, contrary to responsible sex within the bounds of marriage. He stressed that the premise of the

program bashes the very moral principles that the Filipinos hold dear. He clarified that he wished to ensure that the budget of the DOH is not a surreptitious way of promoting the "two-child fallacy" being advocated by some Members of the House.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF HEALTH

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Health was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:47 p.m.

RESUMPTION OF SESSION

At 7:49 p.m., the session was resumed.

Senator Pangilinan stated that the budget of the Office of the Press Secretary was considered as having been submitted, subject to the appearance of Mr. Cerge Remonde for some clarificatory questions from Senator Pimentel.

INTERPELLATION OF SENATOR PIMENTEL

Senator Pimentel asked how to insure the independence of tv stations along the lines of BBC which has maintained through the years its independent stand vis-à-vis government's stand in relation to the Opposition in England in order to assure fairness in the treatment of accessibility.

Senator Villar expressed the view that such independence would enhance the profitability of the television stations should they also cover the Opposition. He clarified that the primary factor is fairness in treatment of coverage but not being fair would make TV stations lose money as they would be very dull.

Senator Pimentel said that Comelec had to be blamed to some extent because under the election law, the political parties are supposed to have equal time and equal space. He lamented that Channels 4, 9, and 13 had not been fair to the Opposition but he could not gripe against Channel 2 for being biased because it is a private channel.

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He underscored that television, radio and print media facilities under the supervision and control of the government are expected to be more fair.

Senator Villar gave assurance that under Mr. Remonde's term, the government television stations would be fair to both parties. Senator Pimentel requested Mr. Remonde's input on the kind of laws to be enacted in order to evolve a fair environment in the use of media facilities in the country.

COMMISSION ON INFORMATION AND COMMUNICATIONS TECHNOLOGY

Upon motion of Senator Pangilinan, the Body resumed interpellations on the budget of the Commission on Information and Communications Technology.

INTERPELLATION OF SENATOR ROXAS

Asked by Senator Roxas on the projects proposed for the use of the P1 billion E-Government Fund, Senator Villar said that the DOTC Secretary submitted the following summary of priorities:

1. DTI Business Registry System (DTI, BOI, SEC, BIR, SSS) – P200 million;
2. Harmonization of the Numbering System (NSO, SSS, BIR, GSIS) – P 200 million;
3. E-LGU and Community Centers, Municipal LGUs and Internet Centers – P200 million;
4. Public Safety Info Network (DILG, LGUs, PNP, DEA) – P200 million;
5. E-OFW Phase II System (POEA, DFA, Bureau of Immigration, NSO, TESDA) – P100 million; and
6. Expanded E-Procurement (DBM) – P100 million.

Upon further queries, Senator Villar affirmed that the harmonization project is a one-year program which would integrate the number systems of the four agencies. He said that the harmonizing software would be bidded out but as to which agency would be the lead agency or which system would prevail has yet to be determined.

Senator Roxas maintained that if plans were still under study, the project might not yet be ready for the P200 million appropriations. He suggested that the Commission first come out with more concrete plans before asking Congress for an appropriation.

He revealed that the harmonization of the numbering systems of the four agencies has been going on for about two years without any breakthrough in sight, particularly since each agency has been zealously guarding its own computer system. He expressed concern that the P200 million would be spent only on studies but at the end of the year, there would still be four different computer systems. Senator Villar gave assurance that the P200 million would not be used for the study but he agreed that the money be appropriated only upon completion of the study.

Senator Roxas opined that the other items in the list might also be in a similar state of unpreparedness. Senator Villar clarified that Item No. 1 had already been implemented; Nos. 3, 4, 5 and 6 are already in Phase II or in their advanced stages of implementation.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:07 p.m.

RESUMPTION OF SESSION

At 8:10 p.m., the session was resumed.

Upon resumption, Senator Villar gave assurance that CICT was ready to bid out the five other items. He said that it was just Item No. 2 that was actually in its early stages.

Considering that the CICT does not have line authority over all the agencies, Senator Roxas asked how CICT could give assurance on the performance of its task, for example, who would bid out the projects.

Senator Villar replied that the bidding out would be spearheaded by the following agencies: for Business Registry—DTI; for LGU and Community Centers—CICT; for Public Safety Info Network—DILG; for OFW Phase II System—POEA; and for Expanded E-Procurement—DBM.

Senator Roxas recalled that as former DTI Secretary, he undertook all sorts of memoranda of agreement which got nowhere near to fully agreeing on the technicalities of the bid because each agency

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has a different platform for the computer systems that they use.

Asked how the problem would be resolved, Senator Villar said that in the end, it would depend on how the Department would make the study and how much weight the President would give to its recommendation. He opined, though, that the President would finally decide on the issue based on the recommendation of CICT.

Senator Roxas proposed that the E-Government Fund be attached to the budgets of the line agencies involved in the projects.

Senator Villar stated that Secretary Peña assured him that the Department is ready to bid out five other projects except for the Harmonization of the Numbering System project which is already in the initial stage.

Since the CICT does not have line authority over the agencies, Senator Roxas asked about its role and its reliability in the performance thereof. Senator Villar replied that the agencies tasked to conduct the bidding are the following:

Item 1:

Business Registry - DTI

Item 2:

LGUs and Community Centers - CICTC

Item 3:

Public Safety Information Network- DILG

Item 4:

OFW Phase 2 System - POEA

Item 5:

Expanded E-Procurement System - DBM

Further, he clarified that the LGUs and the community centers project would eventually be handled by any of the four lead agencies.

Anent Item 1, Senator Roxas remarked that several agencies have entered into all sorts of memoranda of agreement. However, he noted that there is no full agreement on the technicalities of the bid as each agency has its own platform for the computer system that it uses. Asked how this problem could be resolved, Senator Villar explained

that it would depend on how the DTI makes the study and how much weight the President shall give to its recommendation, although, theoretically, he said, the President would decide on the recommendation of the CICT. He added that the President could compel the department to agree to the recommendation of CICT although he doubted it has that much clout.

On the suggestion that the funds for the E-projects be allocated to the line agencies from which performance could be exacted, Senator Villar said that it is something to be considered. However, he opined that it would be better if the decision would come from CICT which is neutral. He observed that in the case of the OFW project, for instance, there are other agencies involved and if the fund is given to just one agency, the others might not cooperate.

On the premise that the President should compel the agencies to follow the direction of the CICT, Senator Roxas stated that the turf battle would not be an issue, thus, the fund should be given to the agency from which performance could be expected. Senator Villar noted that special provisions can be put in place so that the funds would not be spent on something else or end up as savings.

Since the CICT does not have power over LGUs, Senator Roxas asked why Item 2 (LGUs and community centers) should not be given to the DILG. He noted that the CICT was created pursuant to an executive order; it exercises advisory and coordinating functions but has no line authority over the agencies that perform the actual tasks. CICT's role, he said, is to promote information communication technology for which reason, it might be difficult for independent agencies to take direction from it. He suggested that the funds be given directly to the departments and agencies, and make them accountable and responsible for the delivery of the projects.

Senator Villar interposed no objection as he explained that the E-LGU project is a standard system for all 3rd to 5th class municipalities and the National Computer Center (NCC), under the CICT, will handle it.

Senator Roxas stated that although it is a worthwhile undertaking, he has reservations on the harmonization of the numbering systems project of

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the NSO, SSS, BIR, and GSIS. He said that he has been a part of the undertaking but after three years, the project is nowhere near what it ought to be, thus, allocating another P200 million might be premature. He underscored the importance of finishing the study as it is unclear whether the project is going to cost P200 million. In closing, he said that he would propose amendments at the proper time.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON INFORMATION AND COMMUNICATIONS TECHNOLOGY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Commission on Information and Communications Technology was considered submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 8:23 p.m.

RESUMPTION OF SESSION

At 8:24 p.m., the session was resumed.

DEPARTMENT OF JUSTICE AND ATTACHED AGENCIES

Senator Villar presented the budget of the Department of Justice and its attached agencies.

INTERPELLATION OF SENATOR PIMENTEL

Asked about the opinion of the DOJ Secretary on the creation of the International Criminal Court, Senator Villar stated that the Secretary is in favor of it.

Senator Pimentel expressed appreciation for the DOJ's stand on the issue because there is a need for an international arbiter on the rights of nations especially in matters of criminal jurisdiction without which, he said, the mightier nation would dominate the world. Nonetheless, he admitted being disappointed that up to now, the treaty creating the international criminal court has yet to be forwarded to the Senate for ratification. He noted that if the DOJ Secretary wishes to manifest his support, he should advise the President to submit the treaty to the Senate.

Senator Villar pointed out that the Department of Foreign Affairs, and not the Department of Justice, is responsible for submitting the treaty to the Senate. He revealed that the reason the treaty has not been endorsed is that the U.S. is against it. He stressed that there should be an International Criminal Court so that poor nations like the Philippines would be given protection. He agreed that the treaty should be endorsed for immediate ratification.

Senator Pimentel said that the country is so dependent on U.S. support that the AFP gets practically all its armaments from the United States, and even the spies to be deployed in Mindanao to look for Jemaah Islamiyah agents or Al-Qaeda operatives. It is important, he pointed out, to have an internationally created body to help the Philippines in the event its rights as a sovereign nation are trampled upon by any powerful nation like China and the United States.

Senator Villar stated that the Senators should strongly urge the Executive department to transmit to the Senate the treaty as soon as possible so that it could be ratified immediately.

Although the Department of Finance has the primary obligation to deal with the treaty, Senator Pimentel expressed hope that the Justice Secretary would also tell the President about it. He pointed out that Australia, an ally of the United States, has already approved its own version of treaty creating the International Code of Justice; and the Senate should not be deprived of the right to exercise its constitutional duty to ratify the treaty. Senator Villar agreed.

On another matter, Senator Pimentel said that the bilateral immunity agreement is an instrument entered into by the United States with other countries that directly exempts American troops from the jurisdiction of the host-country. In the conference he attended in New Zealand, he stated that it was reported that 94 countries had already entered into bilateral immunity agreements with the United States. He asked if the Justice Secretary knew that the Philippines has already entered into the agreement that was supposedly signed by a general.

Senator Villar stated that the DOJ officials were not aware of this. Senator Pimentel said that he got the impression that the bilateral immunity agreement is being treated as an executive agreement so

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that it does not need ratification by the Senate. He requested the Justice Secretary to look into this matter and ascertain the veracity of the report. Senator Villar gave assurance that the DOJ Secretary would do so as requested.

As regards the status of the request to extradite Mr. Rod Strunk in connection with the Nida Blanca case, Senator Villar said that the request has been discussed with the U.S. Embassy and that the DOJ is just awaiting additional evidence. The case, he stated, has been reopened in view of the appearance of three new witnesses.

Asked whether there has been a request to extradite Mr. Jose Ma. Sison from the Netherlands, Senator Villar replied that the Philippines has not yet entered into an extradition treaty with the Netherlands; besides, there is an ongoing peace talks.

Senator Pimentel stated that although the DOJ has sounded off the possibility of extraditing Mr. Jose Ma. Sison, the Netherlands, just like all the former member-states of Western Europe that have abolished death penalty, would not allow fugitives within their jurisdiction to be extradited to countries that impose the death penalty.

On whether there is any death execution scheduled in the near future, Senator Villar said that all scheduled executions have been suspended.

Asked whether "suspended" means that death penalty was commuted to life imprisonment, Senator Villar said that the President gave a reprieve.

Senator Pimentel asked whether the extradition of Mr. Michael Meiring has already been requested, pointing out that he was the one who exploded a bombing device in his room in the Evergreen Hotel in Davao City on May 16, 2002. He stated that Mr. Meiring was brought to a hospital in Davao on May 17 where he was visited by FBI agents and the Vice-Consul of the U.S. Embassy, brought to Manila on May 19 for treatment by a special plane rented by supposed members of an international medical foundation, and spirited out of the country on May 20. He said that before one case in the Regional Trial Court and another in the Municipal Trial Court were filed against him, Mr. Meiring was already out of the country when the warrants of arrest were issued by the courts.

Senator Villar stated that the DOJ has made representations with the U.S. Embassy on the issue, but the U.S. government has not pursued any case against Mr. Meiring because he was still at-large. The DOJ, he said, has learned that there is another man with Mr. Meiring by the name of Stephen Hughes who is from North Carolina, and Mr. Meiring has already changed his surname to Van de Meer. He assured the Body that the DOJ would pursue extradition proceedings against the two men.

Senator Pimentel stated that a news group called "11 New Defenders" reported that Mr. Meiring has been spotted in Houston, living with a woman.

Senator Pimentel revealed that Ron Hatchet, a world famous counter-terrorism expert formerly with the Pentagon and the CIA, commented on how Meiring, before he had a change of name, lived openly and walked around freely with a warrant of arrest attached to his name. He reported to the Body that among the things recovered from Meiring was his MILF identification card. On the possibility that Meiring might be an infiltration agent of the U.S. doing covert work among the MILF, Senator Pimentel asked DOJ to shed light on the matter.

Senator Villar informed the Body that the DOJ has no knowledge whether or not Meiring was an infiltrator, and that his supposed affiliation was with the MNLF and he is also a *Bangsa Moro* Commander. Senator Pimentel stated that Ron Hatchet claims that Meiring's group is involved with other militant Muslim splinter groups.

Finally, Senator Pimentel revealed that top officials from the Justice Department sought the help of the U.S. government in locating Meiring but have not received any response. He stressed that whether or not there is a response, the Philippines should press American government to send Meiring back to the Philippines.

On another matter, Senator Pimentel called the Body's attention to the issue that the National Bureau of Investigation is charging entrance fees at its Carriedo Plaza office. Senator Villar explained that the fees are used to improve the facilities in the area.

Senator Pimentel stressed that the NBI's explanation is an admission of wrongdoing.

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He argued that a thousand signatures of Secretary Datumanong would not make legal an act that is illegal from the very beginning.

He informed the Body that "Illegal Exaction" as defined in the Revised Penal Code is extraction of money from the people by public officers without any authority of law. He stated that he would expect the NBI to be the first to observe even the smallest niceties of the law.

He explained that he will hold in abeyance at least the budget of the NBI, if not the whole DOJ budget, if the NBI would insist that the collection is legal.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:59 p.m.

RESUMPTION OF SESSION

At 9:04 p.m., the session was resumed.

Thereafter, Senator Villar informed the Body that after conferring with the NBI Director and Senator Pimentel, the Committee would include a provision in the proposed budget authorizing the use of the agency's income to pay for the building's rental in order to stop the collection of entrance fees.

On the Witness Protection Program, Senator Pimentel queried how many have benefited from the said law in the last two years and what were the expenses involved. Senator Villar gave assurance that the Committee would furnish Senator Pimentel with the information by Monday.

INTERPELLATION OF SENATOR LACSON

Initially, Senator Lacson asked for the monthly average number of applicants for an NBI clearance. Senator Villar replied that it is 3,391,000 for the whole country but he did not have the exact figure on how many entered the New Quiapo Shopping Center in Carriedo Plaza.

Senator Lacson informed the Body that the Carriedo Plaza office is issuing stubs upon entrance.

As the applicants are issued a stub, he asserted that the NBI has no record of the entrance fees collected nor are receipts issued. He argued that if the NBI is paying rentals on the Quiapo building, it should have a record of the number of applicants paying the P20 entrance fee.

Senator Villar pointed out that the fee is paid directly to the owner of the building.

Senator Lacson presented a stub issued to one of his employees at the New Quiapo Shopping Center and wondered whether this practice meant that the NBI condones tax evasion as VAT could not be paid if no receipts are issued.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:13 p.m.

RESUMPTION OF SESSION

At 9:16 p.m., the session was resumed.

Senator Lacson stated that he was suspending his interpellation until Monday when the DOJ will have submitted all the documents pertaining to the rental of the Quiapo building and the P20 fee per applicant. Additionally, he believed that the amount should go to the government, if such transactions were legal.

INTERPELLATION OF SENATE PRESIDENT DRILON

At the outset, Senate President Drilon said that as former Justice Secretary, he was supportive of the budget of the DOJ. However, he said that he wanted clarification on certain matters in the budget. He then asked how many commissioners ought to be in the Bureau of Immigration. Senator Villar said that under the Administrative Code, the Bureau should have three: two associates and one commissioner.

Upon further queries, Senator Villar identified the BI commissioner as Alipio Fernandez and clarified that there are actually four associate commissioners. He said that the salaries of the additional two associates are taken from the savings

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from the budget for Personal Services. Senate President Drilon wondered how the extra two associate commissioners would be paid if there were no savings from that budget. Senator Villar conceded that the practice was illegal since only two commissioners are allowed and the budget could not include four.

Senate President Drilon asked what could be done with the improper situation.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:21 p.m.

RESUMPTION OF SESSION

At 9:26 p.m., the session was resumed.

Asked to identify the five members of the Commission, Senator Villar said they are Commissioner Al Fernandez and Associate Commissioners Carunungan, Delarmente, Cabochan and Littaua. He affirmed that the five commissioners would vote on matters that would pass the commission.

Senate President Drilon noted that as the BI is a quasi-judicial body, the commission has two commissioners who would vote but are in fact usurpers. Asked whether in the Justice Secretary's view the set-up would affect the decisions of the BI, Senator Villar replied in the affirmative. He agreed that the extra commissioners occupy their positions without legal basis.

On the case of Asi Taulava, Senator Villar informed the Body that the commissioners unanimously voted to consider Mr. Taulava as a Filipino although he could not recall how many voted on the case; he presumed that at least three were involved. Senate President Drilon said that he brought up the issue because it is a very anomalous and even dangerous situation.

Senate President Drilon stated that the Bureau of Immigration performs a quasi-judicial function and determines whether a person is a Filipino or an alien, hence, it is quite disturbing that among those who will decide as to whether one is a Filipino or an

alien and therefore subject to deportation are the two members of the Commission whose appointments are illegal.

Senator Villar agreed. He said that the Committee would ask the Justice Secretary to confer with the President on this problem so that she can review all her appointments to ensure that this kind of an error would not happen again.

Senate President Drilon stated that the Agriculture Secretary who, by law, is the *ex officio* chairman of Quedancor has been replaced in that capacity by the presidential adviser on one million jobs. He then asked the opinion of the Justice Secretary on whether the designation and appointment of the presidential adviser is legal in the light of a specific provision of the law designating the Agriculture Secretary as *ex officio* chairman of the Quedancor. Senator Villar replied that it was a *de facto* appointment.

But Senate President Drilon argued that the position of chairman of Quedancor is not vacant and there is an incumbent Secretary of Agriculture. Senator Villar answered that it is the opinion of the Justice Secretary that the appointment of the presidential adviser should not have been made and should be rectified as soon as possible.

Senate President Drilon queried whether the same opinion holds in the case of Landbank which is supposed to be headed by the Secretary of Finance as *ex officio* chairman as he pointed out that the chairman of the Landbank is a presidential assistant. Senator Villar replied in the affirmative.

Senate President Drilon requested that the Justice Secretary bring the matter to the attention of the President.

Asked on the budget for the witness protection program, Senator Villar replied that it is P83,715,000, classified as intelligence and confidential fund, the same last year; and each family is given P8,000 per family per month excluding the rental of the safehouse.

Senate President Drilon adverted to a report indicating that the amount spent for the witness protection program in 2004 was P47.1 million: P6.13 million for the maintenance of safehouses; P15.5 million for the salaries of contractual employ-

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ees; P3 million for incentives of organic personnel; and P11.3 million for administrative expenses. Obviously, he said, there is nothing confidential about these expenses and, therefore, they can be audited like any other expenses. On whether there would be no strong objection or reservation if these expenses are classified as "maintenance operating and administrative expenses" rather than just lump them under the item, "witness protection, security and benefit program," Senator Villar replied in the affirmative.

INTERPELLATION. OF SENATOR PANGILINAN

Asked by Senator Pangilinan on the current vacancy rate of the National Prosecution Service, Senator Villar replied that it is 40% vacancy.

Considering that less than half of the positions are vacant, Senator Pangilinan asked whether it affects the swift dispensation of cases. Senator Villar replied in the affirmative, pointing out that, in fact, the Justice Secretary mentioned the relatively fast pace of attrition probably because of the low pay.

Senator Pangilinan posited that many prosecutors are now applying as judges either in the MTC or RTC because of the law enacted by the last Congress providing for additional compensation for judges. He said that Congress has recognized that there could be an exodus from the prosecution service to the Judiciary, that is why it enacted R.A. No. 9279 authorizing the DOJ to impose certain fees to be used to augment the salaries of the prosecutors.

Asked if this provision is being implemented, Senator Villar replied that the DOJ has started implementing it, although the fees have to go first to a trust fund which has reached P2.8 million for one quarter. Since the Department would be reviewing the rates, he expressed optimism that the collection for this year would be a lot higher.

Senator Pangilinan recalled that the DOJ had projected an increase in the special allowance of the prosecutors up to 50% of basic pay. Senator Villar noted that since all poor litigants — PAO clients — are exempted from charges, the amount that has been collected is less than the target.

On whether the DOJ had imposed fees on cases of bouncing checks, Senator Villar replied in the affirmative.

Relative thereto, Senator Pangilinan warned against exorbitant fees that might lead to a situation where access to the courts is denied. He asked if there are projections on the amount to be raised upon full implementation of a fee structure on the different cases. Senator Villar replied that the DOJ is trying to evaluate what optimum fees it can charge without sacrificing the justice that is due everybody.

Senator Pangilinan noted that in many courts, 30% to 40% of cases involve bouncing checks. Senator Villar opined that decriminalizing bouncing checks might solve the 40% vacancy in the prosecution service because of fewer cases. He believed that this is the cheapest approach to the problem.

But Senator Pangilinan pointed out that in decriminalizing bouncing checks, DOJ would lose the opportunity to charge fees for their filing. Noting that 20% to 40% of cases in the first level courts are cases of bouncing checks, he said that he can foresee that the DOJ's fees on bouncing checks would increase. Senator Villar replied that charges would depend on the amount of the check. He assured Senator Pangilinan that the DOJ would review the matter and look into the possibility of increasing the rates.

On whether the Justice Secretary imposes fees on petitions for review, Senator Villar replied in the affirmative. Senator Pangilinan believed that this process would also prevent the filing of frivolous petitions, to which Senator Villar agreed.

In closing, Senator Pangilinan urged the DOJ and Congress to work together to address the 40% vacancy in the prosecution service. He pointed out that violation of laws is rooted in a slow dispensation of justice, noting that the conviction rate according to the Sandiganbayan is under 20%. If the government wants to address the problem of illegal logging, tax evasion, smuggling, and other crimes, he believed that the DOJ should be able to resolve cases with dispatch.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF JUSTICE

Upon motion of Senator Pangilinan, there being no objection, the Body deemed as submitted the budget of the Department of Justice, without prejudice to its recall if Senator Lacson is not satisfied into the explanation of the National Bureau of Investigation.

Senator Pangilinan stated that the Department of Justice has been requested by Senate President Drilon to furnish the Committee as well as the Senate President with a status report on the Cuadra cases by Monday, February 7.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 9:52 p.m.

RESUMPTION OF SESSION

At 9:57 p.m., the session was resumed.

COMMISSION ON HIGHER EDUCATION

Senator Villar presented the budget of the Commission on Higher Education.

INTERPELLATION OF SENATOR CAYETANO

Preliminarily, Senator Cayetano stated that the Constitution provides that primary and secondary education shall be for free. Unfortunately, she said that despite the cost of education in the tertiary level, the quality of education had somehow diminished over time. She pointed out that in the worldwide ranking, the Philippine education has gone down.

Asked if it is the State policy to allow the quality of tertiary education to diminish, Senator Villar replied in the negative. He said that if the government is unable to finance tertiary education, it is due to lack of funds. However, he agreed with Senator Cayetano that the quality of tertiary education has indeed diminished owing to a lot of factors, including the proliferation of state universities.

Senator Cayetano stated that like social services, education is not given priority that it deserves. She asserted that the P350 million cut in the U.P. budget is the counterpart of a foreign subsidy and since the grant is gone, its counterpart was removed.

Senator Villar clarified that the actual amount represents the reduction of the P357 million capital outlay of PGH. He said that PGH only needed P7.6 million for its emergency room; P75 million for

the eye center; and P12 million for the loan payment. He said that it is very unfortunate that the U.P. budget was cut since he believed that these are not the only things that the PGH needs. He added that the President of U.P. has been asking for more funds to buy more and better equipment. The cut, he explained, has nothing to do with the counterpart fund of any foreign-assisted project.

Senator Cayetano expressed concern that a premier institution like the PGH that cares for indigent patients is being deprived of much-needed funds. She appealed to the conscience of the Members to directly intervene in funding the cause of the PGH. She said that she made a commitment to work for an increase in the U.P. budget, if not this year, then next year. Senator Villar expressed support for Senator Cayetano.

Senator Cayetano inquired on the condition of the state universities. She noted that there had been a proliferation of SUs but because of the limited budget, there were SUs in extremely laudible and wonderful conditions, while there are also SUs in horrible conditions.

Asked if the administration has the political will to close some SUs and focus on a few that it can support, Senator Villar opined that the country has too many universities, while a lot of the local schools are being converted into universities. He said that though the people want as many universities as possible, it has reached a point where the quality of education has been sacrificed. He added that the government can only afford so much subsidy per state university that has to make do with what it has. He observed that the success of the SUs depends on the creativity and managerial capability of the university presidents. In some instances, he said, some SUs have improved the quality of education and facilities and turned out well-rounded production.

Senator Cayetano expressed support for the effort of the CHED to monitor and give full support to deserving SUs and to crack the whip on those who are not giving service to the parents who work hard to put their children through college.

INTERPELLATION OF SENATOR MADRIGAL

Replying to the queries of Senator Madrigal, Senator Villar affirmed that among the SUCs,

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the University of the Philippines System has the biggest chunk of the P4.452 billion budget, or 75.87% of the total P5.866 billion total allocation for the SUCs in the NCR, and 26.42% of the P16.853 billion aggregate budget for the SUCs nationwide. He affirmed that U.P.'s budget includes a provision for the PGH amounting to P1.5 billion representing a 3.21% decrease over the 2004 budget; likewise, it projects an income of P950.234 million in 2005 which would be available for its operations.

Senator Madrigal noted that the projected P950.234 million income of U.P. is broken down as follows: tuition fees, P341.826 million; other income collected from students, P35.950 million; income from other sources, P252.086 million; income from revolving fund, P241.780 million; grants and donations, P29.920; and others, P48.672 million. She asked for the breakdown of the income from other sources amounting to P252.086 million.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 10:15 p.m.

RESUMPTION OF SESSION

At 10:16 p.m., the session was resumed.

Replying to the query of Senator Madrigal, Senator Villar said that the amount of P252.086 million represents the projected hospital fees to be collected by the PGH which it would retain for its expenses. He stated that the PGH has no sources of income other than fees. He explained that the grants and donations come from U.P. alumni, friends and other kinds of donations, most of which go to scholarships and professorial chairs or, as specified by the donors, to a particular undertaking such as furnishing classrooms.

Asked if the income from other sources includes income from commercialization of properties, Senator Villar clarified that rentals from commercial properties are under the income from revolving fund amounting to P44 million or 16% of the P241 million broken down as follows: P17.6 million-income from canteen operation; P29 million-income from dormitory operations; P2.2 million-income from printing and publication; and P44.1 million-income from rentals.

On the legal basis of the line item for Confidential, Intelligence, Extraordinary and Miscellaneous Expenses in the amount of P855,000, Senator Villar explained that U.P. does not have intelligence fund. The amount, he said, is for extraordinary expenses, the grant of which is authorized under the general provisions giving allowances to officials of all government agencies such as department secretaries, undersecretaries, assistant secretaries, and directors. He added the name of item should be changed.

Asked on the type of extraordinary expenses the U.P. officials incur, Senator Villar said that these are the standard miscellaneous expenses for committee or system-wide meetings, for instance.

In view of the decrease of 3.21% in the PGH budget, Senator Madrigal asked if it would be possible to realign the miscellaneous expenses to help PGH. Senator Villar noted that it is a good suggestion.

Asked for the breakdown of the 2005 appropriation of U.P. by expense class, Senator Villar gave the following breakdown: PS, P2.728 billion; MOOE, P355 million; Capital Outlay, P3.5 million; and the rest for PGH.

Asked why U.P. is allocating only 2.19% of its budget to Capital Outlay despite the need to upgrade its equipment and resources, Senator Villar said that while U.P. proposed a higher Capital Outlay, the DBM cut it in the same manner that the Capital Outlay of other government agencies was cut. The PS and the MOOE cannot be cut, he added.

At this point, Senator Madrigal read portions of the COA report on U.P. for 2003, to wit:

U.P. Diliman could have earned rental income of P38 million for the lease of a 49,050 square meter lot if it applied the same rental rate of P65 per square meter. Likewise, the absence of contracts with eight agencies occupying an aggregate of more or less 185,703 meters resulted in a forgone or unrealized income that could have augmented its needed resources.

A substantial amount of income from equitable increase of rental rate could have been realized as well, had lease contracts

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with 48 tenants at U.P. Shopping Center been revised since their expiration in 1991.

Senator Madrigal argued that a substantial amount of income from an equitable increase in rental rate could have been realized had the lease contracts with 48 tenants in the U.P. shopping center been revised since their expiration in 1991. Further, she said, P2.835 million from the 24 stalls in the U.P. shopping center could have been realized had the business concession office policy been enforced notwithstanding the non-renewal of expired contracts. She pointed out that the COA report indicated an apparent weakness on the part of the U.P. system in the management of its financial resources.

Asked what actions were taken in the light of the COA report, Senator Villar replied that the rentals mentioned were from government agencies and the U.P. system, cognizant of the findings, is currently negotiating an increase in rates.

On the absence of contracts with eight agencies, Senator Villar stated that the P1.00-a-year contract leases were with government agencies, adding that negotiations for payment of reasonable rental rates by the agencies are currently ongoing.

Senator Madrigal contended that proper documentation should be on hand even if there are government-to-government on government-to-private sector transactions.

Adverting to the 2003 U.P. budget, Senator Madrigal noted that there was a line item for a P1 million financial assistance for indigents for the PGH. She inquired why the same line item was deleted in the 2004 and 2005 budget. Senator Villar stated that there had been amendments to the U.P. budgets.

Asked if it is not too late to restore the P1 million financial assistance for indigents, Senator Villar said that when the budget of one agency is increased, the budget of another agency is reduced.

INTERPELLATION OF SENATOR ROXAS

Asked by Senator Roxas how many institutions are currently being supervised by the CHED, Senator Villar stated that there are 111 SUCs and 1,154 private higher education institutions (HEIs).

To the observation that very few institutions were closed in the last two to three years, Senator Villar confirmed.

On the policy of CHED with respect to the closure of degree programs of schools whose graduates fail to pass the board exams, Senator Villar replied that many programs were closed because the schools were not able to comply with the CHED requirements.

He added that CHED has increased the passing mark for the board examinations from 5% to 8% of the following courses:

Business Administration	—	14
Public Administration	—	46
Teacher Education	—	44
B.S. Nursing	—	23

Senator Roxas stated that the passing average is one-twelfth, so that if 12 graduates took the board exams, one should pass to make the grade. He pointed out that it is not a good benchmark as the schools accepted tuition for four years from 12 students knowing historically that only one of them would pass.

Asked if that is not false advertising in the sense that the school takes the money that does not redound to a competency of the graduate that would enable him to pass the board exam, Senator Villar replied that the 8% is for all courses although for Nursing, CHED requires a higher passing mark of 30%.

Senator Roxas requested the CHED to submit a briefing document relative to their policies and implementation resulting in closures of schools.

Replying to further queries, Senator Villar affirmed that CHED requires the schools to post information about their passing mark, although not too many complied with it.

On whether CHED issues regulation on the specification on the report cards, Senator Villar replied that CHED could do it.

Senator Roxas asserted that it is only fair that parents are informed that the school of their choice would be able to provide their children with adequate competencies.

REMARKS OF SENATOR PIMENTEL

Adverting to the issues raised by Senator Roxas, Senator Pimentel stated that he does not think schools would want to advertise their failures. He proposed that CHED could do the rating and on its own, sanction a failing school and thereby enable the government to take action, through CHED, to make sure that the school does not inveigle students to enroll.

For his part, Senator Roxas stated that there is a difference of opinion on how to best address the issue. He believed that market information would allow the parents to make decisions for themselves and their children. He added that it is not necessary to advertise in the newspapers but it is necessary to inform the public that the passing rate of an institution in a particular profession is not exactly very good.

Senator Pimentel said that there is no question on the well-intended suggestion of Senator Roxas. He noted that the same effect can be achieved not by imposing obligation on the failing school but through government announcements. Senator Roxas clarified that the purpose is to make the parents aware of the record of the institution when they write a check or pay cash.

At this juncture, Senate President Drilon remarked that the record of the institution is a public record because everytime the Professional Regulation Commission administers the oath of office to those who passed a particular board exam, part of the program is a listing of all schools, including those whose passing percentage is consistently zero. Therefore, he said, simply directing the PRC and the CHED to publish the list in the newspaper would achieve the purpose of Senator Roxas.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON HIGHER EDUCATION

Upon motion of Senator Pangilinan, there being no objection, the budgets of the Commission on Higher Education and the State Universities and Colleges were deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 10:50 p.m.

RESUMPTION OF SESSION

At 10:53 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session suspended until nine o'clock in the morning of Monday, February 7, 2005.

It was 10:54 p.m.

RESUMPTION OF SESSION

At 9:44 a.m., Monday, February 7, the session was resumed with Senate President Pro Tempore Flavio Reyes presiding.

ANNOUNCEMENT OF SENATOR PANGILINAN

Senator Pangilinan stated that the proposed budgets of the following agencies would be considered for the day's session: 1) Morning session – Department of Foreign Affairs and the International Commitment Fund, Department of Energy and attached corporations, and Energy Regulator Commission; 2) Afternoon session – Department of Agriculture and attached agencies, Department of Labor and Employment, Presidential Commission on Good Government, Optical Media Board, Department of Public Works and Highways, Department of Education and the DECS-School Building, Commission on Elections, Department of the Interior and Local Government, and the Department of Environment and Natural Resources.

COMMITTEE REPORT NO. 10 ON HOUSE BILL NO. 3154

(Continuation)

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154 (Committee Report No. 10), entitled

AN ACT APPROPRIATING FUNDS FOR THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND FIVE, AND FOR OTHER PURPOSES.

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DEPARTMENT OF FOREIGN AFFAIRS

The Chair recognized Senator Defensor Santiago to sponsor the budget of the Department of Finance.

SPONSORSHIP SPEECH OF SENATOR DEFENSOR SANTIAGO

In sponsoring the budget of the Department of Foreign Affairs, Senator Defensor Santiago delivered the following speech:

As a nation, conventional notions of territorial metes and bounds no longer solely define us. Eight million Filipinos are in foreign lands under foreign sovereigns. The challenges to the Department of Foreign Affairs are varied and daunting. Our diplomacy must not only directly aid and protect overseas Filipinos by spanning the geographic distances that separate us, but we must also build bridges of mutual respect, goodwill and friendship with the nations that host our nationals.

The Department must also promote international norms that protect migrant workers and prevent human trafficking. International law must be tapped to protect our overseas Filipinos. Our diplomacy must not only actively participate in the progressive development of international law in the sea in this area but must also be skillful in identifying and proving the international norms that could be used to protect our overseas nationals. The Department must also actively participate in global efforts to promote democracy and freedom. Overseas Filipinos and their rights are better protected when their host countries adhere to democratic principles. Sadly, many of our Filipinos work in countries where democracy is still to take route. We must engage in strategic diplomatic and multilateral efforts to *share* the fruits of democracy with others.

High stakes in global peace

Our interests lie whenever events and developments bear upon the lives and the future of all Filipinos. With eight million

Filipinos all over the world, the United Nations Charter call to maintain the peace and security of mankind becomes more than an abstract concept of international law. In our increasingly interdependent world, war, conflict and instability in other parts of the world can and do affect our own vital economic and security interests. But with Filipinos all over the world and on ships on all the world's oceans, war, conflict and instability can also directly threaten the lives and welfare of our overseas nationals. Thus, our membership in the Security Council is more than just for a show. As a member, we are actively pursuing efforts to help maintain the peace and security of mankind. We are at the forefront of pursuing greater interfaith dialogue and dialogue among civilizations. By promoting greater tolerance and understanding among different faiths and civilizations, we hope to help in preventing conflict and in laying firm foundations for global peace.

Diplomacy at the home front

Our foreign policy also works vigorously for the home front and the Filipinos here in the Philippines. Diplomacy is our first line of defense, our front line in the war against terror and our partner in our search for everlasting peace in the country. Diplomacy is our tool in opening markets to our products and services, the platform from where we seek out and bring in investments and the window through which potential tourists can view and know about the beauty of our country and its people.

The Department is our voice in the world, the participant in forming and strengthening international institutions, promoting multilateralism, in the rule of law. The Department is our guide in identifying the processes and problems and improving the norms of international law that will best protect our interests.

The Department is the one skilled to analyze the decisions and actions of others and conclude what all these mean for the development of international norms and relations.

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The resources to do the job

To do all these functions, we are giving the Department of Foreign Affairs .005% of the total budget to care for our overseas Filipinos, around one-tenth of our population. We are giving the Department a micro-fraction of the entire budget, that is, 1/200 of the budget.

For the fiscal 2005, the proposed budget of the Department of Foreign Affairs, including its attached agencies, is P5,018,174,000.

There are many things wrong with our foreign policy. Our over-reliance on the United States as its strategic and economic partners is one. Our participation in multi-lateral organization is another. We have to review and streamline our memberships and contributions to these organizations which have to be rationalized.

It also seems that the Department is unable to fully utilize international law to protect our overseas nationals.

The International Court of Justice has recently made ruling in landmark cases on the responsibilities of host countries to migrants but we have not made use of these rulings.

In a borderless world, our penal laws remain primitive. The strict territorial nature of our penal laws means that those who commit crimes against overseas Filipinos cannot be punished under our laws or cannot be extradited to the Philippines. A person could rape or kill hundreds of Filipinos overseas and in the eyes of our penal law, he has committed no crime. This is a terrible statement of law and policy. Our laws must protect all Filipinos no matter where they are. We are one of the few countries that does not have some form of the principle of jurisdiction called "passive personality."

"Passive personality" principle refers to the liability for injury sustained by us nationals for events that occurred outside the territory of the State.

Recently, there has been a resurgence of the principle of passive personality because of international terrorism. And this resurgence is exemplified by the 1986 Omnibus Diplomatic Security and Anti-Terrorism Act of the United States. With millions of Filipinos overseas, the Department must have a legislative agenda that will address the serious gap. There are many other shortcomings to our foreign policy. Members of Congress, the public and the media have spoken. Some more eloquent than others, while others, more often than some, on the many mistakes in our foreign policy. But it would also be a big mistake not to give the Department of Foreign Affairs the necessary resources, though meager in comparison, for the men and women who rally in the frontlines of our diplomacy to do their job.

Because of the foregoing, I urge the honorable Members of this Senate to pass this budget of the Department of Foreign Affairs.

I further ask that we support the proposal of Senator Aquilino Pimentel Jr. to add P20 million to boost the Assistance to Nationals (ATN) efforts of the Department. I also ask that we approve the request of Secretary Romulo for P36 million to strengthen our country's economic diplomacy. We are told that our economy is in the rebound. If it is, then we must engage in trade and investment to sustain it.

The Department of Foreign Affairs pursues our interest under the most difficult of circumstances. The diplomacy is best carried out away from the blinding glare of media lights, but this is not possible in our country.

Foreign policy is strongest when there is national consensus behind it, when other countries cannot even begin to question the resolve of our people and our leaders behind a certain policy. But in our country, divisiveness is the rule. Foreign policy should be freed from narrow, parochial, and partisan concerns but in our country, these are the concerns that define our policies.

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The Department of Foreign Affairs has enormous task ahead of it and will be laboring under difficult circumstances. It is my hope as Vice Chair of the Finance Committee for Foreign Affairs that the DFA will make do and perhaps even excel under the leadership of his honor, Secretary Alberto Romulo, who is personally present, with what they will be given by this Senate.

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel commended the Sponsor for a very succinct but encompassing sponsorship speech and in vigorously pursuing the cause of the Department of Foreign Affairs. He agreed to the observation that in the borderless world, the DFA has acquired tremendous importance in the country's relationship with other countries, adding that it deserves more than its proposed budget even amidst budgetary constraints.

On the query regarding the case of Filipino entertainers who try their best to go to Japan despite being demeaned there for their jobs, Senator Defensor Santiago mentioned the new immigration policy of Japan concerning the issuance of entertainer's visa in response to the U.S. State Department's report regarding the trafficking of persons which placed Japan and the Philippines under the Tier 2 category, which means that these countries have not complied with the minimum standards to curb human trafficking. That report, she said, chided Japan as a destination country for Asian, Latin American and Eastern European women and children trafficked for purposes of forced labor and sexual exploitation; and it also mentioned that Japan issued 80,000 entertainer's visas to women from the Philippines in 2003. In response, she stated that the Japanese government organized an inter-agency task force against human trafficking which came out with an action plan against human trafficking which proposed a ministerial ordinance to amend Article 7, paragraph 1.2 of its Immigration Control and Refugee Recognition Act which imposes requirements for the issuance of an entertainer's visa.

She explained that under the proposed amendment, an entertainer's visa will be issued only to those with two-year performance training in a foreign educational institution or a two-year performance experience outside Japan.

According to her, the Philippine government, in support of the entertainment industry, made representations with the Japanese government to continue recognizing the Artist's Accreditation Certificate (AAC) or, if not possible, at least to make available to Japan-bound Filipino entertainers a transition period for the implementation of the amendment.

Senator Defensor Santiago then cited the various measures that were undertaken by the government to protect the Filipino entertainers as follows: 1) President Arroyo asked the Japanese Finance Minister and Taro Nakayama, chairman of the Japan-Philippine Parliamentarians Friendship League, during their courtesy call on her, to convey to the Prime Minister her request for a gradual phaseout of jobs susceptible to human trafficking; 2) Foreign Affairs Secretary Alberto Romulo conveyed the position of the government to Japanese Foreign Minister Nabotaki Machimura during the Tsunami Summit in Jakarta; 3) DFA Undersecretary Jose Brillantes and DOLE Undersecretary Danilo Cruz went on official mission to Japan to ask for a five-year moratorium and implementation of the new regulation, that the new rules should be prospectively applied and that the previous work experience in Japan should be credited; 4) the Brillantes-Cruz mission also held dialogues with Japanese legislators, Congressmen Cokilo Bayashi and Tachuso Fuyoshiba, and two Japanese Promoters Associations; 5) Chairman Dante Ang of the Commission on Filipinos Overseas headed a mission to Japan to gain the support of the Japanese promoters and the legitimate club owners. She added that Vice President De Castro has also expressed support for the entertainment industry.

Senator Defensor Santiago also mentioned the efforts made by some of the country's legislators such as Senators Pangilinan and Villar and Representative Noel who filed resolutions in Congress urging the government to protect the Overseas Performing Artists (OPAs) from the new immigration rules of Japan, and Representatives Edcel Lagman and Roseller Barinaga who went to Japan for a dialogue with their Japanese counterparts and also with the Japanese Minister of Justice; and Ambassador Domingo Siazon who continues in articulating the Philippine perspective on the issue of entertainers with all concerned sectors.

Moreover, Senator Defensor Santiago informed the Body that during a meeting of the country's

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labor attaché with the Japanese Embassy officials last February 2 concerning the amendment to Japan's Immigration Act, the following were raised:

1. Non-retroactivity of the amendment -- Entertainer's visa granted before the date of implementation of the amendment will be considered under the old immigration rules. They will be all allowed in Japan for the duration of their contract, an initial three months extendible for another three months.
2. No numerical quota imposed on entertainers -- All applicants who have no necessary qualifications can apply and may be granted an entertainer's visa.
3. The ultimate goal of Japan's action plan against human trafficking enclosing the amendment is to prevent the trafficking of women and to protect Filipino entertainers.

She stated that the amendment to the law will become final once it is signed by the Minister of Justice, but there will still be about one month before it is actually implemented; henceforth, applications for entertainer's visas shall be issued in accordance with the following rules:

1. Applications for entertainer's visas before the amendment is signed will be evaluated under the old rules. (The entertainer can work in Japan until the expiration of her visa i.e. three months extendible for another three months.)
2. Application after the amendment is signed by the Minister of Justice but before the actual date of implementation will be the same as earlier discussed in number 1; and
3. Applications after the actual date of implementation will have to comply with the new rules.

Senator Defensor Santiago explained that since the requirements for the issuance of entertainer visas were the same as those proposed in the amendment, then the pre-1994 entertainers are assumed to be qualified under the new rules, but there will be no automatic approval as they still need to reapply and their qualifications examined. She said that after 1994 onwards, experience acquired in Japan will not be counted but there will be no automatic rejection as due process will still be observed -- they can still submit applications and they will be evaluated accordingly.

Senator Pimentel commended the Secretary of the Department of Foreign Affairs for taking the cudgels for the OFWs. He noted that, as reflected in the Sponsor's reply to his query, the government is sincerely trying its best to ensure the protection of the dignity of the Filipino workers even if they fall sometimes under the derogatory category of *Japayukis*. He believed that the policy of the government vis-à-vis the Japanese government's own regulations on the matter is on the right track. He stated that he also does not believe that young girls, especially minors, should be allowed to go to Japan and be taken advantage of as far as their bodies are concerned.

Senator Pimentel asked about the function of the Commission on Filipinos Overseas (CFO) that other agencies cannot do as he noted the tendency to create more agencies despite of the President's proclaimed austerity measures.

In reply, Senator Defensor Santiago said that the CFO, created by law in 1980, was formerly under the Office of the President but was transferred to the DFA in 1991. She then enumerated the functions of the Commission as follows: to establish a data bank on Filipino emigrants; provide advice and assistance to the President and the legislative branch in the formulation of policies and measures affecting overseas Filipino workers; formulate, in coordination with agencies concerned, an integrated program for the promotion of the welfare of OFWs with respect to their interests and activities in the Philippines; initiate and directly undertake the implementation of special projects and programs whenever necessary; promote the welfare of OFWs with respect to their interests and activities in the Philippines; to serve as a forum for preserving and enhancing the social, economic and cultural ties of Filipinos overseas with their motherland; and provide liaison services to OFWs with appropriate government and private agencies in the transaction of business and similar ventures in the Philippines.

Senator Defensor Santiago further disclosed that the CFO was transferred from the DFA back to the Office of the President by virtue of Executive Order No. 343, dated August 2004, months after the President submitted to Congress the proposed national budget which has CFO still attached to the DFA.

Senator Pimentel acknowledged the need for a reliable data bank about the whereabouts of Filipinos overseas. He then asked how many overseas Filipinos there are at present. He said that the numbers have an impact on the preparations for the overseas voting.

In reply, Senator Defensor Santiago cited the numbers based on the report of the Philippine posts as of June 2004 as follows: Americas – 2,558,004; Asia and Pacific – 1,072,682, Europe – 452,772, and Middle East and Africa – 1,436,035, or a total of 5,519,553.

She clarified that the eight million she mentioned in her sponsorship speech was based on a stock estimate of overseas Filipinos as of December 2003 prepared by CFO, DFA, POEA and other sources covering 192 countries and territories, to wit: permanent overseas Filipinos — 2,865,412, temporary overseas Filipinos — 3,385,001, and irregular overseas Filipinos — 1,512,765, or a total of 7,763,178.

Senator Pimentel hoped that with Dante Ang at the CFO, a better picture of the exact number of OFWs could be derived.

On the possibility that POEA and OWWA may have some concrete figures on OFWs, considering that Filipinos would have to go through both agencies before they can go overseas, Senator Defensor Santiago replied that the 5.5 million estimate came solely from the Philippine posts while the 7.7 million figure came from the combined reports from the CFO, the DFA and other sources, thus the latter estimate would be more reliable.

Senator Pimentel stated that he would like to rely on the number provided by the OWWA because every time a Filipino goes abroad for employment, he or she is required to pay a certain amount to enhance the OWWA Trust Fund. But Senator Defensor Santiago pointed out that POEA and OWWA handle only documented workers, including some workers who enter as tourists, that is why their figures are not always all-inclusive. Senator Pimentel agreed that only workers going abroad who have definite assignments would be included in the OWWA files.

Senator Pimentel acknowledged that indeed the DFA is encountering problems on undocumented Filipinos because an undocumented Filipino would

not even bother to inform the embassies or the consulates abroad regarding his presence in the host country but would later, in dire situations, howl against the government for not doing anything about the problem.

Citing the case of a documented and well-placed overseas worker who died in Jeddah two or three years ago while on duty running an electric facility, Senator Pimentel narrated that the family of this deceased OFW sought his help because it had already been two months since the OFW died but nobody seemed to know how to get his cadaver out of Jeddah, and it was only after he called the embassy in Jeddah and the OWWA that the body was eventually repatriated back to Cebu. A month later, he said, the widow visited him in his office and complained that she has not received yet the OWWA benefits due her, and so he called OWWA to act on the widow's complaint and on that very day, the benefits were released. He questioned why it had to take a phone call from a senator to get things done despite the mandate of the law. He acknowledged that it takes a long time before the body of an OFW who died abroad, is repatriated to the country. He then asked what the DFA can do to address this problem.

Senator Defensor Santiago gave the assurance that her Subcommittee would communicate with the proper offices to tell them about the incident as an example of government inefficiency, and inform them that the DFA's budget has been increased by P20 million for Assistance to Nationals (ATN) upon request of Senator Pimentel. Given this increase, she demanded that assistance to nationals must be prompt, immediate and adequate.

Senator Defensor Santiago pointed out that the total ATN fund from 1998 to 2004 amounted to P196 million resulting in assistance to 6,624 nationals. She clarified that for calendar year 2004, the amount appropriated for assistance to nationals was P47,600,852, which went as assistance to 1,537 OFWS. She then asked the Secretariat to take note of the letter that the Subcommittee will send to the agencies involved in assisting nationals abroad.

On another matter, Senator Pimentel inquired whether the increase in the DFA budget would be enough to cover the need to revise indices of the DFA for allowances of overseas posts, especially in Europe, in view of the strong showing of the Euro

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over the dollar. He informed the Body of reports reaching him that DFA personnel assigned to Euro-dominated currency countries had experienced a diminution of not less than one-fourth of their effective rates which compelled them to transfer their children to schools with lower tuition fees, as well as transfer residence since they could no longer afford the rates at which these rented places were leased to them. He suggested that the DFA indices, which refer to the cost or standard of living, be revisited to address the aforementioned problem. Senator Defensor Santiago agreed to Senator Pimentel's observation on the living and working conditions of DFA personnel. She acknowledged that P20 million would not be sufficient to overcome this exchange gap. She informed the Body that the Secretary of Foreign Affairs had just signified his approval of the proposal and his intent to implement it.

Senator Pimentel stated that aside from Comelec, the DFA is the other agency mandated by law to monitor the implementation of the Overseas Absentee Voting Law. He inquired into the available data on the number of overseas Filipinos who availed of the law in relation to the expected number of Filipinos who were supposed to have either registered or voted in the last elections. Senator Defensor Santiago gave the following information: the total number of applications for registration received was 364,187, of which the approved applications were slightly less at 359,297; 687 applications were received in the Philippines, of which 393 were disapproved, while only a small fraction of applications for registration were disapproved abroad; there were 567 overseas workers who transferred their voting places; there were dual citizens numbering 2,020, while those unaccounted for were 2,597. In sum, she said that the total number of approved applicants for registration was 364,874, of which 233,902 actually turned out to vote during the May 2004 national elections, or 65% as compared to the local voter turnout of 72%. She said that the DFA considered the turnout as good considering that the government only had more than a hundred voting precincts abroad, and that voters had to travel and take time off from work so that they could vote. She also informed the Body that there were certain posts which generated higher than average turnout: Athens and Dubai at 84%; Singapore, 77%; Al Qubar, 76%; Hong Kong, 71%; Kuwait, 69%, Saipan, 68%, and Brunei, 67%.

Senator Pimentel then requested the DFA to reconstitute the task force that used to handle matters concerning overseas Filipino voters because some Senate committees are pushing for a review of the Overseas Absentee Voting Law to make it more palatable to overseas Filipinos, to accept it rather than to reject it outright. Senator Defensor Santiago replied that Secretary Romulo had signified his approval of the request.

Adverting to Senator Defensor Santiago's comment on the need to create an international criminal court, Senator Pimentel recalled that in the conference on the creation of the International Criminal Court in New Zealand, which he and Senator Defensor Santiago attended, the whole delegation was mesmerized by Senator Defensor Santiago with her expertise on international law and the nuances of the need to create the International Criminal Court. He then asked on the status of the Treaty creating it, pointing out that it was signed during the administration of President Estrada but has not yet been forwarded to the Senate for ratification. He stated that at the very least, the Senate as the treaty-ratifying body, should have a say on this Treaty because it has very serious implications on the actuations of foreign troops in the country, particularly in the light of the present fight against international terrorism.

Senator Defensor Santiago explained that the Philippines signed the Rome Statute on December 28, 2000, and the DFA submitted the treaty to the Office of the President for ratification on May 2002. She disclosed that the Department of National Defense and the Department of the Interior and Local Government have expressed reservations on the provisions of the Statute that could allegedly expose members of the military engaged in counterinsurgency and counter-terrorism operations to harassment suit. The Department of Justice, she added, has also raised the concern that its ratification may subject the country's judicial system to the standards of other states and may be an abdication of national jurisdiction.

In view of these reservations, she said that a Cabinet Oversight Committee on Internal Security was created to study the implications of ratification prior to its endorsement to the Senate for concurrence. Meanwhile, she disclosed that a case has been filed before the Supreme Court to compel the President to submit the Rome Statute or the

Treaty Creating the International Criminal Court to the Senate for debate on whether or not it should be ratified. She hoped that it would only be a matter of time before the Executive department decides to subject it for ratification.

Senator Defensor Santiago noted that there is a rule that said that a pending case could not be made *sub judice*, but she doubted if it is still a valid rule, considering that the basis for the *sub judice* rule was never applied from the very beginning to the country. She added that one can copy the *sub judice* rule from the American system where no one is allowed to talk about a case for fear that it might influence the jury. But she pointed out that since the country has no jury system, it should have no *sub judice* rule.

According to her, she had perused the Supreme Court petition and found it to be reasonably based on existing law. She emphasized that the Constitution provides that the Senate may or may not ratify treaties, but it does not have the power to, at least, peruse or examine a treaty to see if it is good or bad for the country. She pointed out that in a case where the President, through the DFA, has authorized not only the negotiations but has, in fact, signed the treaty, it does not add credit to the country's standing in the international community that it will not ratify a treaty for which it campaigned, and which the proper authority even actually signed. Likewise, she announced that she would file a resolution expressing the sense of the Senate that since the Philippines is a signatory to the Rome Statute or the Treaty Creating the International Criminal Court since December 28, 2002, the President may now transmit it to the Senate for ratification proceedings.

Senator Pimentel agreed to Senator Defensor Santiago's proposition on the *sub judice* rule. He argued that when a matter is of public interest, the rule does not have any weight at all to be used as a gag on legislators who wish to take up the issue. He noted that one of the reasons why countries such as the Philippines have not ratified the Rome Statute is the fact that the United States is against it and being an ally of the U.S., the President believes that it is not to the best interest of the nation to get embroiled in this issue.

Relative thereto, he informed the Body that in a Conference on the Treaty on Nonproliferation of Nuclear Weapons, he learned that the United States

had already entered into a bilateral immunity agreements which exempts its troops from the jurisdiction of the host countries, with 94 countries, one of which is the Philippines which, however, kept it a secret. He then asked for a confirmation if there was such an agreement signed, as he pointed out that the DFA owes it to this Senate to give it a copy for its perusal.

Senator Defensor Santiago replied that during her sponsorship speech, she mentioned that there are certain defects or liabilities in the country's foreign policy, the first and most important of which is its tendency to depend too much on America for its strategic policy. Further, she pointed out that the arguments being used by the DND, DILG and the DOJ against the Rome Statute, are sheer parrot repetitions of the arguments of the United States. She stated that the United States wants to be a policeman of the world, it wants to have authority to roam around the world beyond the territorial boundaries of any sovereign state and impose its will, as it did in Iraq, independent of the consensus in the United Nations Security Council, which is tasked in international law with this duty. She noted that the United States has become more and more unilateral in its approach; it does not want to consult Europe; it does not want to abide by the UN Security Council regulations; and it wants its power to be imposed on the world because of its status as the sole military superpower in the world today.

She stated that the argument of the DND and the DILG that if the country becomes party to the Statute, it would expose members of the military involved in counterinsurgency and counter-terrorism operations to harassment suits, is far from reality. She noted that no such suits have been filed so far, notwithstanding that these counterinsurgency and counter-terrorism operations have taken almost a decade in the country. On the other hand, she commented that the argument of the DOJ that ratification may subject the country's judicial system to the standards of other states is devoid of content, because once a member-state becomes a member of the international community of nations, it simply has to be prepared to give up certain rights or prerogatives since this surrender is mutual among the entire community.

She stated that these so-called "non-surrender agreements" does not exempt anyone from criminal liability because parties to the agreement are still

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empowered to exercise their respective criminal jurisdictions. But she pointed out that the nationals would not be submitted to the jurisdiction of an international tribunal without the consent of their home states. For instance, she said that if an American in the Philippines commits an international criminal act as defined by international law, the Philippine government cannot extradite him to the United States or to any international tribunal that requests jurisdiction over him; the Philippine government has to ask the United States if the American within the Philippine territory could be disposed of in that manner. Upon her query, she said that the DFA will furnish the Senate with a copy of the bilateral agreement.

As to the status of the move of the United States to tag Jose Maria Sison and the NPAs as terrorists, Senator Defensor Santiago pointed out that under international law, there is no accepted definition of what "terrorism" is, even if the UN General Assembly had passed such definition. She explained that for a practice to qualify as a norm or principle of international law, three things are required: 1) there should be a practice; 2) it should have been repeated over a long period of time; and 3) it should be accompanied by the conviction that it is a correct and reasonable practice.

Relative thereto, Senator Defensor Santiago informed the Body that on August 11, 2004, Mr. Jose Ma. Sison, NDF chief political consultant, announced the cancellation of the formal round of talks scheduled on August 23-30, 2004, citing as reason the Philippine government's failure to take action on the delisting of CPP-NPA as terrorist organization and his delisting as a terrorist. She pointed out that on the part of the Philippine government, it can only appeal to the U.S. and EU government; it cannot intervene in the formulation of their international policies. That the CPP-NPA is listed as a terrorist organization according to the Philippine government, she noted that it is of their own doing because of their own acts of violence and terrorism, and it is only by their own actions that they will be removed from the list. She opined that should the CPP-NPA appeal that they be delisted, such appeal should be addressed to those who issued the list because the Philippine government did not have anything to do with it.

She further explained that according to international law experts, there should be in the

definition of "terrorism" certain elements such as: 1) there must be acts of mass destruction; 2) there must be an ideological motivation behind the acts; and 3) the terrorist is encouraged by his ideological motivation to achieve a change of government. She said that added to these three elements were certain factors which other nations find objectionable, that is why, to date, there is no definite definition of "terrorism."

Senator Pimentel stated that he supports the U.S. government's assessment of the Abu Sayyaf group as a terrorist organization considering its own actuations in the past, like making kidnapping for ransom an industry in the South. But he expressed his disagreement to any attempt by the U.S. government or the Philippine government to tag the Moro Islamic Liberation Front (MILF) as a terrorist organization because unlike the Abu Sayyaf, it has a political agenda. Therefore, he said that it is best that the Philippine government engage the MILF in a political dialogue, to which it has been responding in the past several weeks under the auspices of the Malaysian government.

As to the status of the peace talks between the Philippine government and the MILF, Senator Defensor Santiago informed the Body that the DFA is assisting the GRP panel in coordinating with Malaysia in its role as third-country facilitator to the peace negotiation, as well as with other countries involved in the process. Likewise, she said that the DFA is providing technical support to the GRP panel in the drafting of the final peace agreement.

As to the repercussion of the recent deportation of Filipinos from Malaysia, Senator Defensor Santiago stated that on October 22, 2004, when Malaysia granted amnesty to illegal aliens, the Philippine embassy in Kuala Lumpur dispatched consular teams to Kota Kinabalu, Sandakan and Tawau in an effort to encourage undocumented Filipinos there to avail themselves of the amnesty program before January 31, 2005, the latest extension granted upon the request of the Indonesian government in view of the recent earthquake and tsunami. She said that it would take time to assess how many of these undocumented Filipinos have applied for amnesty.

Senator Pimentel pointed out that most of the Filipinos in Sabah and adjoining parts that belong to the Malaysian Federation evacuated to these

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areas at the height of the Moro wars in Mindanao. He commended the DFA for the kind of work that Senator Defensor Santiago described so that these Filipinos would not feel abandoned by their government in their plight.

On another case, Senator Pimentel narrated a bombing incident in Davao involving Peter Meiring who also injured himself, and recovered from him was an ID indicating that he is a member of the MILF. He stated that when Meiring was in the hospital, three FBI agents and the U.S. vice-consul visited him; three days later, using an aircraft rented from Subic by the so-called International Health Foundation, he was airlifted to Manila, ostensibly to get better treatment from St. Luke's Medical Center; and a few days after, even before cases were filed against him, he disappeared.

He revealed that Meiring was reported to have flown to Houston, Texas, moved to Colorado and the last information, to California where he was now using the name Van de Meer. He added that at the time Meiring was in Davao, two bombings – in the Davao airport and in the pier – occurred resulting in the death of some people. In this regard, he called on the DFA to exert efforts to get Meiring back to the country to face charges filed against him.

Accordingly, Senator Defensor Santiago directed the DFA to find out if the cases filed against Mr. Meiring are still pending in court. She said that if indeed that there are still cases pending, the Department of Justice could request Meiring's extradition, but if no case was filed or it only underwent preliminary investigation, or it had been archived, the Philippine government, through the Department of Justice, would first have to secure information or testimony from him by invoking the Mutual Legal Assistance Treaty with the U.S.

Senator Pimentel then asked the DFA to comment on the presence of 70 spies sent by the U.S. Pentagon to Mindanao. In reply, Senator Defensor Santiago denied that they are spies as she adverted to a statement issued by the U.S. Embassy that these so-called spies are, in fact, strategy experts whose main function is to gather intelligence for the Visiting Forces Agreement. She said that since the VFA finds its legal basis in the RP-U.S. Mutual Defense Treaty, she would be filing a resolution expressing the sense of the Senate that the treaty should be reviewed, bearing in mind the foremost interest of the Philippines.

Regarding the scheduled chairing of Asean by Myanmar on 2006, Senator Pimentel maintained that Myanmar does not have the moral ascendancy to chair Asean considering its track record in oppressing its own people. He then asked Senator Defensor Santiago to elucidate her earlier statement that the violation of human rights in that particular could not be banned under the rubric of non-interference in other countries' affairs.

Senator Defensor Santiago explained that the DFA has maintained its support for the so-called "road map to democracy" which Myanmar's new prime minister has indicated he would continue. She said that the DFA takes the position that the Philippines would continuously engage and persuade Myanmar to show its commitment through concrete steps for national reconciliation and lifting the restrictions on Aung San Suu Kyi, who was proclaimed winner of the presidential elections, and her political party. She believed that Myanmar's assumption of the Asean chair in 2006 implies that the Asean tolerates the military government in Myanmar, which allegedly has committed human rights violations. She acknowledged that the United Nations Charter prohibits any state from interfering in the domestic affairs of another state, but she maintained that any violation of the international human rights law calls for some form, albeit subdued interference, because in attempting to be neutral, evil will triumph. She asserted that doing nothing about the Myanmar situation and allowing Myanmar to assume chairmanship of Asean in 2006 would perpetuate human rights violations. She then declared that she would file a resolution expressing the sense of the Senate that Myanmar should voluntarily waive its rights to occupy the Asean chairmanship until it lifts the restrictions on Aung San Suu Kyi and her political party.

On the hotly contested issue of the limitation of the continental shelves of nations, Senator Pimentel urged the government to begin identifying and delimiting the country's continental shelf and make it known to the world because some portions of the country have been included in some maps issued by China as under its jurisdiction.

Reacting thereto, Senator Defensor Santiago explained that the Department of Foreign Affairs takes the position that the law of the sea that came out of the United Nations Conference on the Law of the Sea (UNCLOS) includes the doctrine of the

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archipelagic territorial boundary. As such, she said, since the Philippines is an archipelago, its boundaries are determined by drawing imaginary lines connecting all the outermost islands of the archipelago and everything within those lines, whether land or water, belongs to the Philippines as part of its natural territory. She pointed out that the territorial sea over which the country has control and supervision is 15 miles outside of those lines, and in addition, the country exercises the right to exclusive economic zone (EEZ), which is up to 200-mile limit from the shoreline. She predicted that in the future, there will be no more open seas because each country, with the aid of technology, will use their EEZ and trace their continental shelves that extend underneath the sea and far into the open sea.

Senator Defensor Santiago further explained that China has its own version of international law and since it does not adhere to the principles of international law accepted by the Western countries and by the developing nations, its claims are not valid under the international law. She emphasized that the Philippines should campaign for the recognition of the archipelagic doctrine as the basis for computing the country's EEZ and its continental shelves.

On the Sabah issue, Senator Defensor Santiago mentioned that the Bipartisan Executive Legislative Advisory Council on Sabah (BELACS) was formed in 1993 under the Ramos administration to formulate the Philippine position on Sabah; however, BELACS failed to convene and was subsequently reconstituted by President Estrada in 1999 and by President Macapagal Arroyo in 2002. She said that this Council was finally abolished by President Macapagal Arroyo and its functions were transferred to the DFA which is still in the process of formulating the Philippine position on Sabah.

On whether the embassy's properties in Japan have been sold or rented out, Senator Defensor Santiago replied that these properties have not been sold and she suggested that these assets be liquidated at some future time.

INTERPELLATION OF SENATOR ENRILE

Asked by Senator Enrile whether it is necessary to maintain 62 Philippine embassies and 21 consulates worldwide, Senator Defensor Santiago replied that there are a total of 85 foreign service

posts divided into 61 embassies, three missions to the UN and WTO, 20 consulates-general and one extension office.

As to why there is a consulate in Vladivostok, Senator Defensor Santiago replied that this post is an "open post," meaning, it is included in the budget but is not functional.

Senator Enrile pointed out that the budget for these "open posts" would become the savings of DBM, not of DFA, and as such, it would be realigned by DBM. He suggested that the said appropriation be scrapped so that it could be used for other purposes. Senator Defensor Santiago concurred, stating that the Subcommittee intends to write a letter to the Secretary of DBM directing the DBM to either remove these "open posts" from the budget or reactivate them but only after presenting to the Senate valid justification, and that they could not realign the budget for these posts as savings.

Asked why there is a consulate in Saipan, Senator Defensor Santiago mentioned that there are about 10,000 Filipinos there.

To the suggestion of restructuring or combining some of the 62 embassies as in the case of Hungary where the Philippine ambassador there is accredited as ambassador to Poland, Senator Defensor Santiago found the suggestion to be commendable, saying that with so many high technology means of communication, the list of these ambassadors and consuls could be shortened without any prejudice to the national interest by consolidating several jurisdictions under one person. She then instructed the DFA to initiate a study on how consulates and embassies could be combined under one leadership and to submit a copy of the result of that study to the Subcommittee for its consideration.

Asked why the Philippine government is maintaining embassies in Phnom Penh, Hanoi and Vientiane when these embassies are contiguous territories, Senator Defensor Santiago informed the Body that the DFA has already initiated moves to consolidate the jurisdictions of embassies as in the case of the embassy in Paris which also serves Monaco. But she noted that the high interest in trade promotion could be one reason for the presence of embassies at posts where the DTI does not maintain its presence. She stated that career diplomats undertake trade promotion with support from the DFA's economic diplomacy unit which

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liaises with the Bureau of Export Trade Promotion and the Center for International Trade Exposition and Mission. She pointed out that 25 of 85 foreign service posts have either a resident DTI trade attaché, a locally hired trade assistant, or a separate Philippine trade office in the same city or region. She informed the Body that in recent years, there has been a reduction of the DTI's presence abroad owing to the closure of eight Philippine Trade and Investment Centers (PTICs) in Johannesburg, Tel-Aviv, Fukuoka, Seattle, Chicago, Jeddah, Toronto and Madrid.

Asked what is the strategic interest of the Philippines in Laos that could not be served by the Philippine embassy in Hanoi, Senator Defensor Santiago replied in the negative.

Asked how much is allotted to the embassy in Laos, Senator Defensor Santiago gave the following figures: \$36,000 for the annual rent of the chancery; \$30,000 for the annual rent of the ambassador's residence; while the country's trade balance with Laos is \$106,128. She agreed with Senator Enrile that as much as possible, the Philippine government should reduce the number of its embassies and consulates to the lowest strategic number. She confirmed Senator Enrile's observation that the budget for the embassy in Vientiane (Laos) is almost P20 million.

Senator Defensor Santiago acknowledged that the country's strategic interest in Phnom Penh could be served by the embassy either in Hanoi, in Ho Chi Min or even in Bangkok which can even serve Myanmar, but she emphasized the requirements of Asean that a member-country must maintain representation in the other member-countries. She said that the proper solution to this is for the country's panel to take up in the Asean the possibility of amending this rule or practice so that it would not be necessary to keep a posting open in every Asean member-country.

As regards the Philippine embassies in the Middle East countries, Senator Defensor Santiago replied that the reason for the presence of these embassies there is that the Philippines maintains trade relations with these countries; aside from the presence of OFWs there.

As to the reason for maintaining an embassy in Iraq with which the country is at war because of its membership in the Coalition of the Willing, Senator Defensor Santiago cited the presence of overseas

Filipino workers there who are not part of the humanitarian contingent but who are entitled to the same protection and attention given to other OFWs in other countries. In addition, she pointed out the need for an embassy there to supervise in an orderly fashion the repatriation of Filipino nationals, particularly those indigents in case the need arises. She, however, took note of Senator Enrile's position that 1) certain areas can be managed from only one major city there even if there are several countries comprising that area; and 2) if there is an embassy, it might be possible to reduce the embassy to a mere consulate in order to cut down expenses.

As to the country's strategic interest in the Palau which has a population of 17,000, 7,000 of whom are Filipinos, Senator Defensor Santiago surmised that it could be a source of potential employment, but she agreed that it may not be worth the expense of P20 million to maintain an embassy there.

As regards the country's economic, security and political interest in Timor-Leste for which P20 million is allotted for an embassy there, Senator Defensor Santiago again agreed on the need to conduct a study on how many of these embassies and consulates the country can do without or how many embassies could be relegated to consulates. She affirmed that an ambassador posted abroad receives his salary in dollars but she pointed out that their salaries are hardly even sufficient to cover the costs of representation. Nonetheless, she agreed that these dollar appropriations should be studied.

Asked what is the country's strategic interest in Bandar Seri Begawan, Brunei Darusalam where P39.5 million would be spent to maintain an embassy there, Senator Defensor Santiago informed the Body that the embassy there has 18 personnel and with collections of almost P11 billion as of 30 September 2004. In addition, she gave the following information: 1) the Philippine community consists of 17,335 people; 2) Total trade amounted to \$1,908,379; 3) Exports, \$1,751,888; and 4) Trade balance is \$1,595,397. On the other hand, she presented the following: Vehicles – Mercedes Benz E-230A, deteriorating, Daewoo Racer 11GL, fair, Mitsubishi Starwagon 203, a rental car, Mitsubishi L393, deteriorating; Annual rent for the chancery — \$56,000; and residence — \$61,818. She acknowledged the possibility that the embassy in Kuala Lumpur could handle Brunei and a consulate could be put up there instead.

Upon Senator Enrile's request, Senator Defensor Santiago indicated the ambassadorial posts by category as follows: Dhaka, Bangladesh – non-career; Abu Dhabi, UAE – career; Ankara, Turkey – career; Athens, Greece – career; Baghdad, Iraq – career; Bandar Seri Begawan, Brunei Darusalam – career; Bangkok, Thailand – career; Beijing, China – career; Berne, Switzerland – career; Berlin, West Germany – career; Brazilia, Brazil – career; Brussels, Belgium – career; Bucharest, Romania – noncareer; Budapest, Hungary – noncareer; Buenos Aires, Argentina – career; Canberra, Australia – career; Jakarta, Indonesia – career; Doha, Qatar – career; The Hague, Netherlands – career; Hanoi, Vietnam – career; Havana, Cuba – noncareer (vacant); Islamabad, Pakistan – career; Kuala Lumpur, Malaysia – career; Kuwait – career; Abuja, Nigeria (covers 16 countries) – noncareer; London, England – noncareer; Madrid, Spain – noncareer; Manama, Bahrain – career; Mexico – noncareer; Moscow, Russia – career; Muscat, Oman – noncareer; Nairobi, Kenya – career; New Delhi, India – career; Ottawa, Canada – noncareer; Paris, France – career; Phnom Penh, Cambodia – career (vacant); Micronesia – closed post; Port Moresby, Papua New Guinea – noncareer; Pretoria, South Africa – career; Riyadh, Saudi Arabia – career; Rome, Italy – noncareer; Santiago, Chile – noncareer; Seoul, South Korea – career; Singapore – career; Stockholm, Sweden – career; Teheran, Iran – career; Tel Aviv, Israel – career; Tokyo, Japan – career; Tripoli, Libya – noncareer (vacant); Vatican – noncareer; Vienna, Austria – career; Washington, D.C. – noncareer; Wellington, New Zealand – career – vacant (The embassy is being used for assistance to nationals and trade promotions); Yangon, Myanmar – career; Prague – noncareer; Vientiane, Laos – career; Amman, Jordan – career; Koror, Palau – noncareer; Caracas, Venezuela – career; and Dili, Timor-Leste – career.

Regarding Washington, D.C., Senator Defensor Santiago said that the Philippine ambassador there is Ambassador Del Rosario, a well-connected political appointee with extensive trade and business interests before his appointment.

Asked why there is an embassy in Beirut when there is already an embassy in Tel Aviv, Senator Defensor Santiago cited the presence of 20,000 Filipinos there. She also stated that the country's exports to Lebanon totaled P2,585,201 consisting of food products and textile.

On another query, Senator Defensor Santiago confirmed that career ambassadors have the same salary level but their allowances differ depending on the cost of living of the country of assignment.

As to why there is an effort to increase by P36 million the P13,238,000 budget request for the San Francisco consulate, Senator Defensor Santiago clarified that the additional P36 million would be devoted to repair and rehabilitation of other consulates abroad. But Senator Enrile demanded an explanation for this increase, saying that under the Constitution, Congress cannot increase the budget requested by the President. He also noted the P20 million increase being proposed for the implementation of R.A. No 8042 when the budget requested by the President was only P71,691,000. Senator Defensor Santiago replied that the additional P20 million was requested by Senator Pimentel for the repatriation of undocumented overseas Filipinos.

Regarding the P53,538,000 budget request for "Commitments for International Conferences," Senator Defensor Santiago explained that this would be used to pay for the country's membership dues to certain international organizations and its commitment to the hosting of international conferences. She said that last year's budget for this item was P65,810,000.

On whether the efficiency of the Department would suffer if the budget of the Department proper for traveling expenses in the amount of P243,103,000 is reduced, Senator Defensor Santiago replied that any cut would certainly affect the efficiency of the Department. She maintained that the DFA, a very travel-intensive agency, does not go on unnecessary travels.

On whether the DFA is engaged in intelligence gathering considering that it is allotted P79.049 million for confidential, intelligence, extraordinary and miscellaneous expenses, Senator Defensor Santiago reiterated the Committee's plan to remove the intelligence funds from most of the agencies' budgets. She explained that intelligence funds appear in every department or office because of the DBM's guideline of lumping these funds together with extraordinary and miscellaneous expenses.

As to the breakdown of the P72 million for subsidy and donation, Senator Defensor Santiago gave the following figures: Assistance to Nationals

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– P60 million; World Expo Japan – P6 million; Singapore – P5,759,000; and Office of the Secretary – P7 million.

As to the status of the Philippine claim to Sabah, Senator Defensor Santiago replied that the Philippine government has not abandoned the claim and neither is it pursuing it. She recalled that President Ramos established the Bipartisan Executive-Legislative Advisory Council on Sabah (BELACS) to study the Sabah claim but it was not able to function at all until it was abolished in 2004. She said that the DFA, to which the functions of BELACS were transferred, is currently formulating the Philippine position on Sabah.

Still on the Sabah issue, Senator Enrile asked why the Philippine government is planning to put up a consulate in Sabah when it considers the area as part of the territory of the Philippines and regarding the border problem with Malaysia, how come the Philippine government allowed Malaysia to supervise the peace process in Mindanao.

In reply, Senator Defensor Santiago stated that the DFA Secretary is determined not to establish a consulate in Sabah. She noted that the Philippine position has been to put the Sabah claim on the back burner without dropping the claim itself and that the DFA has been studying the issue cautiously for the following reasons: 1) Malaysia is currently brokering the ongoing peace talk with the MILF; 2) Malaysia is currently the chair of the Organization of Islamic Conference (OIC) and whose support is considered crucial in the Philippine bid for observer's status in the OIC; and 3) Establishing peace in the region through the assistance of Malaysia is a key element in settling the problem in Southern Mindanao.

On the observation that the totality of all these actions and decisions of the Philippine government would suggest that implicitly, it is abandoning its claim to Sabah, Senator Defensor Santiago expressed the view that there is no jeopardy to the Philippine claim to Sabah by asking Malaysia to act as a thirty-country facilitator but she agreed that establishing a consulate in Sabah is an implicit waiver or considered as deliberately ignoring the Sabah claim. She affirmed that in international law, it is perfectly logical to conclude that silence on the part of the Philippine government over the repatriation of Filipinos from Sabah could be taken as a circumstance of the country's disinterestedness

in pursuing its claim over Sabah because it is an admission that it considers the area not as its own. But she clarified that such a conclusion could not be drawn if the tribunal was properly informed that at that time Malaysia was also acceding to the Philippine request to broker peace talks in Mindanao.

Asked what would be the effect of the agreements entered into with China during the President's state visit there on the country's relationship with Taiwan, a major trading partner, Senator Defensor Santiago recalled that in her China state visit, the President generated P400 million worth of investments; China also extended a \$25 million credit facility that would help the government meet its objective of reducing by half the price of medicines; and an agreement was signed on China's donation of hybrid corn seeds. On the other hand, she stated that the country's economic relations with Taiwan are active, mutually beneficial and consistent with the One-China policy. She believed that the President's state visit to China would not substantially hurt the country's relationship with Taiwan, noting that both countries, China and Taiwan, had also entered into trade relation agreements with one another.

Regarding the integrated glass manufacturing facility which would manufacture sheet glass, Senator Enrile questioned the wisdom of adding more capacity to the market for sheet glass which is already losing and where the competition is very stiff. Senator Defensor Santiago indicated that the Subcommittee would inquire from the DTI Secretary on how glass products under the agreement were defined.

INTERPELLATION OF SENATOR LIM

Preliminarily, Senator Lim described the appointment of the Hon. Alberto G. Romulo as the DFA Secretary as the best appointment ever made by the President considering his much-vaunted integrity and honesty in the discharge of his responsibilities. He hoped that the President would make similar appointments so that the confidence and credibility of the Administration would go a notch higher.

He then placed on record his association with Undersecretaries Ferdinand Ebdalin and Jose Brillantes, the workhorses of the Department, to whom he has been approaching in representation of OFWs in need of assistance. He said that he has

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never failed in eliciting positive action from them to the joy and happiness of the families of the OFWs. He cited the help extended by Undersecretary Ebdalin in rescuing a lady from her employer in Riyadh who nearly became a victim of sexual abuse. He also praised Undersecretary Brillantes for his assistance in repatriating dead bodies of OFWs and to those languishing in detention centers.

Relative thereto, Senator Lim then proposed the realignment of some funds from other departments to increase to P100 million the budget of the Commission on Filipino Overseas considering that its budget request of P39,220,000 is not enough for it to effectively perform its mandate. In reply, Senator Defensor Santiago stated that it would depend on how the realignment would affect the efficiency with which certain services that are absolutely necessary are delivered. She clarified that the Subcommittee has no objection to Senator Lim's proposal as she cited Senator Pimentel's request of additional P20 million which has been placed under the Office of the Undersecretary for Migrant Workers Affairs.

Senator Lim proposed that his request be taken from Pagcor's intelligence funds, to which Senator Defensor Santiago replied that there was already a proposal to remove all appropriations for intelligence and confidential funds. She said that she would seek a comment from the LBRMO because the Constitution prohibits the increase of the budget of a particular agency. But Senator Lim argued that his suggestion could be accommodated provided the total budget is not increased. Senator Defensor Santiago promised to implement the proposal if given the legal basis for it.

Senator Lim stressed that the failure or success of a department rests on its personnel. In this regard, he recalled that in 1989, while he was in Lyon, France attending a conference, he learned that a coup was launched and he was asked by Malacañang and the U.S. embassy to return to Manila immediately. He related that when he failed to get a flight back to the Philippines, he went to the Philippine embassy in Paris and there a high official in that office berated him and in a condescending manner, ask him why he was two hours late, and he apologized. Fortunately, he said, there was a lady official who was apologetic and offered the courtesy of the embassy. After dinner, he continued, the lady official invited him to her apartment and there he called Ambassador Del Rosario who graciously

intercede with the Japanese ambassador in Paris to grant him a Japanese visa. He stated that he was very thankful to the lady official that he was able to take a flight back to the Philippines which was further facilitated with the help of a representative from the U.S. embassy. He said that he took a private jet plane that landed in Clark Air Base and from there he was taken by helicopter to the U.S. embassy in Manila. He said that he narrated the incident in the hope that the likes of Undersecretaries Ebdalin and Brillantes would be emulated by the other employees of the DFA, as well as of the other departments. In closing, he said that he would help in working out the details of how the DFA could be given an additional P200 million for the use of OFWs.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF FOREIGN AFFAIRS

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Foreign Affairs was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended until two-thirty in the afternoon.

It was 1:11 p.m.

RESUMPTION OF SESSION

At 2:55 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

DEPARTMENT OF ENERGY AND ITS ATTACHED AGENCIES

Senator Defensor Santiago presented the budget of the Department of Energy and its attached agencies, namely, the National Electrification Administration (NEA), National Power Corporation (NPC) and the Philippine National Oil Company (PNOC).

SPONSORSHIP SPEECH OF SENATOR DEFENSOR SANTIAGO

Senator Defensor Santiago delivered her sponsorship speech as follows:

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proposals of the Department of Energy also known as DOE, and its attached agencies, namely, the National Electrification Administration (NEA), the National Power Corporation (NPC) and the Philippine National Oil Company (NPC) originally totaling P248.441 billion before amendment by the Subcommittee.

Compared to its 2004 budget of P239.8 billion, its collective budget proposal for 2005 is only P8.606 billion more or a mere 3.59% increase.

In addition, I shall also sponsor the budgets of PSALM and Transco.

Let me now speak briefly of the DOE and each of its attached agencies.

1. The DOE Budget

The DOE proposed budget of P350.738 million earmarked for regular programs is actually among the lowest among the departments representing .07% of the national government budget. The regular programs consist of activities to be carried out pursuant to DOE's two major final outputs (MFO), namely 1) policy formulation and program development; and 2) implementation of energy policies, plans and programs to ensure sufficient, stable, secure, accessible and reasonably priced energy supply and to pursue cleaner and efficient energy utilization and clean energy technology applications.

These two major functions are mandated by Republic Act No. 7638 or the DOE Charter as amended by Republic Act No. 9136 also known as the Electric Power Industry Reform Act of 2001 or EPIRA, for short. The proposed increase of P31.590 million in the DOE budget is a reflection of its expanded functions as mandated by the EPIRA, the Philippine Clean Air Act of 1999 also known RA 8749, and the downstream Oil Industry Deregulation Act of 1998 also known as RA 8479.

One of the major reform programs of RA 9136 is the establishment of the Wholesale Electricity Spot Market or

WESM in preparation for retail competition and open access. This has been designed to promote greater competition and to widen customer choice among electricity end-users.

Toward this end, the DOE through its Electric Power Industry Management Bureau or its equivalent pursuant to the EPIRA and Administrative Order No. 38, series of 2002, shall undertake various critically important activities such as the supervision of the EPIRA implementation which includes the establishment and operationalization of the WESM and 100% barangay electrification by 2008, and 90% household electrification by 2017. The EPIRA also mandated the DOE through this Bureau to develop a comprehensive and integrated program for the transmission, generation, and distribution sectors of the power industry through the following: formulation of the Power Development Plan; review and approval of the Transmission Development Plan, also known as TDP; Distribution Development Plan, also known as DDP, and Missionary Electrification Development Plan, also known as MEDP, updating the power contingency plan and the very important test of promoting the EPIRA-ism through information campaign. The net P31 million budget increase is critically important to enable the DOE to implement its various programs particularly these pertaining to the restructuring of the electricity industry pursuant to its mandate as provided under Section 67 of the EPIRA.

2. NEA Budget

With regard to NEA, it needs P3.366 billion in order to promote, encourage and assist public service entities particularly electric cooperatives, also known as EC, toward achieving total electrification on an area coverage basis.

The national government has already achieved 91.27% energization of 41,945 barangays.

For 2005, NEA shall provide financial, institutional and technical assistance and support to energize 200 barangays benefiting

8,000 additional consumers and to rehabilitate 2,073 kilometer distribution lines.

3. *NPC Budget*

In respect to NPC, its priorities are to operate and maintain generation assets, improve the supply of power generation in areas not connected to the main grid, and rehabilitate and manage watershed areas.

With the P237.364 billion budget, NPC will be able to implement its optimum dispatch model that will ensure electricity supply at the least cost even as the company is privatized as mandated by EPIRA. Through the Small Power Utilities Group, also known as SPUG, NPC will undertake various locally funded projects that will yield an additional capacity of 47.75 megawatts for far-flung areas not connected to the grid.

4. *PNOC Budget*

Finally, energy independence is a cornerstone of the National Development Agenda. And the 2004 to 2010 Medium-Term Philippine Development Plan has recognized the pivotal role of PNOC in this initiative. With a P7.380 billion budget, PNOC and its subsidiaries through strategic partnerships and collaborative undertakings will be spearheading the energy independence agenda by engaging in oil and gas exploration and production activities, renewable energy development and alternative fuel development.

In sum, your Subcommittee is seeking from this honorable Body your favorable consideration of the collective budget proposals of these four energy agencies whose mandate is not only important but also critically sensitive in this economically trying times.

Your Subcommittee has already trimmed the DOE budget amidst screams of pain and there is really nothing left to trim. For the sake of orderliness, I humbly propose that we should debate the budgets in the following order: DOE, NEA, NPC, PNOC, PSALM, and Transco.

I am now ready to entertain questions about DOE, and I shall announce the name of the next agency for deliberation as we go along.

INTERPELLATION OF SENATOR ENRILE

Initially, Senator Enrile asked about the actual budget request of the DOE. Senator Defensor Santiago clarified that under the General Appropriations Bill, the proposed budget was P330.378 million but the Subcommittee reduced it to P273.308 million.

As to the attached agencies, Senator Defensor Santiago cited the National Electrification Administration (NEA), the Philippine National Oil Company (PNOC) and the National Power Corporation (NPC) which are separate entities. But she clarified that the corporate operating budgets of corporations are not part of the total new appropriations because the money did not come from the government.

She reported that the budgets for fiscal years 2003 and 2004 had the same amount of P299,148,000 because the latter was a reenacted budget.

Asked if the lower budget for 2005 meant that the DOE is treated as a less important department by the Administration, Senator Defensor Santiago replied in the negative, noting that, in fact, it has always been given importance at LEDAC meetings. She said that the significant budget cut in the DOE compared to that of other agencies was just a coincidence.

Asked if there has been a decrease in DOE's manpower, Senator Defensor Santiago replied in the affirmative.

Being the agency that exercises management and oversight functions over its attached agencies, she said that DOE wanted to set a good example when it trimmed its 735 employees down to 596.

On the mandate of the DOE, Senator Defensor Santiago affirmed that it is still the planning office that determines the country's energy requirement in relation to the economy's expected growth by exploring indigenous sources of energy in order to make the country independent from imported fuel.

Senator Enrile asked if the department is conducting an analysis of the country's future power

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requirements. Senator Defensor Santiago reported to the Body that a ten-year study from 2005 to 2014 was conducted covering demand forecasting and the system peak demand which is expected to increase from 9,827 megawatts in 2005 to 14,265 megawatts in 2010 and to 19,064 megawatts in 2014 with an average growth rate of 7.6%. She said that the present peak demand is in the range of 9,000 megawatts. Further, she disclosed that the DOE study on systems supply and demand released last February 1 showed that the total installed capacity throughout the country is 15,322 megawatts but the dependable capacity is only 12,024.

Upon further queries, Senator Defensor Santiago replied that about 15% of the estimated 12,024 mw dependable capacity is hydrothermal power; natural gas, 25%; oil based, 12%; geothermal, 19%; and coal, 29%.

Asked whether the 9,000 mw peak demand is indicative of the growth or contraction of the economy, Senator Defensor Santiago explained that the 7,303 mw system peak demand indicates that there has been a growth. Further, she explained that the 8,204 mw system peak demand for 2002 to end-2003 signified a 6.3% growth rate. However, she clarified that each grid has a different peak demand level occurring at different levels and months. For instance, she said, the peak demand in Luzon was recorded during the summer season while the 924 mw peak demand in Visayas and 1,131 mw in Mindanao both occurred in December.

Asked for the average peak demand nationwide, Senator Defensor Santiago gave the following data:

Area	% increase in system peak demand/ mwh in 2003 vs. 2002
Luzon	5.60
Visayas	2.33
Mindanao	13.67
Total (Philippines)	6.26

Upon further queries, Senator Defensor Santiago said that there is about a 1.2 or 1.1 ratio between economic growth vis-à-vis growth in power demands. She clarified that the peak demand forecast for 2004 for the entire country was 9,160 mw but by 2005 the estimate would be 9,827 mw.

On whether there are ongoing projects for increasing power demand capacities in the

country, Senator Defensor Santiago enumerated the following data:

Project	Location	Contracted price per kwh	Owner- ship	Opera- tional by
200 mw Coal-fired	N. Mindanao (Misamis)	P1.90	IPP	End of 2006
40 mw Geothermal	Visayas (Northern Negros)			Early 2007
100 mw Coal-fired	Panay			2008
100 mw Coal-fired	Cebu			2009
350 mw Coal-fired	Quezon			2008
20 mw geothermal	Dumaguete			2007
25 mw Wind driven turbine	Ilocos Norte			May 2005

To the observation that the Ilocos Norte project had met resistance from some residents, Senator Defensor Santiago replied that although its construction had been delayed, local approval for the wind-driven turbine had already been obtained.

Senator Enrile pointed out that the contracted price per kilowatt hour of the electricity generated by a wind-driven turbine should be cheaper than that set in the Napocor grid rate since no fuel would be used. Senator Defensor Santiago affirmed that the price would be about P0.38 or 10% less than the Napocor grid rate of P3.80.

Senator Enrile wondered why the Mindanao coal-fired plant could produce cheaper power than the Luzon wind-power turbine which would not use any fossil fuel. Senator Defensor Santiago explained that this might be because being an intermittent, unreliable energy source, wind would not be able to supply power 24 hours a day and only at about 25% of full capacity.

Senator Enrile noted that even then, the price difference between the two power sources is substantial. Moreover, he pointed out that there are only very few months in the year where there would be a lull in the wind velocity of an island nation such as the Philippines. Since the Philippines would not need to buy fuel for this project and it is not affected

by price manipulation, he suggested that the government adopt the policy of establishing wind power to generate electricity in rural areas to wean the country's independence from fuel-based sources of energy.

Senator Defensor Santiago agreed, adding that she would encourage the DOE to fully support this effort. However, she said that wind projects with their sources of intermittent power would not require the "take-or-pay" provisions that are usually included in the IPP contracts.

Upon further queries, Senator Defensor Santiago replied that although the planned power development projects are more than what had been enumerated, the country will definitely need more capacity. She said that the expected total megawattage to be generated by the end of the 10-year planning period of 2005-2014 are the following:

Power Investment Opportunities :

Luzon (2008-2014)	: 7,200 mw
Visayas (2005-2014)	: 600 mw
Mindanao (2005-2014)	: 850 mw

Moreover, Senator Defensor Santiago stated that for the next 10 years, 2005 to 2014, it is 600 megawatts for the Visayas and 850 megawatts for Mindanao.

Asked on the assumption of the growth rate of the economy, Senator Defensor Santiago stated that conservatively, a growth rate of 5% to 6% is expected, and at this rate, the country would not be running the risk of overbuilding again like what happened with the IPPs.

On the issue of abolition of the National Electrification Administration (NEA), Senator Defensor Santiago clarified that NEA has merely been restructured. She said that the EPIRA IRR, Section 3.bii provides that NEA officials and employees "shall be legally terminated," but in practice, this has been interpreted to mean "shall be restructured" resulting in the following changes:

	2003	2004	Reduction
Plantilla positions	965	422	56%
Personnel	730	314	57%
Departments	16	10	37%
Divisions	49	23	53%

Senator Defensor Santiago stated that the savings due to the restructuring amounts to

approximately P161 million or 49% reduction in operating expenditures.

On another matter, Senator Enrile stated that the Opposition disagreed to the imposition of VAT on IPPs and on electricity. He said that under the EPIRA, generation of power is zero rated, meaning, a generation company can collect from the government the equivalent or corresponding VAT-take on fuel or raw materials or other supplies that it uses. He mentioned that there is a proposal to remove this zero rate for power generation and in lieu thereof, it would be VAT-exempted. On the other hand, he noted that there was also a proposal that fuel that generates or produces electricity would be subjected to VAT, although the rate is still unknown but surely, it would be less than 10%. Suppose the VAT would be 5%, he asked how it would impact on the per kilowatt price of electricity ex-plant.

Senator Defensor Santiago stated that the 5% presumes a multi-tiered VAT system. She said that the studies of the Department of Energy had started with only 10% VAT, in that case, the figures, if divided into two, would result in the following: in the Luzon grid, the impact would be an additional P.20/kwh; in the Visayas, P.16/kwh; in Mindanao, about P.10/kwh; and the average for the whole Philippines, P.19/kwh.

Upon further queries, Senator Defensor Santiago explained that lifting the VAT exemption of NPC and subjecting it to the full 10% VAT, plus an additional 2%, the result would be as follows: Luzon – P.50; Visayas – P.39; Mindanao – P.26; Philippines overall, P.45. Applying 5% VAT on fuel and 5% VAT on electricity would approximately give half or just a little less than half, she added.

Senator Enrile expressed support for the budget of the DOE for the simple reason that the country needs electricity. He said that the P330 million for this purpose is nothing compared to the billions of pesos being used by the nonproductive sectors of the government.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon on the reliable supply of electricity, Senator Defensor Santiago confirmed that there is 12,000 megawatts and the peak demand is 9,000 megawatts.

Senator Biazon noted that the government is looking at additional production of 8,650 megawatts which is going to give the country a supply of more than 20,000 megawatts within 10 years.

Relative thereto, Senator Biazon stated that the government is paying P2.8 billion a year to Casecnan for the supposed supply of 150 megawatts. He asked whether Casecnan is able to deliver the 150 megawatts and whether it is being used properly. He disclosed that there are reports that Casecnan cannot deliver the energy in full.

Senator Defensor Santiago replied that the power is used only for the generation of water and electricity. But Senator Biazon pointed out that payments for water and electricity are two different items, and the government pays P2 billion a year for the water supply only. Senator Defensor Santiago stated that renegotiations, which allow the government to pay only for what it uses, have already been terminated.

Senator Biazon asked the possibility of having cheaper power in the event the energy sector is able to generate more energy from the country needs. In reply, Senator Defensor Santiago illustrated the nature of the new contracts that the government has been renegotiating frequently with success. For example, in San Roque Hydro Electric Plant, she said that the installed capacity is 345 megawatts, the dispatched capacity is 230 megawatts, the levelized contracted price is P7.71/kwh, and the project cost was \$1.19 billion. She said that an implementing agreement was reached in November 2003 to reduce contracted capacity and capacity fee payments as follows: Year 1 to 4, 85 megawatts; year 5 to 10, 95 megawatts; year 11 to 14, 110 megawatts; and year 15 to 25, 115 megawatts. With the levelized price of P2.96/kwh at current dispatch of 230 megawatts, she disclosed that the government was able to effect a reduction at a contracted price that serves as a sort of a template for all the other contracts. She agreed with Senator Biazon that when the projected additional generation of power is achieved, cheaper power could be expected by the consumers.

In the event the demand for power does not go up and the energy sector is unable to use or sell the energy to the consumers, Senator Biazon asked whether the government would be paying more. Senator Defensor Santiago replied that the

government would be paying less because over time, the demand for electricity would always increase because the population increases, hence, there would be more new undertakings in trade and commerce that would necessitate electricity.

INTERPELLATION OF SENATOR OSMEÑA

At the onset, Senator Osmeña requested that he be furnished with a copy of the basic electricity tariff of Asian countries with whom the Philippines competes for foreign direct investments. The energy rates of selected countries are as follows:

Country	Residential	Commercial	Industry
Philippines	P3.10-P10.55	P3.62-P9.71	P3.30-10.68
Thailand	P3.36	P2.89	P2.89
Vietnam	P2.89	P4.20	P2.80
Indonesia	P1.50	P2.98	P2.50

In the case of the Philippines, asked on the big discrepancies of rates, Senator Defensor Santiago stated that there are big discrepancies because of the size and needs of the islands. She said that these Small Power Utilities Group or SPUGS are subsidized so they can charge less.

As for the average energy rate for the Luzon grid, Senator Defensor Santiago gave the following information: industrial, P3.30; commercial, P3.62; and residential P3.10.

Senator Osmeña posited that in order for the economy to grow and since power is such a large-cost component of industries that create jobs, the Philippines should try to keep its power rates as low as possible. He stated that the all-in rate or the rates that include distribution, transmission and supply should be lower.

Asked if the Philippine rates include transmission, distribution and supply charges, Senator Defensor Santiago replied in the negative. She stated that she would provide Senator Osmeña with a copy of commercial electricity rates in selected Asian countries in U.S. cents per kilowatt hour.

SUSPENSION OF SESSION

Upon motion of Senator Osmeña, the session was resumed.

It was 4:02 p.m.

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RESUMPTION OF SESSION

At 4:02 p.m., the session was resumed.

Asked on the dependable energy capacity versus the peak energy demand for Luzon, Visayas and Mindanao, Senator Defensor Santiago said that for Luzon, the required capacity would be 150 megawatts by 2008. She said that Mindanao should expect brownouts by next year.

On the shortfall in Mindanao, Senator Defensor Santiago gave the additional power demand profile for the next 10 years:

<i>Year</i>	<i>Megawatts</i>
2006	100
2007	100
2008	50
2009	50
2010	50
2011	50
2012	100
2013	50
2014	150

She said that Mindanao would need a total of 850 megawatts in 10 years while for same period, the Visayas would require additional capacity, to wit:

<i>Year</i>	<i>Megawatts</i>
2008	100
2009	0
2010	0
2011	150
2012	100
2013	100
2014	150

Senator Osmeña observed that the shortage would be more acute in Mindanao than in the Visayas. However, he noted that the Visayas would be requiring almost 200 megawatts within the next 10 years. He summed up the total additional energy requirement of both Mindanao and the Visayas to 1,600 megawatts within 10 years at a cost of \$1.6 billion, based on present value.

Asked if this requirement would include the expansion of the transmission capacity, Senator Defensor Santiago replied that it would not. However, she said that just for transmission, it would cost US\$850 million for the next five years.

At this juncture, Senator Defensor Santiago gave the scenario on the power development for Luzon, Visayas and Mindanao in the next 10 years:

Luzon	7,200 megawatts	2008-2014
Visayas	600 megawatts	2008-2014
Mindanao	850 megawatts	2005-2014

Senator Osmeña argued that in order to deliver power from the power plant to the consumer, the government needs to expand the transmission to the subgrids. Senator Defensor Santiago said that for Visayas and Mindanao alone, this would cost P15 billion.

Senator Osmeña noted that the requirement for the Luzon grid that would cost US\$700 million would be very heavy since the cost for both Visayas and Mindanao grids is US\$300 million.

Senator Defensor Santiago stated that in the next 10 years, the expanded transmission for the whole Philippines would cost P150 billion.

Asked to define the term "power shortage," Senator Defensor Santiago said that power shortage happens when the existing dependable capacity does not meet at least the operational reserve margin of 13.2% above the expected peak demand. She said that for higher system reliability, the ERC approved Open Access Transmission Services or OATS which requires the reserve margin of 32% including backup and standby power. She added that the one-day LOLP criteria used in the PDP resulted in a 20% reserve margin above the peak demand.

Senator Osmeña said that since the ratio between the existing dependable capacity during peak hours and the reserve power is not 1:1, and if only one plant serves Metro Manila that has a consumption rate of 6,000 megawatt, then there would be a shortage because it does not include the reserve of 13.2%.

Asked to give the difference between the 13.2% operational reserve margin and the 32% reserve margin, Senator Defensor Santiago stated that there is a higher system reliability with the OATS and there is a minimum reserve.

Asked how much reserve above 32% the country has today since it has had a huge surplus for the past few years, Senator Defensor Santiago replied that the average demand is 7,074 megawatt hours throughout the country; gross reserve during

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peak level is 4,721 megawatts; gross reserve during average demand is 4,951 megawatts; needed reserve in certain percentages is 1,030 megawatts; and back-up reserve is 740 megawatts.

Senator Osmeña observed that the surplus, meaning over and above the 32% reserve that the country safely needs to ensure that it does not have any brownout, is 2,000 megawatts. Senator Defensor Santiago agreed, adding that the figure is expected to change by 2008 or 2009 when demand shall have increased.

Asked when the demand and the reserve would be in perfect equilibrium, Senator Defensor Santiago said that this point has been approximated in the Visayas and Mindanao, and in Luzon, it would be in 2008 or 2009.

In reply to another query, Senator Defensor Santiago said that construction for additional capacity began the previous day. She affirmed the observation that if a new plant is being planned today, it would start operations in three or four years, including the period for raising the needed funds.

On the additional capacity that would have to be built to avoid a repeat of the power shortages in 1991 and 1992 which held back investors, Senator Defensor Santiago said that Luzon would be needing 150 megawatts in 2008, 1,050 megawatts in 2009, and 1,650 megawatts in 2010.

Senator Osmeña posited that the 150 megawatts needed today could be filled by recommissioning some of the mothballed plants; the 1,050 by existing capacity or mothballed capacity; but the 1,650 would be an impossibility.

Senator Defensor Santiago said that the following are the additional capacity in Luzon: 2005, Northwind Power – of 25 megawatts; 2006, PNOC EDC Windpower – 40 megawatts; rehabilitation of the Sucat Thermal Plant – 450 megawatts and Pagbilao expansion – 350 megawatts.

Asked what is in the pipeline for 2010, Senator Defensor Santiago admitted the absence of sources beyond 2009, thus, government has to tap the private sector.

On the source of the 1,650 megawatts needed in 2010, Senator Defensor Santiago explained that

600 megawatts would be natural gas mostly from Malampaya, and the rest imported natural gas.

Senator Osmeña underscored the need to predict the country's power supply requirements because the foreign investors who look at the Philippines as an investment destination would like to find out whether they would run short of power two to three years down the line. He hoped that when investors ask about certain basic manufacturing facilities in the country, the Department of Energy would not tell them that it is still hoping to get additional investors for plans that would come on stream in 2010, 2011, and 2012; rather, the DOE should give them a higher measure of comfort as far as power supply is concerned.

Senator Defensor Santiago said that the ERC is actually working on the guidelines for the establishment of new power plants, the whole theme of which is to persuade the investors that all optimum requirements are already in place in the country.

Senator Osmeña clarified that he was talking about investments in the industrial sector. Senator Defensor Santiago admitted that there are no definite plans yet for the next 15 to 20 years.

Thereafter Senator Osmeña made a reservation to interpellate on the NPC budget.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:27 p.m.

RESUMPTION OF SESSION

At 4:27 p.m., the session was resumed.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel why Secretary Vince Perez, who had resigned, still remains in the Department of Energy, Senator Defensor Santiago said that the Secretary is expected to leave his post by the middle or end of February.

Senator Pimentel said that he was informed that Secretary Perez would leave his post by March 20 so that the administration could install a new DOE Secretary, through an *ad interim* appointment, because Congress would not be in session at that time.

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Senator Defensor Santiago admitted that it is possible.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:29 p.m.

RESUMPTION OF SESSION

At 4:29 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF ENERGY

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Energy was deemed submitted for the Body's consideration.

ENERGY REGULATORY COMMISSION

Senator Defensor Santiago presented the budget of the Energy Regulatory Commission.

SPONSORSHIP SPEECH OF SENATOR DEFENSOR SANTIAGO

In sponsoring the budget of the Energy Regulatory Commission, Senator Defensor Santiago delivered the following speech:

The President's budget for the Energy Regulatory Commission amounts to P155.95 million—I can furnish the breakdown. A comparison between the 2005 President's budget and the 2004 reenacted budget of P112.83 million reveals that there is a 53% increase in the budget for Personal Services, no change in MOOE, and 100% increase in Capital Outlay.

The 53% increase in Personal Services can be attributed to the upgrading of the salaries of the ERC personnel which was approved by President Arroyo according to her memorandum that was transmitted from the Executive Secretary dated 2003. There is an appropriate Section 39 in the EPIRA Law for this purpose.

The creation of a new "Meter Division" under the Consumer Affairs Service increased the manpower complement of ERC by 38, from 211 approved-plantilla positions to 249. The creation of this division was necessary since ERC was mandated by EPIRA to test and calibrate all—meaning to say, all over the country—electric meters before installation. This newly created division composed of 38 plantilla positions covers all distribution utilities nationwide comprising 19 private utilities, 120 electric cooperatives which were previously under the NEA, and other electric power industry participants such as the Generation and Transmission Companies, private establishments and other WESM participants. Before the creation of the said division, only eight engineers borrowed from various services and departments, were tasked to perform this function.

The creation of the Meter Division also translates to an increase in the Commission's revenue-generating capacity since the metering and calibration functions are provided for a fee. In 2003 and 2004, P20 million and P22 million, respectively, of ERC's revenue came from meter testing fees. Although the number of meters tested and calibrated in 2003 totaling 665,789 increased to 1.6 million in 2004, the fees increased only by P12 million because meter testing fees were increased in 2003 but later decreased in February 2004 when the Commission found them too burdensome to the consumers.

To cover the upgrading of salaries and the increase in plantilla, a supplemental budget was approved and released to the Commission in 2004. Overall, the Commission received P151.15 million from the Department of Budget and Management, P5 million of which is allotted for Capital Outlay. The Capital Outlay was intended for the upgrading of meter testing gadgets and equipment in the meter laboratory to be used by the newly hired engineers in the Meter Division in order to maximize their output. The Commission inherited the existing equipment from the Public Service Commission but the equipment were not capable of testing modern and highly complex meters.

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Thus, if one compares the 2005 President's budget and the 2004 Actual Allotment, there was a 5% increase in the budget for Personal Services and MOOE and Capital Outlay remained the same. Overall, the budget of ERC increased only by 3% — a negligible increase by any standards.

The 2005 President's budget is 19% less than the income that the Commission targets to generate. Please note that in the last three years, the Commission's income always exceeded its budget. As a matter of fact, the budgets approved in 2003 and 2004 amounting to P119.284 million and P112.833 million, respectively, are only 73% and 67% of the ERC's actual collections for the same period. It is clear that the income that ERC generates is higher than the expenses it incurs. And the revenues are remitted to the National Treasury.

The Commission has manifested that if the budget is further reduced, ERC will be constrained to adjust or lower its targets, otherwise, there is a possibility that its programs, projects and activities would be without budgetary support. This would inevitably delay the restructuring of the electricity industry.

The work programs of the Commission for 2005 will include the promulgation of eight much needed rules, regulations and guidelines as follows:

1. Pricing methodology for natural gas;
2. Guidelines for the issuance of supplier's license;
3. Customer supply code;
4. Uniformed business practices;
5. Guidelines and/or code of conduct for retail competition players;
6. Guidelines for the issuance of certificate of authority for metering services providers;
7. Transmission rate, adjustment mechanism;
8. Market monitoring guidelines for WESM.

These guidelines are meant to guide the electricity industry stakeholders as to the

requirements, qualifications and standards that must be adhered to in dealing with the Commission and many industry players.

With respect to the enforcement of rules, regulations, guidelines and policies, the ERC seeks to issue permits and licenses within the prescribed processing time; conduct regulatory visits; technical presentations and seminars to stakeholders outside of the ERC.

In all these activities, the stress is on the effective implementation of performance base, rate-setting, methodologies and the full operation of the wholesale electricity spot market, also known as WESM.

On the field of adjudication or resolution of cases and disputes, the ERC conduct hearings and decide on cases concerning rates, violations, consumer complaints, et cetera, and handle consumer conferences on complaints filed before it.

The Commission will strive to finish all the rate unbundling applications, motions for reconsideration and other appeals.

Lastly, the Commission will, in order to promote consumer interests, institutionalized a dispute settlement and assessment system which would provide uniformed assessment of conflict and at the same time, systematized and standardized the resolution of the same.

Time and again, the Commission prefers settlement of disputes before it becomes a full-blown hearing because of the cost, effort and time that litigation entails.

It is also important to sustain the gains that the Commission has attained through the years by further intensifying information campaigns. These campaigns are designed to make the populace better understand the courses of action that must necessarily be adopted and implemented in order that the industry can move forward and eventually realize a truly competitive electricity industry.

Finally, the Commission, in its continuing commitment to protect the interest of electricity consumers, will strive to test

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and calibrate 700,000 meters. Continue to monitor tampered meters. And test 700 reference standards.

Your Subcommittee on Energy has trimmed the ERC budget and recommends its approval.

INTERPELLATION OF SENATOR PIMENTEL

Upon query of Senator Pimentel, Senator Defensor Santiago stated that Meralco is obeying the Supreme Court order and is in the process of refunding the amount which, according to data as of December 31, 2004, shows the following:

Refund Phase 1 - residential and general services with registered consumption billing as of April 2003 is 100 kilowatts and below.

Number of Services	- 2,033,273
Total for Refund	- P2,170,417,788.00
Total Refunded	- P1,837,333,686.00

Refund Phase 2 - residential and general services with registered consumption billing as of April 2003 is 101-300 kilowatts.

Total for refund	- P 4,558,957,491.00
Total refunded	- P 4,264,625,920.00

Refund Phase 3 - residential and general services with registered consumption billing as of April 2003 is above 300 kilowatts.

Total for refund	- P 4,904,411,481.00
Total Refunded	- P 4,559,502,114.00

Refund Phase 4 - consists of commercial and industrial customers.

The timetable for the first three phases is as follows:

Phase 1

Active - complied with in 2003
Terminated - complied with in 2003

Phase 2

Active - complied within 2004
Terminated - complied with in 2004

Phase 3

Active - in the process of compliance in 2005
Terminated - in the process of compliance in 2005

In reply to further queries, Senator Defensor Santiago stated that for Phase 1, the compliance rate was 90% in 2003; Phase 2, almost completed in 2004 except that some claimants can no longer be located; Phase 3, ongoing; Phase 4, to be initiated.

Senator Pimentel put on record his appreciation for the information because there are reports that not much has been done as regards the refund. He underscored that it is important for the ERC to publicize information about the refund so that the people would be guided accordingly. Senator Defensor Santiago pointed out that precisely, the ERC has a budget for education and information campaign.

Asked about the refund from the electric company in Cagayan de Oro, Senator Defensor Santiago replied that the ERC is in the process of preparing an order instructing the CEPALCO to refund the unauthorized collections, adding that the order would be promulgated as soon as the needed signature is obtained.

Senator Pimentel disclosed that he gets a lot of complaints as regards the customer billing as it contains many items that are hard to understand. He inquired if the ERC could make the billing easier to understand. Senator Defensor Santiago remarked that this is the reason the budget for education and consumer protection campaign was restored, as she noted the imperative need to educate the public on the details of the monthly billing. She opined that teams should be sent out across the country to explain in the local dialect the components of the billing. The ERC chair, she said, started the education campaign in Cagayan de Oro City.

SUBMISSION OF THE BUDGET OF THE ENERGY REGULATORY COMMISSION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Energy Regulatory Commission was deemed submitted for the Body's consideration.

NATIONAL POWER CORPORATION

Senator Defensor Santiago again presented the budget of the National Power Corporation pursuant to an earlier manifestation of Senator Osmeña.

INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña stated that there is a need to refer to the matrix of residential and

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commercial electricity rates in Asian countries in the EPIRA status report as of October 2004. He also requested the basic electricity tariff rates in Asean member-countries as of June 4, 2004.

As regards the two rate increases granted by the ERC to Napocor, Senator Osmeña asked for updates on the residential, commercial and industrial rates in the country. He also requested data on the rates the consumer would pay in Luzon or in the Greater Manila Area as these rates are higher. Senator Defensor Santiago said that all the documents requested would be submitted at the end of the session.

Senator Osmeña stated that he wanted to compare the electricity rates that consumers in all sectors in Asian countries pay. He pointed out that the Department of Energy should have the basic comparables as it is the policymaking body tasked with keeping the country's rates competitive with the rest of Asia. Senator Defensor Santiago agreed that the information requested is basic and the Committee is duty-bound to furnish him with the data.

On the issue of the value-added tax, Senator Osmeña related that there has been a great deal of misunderstanding among policymakers in both Houses of Congress on the meaning of VAT zero-rated provision in the EPIRA for the generation sector and/or subsector. He added that there have been complaints from the members of the House of Representatives that the generating companies had been exempted from the value-added tax, an issue that has not been properly explained by the Department of Energy.

Asked on the rationale of the provision and the options to be considered with respect to power generation in the VAT bill, Senator Defensor Santiago replied that Section 6 of the EPIRA booklet states that "Pursuant to the objective of lowering electricity rates to end-users, sales of generated power by generation companies shall be value-added tax zero rated."

Senator Defensor Santiago explained that since Napocor at that time was tax exempt, other generation companies should likewise be tax exempt, which was the opinion of the BIR Commissioner at that time.

Considering that the main thrust of the Epira law is to institute reforms in the power sector,

Senator Osmeña stated that the biggest reform would be the privatization of generating companies, including the purchase of existing plants and IPPS from Napocor. He pointed out that given Napocor's tax advantage over private generating plants, it would be very difficult for Napocor to sell its plants because new buyers would pay all taxes attendant to the operation of these power plants, and still compete with existing Napocor plants.

As regards the impact of the imposition of a 10% VAT on a per kilowatt/hour basis on private and government generating plants for the main grid of Luzon, Senator Defensor Santiago stated that for Luzon, it would increase by P0.40; Visayas, P0.32; Mindanao, P0.21; and throughout the country P0.36. On the other hand, if a 12% VAT were imposed, she said, it would increase by P0.50 for Luzon; P0.39, Visayas; P0.26, Mindanao; and P0.44 throughout the country.

In reply to another query, Senator Defensor Santiago stated that as of November, the cost of electricity for residential consumers is P7.24 per kwh; commercial consumers, P7.10; and industrial consumers, P6.39.

If the cost were increased by P0.89, Senator Osmeña asked how the rates would compare to those in Bangkok.

SUSPENSION OF SESSION

Upon motion of Senator Defensor Santiago, the session was suspended.

It was 5:03 p.m.

RESUMPTION OF SESSION

At 5:04 p.m., the session was resumed.

Upon resumption, Senator Defensor Santiago stated that the basic electricity tariff in Thailand for residential consumers is P1.88 to P4.11 per kwh; commercial consumers, P1.62 to P4.11; and industrial consumers, P1.62 to P3.92. She conceded that the Bangkok rates are much lower than the Manila rates.

Senator Osmeña asked whether the Department has a plan for making the power rates competitive in the immediate future, pointing out that some investors have uprooted from the country and transferred to Thailand.

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Senator Defensor Santiago said that while it has been observed in the past that the electricity tariff in the Philippines is one of the highest in Asia, the Department hopes to carry out the wholesale electricity spot market where power plants would be compelled to compete in order to bring down the cost of electricity.

Pointing out that power plants would be able to compete only if they do not sell below their cost, Senator Osmeña asked who should be blamed for the high cost of electricity in the country. Senator Defensor Santiago said that it was former President Ramos who signed most of the IPP contracts.

If government did not contribute to the equity of the IPPs, Senator Osmeña asked why Napocor, which has been making money until 1997, began incurring losses when the IPPs started to come in. Senator Defensor Santiago said that it was because of graft and corruption.

In this case, Senator Osmeña stated that government should not have attributed the huge financial deficit of Napocor to the very high debt-equity ratio. He pointed out that the excuse that Napocor was undercapitalized failed in the face of statistics showing that Napocor peaked at a net profit of P7.4 billion in 1994, P3.91 billion in 1995, P5.5 billion in 1996, and P3 billion in 1997; but lost P3.6 billion in 1998, P5.95 billion in 1999, P12.97 billion in 2000, P10 billion in 2001, P33.7 billion in 2002, P113 billion in 2003, P114 billion in 2004, and is projected to lose P85.9 billion in 2005.

Further, Senator Osmeña disclosed that in the report on the operational IPPs of Napocor, the Casecnan 140-megawatt plant has a leveled cost of P8.95 per kwh; San Roque 345-megawatt plant, P8.17 per kwh; and Bacun 70-kilowatt plant, P8.98 per kwh. He wondered why government is contracting power at such humongous rates four times the average cost of power of all other new power plants in this country.

Senator Defensor Santiago said that while Napocor incurred losses when these contracts were signed, certain officials made money. But Napocor, she explained, attributes its deficit to the following factors: actual forex losses, interest expense, IPP contracts pending approval by the ERC, eligible stranded contract costs, bunked national gas fuel

expenses, underrecovery due to the cutting of the purchase power costs at P0.40 per kwh, mandatory rate reduction by P0.30 per kwh for households under RA No. 9136, and subsidies for missionary electrification.

Moreover, Senator Defensor Santiago stated that the decrease in Napocor's regular sales was attributed to Meralco's alleged refusal to honor long-term supply contract with NPC and to the 6.5% increase in operating expenses in 2002.

Asked how much Napocor would contribute to the consolidated public sector deficit in 2005, Senator Defensor Santiago replied that it is P94.7 billion. With the rate increase and debt absorption, it would be P44.4 billion, she said, but with about P18 billion in debt service payment, Napocor's effective contribution to the consolidated public sector deficit would be around P62 billion.

As to other hidden fees or debts absorbed by the national government which would not appear in Napocor's balance sheet, Senator Defensor Santiago explained that P31 billion in capacity fees and P5.5 billion in unused gas fees were already included in Napocor's 44-billion net losses.

Upon query, she affirmed that an P0.80 rate increase would wipe out the deficit of Napocor, given that 35 billion kilowatt hours would mean an additional P35 billion in revenues.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF ENERGY AND ITS ATTACHED AGENCIES

There being no other interpellation, upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Energy and its attached agencies namely the National Electrification Administration (NEA), National Power Corporation (NPC) and Philippine National Oil Company (PNOC) were considered submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 5:20 p.m.

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RESUMPTION OF SESSION

At 5:25 p.m., the session was resumed.

DEPARTMENT OF LABOR AND EMPLOYMENT

Senator Villar presented the budget of the Department of Labor and Employment.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

At the outset, Senator Ejercito Estrada stated that the vision of DOLE is the attainment of peace and productive employment for every Filipino worker. He asked how the department achieved its vision. Senator Villar replied that there are two basic indicators, namely, improved employment rate and industrial peace.

Asked about the unemployment rates and labor force figures from 2001 to 2004 are, Senator Villar gave the following data:

<i>Year</i>	<i>Unemployment Rate</i>	<i>Labor Force</i>
2001	11.1%	67.1%
2002	11.4%	67.4%
2003	11.4%	66.72%
2004	11.8%	67.5%

He attributed the increase in unemployment rate to the increase in population. But he pointed out that while unemployment rate increased, the number of employed persons increased as well from 30.6 million to 31.6 million. He conceded that the increase in employment was due to the increase in population but an increasing unemployment rate could be due to other factors such as economic growth not accompanied by growth in the labor force.

On the definition of "underemployed," Senator Villar explained that the term refers to people already working but still seeking additional income or jobs. He reported the following figures in underemployment:

<i>Year</i>	<i>Percentage</i>
2001	17.2%
2002	17.0%
2003	17.0%
2004	17.6%

Noting that unemployment and underemployment rates are continuously increasing, Senator Ejercito Estrada asked how DOLE plans to address the issue. Senator Villar pointed out that employment is something that the DOLE cannot achieve on its own. The decrease in unemployment and underemployment, he said, can only be done through economic development, which is the objective of the government as a whole, and DOLE is the key department in protecting and monitoring trends and problems on labor and employment. He conceded that high unemployment and underemployment rates indicate absence of sustained economic growth but other factors should be considered like the worldwide phenomena of growth without jobs because of improvements in productivity, science and technology.

Queried on the employment rate, Senator Villar gave the following figures:

<i>Year</i>	<i>Unemployment Rate</i>	<i>Underemployment</i>
1998	9.5%	-
1999	9.8%	22.1%
2000	11.2%	21.7%

Upon further queries, Senator Villar agreed that the Arroyo administration has not reduced unemployment and that the employment rate during the Estrada administration was better; however, he noted the growth in the economy in the last two years.

Asked how the Philippines compares to its neighbors in terms of competitiveness and productivity, Senator Villar conceded that the Philippines lags behind other ASEAN countries and is in fact the fourth on the list, higher only than Indonesia, insofar as productivity is concerned. He believed this problem could only be addressed through a sustained high level of economic growth and a change in economic strategy, one factor being to increase employment.

On the policy directions of the DOLE under the leadership of Secretary Sto. Tomas, Senator Villar replied that the DOLE seeks to promote industrial peace and is continuing attempts to increase employment. He emphasized that job generation could only be accomplished through the efforts of the government as whole. Moreover, he said that the DOLE has come up with a new Labor Standard Employment Framework and is working for higher overseas employment for Filipinos.

As regards the orders issued by the DOLE assuming jurisdiction over labor disputes, Senator Villar said that there have been 131 orders issued since 2001. On the average, he said that a case is resolved within four to six months, but this varies depending on the nature of the case. Additionally, he said that the DOLE has disposed of 143 cases since 2001 and that it has 13 pending cases at present. He said that resolution of labor disputes is a continuing process.

Senator Ejercito Estrada (J) asked for an update on the commitment of President Gloria Macapagal Arroyo to create 10 million jobs.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:46 p.m.

RESUMPTION OF SESSION

At 5:48 p.m., the session was resumed.

Senator Villar stated that the government has created, on the average, about 818,000 jobs annually or an estimated 3.2 million jobs in the last four years.

On whether the employment programs of the administration provide adequate living wage to workers, Senator Villar said that with the exception of Malaysia and Singapore, the Philippines now offers the highest minimum wage in the Asean region. This, he pointed out, means that the country has a higher minimum wage compared to Indonesia, Malaysia and Vietnam.

As regards the provident fund for OFWs, Senator Villar stated that the fund, which is generated through contributions of workers and their employers, has increased from P3 billion to P8 billion.

Senator Ejercito Estrada (J) said he had received complaints from OFWs about the fund and asked how many Filipino overseas workers have actually benefited from it.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:53 p.m.

RESUMPTION OF SESSION

At 5:54 p.m., the session was resumed.

Senator Villar replied that a total of 1.5 million OFWs benefited from the fund.

Senator Villar stated that a total of P3 million was paid out of the fund, P1.503 million in 2003 and P1.522 million in 2004.

Senator Ejercito Estrada (J) asked who authorizes the release of the funds and whether the funds are solely used for the benefits of the OFWs. Senator Villar replied that the OWWA Board authorizes the release of funds which are being used not only for benefits but also for administrative expenses.

On the allegation that OWWA funds were used during the 2004 elections, Senator Villar replied that the Labor Secretary is not aware of any disbursement made therefrom during the last elections. He assured the Body that the Secretary would look into the matter.

Asked on the status of the labor dispute in Hacienda Luisita, Senator Villar replied that there was a decision awarding benefits to the workers, but the Central Azucarera de Tarlac Labor Union (CATLU) had filed a motion for reconsideration.

Asked how the Secretary determines what disputes fall within the ambit of national interest, Senator Villar stated that the DOLE follows the criteria.

On whether the Secretary's order can help achieve industrial peace, Senator Villar pointed out that according to statistics, the lowest strike incident since 1978 was in 2004, although there were probably one or two high-profile labor cases but somehow, there was industrial peace.

With regard to the status of the motion for reconsideration of the CATLU, Senator Villar stated that the department is awaiting the comments of the Hacienda Luisita management, that is supposed to be submitted within 10 working days from January 25 when the notice was received; hopefully, the DOLE would be able to resolve the dispute within the week.

On the issue of contractualization of employees, Senator Ejercito Estrada (J) noted that in one news

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article, the DOLE reported that more casual employees and other nonregular workers are being hired by companies these days. He asked why the DOLE allows this practice when it is supposed to protect the rights of the workers. Senator Villar replied that the DOLE can only act on complaints that it receives and it has no way of knowing who are experiencing these kinds of problems.

Asked on the DOLE policy with regard to contractual employees, Senator Villar explained that the position of the DOLE is that anybody who worked for six months is deemed a regular employee. As regards the employees of private companies like Shoemart who have no security of tenure, he said that these companies work within the legal framework and they know the limitation.

But Senator Ejercito Estrada (J) pointed out that after six months has lapsed, these employees are terminated then rehired by management; this way, the company is not obliged to give the workers the incentives and bonuses enjoyed by regular workers. He wondered how these workers can be protected. Senator Villar replied that those workers are normally hired during peak seasons.

Senator Ejercito Estrada (J) asked if the practice of contractualization is being tolerated by the government. Senator Villar replied that the seasonality of the work is a given fact, hence, there is need to adjust to it. He said the moment any provision of labor laws is violated, the DOLE is duty-bound to address the violation. He stated that labor contracting is prohibited by law, but job-contracting is not. On whether there are still complaints pending in the DOLE on the issue of contractualization, Senator Villar replied in the affirmative.

Senator Ejercito Estrada (J) informed the Body that his office has been receiving a lot of complaints about the issue and he surmised that more complaints are being lodged with the Office of the Labor Secretary.

Asked how the Secretary acts on those complaints, Senator Villar replied that the Secretary, upon receipt of complaints, conducts an investigation into the veracity of the complaints to see how the problems could be resolved. He believed that Senator Ejercito Estrada (J) might be able to help

by crafting the necessary legislation to address the problem of contractualization. He assured Senator Ejercito Estrada (J) the DOLE would be more than willing to cooperate with his committee to remedy the problem. He underscored the need to prevent private companies from circumventing the law.

Senator Ejercito Estrada (J) noted four items on the 2005 budget of the DOLE that were substantially increased compared to the 2004 reenacted budget, to wit: 1) P97,062,000 — training and scholarship expenses; 2) P80,209,000 — professional services; 3) P49,559,000 — office equipment, furniture and fixtures; and 4) P42,036,000 — representation expenses. He asked on the justification for the increase.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:11 p.m.

RESUMPTION OF SESSION

At 6:18 p.m., the session was resumed.

Senator Villar stated that most of the expenses were all for the training and scholarships of TESDA which is chaired by the Labor Secretary.

Senator Villar stated that a copy of the representation, training and other expenses of the department would be made available. He suggested cutting said expenses at the proper time.

Adverting to the COA report indicating that as of December 31, 2003, there were outstanding balance of P166.58 million in the cash disbursement; P156.3 million due from labor attachés whose contracts have been overdue for over a year; and P19 million from labor attachés who are no longer with DOLE, Senator Ejercito Estrada (J) asked why the Labor Secretary failed to comply with COA regulations. Senator Villar said that the Office of the Secretary had already liquidated most of those accounts. He added that the amount is a normal level, in fact, the outstanding cash advance in 2001 was P201 million; 2002, P212 million; 2003, P180 million; and in 2004, P97 million. He stated that of the balance in 2003, P83 million had been liquidated.

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He opined that the Secretary should accelerate the liquidation of the cash advances.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:25 p.m.

RESUMPTION OF SESSION

At 6:27 p.m., the session was resumed.

Senator Villar clarified that the P23 million cash advances was as of June 30, 2004, and the balance now stands at P11.2 million.

On another matter, Senator Ejercito Estrada (J) stated that the unemployment rate had risen 11.8% at the end of 2004, the highest in the last seven years. He stated that while the government has promised to generate 10 million jobs from 2004 to 2007, it was able to generate only 1 million jobs in the last three years. He said that the only response of the administration to the problem was to change the definition of "unemployment" so that a lower figure would be reflected.

Asked if there is anything in the budget of the DOLE that would address the unemployment problem of the country, Senator Villar replied that out of the P4.3 billion DOLE budget, P2.5 billion goes to the TESDA and P1.8 billion to the department proper. He stated that while the department has only a small amount to use, part of its mandate is to maintain industrial peace to protect the interest of the workers. He maintained employment generation is the main task of the national government.

On the point that the department is promoting industrial peace, Senator Ejercito Estrada (J) asked why the Secretary had issued orders assuming jurisdiction over labor disputes. Senator Villar said that it is to maintain industrial peace.

Senator Ejercito Estrada (J) contended that the Regional Tripartite Wage and Productivity Boards have been ineffective in improving the plight of the workers because the wage increases they approved were not enough to cushion the continuing erosion of the workers' purchasing

power. He noted that legislators have proposed a P125-wage increase that is not supported by the DOLE.

In view thereof, asked why the DOLE can claim to be the protector of the workers, Senator Villar replied that the department has to take into consideration the economic environment and the unemployment scenario which would be exacerbated if the wage rates are increased.

Asked if the employers can afford the P125 wage increase, Senator Villar said that it would depend on the industry. He stated that most companies that can afford the increase are already paying more than the minimum wage while those that can afford to pay only the minimum wage are hard put to meet the increase. He feared that the small and medium enterprises would be hard hit by the proposal.

Senator Ejercito Estrada (J) said that he had received complaints about the very slow resolution of cases in the DOLE; in fact, statistics as of the third quarter of 2004 showed that in the National Labor Relations Commission, the disposition rate for original cases was 56%; for appealed cases, 46.8%; and for med-arbitration cases, 66.8 % which is lower than the 77.5% rate of the previous year. On the other hand, he said that the disposition rate for the Office of the Secretary was only 77.5%, lower than the 87.5% of the previous year; and only 42.9% for voluntary arbitration which the DOLE is supposed to be promoting. In addition, he disclosed that there were persistent reports of rampant corruption in the disposition of cases. He wondered how the DOLE could perform its mandate of promoting social justice for workers.

For his part, Senator Villar presented another set of statistics as of December 2004 showing that the disposition rate of labor cases generally increased:

1) Small-money claims cases from 87.9% in 2003 to 90.3% in 2004, or 4,576 cases disposed out of 5,068 cases;

2) Original compulsory arbitration cases from 63% in 2003 to 64% in 2004, or 32,190 cases disposed out of 50,479 cases handled, with each labor arbiter disposing of an average of 25 cases per month;

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3) Appealed compulsory arbitration cases from 52% in 2003 to 53% in 2004, or 9,124 cases resolved out of 14,132 cases handled, with each commissioner resolving 51 cases per month;

4) Original med-arbitration cases from 77.5% in 2003 to 77.8% in 2004, or 427 cases disposed out of the 549 cases handled;

5) Conciliation/mediation cases posted shorter average duration to dispose; actual strikes from 21 days to 11, or 10 days shorter; notices of strikes from 42 days to 39 days, or 3 days shorter; preventive mediation from 29 days to 28 days, or one day shorter;

6) Disposition rate decreased in appealed med arbitration cases from 77.2% in 2003 to 76.8% in 2004, or 152 cases out of 198 cases handled;

7) Amicable settlement of cases disposed at the NLRC regional arbitration branches decreased from 13,866 in 2003 to 13,263 in 2004.

Senator Villar pointed out that what is most significant is the fact that the DOLE only has 100 labor arbiters who are handling 52,000 cases, thus, it would be physically impossible for them to hasten the resolution of cases. The DOLE's request to increase the number of labor arbiters, he said, was denied by the DBM for lack of funds. Senator Ejercito Estrada (J) hoped that as chair of the Committee on Finance, Senator Villar could help the DOLE secure funds for the hiring of labor arbiters next year.

Senator Ejercito Estrada (J) lamented that despite being regarded as modern-day heroes, the OFWs lack the needed support from government. He said that some suffer from abusive employers, a number come home in coffins, and some are so desperate that they even sneak into Iraq notwithstanding the government's ban. Moreover, he said that the overseas performing artists have been affected by the change in policies of the Japanese government on suspicion that they often end up in prostitution. Even as the Migrant Workers Act states that overseas employment is not to be promoted as a matter of policy, he said that the country continues sending Filipino workers abroad because the local economy could not provide them decent jobs.

Reacting to the observations of Senator Ejercito Estrada (J), Senator Villar pointed out that Filipino workers leave for abroad because there is demand for them. On the plight of the OFWs, he said that he was, in fact, studying the possibility of radically altering the country's foreign affairs approach by shifting the bulk of the budget of the DFA—where a lot of money is wasted—to the DOLE.

Asked on the status of the OPAs, Senator Villar said that, unfortunately, the DFA Secretary failed to convince the Japanese government to change its position to allow only OPAs with two years training or experience to work in Japan. For those who are already in Japan, he said that the concession of the Japanese government is to allow them to finish their contracts. He expressed hope that the Philippine government could immediately come up with a training program to enable the OPAs in Japan to fulfill the requirements and to maintain their present employment contracts.

Senator Ejercito Estrada (J) appealed to the DOLE to help the OPAs who could not work in Japan.

Senator Ejercito Estrada (J) noted the following figures in the DOLE budget under MOOE:

Labor statistics	- P8.108 million
Local employment	- P7.572 million
Promotion and Maintenance of Appropriate Working	- P3.660 million
Conditions and Standards Promotion and Maintenance of Family Welfare and the Welfare of Women and Youth	- P5.999 million

He asked why labor statistics has the biggest chunk of the budget instead of promotion of local employment.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:47 p.m.

RESUMPTION OF SESSION

At 6:48 p.m., the session was resumed.

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Senator Villar clarified that the P8.108 million allocation for labor statistics, P7.572 million for local employment, and P3.6 for the promotion and maintenance of appropriate working conditions are standards for the DOLE Central Office only. He said that there is a bigger budget for promotion and maintenance of local employment on the regional level through the Public Employment Service Offices that had already been incorporated in the budgets of the regional offices.

In the "Support Services" item in the budget, Senator Ejercito Estrada (J) asked who is referred to as the "vulnerable sector." Senator Villar replied that this includes working children, women, disabled, displaced workers, and informal settlers.

As to the specific programs for the vulnerable sector, Senator Villar said that the agency actively looks for employment opportunities for the physically handicapped workers; in fact, it has a P147 million allocation for capacity building for specific sectors program, and P148.80 million for the conduct of training, livelihood and enterprise development as well as other capacity building programs for students, youth and disabled workers.

Replying to the query of Senator Ejercito Estrada (J), Senator Villar replied that in 2004, the number of applicants placed were as follows:

Students	—	72,407
Work appreciation program	—	5,961
Handicapped		
(Tulay 2000 Program)	—	1,014
For retrenched/displaced workers	—	1,768
Returning OFW	—	750
Migratory workers	—	7,826
Rural workers	—	6,371

Asked how long the program has been implemented, Senator Villar replied that then Labor Secretary Drilon started the program in 1986 and was continued by the succeeding labor secretaries.

Asked if the so-called vulnerable sector is now gainfully employed and self-reliant under the program, Senator Villar answered in the affirmative.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF LABOR AND EMPLOYMENT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Labor

and Employment was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:57 p.m.

RESUMPTION OF SESSION

At 6:58 p.m., the session was resumed.

MOTION OF SENATOR PANGILINAN

Upon motion of Senator Pangilinan, there being no objection, the Body reconsidered the submission of the budget of the Department of Labor and Employment and reopened the period of interpellations.

INTERPELLATION OF SENATOR PIMENTEL

On the Hacienda Luisita strike, asked by Senator Pimentel on the number of casualties during the day of the strike, Senator Villar replied that seven people were killed during a confrontation ten days after the strike was declared.

Adverting to newspaper reports, Senator Pimentel stated that there were other strike-related killings. Asked how many were killed in the aftermath of the strike, Senator Villar said that the DOLE had no reports on the other fatalities. He said that according to the Secretary, the newspaper reports were erroneous and were eventually disproved.

As regards a report that two bodyguards of Congressman Noynoy Aquino were implicated in the killings, Senator Villar stated that the Labor Secretary is not aware of it.

Senator Pimentel asked what the DOLE has done in connection with the killings. Senator Villar stated that the DOLE has limited itself to the labor aspect of the strike and has left the police issues to the PNP.

Senator Pimentel stressed that his only concern is to show the people that the deaths of the strikers would not become just statistics. Even assuming that the strikers were overzealous in pursuing their

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complaints by stoning the police who were trying to maintain law and order, he maintained that the killing of the strikers is another matter. The incident leaves a bad taste in the mouth, he said, and has tainted the reputation of the country as a nation that upholds the rule of law.

As regards overseas workers who entered into supposedly valid contracts in the Philippines only to be shortchanged by their foreign employers, Senator Pimentel emphasized the need for more zealous supervision of the recruiters.

Asked what the Secretary has done about the matter, Senator Villar replied that the DOLE has already cancelled the permits of 300 recruitment agencies since 2001. Senator Pimentel asked for the list of the agencies and the breakdown by year.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:05 p.m.

RESUMPTION OF SESSION

At 7:10 p.m., the session was resumed.

Senator Villar said that Labor Secretary would submit the list at a later date.

Stating that he does not wish to delay the approval of the DOLE budget, Senator Pimentel clarified that he wanted to make of record that illegal recruitment is a serious concern because many OFWs and their families have been prejudiced by unscrupulous recruiters, adding that the sooner they are exposed, the better it is for the Filipinos.

Senator Villar remarked that when he chaired the Committee on Foreign Affairs, he followed up the issue very intently in view of complaints from OFWs. Saying that many Filipinos were illegally recruited, he felt there is a lot more that must be done to address the problem.

In this regard, Senator Pimentel recommended that the budget for publicity and information be used for publicizing the names of the illegal recruitment agencies, including the names of its shareholders and stockholders and informing the public that

sanctions have been imposed. He related that one of the tactics employed by the illegal recruiters is that after their agency is closed for one reason or another, they put up another agency. Senator Villar revealed that the Department is coming up with a list. However, he noted it is not enough to publish the name in the newspapers and that the DOLE should try to deal with the problem since many agencies with cancelled permits are still in operation.

Senator Pimentel said that the DOLE Secretary should be aware of the *modus operandi* of illegal recruiters who accompany young women through the pre-departure area to facilitate their exit and these women find themselves at the mercy of employers abroad. Senator Villar stated that the DOLE has an inter-agency committee that looks into this matter, but it should accelerate its moves to address the problem effectively. He affirmed that such activity constitutes illegal trafficking in persons.

Senator Pimentel expressed support for the DOLE's budget as he commended the OWWA officials who responded very expeditiously and positively to the cases he has referred to them, and the POEA and DFA officials who have been very accommodating to the complaints he has raised on the whereabouts of OFWs whose families cannot locate them, even as he realized the problem that not all workers give their whereabouts. Nevertheless, he said that the OWWA officials should do their job expeditiously even without the prodding from a senator, especially when it involves the payment of money due to the heirs of a deceased OFW.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF LABOR AND EMPLOYMENT

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Labor and Employment was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:19 p.m.

RESUMPTION OF SESSION

At 7:27 p.m., the session was resumed.

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DEPARTMENT OF EDUCATION

Senator Villar presented the budget of the Department of Education.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:28 p.m.

RESUMPTION OF SESSION

At 7:32 p.m., the session was resumed.

INTERPELLATION OF SENATOR MADRIGAL

Senator Madrigal expressed concern over the DepEd's budget in relation to the future quality of education. She informed that Body that in the past eight years, a foundation she established has been going around the country, giving books, consulting teachers and finding out the problems of depressed, deprived and underserviced barangays. She inquired into the DepEd's budgetary process for the procurement of books.

Senator Villar answered that DepEd holds a bidding and the average price per textbook is P40.00.

Asked if international companies are invited to bid, Senator Villar replied in the affirmative, pointing out that a Singaporean firm and a Thai firm won the bidding two years ago.

Observing that textbooks published in other countries can be kept for years as they contain classic and universal knowledge while locally published books are easily worn out, Senator Madrigal asked what standards are followed in selecting textbooks. Senator Villar replied that most of the books are paperbound because of cost, and that their life is five years.

Asked to be clarified on what happened to the Makabayan book *Asya* that was recalled by the DepEd, Senator Villar admitted that it was one of the major mistakes of the department which has been addressed. *Asya*, he said, was purchased ten years ago.

Asked what sanctions were imposed, Senator Villar replied that the publisher replaced all the textbooks at no cost to the department.

Senator Madrigal contended that anyone who can afford to replace all the wrong textbooks must have a big profit margin. Senator Villar admitted that what cannot be undone is the teaching of wrong information to the children for ten years.

Asked if the DepEd has not been giving priority to children's textbooks, Senator Villar replied that the department follows the following policies:

- ♦ The department shall provide one textbook per student in elementary and secondary students in all public schools provided that the books are of the same type, per class, per school, per subject;
- ♦ The department shall provide only textbooks that passed its evaluation and quality production standards. The department shall oversee a textbook evaluation process where the identity of the evaluators are protected and the evaluation results are made transparent to all interested parties;
- ♦ The department through the Instructional Materials Council Secretariat shall establish the necessary textbook standards to guide the local textbook industry in the development of new instructional materials;
- ♦ The department shall use such standards in working with the local textbook industry through the National Book Development Board and the Textbook Development Program towards improving the quality of Philippine textbooks;
- ♦ The department shall procure quality textbooks from the textbook industry following accepted government procurement laws and regulations through national competitive bidding rules and undertaken by the department's National Bids and Awards Committee;
- ♦ Local government units are recommended to purchase, through the Special Education Fund, the same titles using the classroom in the local area at the Department's price or focus the instructional material on either supplementary reading materials, library books, workbooks or multi-media materials;
- ♦ The department interprets the definition of "multiple titles" as the adoption of different title

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textbooks per subject nationwide but only one title within a region, division or school; different regions may have different titles, textbooks per subject, per grade level but only one title per subject, per grade level, within a specific region. This will ensure that the Department 1) provides a single title per subject per grade level in schools within a region so that teachers can use common instructional classroom materials in that areas, year to year; and 2) provides the local publishing industry enough opportunity to compete for contracts under the National Competitive Bid Procedures by adopting more than one title per subject, per grade level, across the country.

Upon further query, Senator Villar replied that guidelines were issued on July 7, 2004, and there has been a significant improvement over the previous guidelines.

Asked if these would result in a significant improvement in the quality of textbooks, Senator Villar replied although they would not radically improve, he emphasized that what is being avoided is the production of books containing wrong information.

Senator Madrigal expressed hope that the publishers would understand what they are supposed to produce. She asked if the policies could be made simpler.

Asked if the DepEd conducted research on countries that had successful book programs, Senator Villar replied that it looks at Malaysia and Singapore as models. He added that the International Competitive Biddings are being followed. He pointed out that in Singapore, the universities produce their own textbooks. He noted that the National Book Law states that the publisher should produce the books. Senator Madrigal argued that the issue is what goes into publication as it is presupposed that the textbook has been edited and reviewed following the department's criteria. She pointed out that the country has a dismal record in the publication and distribution of books and suggested that the department study how other countries have made their textbook industry successful. She pointed out that she has yet to meet a pupil in a province who can say that he has a textbook all to himself.

Asked on the distribution system especially in far-flung barangays, Senator Villar replied that

textbooks are given directly to the secondary schools while the elementary schools get theirs from the district offices.

Asked if there is a guarantee that textbooks are distributed and if there is a monitoring of the same, Senator Villar replied that last year, boy scouts and girl scouts were tapped to assist in the distribution of textbooks.

Senator Madrigal pointed out that private schools have a higher quality of education because they have better access to books, and not because public school students are less intelligent.

Senator Madrigal pointed out that in the matter of instructional materials, the problems lie in the quality of textbooks used in private schools and in public schools, and the faulty distribution system. The Filipino population has grown, she said, and history proved that students who were educated in public schools before the war were better educated than students educated in some private schools. Senator Villar agreed.

Senator Madrigal questioned the priorities of the department in educating elementary and high school students. Once Grade V is reached, she said, the dropout rate is high, especially for female students. Senator Villar confirmed that the quality of education has been deteriorating for quite some time, the biggest contributory factor to which is the level of the country's economic development. He pointed out that a decent share of the budget for education has not been maintained because a big part goes to debt service. Lack of funds, he said, resulted in the shortage of classrooms, books, chairs and other basic facilities. He maintained that there is a need to radically increase the education budget which the Committee is unable to do at the moment.

In this connection, Senator Madrigal remarked that it is not only the lack of budget but also a question of priority. She said that the government cannot afford to waste money like it did when the Makabayan textbook was purchased.

On the issue of the nonutilization of textbooks, Senator Madrigal noted that according to COA, a total of 249,180 textbooks amounting to P11,482,970 in Regions IV, V, and VII, and 8,025 copies of undetermined cost were found lying in a storeroom of three national high schools and two divisions because they were no longer used in the

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implementation of the basic education curriculum. She noted that instructional materials are wasted, some of which were procured out of foreign loans. She queried what actions were taken by the department on these cases. Senator Villar replied that because of the excess in textbooks, a textbook exchange was made.

Senator Madrigal said that this situation proves that there is gross neglect and inefficiency on the part of DepEd in the management of its meager resources as she urged the department to change its distribution and quality control systems. Senator Villar conceded that the problem of nonutilization of school books should be addressed. He stated that the DepEd would like to assure Senator Madrigal that it is working hard to remedy the situation.

On the issue of late book deliveries, Senator Madrigal cited the 2003 COA report for Region III indicating that 8,837 textbooks procured by the central office and another 13,395 textbooks worth P1,189,737 procured by the city school board for school year 2002-2003 were delivered five to six months after the opening of classes. She wondered how the DepEd could tolerate such inefficiency and asked what remedies could be proposed to prevent such incidents. Senator Villar agreed as he expressed confidence that DepEd Secretary Abad would address this concern.

Instead of buying books, Senator Madrigal suggested that the DepEd publish books that could be reused as well as install school libraries or warehouses where textbooks could be lent out. Further, she suggested that the DepEd prepare a 25-year plan to make books available to students. For his part, Senator Villar reiterated that he was also concerned with the different problems faced by the department and agreed that something radical must be done to address them.

Noting that there would always be opposition to change, Senator Madrigal, however, expressed confidence in Secretary Abad's ability to bring new solutions to the problems hounding the Philippine educational system.

On the reported nonpayment of salaries of public school teachers in Basilan, Senator Villar replied that the matter is not under the jurisdiction of

the DepEd as Basilan is part of the ARMM. Nonetheless, he said that he would inform the ARMM governor of the situation.


As for complaints from public school teachers that they are being required to join the First Quadrant, a networking company, that is now under investigation by the DTI, Senator Villar said that Education Secretary Abad is ready to receive information on this case from Senator Madrigal.

Adverting to the 2003 COA report stating the unliquidated cash advances amounting to P102.019 million of the Office of the Secretary and P716.993 million of 11 regional offices, Senator Madrigal asked what actions the DepEd has taken to ensure these are liquidated. Senator Villar clarified that the unliquidated balance of the Office of the DepEd Secretary has gone down to only P44.5 million. However, he said that the DepEd has not completed its reconciliation of cash advance liquidation of the regional offices but DepEd would furnish Senator Madrigal with its final report.

Citing the Third International Mathematics and Science study conducted in 1999 wherein the Philippines ranked 37th of 38 countries in the field of science and mathematics, Senator Madrigal asked whether the DepEd has a specific program to improve education in these two subjects. Senator Villar clarified that the Philippines is now in 41st place out of 45 countries in these subjects. Moreover, he noted that the DepEd has begun reviewing its math and science curriculum and has started a series of training program for its teachers.

Upon further queries, Senator Villar affirmed that President Gloria Macapagal Arroyo had pushed for the institutionalization of pre-school and that the DepEd would make it a prerequisite for formal schooling. He said that this move is a less costly alternative to address the need to add an extra school year as proposed in several studies. Further, he affirmed that the department has allocated P250 million for 2.2 million new students.

Senator Madrigal lauded the move as she expressed the belief that early education is better than adding another year to high school. However, she said that she had been approached by pre-school experts who expressed disappointment over the DepEd's handling of the program. She warned that giving the wrong quality of



pre-school education can destroy early learning. In response, Senator Villar said that aside from consulting pre-school teachers, the DepEd would implement the standardization of the pre-school curriculum, teacher training and instructional materials this coming school year. He clarified that the department would define the minimum competencies to allow students to be familiar with numeracy and literacy.

For her part, Senator Madrigal recounted an experience wherein she had witnessed how only one in a group of 20 students in a reading class in Bacolod could understand what the class had read. She noted that even if international studies show that the Philippines has a high national literacy rate, the country's functional literacy does not quite make the grade. She wondered whether Filipino students are only being taught to recite facts instead of thinking for themselves. Senator Villar suggested that the Education Secretary and Senator Madrigal meet and discuss these issues. Additionally, he said that Senator Madrigal would be furnished with a copy of the DepEd's pre-school curriculum.

As for teaching pre-schooler which is different from teaching elementary pupils, Senator Madrigal suggested that the DepEd review the core competencies of pre-school teachers to ensure a good quality of pre-school education.

While the DepEd may have the highest budget of all the departments, Senator Madrigal said that its allocation is actually the lowest considering the number of people it services. She said she would end her interpellation on the condition that Secretary Abad would sit down with her and Senator Villar to discuss these concerns.

Senator Villar stated that he and Secretary Abad would be more than willing to join the discussion.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

Asked by Senator Ejercito Estrada on the number of undersecretaries in the DepEd, Senator Villar informed the Body that DepEd has four undersecretaries, namely, Undersecretary Gascon for legal services, Undersecretary Hidalgo for programs, Undersecretary Bacani for operations, and Undersecretary Luz for finance and administration.

On whether Undersecretary Juan Miguel Luz, who is the brother of Mr. Guillermo Luz, is a Filipino citizen, Senator Villar replied in the affirmative. He said that it was the Secretary who recommended the reappointment of Undersecretary Luz, so he has to review his biodata and qualifications, along with the other undersecretaries.

Senator Ejercito Estrada (J) asked if Undersecretary Luz would be removed from office if he is proven not to be a Filipino citizen. Senator Villar agreed that foreigners are not entitled to serve in the government. He gave assurance that the Education Secretary would scrutinize Undersecretary Luz' papers.

INTERPELLATION OF SENATOR PIMENTEL

Adverting to the previous discussion that the high school teachers in Lamitan, Basilan belong to the jurisdiction of the ARMM, Senator Pimentel wondered why that would be so considering that the Lamitan National High School is not an ARMM high school. Senator Villar explained that under the ARMM law, Lamitan had been covered by the devolution of schools.

Senator Pimentel pointed out the need to revisit the provision particularly the schools that are denominated as national high schools. However, setting aside the jurisdiction issue, he underscored the need for the DepEd to do something about the complaint of the more than 50 teachers. He furnished the Secretary with a copy of the complaint.

Adverting to the P1.5 billion allocation for personal services of the DepEd intended for the creation of 10,000 teaching positions for the year 2005, Senator Pimentel asked how these teaching positions would be deployed throughout the country.

Senator Villar stated that the main criterion is the number of pupils per teacher, pro-rated based on need.

Senator Pimentel asked for the actual figures on the assignment of teachers.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:22 p.m.

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RESUMPTION OF SESSION

At 8:24 p.m., the session was resumed.

Senator Villar enumerated the proposed allocation of the 10,000 teaching positions: elementary – 3,797; secondary – 5,203. On a regional basis, he reported the following distribution:

Region 1	-	124
Region II	-	290
Region III	-	877
Calabarzon	-	1,648
Mimaropa	-	279
Bicol	-	346
Western Visayas	-	351
Central Visayas	-	970
Eastern Visayas	-	293
Western Mindanao	-	370
Northern Mindanao	-	361
Southern Mindanao	-	424
Central Mindanao	-	530
Caraga	-	251
NCR	-	1,400
CAR	-	1,103
ARMM	-	3,083

The allocation for Calabarzon, he said, is based on the actual teacher requirement. He disclosed that the total requirement for teachers for the whole country is 41,000, broken down as follows:

Ilocos Region	-	570
Cagayan Valley	-	1,333
Central Luzon	-	3,968
Calabarzon	-	7,529
Mimaropa	-	1,274
Bicol	-	1,585
Western Visayas	-	1,593
Central Visayas	-	4,432
Eastern Visayas	-	1,334
Western Mindanao	-	1,697
Northern Mindanao	-	1,648
Southern Mindanao	-	1,940
Central Mindanao	-	2,426
Caraga	-	1,159
NCR	-	6,399
CAR	-	473
ARMM	-	1,746

Senator Villar believed that the allocation of the 10,000 is a proportionate sharing of the present need per region. He promised to give Senator Pimentel a copy of the allocation.

Upon further queries, Senator Villar stated that the DepEd has P112.5 billion budget, P1 billion of which is intended for school building program, but another P1 billion is tucked under the DPWH budget while another P1 billion is foreign-assisted.

On the possibility of putting all the school building programs and everything else related to education under DepEd, Senator Villar stated that the Department is, in fact, requesting the same. Senator Pimentel surmised that there must be a reason a school building program is being placed under the DPWH but if there is no reasonable ground to keep it there, he suggested that the intended appropriation be transferred immediately to DepEd.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:31 p.m.

RESUMPTION OF SESSION

At 8:33 p.m., the session was resumed.

Senator Villar stated that the DPWH is following the provision of the Roxas law rationalizing the public works program of the government, including the construction of school buildings. He believed that the P1 billion under the DepEd would give the Department the flexibility to address the actual need for school buildings all over the country while the DPWH, on the other hand, is strictly following the requirements of the Roxas Law.

Senator Pimentel opined that the allocation might be a congressional initiative to enable members of Congress to tap the fund for a school building in their respective districts.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:36 p.m.

RESUMPTION OF SESSION

At 8:36 p.m., the session was resumed.

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Senator Pimentel informed the Body that during the break, the Secretary had explained that the P1 billion was retained by the House purportedly in pursuant of the requirements of the Roxas law while the other P1 billion was a negotiated allocation for the DepEd. But he asked the rationale behind the Roxas law that removed school buildings from the DepEd's responsibility.

Asked if this is part of the pork barrel program, Senator Villar replied in the negative. He said that when the law authored by Senator Roxas was enacted 10 years ago, the objective was to ensure that each district would have an equitable sharing of classrooms. But now, he said, there was a clear need to review the Roxas law.

Senator Pimentel agreed to the statement, pointing out that the assumption that the DepEd could not implement the Roxas law has no basis.

On the P550 million intended for the desks and chairs, Senator Pimentel asked whether it was proper for DepEd to do the estimates. He recalled that when he was the mayor of Cagayan de Oro, the Minister of Education insisted on supplying the school division with desks and chairs with cost estimates four times higher than the cost of the equipment. He clarified that he was not against the department handling the money but if production cost could be lowered by tapping local carpenters to do the work, more desks and chairs could be produced.

Asked how the bidding was done at the division level, Senator Villar replied that the same procedure for the national competitive bidding was followed. He said that the bid committee is chaired by the division superintendent with four members, including three from the private sector.

Senator Pimentel agreed that involving the private sector would ensure transparency in the bidding process.

As regards the P809 million allocated for books, Senator Pimentel asked if the amount was enough to achieve the 1:1 ratio of books to students. Senator Villar explained that the money would be used to replace all the *Makabayan* textbooks from Grades I to 4th year high school which are due for replacement this year. He explained that the books are replaced one subject per year every five years.

On whether books could be passed on from one child to another, Senator Villar said that the contents of the books need to be revised every so often, hence, paperbound books are used to save on costs.

However, Senator Pimentel expressed the view that it might be cheaper for the government in the long run if the books could last longer. He expressed concern that somebody could be making money from changing textbooks every five years as some subjects like mathematics, language and science do not need change since the principles are the same from year to year. He recalled that when he went through grade school, books were made of stronger materials.

Senator Villar pointed out that precisely, the department two years ago changed the material to 70-pound bookpaper which increases the lifespan of books from three to five years. He said that a book bound book usually costs 35% or P70 higher than a paper bound book which would not be too much addition to the budget. He suggested that the Secretary should make representations with the DBM for an additional P300 million for book allocations.

Replying to further queries, Senator Villar informed the Body that the Bureau for Alternative Learning System is the new name of the Bureau of Non-Formal Education which helps dropouts, out-of-school youths, and adults.

On the matter of salaries of public school teachers, Senator Villar stated that 10% of teachers or about 50,000 teachers are paid through ATMs while the rest or some 450,000 are paid through regional checks. He said that elementary teachers who are still under the national payroll system would be completely transferred to the regional system by June.

Senator Pimentel commended the improvement in the present system under which checks are prepared three months in advance so that hard-pressed teachers are tempted to sell their checks at a discount to unscrupulous lenders just to make both ends meet. Senator Villar said that the Automatic Payroll Deduction System was introduced in 1998, as a result of which, effective interest rates dropped from 75.5% to 23.44% per annum, resulting in estimated savings of P7.2 billion.

Senator Villar said that in December 2002 when the review started, a total of 172 private lending institutions (PLIs) were holders of active

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lending codes, allowing them to participate in the system, processing 610,409 loans for 179,578 elementary school teachers nationwide through the Central Office's Payroll Services Division and an estimated 225,851 loans for 66,000 secondary school teachers under 15 regional payroll services units nationwide. He said that the DepEd put a P3,000 cap on the monthly minimum take-home pay of teachers in order to limit their borrowings. Replying to a further query, he said that ATMs are located in major urban centers where major banks are.

Senator Pimentel noted that a new index called "EDI" was used to measure the performance of Filipino students in terms of meeting the UNESCO-EFA Global Monitoring System. He adverted to a report that ranked the Philippines 44th behind Thailand, Vietnam, Indonesia and China. He said that the same report showed that the survival rate of students in terms of quality education ranked among the poorest countries in Africa like Burkina Faso and Ethiopia.

Senator Villar affirmed that the country has a serious dropout problem especially in high school. Senator Pimentel said that he found the report rather distressing because it is a fact that many Filipinos consider education as the key to upward mobility. He expressed support for the proposed programs in the budget of DepEd.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF EDUCATION

Upon motion of Senator Pangilinan, there being no objection, the budget of the Department of Education was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 8:59 p.m.

RESUMPTION OF SESSION

At 9:00 p.m., the session was resumed.

EIGHTH ADDITIONAL REFERENCE OF BUSINESS

The Secretary of the Senate read Proposed Senate Resolution No. 169 which the Chair referred

to the Committees on Public Services; and Trade and Commerce:

Proposed Senate Resolution No. 169, entitled

RESOLUTION URGING THE APPROPRIATE SENATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE PRACTICE OF SOME TELECOMMUNICATION COMPANIES OF SENDING RANDOM SPAM MESSAGES TO SUBSCRIBERS USING SHORT MESSAGING SERVICES (SMS) AND MULTIMEDIA MESSAGING SERVICES (MMS) WITHOUT THE LATTER'S CONSENT AND APPROVAL, WITH THE END IN VIEW OF PROVIDING REMEDIAL MEASURES TO ADDRESS THE POSSIBLE INVASION OF PRIVACY AND THE POTENTIAL PROBLEM IT MIGHT CAUSE IN THE EFFICIENT DELIVERY AND RECEIPT OF MESSAGES

Introduced by Senator Mar Roxas

NINTH ADDITIONAL REFERENCE OF BUSINESS

RESOLUTION

Proposed Senate Resolution No. 170, entitled

RESOLUTION DIRECTING THE COMMITTEE ON HEALTH AND DEMOGRAPHY AND OTHER APPROPRIATE COMMITTEE/S TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON POSSIBLE REGULATION OF THE PERFORMANCE OF ELECTIVE COSMETIC SURGERY PROCEDURES

Introduced by Senator Mar Roxas

To the Committee on Health and Demography

COMMUNICATIONS

Letter from Chairman Guillermo N. Carague of the Commission on Elections, submitting to the Senate the 2003 Audit Report on Public Debt

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containing the results of the Commission's evaluation of public debt transactions for CY 2003.

To the Committees on Finance; and Economic Affairs

Letter from Engineer Erwin V. Galang of GV Broadcasting System, Inc., reporting to the Senate that the franchise grantee GV Broadcasting is currently operating four (4) radio stations, namely, DWGV 99.1 Mhz and DWGV 792 khz both in Pampanga; DZGV 99.9 Mhz in Batangas; DZLC 98.5 Mhz in Lipa city; and DTH 4DD-Test Broadcast.

To the Committee on Public Services

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 9:03 p.m.

RESUMPTION OF SESSION

At 9:03 p.m., the session was resumed.

DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

Senator Villar presented the budget of the Department of the Interior and Local Government.

INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña asked how the budget of the Police National Training Institute amounting to P231 million was expended.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:04 p.m.

RESUMPTION OF SESSION

At 9:18 p.m., the session was resumed.

On the P231 million government subsidy, Senator Villar stated that it was given to PNTI

directly from the DBM. The PNTI, he said, is supposed to handle PNP training in Camp Vicente Lim in Laguna. He added that the PNTI has 34 classrooms.

On the rent expenses amounting to P16,781,000.00, Senator Villar clarified that the PNTI does not rent any of its facilities. He said that apparently, the PNTI officials do not know where the money went. Replying to further queries, Senator Villar disclosed that the 78 PNTI guest professors are paid P250 per hour.

Senator Villar clarified that the figures he cited was for the year 2004 but the money was given in 2003. Senator Osmeña remarked that the institution must have a similar budget for 2003 and 2004.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:24 p.m.

RESUMPTION OF SESSION

At 9:27 p.m., the session was resumed.

Senator Villar clarified that the PNTI is not aware of the P231 million because all it gets is P13 million from the Philippine Public Safety College (PPSC).

Senator Osmeña adverted to the PNTI Detailed Statement of Income and Expenses for Fiscal year 2003, including the following:

Subsidy from the	
National Government	P231,000,000.00
Reversion of Unused	
Notice of Cash Allocation	P444,000.00
Total	P231,470,668.00

Senator Osmeña remarked that each of the 78 guest professors could have made P186,948.00 in a year if the hours were evenly divided. He pointed out that the P54,601,000.00 paid out for the salaries and wages of military personnel was four times more than what was paid to the professors.

The PNTI accountant, Senator Villar said, was not aware of the Statement of Income and

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Expenses. Senator Osmeña stated that he would request to have the unaccounted items be removed from the budget. He added that the issue is also subject to investigation because there is a very detailed statement.

For further shed light on the issue, Senator Osmeña asked that certain PNTI personnel be present for the continuation of the interpellation on the DILG budget, including the following: Director Emmanuel Carta; P/Supt. Jaime Cruzana; P/Supt. Raul Espejo; and P/Supt. Epifanio dela Cueva

Senator Osmeña stated that there is a 7-page report on personnel but there is no entry for professors. Police Chief Inspector Eliseo Macadaeg signed the report, he said. He further commented that a big sum disappeared from the budget, thus, realigning the same would not be sufficient.

He said that he would continue his interpellation on the DILG budget in the next day's session.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

Asked by Senator Ejercito Estrada (J) how many undersecretaries and assistant secretaries the DILG has, Senator Villar stated that it has five undersecretaries and six assistant secretaries as provided for under the General Appropriations Act.

But Senator Ejercito Estrada (J) pointed out that under the Administrative Code of 1997, the Office of the Secretary shall be assisted by not more than three undersecretaries and three assistant secretaries who shall be appointed by the President upon recommendation of the Secretary.

Underscoring that the President has authority to reorganize the administrative structure of the Executive department, Senator Villar nonetheless said that he would be willing to look into the legality of the matter as it affects all the other departments. If necessary, he pointed, the excess positions in the DILG should be declared illegal. He gave assurance that Senator Ejercito Estrada (J) would be provided the legal opinion on this issue in the next day's session.

Asked who would remove the excess positions in the DILG, Senator Villar replied that he would look into how the law operates in this particular case. He said that unless the Executive department can prove that the appointments of these undersecretaries and assistant secretaries are legal, he

would remove the appropriation from the budget and ask the President to remove the excess positions

On the concern that several other departments also have excess officials, Senator Villar stated that he would review all the departments, pointing out that Senate President Drilon has raised the issue of two excess commissioners in the Bureau of Immigration.

Asked how the DILG leadership conducts a normal investigation, Senator Villar replied that it is the Director for Legal Affairs who conducts the investigations.

As regards the status of the complaint he filed with the DILG Secretary against PNP Director General Edgardo Aglipay, Senator Villar said that the DILG Secretary immediately referred the complaint to the PNP Chief and asked him to explain his side which the PNP Chief did in a Senate hearing but the DILG Secretary is awaiting the formal response of the PNP Chief.

Senator Ejercito Estrada (J) stated that he thought the issue was over because he has accepted the apology of the PNP Chief. However, he disclosed that in an ANC interview a few weeks ago, PNP Chief said that he did not apologize to the Senator but to the Filipino people.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:51 p.m.

RESUMPTION OF SESSION

At 9:57 p.m., the session was resumed.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session suspended until ten o'clock in the morning of Tuesday, February 8, 2005.

It was 9:58 p.m.

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RESUMPTION OF SESSION

At 10:13 a.m., Tuesday, February 8, the session was resumed with Senate President Pro Tempore Flavio Reyes presiding.

PRIVILEGE SPEECH OF SENATOR PIMENTEL

With the permission of the Body, Senator Pimentel delivered the following speech:

Today is Constitution Day. And I think not too many people remember that February 8 has been designated by Executive Order as Constitution Day. And February 8, 1935 was also the day when our First Constitution for the Commonwealth of the Philippines eventually became the First Constitution of the Republic. That Commonwealth Constitution was passed, approved and made effective on February 8, 1935.

February 8 also happens to be the birthday of Sen. Claro M. Recto, the eminent constitutionalist who presided at that Constitutional Convention which produced the 1935 Constitution. And I think that in spite of perhaps the pessimism of people to the effect that the Constitution hardly matters in their lives, we have to emphasize the fact that it is the Constitution that secures the guarantee of our civil, political and human rights. And without that Constitution, we cannot even be speaking out as freely as we do today.

And so, I would like to make this statement so that our people will remember that they should give as much leeway to the members of Congress to speak out on things that matter in the life of our nation.

I see a great deal of criticisms against members of Congress – both the House and the Senate – always talking. But that is the essence of being a legislator – to talk. Because that is the meaning of “parliament.” The original meaning of the word “parliament” in French is an assemblage where representatives of the people talk. And the people should not mind when members of Congress talk, and talk, and talk, and talk because that is their function.

They should get worried when they do not talk anymore because that means, maybe, *napuno na ang bibig sa pera*, whatever that prevents them from talking.

And so, on the occasion of Constitution Day, I would like to make this appeal to the Members of Congress, to our leaders of the nation, particularly the President, to make sure that her actions should jibe with the provisions of the Constitution. It is not enough for us to have good intentions. Somebody said: “The road to hell is full of good intentions.” And, therefore, good intentions must be coupled with obedience to the provisions of the Constitution and the rule of law. Otherwise, good intentions will amount to what Recto had said sometime in his life about 52 years ago in his speech “that he feared the emergence of a democratic dictatorship,” where the leaders of our nation, particularly the President, would make it appear that she is complying with the Constitution but actually she does things that contravene the very things that she says she is doing in accordance with the Constitution.

And so, today, Constitution Day, I think it bears remembering that Justice Learned Hand, a jurist in the United States, has said: “That the spirit of liberty lies in the merits of men and women; when it dies there, it needs no court, no law, no constitution to keep it alive.”

Therefore, that brief message should be put forward to our people for their guidance, that if we are to remember and uphold and protect the Constitution, the spirit of liberty must be kept alive in our hearts.

REMARKS OF SENATOR VILLAR

For his part, Senator Villar stated that the Senate is really living up to the expectations and mandate of the Constitution.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 10:19 a.m.

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RESUMPTION OF SESSION

At 10:36 a.m., the session was resumed.

**COMMITTEE REPORT NO. 10
ON HOUSE BILL NO. 3154**

(Continuation)

Upon motion of Senator Villar, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3154 (Committee Report No. 10), entitled

**AN ACT APPROPRIATING FUNDS
FOR THE GOVERNMENT OF
THE REPUBLIC OF THE
PHILIPPINES FROM JANUARY
ONE TO DECEMBER THIRTY-
ONE, TWO THOUSAND FIVE,
AND FOR OTHER PURPOSES.**

Thereupon, the Chair recognized Senator Villar, Chairman of the Committee on Finance.

**DEPARTMENT OF ENVIRONMENT
AND NATURAL RESOURCES**

Senator Villar presented the budget of the Department of Environment and Natural Resources (DENR).

INTERPELLATION OF SENATOR MADRIGAL

Replying to Senator Madrigal's inquiries, Senator Villar affirmed that the DENR's budget in 2005 is P5.511 billion, which is P557,837,000 or 11.26% higher than the 2004 reenacted budget of P4.953 billion. He agreed that in any enterprise, an increase in budget would mean an increase in productivity and efficiency, and that the increase would mean more funds for the protection and preservation rather than the exploitation of the environment.

Senator Madrigal expressed the view that next to God, the most important person who had the biggest influence in the lives of the people is the DENR head because it is he who will decide the kind of environment in which every citizen will live, one who should, at any cost, fight for the right of every Filipino to a healthful environment and not fight for the rights of the few who will profit from the exploitation and degradation of the environment.

She lamented that even in Southeast Asia, the Philippines ranked very low in terms of environmental protection. She said that while the country ranks high in biodiversity, it also ranks high when it comes to the destruction of the biodiversity. She warned that unless government did something to protect the environment, tragedies like the one that happened in Aurora and Quezon would again occur.

Senator Madrigal stated that under Executive Order No. 292, the Revised Administrative Code, among the functions of the DENR is to formulate and supervise the implementation of government policies, plans and programs pertaining to the management, conservation, development, use and replenishment of natural resources. She then asked for a breakdown of how much of the DENR budget is allocated for management, conservation, development, use and replenishment of the country's natural resources.

In reply, Senator Villar gave the following figures:

General and Administrative	
Support Services	P16.5 million
Support to Operations	15.4 million
General Management and Supervision	16.6 million
Coordination, Formulation and Integration of DENR Sector, Plans and Policies	12.5 million
Coordination, Monitoring and Evaluation of DENR's Programs and Projects Including Those Developed in the LGUs	1.4 million
Information System and Development Maintenance	0.6 million
Statistical Services	0.5 million
Production and Dissemination of Technical and Popular Materials in the Conservation and Development of Natural Resources including	
Environmental Education	79,000
Legal Services	184,000
Operations	50.38 million
Protected Areas and Wildlife Resources Department	5.4 million
Operation and Maintenance of the Ninoy Aquino Park and Wildlife Nature Center, Quezon City	22.7 million
Development and Rehabilitation of the Hinulugang Takṭak National Park in Antipolo	4 million

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Development and Rehabilitation of Mt. Apo National Park	P 1 million
Philippine Eagle Conservation Project	5.5 million
Pawikan Conservation Project	4.8 million
Tamaraw Conservation Project	3.86 million
Operation and Maintenance of the Crocodile Farm	
Institute in Irawan, Palawan	8.5 million
Biodiversity Conservation Program	4.5 million
TOTAL	P92.39 million

REQUEST OF SENATOR PIMENTEL

At this juncture, Senator Pimentel requested that he be furnished with the list of cut-prior permits issued by the Office of the Secretary and the Office of Undersecretary Paje.

Senator Villar assured Senator Pimentel that the DENR would comply with his request.

INTERPELLATION OF SENATOR MADRIGAL (Continuation)

Senator Madrigal asked for a percentage breakdown between the budget for conservation and the budget for exploitation.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 10:50 a.m.

RESUMPTION OF SESSION

At 10:51 a.m., the session was resumed.

In reply, Senator Villar stated that Mines and Geo-Science Bureau has a budget of P402.5 million representing about 7.3% of the DENR budget and the rest is for conservation broken down as follows:

Forest Management	P1.757 billion	(32% share)
Land Management	777 million	(14.1%)
Protected Areas and Wildlife	237 million	(4.3%)
Ecosystems and Research		
Development	201 million	(3.65%)
Coastal	308.5 million	(5.6%)
Environment Management	476 million	(8.64%)
NAMRIA	265 million	(4.81%)
General Administration and Support		(14.47%)
Support Operations		(5.25%)

Asked for the percentage of the budget for development and conversion of lands, Senator Villar said it would fall under the Forest Management Bureau budget of P1.757 million. He added that it is the Bureau that can only classify forests, but the actual conversion can only be done by Congress.

Asked on the number of Department Administrative Orders (DAO) issued, and whether or not these would be cancelled, Senator Villar replied that there were 30 DAOs issued: two (2) had been suspended and 28 are in the process of being cancelled. Senator Madrigal then requested that the list be submitted in writing. Senator Villar clarified that these DAOs were not issued by the present DENR Secretary, although he was responsible for suspending two and is in the process of canceling 28 DAOs, and that he intends to do the same in a week's time.

Asked if DAO No. 2459, which allows special use of forest lands, is also scheduled for cancellation, Senator Villar replied in the affirmative. Senator Madrigal hoped that the cancellation would be enforced and no exemptions would be granted, pointing out that in Aurora and Quezon, exceptions were granted when supposedly there was a total log ban there.

With the cancellation of the DAOs, Senator Madrigal inquired whether the timber license agreements (TLAs) and all other permits granted from the time the DAOs were issued, would also be rescinded. Senator Villar replied that the DENR Secretary gave the assurance that he would cancel the permits but would have to ask Congress to finally decide on the issue. Senator Madrigal, however, pointed out that Congress has passed enough environmental laws, but that it is the DENR that is not enforcing them.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:06 a.m.

RESUMPTION OF SESSION

At 11:09 a.m., the session was resumed.

Asked on the number of timber license agreements (TLAs) and permits that were issued in

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the span of when those DAOs were enforced, Senator Villar replied that there were a total of 14 TLAs issued, two of which are active at the moment; and 195 Integrated Forest Management Agreement (IFMAs). Senator Madrigal commented that the TLAs could be rescinded anytime based on the Supreme Court ruling in *Felipe Israel vs. the Deputy Executive Secretary* that TLAs are not contracts, while the IFMAs are nice euphemisms for the TLAs which, to her, are permits to illegally log in forested areas.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:11 a.m.

RESUMPTION OF SESSION

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

Senator Villar revealed that he and the department officials are having a difficult time justifying the right of the secretary or any secretary for that matter, to cancel an agreement between the government and a private party without any violation. He then proposed to secure a legal opinion on whether or not the Secretary has any power to cancel agreements unilaterally without any violation.

But Senator Madrigal reminded the DENR Secretary that granting a license does not create an irrevocable right and neither is it a property nor a property right. She explained that Section 20 of PD 705, the Forestry Code, provides that when national interest so requires, the President may replace or rescind contracts, the same principle enshrined in the Constitution because when the right to a healthy ecology of the country is threatened through acid rain or landslides, like in Aurora and Quezon, the law is quite specific in protecting the lives of the people.

Senator Villar agreed with Senator Madrigal, adding that it is the very reason why the President issued an executive order calling for a total log ban. He said that according to Secretary Defensor, the Department is currently reviewing the manner of implementing it pursuant to existing laws.

Senator Madrigal acknowledged the good intention of the President in ordering a total log ban

which, she complained, was literally lifted when the DENR Secretary, on December 8, 2004, issued a clarification of a DENR memorandum that granted exemptions. She demanded a stop to these deceit being perpetrated on the people and that the DENR should be truthful and consistent with what it has been saying to the media. But Senator Villar insisted that exploration of forest products is still banned.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:19 a.m.

RESUMPTION OF SESSION

At 11:20 a.m., the session was resumed.

Senator Villar clarified that the log ban still stays except the cutting in private lands and the transport of lumber, processed products, rattan and charcoal.

Senator Madrigal emphasized that a judicious review of the budget proposal of any department requires Congress to also determine the actual performance of the department. She insisted that the DENR memorandum as clarified practically lifted the log ban. In reply, Senator Villar acknowledged the need to further clarify some provisions of the December 8 memorandum.

Asked to explain the process of obtaining clearance and approval, Senator Villar replied that it only applies to cut-prior logs. He explained that the regional office validates first how many logs were cut and then it endorses the result of its validation to the Forest Management Bureau for cross-checking to determine if indeed it is within the allowable cut.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:29 a.m.

RESUMPTION OF SESSION

At 11:32 a.m., the session was resumed.

Senator Villar explained that the system before December 8 was that a company applies,

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trees are marked to indicate which could be cut; trees are cut and measured for forest charges. He said that when the total log ban was issued, companies had already cut logs which the DENR allowed to be transported after undergoing validation from the CENRO to the regional bureau, to the USEC until the Secretary.

But Senator Madrigal doubted the integrity of the validation process, claiming that the so-called cut-prior logs were, in fact, logs from Malaysia. She questioned the very short time that the so-called validation of so many logs that scattered all over the coastlines and river beds of Aurora and Quezon was undertaken when the DENR has consistently complained of lack of personnel. She commented that the DENR personnel could have been "supermen" for taking so short a time in conducting validation.

Senator Villar believed that the DENR Secretary just wanted to be fair to those who have already cut the logs based on the agreement with the government, but he agreed that efforts should indeed be done to address the concern regarding continuous logging. He surmised that the exception was granted in recognition of the fact that the cut logs rot within a period of time, to which Senator Madrigal disagreed.

MANIFESTATION OF SENATOR ENRILE

Senator Enrile informed the Body of his engagement at 12:00 noon, for which reason he has to leave the session. He then manifested that he would like to interpellate the Sponsor on the proposed budgets of the Department of Public Works and Highways and the Presidential Commission on Good Government, should they be tackled in the afternoon session. He stated that he wanted to put this on record so that the consideration of the proposed budgets of the said agencies would not be made during his absence.

The Chair took note of the manifestation of Senator Enrile.

At this juncture, noting that the questions being raised are technical in nature, Senator Madrigal moved for the suspension of the rules to give the Secretary of the DENR the opportunity to answer the questions so raised.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:39 a.m.

RESUMPTION OF SESSION

At 11:44 a.m., the session was resumed.

MANIFESTATION OF SENATOR LACSON

Senator Lacson proposed to suspend the interpellations on the proposed budget of the DENR until 12:30 in the afternoon at the resumption of the session owing to the same reason that was stated by Senator Enrile.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the Chair suspended the session.

It was 11:45 a.m.

RESUMPTION OF SESSION

At 11:45 a.m., the session was resumed.

MANIFESTATION OF SENATOR MADRIGAL

Senator Madrigal manifested that she was suspending her interpellation on the proposed budget of the DENR in order to give opportunity to Senators Pimentel and Lim to interpellate the Sponsor. She added that she would continue with her interpellation in the afternoon session.

INTERPELLATION OF SENATOR LIM

At the outset, Senator Lim commended the efforts of the DENR Secretary for filing charges against the officers of Green Circle and Green Square Corporation for violation of forestry laws, citing as basis the report that appeared in the papers as he also noted the previous apprehension of lowly cutters who were correspondingly charged. He stressed that the DENR Secretary should be supported in his effort to protect the environment and enforce the laws especially against the big fishes. Senator Lim scored, however, the illegal

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loggers for bringing tragedy in the provinces of Aurora where more than 1,200 persons perished because of floods and typhoons, blaming as cause thereof legal and illegal logging.

Asked if the necessary timber license agreement (TLA) was issued for the logging operation of Green Circle and Green Square Corporation, one of the officials of which is Mr. Romeo Roxas who was recently charged in court, Senator Villar explained that the property being referred to is a private land and that a special private land timber license was issued to the corporation. He added that the corporation already closed down its logging and sawmill operations in the property as early as September of last year.

Asked if the said property is covered by *Titulo de Propiedad* No. 4136, Senator Villar replied that the land is covered by a validated Torrens Certificate of Title (TCT) and also the subject of a sale transaction between Mr. Go Cong Suy and Mr. Roxas, adding that there is a pending case involving the property before the Supreme Court.

Senator Lim then put on record the decision of the Second Division of the Supreme Court under GR No. 139274 dated 23 October 2001, penned by Justice Quisumbing, regarding the Petition for Certiorari and Prohibition involving Quezon Governor Wilfredo Enverga *et al.* as petitioners versus Infanta, Quezon Regional Trial Court (Branch 65) Presiding Judge Abelio M. Marte and Green Square Properties Corporation President Romeo G. Roxas as respondents, to wit:

Second Division. (G. R. NO. 139274, October 23, 2001) QUEZON PROVINCE, represented by its Governor, WILFREDO M. ENVERGA and LIWAYWAY R. LAREZA, in her capacity as Municipal Treasurer of General Nakar, Quezon, *petitioner* vs. the Honorable Abelio M. Marte, in his capacity as presiding judge of Regional Trial Court, Branch 65, Infanta, Quezon, and GREEN SQUARE PROPERTIES CORPORATION, represented by its President, ROMEO G. ROXAS, *respondents*.

DECISION, penned by Justice Quisumbing. In this petition for *certiorari* and prohibition with prayer for a writ of

temporary restraining order or preliminary injunction, petitioners assail the resolution dated March 17, 1999, and the order dated June 22, 1999, of the Regional Trial Court of Infanta, Quezon, Branch 65, which denied petitioners' motion to dismiss the complaint in Civil Case No. 329-1 for quieting of title and mandamus.

The facts are as follows:

Private respondent Green Square Properties Corporation, (hereafter referred to as Green Square) through a deed of sale dated August 14, 1996, allegedly acquired from the estate of Don Mariano San Pedro y Esteban its rights over a tract of land with an area of FIFTY THOUSAND FOUR HUNDRED NINETY-SEVEN (50,497) HECTARES, the major portion of which is found in Gen. Nakar and Infanta, Quezon, and the rest in Laguna and Rizal provinces. The land was covered by Tax Declaration No. 09-019-0094 in the name of Don Mariano San Pedro y Esteban. The deed of sale indicated that the land was allegedly part of the land under *Titulo de Propiedad* No. 4136 dated April 29, 1894.

On September 17, 1996, the Regional Trial Court of Bulacan confirmed the sale of Intestate Estate Proceeding No. 312-B. Consequently, the tax declaration in the name of Don Mariano San Pedro was cancelled and a new one was issued in the name of Green Square.

In the meanwhile, in G.R. No. 106496, *Engracio San Pedro et al. vs. Court of Appeals (16th Div.) and Republic of the Philippines* 265 SCRA 733 (1996), this Court, in its decision dated December 18, 1996, dismissed the petition therein and declared that *Titulo de Propiedad* No. 4136 was NULL AND VOID, and therefore, no rights could be derived therefrom. All lands covered by said *Titulo de Propiedad* were excluded from the inventory of the Estate of Don Mariano San Pedro y Esteban. The Petition for letters of administration, docketed as Sp. Proc. No. 312-B, was closed and terminated. The alleged heirs, agents, privies, and/or anyone acting for and

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in behalf of the estate were disallowed to exercise any act of possession or to dispose of the whole or any portion of the estate covered by said *Titulo*, and further directed them to immediately vacate the same, if they or any of them were in possession thereof.

In July 1998, Green Square's tender of payment of the real estate taxes over the subject land, pursuant to the notice of payment sent by the Office of the Municipal Treasurer of Gen. Nakar, was refused by the same office. Thereafter, Green Square filed a complaint for quieting of title and mandamus alleging that petitioners' refusal of its tender of payment casts doubt on its rights, interests, claims and title over the subject property. Private correspondent prayed that petitioners be compelled to accept its tender of payment.

On October 21, 1998, petitioners filed a motion to dismiss the complaint upon the ground, among others, that Green Square's cause of action was barred by a prior judgment or *res adjudicate*.

The trial court, however, denied the motion to dismiss on March 17, 1999. It held:

After a careful and judicious evaluation of the allegations in the pleadings submitted in this case, this court observed:

- a) The plaintiff corporation has indeed legal and equitable title (*citation omitted*) over the property on litigation having registeredly explained and asserted its beneficial interest thereon; (*citation omitted*). Registration subsequently brought about the transfer of the tax declaration from the state of Mariano San Pedro to the name of plaintiff corporation;
- b) It is not controverted that the plaintiff is in possession of the property *in litis* for more than 30 years. The possession of its predecessors-in-interest having been tucked to plaintiff's possession when it acquired it by purchase on August 14, 1996. Indisputably, the plaintiff has clear interest over the property in litigation (*citation omitted*) and the refusal to

accept tender of payment is a claim sufficient to cast a cloud on the title of the plaintiff. Moreover, authorities said the claim constituting the alleged cloud must be such as to cause a reasonable fear that it may at sometime be asserted against the owner fictitiously or injuriously.

- c) The cause of action herein is not barred by prior judgment. The property under *Titulo de Propriedad* No. 4136 covers the vast tract of land which may include the property in litigation. Nevertheless, the present controversy dwells NOT on the ownership of the land but on the same issue whether the defendants through the Municipal Treasurer of Gen. Nakar, Quezon, should accept the tender of payment of taxes by the plaintiff, and thus, be compelled by mandamus to do so.

These are the arguments propounded by the respondents.

Finally, the court holds the claim of the plaintiff as innocent purchaser for value should be proven by evidentiary proof and extent of the subject property allegedly within covered by the *Titulo de Propriedad* No. 4136 shall be established with definiteness and certainty. This matter shall be ventilated and resolved in a full-blown trial on the merits.

WHEREFORE, premises considered, the motion to dismiss is DENIED for lack of merit."

SO ORDERED. Petitioner's Motion for Reconsideration having been denied, they brought this petition before us on the following grounds;

- I) THE RESPONDENT JUDGE COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN DISOBEYING THE DECISION OF THIS HONORABLE TRIBUNAL IN G. R. No. 106496;
- II) THE RESPONDENT JUDGE COMMITTED GRAVE ABUSE OF

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DISCRETION AMOUNTING TO LACK OF JURISDICTION IN MAKING AS ISSUE THE FACT THAT THE LAND BOUGHT BY THE RESPONDENT CORPORATION FROM THE ESTATE OF MARIANO SAN PEDRO IS COVERED WITHIN *TITULO DE PROPIEDAD* NO. 4136;

III) THE RESPONDENT JUDGE COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN RESOLVING THAT THE COMPLAINT IN CIVIL CASE NO. 329-1 IS NOT BARRED BY PRIOR JUDGMENT OR *RES JUDICATA*.

In determining whether the trial court gravely abuse its discretion amounting to lack of jurisdiction, we must resolve the following issues:

1) Did the parties dispute the coverage of the land under *Titulo de Propriedad* No. 4136?

2) Is Civil Case No. 329-1 barred by our decision in G.R. No. 106496?

On the first issue, petitioners claim that private respondent categorically admitted in its complaint that the land which it bought from the Estate of Don Mariano San Pedro y Esteban was covered by *Titulo de Propriedad* No. 4136. This is evidenced by paragraph 5 of the complaint which states that the conveyance is embodied in a Deed of Absolute Sale with Quitclaim. "The latter in turn describes the subject land as a 'parcel of land situated at General Nakar and Infanta, Quezon, principally, and at Laguna and Rizal provinces, consisting of 50,497 hectares, more or less, covered under *Titulo de Propriedad* No. 4136 dated April 29, 1894.'" Further, in paragraph 21 of the complaint, private respondent defended the Estate's acquisition of the subject land through a Spanish grant by saying that the Estate did not violate any prohibition on private acquisition of forest lands, as embodied in the 1935, 1973 and

1986 Philippine Constitution, because the Estate acquired the subject property prior to the effectivity of the said laws.

Private respondent counters in its comment that the matters raised by petitioner are devoid of merit and deserve scant consideration. It said that the trial court's making as an issue the coverage of the land under *Titulo de Propriedad* No. 4136 should not be taken out of context but should underscore the need for trial.

On record, we find that there was no basis for the trial court to declare as one of the issues of the case, the matter concerning the coverage of the subject land under *Titulo de Propriedad* No. 4136. As shown by petitioners, private respondent admitted in this complaint that the parcel of land it purchased from the Estate of Don Mariano San Pedro was covered by *Titulo de Propriedad* No. 4136. Nowhere in the comment and memorandum submitted before us does private respondent deny said fact. Petitioners, on the other hand, did not dispute said coverage. Hence, the coverage of the land purportedly under *Titulo de Propriedad* No. 4136 was not converted by the parties. The trial court, therefore, gravely abused its discretion when it declared as an issue, that needed to be resolved in a full-blown trial, the coverage of the land under the so-called Spanish title. This declaration is totally devoid of support in the record.

On the second issue, is the filing of the complaint in Civil Case No. 329-1 barred by our decision in G.R. No. 106496 consolidated with G.R. No. 102737? Petitioners submit that the trial court, in determining whether the allegations in a complaint established a cause of action, must take cognizance of all the decisions of the Court. In G. R. No. 106496, entitled *Engracio San Pedro, et al. vs. Court of Appeals*, 265 SCRA 733 (1996), we expressly resolved the nullity of *Titulo de Propriedad* No. 4136, on which private respondent, the Green Square, allegedly as successor-in-interest of the Estate of Don Mariano San Pedro, based its claim of title and ownership in its

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complaint for quieting of title. Hence, according to petitioners, the complaint must be dismissed for lack of action and *res judicata* because the alleged title on which private respondent based its claim had already been declared null and void in a previous decision of the Supreme Court.

Private respondent counters that *res judicata* is not applicable in this case for it applies only where there is identity of parties, issues and causes of action.

The Court speaks:

We are not persuaded by the latter argument. The four elements of *res judicata* are: 1) the judgment sought to bar the new action must be final; 2) the decision must have been rendered by a court having jurisdiction over the subject matter of the parties; 3) the disposition of the case must be a judgment on the merit; 4) there must be between the first and second action, identity of parties, subject matter and causes of action. The parties do not dispute the existence of the first three conditions. It is the fourth condition which private respondent claims as non-existent, i.e., there's no identity of causes of action.

Although, at first glance, it seems that private respondent's claim on the subject property is based on the 30-year adverse possession allegedly by the Estate of Don Mariano, this claim is belied by the records of the case. In its complaint, private respondent alleged that it purchased the subject property from Don Mariano's Estate. As an evidence, private respondent attached a deed of sale executed purportedly by representative of said estate describing the property as covered by *Titulo de Propiedad* No. 4136 in the name of Don Mariano. Note that the estate never claimed the property based on its alleged adverse possession but on its Spanish title. This is shown by the fact that despite the effectivity of Presidential Decree No. 892 – this is most important – issued on February 16, 1976, an act prohibiting the use of Spanish title to prove ownership over real property, and the decision dated November 17, 1978

of the defunct Court of First Instance of Bulacan, Fifth Judicial District, Branch IV, in Special Proceedings No. 312-B, from which originated G.R. No. 106496 and which originally declared *Titulo de Propiedad* No. 4136 as null and void, the estate still initiated on August 15, 1988 an action for recovery of possession based on its so-called Spanish title. Also in its complaint, private respondent defended the Spanish title of its predecessor-in-interest as valid. Why the need to defend its validity, if private respondent's claim lies on something other than that?

Given the adverse decision of the Court of Appeals and affirmed by the Supreme Court that all rights of ownership emanating from *Titulo de Propiedad* No. 4316 are declared null and void. Senator Lim asked why Green Circle was still using this title. Senator Villar replied that there is another pending case before the Supreme Court involving the validity of the title. However, he stated that the DENR has filed charges against Mr. Roxas for illegal logging and that it does not recognize *Titulo de Propiedad* No. 4316. He added that the special timber license agreement issued to Green Circle was already cancelled, and that its sawmill operations were ordered closed. He confirmed that it was not Secretary Defensor who issued the special TLA.

Senator Lim then requested that the Secretary conduct an examination of documents filed with the Department because there might be similar titles emanating from the said Spanish title, and the government, unknowingly or unwittingly, might have issued a TLA.

Asked what specific charges were filed against Green Circle, Senator Villar replied that it was a case of illegal logging and that the DENR is contemplating of filing civil damages and the DOJ is planning to file economic sabotage.

Senator Lim expressed the hope that those cases would be pursued to its logical conclusion so that justice would be served to the 1,200 people who perished in the Aurora-Quezon tragedy. He asserted that all laws are made for righteous cause and they should not be made a sanctuary for criminal activities by well-connected people dressed in coat-and-tie or *barong tagalog*.

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INTERPELLATION OF SENATOR PIMENTEL

Preliminarily, Senator Pimentel agreed to Senator Lim's observation that despite the lapses in the observance of certain rules by the DENR, the Secretary had seen fit to file charges because for a long, long time, the Department has this record of ignoring blatant violations of forestry laws.

Senator Pimentel then asked the DENR what kind of cut-prior logs permits it had issued and acted upon, pointing out that this kind of permit ostensibly is meant to make it appear that logs that are to be cut were cut prior to the November floods. He asked that he be furnished with the list of permits that had been approved, as well those that had been rejected or denied.

Adverting to the "List of Approved Permit to Transport, Dispose Logs Cut Prior to 8 December 2004," Senator Pimentel noted that in the "Tenure Investment Holder Region IX," the IFMA of one Ruel Sevilla indicated that it transported 2,270.91 cubic meters which, to him, is quite sizeable. In reply, Senator Villar clarified that there was only one clearance issued by the DENR Central Office, covering the whole region but the regional director issued four clearances.

Senator Pimentel commented that the procedure has provided loopholes as he pointed out that once a log ban is issued by the central authority, everybody should follow. He said that giving permission to the officials at the local level to do an act under certain circumstance would actually be providing them the loopholes that are being sought to be plugged. He acknowledged that the regional offices are normally more subject to pressure from local interests than the Secretary or Undersecretary. But stressed that the idea of a total log ban is to make it difficult for people to continue cutting trees as easily as they have been doing in the past.

Asked how many applications for cut-prior permits are still pending before the DENR, Senator Villa replied that there were still 20 pending applications. He said that he would submit later the list of applicants, among whom were the following:

1. Woodland Domain, Inc. - Agusan del Sur
2. Extensive Wood Processing Corp. - Loreto, Agusan del Sur

3. Burbuwanan Reforestation Farmers Association - Bislig, Surigao del Sur
4. Provident Tree Farms, Inc. - Aras-asan, Surigao del Sur
5. Artinko, Incorporated
6. SBMA
7. Luzon Mahogany Timber, Incorporated
8. Camp John Hay Development
9. Texas Instrument
10. Philex Mining
11. Daewoo Corporation
12. Sta. Lucia Realty Corporation

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 12:34 p.m.

RESUMPTION OF SESSION

At 12:35 p.m., the session was resumed.

Upon resumption, Senator Villar promised to submit the names of CSC holders later in the afternoon.

Senator Pimentel noted that Senator Villar mentioned applicants supposedly with pending request for cut-prior permits who were also included in the list of approved permits.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 12:38 p.m.

RESUMPTION OF SESSION

At 12:39 p.m., the session was resumed.

Upon resumption, Senator Pimentel clarified that the 3-page documents submitted to him indicated the following: 1) First page refers to the permit to transport and dispose of log cut prior to 8 December 2004; 2) Second page refers to pending applications for permit to transport forest products cut prior to 8 December 2004; 3) Third page refers to approved cutting permits. He then inquired if the Department can commit that it would not approve the pending applications for cut-prior permits.

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In reply, Senator Villar informed the Body that Secretary Defensor, in fact, issued a memorandum dated January 28, 2005, giving the following instructions: 1) stop accepting and processing applications for clearance to retrieve cut-prior log; and 2) to seize all chainsaws and all other equipment and implements found in forest lands without clearance permit from the DENR. He conveyed the assurance of Secretary Defensor that copies of the memorandum would be distributed to all regional offices for strict compliance and violations thereof would be dealt with accordingly, possibly administrative sanction and if warranted, criminal sanctions.

Referring to the recent Supreme Court ruling deciding, with finality, the constitutionality of the New Mining Act, Senator Pimentel asked the DENR what it would do to the small miners. Senator Villar replied that the DENR would have a program legalizing the small miners numbering about 2,500.

Senator Pimentel recalled that during his first term as senator, he authored the Small Miners Act in order to remove the monopoly of the wealthy the right to engage in mining. He believed that the DENR is under obligation to take care of these small miners who, after all, had already acquired the right to mine by virtue of a law. He warned that taking away that right from the small miners in the name of the New Mining Act would be retrogressive and would cause more social problems.

In reply, Senator Villar gave the assurance that the DENR recognizes the rights of the small miners under the law and that it is, in fact, conducting training programs to enhance their capability and assisting them in organizing themselves to enable them to sell mine tailings to the big mining companies.

Relative thereto, Senator Pimentel adverted to the editorial of *The Washington Post* which said that "budgets contain dry facts that choke the vitality out of the issues involved, and yet it is the measure of the national character." He said that whatever budgetary allocations there are in the document, in the final analysis, the value of such document relies on how government treats the smallest man in the country.

As to the specific plan, program or commitment of the DENR regarding the small miners in Diwalwal, Senator Villar indicated that the Department is finalizing the Magna Carta for Small

Miners in consonance with the Small Miners Act. He also reported the plan of the government to take over Diwalwal where the 4,000 small miners there would be made shareholders of a company. He informed the Body of the government's plan to make Diwalwal a world-class mining project to be operated by the National Resources Management Mining Development Corporation. He added that the government intends to destroy the syndicate operating there.

Told that Secretary Defensor is the 14th secretary of the DENR since 1986, Senator Pimentel pointed out all the secretaries before him had wanted to do something about Diwalwal but they all failed. He said that if Secretary Defensor puts his heart into it, then he deserves the support of all well-meaning citizens of the country.

As to the meaning of "diwal," Senator Pimentel stated it means "tongue sticking out."

As to the present status of mining in Diwalwal, Senator Villar replied that the President has proclaimed 8,000 hectares of the area as a mining reservation.

At this point, Senator Villar identified the three syndicates operating in the area as follows; Helica, Blue Core and Javy group. Senator Pimentel hoped that the DENR would do its work toward the emancipation of the small miners in Diwalwal.

Senator Villar said that the DENR is going to take care of the small miners at the expense of the syndicates who have benefited for more than two decades already.

Senator Pimentel emphasized the need for DENR to expand its base of support by networking with NGOs, politicians and even the church hierarchy in its fight against these syndicates.

Regarding the National Commission on Indigenous Peoples (NCIP), Senator Pimentel pointed out that this Commission, under the Indigenous Peoples' Rights Act of 1997, is vested with the power to concur in the issuance of permits over mining and logging, so that somehow it impinges on the jurisdiction of the DENR. He then asked why the NCIP was attached to the DAR when the most logical department should be the DENR for better coordination. In reply, Senator Villar explained that

the reason for the NCIP's attachment to DAR is the need to integrate the issuance of titles since both of them are working on the titles and the delineation of boundaries.

But Senator Pimentel pointed out that given the fact that a good deal of minerals are located in NCIP areas, with more reason that there must be coordination between the NCIP and the DENR which has under its jurisdiction the Mines and Geo-Science Bureau which is responsible for the issuance of mining permits. He suggested that the DENR, as well as the Mines and Geo-Science Bureau, should be very sensitive to the needs and feelings of the indigenous peoples in the issuance of mining permits.

Senator Pimentel acknowledged that government cannot just allow the country's wealth under the earth to lie unused and undeveloped, but at the same time, it should also take care of the environment and maintain a sound ecological balance. In addition, he said that there must be a good relationship between the mining company and the communities where mining activities are undertaken,

SUSPENSION OF CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Upon motion of Senate President Drilon, there being no objection, the Body suspended consideration of the budget of the Department of Environment and Natural Resources.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended until two-thirty in the afternoon.

It was 1:07 p.m.

RESUMPTION OF SESSION

At 2:58 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT

Senator Villar presented the budget of the Presidential Commission on Good Government (PCGG).

INTERPELLATION OF SENATOR ENRILE

Senator Enrile stated that the PCGG was the first agency created after the EDSA Revolution of 1986 by virtue of Executive Order No. 1, mandating it to sequester ill-gotten wealth. He asked how many corporations have been sequestered by the PCGG. Senator Villar stated that there are 454 corporations.

Senator Enrile inquired into the actual value of the corporations, and their contribution to the economy at the time these were sequestered and at present, pointing out that many of these corporations went bankrupt because of the activities of the PCGG.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:02 p.m.

RESUMPTION OF SESSION

At 3:02 p.m., the session was resumed.

Senator Villar said that the total estimated current value of the assets is P223 billion. Unfortunately, he said no valuation was made at the time of sequestration.

Senator Enrile asked how the performance of the agency could be measured if the PCGG could not provide the necessary information. He said that it is time that the Senate looked into the agency as it was not envisioned to exist forever. He cited the Philippine Communications Satellite Corporation which was a very lucrative company then but is now almost bankrupt because of the PCGG. Senator Villar conceded that some of the sequestered corporations have been clearly mismanaged.

Senator Enrile moved for the suspension of consideration of the PCGG budget until the agency could provide the requested information.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:06 p.m.

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RESUMPTION OF SESSION

At 3:07 p.m., the session was resumed.

Senator Enrile clarified that his query was not a reflection of Commissioner Haydee Yorac who is a very able and highly regarded person. He lamented that many people who were appointed into the agency raped the corporations instead of protecting them for the government.

Senator Villar requested that the PCGG officials be given enough time to prepare the necessary information. Senator Enrile said that aside from the value of all the corporations and other assets then and now and their contribution to the economy when these were sequestered, he would like to find out the source of PCGG's income generation and the number of its employees. He stressed that the PCGG sequestration has become the source of livelihood for some people and it was time the Body stopped this anomaly. He reiterated his move that the consideration of the PCGG budget be suspended.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:10 p.m.

RESUMPTION OF SESSION

At 3:13 p.m., the session was resumed.

Senator Pangilinan said that Senator Enrile would suspend his interpellation on the PCGG budget for the time being.

INTERPELLATION OF SENATOR PIMENTEL

Asked by Senator Pimentel whether the mandate of the PCGG is primarily to search for, identify, gather, and put under one depository file the assets, funds, and companies that were supposedly owned by the Marcoses or their cronies, Senator Villar replied in the affirmative. He said that the PCGG has been performing these duties for the past 19 years.

On whether the work of the PCGG is limited to sequestering these assets and not restoring the same to the real owners, Senator Villar said that

PCGG is tasked to restore the assets unless these belong to former President Marcos.

Senator Pimentel recalled that in the last elections, some of the sequestered radio and television stations and print media, which were supposed to be government-controlled firms, did not give the Opposition equal space and time in the broadcast of political news. Senator Villar agreed that these corporations should not be used against any group.

Asked how many radio and television stations were sequestered by the PCGG, Senator Villar said that there are 37, two of which are television stations, namely, Channels 9 and 13, which are both located in Quezon City. He said that Channel 4 is a government station.

Senator Villar reported that the following radio stations are still under sequestration:

<i>Radio Station</i>	<i>Owner</i>
DWLC - Lucena	Eduardo Cojuangco Jr.
DWRN - Naga	Eduardo Cojuangco Jr.
DWOW - Davao City	Eduardo Cojuangco Jr.
DYBB - Baybay, Leyte	Universal Broadcasting Corporation of Benjamin Romualdez
DYBR - Tacloban, Leyte	Eastern Visayas Broadcasting Corporation Corporation of Benjamin Romualdez
DYDR - Tacloban, Leyte	Eastern Visayas Broadcasting Corporation
DYMM - Tacloban, Leyte	Benjamin Romualdez
DYRL - Bacolod City	Radyo Pilipino Corporation of Eduardo Cojuangco Jr.
DZGC - Tayug, Pangasinan	Eduardo Cojuangco Jr.
DZLT - Lucena City, Quezon	Radyo Pilipino Corporation
PRTV 12 - Tacloban City	Universal Broadcasting Corporation
DWRL - Legazpi City	Radyo Pilipino Corporation
DWXB - Pasay City	Universal Broadcasting Corporation

Senator Villar said that television station RPN 9 is owned by Roberto Benedicto but was already surrendered to the government, so that, in effect, it is now a government-owned corporation.

Asked if the surrendered stations are still under the jurisdiction of PCGG, Senator Villar explained that these are really run by their own respective boards who are appointed by the President. The PCGG, he said, has not exercised any influence over these television stations. He said that these stations are RPN 9 and IBC 13 both located in Broadcast City, Capitol Hills, Diliman; and the following radio stations all under Banahaw Broadcasting, owned by Roberto Benedicto, were also surrendered: DWAN, DWGW, DXWG, DWNW, DWDW, and DWLW.

On the difference between a "surrendered" and a "sequestered" property, Senator Villar stated that a surrendered property is one that has been given to the government as there is no more claimant to it, and while a sequestered property is still under litigation and whose ownership is still being determined. He reiterated that PCGG does not exercise any control or interest in the surrendered facilities because the board members are all appointed by the President and are not answerable to the PCGG Commissioner. He said that these stations are now under the Office of the President, particularly the Office of the Press Secretary to which employees of these companies can bring their complaints. He stated that the budgets of these stations are included under the Office of the President.

Senator Pimentel emphasized that in this country, a company is either a free-enterprise or a government-controlled entity as he is not aware of any in-between facility which could bring a lot of undesirable repercussions to politicians and the employees of the companies. He said that his office had received a lot of complaints from employees of these facilities. He revealed that the facilities are in rundown condition, the major players earned a lot of money, while the staff lived by hand-to-mouth. He suggested that the Senate look into the matter more deeply as such a situation should not be allowed to continue. He proposed that the Administration ensures equal access to time and space in these facilities as there is no fairness in the way these stations do their political broadcast especially in the last national elections.

Asked what could be done to remedy the situation, Senator Villar replied that a bill is under study, ensuring that TV and radio stations would promote fairness in its broadcasts. He agreed to the suggestion that these stations be privatized which should have been done a long time ago.

On the current status of the newspaper *People's Journal*, Senator Villar said that it is under the Privatization Management Office, formerly the Asset Privatization Trust. He stated that the paper had been restored to its former owners but the PCGG is not a party to the case.

On another matter, Senator Pimentel asked about the \$630 million that the Swiss government turned over to the country and if the PCGG was affected by the recent decision of the U.S. Appellate Court.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:32 p.m.

RESUMPTION OF SESSION

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

Senator Villar stated that the U.S. Court of Appeals recognized the power of the Philippine Supreme Court to adjudge the case in favor of the Republic of the Philippines, the effect of which was that the human rights victims lost their case in the U.S. and have no recourse but to pursue their case in Philippine courts.

Senator Pimentel noted that a bill was filed proposing to appropriate \$200 million out of the \$630 million for the compensation of the human rights victims in the country and this, he said, belied the rumor that the country is being deprived of its power over the recovered amount.

Senator Pimentel asked if there were any developments in the search for the Marcos hidden wealth that might lead to a bigger take than the \$630 million initially surrendered by the Swiss government to the country. Senator Villar replied in the negative, pointing out that the PCGG lacks the budget to pursue some leads in Europe.

On the newspaper item that Governor Bongbong Marcos was haled to a Hawaii Court, Senator Villar informed the Body that the younger Marcos was brought into the Judge Real case because the Marcoses are saying that \$150 million of the money from Switzerland should go to human rights victims.

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Finally, Senator Pimentel manifested his faith in the PCGG under Chairman Haydee Yorac's leadership and believed that she would get support from the new PCGG Commissioner Camilo Sabio.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon on the corporations and assets that had been sequestered, Senator Villar gave the following breakdown:

Shares of stocks	- 185 corporations
Real estate properties	- 176
TV and radio stations	- 21
Aircraft	- 16
Apartment units	- 77
Condominium units	- 20
Fishponds	- 5
Motor vehicles	- 9

Upon further queries, Senator Villar affirmed that the PCGG left the management of these firms to their officials except where the sequestered shares represent the majority.

Senator Biazon asked the identities of the corporations where the government has the controlling shares.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:41 p.m.

RESUMPTION OF SESSION

At 3:42 p.m., the session was resumed.

Senator Villar said that the 40 sequestered corporations that are being managed by the PCGG are continuing operations and some of them are making profits while others are losing. Further, he explained that the earnings of the sequestered firms are retained by the corporations unless they are declared as dividends, in which case, the money is given to the National Treasury.

Senator Biazon asked for the amount of dividends that have been transferred to the National Treasury.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:43 p.m.

RESUMPTION OF SESSION

At 3:44 p.m., the session was resumed.

Senator Villar clarified that the dividends of sequestered firms are placed in a trust fund in the National Treasury. Further, he affirmed that corporations that have been losing money in the past years are still operating, into some of which the government infused capital to keep them running. Senator Biazon asked for a list of the corporations and the dividends they remitted to the trust fund as well as of companies that are losing money and which have been infused with additional capital by government. Senator Villar promised to give the lists later.

Replying to further queries, Senator Villar affirmed that the government has sequestered bank accounts, the interest earnings of which are held in trust. He promised to provide Senator Biazon with the list of the accounts, their balances during sequestration and their current status after 19 years.

On another matter, Senator Biazon asked for a legal definition of the term "sequestration."

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:48 p.m.

RESUMPTION OF SESSION

At 3:49 p.m., the session was resumed.

Asked about the true owners of these sequestered firms, Senator Villar said that the matter was still being resolved. Pending the resolution of this issue by the courts, he explained that the government, through the PCGG, protects its interests through the management, control and operation of the sequestered assets. But he stressed that the PCGG respects the corporation law and would not take control of the sequestered firm

where the government is only a minority stockholder although in some instances, even a shareholder with less than half of the shares could control a company through the cooperation of other shareholders.

Upon further queries, Senator Villar said that government does not normally subsidize losing firms in order not to drain its resources but in some cases the government allows these firms to go bankrupt. Senator Biazon asked for a list of these companies.

Senator Biazon wondered why it has taken the government 19 years to resolve the question of ownership. Senator Villar replied that what is happening to the PCGG reflects the slow pace of the country's judicial system which is the main reason that the PCGG continues to exist.

Asked whether the PCGG's function could be assumed by other existing agencies such as the Office of the Solicitor General, Senator Villar noted that the OSG acts as the government's lawyer whereas the PCGG acts as the OSG's client.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:54 p.m.

RESUMPTION OF SESSION

At 3:57 p.m., the session was resumed.

MANIFESTATION OF SENATOR ENRILE

Pointing out that the Senate must operate like a parliamentary body, Senator Enrile observed that the other members continued their interpellation even though he had moved to suspend the consideration of the PCGG budget. He said that he would raise a question of quorum if the proceedings were not suspended.

Senator Pangilinan clarified that a member of the Minority asked to be allowed to interpellate. However, he recognized the point raised by Senator Enrile and would move to suspend the deliberations on the PCGG budget.

Senator Enrile suggested that a roll call be made even as he wondered how the Body could show the

public that its members are responsible legislators when not everyone was present to participate in the budget deliberations.

Senator Enrile stated that presently, five members of the Opposition are in the hall dutifully attending the budget deliberations. Asked how many members of the Majority are present, Senator Pangilinan replied that there are five at the moment but 12 senators would constitute a quorum.

Senator Enrile stated that he would no longer raise a question of quorum and that instead, he would request suspension of consideration of all the budgets of the remaining departments until all the members of the Majority are present in the hall.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:00 p.m.

RESUMPTION OF SESSION

At 4:01 p.m., the session was resumed.

Senator Enrile stated that the Administration is supposed to be interested in finishing the budget because it is the primary instrument of the government, but evidently, many members of the Majority are not participating in the deliberations. He believed that the budget should not be passed without scrutiny.

SUSPENSION OF CONSIDERATION OF THE PCGG BUDGET

Upon motion of Senator Pangilinan, there being no objection, the Body suspended consideration of the budget of the PCGG.

MANIFESTATION OF SENATOR ROXAS

Senator Roxas noted that the head of the PCGG, Ms Haydee Yorac, is quite ill. He suggested that the Body inform her of the time and date of the resumption of consideration of the budget of the PCGG so that she would not be waiting around for an indeterminate amount of time.

Senator Villar agreed. He said that he would coordinate with Commissioner Yorac on the schedule.

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SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:04 p.m.

RESUMPTION OF SESSION

At 4:22 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:24 p.m.

RESUMPTION OF SESSION

At 4:25 p.m., the session was resumed.

DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

Senator Villar presented the budget of the Department of Public Works and Highways.

INTERPELLATION OF SENATOR ENRILE

Referring to page 644, line 24 of the General Appropriations Bill, under "Payment of Claims and Completed Projects," Senator Enrile asked where in the province of Nueva Vizcaya the Allacapan-Aritao Road is. Senator Villar stated that it is in the town of Tumauni-Iguig. However, Senator Enrile pointed out that Tumauni is in Isabela, while Iguig is in Cagayan, and in between are the towns of San Pablo, Isabela; Peñablanca, Cagayan; and Tuguegarao, Cagayan. He added that the Pan-Philippine Highway is approximately a hundred kilometers. Moreover, he questioned how the DPWH was able to enter into a contract for a road that passes through several towns of two provinces. Thereafter, he asked that the map be presented to the Body to show where the road was constructed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:36 p.m.

RESUMPTION OF SESSION

At 4:37 p.m., the session was resumed.

Upon queries, Senator Villar explained that the two-lane Tumauni-Iguig road section is 67 kilometers; and the contractor was New San Jose Builders.

Noting the cracks in the 9-inch thick pavement, Senator Enrile asked if any test boring was done when the road was being constructed. He added that the newly constructed Santiago City-to-Tuguegarao section is cracked because of poor materials.

In reply, Senator Villar said that the 67-kilometer road was constructed from 1998 to 2002 in the amount of P471 million, including the 23 bridges, except Pinakanauhan Bridge in between; and the cost per kilometer was P7.02 million. As to the average cost today of constructing a kilometer of the same type of road, he said that it would be P10 million to P12 million per kilometer.

As to the cost of constructing and repairing the North Diversion Road from the Balintawak toll gate all the way to San Fernando, Senator Villar said that the addition of four lanes on each side cost P225 million per kilometer. He stated that the construction of the two-lane Tumauni Road was cheaper at P7 million, against P110 million for one side of the North Diversion Road. He clarified that the construction of the North Diversion Road under the jurisdiction of the TRB and the DPWH had nothing to do with its design and construction.

Asked on the average cost of a two-lane North Diversion Road per kilometer, Senator Villar said that it would be about P60 million. Senator Enrile underscored the need to inform people of the costs involved so that they would know why they are paying so much for toll fees.

Senator Enrile also noted the P150-million item in the DPWH budget for the rehabilitation of the Alabang viaduct in the South Luzon Expressway. He asked if this was not covered in the contract of Mr. Quiambao, a concessionaire from a corporation with Indonesian interest, who constructed the elevated highway from Magallanes to Alabang. Senator Villar replied that only the initial phase was covered in the contract. Since it is now covered by

a new contract, he said that the budget would not be needed anymore and could be realigned.

On the nature of rehabilitation of the Alabang viaduct, Senator Villar replied that the flyover has a structural defect and repair has long been overdue.

Asked why government should pay for the rehabilitation of the viaduct, Senator Villar said that originally, the President wanted to have it repaired, so an appropriation was given. However, he disclosed that the Committee received a letter from the Secretary of Public Works that said project had been turned over to PNCC upon instruction of the President, with financing from the NDC; further, there was a recommendation to realign the money to other public works project.

At this point, Senator Lacson asked why Undersecretary Carreon has been assisting Senator Villar despite the presence of the DPWH Secretary. Asked whether this meant that the Undersecretary knows more than the Secretary, Senator Enrile said that the Secretary unfortunately met an accident and had a fracture.

Replying to the query of Senator Enrile, Senator Villar reiterated that the DPWH had requested the realignment of the funds to other projects and had submitted a list of the proposed projects.

As regards the Calamba-Sto. Tomas Road, Senator Enrile asked why the government should spend P1.45 billion for an eight-kilometer road. Senator Villar said that P850 million would be spent for the right-of-way and P600 million for the civil works. However, he said that like the Alabang viaduct, the project would be turned over to PNCC, thus, the DPWH is also realigning said allocation.

At this point, Senator Recto asked on the benefits of transferring off-budget items or projects to the NDC or PNCC. As regards the Southern Luzon Expressway project, Senator Villar stated that he also could not understand why it was transferred to a new contractor. Senator Recto requested the DPWH to submit in writing its explanations for transferring the project to a private contractor which might result in higher toll fees. Senator Villar conceded that the contractor could pass the costs to the motorists.

In reply to the queries of Senator Enrile on the Calamba-Sto. Tomas road, Senator Villar said that it is an entirely new road to be constructed parallel to the existing road; there would be three high-level bridges, all totaling 243 meters; price per square meter of the road right-of-way is P1,800 for commercial and P300 for agricultural lands. He affirmed that this is on the left side of the road going towards Batangas City in the Yazaki-Torres area.

Senator Enrile, however, noted that the area was unpopulated and hilly. Senator Villar clarified that there are industrial estates in the area such as Greenfields.

Senator Enrile observed that the price per square meter was rather high, adding that, in fact, the government has expropriated lands in Cavite at P300 or P500 per square meter near the road, or P200 to P300 per meter in the interior.

Relative thereto, Senator Villar said that the DPWH uses the BIR zonal valuation and that the government intended to expropriate the land because the landowners did not agree with the BIR evaluation. He said that the right-of-way is 60 meters wide.

Senator Enrile commented that 480,000 square meters at P1,770 per square meter amounts to P850 million which is exorbitant. Senator Villar stated that these are just estimates and the court would decide on the final valuation.

Asked on the STAR Lipa-Batangas, Senator Villar revealed that the 22-kilometer new road costs P1.4 billion including the right-of-way which costs P164 million.

Asked if the road is a two-lane concrete highway, Senator Villar replied in the affirmative, adding that the project includes the construction of bridges – a 289-meter long bridge and seven small ones.

Senator Recto stated that the long bridge would be in the vicinity of Ibaan.

Asked about the total construction cost per kilometer of the road, Senator Villar replied that including the bridge, it is P51.5 million per kilometer on one side and P38.8 million per kilometer on the other. He added that the embankment is four lanes.

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On the difference between the terrain of the STAR Lipa project and the average DPWH construction that costs P10 million to P12 million, Senator Villar explained that the latter project is for the rehabilitation of existing roads.

Asked if rehabilitation includes breaking of old concrete roads, and compacting and filling the same with new materials including concrete pavement, Senator Villar replied in the affirmative. He clarified that the P10 million to P12 million cost includes drainage and bridges.

Asked why the STAR Lipa project land cost is lower than the Calamba-Sto. Tomas project, Senator Villar explained that right-of-way in Lipa has been partially acquired for P800 million.

Senator Enrile observed that the amount should have included in the total cost of the project that would commensurately increase average cost. Senator Villar agreed.

On the price comparison between the 22-kilometer STAR Lipa road and the 8-kilometer Calamba-Sto. Tomas road, Senator Villar disclosed that the latter is more expensive because of the higher cost of right-of-way. Further, he explained that roads of the same width including embankments have different prices – the STAR Lipa road costs P800 per square meter and the Sto. Tomas road costs P1,800 per square meter.

As regards the P1 billion Subic-Clark Expressway, Senator Villar clarified that the project has been transferred to the BCDA. He added that the total cost of the project, including the rehabilitation of Alabang viaduct and the Sto. Tomas-Calamba road, is P2.960 billion. He affirmed that the funds would be realigned.

Asked where said amount would be used, Senator Villar replied that the DPWH has a proposed list.

Senator Enrile inquired why the public works funds were not realigned before the GAB was submitted to Congress. Senator Villar explained that the President made the decision on October 26 and the budget proposal was submitted in August 2004. He added that realignment was supposed to be a committee amendment.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:16 p.m.

RESUMPTION OF SESSION

At 5:18 p.m., the session was resumed.

Senator Enrile inquired about the Domon-Kapisayan road in Cagayan. He bared that this is a foreign-funded road that would open a very wide rice-producing area and completing the road area all the way to San Jose-Baggao would mean a lot of economic benefits for the country.

Senator Villar said that in 2005, there is an appropriation of P38 million for the Kapisayan-San Carlos Road, which has a total length of 31 kilometers, and a projection of another P34 million in 2006 to finish the entire road.

In reply to another query, Senator Villar stated that assuming that the construction of roads was reasonably done and the roads are properly maintained, there are 20 years of useful life to be expected from a concrete road and 10 years of useful life to be expected from an asphalt road.

Asked when the Santiago-Enrile Road was constructed, Senator Villar said that it was during the term of President Ramos in the '90s.

Senator Enrile pointed out that the road has deteriorated ten years after it was constructed under the supervision of the DPWH. Senator Villar said that one cause of the premature deterioration of a road condition is overloading but he affirmed that Santiago-Enrile road was well constructed.

Asked whether the DPWH does not strictly supervise the road construction, Senator Villar stated that the agency is supposed to do so, but he doubted whether it is done well.

In view thereof, Senator Enrile asked whether the appropriate law should be changed so that a guaranteed life for the road system could be required of contractors. Senator Villar said that it is a reasonable requirement.

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Considering the condition of roads, asked whether it was time the Senate looked into the matter to stop the constructors from repeatedly cheating the government, Senator Villar replied in the affirmative, saying that the contractors who are responsible for poor quality constructions should not be awarded government contracts again.

On whether there was any request for change orders in the bidding on the Santiago-Enrile road project, Senator Villar said that some change orders were made.

As to the government's annual expenditures for road maintenance, Senator Villar replied that it is about P4.8 billion.

On the suggestion to break down the item for "Construction, Maintenance, Repair and Rehabilitation" to determine how much goes to each specific purpose, Senator Villar agreed even as he clarified that COA has been lumping expenses to simplify the chart of accounts.

As regards the term "infrastructure facilities," Senator Villar stated that these include graders, bulldozers, loaders, trucks and road rollers.

Senator Enrile said that he thought that the item on the construction, maintenance, repair and rehabilitation of infrastructure facilities was meant for the repair of road systems.

Asked which item covers this particular purpose, Senator Villar stated it is the item under Special Funds on road maintenance and improvement of road drainage, including those in the ARMM, which shall be sourced from the 80% collection from the Motor Vehicles Users' Charge accruing to the Special Road Support Fund under RA 8794, otherwise known as the Road Users' Law. Said law, he added, was enacted in June 2000. He stated that as of the end of 2004, the total collection amounted to P19.5 billion. He added that 80% of the allocation is P15.6 billion.

Asked if there is a breakdown of the item as to which national roads were recipients of this fund, Senator Villar replied that what the Committee has on hand are the totals by region.

Senator Enrile called the attention of the Department heads to the dilapidated condition of

the country's road system. He revealed that he travels by land and found out that many sections of the road system are bad. He asked why the road systems are not maintained in spite of the magnitude of the allocation. Senator Villar replied that the system is not efficient and the construction and maintenance costs are very high.

As to the inventory of the country's road system and how many kilometers are paved, Senator Villar replied there are 12,568 kilometers of concrete national roads; 7,335 kilometers of asphalt roads, 8,124 kilometers of gravel roads, 239 kilometers of earthen roads, for a total of 28,710 kilometers.

Asked on the cost per kilometer, per year for maintaining said roads, Senator Villar replied that it is about P140,000 which is insufficient. He said that the funds for the *Kalsada Natin, Alagaan Natin* program is included in the amount.

Asked about the jurisdiction of the DPWH, specifically if it is responsible for horizontal or vertical structures, Senator Villar replied that the DPWH only covers national road; and it does not construct buildings.

Senator Enrile expressed hope that the road system would be given attention and the proceeds of the road user's tax would be utilized for that purpose. He requested that the DPWH take a look at the Bangag-Parogdon National Road as there is a big possibility that it may not be utilized in the future. He disclosed that he received reports that it is deteriorating for lack of maintenance and once its ruined, the only way to cross the river would be by ferry. Senator Villar assured Senator Enrile that the DPWH Secretary would look into the matter.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:47 p.m.

RESUMPTION OF SESSION

At 5:52 p.m., the session was resumed.

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INTERPELLATION OF SENATOR LACSON

At the outset, Senator Lacson asked on the mandate of DPWH. Senator Villar replied that DPWH is responsible for planning infrastructure such as roads and bridges, flood control systems, water resource development projects and other public works and design as well as the construction and maintenance of national roads and bridges in major food control systems in accordance with national objectives.

Asked if the Department has lived up to its mandate, Senator Villar replied that its performance has not been very good in the past decade that can be attributed, in part, to its limited budget.

Senator Lacson stated that everyone has witnessed the sorry state of the infrastructure especially in the countryside. He disclosed that the Institute of Management Development, a Europe-based graduate school, ranked the Philippines as the worst in basic infrastructure among the 60 nations.

Asked if DPWH ranks second to DepEd in terms of allocation, Senator Villar replied in the affirmative. Senator Lacson informed the Body that the proposed budget of P49.47 billion for 2005 represents a year-on-year increase of 4.82%. Out of the said amount, he said, P6.7 billion would come from the motor vehicle user's charge.

Asked how much was collected from the registration of motor vehicles, Senator Villar replied that as of the end of 2004, it was about P19.5 billion. Further, he said that 92.5% of said amount went to DPWH, and 7.5% went to the DOTC for Special Vehicle Pollution Control. He reported that the breakdown of the 92.5% is as follows:

80%	-	Special Road Support
5%	-	Special Local Road
7.5%	-	Special Road Safety

Asked how much was spent on the project *Kalsada Natin, Alagaan Natin*, Senator Villar replied that it was P2.6 billion spent for the honoraria of rural workers – P120/day and urban workers – P150/day; and the P500/month supervision fee of barangay captains.

Senator Lacson revealed that as of December 2003, the DPWH recorded transactions and beginning balances of cash in bank amounting to P415.249 million with the net difference of unreconciled book and bank balances amounting to P2 billion. He asked if the Department is not performing an updated book and bank reconciliation. Senator Villar replied that the liquidation of P415.25 million was completed by issuing a journal entry voucher.

Senator Lacson asked for the latest bank reconciliation of the DPWH.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:01 p.m.

RESUMPTION OF SESSION

At 6:02 p.m., the session was resumed.

Senator Villar explained that the unreconciled amount of P2 billion, which has been in existence for more than 20 years since the merger of the Departments of Public Works, and Public Highways, represents beginning balances forwarded yearly in the books. Additionally, he stated that this amount has never been reconciled due to the absence of supporting documents and records; however, the DPWH has created a committee to investigate and make recommendations on the disposition of the same. Moreover, he said that a draft department order regarding disbursements for foreign-assisted projects including the associated bank accounts has been prepared to improve internal control of these funds. Senator Lacson lamented that for 20 years, the DPWH has not done anything to improve the unreconciled book and bank balances and that no charges have been filed against any DPWH official in connection with this anomaly.

Anent the COA report on the misposting or double recording of disbursement transactions worth P6.142 million and the unrecorded interest income and cash receipts worth P204,215 and P3.09 million, Senator Lacson asked for the source of said receipts. Clarifying that the matter concerns

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the DPWH district office in Region X, Cagayan de Oro, Senator Villar replied that the office has been asked to record and remit the trust receipts to the Bureau of Treasury. Moreover, he said that a department order providing for proper procedures on the collection, deposit and disbursements of cash receipts would be issued. Additionally, he said that sanctions would also be imposed on any violations committed by accountants.

Upon further queries, Senator Villar said that the funds are transferred to the DPWH from other agencies for projects such as schools that are supposed to be supervised by the DPWH, while the interest income is remitted to the Bureau of Treasury. Senator Lacson theorized that like other agencies, the DPWH remits trust receipts to the National Treasury and is given back the same amount. He wondered how the DPWH utilizes the proceeds of these monies. Senator Villar explained that after receiving interest income and cash receipts, the DPWH remits these funds to the Treasury and then requests the DBM to issue an NCA that it uses for construction and supervision. Senator Lacson wondered how the DPWH could do so when the interest income and trust receipts have not been recorded.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:12 p.m.

RESUMPTION OF SESSION

At 6:12 p.m. the session was resumed.

Senator Villar clarified that the DPWH had already requested its district offices in Regions IVB, X and XII to submit an explanation and Journal Entry Voucher of their income; however, the said offices were not able to meet the 2004 deadline for the submission of the reports. He said that he would ask DPWH Secretary Soriquez to look into the matter.

Noting the P39.344 million outstanding cash advance, Senator Lacson asked how cash advances take place and why records on the same are misplaced or missing.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:14 p.m.

RESUMPTION OF SESSION

At 6:16 p.m., the session was resumed.

Senator Villar explained that these cash advances could not be validated due to the absence of subsidiary ledgers and lack of documents or records. Moreover, he explained that the DPWH has created a committee to create, review, analyze, investigate and make recommendations on the disposition of these unreconciled general and subsidiary ledger advances. He opined that the December 31, 2005 deadline for submission of this report should be moved to June.

Asked whether the erroneous recording of NCA of trust receipts and improper inclusion of transactions resulting in the P11.339 million overstatement of account was done deliberately, Senator Villar replied that the DPWH district offices in Regions IV and V were asked to prepare the Journal Entry Voucher to correct the entries.

On the matter of the improper transfer and write-off of receivables, Senator Villar explained that the DPWH office in Region X, Misamis Oriental, was asked to prepare a JEV to correct the journal entries for write-off receivables amounting to P5.236 million, while the district office in Region VIII, Southern Leyte was likewise directed to submit supporting documents for its P44.11 million write-off request to the COA. Senator Lacson noted that there is a pattern to the many anomalies reflected in the COA report for the DPWH. He expressed hope that Secretary Soriquez would have the answers to his queries when he appears before the Commission on Appointments.

Senator Lacson noted that a provision in the DPWH budget which provides that the lump-sum appropriations shall be divided per congressional district and the projects to be funded would be finalized in consultation with the congressman of the concerned district. Asked if this is a P20 million pork barrel per district, Senator Villar replied in the affirmative.

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That being the case, Senator Lacson asked how the department could be insulated from politics as he observed that the use of this appropriation has been highly politicized in the last several years. Senator Villar stated that the pork barrel or project identification program is a matter that has been continuously discussed.

On whether he would be amenable to removing the special provision during the period of amendments, Senator Villar replied in the affirmative as he expressed doubt if the House of Representatives would agree to it.

Senator Lacson asked how much of the P49 billion DPWH budget is wasted due to corruption and inefficiency. Senator Villar answered that it would be difficult to give a figure.

Senator Lacson recalled that when he was still using his pork barrel fund in 2001 and 2002, he wrote DPWH not to touch any single centavo of the allocation that he was giving the mayors and governors. Unfortunately, he said, instead of heeding his request, certain DPWH officials persisted in overpricing project costs and building infrastructure using substandard materials.

Asked on the status of the cases that he filed against these individuals, Senator Villar replied that the cases are still with the Ombudsman.

Asked how many bailey bridges under the *Tulay ng Pangulo Kaunlaran* have been built by the DPWH under the stewardship of Secretary Datumanong, Senator Villar replied that 726 or 75% of the target 968 bridges have been completed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:27 p.m.

RESUMPTION OF SESSION

At 6:30 p.m., the session was resumed

In reply to Senator Lacson's query, Senator Villar stated that approximately P7.8 billion has been spent for the bridges; delivery was on staggered basis, the latest of which was in the second quarter

of 2004; and 242 bridges are still to be installed. He said that the DPWH would furnish the Senate with a list of the different locations of the bridges.

Upon further queries, Senator Villar replied that the bridges awaiting installation are in storage in Morong, Tacloban, Aklan, Davao and Zamboanga City; and the supplier is Mabey & Johnson, a British company.

Senator Lacson bared that Mabey & Johnson is currently under investigation in Great Britain and at least one other country for activities similar to its *modus operandi* in the Philippines.

On whether the DPWH exercised due diligence when it entered into an agreement with the supplier, Senator Villar expressed doubts that it did. He pointed out the need to conduct an inventory of the bridges to know if indeed, 726 bridges had been actually installed and the remaining 242 had been delivered.

Asked how long it would take to conduct the inventory, Senator Villar replied that three weeks to a month would suffice.

As regards foreign-assisted projects, Senator Lacson recalled that in late 2003 and then in 2004, the DPWH bidded out more than 20 foreign-assisted projects totaling more than P18.5 billion. What is peculiar, he remarked, is that the P18.5 billion bid price is way above the approved project cost of P14.5 billion which is a clear violation of R.A. No. 9184; in fact, it is to be noted that there was an overprice of P4 billion.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:38 p.m.

RESUMPTION OF SESSION

At 6:39 p.m., the session was resumed with Senator Pangilinan presiding.

Senator Villar stated that R.A. No. 9184 applies only to locally funded projects and it stipulates that the DPWH is to abide by the agreement it had entered into with the contractor

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and the lending institution; and the loan agreements do not contain ceilings. Further, he noted estimates are exceeded routinely.

Senator Lacson stated that Senator Villar could be referring to Section 14 of the General Appropriations Act not R.A. No. 9184.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 6:41 p.m.

RESUMPTION OF SESSION

At 6:42 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

Senator Villar said that Section 64, paragraph 2 of the GAA states that in the conduct of public biddings the approved budget for the contract for foreign-assisted projects a defined under R.A. No. 9184 shall be the limit or ceiling of the bid prices in the amount of the contract to be awarded as determined upon prior consultation with the international financing institution concerned. He said that a provision in the GAA would correct the problem being raised by Senator Lacson.

However, Senator Lacson maintained that the department has overused the provisions because in many projects like C-5, Kalayaan Avenue, and R-4 Interchange project, there seemed to be a pattern: the approved contracts on the average were above 20% of the actual price that accounts for the P4 billion overprice.

Asked to explain the overpricing, Senator Villar stated that before, there never was any provision on overpricing.

Senator Lacson observed that the projects were approved close to the election period. He surmised that the department rushed the projects before the election. He observed that while the members of Congress debate over the tax measures, the Secretary of the DPWH could not explain why there was a P4 billion overprice.

Senator Villar stated that it is a known secret in the DPWH that there is collusion among foreign

contractors to jack up the price that supposed would go to corruption.

Asked if there had been a contractor that was penalized for building substandard roads, buildings and bridges, Senator Villar replied in the negative. He confirmed that it is possible that there are DPWH officials who are in collusion with contractors. He strongly believed that such practice should stop since it has caused the budget to increase and the infrastructure system to deteriorate.

As to safeguards to ensure a fair and justified bidding, Senator Villar stated that Section 64, paragraph 2 in the GAA of the provision would prevent overpricing.

At this juncture, Senator Lacson hoped that the issues raised would be answered by the Secretary during the confirmation hearing and addressed properly by the DPWH. He said that he would not want to hold hostage the budget of the department because of the unsatisfactory responses of DPWH resource persons.

INTERPELLATION OF SENATOR BIAZON

Upon query of Senator Biazon, Senator Villar replied that roads are classified as national, local, provincial, municipal, city and barangay roads.

Asked if it is the responsibility of the DPWH to construct, maintain and upkeep national roads, Senator Villar replied in the affirmative, as he clarified that the construction, maintenance and upkeep of city, municipal and barangay and farm-to-market roads are not under the DPWH.

As to barangay roads that were converted into national roads through legislation, Senator Villar stated that roughly 500 kilometers out of the 38,000 kilometers barangay roads were converted into national roads.

SUSPENSION OF SESSION

Upon motion of the Chair, the session was suspended.

It was 6:58 p.m.

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RESUMPTION OF SESSION

At 7:00 p.m., the session was resumed.

REQUEST OF SENATE PRESIDENT DRILON

Senate President Drilon requested the DPWH to submit to the Senate a report on the P700 million Asluman Road Project in Iloilo that was awarded to a contractor whose bid was way above the approved agency estimate. He pointed out that a similar road project in the province that is of superior specifications costs much less. He noted that many people have been affected because the construction which started two years ago has not been finished.

Senator Villar gave assurance that the DPWH Secretary would submit the report next week.

INTERPELLATION OF SENATOR GORDON

Senator Gordon recalled that when he was Secretary of Tourism, the Manila International Airport roads were improved upon his recommendation. One of the projects, he said, was the building of the skyway. He said that in reply to his memorandum, the Office of the President issued a memorandum to the DPWH dated August 26, 2003, to suspend the implementation of the elevated portion of the NAIA Expressway Project, Phase I until the bidding for Phase II shall have been concluded; this was reiterated in another memorandum from the Office of the President dated November 5, 2003.

Senator Gordon explained that his recommendation was based on the fact that a 2.072-kilometer stretch of road would be built in the amount of P938 million, and yet Phase I was merely one-third of the project in terms of road length and, without Phase II, it would have very little impact in decongesting traffic. He asked why the DPWH ignored the memorandum of the President. He believed that the project would have benefited a private entity, as well as only 40% of the intended beneficiaries because the 60% would actually be using other roads.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 7:05 p.m.

RESUMPTION OF SESSION

At 7:09 p.m., the session was resumed.

Upon resumption, Senator Villar said that the Secretary admitted that the DPWH erred in pursuing the project. He affirmed that the order of the President to scrap the project was willfully violated. Senator Gordon clarified that the President's order was not to scrap the project but to refrain from doing anything until the project could be synchronized. Worse, he pointed out that there was a slippage of 77% in each of the projects. He said that it did not make sense to go on with the project because it would have benefited PIATCO, a private corporation that should have undertaken the projects. He concluded that the roads in NAIA were expanded because PIATCO could not finish the highway.

Noting that the agreement was not even concluded, Senator Gordon asked whether the toll fees that would be charged would be shared with the government. He wondered whether the issue is part of a black propaganda to discredit the DPWH Secretary who is now the subject of many allegations in media releases.

Senator Gordon pointed out that despite the admission of the DPWH that it erred in continuing with the project, it was still asking for another P813 million for the same two-kilometer project. Senator Villar stated that apparently, Secretaries Mendoza and Boncodin were around when the project was reviewed by the President and they all approved the project. Senator Gordon insisted that the President instructed the DPWH to desist from implementing the project.

Senator Villar posited that the President could have reviewed the project after she issued the memorandum. Stating that he has copies of the two orders—one from the President herself and another from Executive Secretary Romulo—Senator Gordon challenged the DPWH to produce the document saying that the President had changed her mind. Senator Villar admitted that the DPWH Secretary does not have such document.

Senator Gordon pointed out that he and Secretary Mendoza submitted a joint memorandum to the President. He clarified that an order to proceed was issued on October 1, 2003, however, a second memorandum issued on November 5

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ordered the DPWH not to proceed unless the projects were synchronized.

Senator Gordon lamented the cavalier way government money is being misspent. He said he would either propose amendments to the bill or present his case to the Ombudsman. Senator Villar agreed that the allocation should be removed from the GAB.

On another matter, Senator Gordon expressed disappointment over the state of the Loboc Bridge in Bohol that, except for the approaches, was left unfinished because it would hit the church. Senator Villar could not believe anybody can make such an error.

Senator Gordon asked if the DPWH would proceed with a road project that would hit century-old houses in Baclayon, Bohol. Senator Villar stated that the residents had already filed a petition and the DPWH, in a letter dated January 31, 2005, and in a meeting on January 27, 2005, informed the residents that it had already modified the design of the road in some portions of the poblacion to preserve the pre-World War II houses.

Asked about the status of the Clark Subic Highway which sprouted other roads, Senator Villar said that the BCDA is responsible for said road and the DPWH was not consulted about it.

As regards the Pantal Bridge in Pangasinan that goes out to the west coast of Northern Luzon, Senator Villar stated that he is not familiar with it, but apparently, he said, it was financed on an installment basis, and funded under the Japan Bank for International Cooperation (JBIC).

Asked if the airport project is also funded by the JBIC, Senator Villar replied that it is locally funded and was bidded out. However, he said, the bidding was declared a failure because the price was 73% higher than the government's estimate.

Asked if the charter of the DPWH includes overseeing all public works and infrastructure projects, Senator Villar replied in the affirmative.

Senator Gordon observed that the public works projects failed whenever there was overbidding. The Secretary, he charged, does not pay attention to presidential orders, or the recommendations

of cabinet officials, or honor historical sites. He decried that the Senate is unfairly accused of raising taxes in a whim when it is the people from the Executive department who are spending public money with utter negligence.

Asked if he shares the same assessment of the department, Senator Villar said that the deterioration in the DPWH performance has been ongoing for many years.

On whether the DPWH supervises the ports development in the country, Senator Villar replied that it is the Philippine Ports Authority which is under the Department of Transportation. Senator Gordon remarked that the retaining walls of the Paniqui river collapsed as he wondered whether the DPWH checked the quality of the infrastructure.

Senator Gordon pointed out that the DPWH leadership is displaying total ignorance, incompetence, inefficiency, and lack of caring for the welfare of the people which gives a bad image to the whole department even if the rank-and-file employees perform their jobs well.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:41 p.m.

RESUMPTION OF SESSION

At 7:42 p.m., the session was resumed.

Senator Pangilinan stated that Senator Pimentel has made reservation to interpellate on the DPWH budget.

SUSPENSION OF CONSIDERATION OF THE DPWH BUDGET

Upon motion of Senator Pangilinan, there being no objection, the Body suspended consideration of the DPWH budget.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 7:43 p.m.

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RESUMPTION OF SESSION

At 7:59 p.m., the session was resumed.

DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

Upon motion of Senator Cayetano, there being no objection, the Body resumed consideration of the budget of the Department of the Interior and Local Government (DILG).

INTERPELLATION OF SENATOR OSMEÑA (Continuation)

Senator Osmeña recalled that he had inquired into the P231 million budget of the Police National Training Institute. He reported that he met with General Aglipay and his officers earlier who informed him that the total obligation was in fact P241,465,000 which went to expenditures other than training.

Senator Villar stated that the training function of the PNP covers three agencies, namely, PNTI, PPSC and PNPA. In 2003, he said, the training programs of the police received P231 million, part of which went to Special Action Force, an organic unit of the police. He reported that SAF received a budget of P195.6 million in 2003 – for Personal Services, P123.9 million; MOOE, P68.6 million; and continuing appropriation, P3.1 million. He said that the three agencies each got the following appropriations: PNTI, P30.685 million; PPSC, P6.443 million; and PNPA, P8.667 million.

Asked about the Special Action Force, Senator Villar informed the Body that SAF has a strength of 3,593 people; it uses the same finance service office as the PNTI which is why the SAF budget appeared in the PNTI financial statement.

Senator Osmeña stated that the categorization was misleading because it gives the perception that the allocation was all for training purposes. He suggested that the budget be corrected to properly reflect the SAF budget. Senator Villar agreed.

Asked what SAF is tasked to do, Senator Villar explained that the unit is for anti-terrorism and counterinsurgency like the Special Forces of the Armed Forces. He informed the Body that units of SAF are deployed in the Senate, House of Representatives, Commission on Elections,

Australian Embassy, Brazilian Embassy, British Embassy, Canadian Embassy, German Embassy, Israel Embassy, U.S. Embassy, Venezuelan Embassy, Makati Business Center and the PNP National Headquarters. He affirmed that the SAF forces have undergone special training.

Finally, Senator Osmeña reiterated that the SAF item be reflected as a regular item under the PNP, not in the PNTI budget.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

At the outset, Senator Ejercito Estrada (J) queried if Task Force Jericho is still functioning. Senator Villar replied in the negative.

Asked why it was still included in the proposed budget under the item Locally Funded Projects, Senator Villar clarified that the P12.5 million pertains to the Patrol 117 Call Center.

Replying to other queries, Senator Villar stated that Task Force Jericho was disbanded and is now under the PNP. He stated that Task Force Jericho was created during the term of Secretary Lina and was disbanded when Secretary Reyes took over.

On Patrol 117 with a budget of P12.3 million, Senator Villar informed the Body that about 5,000 calls are received per day and a staff of about 70 man its operations. The base of the call center, she said, is in PLDT, Fairview.

Asked how a prank call is distinguished from a valid one, Senator Villar replied that Patrol 117 uses the call-back system and through experience, the staff are able to detect a valid from a prank call. He asserted that the staff underwent training. He said that some of them came from the PNP, others from the BFP and the BJMP while the rest are contractual personnel.

Replying to further queries, Senator Villar disclosed that the calls received usually require police assistance, some need medical assistance as well as assistance for fire victims, but about 99% of the calls are prank calls. In a day's total of 5,000 calls, only 100 are valid calls, he said.

On the observation of Senator Ejercito Estrada (J) that the call center is not a successful project,

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Senator Villar argued that the people have to feel they have a number to call in case of an emergency. He said that prank calls are to be expected in this kind of project but if there is discipline, the efficiency of the police force will be maximized. He informed the Body that the project used to be known as Street Watch Commission in 1996 until it was changed to Patrol 117 in 1991. He said that it was patterned after the U.S. 911, the number being easy to remember.

Relative thereto, Senator Villar said that there is a pending bill making prank calls a criminal act. He said that prank calls are traced using caller IDs. For the year 2003, he said, the average time of response was 6.47 minutes which has improved to 6.07 minutes for the first semester of 2004.

Upon queries, Senator Villar explained that P100 million was allocated for the Barangay Tanod Enhancement Program in 2004 but none in 2005 because the program was not given top priority by the department. Senator Ejercito Estrada (J) asked what the program is about.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 8:21 p.m.

RESUMPTION OF SESSION

At 8:22p.m., the session was resumed.

Senator Villar explained that the program, which is included in distance mode via print and audio materials, is a general orientation program to train public safety officers in ensuring peace and order in their communities. Further, he said that the DBM, with the concurrence of the DILG secretary and possibly the President, decided to remove the allocation.

Asked about the P171,129,281 million in unliquidated cash advances of the PNP, Senator Villar said that P162.4 million has been liquidated, leaving a balance of P6.4 million as of the end 2004. He bared that the PNP is monitoring its records and will try to reduce the amount further as soon as possible.

Anent the COA report that more than P244 million was overstated in the inventory balance per book for gasoline, oil and lubricants as against the records of the Directorate for Logistics, Senator Villar conceded that the PNP should require the supply officer to promptly submit to the accounting office the report on supplies and materials so that the proper adjustment could be made in the books. However, he stated that the PNP is closely coordinating with its property custodian for the prompt submission of the reports. Moreover, he said that with the ASO's submission of its report of supplies and materials amounting to P137.2 million as of the end of May 2004, the overstatement has been reduced to P109 million.

Adverting to item No. 8 concerning the P1.254 billion overpayment of the mid-year and end-year bonuses for PNP personnel, Senator Villar replied that the accuracy and validity of accounts payable totaling P2.2 billion could not be ascertained owing to the failure of the accounting office to submit the schedules as provided for in Section 17 of the NGAS manual. Moreover, he stated that the verification of accounts could not be done because the supporting schedules are still being finalized and the supporting documents relative to accounts payable and due to the office and employees amounting to P10 million and P7.6 million have not been submitted. He conceded that the PNP should closely examine the validity of the reported accounts payable to determine if there are legal and valid obligations to warrant payment. He believed that the undocumented accounts should be immediately reverted to the Treasury and the necessary adjustments made in the books.

Senator Villar, however, noted that the PNP has taken actions to correct these discrepancies. He said that the schedule of accounts payable as of December 31, 2003, had been submitted to the COA while the liquidation of accounts payable amounted to P109.96 million as of May 2004. Moreover, he said that the PNP has reverted P26.65 million under JEV No. 04042068 dated April 30, 2004.

Asked whether the PNP maintains a pool of advisers, Senator Villar said that the PNP has a Council of Elders who are neither given salaries nor allowances.

On the P182 million allocation for Personal Services, Senator Villar explained that it would be

spent for legal, auditing and consultancy, environment and sanitary services, general services, security services and other professional services. Additionally, he said that fees for special and technical services are used for the honoraria of resource speakers and guests for seminars and training programs.

As to the need for P5.265 million for advertising expenses, Senator Villar clarified that the budget would be used to generate public awareness on the PNP programs as well as to improve community relations albeit on a very limited scale. Further, he stated that the allocation is primarily for radio, newspaper and magazine placements.

Asked whether the PNP Chief would use TV advertising to promote his political career, Senator Villar stressed that the objective is to promote closer relations between the police and the community. Senator Ejercito Estrada (J) supposed that the visibility of the PNP chief might be attributed to the possibility that President Macapagal Arroyo is eyeing him to be the next national security adviser. However, Senator Villar pointed out that the national security adviser should maintain a low profile lest he become a security risk.

Upon further queries, Senator Villar said that the 4-day U.S. visit of the PNP Chief to attend an anti-terrorism seminar last November 2004 was financed by the U.S. government.

Asked about the capital outlay for the PNP, Senator Villar explained that the P50 million allocation would be used for the construction of 22 standard police stations mainly for third class municipalities.

Senator Villar stated that there are three types of police stations, A,B, and C; and the provinces have either B or C type: Pangasinan-B; Abra-C; Nueva Viscaya-C; Quirino-B; Nueva Ecija-C; Cavite-C; Laguna-B; Palawan-B; Camarines Sur-C; Sorsogon-C; Aklan-C; Bohol-C; Eastern Samar-C; Samar del Sur-C; Sibugay-C; Misamis Oriental-B; Compostela Valley-C; Sarangani-B; Surigao del Norte-C; and Basilan-C. He confirmed that there is no allocation for this year for type A; in fact, there is no allotment for NCR, and that all LGUs in Metro Manila can afford to construct their own police station.

Asked on the PNP's equipment and facilities including helicopters, Senator Villar replied that out of the seven helicopters of the PNP, only four are operational, three are being repaired and would be operational within two months. He said that various officials are using these facilities in the performance of their functions, mostly for ISO operations.

Asked what percentage of the PNP's budget is allocated to dispersal operations, Senator Villar replied that it is P2.6 million, but only for additional meal allowances. As regards the acquisition of water cannons and tear gas, he pointed out that these had been previously acquired by the PNP.

Upon further queries, Senator Villar stated that PNP conducted 300 dispersal operations of which 15 were marred by violence as in the case of Hacienda Luisita.

Asked when the PNP started its dispersal operation in Hacienda Luisita, Senator Villar replied that it was undertaken by the Tarlac Provincial Command on November 6, 2004, and the violence occurred on November 16.

As to why the dispersal operation became so violent, Senator Villar replied that the DOLE requested the PNP to ensure at all times the free ingress and egress of the employees of Central Azucarera de Tarlac. Senator Ejercito Estrada (J) noted that seven people died during the operation and the PNP chief, during the hearings, admitted that the policemen fired on the strikers in self-defense. Senator Villar stated that the investigation team was not able to establish the facts as to who fired the first shot and there was no admission from the PNP that it did.

SUSPENSION OF SESSION

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

It was 8:52 p.m.

RESUMPTION OF SESSION

At 8:54 p.m., the session was resumed.

Upon resumption, Senator Ejercito Estrada (J) read portions of the testimony of the PNP chief on the incident.

Asked when the case could be finally solved, Senator Villar replied that the DOLE had promised to study the motion for reconsideration of the workers' union within the week. As regards the death of the seven workers, he said that the PNP had already submitted a statement to the DOJ; and the NBI would be filing a case based on the statement submitted by the PNP.

Senator Ejercito Estrada (J) observed that in the PNP report, some members of the National People's Army (NPA) were allegedly present in the ranks of the strikers. He asked where the PNP based its conclusion. Senator Villar replied that one of the seven killed was in the order of battle of the Tarlac Provincial Police.

On the query if the PNP just concluded that the victim was a member of the New People's Army without an investigation, Senator Villar replied that his inclusion in the order of battle is a very strong indication that he was a member of the NPA.

Subsequently, Senator Ejercito Estrada (J) requested that he be furnished with a copy of the list of people in the order of battle.

As to the policemen who were found to be positive for gunpowder burns, Senator Villar said that the investigating team recommended that administrative sanction be imposed on them in addition to which, the CIDG would look into their criminal liability.

Asked if it is possible to dismiss the policemen after due process, Senator Villar replied in the affirmative.

As regards the PNP policy on the violation of the rules on dispersals, Senator Villar stated that the accused PNP members are investigated; if they were found to have violated standard operating procedure, they would be charged administratively without prejudice to the filing of criminal charges if they were found to be criminally liable.

Recalling the Welcome Rotunda rally for the late Fernando Poe Jr. last year, Senator Ejercito Estrada (J) said that supporters were dispersed violently and maximum tolerance was never exercised. Senator Villar stated that the PNP has an operational procedure on dispersal, the

violation of which would warrant dismissal from the police force of the guilty person.

Senator Ejercito Estrada (J) observed that no policeman involved in the Welcome Rotonda dispersal has been dismissed from the service. Asked how the policemen were armed during that incident, Senator Villar said that the CDM members were not armed but there was an armed security group behind them.

Senator Ejercito Estrada (J) stated that violent police dispersals should not be tolerated. He noted, however, that it has been an ongoing practice for policemen to be present in rallies even when there are only 50 rallyists.

Asked if there is a way to prevent policemen from dispersing rallyists violently, Senator Villar opined that the PNP should police its own rank and review its standard operating procedures and guidelines so that they could adopt stricter implementing measures.

On the reported organization by the PNP of anti-coup cops, Senator Villar denied the existence of such a group as he gave assurance that the PNP is not planning to create one.

On another matter, Senator Ejercito Estrada (J) asked what C.A.R.E. means and the guidelines for its implementation. Senator Villar said that "C" stands for courtesy, the very foundation of the program; "A" is for action – the police are required to be visible and to enforce the law; "R" is for "results" that must be felt immediately to positively affect the public's perception of the PNP; and "E" is for setting "examples" so that the organization would be led by policemen who are physically, mentally, morally and spiritually fit for the job and who proud to wear the uniform.

Senator Ejercito Estrada (J) opined that the guidelines are very laudable; however, he hoped that the Chief of the PNP himself would follow them.

As to the status of the cases of Sr. Supt. Manolo Martinez, PO2 Bernardo Amazona, and P/Insp. Emmanuel Sanchez and his wife, Senator Villar stated that a case had already been filed in the prosecutor's office against the suspect in the Martinez case, a certain Mr. Jun Felizardo.

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SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:13 p.m.

RESUMPTION OF SESSION

At 9:18 p.m., the session was resumed.

On the cases of PO2 Bernardo Amazona and P/Insp. Emmanuel Sanchez and his wife, Senator Villar stated that the report thereon would be given to Senator Ejercito Estrada (J) at a later hour.

Upon Senator Ejercito Estrada's request, Senator Villar presented a booklet on the accomplishments of the PNP in 2004.

Asked whether the decrease in crime incidence from 71,162 in 2003 to 64,165 in 2004 was enough for the PNP to claim that "the streets have become safer," Senator Villar admitted that it is a slight reduction but the government, he believed, is moving in that direction.

On the observation that there was, in fact, an alarming incidence of cell phone thefts last year, Senator Villar admitted that at times, such reports cast doubt on the statistics of the PNP.

Noting that only 159,196 of the 384,820 standing warrants were served, Senator Ejercito Estrada (J) asked when the PNP intended to serve the remaining 225,624 warrants. Senator Villar said that efforts to serve the warrants are ongoing.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:24 p.m.

RESUMPTION OF SESSION

At 9:25 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:25 p.m.

RESUMPTION OF SESSION

At 9:28 p.m., the session was resumed.

Upon resumption, Senator Villar said that for a five-year period, the PNP had served 329,751 warrants and had arrested 219,817 persons. Senator Ejercito Estrada (J) pointed out that the Summary of Accomplishments of the Philippine National Police contains another set of the data. He advised the PNP not to publish the data on the number of warrants served as this would merely reflect its inefficiency.

To Senator Ejercito Estrada's observation that only 171 out of the 629 identified criminal gangs, or below 50%, were neutralized, Senator Villar stated that the PNP has sent out manhunt teams on the regional and provincial levels to dismantle the remaining 458 gangs. He added that the PNP is aiming to improve its efforts by 5% every month.

Asked what the term "neutralize syndicates" mean, Senator Villar said that it means the leader and 90% of the members of the gang have surrendered, or been killed, arrested or jailed. He said that the PNP is not involved in "salvaging" activities.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:37 p.m.

RESUMPTION OF SESSION

At 9:37 p.m., the session was resumed.

INTERPELLATION OF SENATOR LACSON

Senator Lacson conveyed the message of 650 retirees of the Bureau of Fire Protection that they have not received their retirement benefits since 1991, most of whom are 60 to 72 years old, and 65 have already died waiting for their retirement benefits.

Senator Lacson asked Senator Villar to commit to the realignment of P291,430,519.72 or 20% of the expenses of other agencies so that the benefits could be paid. Senator Villar said that while he was

more than willing to do it, he has to present the matter to the Committee and perhaps propose an institutional realignment.

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel remarked that the Local Government Code has devolved to the local government units principal functions of certain agencies, one of them being the DILG that was supposed to be abolished a long time ago.

Senator Villar stated he welcomes any proposal to close the department because such move would mean big savings for the government.

Senator Pimentel noted that the only substantial power that the DILG exercises is over the police but none over the mayors or the governors because that is not sanctioned by the devolution under the Local Government Code. He stated that at some point of his term, he would move towards that direction as he believed that the police should be under the Department of the Interior.

Senator Pimentel observed that in the last three years, many of those elected to the Sangguniang Kabataan were too young as the latest amendment to the Sangguniang Kabataan law lowered the age requirement.

Further, Senator Pimentel pointed out that since the SK and the barangay elections were held simultaneously, there would have been more confusion if there was no age cap on the SK members.

Asked on the opinion of the DILG as regards the abolition of the Sangguniang Kabataan, Senator Villar replied that the department believes that while the SK should be abolished, there should be youth representation in government.

On whether the DILG favored the appointment of the SK members, Senator Villar replied that there can be a mechanism other than the SK for choosing the representation of the youth sector.

As the principal author of the Local Government Code, Senator Pimentel related that there was a negative report on the participation of the SK in the work of the Sanggunian because under the law,

these youth representatives are vested with the same powers as the regular Sanggunian members. He narrated his experience with a local official who requested that the SK be abolished despite the fact that his daughter is an SK member. He opined that the schooling of the members is disrupted because they have to discharge their functions as members of the Sangguniang Kabataan. Noting that the SK cannot just be abolished, he requested that a position paper on the issue be submitted.

Senator Pimentel underscored that an election in a democratic system is the lifeblood of a nation and of political organizations without which, the voters are deprived of the right to pass judgment on an elected official. Asked if there are any plans of postponing the barangay elections, Senator Villar replied that the DILG is against any postponement.

On the argument that there is no money for the elections, Senator Pimentel pointed out that the barangay internal revenue allotment is P3.3 billion and the required amount for the election as estimated by Comelec is P2.03 billion, hence, there are funds.

On the kidnapping incidence, Senator Pimentel asked that a statistical data thereon be submitted to the Body.

Relative to the appointment of Secretary Galvante as Acting Executive Director of the Dangerous Drugs Board, Senator Villar explained that the appointment became effective only after the resignation of former Undersecretary Calida. However, Senator Pimentel revealed that there is a letter addressed to Ombudsman Simeon Marcelo charging Sec. Angelo Reyes of usurpation of power. Senator Villar clarified that Mr. Calida resigned and in the meantime, Mr. Galvante took over until the appointment of Dionisio Santiago, the present Executive Director.

As regards the case of Muslim women who were arrested in a raid in Quiapo and subsequently released for lack of evidence, Senator Pimentel said that he had to thresh out this issue because he is the only senator from Mindanao and these people had no one to speak on their behalf. Senator Villar clarified that the women have been released except for two who were charged with illegal possession of firearms and explosives.

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Senator Pimentel pointed out that the arrest of so many people and the lack of evidence raise certain legal issues which the PNP should address.

Asked by Senator Pimentel how the Muslim women were identified when they were wearing veils, Senator Villar replied that a preliminary investigation was done where some people came immediately to vouch for the character of the women.

Senator Pimentel expressed hope that the police authorities did not violate the provisions of the Revised Penal Code with respect to investigation and the period of legal detention. Senator Villar gave assurance that police authorities followed the law.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon on the shortage of weapons in the PNP, Senator Villar stated that the requirement for short firearms and ammunition is 120,000 but the PNP has only 66,000 short firearms, and in the case of ammunition, only 45% have been given.

On whether the PNP included this particular concern in its budget proposal, Senator Villar replied in the negative, saying that the Committee inserted a provision that authorizes the Director General, subject to the DILG Secretary's approval, to use PNP's savings to augment items of expenditure as enumerated in Section 61 of the GAB, and the precision of mission essential for PNP's new recruits.

Asked how much money the PNP needs to fill up the shortage of weapons, Senator Villar said that it is P5.9 billion.

On whether the PNP submitted the requirement to the DBM, Senator Villar stated that the PNP did so as it does every year, but the same was denied.

On the suggestion that some appropriations, including the P650 million intelligence fund of the Office of the President, be realigned to provide for the basic needs of policemen, Senator Villar replied that a realignment is easy to do, and the Senate can discuss the matter and ask the DILG Secretary to request the President to share the intelligence funds of her office.

Senator Blazon expressed concern that policemen cannot perform their job and confront criminals who are armed with sophisticated firearms if they do not have the necessary weapons, thereby affecting the peace and order situation in the country. He inquired into the communications equipment of the PNP.

Senator Villar stated that the basic requirement for communications equipment such as hand-held radio with accessories, mobile radio, and base radio would cost P2.5 billion. He added that for mobility, the PNP needs P1.2 billion for the patrol cars; P4.3 billion for patrol jeeps; and P9 billion for motorcycles. The total requirement of the PNP for firearms, communications and mobility, he pointed out, is about P23 billion.

Senator Blazon expressed hope that the Committee would look into the concerns of the PNP.

POINT OF INFORMATION OF SENATOR EJERCITO ESTRADA (J)

At this point, Senator Ejercito Estrada (J) informed the Body that Senator Enrile would no longer interpellate on the DILG budget.

INTERPELLATION OF SENATOR ROXAS

Asked by Senator Roxas on the position of the DILG leadership as regards the plan to revert the control of the police to the LGUs, Senator Villar said that the Secretary is in favor of it but with a five-year time frame to start the process.

Senator Roxas informed the Body that the Committee on Public Order and Illegal Drugs is currently conducting hearings on the proposals and that it would present its recommendations to the Body at the proper time. He stated that he would be happy to associate himself with the work of Senator Villar and the DILG

Finally, Senator Roxas commended the outstanding work of the Secretary and the PNP as a whole, for he had the opportunity to work with them when he was still a member of the Cabinet. He expressed hope that the drive against anti-smuggling would not wane and with positive intervention, the Secretary and all members of the DILG would continue doing the good work they have done.

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INTERPELLATION OF SENATOR GORDON

Initially, Senator Gordon asked how the People's Law Enforcement Board (PLEB) has performed through the years. He said that it was created so that people can expeditiously air their grievances against erring policemen. Senator Villar replied that the PLEB is funded by the local government units that have a say on former's operations.

Asked if there is funding to promote PLEBs through posters and other similar informative materials, Senator Villar replied that there are 1,554 organized PLEBs, that is 94% of the total number to be organized.

As regards the number of policemen that have been removed by summary judgment, Senator Villar disclosed that for the period of January to December 2003, the PLEBs received 2,504 cases for disposition, 413 or 16% of which were acted upon; for the first semester of 2004, 1,580 cases were received for disposition, of which 264 or 17% were disposed. He revealed that there is no budget for its promotion and the people are not informed of the PLEBs function. Senator Gordon suggested that the DILG issue circulars to the mayor asking them to place posters and disseminate to promote the PLEBs. Senator Villar said that it be done. Senator Gordon maintained that PLEBs is good for the people because they lodge a case without having to hire expensive lawyers; and it is good also for the policemen because they are protected from harassment. He revealed that the PLEB was born out of the idea that a social contract can be entered into with the police force. He recommended that the people should be made aware of PLEBs because part of their primary role is to ease the concerns of the public.

Finally, Senator Gordon commended the PNP Chief and the DILG Secretary for their work in solving crimes, as seen from the results of their endeavor. He recommended putting a little more effort to mend the damaged image of the country because of the killings of media men and members of the judiciary. He pointed out that he would want a scenario where policemen are educated and have a role in promoting the country by working to achieve peace and order. He manifested that he was endorsing the DILG budget.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT

Upon motion of Senator Ejercito Estrada, there being no objection, the budget of the Department of the Interior and Local Government was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 10:29 p.m.

RESUMPTION OF SESSION

At 10:31 p.m., the session was resumed.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, there being no objection, the Chair declared the session suspended until nine o'clock in the morning of Wednesday, February 9, 2005.

It was 10:32 p.m.

RESUMPTION OF SESSION

At 9:58 a.m., Wednesday, February 9, the session was resumed with Senate President Pro Tempore Flavio Presiding.

TENTH ADDITIONAL REFERENCE OF BUSINESS

The Secretary of the Senate read the following resolution which the Chair referred to the Committee on Rules:

Proposed Senate Resolution No. 171, entitled

RESOLUTION RESPECTFULLY
EXPRESSING THE SENSE OF
THE SENATE THAT SINCE THE
PHILIPPINES HAS BEEN A
SIGNATORY TO THE ROME
STATUTE OF THE INTER-
NATIONAL CRIMINAL COURT
SINCE DECEMBER 2, 2002, THE
PRESIDENT MAY NOW TRANSMIT

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THE ROME STATUTE TO THE SENATE FOR RATIFICATION PROCEEDINGS.

Introduced by Senator Defensor-Santiago,
Miriam

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

(Continuation)

Upon motion of Senator Cayetano, there being no objection, the Body resumed consideration of the budget of the Department of Environment and Natural Resources.

The Chair recognized Senator Villar, sponsor of the measure, and Senator Madrigal for her interpellation.

INTERPELLATION OF SENATOR MADRIGAL

(Continuation)

Preliminarily, Senator Madrigal said that she was disappointed that what was agreed upon yesterday to suspend the rules was overturned in the day's session. She apologized in advance, stating that the proceedings would perhaps take much longer.

She then asked the DENR of its views regarding the principles of Agenda 21. Senator Villar stated that the Philippine Agenda 21 provides the framework of the country's strategy for sustainable development, meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Asked on the six salient points that are embodied in the Philippine Agenda 21, Senator Villar replied that they are as follows: 1) The realization that GDP is not an accurate measure of social well-being; 2) The realization of the continuing deterioration of the natural resources and environment; 3) Addition of appropriate maximum productivity within the limits of the natural environment's carrying capacity; 4) Redefining development which draws out full human potential; 5) Adoption of a policy mix of market-base instruments and command control measures as techniques to induce changes in production and consumption patterns; and 6) Adoption of social marketing approaches in the effort to inform, educate and communicate the

imperative of sustainable development to the public at large, to effect a reorientation of fundamental and societal values.

On the same matter, Senator Madrigal then inquired into the programs of the Department that are devoted to the fulfillment of the Philippine Agenda 21 which was in response to the Earth Summit of 1992. Senator Villar replied that the Clean Air program, the reforestation program, the protected areas program, and all other programs of the department are all in consonance with that objective.

Asked if the careless issuances of IFMAs and TLAs are part of Agenda 21, Senator Villar replied that the Department does not agree to the allegation of indiscriminate issuance of such permits.

As to the world ranking of the Philippines with regard to clean air, specifically in Metro Manila, Senator Villar assured the Body that the Department would research on the matter. However, he disclosed the Department's admission of the poor air quality, particularly in Metro Manila, but he pointed out that the Department has been doing its best to address the problem.

As regards the findings of a recent foreign-assisted study underwritten by the Department regarding the air quality in Metro Manila, Senator Villar revealed that the study involved a road side monitoring from the year 2000 up to 2004. He said that the guideline value of 90 microgram per cubic meter or the total suspended particulates (TSP) was exceeded in almost all the stations, an indication of fair to unhealthy air quality. He then cited the other findings, to wit:

1. Sucat and Parañaque registered much lower annual average.
2. EDSA and Congressional Avenue stations registered the maximum annual average in 2000.
3. Valenzuela station consistently registered high averages in 2000 to 2003 which, however, decreased in 2004.
4. Noticeable decrease in trend in the TSP – the annual mean concentration of about 24% from year 2000 – EDSA, Quezon City station.
5. For 2004, five stations – Valenzuela, EDSA, East Avenue, Manila and Pasig – although they

exceeded the mean concentration, had reduced from 6.29%.

6. For Metro Manila, air quality (TSP annual concentration) has improved by 6% in 2004.

He clarified that these results came from nine ambient air quality monitoring network in Metro Manila. He added that two fixed stations were also installed in Cagayan de Oro City and Cebu City and they cover six-criteria pollutants. Nevertheless, he asked the Secretary to inspect these installations and find out if they are still functioning accurately.

Asked how much the study cost, Senator Villar replied that the contract covering 1999 to 2006 cost P25 billion.

As to the number of cases that have been filed by the DENR, Senator Villar said that the Department has filed 321 cases involving factories, 95% of which were found guilty and penalized accordingly. He clarified that the LTO and the LGUs are supposed to primarily implement the Clean Air Act but the DENR has also been deputized. He acceded to Senator Madrigal's request to furnish her with the list of those found guilty and the corresponding penalties in the form of fines imposed on them.

Relative thereto, Senator Madrigal recounted her experience regarding a factory in Pasig that was found to be emitting toxic waste which caused vomiting and near-death to 21 students in a nearby school. She said she was frustrated because despite the Senate hearings held, nothing happened.

She emphasized that the DENR is tasked primarily with the protection of the environment and it must instill fear among the violators of the law so that the citizenry would have more respect for the environment.

Asked if the DENR is familiar with the Philippine Agenda 21 which states, among others, that the gross domestic product (GDP) is not an accurate measure of social well-being, Senator Villar acknowledged that indeed GDP cannot be the sole criterion in judging the quality of life and that the DENR is doing its share in the improvement of the Filipino well-being despite budgetary constraints.

Senator Madrigal then asked for the specific programs of the DENR as they relate to the

Philippine Agenda 21 and geared towards environmental protection. In reply, Senator Villar cited the following:

Diversity

- * Asean Regional Center for Biodiversity Conservation
- * Samar Island Biodiversity Project
- * National Biosafety Framework for the Philippines
- * Liguasan Marsh Biodiversity Project
- * Mainstream Eco-Tourism in Community Based Management
- * National Eco-Tourism Program Phase II Project

Air

- * Metro Manila Air Quality Improvement Sector Development
- * Ozone Depleting Substance Phaseout Investments Program
- * Establishment of an ISO 14001-Based GMS at the DENR
- * National Authority Operational Framework and Support System for the Philippines
- * Public and Private Sector Convergence for Solid Waste Co-Governance in Urban Poor Communities
- * Strengthening the Environmental Performance Monitoring and Evaluation System of the Philippine Environmental Impact Statement System Project
- * Enabling Activity for the Maintenance and Enhancement of National Capacities to Prepare the National Communication on Climate Change
- * National Capacity for Self-Assessment

Land and Water

- * Land Administration Management Program
- * MGB
- * NASDA-ALUS project
- * Analysis of Topographic and Geologic Terrain
- * Terrain Features in Relation to TDRA-III Development Urban Areas in the Philippines
- * API Korean Mineral Exploration Cooperation Project

- * Community-Based Resource Management Project
- * Multi-Sectoral Eco-Governance (financed by USAID)
- * ENR-SHAL Program
- * Research and Development Electronic Navigation Chart (financed by JICA)
- * Advisory Support for DENR Sector
- * Laguna de Bay Institutional Strengthening and Community Participation (Worldbank and the Netherlands Government)
- * Enhancement of Rural Livelihood in Upland Mindanao
- * River Basin and Watershed Management Project
- * Upland Mangrove Rehabilitation Project
- * Enterprise Development and Community-Based Forest Management Agreement Areas
- * Forestry Sector Project Phase II
- * Masterplan Study in Integrated Water Resources Management for Agusan River Basin
- * Watershed-Based Local Government and Community Management and Vulnerability Reduction Project (World Bank)
- * Establishment of Common Service Facility Like Processing of Road Materials in Region XII (JICA)

Coastal Marine

- * Southern Mindanao Integrated Coastal Zone Management Project
- * Partnership Environmental Management for the Seas of East Asia
- * Mindanao Rural Development Project
- * Coastal Marine Biodiversity Component
- * Visayas Sea Coastal Residential and Fisheries Management
- * Integrated Coastal Resources Project
- * Camiguin Coastal Resource Management Program
- * Improvement of LGU Coastal Area Management and Processing
- * Formulation of Integrated Coastal Marine Management Policy Framework (UNDP)
- * Support for the Philippine maritime claims under the UNCLOS (Norway)

- * Implementation of the Manila Bay Coastal Strategy (World Bank)
- * Integrated Solid Waste Management Program for LGUs
- * Air Quality Management Program
- * Environmental Management Capability Building (JICA)
- * Facilities Construction of the Recycled Park and Equipping of the Recycling Technology Center (JICA)
- * Multi-Sectoral Philippine Governance Program
- * Outstanding Youth Leaders Training on Environment
- * Natural Resources Development
- * Enhancement of Hydrographic Capabilities for Navigational Safety (JICA)
- * Comprehensive Study on Topographic Mapping Program in support of the Integrated National Development Plan (JKK)
- * Diversity Conservation Project
- * Capacity Building Project for Environmental Management and Mining (JICA)

Senator Madrigal noted that Senator Villar simply recited a litany of programs and projects, but she asked why the country's environment continues to deteriorate. She said that she was asking for the DENR programs because she could not see results, adding that she could have been presented with only one program with results achieved from beginning to end.

Senator Madrigal said that she has been fighting for the protection of the environment for the past five years, but she has been dismayed by the legalities behind which the DENR hide.

Further, Senator Madrigal indicated that the media has become a very expedient tool to fool the people, citing newspaper reports on the flashflood tragedy in Dilaoag and Dingalan, Quezon that were completely the opposite of the result of her personal surveys.

She expressed her intent of bringing up more issues regarding the responsibility of the DENR but she indicated that she would not ask for a total documentation on all the programs because consultants would be paid again to do it.

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Senator Madrigal maintained that the Philippine Agenda 21 has been completely disregarded by the DENR. She cited the frustrations and disillusionment of the little people in the DENR who have the real information on the true state of the environment but who could not do anything to address the situation as they have to follow a chain of command emanating in the Central Office occupied by influential people who themselves are contravening the mandate of the DENR. She mentioned the two cases pending with the Ombudsman for graft and corruption against two of the key people of the Secretary who, sadly, have remained as advisers of the secretary.

With these as a background, she asked how the DENR budget could be justified and whether it is better to dissolve the department, have its functions devolve to the local government, and just create an Environmental Protection Bureau and a separate Bureau of Mines. She lamented that the taxpayers are carrying the burden of having a department which is anti-life, saying that every life lost because of neglect of environment is a murder because of dereliction of duty. She complained that she could not even elicit satisfactory answers to her questions, noting that the priorities of the DENR are confused.

Senator Madrigal believed that the position of Secretary should have gone to someone who has a strong environmental background because it is a position that cannot be sacrificed for political expediency.

Acknowledging the frustration and impatience of Senator Madrigal in the DENR's way of addressing the problems of the environment, Senator Villar stated that the Senate has a way of addressing the issues as a legislative body. He believed that the questions raised by Senator Madrigal could be answered directly by the DENR Secretary in a public hearing called for the purpose. He indicated that he is prepared to file a resolution to review the operations of the DENR to enable the Secretary to answer all the accusations and concerns of Senator Madrigal. He added that at the committee level, all the senators would be given the opportunity to inquire and dissect the programs of the department by directly asking the Secretary.

Asked if the Department has a study of any environmental precepts and whether it has any basic training to perform its mandated task, Senator Villar replied in the affirmative.

Senator Madrigal bared that she has 1,000 informants nationwide who gave her overwhelming information of the nonfulfillment of the mandate of the DENR. She said that she has documents to support the public outcry.

As to the geographic distribution of the DENR's total new appropriations, Senator Villar gave the following information: P1,029,000 for Central Office Proper; P68.4 million for the Forest Management Bureau; P60.5 million for the Land Management Bureau; and P92 million for the Protected Areas and Wildlife Bureau.,

Asked on the kind of land that is managed by the DENR, Senator Villa explained that all lands in the Philippines are technically under the said department, the management of which is guided by the De Sotto principle which is unlocking the potentials of private property ownership. According to him, under this principle, people are provided enough leverage so that they could become an army of entrepreneurs who, in turn, will start the country's economic revolution.

Asked how the De Sotto principle would relate to the DENR mandate, Senator Villar cited the mandate of the Land Management Bureau which involves the management and disposition of alienable and disposable lands of the public domain and other lands outside the responsibilities of other government agencies. He explained that the activities covered by the mandate include management of land records, land disposition through issuance of patents, resolutions of land conflicts or cases, and investigation of land scams. He added that cadastral surveys and field network surveys are also part of the mandate. He clarified, however, that the management of ancestral lands does not fall within the mandate of the DENR.

To the observation that other agencies such as the DAR and the NAMRIA are already doing land surveys, Senator Villar affirmed, saying that it justifies the need to integrate all agencies involved in land.

Senator Madrigal demanded that the term "land management" and its purpose in relation to the mandate of the DENR be clearly defined even as she described the IMFA (Integrated Forestry Management Agreement) as euphemism for death warrant.

Senator Villar explained that part of the development process of the country is to have a proper inventory of all the lands, including titling, classification, and zooming. He acknowledged that the country is far from this objective, although there are three agencies mandated to push this country towards the attainment of that goal where there would be a very detailed inventory of all lands. He also cited the need to rationalize the three areas of concerns – urban land reform, agrarian land reform, and the concern for the indigenous peoples which necessitated the establishment of the National Commission on the Indigenous Peoples (NCIP), and the DENR plays its part in accordance with law.

Still on the mandate of the DENR, Senator Madrigal inquired on the legal basis for the P2.5 million budget for the management and development of ancestral lands in support of the Social Reform Agenda as shown on page 12 of the National Expenditures Program. She pointed out that under the IFMA, the NCIP is responsible for the management of ancestral lands which includes the identification, delineation and recognition of these areas.

In reply, Senator Villar clarified that the General Appropriations Act is the law that serves as the basis to harmonize operations of the various government agencies and part of the budget of one department could be used to assist other departments. He added that the NCIP probably wanted the technical expertise of the DENR.

Senator Madrigal questioned why there still exists a budget for the management of ancestral lands when these are recognized as properties of the country's indigenous peoples and not by the State. She further asked for the legal basis of the DENR involvement in the activities on ancestral lands. In reply, Senator Villar cited the provisions of the IFMA law, particularly Section 61 regarding Temporary Requisition Power, where it allows the NCIP, through a Memorandum of Agreement, to request survey teams from the DENR as well as equally capable private survey firms, to delineate ancestral domain parameters. He pointed out that while said provision put a limit to three years, this would not prohibit the DENR to extend the necessary help even after the lapse of three years when the law took effect. He said that a copy of the Memorandum of Agreement would be provided to Senator Madrigal.

Senator Madrigal commented that so much money is being wasted because of duplicity of functions in the delineation of lands.

Senator Madrigal then asked the Secretary of DENR how he interprets "land management" in relation to his overall mandate as chief of the Department. Senator Villar replied that according to the Secretary, land management is defined as management of alienable and disposable lands of the public domain which includes titling and surveying. He said that one of the DENR's goal is to streamline the titling and surveying processes in the country.

To Senator Madrigal's claim that the DENR has not been assisting the NCIP in the survey of ancestral lands, Senator Villar replied that all NCIP surveys were actually done by the DENR.

On whether streamlining the titling process part of the DENR's mandate, Senator Villar replied that it is part of the program of the Land Administration and Management as certified by the President.

Thereupon, Senator Madrigal placed on record the general mandate of the DENR, including surveying. She said that the DENR, created pursuant to Executive Order No. 192 in 1987, which fused the functions of the Ministry of Natural Resources, the National Pollution Control Commission, and the National Environmental Commission Council, is the principal agency tasked to protect the environment and that all references to the enumerated agencies are contained in the book, entitled *Environment Code Pollution Control Law*. She stated that the DENR is responsible for the conservation, management, development and proper use of the country's environmental and natural resources, specifically forests and grazing lands, mineral resources including those in reservations and watersheds and lands of the public domain; the preservation of cultural and natural heritage through wildlife conservation and segregation of national parks and other protected areas; the promulgation and enforcement of rules and regulations for the control of water, air and land pollution; re-promulgation and enforcement of ambient and affluent standards for water and air quality; including the allowable levels of other pollutants and radiation; re-promulgation of policies, rules and regulations for the conservation of the country's

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genetic resources, biological diversity and endangered habitats. She further stated that the DENR is headed by a Cabinet Secretary, a position appointed by the President and assisted by three undersecretaries; that below the Department are the Bureau of Mines and Geo-Sciences, Forest Management Bureau, Land Management Bureau, Environmental Management Bureau and Ecosystems Research Bureau; that the line functions and regulatory powers of the DENR are performed by the regional offices, distributed throughout the 19 administrative regions of the country, with ARMM having its own version of the DENR; that attached to the DENR is the Natural Resources Development Corporation, a government-owned corporation responsible for promoting natural resource development through investment, involvement in innovative technologies and ventures involving forest management; that other agencies attached to the DENR include the National Mapping and Resources Information Authority (NAMRIA) and the Laguna Lake Development Authority; that the NAMRIA serves as the central mapping authority of the government, which conducts research on remote sensing technologies, satellite imagery and similar technologies; that the LLDA is a government-owned corporation which serves as the environmental regulatory authority of the Laguna Lake region; and that a line bureau within the DENR is the Environmental Management Bureau tasked with the principal responsibility of implementing the country's environmental laws and that it also serves as a secretariat of the Pollution Adjudication Board which hears and decides pollution cases.

Regarding NAMRIA's budget and the possibility of consolidating it with the DENR, Senator Villar said that there is law that created NAMRIA and that its budget is P265 million. He informed the Body that there is a bill to be filed that would address the problems of overlapping functions and the inefficiencies that result from so many agencies handling the same activities. He admitted that there is really a mess in the titling, surveying and the management of land and that there is a need to integrate all of the mandates and streamline the Department.

On whether the DENR would be amenable to the suggestion of transferring P2.5 million to the NCIP to work together with NAMRIA, Senator Villar said that if the NCIP has the

capability to conduct its own survey, then the Secretary would be more than willing to give the amount to it. Senator Madrigal indicated that she was proposing such an amendment.

At this point, Senator Villar continued with his enumeration of the geographical distribution of the budget of the DENR as follows; LMB, P61 million; PAWB, P797 million; ERDB, 77 million; for the whole of Luzon, P1.7 million; NCR, P91 million; Region I, P190 million; CAR, P236 million; Region II, P288 million; Region III, P288 million; Region IV, P422 million; Region IV-A, P210 million; Region IV-B, P221 million; Region V, P185 million; for the whole of Visayas, P620 million; Region VI, P215 million; Region VII, P193 million; Region VIII, P212 million; Region IX, P202 million; Region X, P201 million; Region XI, P258 million; Region XII, P167 million; and Region XIII in Caraga, P176 million.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 11:39 a.m.

RESUMPTION OF SESSION

At 11:39 a.m., the session was resumed.

He clarified that the figures cited are with the regular budget without the foreign-assisted projects. He then placed on record the figures inclusive of foreign-assisted projects as follows: for Luzon, P2.04 billion; NCR, P120 million; Region I, P217 million; CAR, P379 million; Region II, P314 million; Region III, P321 million; Region IV, 475 million.

For her part, Senator Madrigal noted that in the comparative summary of programs by regions, Region IV-DENR Office would get 8.62% share of the budget; Region XII, 7.73%; CAR, 6.87%; and Region XI, 6.07%. On the other hand, she pointed out that Region I will only get 3.94%; Region V, 3.9%; and Region VIII, 4.42%. She then inquired what standards were used in setting the geographical distribution.

In reply, Senator Villar stated that it was a result of the DBM's continuing practice of adopting

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the previous year's budget with some minor additions or subtractions. He said that the DENR budget was prepared before Secretary Defensor was appointed to head the Department. He indicated that Secretary Defensor has, in fact, proposed several realignments considering the recent developments. He said that the discrepancies in the geographical allocation could be attributed to the presence of foreign-assisted projects which require counterpart funds. He gave the assurance that Aurora and Quezon would be given the highest priority

Asked for the sectoral allocation of the DENR budget for 2005, Senator Villar gave the following figures; Forest Management – P1.757 billion or 31.89% share; Land Management – P777 million or 14.1% share; Protected Areas and Wildlife – P237 million or 4.3%; Ecosystems research and development – P201 million or 3.65%; Coastal management – P309 million or 5.6%; Environmental management – P476 million or 8.64%; and Mines and Geo-Sciences – P402 million or 7.3%.

As to the breakdown of the P402 million for the mining sector, Senator Villar replied that for Personal Services, P306.598 million, and MOOE, P95.853 million. He explained that in the area of mining, the DENR, through the Mines and Geo-Sciences Bureau, has as its functions geo-science development, geologic mapping, hydrogeology, mines and safety environment, fault areas identification and social development program.

Asked what geohazard mapping is, Senator Villar replied that it is to determine the areas that would be dangerous or risky from natural calamities. Specifically, he explained that this project is intended to show the indicative location nationwide of the rain-induced and earthquake-triggered shallow landslides, as well as flooding hazard, using the information from geology, rock structuring, soil type, slope, rainfall, land cover, river and road networks. He said that this geohazard mapping started in 1999 but it was discontinued for lack of budget. He added that the project was able to cover three regions only – Region V, Region VIII and Caraga.

Senator Madrigal then asked the geohazard locations in the three regions.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 12:02 p.m.

RESUMPTION OF SESSION

At 12:07 p.m., the session was resumed.

REQUEST OF SENATOR LIM

Upon resumption, Senator Lim requested that consideration of the budget of the DENR be suspended to give Senator Madrigal time to study the geohazard mapping that she requested.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended until two o'clock in the afternoon.

It was 12:10 p.m.

RESUMPTION OF SESSION

At 2:31 p.m., the session was resumed with Senate President Pro Tempore Flavio presiding.

MOTION OF SENATE PRESIDENT DRILON

Upon motion of Senate President Drilon, there being no objection, the Body momentarily suspended the deliberation on the DENR budget and resumed interpellations on the budget of the Presidential Commission on Good Government.

PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT

Senator Villar presented the budget of the Presidential Commission on Good Government.

INTERPELLATION OF SENATOR ENRILE

At the outset, Senator Enrile stated that he noticed from a partial list of companies whose shares had been sequestered the names of Allied Banking Corporation, Fortune Tobacco Incorporated, Lepanto Consolidated Mining Corporation and other corporations owned by Lucio Tan. He asked if there were PCGG representatives in Fortune Tobacco Corporation and Allied Banking Corporation. Senator Villar replied in the negative, adding that he would

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ask PCGG Commissioner Haydee Yorac to explain in writing why there are no PCGG officials in said companies. He expressed surprise that the PCGG was able to appoint directors in all sequestered companies except in those owned by Lucio Tan.

Senator Enrile stated that while he requested documents in yesterday's deliberation on the PCGG budget, he would not press for their submission as he is aware of the magnitude of the work entailed. However, he required the PCGG, through Senator Villar, to prepare the data for the next budget hearing, otherwise, its budget would be deleted. He believed it was time the PCGG was closed since it has not realized the purpose for which it was organized and the government has lost much money.

SUBMISSION OF THE BUDGET OF THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT

Upon motion of Senate President Drilon, there being no objection, the budget of the Presidential Commission on Good Government was considered submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 2:38 p.m.

RESUMPTION OF SESSION

At 2:39 p.m., the session was resumed.

REMARKS OF SENATE PRESIDENT DRILON

Senate President Drilon expressed appreciation to Senator Enrile for simply requesting the PCGG to submit the documents in the next budget hearings which would take place sometime in August, giving the Commission enough time to prepare them.

Thereafter, he moved for the resumption of consideration on the budget of the Department of Environment and Natural Resources.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

(Continuation)

Senator Villar presented the budget of the Department of Environment and Natural Resources.

REMARKS OF SENATOR MADRIGAL

Preliminarily, Senator Madrigal stated that she has exercised nothing but professionalism and due diligence in the matter of the DENR budget as she added that she has not given interviews nor used media mileage to rehash an old story. However, she expressed alarm over the continuous manipulation and use of media to mislead the people by Secretary Defensor who has made a fool of the Senate and the Filipino people.

Adverting to the DENR press conference that afternoon, Senator Madrigal observed that as recorded on video, Secretary Defensor stated that the proper forum to raised technical questions is not the plenary session but the committee hearing where he can personally answer questions. This, she said, misleads the public as she stressed that senators have every right to ask any technical question of any nature even in plenary. She stated that if Secretary Defensor wants to be a senator, he must learn from the senators and should not tell the media what the Senate is supposed to do or not to do; it is his careless and juvenile attitude that has disgraced the administration. She averred that Secretary Defensor implied to the media that she does not intend to end the issue because she wanted media mileage. She pointed out that she did not challenge the Secretary personally or before the media; she challenged him exercising her right as a senator. She maintained that in budget hearings, technical questions are asked because it is the duty of every department to know what it is doing. She noted that Secretary Defensor even said that it would be more efficient if the Senate Rules would allow him to answer her directly in a plenary, which is most unusual because the Rules do not allow him that.

Senator Madrigal related that Secretary Defensor sent his Chief of Staff to ask if he could secretly see her in the office and her reply was that she would prefer to see him after the budget deliberations. Pointing out that "*areglo*" is not in her vocabulary, she stressed that she would die for the cause she was fighting for.

Senator Madrigal asked how she and Secretary Defensor could have a discussion when even with dozens of advisers around, he cannot give a technical answer.

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Stating that she would sacrifice her life to uncover the fraud in the DENR, she stressed that she would never accept the apologies of someone who uses the media to manipulate public opinion. She remarked that she never asked him about the dozens of complaints against the First Quadrant because the budget deliberation is not the proper forum.

MOTION TO SUSPEND THE RULES

In view of the emerging parliamentary situation, Senator Enrile moved that the Body suspend the Rules to allow DENR Secretary Defensor to answer the questions raised by Senator Madrigal.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 2:50 p.m.

RESUMPTION OF SESSION

At 3:24 p.m., the session was resumed.

WITHDRAWAL OF THE MOTION

Senator Enrile said that the senators have agreed to proceed with the interpellation on the DENR budget so as not to delay the proceedings, without prejudice to convening the Senate into a Committee of the Whole to take up the matters raised by Senator Madrigal. He withdrew his motion.

INTERPELLATION OF SENATOR MADRIGAL *(Continuation)*

Senator Madrigal stated that in view of the technical nature of the geohazard maps that the DENR submitted to her office, she has asked some consultants to study them and would interpellate thereon at a later time.

On another matter, Senator Madrigal disclosed that the U.P. Chancellor has submitted to the DENR another request for a permit to cut the *dao* tree in U.P. Los Banos after having been denied a permit last year by the U.P. system through DENR Secretary Gozon. She asked whether the DENR would issue the permit. Senator Villar said that DENR would not.

Senator Madrigal stated that Hard Rock Aggregates Corporation is undertaking quarrying operation under a mineral production-sharing agreement with the DENR in Brgy. Cupang, Antipolo City that residents, particularly those in Brgy. Inarawan, are opposing because 1) the site has been declared by the DAR and the local government as agricultural land; 2) it has adverse effects on their livelihood; and 3) repeated threats were made and abuses committed by the personnel and security guards of the operator. She said that the operator constructed a fence without a permit around the purported area of operation, thus, denying the residents the right-of-way to the barangay road. The residents, she noted, have to take a circuitous way to reach the road, exposing themselves to hazard in the process.

Further, Senator Madrigal pointed out that Hard Rock Aggregates Corporation and previous quarrying operators in the area have been subject to a cease-and-desist order issued by the DENR in 1993 and 1996. Allowing the quarrying operation to proceed, she argued, would displace the farmers who have been planting mango trees in the land for 40 years. She asked why the DENR executed an MPSA with the said corporation.

Senator Villar stated that former DENR Secretary Gozon issued the MPSA because the area is a titled land with an approved environment compliance certificate (ECC). He clarified that the Hard Rock Aggregates Corporation is still in the process of clearing the area and has not started quarrying operations. The complainants, he pointed out, are informal settlers.

Asked why the DENR allowed the cutting of more than 300 fruit trees in the area, Senator Villar stated that the Supreme Court has already settled the issue on the land title. Nevertheless, he said that DENR Secretary Defensor has given the assurance that he would look into the matter.

Senator Madrigal said that the area, which she has visited several times, has been denuded. She argued that the corporation should not be undertaking clearing operations because an ECC does not entitle it to cut trees.

Senator Villar stated that when some DENR personnel conducted an investigation in the area on November, they did not see any trees being cut or

cut trees. Senator Madrigal expressed hope that the Department would not forget its task to preserve the environment after its budget shall have been passed. The DENR, she said, should be more circumspect in issuing ECCs. She stated that she would present a brief slide presentation to remind the senators and the DENR of the recent tragedy in Dilasag, and show that there are government officials who care and fight for the victims' rights.

SUSPENSION OF SESSION

Upon motion of Senator Madrigal, the session was suspended.

It was 3:41 p.m.

RESUMPTION OF SESSION

At 3:45 p.m., the session was resumed.

Asked if the DENR had knowledge of any agreement between DENR and Kasivo Corporation for the retrieval and inventory of logs in Quezon, Senator Villar replied in Affirmative.

Asked if the agreement went through public bidding, Senator Villar answered that it did not as he explained that after the floods, the syndicates started collecting logs. To prevent this, he said, the DENR contacted Kasivo Corporation, which had the only sawmill in the area, to retrieve the logs with no cash payment from DENR.

Senator Madrigal stated that the agreement violated COA rules and regulations that require a contract of agreement to undergo public bidding. She said that transparency is expected from all agencies, especially when a large amount of money is involved. She queried why no public bidding was conducted.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 3:52 p.m.

RESUMPTION OF SESSION

At 3:53 p.m., the session was resumed.

Senator Villar explained that it was an emergency situation and the decision was made in

the presence of the mayors and national government officials. He said that the DENR, together with the local officials, entered into an agreement with the Kasivo because it is the only corporation equipped with the needed facilities to fast-track the retrieval of the logs and save them from syndicates. Technically, he noted, the DENR just rented the equipment.

Senator Madrigal asked for the names of the local officials who were present during the meeting and when the agreement was signed. Senator Villar said that the Committee would provide the information.

Senator Villar clarified that the meeting was held in Real, Quezon presided over by the DENR Secretary; later on, DENR Regional Director Ernesto Adobo made a verbal agreement with Kasivo with the knowledge and consent of the DENR Secretary. Senator Madrigal pointed out that the agreement could be denied for lack of a written document.

Asked on the qualifications of the Kasivo to undertake a task involving such a huge amount, Senator Villar replied that it has the only legal sawmill in Infanta, Quezon.

Asked if Kasivo or DENR inventoried the logs, Senator Villar replied that it was DENR but it did not have the capability to retrieve the logs, thus, the services of Kasivo were sought.

Senator Madrigal pointed out that the proper procedures were not followed as there should have been a public bidding. Senator Villar informed the Body that by the time the agreement was made, about P7 million worth of logs had already been taken by the syndicates; besides the DENR feared that if it had to go through the normal bidding process, the logs would long be gone. Senator Madrigal maintained that unless there is evidence that P7 million worth of logs were taken, she would not accept the explanation.

Asked who owns Kasivo Corporation, Senator Villar replied that it is Mr. Joaquin Ang.

Senator Madrigal contended that DENR could have asked other companies to bid but it did not follow the procedure. She stressed that the logs were promised to the people of Aurora and Quezon. She requested a copy of the DENR's contract with

Kasivo. Senator Villar acceded to the request. He emphasized that in emergency situation, the bidding procedures could be dispensed with as the regular bidding procedure would have taken three or four months.

Senator Madrigal pointed out that there are sawmills located more strategically than Kasivo. She said that claiming there was an "emergency" situation is an easy excuse. Senator Villar stated that Kasivo was the only legal sawmill as the others were illegal.

Asked why the DENR allowed illegal sawmills and processing plants to continue operations, Senator Villar replied that the operations have been stopped, the operators arrested and charged. Senator Madrigal asked for evidence. Relative thereto, she expressed readiness to begin her video presentation.

At this juncture, Senator Arroyo reminded the Body of the agreement to convene a Committee of the Whole to tackle the subject after the debates. He asked if it would be able to make the slide presentation during the meeting as it does involve the budget.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 4:07 p.m.

RESUMPTION OF SESSION

At 4:08 p.m., the session was resumed.

At this juncture, Senator Biazon asked to be informed about the contents of the video presentation.

Senator Enrile urged the Body to allow Senator Madrigal to make her video presentation so that the budget debates could be finished. He opined that by questioning the timing of the presentation, there was, in fact, an effort to hinder Senator Madrigal from presenting her case, to which he would disagree. He said that any Member can raise a point of order if the material presented is not relevant to the discussion at hand.

For his part, Senator Pangilinan said that the presentation could be made and it could address the

questions raised by Senator Biazon. He pointed out that Senator Villar had agreed to the same presentation.

At this juncture, Senator Madrigal's video presentation was played during which, she made the following observations: 1) big logs were strewn along the whole coastline from Quezon to Dilasag and to the end of Aurora even in the mountain ravines; 2) two vessels were apprehended by Capt. Angge of the Philippine Navy, contrary to the claim of the DENR, and that these were subsequently turned over to the DENR; the apprehension was made possible because her office received a tip that six log carriers were bringing out logs weekly from Dilasag to all points of the country; 3) one shipment was hastily seized by the DENR and as she was investigating the cargo, the DENR gave its permit for the transport of logs which supposedly came from Bukidnon. She stated that her office was able to trace part of this cargo to Cebu. She said she had questioned the shipment after learning that influential people involved in the transaction had made arrangements to retrieve the cargo. Further, she revealed having received information regarding thousands of cases of illegal logging and environmental degradation. While her sources do not wish to be identified, she said that their identities could be revealed in an executive session.

Senator Madrigal read a DENR administrative order issued on December 8, 2004, which stated that all logging cutting permits in Quezon province are cancelled and all existing logging cutting permits are suspended pending a comprehensive review of policies relative to these activities and directed the submission of a compliance report to the Department within 10 calendar days. However, she noted that the DENR already made exemptions to this administrative order which made possible the transport of logs nationwide.

Stressing that she was not finished with her interpellations with the DENR concerning the Kasivo case, Senator Madrigal said she would countercheck the DENR's inventory through her sources as she did not want people to be fooled into thinking that illegal logging operations no longer thrive. Moreover, she opined that the absence of a public bidding and continued illegal logging make the matter a major scandal.

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On another matter, Senator Madrigal said that the Navy had apprehended a ship identified as the M/V B&E III carrying an estimated P100 million worth of lumber off the coast of Isla Verde near Batangas on its way to the North Harbor in Manila from Dapitan, Aurora last February 5. She noted that the bill of lading approved by the DENR does not tally with the ship's cargo of 3,335 cubic meters of processed *lauan*. She said that the ship's captain had a permit to transport the wood belonging to LUZMATIM or Luzon Mahogany Timber. Relative thereto, she asked whether the cargo had been approved by the DENR Secretary since he had issued the memorandum. Senator Villar replied that there were two shipments involved – the first is wood from the Bukidnon forest project which is a joint venture of the government with New Zealand while the second is wood from Region II. He then offered to read the chronology of the documentation on the lumbership and of the Luzon Mahogany Timber Industries which was apprehended by the DENR and the Navy last February 5 at Sangley Point, Cavite.

Relative thereto, Senator Villar read to the Body the pertinent report, to wit:

On December 7, 2004, LMTI submitted a request to the Region II Executive Director, Antonio Principe to allow it to transport sawn lumber to common hardwood from his plant in Isabela and Pier Dilasag, Aurora to Malinta, Valenzuela, with a total volume of 1.7 million board feet. Attached in the request were pictures of the lumber per location, the auxiliary invoices and the corresponding receipts fully paid for its charges.

On December 9, 2004, CENRO William Savilla endorsed said request to the Regional Executive Director (RED) through the PENRO who, in turn, issued the corresponding endorsement to the RED.

On December 10, 2004, RED Antonio Principe similarly endorsed said request to the Secretary. The annexes are attached.

On December 16, 2004, LMTII President Jose Valenzuela wrote to the DENR Secretary requesting LMTII to transport the abovesited lumber based on

the Secretary's memorandum dated December 14, 2004, allowing the movement, transport and/or delivery of all manufactured/processed wood products including lumber and allow it to use its pier facilities in Diapitan Bay at Dilasag, Aurora. Such clearance was requested to preclude any suspicion that we are transporting or shipping hot lumber coming from the Province of Aurora or Isabela.

On December 20, 2004, the Secretary approved such request through a marginal note to Undersecretary Paje, to wit: "Ok for existing inventory as per memo issued. Approval is granted based on inventory report."

On December 28, 2004, Undersecretary Paje, as OIC Secretary, issued a note to Gen. Dagudag as follows: "Consistent with the clearance issued by the SMTD on this particular shipment, I suggest that we strictly monitor its movement to its destination." (Annex "F").

On December 29, 2004, Undersecretary Paje, as OIC Secretary, issued a memorandum to the RED of Region II and NCR informing them of the approval of the Secretary and directing them to strictly monitor the transport and delivery of said forest products to the identified destination.

On February 4, 2005, Batangas PENRO, Danilo Morales, submitted a report to the RED Region IV-A on intercepted shipment of lumber in Benguet fine logs at Batangas Port stating, among others, that the documents are in order. However, clearance from the Secretary is lacking pursuant to memorandum of DENR Secretary dated December 14, 2004.

On February 5, 2005, Forester Tirso Parian Jr. of the DENR, Capt. Feliciano Angge of the Philippine Navy, *et al.*, issued apprehension receipt in Sangley Point, Cavite, for the following reason: For further verification as to the authenticity of the clearance allegedly issued by the DENR Secretary.

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On February 6, 2005, LMTII wrote a letter to the DENR Secretary submitting a documentation and appealing for the release of the said shipment in order for the company not to incur losses to the tune of P80,000 per day in demurrage.

Senator Villar stated that there were annexes with pictures.

Senator Madrigal reiterated that the Philippine Navy, not the DENR, apprehended those vessels. Senator Villar clarified that the DENR never claimed that it apprehended those vessels; they were only coordinated closely with the Philippine Navy in the operation.

Asked why the DENR did not apprehend the vessels when it knew that these are being loaded in Dilasag weekly, Senator Villar explained that the Philippine Navy needed verification whether there was authority to ship the logs.

Senator Madrigal believed that the shipment was in complete contravention of the DENR memorandum, as she disclosed that the local officials were complaining that there were no DENR officials in the area. Until there is transparency from the DENR, she emphasized, its reports cannot be believed in view of the attempt to whitewash the incident. Senator Villar noted that as of Thursday the previous week, the Secretary was already in touch with Captain Angge, who in fact, urged him to report the matter.

Senator Madrigal disclosed that two vessels—Friendship IV and Friendship V — carried wood products for LUZMATIM during the last week of May 2000 and that these vessels are part of the fleet of 40 ships owned by Premier, a company owned by the Bengzon family. She stated that the smaller Friendship IV which can be hired at P1.7 million per trip can carry up to 3,500 cubic meters of wood or 1,400 logs; on the other hand, Friendship V which can be hired at P2.8 million per trip can carry up to 5,000 cubic meters or 2,000 logs. She added that every month, each Premier ship made at least two shipments of logs that came from IDC and Toplight lumber in Dinadiawan, Dipaculao, Aurora. The shipments were recorded from May to October 2004, she said.

Senator Villar stated that as far as the DENR is concerned, the first shipment came from a joint

venture between the Bukidnon local government and the New Zealand government; and the second shipment was still being verified. But Senator Madrigal insisted that the following Saturday after the seizure of the shipment, the DENR people submitted to the Philippine Navy the proper documents including the permit to ship logs. In response, Senator Villar stated that Captain Angge was still verifying the documents.

Senator Madrigal stated that after the enactment of the 2005 budget, she would propose a thorough investigation of the incident and ask that the responsible DENR officials be held liable for the scam and answer various issues. She noted that the 3,335 cubic meters of processed *lawaan* managed to escape detection at the nine unmanned check points between Quezon and Aurora. She bared that she has footages showing unmanned checkpoints, logs being continuously cut in Aurora, and the continuing landslides. For his part, Senator Villar reiterated that the logs came from Isabela and were being shipped from Dilasag.

Senator Madrigal stated that the explanation was unacceptable for the following reasons: 1) the Secretary and the DENR have the track record of log cutters, not log police; 2) logs can be shipped from ports in Isabela; and 3) there is no verification as to where the logs came from. She charged that the DENR just depended on the words of the loggers who perjured themselves, asking that independent proof be presented. Senator Villar gave assurance that the Department was ready to submit all the documents.

Senator Madrigal wondered how the anomalous practice of transporting logs can continue without the knowledge of the DENR. She asked if this is the way the DENR would manage its budget. Senator Villar stressed that the Secretary had made a commitment that he will not to issue any cut-prior permit.

Further, Senator Madrigal asked the DENR to submit a full report on the incident involving MV/Tres, Bukidnon Lumber, and the LCT 5. Senator Villar stated that the Department will comply with the request.

On whether the Secretary was aware of the case of the LCT 5 shipment, Senator Villar replied in the affirmative as he explained that the LCT 5

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and the LCT Condor shipments were both approved. He added that the log shipment from Baganga, Davao Oriental was apprehended because the crew tried to pass off the cargo as corn.

Senator Madrigal wondered why it took the Philippine Navy to apprehend the shipment when the DENR can control illegal shipment by the non-issuance of permits; moreover, she said, the DENR knew where the ships were docked. Senator Villar pointed out that the DENR can only coordinate with the Philippine Navy because it does not have ships for monitoring purposes.

Senator Villar stated that the Secretary would answer Senator Madrigal directly at the proper time.

Upon further queries, Senator Villar stated that the DENR has 150 personnel in Aurora, 63 of whom are forest rangers. He said that there are three centers in Aurora located in Dingalan, Casiguran and Maria Aurora with 50 personnel each.

At this juncture, Senator Madrigal requested that she be furnished with an inventory of all apprehended logs by the DENR before and after the Quezon-Aurora tragedy; location of warehouses; how the logs were disposed; and if Kasivo had something to do with such activities.

Senator Madrigal stated that she would give the DENR a dismal failing mark; however, in the interest of the country, she would let its budget pass with a heavy heart even though her colleagues in the Opposition supported her. Noting that statesmanship has been lost, she admitted that the budget would be passed because the Majority have the numbers. While the Minority were not able to do anything, she averred, they had spoken for the people loudly in all honesty without twisting the facts and that they have worked tirelessly.

Senator Madrigal put on record the commitment of the Majority to the Minority to convene a Committee of the Whole, after the budget shall have been passed to take up the issues raised during the budget deliberation. She hoped that there would not be any whitewashing during the meeting of the Committee and perhaps the Filipinos would be illuminated why environmental degradation has been accepted as a way of life.

REMARKS OF SENATOR PANGILINAN

Senator Pangilinan assured Senator Madrigal that the Committee of the Whole would not be involved in any whitewashing. He said that the actions of the Committee should not be prejudged and that all opportunities for raising the issues would be exhausted.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Upon motion of Senator Pangilinan, there being no objections, the budget of the Department of Energy and Natural Resources was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 4:58 p.m.

RESUMPTION OF SESSION

At 5:04 p.m., the session was resumed.

OPTICAL MEDIA BOARD

Senator Villar presented the budget of the Optical Media Board.

INTERPELLATION OF SENATOR REVILLA

Replying to the queries of Senator Revilla, Senator Villar said that the budget of OMB for 2005 is P23.581 million, P78,000 less that last year's budget of P23.659 million which is attributed to the decrease in personnel.

Senator Revilla asked on the 2003 budget of the Videogram Regulatory Board.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:09 p.m.

RESUMPTION OF SESSION

At 5:09 p.m., the session was resumed.

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Senator Villar explained said that the confidential, intelligence and extraordinary miscellaneous expenses were removed from the 2005 budget; and the allocation of P10.047 million in 2003 was reduced to P85,000 in 2004 and these amount was adopted in the 2005 budget.

As regards the accomplishments of the OMB for 2004, Senator Villar gave the following figures:

Video establishments registered	-	266
Video establishments licensed	-	1,496
Video commercial permits issued	-	2,459
Special commercial permits issued	-	267
Videograms processed import clearance issued	-	578,046
Inspection operations conducted	-	911
Search warrant operations conducted	-	108
Administrative complaints processed and filed	-	822
Number of cases prepared/endorsed for prosecution/preliminary investigation	-	2

He said that the other highlights of OMB's accomplishments include:

1. Total number of videograms taken into custody/
 - 1.a during inspection operations - 1,776,573
 - 1.b during Search warrant operations - 289,686
2. Total number of machines seized during
 - 1.a inspection operations - 0
 - 2.b search warrant operations
 - 2.b.1 optical disc line - 2
 - 2.b.2 video machine players - 5
 - 2.b.3 CD burners and other accessories - 2
3. Total number of hologram labels issued - 4,317,201

Senator Villar said that the total income for 2004 was P13.58 million.

Asked if the OMB's performance last year was hampered because of the absence of its IRR, Senator Villar replied in the affirmative. Further, he affirmed that the agency conducted its day-to-day operations pending the issuance of the IRRs because it was given transition powers and to continue operations.

Senator Villar said that the OMB adopted a mix of the IRRs of the former VRB and some of penal provisions of Republic Act No. 9239:

Asked on the basis of the OMB's claim that its performance was hampered due to the absence of the IRRs, Senator Villar opined that its operatives were having second thoughts about implementing the full force of the law in the absence of the IRR.

Finally, Senator Revilla said that all he wished for is that the OMB Chairman would do his job well.

INTERPELLATION OF SENATOR EJERCITO ESTRADA (J)

Replying to the queries of Senator Ejercito Estrada, Senator Villar said that the OMB does not employ consultants and has only two casual employees. Furthermore, he said that the OMB conducted 108 search warrant operations against individuals in 2004, and 289,686 videograms seized.

In 2004, he said that the OMB was able to confiscate three replicating machines that were placed in a bonded warehouse to be used as evidence; confiscated 1.8 million pirated discs; endorsed 2 cases for prosecution. To the comment that this might be the reason why pirated discs are proliferating, Senator Villar pointed out that those whose copyrights have been infringed were the ones directly filing the cases against the peddlers. Moreover, he said that there were 65 peddlers who were arrested or apprehended, but none of them from Greenhills, San Juan. Senator Ejercito Estrada, however, pointed out the need for the OMB to concentrate on Greenhills where peddlers proliferate.

Senator Villar disclosed that the OMB conducted a raid in Manila and confiscated 401 sacks of pirated DVDs, mostly of which are pornographic, that are now in the OMB warehouse.

Asked about the rescheduling of the OMB budget deliberations, Senator Villar said it was due to heavy schedule of the committee as he added that Chairman Manzano was on an official travel last week to attend the Regional Conference on Optical Disc Piracy in Singapore. He also revealed that the OMB chair receives more than P18,000 a month and that despite having a higher income as an actor, Mr. Manzano likes the honor and prestige of serving in the OMB.

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On whether the present OMB chair fared better than his predecessor, Senator Villar stated that he is not privy to the accomplishments of the previous chairman; however, the data showed that in 2003, the VRB performed well. He disclosed that Mr. Manzano, who was recommended by industry leaders, has been in the post for one year.

Upon query, Senator Villar stated that charges had been filed against two retailers who resisted arrest and inflicted injury on the OMB operatives, adding that as requested, the names of the retailers shall be submitted to Senator Ejercito Estrada.

As to where the pirated VCDs originated, Senator Villar stated they came from Malaysia, Indonesia and China. He noted that the OMB was able to locate the pipeline from Manado, Indonesia to Davao and then to Manila and was able to seize cargoes from two aircrafts. He added that the Board coordinates with the Bureau of Customs in apprehending smugglers.

Senator Villar explained that the exporters of the VCDs who are based in Indonesia and Malaysia use couriers to bring in the merchandise. The companies whose copyrights were infringed have to file charges against the couriers, he said.

Noting the expanded powers of the OMB, asked why it could not file the charges, Senator Villar admitted that it would be easy for the OMB to file the appropriate charges against the smugglers because (1) IRR has been issued; (2) its plantilla is already organized; and (3) it is now more experienced.

On whether piracy is killing the industry, Senator Villar stated it is one of the reasons, the others being the heavy tax imposed on the industry and the overall economic environment.

To the observation that only 53 films were produced in 2004, Senator Villar stressed that he would support any move to remove the taxes on the industry.

INTERPELLATION OF SENATOR GORDON

As regards piracy in the movie industry, Senator Gordon remarked that even before a movie's initial release, whether foreign or local,

pirated copies are already available in the black market. Video piracy has also resulted in the closure of many theaters in the country, he noted.

Senator Gordon observed that the international community has portrayed the Philippines as a corrupt country because it tolerates piracy that has created a culture of corruption. He explained that there can be no piracy unless monetary arrangements are made with certain government officials.

On the prevalence of fake videos in the malls and sidewalks, Senator Villar opined that discrepancy in price is a contributory factor and as such, the industry might be fighting a losing battle. He underscored the need to narrow the gap as he added that globalization has also affected the present state of the movie industry. Further, he contended that to address the problem, the movie industry must confront the fact that like many other businesses, there must be improvement in the quality of management, and innovation using modern technology.

On the matter of promotional budget to inculcate among Filipinos respect for intellectual property rights, Senator Gordon averred that there is a need to educate the people about the opportunities in earning royalties from intellectual property.

Senator Gordon said that he did not see any item in the Optical Media Board (OMB) budget intended for the promotion of the value of creative and intellectual property. He emphasized the need for the Board to show feasible means of earning money while stopping the illegal activities of pirates.

Senator Villar clarified that the Intellectual Property Office handles the promotion, but doubted whether the effect would be significant.

Senator Gordon said that when he was asked by some foreign ambassadors on the Senate's view on piracy, he told them that if developed countries like the United States would give local pictures, talents and singers the opportunity to get into the foreign market, it would be easier to fight piracy because local artists would realize the value of a local product that could net billions of dollars in the United States. The OMB, he stated, should exert effort in promoting the local industry that would encourage a

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positive approach towards intellectual property and respect for the OMB's work.

Senator Villar explained that the OMB Chairman requested a promotions budget but the request was not granted. The only appropriation in the budget intended for miscellaneous expenses, he said, is P85,000.

Senator Gordon pointed out that the OMB would need money for the conduct of its own intelligence operations that would go after distributors and pirates as well, apart from calling on the assistance of law enforcement agencies in ferreting out the manufacturers of pirated cassettes, CDs and DVDs. The measly budget of P85,000, he said, would send the wrong message that the OMB is not serious in pursuing its cause.

Asked whether the OMB has caught any major producer of pirated goods, Senator Villar replied that it has closed down two factories, namely, Optic Replicators and Great Ocean, which are owned by Taiwanese businessmen.

Senator Gordon said that foreign producers do not consider doing their work in the Philippines because there is an atmosphere of corruption in the country where government seems to be handling the piracy problem with kid gloves, which would also be a hindrance for the country in penetrating the foreign market. Government, he stressed, should have the backbone in dealing with the problem and eventually eradicating it. He stated that at the proper time, he would introduce an amendment that would increase the OMB's budget dramatically. He believed that OMB can help promote the Philippines as a good investment destination.

INTERPELLATION OF SENATOR BIAZON

Asked by Senator Biazon on the personnel strength of the OMB, Senator Villar said that it has 66 employees, 19 of whom are enforcement operatives. He conceded that the personnel complement is not enough to enforce the law against piracy which is why the Board is asking for an increase in the number of its operatives.

In reply to another query, Senator Villar stated that the OMB always gets the assistance of police authorities in conducting raids, but in the NCR, the OMB coordinates with the local mayors and the

PNP. He disclosed that a raid in Quiapo alone would entail a force of 300 people.

Pointing out that pirated products are openly sold in sidewalks in the major cities of the country, Senator Biazon asked what could be done to make law enforcement agencies more conscious of their part in protecting the local industry from piracy. Senator Villar believed that not many of the law enforcers recognize the significance of anti-piracy efforts but the OMB should have the drive to inform and convince them. He said that the OMB has held discussions with the DILG Secretary, the MMDA Chairman, the PNP Director General, and the director of the National Capital Regional Police Office (NCRPO) but although these agencies have been supportive, there is need for more better coordination between the OMB law enforcement agencies in order to combat the piracy problem in the country.

On whether Filipino artists and their families are taking part in the drive against piracy, Senator Villar said that the OMB Chairman is hoping that he would get more support. Senator Biazon stated that these people should be convinced that they are protecting their own lives by helping the OMB curb piracy. He supported Senator Gordon's proposal to increase the Board's budget.

SUBMISSION OF THE BUDGET OF THE OPTICAL MEDIA BOARD

Upon motion of Senator Pangilinan, there being no objection, the budget of the Optical Media Board was deemed submitted for the Body's consideration.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:02 p.m.

RESUMPTION OF SESSION

At 6:04 p.m., the session was resumed.

ELEVENTH ADDITIONAL REFERENCE OF BUSINESS

The Deputy Secretary for Legislation read the following matters and the Chair made the corresponding referrals:

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BILLS ON FIRST READING

Senate Bill No. 1907, entitled

AN ACT MANDATING THE USE OF ETHANOL AS ALTERNATIVE TRANSPORT FUEL, ESTABLISHING FOR THE PURPOSE THE NATIONAL FUEL ETHANOL PROGRAM, APPROPRIATING FUNDS THEREFOR

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Energy; and Finance

Senate Bill No. 1908, entitled

AN ACT TO MAKE ROAD TRAFFIC SAFETY RULES AND SIGNS A SEPARATE SUBJECT AND COMPULSORY AT GRADE SIX AND FOURTH YEAR HIGH SCHOOL LEVELS

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Education, Arts and Culture; and Public Services

Senate Bill No. 1909, entitled

AN ACT PROVIDING FOR COMPULSORY PSYCHO-TECHNICAL DRIVER ASSESSMENT TESTS AMENDING SECTION 22 OF REPUBLIC ACT NO. 4136 OTHERWISE KNOWN AS THE LAND TRANSPORTATION AND TRAFFIC CODE

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Public Services; and Finance

RESOLUTION

Proposed Senate Resolution No. 172, entitled

RESOLUTION DIRECTING THE COMMITTEE ON BANKS,

FINANCIAL INSTITUTIONS AND CURRENCIES TO CONDUCT AN INVESTIGATION, IN AID OF LEGISLATION, INTO THE FEES AND SURCHARGES IMPOSED BY BANKS ON THE USE OF AUTOMATED TELLER MACHINES (ATMs)

Introduced by Senator Mar Roxas

To the Committee on Banks, Financial Institutions and Currencies

COMMUNICATIONS

Letter from Governor Rafael B. Buenaventura of the *Bangko Sentral ng Pilipinas* dated 31 January 2005, submitting to the Senate the Report on Public Sector Foreign Loans Approved by the *Bangko Sentral ng Pilipinas* (BSP) During the Fourth Quarter of 2004 and the Whole Year of 2004.

To the Committees on Finance; and Economic Affairs

Letter from Executive Secretary Eduardo R. Ermita of the Office of the President of the Philippines dated 8 February 2005, transmitting to the Senate the letter of even date of Her Excellency, President Gloria Macapagal Arroyo, addressed to Speaker Jose D. Venecia Jr. of the House of Representatives, certifying to the necessity of the immediate enactment of House Bill No. 3705, entitled

AN ACT AMENDING CERTAIN SECTIONS OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES,

pursuant to the provisions of Article VI, Section 26(2) of the Constitution.

To the Committee on Rules

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 6:07 p.m.

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RESUMPTION OF SESSION

At 6:11 p.m., the session was resumed.

DEPARTMENT OF AGRICULTURE

(Continuation)

Upon resumption, the Body resumed consideration of the budget of the Department of Agriculture.

INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña recalled that he made an earlier inquiry on the P2.9 billion foreign-assisted project of the Department of Agriculture, the upper Pampanga River Irrigation System, the total project cost, its status, and the amount allocated to the development of new canals and irrigation system and the rehabilitation of existing canals. He also observed that in the December 2004 National Irrigation profile report of ongoing projects, there was no program for the year 2005. Senator Magsaysay replied that no program was listed because it was already a completed project.

Senator Magsaysay reported to the Body that of the P4.165 billion irrigation budget for 2005, P2,920,309,000 were foreign-assisted projects and P1,245,260,000 were locally funded ongoing projects.

Asked if the Casecan Multi-Purpose Irrigation Project has been completed, Senator Magsaysay replied that it is still ongoing. He said that its 2005 allocation is P500 million as shown in the Manual, Financial and Physical Status for the 2005 budget. He affirmed that of the revised project cost of P5.8 billion, only P2.8 billion was released, of which, P1.7 billion, aside from the P500 million, was allocated under the 2005 budget.

Upon further queries, Senator Magsaysay stated that as of 2003, 11,703 hectares had been irrigated and for 2004, 802 or a total of 12,505 hectares.

Asked on the total allocation for the new area of 26,920 hectares, Senator Magsaysay replied that it is P4,029,000,000. Given that amount, Senator Osmeña said that the cost would be P150,000 per hectare, to which Senator Magsaysay agreed.

Asked what the average price for irrigated rice land in Central Luzon was, Senator Magsaysay reported that in Nueva Ecija, the price of an irrigated land per hectare is P350,000. He stated that

palay harvest for dry season is 4.8 metric tons and for wet season, 4.4 metric tons, or a total of 9.2 tons that sell at a price of P10.00 per kilo based on a 50-kilo-per-bag rate. Senator Osmeña argued that there is no such price as the rate all over the country ranges from P7.00 to P9.00 during harvest time. Senator Magsaysay said that figures from the Bureau of Agricultural Statistics showed the following:

FARM GATE PRICE OF RICE

(BAS study December 2003 –January 2004)

Week no.	Price
1	P 8.57
2	8.61
3	8.70
4	8.62
5	8.76
6	8.80
7	8.77
8	8.91

Senator Magsaysay enumerated the farm gate prices of rice based on the 2003-2004 study of the Bureau of Agricultural statistics as follows:

FARM GATE PRICE OF RICE

(BAS study December 2004 –January 2005)

Week no.	Price
1	P 9.54
2	9.72
3	9.81
4	9.85
5	9.86
6	9.97
7	10.06
8	10.11

Given the P9 price per kilo or rice, Senator Osmeña posited that a farmer harvesting 9.2 tons of palay for two harvest seasons would yield gross earnings of P82,800. He then asked for the estimated net earning minus the cost of inputs such as planting materials, fertilizer, irrigation fees and the like.

Senator Magsaysay replied that the cost would be at P12,000 per hectare. However, taking labor into account, Senator Osmeña opined that the net for two crops should be higher or about P20,000.

With this projection, Senator Osmeña wondered why anyone would pay P350,000 for a hectare of irrigated rice land if he would only be getting a net

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of P20,000 per year. He asked for the DA sales figures as he theorized that these properties were sold as residential or industrial lands. Further, he believed that the amount cannot reflect the intrinsic value of the productivity of the rice land even if this were irrigated. Senator Magsaysay agreed.

Relative thereto, Senator Osmeña clarified that he was asking about the price of productive rice land and not of potential residential or commercial land. Senator Magsaysay maintained that it is P350,000. He explained that price might be due to the fact that some farms have multi-crops such as fishponds, which give owners additional income. However, Senator Osmeña noted that fishponds have a different value and are more expensive to operate. He believed that the DA was lying as he pointed out that in Negros province, irrigated rice land costs from P100,000 to P110,000 per hectare. This, he noted, is the amount that the DAR has been paying landlords under the Voluntary Offer to Sell (VOS) scheme under its land reform program.

Asked why one would spend P150,000 per hectare for irrigation system when irrigated land itself is worth P100,000, Senator Magsaysay replied that the amount is utilized for infrastructure.

Senator Osmeña explained the need for the government to check how it spends its limited resources, that is why he is questioning overpriced projects such as the P150,000 per hectare irrigation cost for constructing an irrigation system. Moreover, considering the estimated P70,00-P80,000 price of un-irrigated land in the open market or from DAR, he wondered why government would shell out an additional P150,000 for an investment with small returns.

In reply, Senator Magsaysay explained that the government is committed to provide the farmers with irrigation but should also look at research and development efforts that can be used to persuade farmers to go into more productive use of land – like putting in high value crop, water and technology.

Upon further queries, Senator Magsaysay affirmed that the P150,000 price is only for the physical infrastructure and does not include cost for the construction of the Pantabangan Dam, Casecnan tunnel or water supply. Moreover, he said that effective January 1994, the Water Delivery Fee for the Upper Pampanga River Irrigation Project was pegged at P1.624 per cubic meter. At present, he

said that the price stands at about P4.00 per cubic given the annual rate increase of 7.5% through the fifth year of the cooperation period.

On the volume of water needed to irrigate one hectare of rice land for two crop seasons, Senator Magsaysay replied that 10,000 cubic meters per hectare would be needed. Senator Osmeña however noted that based on past hearings and his personal research, the requirement would be 22,000 per cubic meter per hectare per year or P88,000.00 in irrigation fees. Moreover, he pointed out that a farmer netting 20,000 on his two crops could not afford to pay P88,000 in irrigation fees; hence, income generated from taxes is what the government uses to pay in behalf of the farmers.

Relative thereto, Senator Osmeña pointed out that the ongoing debates on the tax measures and the pressure on the legislature to pass these bills is an offshoot of the government's huge deficit problem. Moreover, he opined that the deficit would not have been an issue if there were no smuggling and leakages in the bureaucracy as well as wastage on the part of the government.

Excluding the cost for the construction of Pantabangan dam, Senator Osmeña noted that the combined capital cost of P400,000 per hectare for the Casecnan project and the P150,000 allocation for irrigation would give a total cost of P550,000, excluding the capital cost made a long time ago for the construction of the Pantabangan Dam. This shows that the government is rich in financial resources but does not spend wisely, he added.

Asked whether the DA's commitment to create one million full-time jobs in agriculture has been realized, Senator Magsaysay replied in the negative. He recalled an earlier discussion wherein it had been agreed that any employment for less than 90 days cannot be considered as regular employment. He believed that the government should undertake certain projects not because they are economically justifiable but because it would make rural residents self-sufficient. Additionally, he expressed hope that the DA, DAR, DOST and the DTI would work together and explore new areas of addressing productivity in the rural areas in the light of globalization. Further, he pointed out that the government has a habit of going into a medium to long-term program even if it is no longer justifiable because funds are available. As such, he supported Senator Osmeña's belief that reforms

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should be made to make better use of available resources.

Senator Osmeña noted that except for the hybrid rice project, there have been no developments in the agricultural sector. Moreover, he observed that the bureaucracy appears to be content only with implementing whatever has been approved by the higher levels.

Asked by Senator Osmeña how much the government has reaped in additional production for every peso that it had invested in infrastructure, Senator Magsaysay replied that he could only venture a guess that it is below par, although infrastructure is supposed to have increased the productivity and income of the farmers. He said that one has to look at the return of an incremental investment that would be relevant to the yield of a community.

Since agriculture is a business, Senator Osmeña believed that a businessman would spend his money on a venture for which he would get the biggest return; he would first estimate the possible returns on every investment he would make. However, he said he has yet to see this type of macro measurement.

Asked on the return on all investments that have been put into the agriculture sector in the past ten decades, Senator Magsaysay agreed that these are important information that can guide Congress and the Executive department. He said that he would ask the Bureau of Agriculture to come up with such statistics within the next two or three months.

Senator Osmeña believed that the Agricom would certainly find these statistics useful. Comparatively, he noted that Thailand, Malaysia, Vietnam, Laos or even China are getting a better bank for their money insofar as their agricultural investments are concerned. He said that he was bothered by the fact that the Filipino people would be paying for the country's irrigation system for the next 20 years.

Senator Magsaysay commented that some agricultural businessmen believe that if they can develop corporate farming, each agricultural worker can get P200,000 a year. However, he noted that even the Strategic Agricultural Fisheries Development Zone is not prepared to host effective, more productive and cost-effective farming.

Asked how much was allocated in 2005 for the R&D under the Bureau of Agricultural Research and Development, Senator Magsaysay replied that it

is P820,885,000. Senator Osmeña believed that for R&D to be truly successful and progressive, the suggested level of spending for agriculture is roughly 5% of the gross-value added such that, if there is a gross-value added in agriculture of about P700 billion a year, there should at least be P35 billion for research and development. Year after year, he said, with a great deal of frustration, Congress has been serious about helping the agricultural sector to make it globally competitive because Thailand, 20 or 30 years ago, began to pour research and development monies into its agricultural sector aside from building its irrigation systems, farm-to-market roads, post-harvest facilities, and marketing capability. Apparently, he said, every fruit in Thailand today is better than any fruit in the Philippines, which is a shame because Thai graduates came from the U.P. School of Agriculture in Los Baños. He lamented that the government has been spending P150,000 per hectare which is too costly. He commented that it is useless to engage in a yearly exercise and lament that the Philippine is far behind in terms of developing its global competitiveness and comparative advantage, and yet, the government is not doing something about it.

Senator Magsaysay agreed that there is a gross underinvestment in R&D which averages only .3% of the GVA which is less than 1/3 of 1% of the P780 billion GVA. That being the case, Senator Osmeña believed that the government would only be condemning the Department to go farther and farther behind the regional and global competition. He underscored the need to bring the investment up to at least 1% perhaps through a realignment of some of the bloated allocation. He said that the R&D takes a long time to build up and its potential could not be seen in one year, possibly in five years in one particular crop, or ten years in another type of product. He pointed out that agriculture has always been a long-term project but the country has never been able to start because Filipinos are used to instant gratification.

Senator Magsaysay disclosed that the DA budget as a percentage of the national budget was as follows: 2.76% in 1995; 3.99% in 1996; 3.96% in 1997; 2.88% in 1998; 2.56% in 1999; 3.13% in 2000; 2.42% in 2001; 3.48% in 2002; 1.57% in 2004 and 1.6% in 2005.

Asked on the prognosis for the agricultural sector, Senator Magsaysay said it is in ICU, hence, there is indeed a need to realign funds and

attract potential investors in agricultural business. With political stability and enough infrastructure, he expressed optimism that private investments would come in. He noted that San Miguel, for instance, has been aggressive in expanding its production of local crops and raw materials as well as its livestock to supply meat and dairy. He believed that the government should try to reduce its overhead and use its savings in partnership with private investors to develop certain crops that can be import substitutes and export potentials. He noted that businessmen like Mr. Danding Cojuangco, who has the resources and the commitment, has successfully developed agricultural business in the country and has even acquired corporations in Australia, Malaysia, and Singapore. Other players, he said, should follow his lead because agriculture is indeed developmental and high risk as it depends on variables such as the weather.

Senator Osmeña said he could not see any program that can entice value-added processing facilities and investors into the countryside. Senator Magsaysay replied that there are a lot of new players in the agricultural sector today like Tyson Foods, Foremost Farms, and Loida Nicolas Lewis who put up a P50 million pork processing plant in Naga City.

Asked if the Philippines is exporting processed meat to the U.S., Senator Magsaysay replied in the negative.

Asked if the reason therefore is the high price of Philippine processed meat or it cannot meet the U.S. phytosanitary measures, Senator Magsaysay stated that it could be the latter.

On the efforts to get Philippine products into Australia, Japan, U.S., and the European Union, Senator Magsaysay stated that Congress passed the National Meat Inspection Code in May 2004 which is part of the compliance with certain international standards including those of the U.S.

As to when the Philippine meat processing plants would be certified by the U.S. Department Agriculture, Senator Magsaysay said that the Philippines was still in the process of meeting other requirements; however, he added that the projected time is two years from the passage of the law or the middle of 2006.

As to the competitiveness of the country's agricultural products, Senator Magsaysay gave the following data:

<i>Products</i>	<i>Importing Countries</i>
Banana-processed by Del Monte, Dole and Tiboli	Japan, Korea, New Zealand, United Arab Emirates, Taiwan
Pineapple – processed by Del Monte, Dole and Tiboli	Japan, Korea, New Zealand, Emirates, Taiwan
Fresh Mango	Japan, Hong Kong, Germany, Singapore and Canada
Dried Mango	U.S.A., Hong Kong, Germany; Singapore and Canada
Dried Pineapple	Germany, U.S.A., South Korea, New Zealand, Hong Kong
Fresh Papaya	Japan, Taiwan, Korea New Zealand, Hong Kong
Dried Papaya	Australia, U.S.A., Canada, Germany and Japan
Calamansi Juice	Canada, Japan, Korea Hong Kong, U.S.A.
Calamansi Concentrate	Canada, China, Hong Kong
Cassava Flour	Myanmar, New Zealand, Japan, U.S.A.

As for the total agricultural export, Senator Magsaysay stated that it was valued at U.S.\$2.1 billion or 5% of the total exports.

Asked about other agricultural products that are being developed that could be globally competitive, Senator Magsaysay said that the carrageenan is exported to Denmark, France, U.S.A., Netherlands, Northern Island, Great Britain.

Senator Magsaysay said that other products that are considered as potential champions include coconut virgin oil, coco coir, coco pit, banana chips, condiments, fruit juices, organic products and processed fillet of tilapia & bangus.

Asked if the coco pit and coco coir are considered as non-starters given the losses of the coconut industry in the past years, Senator Magsaysay stated that the DA, together with the PCA, has an ongoing program to put up coconut nurseries in Zamboanga that has very strong and high-yielding coconuts.

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Senator Osmeña lamented that he could not see the light at the end of the tunnel with the present level of funding, its distribution and the lack of spending on research and development to make local products of higher quality and more competitive.

Asked on the development of aquaculture and its subsector, mariculture, Senator Magsaysay stated that aquaculture dominated in 2004 with a year-on-year growth rate of 18%. He said that the DA and the BFAR focused on *tilapia*, *bangus* and seaweeds culture; and *tilapia* registered a 7.25% growth rate. Senator Osmeña said that fishponds devoted more expanded acreage to *tilapia*.

Senator Magsaysay stated that the BFAR had developed the "jet excel *tilapia*" which is a fast growing, high-yielding variety of *tilapia*. The said variety, he said, was bred at the CLSU. He added that there are 12 satellite hatcheries all over the country and in 2004, there were about 75 million fingerlings which translates to 10,000 tons at four fish to a kilo.

Furthermore, Senator Magsaysay stated that there are extension services for technology dissemination and alternative sites like wastelands, fish terraces, sand dunes are being proposed for *tilapia* breeding.

On the other hand, Senator Magsaysay said that in 2004, *bangus* registered a 9.5% growth year-on-year with seven mariculture parks — Samal Island, Davao; Liloan, Leyte; Basi, Samar; Calbayog, Samar; San Jose, Samar; Sto. Tomas, La Union; and Masinloc, Palauig, Zambales. He added that a central hatchery was established that increased the production of larvae to about 75 million to be distributed to satellite hatcheries, yielding 5,000 tons at four fish a kilo. He added that a policy had been implemented allowing the importation of *bangus* fry from Taiwan, and Indonesia.

Asked how much is being spent on R&D to develop superior variation of fish, Senator Magsaysay replied that in 2005, it is P79.237 million.

Upon further query, Senator Magsaysay stated that there is no R&D fund for prawn breeding. In response, Senator Osmeña noted that most prawn farms have already closed and those that have continued operating were able to do so because they controlled certain diseases like luminous bacteria

and they have access to clean water — far away from sources of pollution.

Senator Magsaysay stated that green water technology controls a luminous bacteria that kills prawns. Senator Osmeña bewailed the fact that 15 years have passed and the problem of the luminous bacteria persists. He requested a report on the matter. The government, he charged, has not spent any appreciable amount of money to resolve the problem. He argued that the government should have taken time to look at the preventive measures because other countries have found a way to control the luminous bacteria.

Senator Magsaysay said that the BFAR has controlled the problem by using green water technology. He said he would furnish Senator Osmeña with the explanations at a later time.

Senator Osmeña believed that if money would be put into areas that would yield the biggest returns such as prawn farming and high-value crops, this would help the agriculture sector.

To control bacteria in prawn farms, Senator Magsaysay said that BFAR is teaching fishfarm owners to put a net in the center of the farm with *bangus* and saline *tilapia* that eat the luminous bacteria and clean up the pond.

Asked if there are such demonstration farms within the Greater Manila Area, Senator Magsaysay said that there is one in Butong, Taal in Batangas. He said he would provide Senator Osmeña a list of the demonstration farms.

Senator Osmeña pointed out that the Philippines has a coastline twice as long as that of the United States which could have made it the strongest country in terms of aquaculture and mariculture, and the production of carrageenan and seaweed production. He added that the Philippines is not a natural agricultural country because it is mountainous; in fact, the only flat tracts are in Cagayan Valley, Central Luzon, Panay, the Agusan River Basin, the Liguasan marsh.

Senator Magsaysay affirmed that seaweed is the number one aquaculture commodity in terms of tonnage as he added that 998,000 metric tons was produced in 2003 which increased by 10.5% in 2004.

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Senator Osmeña agreed that the opportunity is limitless, judging by aerial views of many coastlines planted to seaweeds. He said that there are still a lot of shoals and areas that could be utilized for that purpose.

Senator Magsaysay said that income from seaweed production has reached P6 billion, with 55% of the bulk of production coming from the provinces in the ARMM and Region IX in Mindanao such as Tawi-Tawi, Sulu, Palawan, Bohol, Zamboanga City, Antique, Zamboanga del Norte and the western part of Quezon. He said that BFAD is now introducing seaweed production in nontraditional seaweed producing areas like Pangasinan, La Union, Ilocos, Zambales and Aurora.

Senator Osmeña said the 16,000 hectares planted to seaweed is a very small area—only a little larger than Mactan Island. Senator Magsaysay pointed out that this has increased over time—3,566 hectares in 1980, or 25 years ago, to 16,406 hectares in 2002.

On another matter, Senator Osmeña asked why the government did not rehabilitate and improve the Food Terminal Incorporated which many traders utilized for cold storage and which was a very critical part of the agricultural chain. He said that FTI needed just about P50 million to P100 million to be rehabilitated.

Senator Magsaysay reported that FTI was losing almost P8 million a month or about P100 million a year. He said that P400 million is needed to rehabilitate the ice cold storage plant for which reason, the government is inviting private parties to put up an ice cold storage plant there and lease it. Senator Osmeña pointed out that rehabilitation would have been possible if government did not build the 2,600 hectares Upper Pampanga River Irrigation System that cost P150,000 per hectare. He averred that the government would have gotten more value for the money from the rehabilitated FTI than the Pampanga irrigation system. He lamented that government has no central planning and after nine years in the Senate, he cannot see an improvement anywhere in the agricultural sector.

Senator Magsaysay said that it was former DA Secretary Lorenzo's vision to put up a supply chain but since the DA did not have the resources needed, he invited Joe Concepcion's RFM which unfortunately had a falling out with its Malaysian

partners. He disclosed that another group wants to buy out the Malaysian group.

Senator Osmeña pointed out that it is very hard to attract private capital. He said that the only reason why San Miguel is ramping up its agri-business activities is that they tie in with the corporation core competencies and products. Aside from that, he said, no outsiders have been begging to come in.

Senator Osmeña said that FTI was very important since a lot of foodstuff from Bicol had been coming in, but the government did not see fit to put a *bagsakan* in the area where vegetables are cut, cleaned and packed and transported to Manila. Senator Magsaysay observed that 35% of the foodstuff that reaches Manila is not saleable.

Senator Osmeña hoped that additional cold storage plants would be set up in Trinidad Valley where billions of pesos worth of vegetable are produced. He said that since its *bagsakan* has already been expanded, it would not cost much to fund the expansion of its tissue culture laboratories.

In reply to further queries, Senator Magsaysay said that rice production reached to 14.5 million metric tons, a shortfall of 1.1 million metric tons a year, or 7.5% to 10%, depending upon the weather and on population growth. Senator Osmeña, however, pointed out that population only grows by 2.36% a year.

Senator Magsaysay said that the *Ginintuang Masaganang Ani (GMA)* rice might answer part of the shortfall. Wondering why there has always been a shortage, Senator Osmeña opined that it might be so reported so that it can import rice from Burma and Thailand. If indeed the agriculture sector grew by 6.3% as announced, he said that there would an oversupply of some of the products and drop in farm and market prices. He noted, however, that prices even went higher. Senator Magsaysay explained that this was due to the increase in the cost of inputs, peso depreciation and, perhaps, the rise in the demand for basic crops.

In reply to another query, Senator Magsaysay affirmed that the mandate of the Department of Agriculture is to increase agricultural production to meet the country's food requirement as well as to stabilize costs or to bring them down if efficiencies are reached.

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Supposing there is pressure from farmers to increase the farmgate price of rice from P8 to P10 to encourage more production, Senator Osmeña asked how food prices would be kept down. Senator Magsaysay said that government is trying to encourage more farmers to go into agriculture and to pay them on time so that they would be encouraged to produce more.

Senator Osmeña lamented that the paradox is that government attracts more farmers to produce more food by offering them higher prices for their products. However, he said that the cost of living consequently gets higher for the 85 million consumers. Senator Magsaysay said that this is not necessarily so, because with better mills and storage, the yield of *palay* would lessen the losses, considering the 20% of the harvest is lost due to bad storage.

Senator Osmeña argued otherwise, saying that the loss does not come from storage only but also from the entire process. He said that a study reveals that 2% is lost when *palay* is cut; 1% in transporting; 2% in threshing; and the rest from other factors. The loss, he said, is something that is really difficult to control, to the disadvantage of the consumers who spend up to 45% of their average household income on food.

Neighboring countries like Thailand and Malaysia spend 27% and 22%, respectively, of their household income on food, Senator Osmeña said.

Replying to further queries, Senator Magsaysay disclosed that a kilo of rice in Thailand costs 20 baht which is equivalent to P30 while the higher grade costs 27 baht. He gave the following data from the Bureau of Agricultural Statistics on equivalent varieties:

<i>Freight on Board (FOB)</i>	<i>Price/kilo</i>
5% broken	
Thailand	P15.40
Vietnam	P14.09
25% broken	
Thailand	P14.14
Vietnam	P13.60
Philippines	P18.69

Senator Osmeña remarked that the NFA is losing so much money because it is paying double of its retail cost. On the observation that the NFA

makes money when it imports rice but loses money when it buys locally, Senator Magsaysay clarified that the NFA pays taxes and is forced to sell at a loss.

As regards the budget of the National Food Authority, Senator Magsaysay revealed that the government subsidy to the NFA in the 2005 budget is P900 million but it lost P13.426 billion in 2004 broken down as follows:

<i>Particulars</i>	<i>Amount in billions</i>	<i>%</i>
Gross loss due to lower selling price	P 5.935	44
Personal Services	P 1.391	10
MOOE	P 2.891	22
Outstanding loans and additional borrowings	P 3.209	24
TOTAL	P13.426	100

Asked how the agency allocated loss to personal services, Senator Magsaysay explained that the PS is part of overhead services. He explained that the bulk of the NFA's loss of 44% stemmed from trading loss as it is asked to buy high and sell low; 24% of its interest expense is caused by borrowing funds since the government cannot fully subsidize its operations but it cannot compete with the locals because of its big overhead expense. In 2003, the total losses of the agency amounted to P7.6 billion and in 2002, P5.023 billion, he added.

Asked how the NFA covers its losses, Senator Magsaysay stated that the NFA borrows under government guarantee but services only the interests when the loans are due. He promised to provide Senator Osmeña with a list of the outstanding loans, its maturity dates and coupon rates. He said that the NFA has incurred a total loan of P25 billion for the past three years. He agreed to give Senator Osmeña a complete set of NFA's financial statements for the past 10 years. Senator Osmeña stated that he wanted to know the agency's total outstanding debt and its contribution to the consolidated public sector debt and consolidated public sector debt servicing for 2004 and 2005.

REMARKS OF SENATOR ROXAS

Senator Roxas recalled the omnibus request for Department of Agriculture to provide the information requested during the various interpellations. Senator Magsaysay stated that the Bureau of

Agricultural Statistics and the Office of the Secretary took note of all the requests. He gave assurance that all the data would be given to individual members.

INTERPELLATION OF SENATOR LACSON

At the outset, Senator Lacson read a pro-forma letter purportedly from a representative of the Department of Agriculture. He disclosed that the letter requested financial assistance of P5 million for the procurement and distribution of farm inputs under the *Ginintuang Masaganang Ani* rice and corn program. He said that the "project solicitation" was made when the Senate was about to start the plenary deliberations on the National Budget and Secretary Yap was facing confirmation. He said that he declined the offer.

Replying to a query, Senator Magsaysay stated that the Agriculture Secretary is not aware of the letter. But he expressed hope that the Body would get to the bottom of the matter.

At this juncture, Senator Enrile informed the Body that he was also approached on the same "project" but following his inquiries, he found out that there was no such allocation.

Asked by Senator Lacson whether the planting of 230,000 hectares of land to hybrid rice has enabled the country to attain 95% sufficiency as of 2004, and that a 97% sufficiency would be attained in 2005, Senator Magsaysay stated that this is so, according to the Department.

As to the volume of rice that the country needs to import to compensate for the 5% shortfall, Senator Magsaysay replied that it was 999,000 metric tons in 2004, and in 2005, it might be a minimum of 1.1 million metric tons.

Pointing out that the country needs at least 1.4 million metric tons of rice a year, Senator Lacson asked how much was smuggled into the country to compensate for the shortage of 400,000 metric tons. Senator Magsaysay said that he did not know.

Senator Lacson asked why the COA report on the DA showed an item on unreliable total cash balance of P1.709 billion due to unreconciled differences, nonexistent bank deposits, and substantial long outstanding cash advances to disbursing officers, and other deficiencies.

SUSPENSION OF SESSION

Upon motion of Senator Magsaysay, the session was suspended.

It was 8:13 p.m.

RESUMPTION OF SESSION

At 8:14 p.m., the session was resumed.

Senator Magsaysay stated that bank reconciliation statements for some accounts are still being prepared, but as of December 31, 2004, the total balance has gone down from P1.709 billion to P1.478 billion: substantial long outstanding cash advances to disbursing officers, from P175 million to P101 million; cash in bank and local currency current account, from P1.173 million to P1.153 million; while the P161 million for the National Treasury has been fully reconciled. He said that he would furnish Senator Lacson with a copy of the report.

In reply to another query, Senator Magsaysay stated that the Department has reconciled only less than P300 million in 15 years. He affirmed that no charges have been filed against any officer or employee of the Department.

On whether the DA does not have plans of even initiating an investigation on the matter, Senator Magsaysay said that the COA should make the recommendations.

Senator Lacson pointed out that there are also unlimited cash balances amounting to more than P190 million out of the trust funds, interest income, and funding checks and cash collections of the Office of the Secretary, Bureau of Animal Industry (BAI), and Agricultural Training Institute (ATI).

Senator Lacson inquired on the position of the Agriculture Secretary on the plan to extend the Agricultural Competitiveness Enhancement Fund (ACEF) for another 15 years. Senator Magsaysay stated that from the plenary debates on the ACEF bill, some senators wanted the Fund to be a government fund.

Senator Magsaysay said that the ten-year extension was not enough; amendments have to be introduced concerning collection, re-lending and priorities. Further, he said that 15% of the available

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fund will go to grants for laboratories, research and development, state colleges and universities, among others; another 15% to the equity portion, and the remaining 70%, as part of the loanable portfolio. He remarked that the aim is to keep the fund going and eventually, charge interest rates to answer some losses.

Asked if it has served its purpose from April 1996 up to the present, Senator Magsaysay replied that 56 projects have been funded, and the 70% repayment rate has enabled the beneficiaries to compete with similar imported products in terms of price and quality.

INTERPELLATION OF SENATOR PIMENTEL

Initially, Senator Pimentel asked if the Department maintains a dollar account abroad. Senator Magsaysay replied in the negative.

Senator Pimentel recalled that some amounts were deposited abroad ostensibly in the name of the Department. If evidence is produced that such account exists, he said the people responsible will be cited for contempt for misleading the Body.

Senator Magsaysay explained that if there were any dollar account involved, it is the agricultural attachés' personal account.

On whether monies intended for the Department would go to the said account, Senator Magsaysay replied in the negative, pointing out that it is the rightful allowance of the agricultural attaché assigned abroad.

To Senator Pimentel's argument that there were monies intended for the Department through the PL 480, an account that was maintained abroad for sometime, Senator Magsaysay revealed that PL 480 has a separate account with the National Treasury and is not based abroad.

Asked if there is a Department account being maintained abroad for any purpose, Senator Magsaysay replied in the negative.

Finally, Senator Pimentel requested the names of DA officials who can vouch for the information as sanctions would be imposed if they can be proven wrong. Senator Magsaysay said that the

Secretary has requested that the Department be given more time to double check and verify the matter. He said that the Secretary assumed office not too long ago and is still putting all the needed information together. Under those qualifications, Senator Pimentel said that he is willing to submit the budget of the Department.

SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF AGRICULTURE

Upon motion of Senator Cayetano, there being no objection, the budget of the Department of Agriculture was deemed submitted for the Body's consideration, subject to compliance with the request of Senator Pimentel.

SUSPENSION OF SESSION

Upon motion of Senator Cayetano, the session was suspended.

It was 8:32 p.m.

RESUMPTION OF SESSION

At 8:37 p.m., the session was resumed.

THE COMMISSION ON ELECTIONS

Thereupon, Senator Villar presented for the Body's consideration the budget of the Commission on Elections.

INTERPELLATION OF SENATOR BIAZON

Preliminarily, Senator Biazon said that he was proclaimed senator 22 days after the 2004 elections and was subjected to questioning by the Supreme Court. He noted that the Iraq election results were expected after ten days, including canvassing done in a war situation.

On a related matter, he reported that Indonesia conducted national elections with 155 million registered voters and 121 million votes cast during the elections and within 24 hours there was a determination that none of the candidates for President garnered 50% or more of the votes.

Senator Biazon asked on the status of the Comelec modernization program with regard to the conduct of the elections, canvassing of votes and proclamation of the winning candidates.

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Senator Villar replied that it was unfortunate for the Comelec not to have used the electronic transmission system as it would have produced faster results. However, even if it was used, he said it would not be a basis for the official count as the modernization program speaks only of counting, not of the transmission of results. He recognized the need to amend the measure.

Senator Biazon agreed with Senator Villar that every election time, the integrity of the process triggers some degree of political instability and contributes to the weakening of the country's many institutions and its processes. He proposed that the election process which is the pillar of democracy should be strengthened, and the institutions and its processes improved, in order to have a strong Republic.

Aside from the problem of a having a law that failed to provide for the transmission component of the canvassing, Senator Biazon asked whether the Comelec could use the automated machines in the 2007 elections. Senator Villar said that the Comelec has a pending petition with the Supreme Court on this matter.

Upon further queries, Senator Villar said that since the Comelec has finished its codification of election reforms in coordination with the Congress and it has all the machines necessary for the computerized elections, all the phases of the elections from counting, recording, transmitting to receiving would be speeded up. He affirmed that with the approval of the Supreme Court, the Comelec could use all the machines it needed for the ARMM elections on August 8, 2005. This being the case, Senator Biazon believed the resolution of the issue on the use of the automated counting machines should be hastened; moreover, a law should be enacted to address the transmission requirement of the computerization program. Senator Villar agreed, affirming that a supplemental budget for additional machines could be passed.

INTERPELLATION OF SENATOR PIMENTEL

At the outset, Senator Pimentel hoped that President Gloria Macapagal Arroyo would not go against a constitutional prohibition by appointing people to public office before they are confirmed by the Commission on Appointments as in the case of incoming DPWH Secretary Hermogenes Ebdane.

As to whether the Comelec has an appropriation for the ARMM elections, Senator Villar said that none has been included in its 2005 budget. He stated that the Comelec has been assured by the House of Representatives that it would include a P546 million supplemental budget in the GAB during the conference committee although the Senate has not been consulted.

Senator Pimentel noted a Comelec resolution dated August 21 2004, that Comelec Commissioner Garcellano initiated, which authorized the oath-taking of the fifth member of a provincial board in provinces where only four board members are allowed. Further, he stated that through the initiative of Commissioner Garcellano, candidates in Misamis Occidental, Agusan del Norte and Lanao del Sur were allowed by the Comelec to take their oath of office as the fifth board member in clear violation of election laws.

Senator Villar said that there is a subsequent resolution nullifying the earlier resolution. Senator Pimentel said the fact that the resolution passed the Comelec *en banc* raises questions as to the seriousness with which the Commission conducts its proceedings. He explained that he raised the issue so that the Comelec would know that it is being closely watched. He opined that the Commission would lose the trust of the people if its actions cast doubt on the quality of its work. Further, he cautioned the commissioners against being taken in by fast operators as in the incident just cited.

Senator Pimentel recalled that due to the synchronization of the barangay and SK elections, the Senate had to amend the SK law by lowering the age requirement of the SK member to avoid confusion among the voters. He noted that the amendment that set the voting age limit between 15 and 18 years old was necessary as the old law allowed people above 18 years old to vote in both the SK and barangay polls. Moreover, he said that he has received complaints that the old SK law automatically makes the SK chairman a member of the Sanggunian, although by and large, an SK member is young to act as a lawmaker for a barangay, municipality or province.

Asked for the views of the Comelec chairman on the matter, Senator Villar said that while Comelec only implements the election laws, it is the personal opinion of Chairman Abalos that the

government should do away with the SK elections. Based on his own conversations with people, Senator Pimentel noted that this view is shared by many and even if he is not prepared to endorse it, the prevalent opinion is that the SK should really be abolished.

On reports that the Comelec is not in favor of the barangay elections because it creates divisiveness and there is no budget therefore, Senator Villar replied that the DBM disapproved the P2.89 billion allocation for this electoral exercise.

Senator Pimentel said that P2.89 billion is a big amount that can still be pruned to a more reasonable level. However, if it can be shown that there is no money for it, he asked if the Comelec would endorse the idea of holding the barangay elections as scheduled. Senator Villar replied in the affirmative.

Senator Pimentel believed that the 10% of the P30.32 billion internal revenue allotment of the barangay could probably cover the needed amount for the barangay elections.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 9:07 p.m.

RESUMPTION OF SESSION

At 9:10 p.m., the session was resumed.

Senator Villar replied that the Committee would need some time to look into the legal aspect of funding the elections that way. If it is not possible, and the conduct of elections is compelling, he stated that the Committee would have to look for the funding elsewhere.

Senator Pimentel expressed the view that postponing the elections would do more harm than good in the long run. The argument that the barangay and SK elections have to be postponed for lack of funds could also surface when the local or other elections come around, he added.

Asked on the unliquidated amounts in the Comelec budget per COA report, Senator Villar

replied that P2.6 billion was unliquidated as of the end of 2004. In the exigency of the service, he said that cash advances are granted to special disbursing officers during political exercises to defray expenses such as the payment for the board of election inspectors, honoraria, mobilization expenses of field officials, among others, the payment of which cannot be made or is impractical to be done in the central office.

On cash advances given to coterminous employees, Senator Villar stated that the management recognizes the confidentiality of the relationship of the Commissioner and his staff although coterminous employees are temporary employees who remain in the service during the seven-year term of the Commissioner. He explained that the grant of cash advances to these employees is grounded on the premise that any Commissioner who is in charge of a major project of the Comelec would want a disbursing officer whom he can trust. Moreover, he said, management has prepared a list of employees who have been separated from the service but failed to liquidate their cash advances and has recommended to the law department the filing of the necessary and appropriate charges. He informed the Body that of the P2.6 billion unliquidated amount, the P1.05 billion advanced to DepEd remains unliquidated; but the AFP was able to liquidate P154 million and the PNP, P74 million.

However, Senator Pimentel pointed that the P1.05 billion was supposed to be part of the actual wastage and losses of public funds when the contract of the election modernization program was voided. Senator Villar maintained that the amount represents unliquidated cash advances to government agencies, mainly DepEd.

Senator Pimentel stated that the Comelec should be pressured to recover the unliquidated amount; on the other hand, Senator Villar believed that the Comelec should pressure the agencies concerned to liquidate the same.

Senator Pimentel wondered how this problem of unliquidated advances could be resolved because every year, Congress hears the same old problem. Relative thereto, he informed the Body that Undersecretary Juan Miguel Luz had committed to immediately settle the cash advances of the Comelec to DepEd. He said that as of year-end

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2004, the Comelec had written all accountable officers of agencies demanding settlement of the cash advances, the settlement of inter-agency fund transfer has totaled P530.7 million, whereas, cash advances amounting to P501 million had been liquidated by Comelec officials and employees.

Since the matter of cash advances seems to be an endemic problem of all the departments with no exception, Senator Pimentel opined that somehow, Congress should find a way to put an end to it. He opined that the government would not probably be as cash strapped as it is now if people accounted for the money and returned unusual amounts to the coffers of government. Senator Villar shared the same observation. He said that the problem is reflective of the inefficiency of the system which should be corrected because it is dangerous to have a lot of money floating around.

Senator Pimentel proposed that the Finance Committee craft a bill to correct such anomalies, to which Senator Villar agreed.

On another matter, Senator Pimentel observed that the Comelec is so cavalier in its attitude towards election cases that are filed before the Commission; some cases are decided maybe one day before the end of the term of an elected official. He said that he has in his possession cases pending with the Comelec Electoral Contest Adjudication Department: original cases pending as of December 21, 2003-27; cases filed January to June 2004-56; total cases filed as of June 30, 2004-83; resolved January to June 2004-3; pending as of June 30, 2004-83; election appealed cases pending as of June 30, 2004-295; Special Relief cases pending as of June 13, 2004-111; and undocketed cases pending as of June 30, 2004-6. He wondered why decisions on these cases are delayed, pointing out that "justice delayed is justice denied." He stated that it is very difficult to justify the delay of the resolution of election protests that lasts until one or two weeks before the next election. For instance, in the Province of Pangasinan, he said that two mayors who supported the campaign of the opposition were able to assume office 10 days before election day.

Senator Villar said that the Comelec was also concerned about these cases. However, he pointed out that the Comelec is helpless because even

before it can even look into the merits of the case, it has to wait for the decision of the courts, especially when the jurisdiction of the Comelec is being questioned.

On the argument that there must be administrative remedy to this problem, Senator Villar bared that Comelec has proposed some amendments to the Election Code as regards the disposition of cases. He said that one proposal is to amend the provision on appeals so that the case can go straight to the Supreme Court.

Senator Pimentel stated that Batas Pambansa Blg. 881, the Election Code, is outmoded and needs to be revised. He said that the Comelec should submit to the Senate its proposed amendments so the law could be amended as soon as possible.

Citing the case of a mayor of Mayorga, Leyte that the Comelec never decided until the term ended, Senator Pimentel stressed that it is important to show the people that the Comelec could be relied on to give impartial decisions on electoral contests. He said that there were rumors of payoffs to Comelec that were never substantiated.

Senator Villar said that the Comelec Chairman regrets the incident which did not happen during his tenure. He added that it is for this reason why the Comelec wants to expedite the disposition of cases.

On another matter, Senator Pimentel recalled that he proposed to revise the specifications of the Comelec counting machines from optical meter reader to an optical mark reader. He said that because of the fast pace of technology, the Comelec machines were already outmoded. Senator Villar agreed, saying that the Comelec has been proposing an amendment to the pertinent law that specifically provided for the optical meter reader machine.

Judging from the statements of Chairman Abalos, Senator Pimentel observed that the Chairman seemed to have backtracked on the proposed amendment. Had the amendment been advocated by the Comelec, he said, the Body would have supported it.

Relative to the canvassing in May 2004, Senator Pimentel pointed out that the statement of Chairman Abalos that he was keeping a private tally on the presidential and vice-presidential elections

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was uncalled for, considering that the Comelec only has jurisdiction over the canvassing of senatorial votes. He added that it was unfair of the Chairman to do so as it gave the impression that the Opposition candidates had already lost the race.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 9:36 p.m.

RESUMPTION OF SESSION

At 9:37 p.m., the session was resumed.

SUBMISSION OF THE BUDGET OF THE COMMISSION ON ELECTIONS

Upon motion of Senator Pangilinan, there being no objection, the budget of the Commission on Elections was deemed submitted for the Body's consideration.

TURNO EN CONTRA

Upon motion of Senator Pangilinan, there being no objection, the Body closed the period of interpellations and proceeded to the *turno en contra*.

SPEECH EN CONTRA OF SENATOR ANGARA

Thereafter, Senator Angara delivered his speech *en contra*, to wit:

NO VISION, NO CHANGE

Let me begin by saying that a national budget must be, above all things, an instrument of change for the Filipino.

The process of creating a national budget is the most powerful way by which a nation can inspire its citizens to look beyond their own immediate concerns. It is the single biggest instrument through which we can lift our nation's hopes and morale.

But it is with sadness, not in anger but some regret, to note that this budget will not improve any life and will definitely not build the future.

The government claims that the 6.1% GDP growth in 2004 is the highest since

1996. But let us compare our macro-economic indicators then and now and we will see that we are far better off nine years ago.

A deceptive growth

The claimed GDP growth of 2004 only conceals the fact that our poor remain poor. How is this so? Despite the increase in gross domestic growth rate, the country's per capita income showed no improvement at all. The country's per capita GNP in 1993, 10 years ago, was P11,151. What is it now? Fourteen thousand pesos, an increase of P3,000 over a period of 10 years. That is no growth at all. It is status quo.

Based on the redefinition of poverty by the government's statistical agencies, the proportion of our population living below the poverty line dropped, according to statistics, from its original figure of 34%. In fact, the National Statistical Coordination Board even claims that it went down to 30.4%. Today the Asian Development Bank came out with a statement that poverty incidence in the past three years has gone up rather than down.

But let us not listen to our own national statistics. Let us not even listen to the ADB. Let us listen to the average Filipino. What does the average Filipino say? Based on the Pulse Asia survey of October-November 2004, 74% of Filipinos rated themselves poor — the highest poverty self-rating ever. Moreover, a UNDP study showed that the Philippines GDP per capita average growth rate from 1990-2002, a period of dozen years, is the lowest among its Asian neighbors. If we are to include figures for 2003-2004, we shall see that the Philippines has not improved in its standing at all. The slight increase in per capita growth rate still leaves us with the lowest in Asia — lower than Indonesia.

Then there is the small matter of sustainability. Our economy remains highly vulnerable to downside risks. Worse, it is prone to growth spurts and sharp downturns, more commonly known as the "boom and bust cycle."

Our economic growth for the past three years has not been under-pinned by

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components favorable to long-term growth. Rather, growth was basically consumer driven, supported by strong remittance inflows.

Given the country's high dependency on energy imports and large stock of foreign debt, the current external shocks such as the tremendous rise in oil prices and increase in world interest may wipe out the little gains we had in the last three years. Already, the inflation rate has reached 7.5% in the last few months of 2004, breaching the government's inflation target of 4% to 5%.

And despite the GDP expansion, our unemployment rate remains the highest in the region. It is indeed a jobless growth – a growth that is largely unfelt by our citizens.

Poor fiscal performance

The national government is on an unabated borrowing spree. As of September 2004, our total outstanding national government debt has reached an incredible amount of P3.7 trillion, or 80% of the GDP. Simply put, the administration has been accumulating debts to the tune of P1.4 billion daily.

Today, our public sector debt stands at P5.01 trillion and an implicit debt amounting to P1.8 trillion from SSS and GSIS.

In addition, 2004 marks the country's lowest tax effort, aggravated by unplugged tax leakages amounting to P240 billion for the year 2002. And here comes our government aggressively pushing to impose new taxes on our people, when what it needs to do first is to improve the collection of existing ones.

Priorities amiss

The proposed 2005 budget amounts to P907.590 billion, whose P46 billion increase from last year's budget is, to put it mildly, somewhat negligible. Of the total increment, 65.6% will automatically go to interest payments and leaves us with very little to support innovation or effect a significant change for the next 365 days.

Clearly, the budget priority remains focused on debt service.

As a result of government's massive borrowing, interest payments will remain the largest and fastest-growing major spending item in this government budget. In fact, debt service accounts already for about 5.5% of the country's Gross Domestic Product in 2005.

Hence, we are left with very little flexibility, both in influencing economic growth in the year to come, and in reallocating resources across sectors.

On the contrary, the figures in the proposed budget do not support at all the constitutional and national priorities envisioned in President Arroyo's 10-point agenda.

Health and other basic social services are only given very small slices of the pie.

The share of social services to the entire national government budget continues to decline—the government seemingly unaffected by the dismal state of basic education, the number of deaths that could have been avoided had we given primary health care more importance, or the extensive rural poverty due to stunted agricultural growth.

To illustrate, the proportion of social services to the entire budget was already at 30.36% in 2001 but is now down to 28.02%. When comparing spending in education and health, the Philippines trails behind some of its neighbors with only 2.5% for education and 0.3% in health of the national income. Thailand and Malaysia are doing much better, allotting 5% and 7.9% for education, and 2.1% and 2% for health.

In other words, the government's spending on social services per Filipino went down from an already low P557 in 2001 to P499 this year, 2005. In education, the government allots a measly amount of P352 per Filipino. Also this year, the health sector gets a measly allowance of P35 per Filipino.

This dismally low allocation gives our citizens more than enough reason to believe that government is not doing enough for the poor, despite claims of economic growth.

Infusing vision into the national budget

I realize we have a huge budgetary deficit. But even in times of fiscal crisis, there is such a thing as prioritization. I propose that the country's limited resources be concentrated primarily on social services.

It is in these areas where we can truly make a difference in the lives of the Filipino people. It is in these areas where we can reduce the pangs of poverty—not through statistics alluding to growth or vague economic figures that they do not understand.

More than ever, we need to unshackle ourselves from the iron grip of the budgetary status quo. We need to be a little more imaginative. We need to be a little more creative. We have to junk those tired and uninspired budget priorities if we want to create an environment for sustained growth.

We must focus on basic education—on filling the shortage of teachers, classrooms, textbooks, desks, and other physical requirements. We must fund an intensive training program for our teachers so that we can create a vast pool of good teachers at the basic education level.

We must direct our attention on primary health care—on immunization, maternal and child health care and nutrition.

We must, above all, ensure affordable food through sustained and aggressive agricultural reforms, initially through building a network of post-harvest facilities across the country to reduce the huge and need-less loss and wastage in the grains sector. And the loss in grains is replicated in the fishery sector.

Finally, we must create a national budget that is potent and powerful—one that is capable of effecting positive change in the lives of our growingly impatient people.

TERMINATION OF THE TURNO EN CONTRA SPEECH

There being no interpellation, upon motion of Senator Pangilinan, there being no objection, the Body closed the period of *turno en contra*.

SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3154

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

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session suspended until three o'clock in the afternoon of the following day.

It was 9:52 p.m.

RESUMPTION OF SESSION

At 4:37 p.m., Thursday, February 10, 2005, the session was resumed with Senate President Drilon presiding.

TWELFTH ADDITIONAL REFERENCE OF BUSINESS

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

BILLS ON FIRST READING

Senate Bill No. 1910, entitled

AN ACT ADOPTING A CONSOLIDATED INVESTMENTS AND INCENTIVES CODE OF THE PHILIPPINES

Introduced by Senator Biazon

To the Committees on Economic Affairs; Trade and Commerce; and Ways and Means

Senate Bill No. 1911, entitled

AN ACT TO PROVIDE YOUTH SUICIDE EARLY INTERVENTION AND PREVENTION EXPANSION

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Health and Demography; and Education, Arts and Culture

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RESOLUTIONS

Proposed Senate Resolution No. 173, entitled

RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE REPORTED ANOMALOUS TRANSACTIONS OF THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS INVOLVING THE MOTOR VEHICLES USER'S CHARGE AND THE FOUR BILLION PESOS OVERPRICED ON 20 FOREIGN ASSISTED PROJECTS IMPLEMENTED BY THE DEPARTMENT, WITH THE END IN VIEW OF PROVIDING REMEDIAL LEGISLATIONS TO ADDRESS THE LOOPHOLES IN THESE LAWS THAT ALLOW GLARING WRONGDOINGS TO BE COMMITTED WITH IMPUNITY TO THE PREJUDICE OF THE INTEREST OF THE GOVERNMENT

Introduced by Senator Lacson

To the Committees on Accountability of Public Officers and Investigations; and Public Works

Proposed Senate Resolution No. 174, entitled

RESOLUTION TO INSTITUTIONALIZE *SUMMER SA SENADO* PROGRAM THEREBY RECOGNIZING THE VITAL ROLE OF THE YOUTH IN NATION-BUILDING

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Youth, Women and Family Relations; and Accounts

Proposed Senate Resolution No. 175, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON PUBLIC SERVICES AND COMMITTEE ON GOVERNMENT CORPORATIONS

AND PUBLIC ENTERPRISES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION ON THE PHILIPPINE NATIONAL RAILWAYS (PNR) TRAIN TRAGEDY IN PADRE BURGOS, QUEZON

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Public Services; and Government Corporations and Public Enterprises

Proposed Senate Resolution No. 176, entitled

RESOLUTION REQUESTING THE OMBUDSMAN TO CONDUCT PRELIMINARY INVESTIGATION ON THE ALLEGED CRIMINAL ACTIVITIES BY SOME PARTIES TO CERTAIN INDEPENDENT POWER PRODUCER (IPP) CONTRACTS, WHICH WERE IDENTIFIED BY THE DEPARTMENT OF FINANCE INTER-AGENCY COMMITTEE AS HAVING LEGAL AND FINANCIAL ISSUES, FOR THE PURPOSE OF FILING, IF PROVEN APPROPRIATE, THE NECESSARY CHARGES AGAINST THE PARTIES TO THE QUESTIONABLE IPP CONTRACTS

Introduced by Senator Defensor Santiago, Miriam

To the Committees on Accountability of Public officers and Investigations; and Energy

Proposed Senate Resolution No. 177, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON LABOR, EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT, COMMITTEE ON CONSTITUTIONAL AMENDMENTS, REVISION OF CODES AND LAWS, COMMITTEE ON NATIONAL DEFENSE AND SECURITY, AND COMMITTEE ON AGRARIAN REFORM TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION

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**ON THE VIOLENT CLASH
BETWEEN LAW ENFORCERS
AND STRIKERS IN HACIENDA
LUISITA**

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Labor, Employment
and Human Resources Development; and
National Defense and Security**

Proposed Senate Resolution No. 178, entitled

RESOLUTION DIRECTING THE
SENATE COMMITTEE ON
ACCOUNTABILITY OF PUBLIC
OFFICERS AND INVESTIGATIONS
(BLUE RIBBON) AND COMMITTEE
ON URBAN PLANNING, HOUSING
AND RESETTLEMENT TO
CONDUCT AN INQUIRY, IN AID
OF LEGISLATION, ON THE
ALLEGED QUESTIONABLE GRANT
BY THE PAG-IBIG FUND OF A P353
MILLION LOAN TO THE REAL
ESTATE FIRM OF EL SHADDAI
LEADER MIKE VELARDE

Introduced by Senator Defensor Santiago,
Miriam

**To the Committees on Accountability of
Public Officers and Investigations; and Urban
Planning, Housing and Resettlement**

Proposed Senate Resolution No. 179, entitled

RESOLUTION DIRECTING THE
COMMITTEE ON EDUCATION,
ARTS AND CULTURE AND OTHER
APPROPRIATE COMMITTEE/S
TO CONDUCT AN INQUIRY,
IN AID OF LEGISLATION, ON
THE INCREASING NUMBER
OF COLLEGES AND UNIVER-
SITIES RECOGNIZED BY
THE COMMISSION ON HIGHER
EDUCATION (CHED) WITH THE
END VIEW OF RECOMMENDING
REMEDIAL MEASURES TO
IMPROVE THE QUALITY OF
EDUCATION IN THE PHILIPPINES

Introduced by Senator Mar Roxas

**To the Committee on Education, Arts and
Culture**

Proposed Senate Resolution No. 180, entitled

RESOLUTION DIRECTING THE
COMMITTEE ON EDUCATION,
ARTS AND CULTURE TO
CONDUCT AN INVESTIGATION, IN
AID OF LEGISLATION, ON THE
INCREASE IN TUITION FEES BY
PRIVATE SCHOOLS AT THE
MIDDLE OF THE SCHOOL YEAR

Introduced by Senator Mar Roxas

**To the Committee on Education, Arts and
Culture**

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session
was suspended.

It was 4:41 p.m.

RESUMPTION OF SESSION

At 4:45 p.m., the session was resumed.

**COMMITTEE REPORT NO. 10
ON HOUSE BILL NO. 3154
(Continuation)**

Upon motion of Senator Pangilinan, there being
no objection, the Body resumed consideration, on
Second Reading, of House Bill No. 3154 (Committee
Report No. 10), 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 THOUS-
AND FIVE, AND FOR OTHER
PURPOSES.

Senator Pangilinan stated that the parliamentary
status was the period of committee amendments.

Thereupon, the Chair recognized Senator Villar,
Sponsor of the measure.

COMMITTEE AMENDMENTS

At the outset, Senator Villar stated that the Committee proposed a 20% across-the-board cut on the traveling, advertising and representation allowances of all government agencies except for the Judiciary and SUCs and a cut on the intelligence and confidential expenses for agencies not mandated to do intelligence activities.

Thereupon, he presented to the Body the Committee's summary of amendments annexed herewith, the highlights of which follows:

1. *Office of the President*
 - ♦ Transferring the amount of P650 million from the intelligence funds to extraordinary and miscellaneous expenses;
2. *Office of the Vice President*
 - ♦ Increasing the budget by P12 million;
3. *Department of Education*
 - ♦ Providing P300 million for School Feeding Program
 - ♦ Providing P10 million for IT Equipment and Software
 - ♦ Providing a lump-sum for the acquisition of biology, chemistry, and physics equipment for national high schools' science laboratories
4. *Department of Energy*
 - ♦ Decreasing the budget for Electric Power Industry Management Control by P46.574 million
 - ♦ Decreasing the intelligence fund by P3 million
5. *Department of Foreign Affairs*
 - ♦ Providing P36 million for the San Francisco Consular Office
6. *Department of Health*
 - ♦ Providing P13 million for indigent patients, a portion of which through the Senate Public Assistance Center
 - ♦ Increasing the budget of the Lung Center of the Philippines by P1 million
- ♦ Increasing the budget of the National Kidney and Transplant Institute by P22 million
- ♦ Increasing the budget of the Philippine Children's Medical Center by P1 million
- ♦ Increasing the budget of the Philippine Heart Center by P2 million
7. *Department of the Interior and Local Government*
 - ♦ Providing P24.899 million for training of local government officials
 - ♦ Providing P13 million for operational requirements for the conduct of the 112th Inter-Parliamentary Union Assembly that the Senate is hosting
 - ♦ Earmarking P200 million of the PNP's budget for the Special Action Force
8. *Department of Justice*
 - ♦ Reducing the budget of the Witness Protection Program by P11.285 million, and reclassifying it from "Confidential" item to "Other MOOE" item
9. *Department of National Defense*
 - ♦ Increasing the budget by P2 million for the additional security operational requirements in the conduct of the 112th Inter-Parliamentary Union Assembly
10. *Department of Science and Technology*
 - ♦ Realigning the amount of P14.932 million from R&D Capability-Building and another P10.946 million from Promotion of S&T to the National Technology Innovation System, thereby increasing its budget by P25.878 million
 - ♦ Increasing by P20 million the budget for Technology Incubation
11. *Judiciary*
 - ♦ Increasing the budget by P16.417 million
12. *Office of the Ombudsman*
 - ♦ Increasing the budget by P60 million
13. *Department of Agriculture*
 - ♦ Increasing the budget by P20 million for the enhancement of livestock inventory

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14. *Development Academy of the Philippines*

- ♦ Providing P1.5 million for its rehabilitation and for endowment fund

15. *Omnibus Amendment*

- ♦ Deleting the phrase "Confidential and Intelligence" in the object of expenditures of all government agencies whose mandate do not include intelligence information gathering activities and surveillance activities and reclassifying such funds as MOOE allocation

Thereupon, Senator Villar presented the special provisions in the budget for the following agencies:

1. *Department of Education* – in the implementation of the supplemental School Feeding Program, it shall allow the assistance and participation of other government agencies, Parents-Teachers' Associations, Non-Government Organizations, and other institutions which have track records and capability in implementing a similar program.
2. *Department of the Interior and Local Government* – in improving the monitoring of local government units' expenditures, it shall ensure that the locally generated funds and the Internal Revenue Allotment shall not be used for intelligence and confidential purposes.
3. *Department of Foreign Affairs* – it shall use P20 million from its income for the repatriation of undocumented Filipino workers
4. *Department of Transportation and Communications* – the amount appropriated for the Follow On Search and Rescue (FOSARV) Acquisition Project shall be released only after an intensive review of the Engineering and Electrical Systems of the vessels shall have been conducted by the Technical Ad Hoc Evaluation Committee headed by the DOTC. The DOTC shall certify that the repairs on the defects noted thereon have been completed by the supplier, and that the obligations of the supplier covered by the warranties provided under the supply contract and under existing laws, rules and regulations, including, but not limited to the Civil Code and the Government Procurement Reform Act (Republic Act No. 9184) had been complied with.

Senator Villar stated that an Ombudsman shall be assigned to national government agencies and government-owned and -controlled corporations, particularly the Bureau of Internal Revenue, Bureau of Customs and Department of Public Works and Highways to ensure the observance of high standard of ethics and efficiency. He stated that the following provisions were inserted based on the justification hereunder cited:

MISCELLANEOUS PERSONNEL BENEFITS FUND

- ♦ Foreign exchange differential requirement of the employees assigned to the different embassies of the Department of Foreign Affairs.

This is to enable the DFA to fund the radically reduced income of those living in areas, like Europe, where there is a major depreciation of the dollar.

- ♦ The DBM is given authority to undertake centralized procurement. The acquisition of cars, airline tickets, and advertisements by all government agencies shall be centralized in the Department of Budget and Management.

This is to enable the government to avail of discounts and save on transportation and traveling expenses.

TERMINATION OF THE PERIOD OF COMMITTEE AMENDMENTS

There being no other committee amendment, upon motion of Senator Pangilinan, there being no objection, the Body closed the period of committee amendments and proceeded to the period of individual amendments.

LACSON AMENDMENTS

On page 523, line 16, as proposed by Senator Lacson and accepted by the Sponsor, there being no objection, the Body approved, subject to style, the insertion of the following provision:

- (1) *Use of Income.* The National Bureau of Investigation is authorized to use its income in the amount of P12 million from the service fees collected in the issuance of NBI clearance to pay for

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the rental of its satellite offices in the processing and issuance of NBI clearance; and

- (2) Renumber the succeeding provisions accordingly.

Senator Lacson explained that the P12 million shall be derived from the increase in the rates of fees being charged to the NBI applicants, per Executive Order No. 197.

- (3) The budget of the Bureau of Fire Protection shall be increased by P291,430,519.72 for the payment of the retirement, differential benefits and pensions of the BFP retirees.

Senator Villar stated that the amount for the payment of the retirement benefits of BFP retirees shall be taken from the DPWH budget and the miscellaneous personnel benefits.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:01 p.m.

RESUMPTION OF SESSION

At 5:02 p.m., the session was suspended.

REMARKS OF SENATOR LIM

Senator Lim brought to the attention of the Body the plight of PNP officers and men whose retirement benefits and pensions were never paid up to today. He adverted to a news item in the *Manila Bulletin* issue of February 28, 2002 wherein Director General Mendoza promised to "wipe out" the backlog in the payment of PNP retirement benefits amounting to P700 million by April of the same year. The promise, he said, was never fulfilled.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:10 p.m.

RESUMPTION OF SESSION

At 5:13 p.m., the session was resumed.

LIM AMENDMENT

As proposed by Senator Lim and accepted by the Sponsor, there being no objection, the Body approved the addition of the following proviso, subject to style, wherever applicable in the bill:

P300 million shall be realigned to the PNP budget for payment of the retirement benefits of the PC-INP retirees.

OSMEÑA AMENDMENTS

Senator Osmeña proposed that the MOOE of the Cotton Development Administration (CODA) be cut to P1.00 and that the amount of P6,488,000 be transferred to the Fiber Industry Development Authority (FIDA). He said that cotton has not taken off as a competitive product in the country, pointing out that the last time he checked on this, government was spending P40 million to help a few farmers in producing only P80 million worth of cotton in a given year with a net profit of between P3 million and P5 million, and there is only one buyer for Philippine cotton. In view of the growth potential of the fiber industry, he argued that the additional budget would enable the FIDA to use the CODA personnel in developing globally competitive products like abaca, pineapple fiber, and maguey.

Accepted by the Sponsor, there being no objection, the amendment was approved by the Body.

Senator Osmeña proposed that the provision on the assignment of Ombudsman to government agencies be amended by inserting after the acronym "DPWH," on page 972, the acronym SSS, GSIS, NAPOCOR, TRANSCO, PSALM, PNOG AND ALL ITS SUBSIDIARIES, PAGCOR, NATIONAL FOOD AUTHORITY, AND NINOY AQUINO INTERNATIONAL AIRPORT. He recalled that about three years ago, the GSIS General Manager transferred the office of the resident Ombudsman who was questioning his actuations, from the 6th floor of the GSIS building to an office beside the machine shop and garage; and after five months, he threw out the resident Ombudsman who then transferred to an old building in Arroceros. He said that the same thing happened to the COA resident auditor.

Accepted by the Sponsor, there being no objection, the amendment was approved by the Body.

In addition, Senator Osmeña proposed the insertion of a new sentence to read as: "SAID GOVERNMENT AGENCIES SHALL PROVIDE OFFICE SPACE, EQUIPMENT, AND FACILITIES WITHIN THE EXECUTIVE SUITE OF THE NATIONAL HEADQUARTERS."

Senator Pimentel proposed the word "executive suite" be replaced with "SUITABLE OFFICE SPACE."

Accepted by the Sponsor, there being no objection, the amendment, subject to style, was approved by the Body.

MADRIGAL AMENDMENT

Senator Madrigal proposed that the DENR's budget on the Management and Development of Ancestral Lands in Support of the Social Reform Agenda of P306,000 for Personal Services and P2,278,000 for MOOE, for a total of P2,584,000, be transferred to the NCIP's MOOE.

The Chair noted that the NCIP is under the DLR and not the DENR.

SUSPENSION OF SESSION

Upon motion of Senator Villar, the session was suspended.

It was 5:22 p.m.

RESUMPTION OF SESSION

At 5:23 p.m., the session was resumed.

Upon resumption, accepted by the Sponsor, there being no objection, the Body approved the Madrigal amendment.

EJERCITO ESTRADA (J) AMENDMENTS

Senator Ejercito Estrada (J) proposed the insertion of a new provision to address the situation that if there is an excess number of undersecretaries or assistant secretaries, the department is prohibited to fund not only those excess undersecretaries and

assistant secretaries, but also the salaries and allowances of their immediate staffers.

The Chair proposed that aside from undersecretaries and assistant secretaries, those of equivalent rank be covered under the provision. Senator Ejercito Estrada (J) agreed.

Accepted by the Sponsor, there being no objection, the Body approved the amendment.

As proposed by Senator Ejercito Estrada (J) and accepted by the Sponsor, there being no objection, the Body approved the insertion of a provision that would prohibit the use of the budget to fund the salary and allowances of people whose appointments are in contravention of the law.

Senator Ejercito Estrada (J) said that this provision would protect officials who are holding *ex officio* positions in certain agencies.

PIMENTEL AMENDMENT

As proposed by Senator Pimentel and accepted by the Sponsor, there being no objection, the Body approved, subject to style, the insertion of an amendment that would require the Department of Budget and Management not to release subsequent tranches due to the ARMM unless the previously released allotments had been accounted for by the Commission on Audit.

GORDON AMENDMENT

Asked by Senator Gordon whether the P49 million reduction in the DOT's budget includes advertising, promotional, and travel expenses, Senator Villar replied that it includes travel expenses.

Thereupon, as proposed by Senator Gordon and accepted by the Sponsor, there being no objection, the Body approved the exemption of the DOT from budget reduction.

TERMINATION OF THE PERIOD OF INDIVIDUAL AMENDMENTS

There being no other individual amendment, upon motion of Senator Pangilinan, there being no objection, the Body closed the period of individual amendments.

APPROVAL OF HOUSE BILL NO. 3154 ON SECOND READING

Submitted to a vote, there being no objection, House Bill No. 3154 was approved on Second Reading.

PRESIDENTIAL CERTIFICATION

Upon direction of the Chair, Secretary Yabes read the President's certification as to the necessity of the immediate enactment of House Bill No. 3154, to wit:

February 3, 2005

HON. FRANKLIN M. DRILON
Senate President
Philippine Senate of the Philippines
Pasay City

Dear Senate President Drilon:

Pursuant to the provisions of Article VI, Section 26(2) of the 1987 Constitution, I hereby certify to the necessity of the immediate enactment of House Bill No. 3154, under Committee Report No. 10, 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 FIVE, AND FOR OTHER PURPOSES.

to address the urgent need to sustain Government operations beginning January 1, 2005, to fund immediately the CY 2005 programs, projects and activities, to maintain the momentum of our development, and to ensure budgetary preparedness that will enable us to effectively and fully perform our constitutional mandate.

Best wishes.

Very truly yours,
(Sgd.) Gloria Macapagal Arroyo

cc: HON. JOSE C. DE VENECIA, JR.
Speaker
House of Representatives
Quezon City

APPROVAL OF HOUSE BILL NO. 3154 ON THIRD READING

In view of the Presidential certification, upon motion of Senator Pangilinan, there being no objection, the Body considered, on Third Reading, House Bill No. 3154.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, upon motion of Senator Pangilinan, there being no objection, Secretary Yabes read only the title of the bill, to wit:

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 FIVE, AND FOR OTHER PURPOSES.

Secretary Yabes called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

Arroyo	Lapid
Cayetano	Lim
Defensor Santiago	Madrigal
Drilon	Magsaysay
Ejercito Estrada (J)	Osmeña
Enrile	Pangilinan
Flavier	Pimentel
Gordon	Revilla
Lacson	Villar

Against

None

Abstention

None

With 18 senators voting in favor, none against, and no abstention, the Chair declared House Bill No. 3154 approved on Third Reading.

pb

EXPLANATIONS OF VOTES*By Senator Pimentel*

Senator Pimentel stated that although he voted in favor of the measure, he has very strong reservations on the DENR's budget because of the agency's dismal performance.

By Senator Madrigal

Senator Madrigal said that while she voted in favor of the measure in general, she voted against the DENR's budget because the performance of the agency has not been up to par.

By Senator Lim

Senator Lim stated that he voted *Yes* with reservations.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

*It was 5:32 p.m.***RESUMPTION OF SESSION**

At 5:33 p.m., the session was resumed.

**CONFERENCE COMMITTEE
ON HOUSE BILL NO. 3154**

Upon nomination by Senator Pangilinan, there being no objection, the Chair designated the

following as members of the Senate panel in the Bicameral Conference Committee on the disagreeing provisions of House Bill No. 3154:

Majority

Villar
Pangilinan
Arroyo

Magsaysay
Flavier
Roxas

Minority

Enrile
Lacson

Ejercito Estrada (J)
Pimentel

**MANIFESTATION
OF SENATOR PANGILINAN**

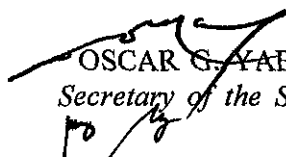
Senator Pangilinan commended Senator Villar, Chairman of the finance committee, for his patience and perseverance in the past two weeks.

ADJOURNMENT OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of Monday, February 14, 2005.

It was 5:34 p.m.

I hereby certify to the correctness of the foregoing.


OSCAR G. YABES
Secretary of the Senate

Approved on February 28, 2005

Annexes

- * *Summary of Amendments to
House Bill No. 3154*
- * *Special Provisions*

SENATE FINANCE COMMITTEE REPORT
Summary of Amendments to HB 3154

by Department/Agency/Corporation/Fund
In Thousand Pesos)

10-Feb-2005 02:57:17 PM		FY 2005 GAB (H.B. 3154)	Amended FY 2005 GAB (Senate Version)	Net Change
DEPARTMENT/AGENCY/CORPORATION/FUND				
DEPARTMENTS		343,517,789	343,285,444	(232,345)
I.	CONGRESS OF THE PHILIPPINES.....	4,513,538	4,628,494	114,956
	A. Senate.....	1,336,839	1,438,383	101,544
	A.1 Senate Electoral Tribunal.....	53,320	66,762	13,442
	B. Commission on Appointments.....	208,429	208,429	0
	C. House of Representatives.....	2,833,574	2,833,574	0
	C.1 House of Electoral Tribunal.....	81,376	81,376	0
II.	OFFICE OF THE PRESIDENT.....	3,404,987	3,353,417	(51,570)
	A. The President's Offices.....	3,404,987	3,353,417	(51,570)
III.	OFFICE OF THE VICE-PRESIDENT.....	82,264	92,194	9,930
IV.	DEPARTMENT OF AGRARIAN REFORM.....	4,881,255	4,874,985	(6,270)
	A. Office of the Secretary.....	4,881,255	4,874,985	(6,270)
V.	DEPARTMENT OF AGRICULTURE.....	2,916,015	2,895,450	(20,565)
	A. Office of the Secretary.....	2,056,783	2,044,269	(12,514)
	B. Agricultural Credit Policy Council.....	17,265	17,160	(105)
	C. Bureau of Fisheries and Aquatic Resource	418,896	415,969	(2,927)
	D. Bureau of Post-Harvest for Research and	50,327	49,717	(610)
	E. Cotton Development Administration.....	40,135	39,931	(204)
	F. Fertilizer and Pesticide Authority.....	35,779	35,138	(641)
	G. Fiber Industry Development Authority....	149,609	148,601	(1,008)
	H. Livestock Development Council.....	9,067	9,035	(32)
	I. National Agricultural and Fishery Council	51,329	50,794	(535)
	J. National Meat Inspection Commission....	18,813	18,251	(564)
	K. National Nutrition Council.....	42,536	41,316	(1,220)
	L. Philippine Carabao Center.....	25,474	25,269	(205)
VI.	DEPARTMENT OF BUDGET AND MANAGEMENT.....	393,783	390,977	(2,806)
	A. Office of the Secretary.....	393,783	390,977	(2,806)
VII.	DEPARTMENT OF EDUCATION.....	102,629,886	102,808,479	178,593
	A. Office of the Secretary.....	102,383,978	102,763,306	179,328
	B. National Book Development Board.....	16,310	16,134	(176)
	C. National Council for Children's Televisi	1,000	1,000	0
	D. Philippine High School for the Arts.....	28,298	28,039	(259)
VIII.	STATE UNIVERSITIES AND COLLEGES.....	15,712,283	15,719,930	7,647
	A. National Capital Region.....	5,422,480	5,495,827	73,347
	A.1 Eulogio "Amang" Rodriguez Institute			
	and Technology.....	89,773	89,773	0
	A.2 Marikina Polytechnic College.....	45,079	45,079	0
	A.3 Philippine Normal University.....	232,532	232,532	0

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DEPARTMENT/AGENCY/CORPORATION/FUND				
A.4	Philippine State College of Aeronautics	45,068	45,068	0
A.5	Polytechnic University of the Philippines	512,887	512,887	0
A.6	Rizal Technological University.....	126,781	126,781	0
A.7	Technological University of the Philippines	277,566	277,566	0
A.8	University of the Philippines System	4,162,794	4,166,141	3,347
B.	Region I - Ilocos.....	881,023	881,023	0
B.1	Don Mariano Marcos Memorial State University	293,599	293,599	0
B.2	Ilocos Sur Polytechnic State College	67,174	67,174	0
B.3	Mariano Marcos State University.....	215,844	215,844	0
B.4	Pangasinan State University.....	160,402	160,402	0
B.5	University of Northern Philippines.....	144,004	144,004	0
C.	Cordillera Administrative Region.....	410,797	410,797	0
C.1	Abra State Institute of Science and Technology	54,856	54,856	0
C.2	Apayao State College.....	26,651	26,651	0
C.3	Benguet State University.....	172,537	172,537	0
C.4	Ifugao State College of Agriculture	63,239	63,239	0
C.5	Kalinga-Apayao State College.....	43,260	43,260	0
C.6	Mountain Province State Polytechnic	50,254	50,254	0
D.	Region II - Cagayan Valley.....	622,950	622,950	0
D.1	Batanes State College (Batanes Polytechnic)	8,423	8,423	0
D.2	Cagayan State University.....	204,219	204,219	0
D.3	Isabela State University	249,804	249,804	0
D.6	Nueva Vizcaya State University.....	136,891	136,891	0
D.7	Quirino State College	23,613	23,613	0
E.	Region III - Central Luzon.....	1,125,006	1,129,306	4,300
E.1	Aurora State College of Technology	23,401	26,501	3,100
E.2	Bataan Polytechnic State College...	73,729	73,729	0
E.3	Bataan State College.....	23,387	23,387	0
E.4	Bulacan National Agricultural State University	27,630	27,630	0
E.5	Bulacan State University.....	121,634	121,634	0
E.6	Central Luzon State University.....	190,108	190,108	0
E.7	Don Honorio Ventura College of Arts and Sciences	63,631	63,631	0
E.8	Nueva Ecija University of Science and Technology	117,461	117,461	0
E.9	Pampanga Agricultural College.....	65,025	65,025	0
E.10	Philippine Merchant Marine Academy	200,087	200,087	0
E.11	Ramon Magsaysay Technological University	62,523	63,723	1,200
E.12	Tarlac College of Agriculture.....	66,265	66,265	0
E.13	Tarlac State University.....	90,125	90,125	0
F.	Region IV-A - CALABARZON.....	601,724	601,724	0
F.1	Batangas State University.....	126,474	126,474	0
F.2	Cavite State University.....	135,716	135,716	0
F.3	Laguna State Polytechnic College...	103,516	103,516	0
F.4	Southern Luzon Polytechnic College	89,531	89,531	0
F.5	University of Rizal System.....	146,487	146,487	0
G.	Region IV-B - MIMAROPA.....	408,292	408,292	0

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DEPARTMENT/AGENCY/CORPORATION/FUND				
G.1	Marinduque State College.....	40,659	40,659	0
G.2	Mindoro State College of Agriculture.....	49,033	49,033	0
G.3	Occidental Mindoro National College.....	62,833	62,833	0
G.4	Palawan State University.....	111,885	111,885	0
G.5	Romblon State College.....	71,990	71,990	0
G.6	Western Philippines University (Sta.....	71,892	71,892	0
H.	Region V - Bicol.....	784,148	784,148	0
H.1	Bicol University.....	261,137	261,137	0
H.2	Camarines Norte State College.....	78,342	78,342	0
H.3	Camarines Sur Polytechnic Colleges.....	59,118	59,118	0
H.4	Camarines Sur State Agricultural Co.....	113,519	113,519	0
H.5	Catanduanes State Colleges.....	113,829	113,829	0
H.6	Dr. Emilio B. Espinosa, Sr. Memorial of Agriculture and Technology.....	27,448	27,448	0
H.7	Partido State University.....	67,261	67,261	0
H.8	Sorsogon State College.....	63,494	63,494	0
I.	Region VI - Western Visayas.....	1,055,110	1,055,110	0
I.1	Aklan State University.....	103,961	103,961	0
I.2	Carlos C. Hilado Memorial State Col.....	73,895	73,895	0
I.3	Guimaras State College.....	18,556	18,556	0
I.4	Iloilo State College of Fisheries.....	93,386	93,386	0
I.5	Negros State College of Agriculture.....	28,835	28,835	0
I.6	Northern Iloilo Polytechnic State C.....	119,110	119,110	0
I.7	Northern Negros State College of Sc.....	17,507	17,507	0
I.8	Capiz State University (Panay State.....	150,250	150,250	0
I.9	Polytechnic State College of Antiqu.....	65,805	65,805	0
I.10	Western Visayas College of Science.....	128,702	128,702	0
I.11	West Visayas State University.....	255,103	255,103	0
J.	Region VII - Central Visayas.....	429,081	429,081	0
J.1	Cebu Normal University.....	58,616	58,616	0
J.2	Cebu State College of Science and T.....	173,205	173,205	0
J.3	Negros Oriental State University (C.....	101,088	101,088	0
J.4	Central Visayas State College of Ag.....	75,760	75,760	0
J.5	Siquijor State College.....	20,412	20,412	0
K.	Region VIII - Eastern Visayas.....	945,834	945,834	0
K.1	Eastern Samar State College.....	104,774	104,774	0
K.2	Leyte Institute of Technology.....	127,596	127,596	0
K.3	Leyte Normal University.....	65,240	65,240	0
K.4	Leyte State University.....	200,380	200,380	0
K.5	Naval Institute of Technology.....	50,330	50,330	0
K.6	Palompon Institute of Technology.....	51,019	51,019	0
K.7	Samar State College Agriculture and.....	13,125	13,125	0
K.8	Samar State Polytechnic College.....	64,397	64,397	0
K.10	Southern Leyte State University.....	85,734	85,734	0
K.11	Tiburcio Tancinco Memorial Institut..... and Technology.....	39,836	39,836	0
K.13	University of Eastern Philippines.....	143,403	143,403	0
L.	Region IX - Western Mindanao.....	647,114	647,114	0

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L.1 Basilan State College.....	28,081	28,081	0
L.2 J.M. Cerilles State College.....	16,536	16,536	0
L.3 Jose Rizal Memorial State College..	68,418	68,418	0
L.4 MSU-Tawi-Tawi College of Technology	170,464	170,464	0
L.5 Sulu State College.....	30,312	30,312	0
L.6 Tawi-Tawi Regional Agricultural Col	28,010	28,010	0
L.7 Western Mindanao State University..	207,920	207,920	0
L.8 Zamboanga City State Polytechnic Co	42,494	42,494	0
L.9 Zamboanga State College of Marine S	54,879	54,879	0
M. Region X - Northern Mindanao.....	620,770	620,770	0
M.1 Bukidnon State College.....	54,181	54,181	0
M.2 Camiguin Polytechnic State College..	19,371	19,371	0
M.3 Central Mindanao University.....	172,320	172,320	0
M.4 Mindanao Polytechnic State College..	69,194	69,194	0
M.5 Misamis Oriental State College of A and Technology.....	23,490	23,490	0
M.6 MSU-Iligan Institute of Technology..	269,566	269,566	0
M.7 Northwestern Mindanao State College	12,648	12,648	0
N. Region XI - Southeastern Mindanao.....	210,997	210,997	0
N.1 Davao del Norte State College.....	26,330	26,330	0
N.2 Davao Oriental State College of Sci	32,871	32,871	0
N.3 Southern Philippines Agri-Business School of Technology.....	25,088	25,088	0
N.4 University of Southeastern Philippi	126,708	126,708	0
O. Region XII - Central Mindanao.....	1,285,177	1,285,177	0
O.1 Adiong Memorial Polytechnic College	11,371	11,371	0
O.2 Cotabato City State Polytechnic Col	50,031	50,031	0
O.3 Cotabato Foundation College of Scie	54,208	54,208	0
O.4 Mindanao State University.....	932,008	932,008	0
O.5 Sultan Kudarat Polytechnic State Co	57,942	57,942	0
O.6 University of Southern Mindanao....	179,617	179,617	0
P. CARAGA Administrative Region.....	191,780	191,780	0
P.1 Agusan del Sur College of Agricultu	20,534	20,534	0
P.2 Northern Mindanao State Institute o and Technology.....	48,306	48,306	0
P.3 Surigao del Sur Polytechnic State C	67,935	67,935	0
P.4 Surigao State College of Technology	55,005	55,005	0
IX. DEPARTMENT OF ENERGY.....	330,738	281,164	(49,574)
A. Office of the Secretary.....	330,738	281,164	(49,574)
X. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOUR	5,511,256	5,470,322	(40,934)
A. Office of the Secretary.....	4,556,535	4,524,950	(31,585)
B. Environmental Management Bureau.....	287,045	282,156	(4,889)
C. Mines and Geo-Science Bureau.....	402,451	399,150	(3,301)
D. National Mapping and Resource Informatio	265,225	264,066	(1,159)

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DEPARTMENT/AGENCY/CORPORATION/FUND				
XI.	DEPARTMENT OF FINANCE.....	5,630,317	5,620,522	(9,795)
	A. Office of the Secretary.....	204,723	213,514	8,791
	B. Bureau of Customs.....	1,214,988	1,213,081	(1,907)
	C. Bureau of Internal Revenue.....	3,641,778	3,626,875	(14,903)
	D. Bureau of Local Government Finance.....	106,457	105,708	(749)
	E. Bureau of the Treasury.....	334,108	333,213	(893)
	F. Central Board of Assessment Appeals.....	6,503	6,488	(15)
	G. Fiscal Incentives Review Board.....	120	114	(6)
	H. Insurance Commission.....	53,166	53,166	0
	I. National Tax Research Center.....	31,431	31,358	(76)
	J. Privatization and Management Office.....	37,043	37,006	(37)
XII.	DEPARTMENT OF FOREIGN AFFAIRS.....	5,018,174	5,002,014	(16,160)
	A. Office of the Secretary.....	4,937,633	4,922,336	(15,297)
	B. Commission on Filipinos Overseas.....	39,220	38,980	(240)
	C. Foreign Service Institute.....	28,850	28,333	(517)
	D. Technical Cooperation Council of the Philip	2,497	2,487	(10)
	E. UNESCO National Commission of the Philip	9,974	9,878	(96)
XIII.	DEPARTMENT OF HEALTH.....	9,826,727	9,809,622	(17,105)
	A. Office of the Secretary.....	9,725,318	9,708,538	(16,780)
	B. Commission on Population.....	101,409	101,084	(325)
XIV.	DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT	43,681,173	43,687,274	6,101
	A. Office of the Secretary.....	1,415,447	1,435,943	20,496
	B. Bureau of Fire Protection.....	3,651,579	3,648,420	(3,159)
	C. Bureau of Jail Management and Penology..	2,246,556	2,244,721	(1,835)
	D. Local Government Academy.....	33,399	33,030	(369)
	E. National Police Commission.....	638,924	636,196	(2,728)
	F. Philippine National Police.....	35,196,730	35,195,052	(1,678)
	G. Philippine Public Safety College.....	498,538	493,912	(4,626)
XV.	DEPARTMENT OF JUSTICE.....	4,635,929	4,613,644	(22,285)
	A. Office of the Secretary.....	1,413,608	1,399,634	(13,974)
	B. Bureau of Corrections.....	822,716	821,200	(1,516)
	C. Bureau of Immigration.....	326,353	325,539	(814)
	D. Commission on the Settlement of Land Pro	17,813	17,801	(12)
	E. Land Registration Authority.....	406,422	406,422	0
	F. National Bureau of Investigation.....	599,407	593,499	(5,908)
	G. Office of the Government Corporate Couns	46,116	46,086	(30)
	H. Office of the Solicitor General.....	155,729	158,229	2,500
	I. Parole and Probation Administration.....	323,118	321,037	(2,081)
	J. Public Attorney's Office.....	524,647	524,197	(450)
XVI.	DEPARTMENT OF LABOR AND EMPLOYMENT.....	4,328,287	4,294,205	(34,082)
	A. Office of the Secretary.....	1,252,886	1,239,739	(13,147)
	B. Institute for Labor Studies.....	16,547	16,493	(54)
	C. National Conciliation and Mediation Boar	81,888	81,069	(819)
	D. National Labor Relations Commission.....	299,609	298,474	(1,135)
	E. National Maritime Polytechnic.....	56,783	56,301	(482)

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DEPARTMENT/AGENCY/CORPORATION/FUND				
F.	National Wages and Productivity Commission	82,237	81,133	(1,104)
G.	Philippine Overseas Employment Administration	208,304	204,763	(3,541)
H.	Technical Education and Skills Development	2,330,033	2,316,233	(13,800)
XVII.	DEPARTMENT OF NATIONAL DEFENSE	46,036,938	45,966,436	(70,499)
A.	Office of the Secretary	288,596	286,484	(2,112)
B.	Armed Forces of the Philippines	44,554,231	44,488,293	(65,938)
B.1	General Headquarters	4,977,472	4,964,284	(13,188)
B.2	Philippine Air Force	6,785,340	6,762,153	(23,187)
B.3	Philippine Army	21,362,343	21,346,062	(16,281)
B.4	Philippine Navy	7,945,223	7,940,446	(4,777)
B.5	Presidential Security Group	412,425	409,967	(2,458)
B.6	Philippine Military Academy	568,170	567,090	(1,080)
B.7	Armed Forces of the Philippines Medical	784,270	784,174	(96)
B.8	Citizen Armed Forces Geographical Unit	1,434,798	1,434,798	0
B.9	Retirees and Reservist Affairs Program	70,406	69,798	(608)
B.10	Self-Reliant Defense Posture Program	20,933	20,933	0
B.12	CPLA Integration Program	96,556	96,556	0
B.13	Exercise Balikatan	96,295	92,032	(4,263)
C.	Government Arsenal	254,233	253,968	(265)
D.	National Defense College of the Philippines	38,533	38,076	(457)
E.	Office of Civil Defense	75,898	75,105	(793)
F.	Philippine Veterans Affairs Office	825,444	824,510	(934)
F.1	Philippine Veterans Affairs Office	274,405	273,523	(882)
F.2	Military Shrines Services	16,660	16,610	(50)
F.3	Veterans Memorial Medical Center	534,379	534,377	(2)
XVIII.	DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS	42,472,572	42,344,138	(128,434)
A.	Office of the Secretary	42,472,572	42,344,138	(128,434)
XIX.	DEPARTMENT OF SCIENCE AND TECHNOLOGY	2,447,880	2,479,954	32,074
A.	Office of the Secretary	524,479	542,914	18,435
B.	Advanced Science and Technology Institute	23,660	23,577	(83)
C.	Food and Nutrition Research Institute	57,250	56,874	(376)
D.	Forest Products Research and Development	61,383	60,911	(472)
E.	Industrial Technology Development Institute	123,212	123,048	(164)
F.	Metals Industry Research and Development	92,963	92,784	(179)
G.	National Academy of Science and Technology	21,029	20,771	(258)
I.	National Research Council of the Philippines	20,509	20,275	(234)
J.	Philippine Atmospheric, Geophysical and Service Administration	303,986	302,692	(1,294)
K.	Philippine Council for Advanced Science Research and Development	52,193	52,168	(25)
L.	Philippine Council for Agriculture, Fore Resources Research and Development	131,021	129,973	(1,048)
M.	Philippine Council for Aquatic and Marine Development	29,282	29,152	(130)
N.	Philippine Council for Health Research	38,292	38,199	(93)
O.	Philippine Council for Industry and Energy Development	34,492	34,221	(271)

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DEPARTMENT/AGENCY/CORPORATION/FUND				
P.	Philippine Institute of Volcanology and	72,782	72,198	(584)
Q.	Philippine Nuclear Research Institute...	91,843	91,642	(201)
R.	Philippine Science High School.....	227,358	246,840	19,482
S.	Philippine Textile Research Institute....	45,899	45,788	(111)
T.	Science Education Institute.....	414,142	414,074	(68)
U.	Science and Technology Information Insti	31,199	30,940	(259)
V.	Technology Application and Promotion Ins	50,936	50,853	(83)
XX.	DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT	2,285,681	2,269,198	(16,483)
A.	Office of the Secretary.....	2,227,335	2,211,595	(15,740)
B.	Council for the Welfare of Children and	15,692	15,346	(346)
C.	Inter-Country Adoption Board.....	16,040	15,928	(112)
D.	National Council for the Welfare of Disa	26,594	26,329	(265)
XXI.	DEPARTMENT OF TOURISM.....	1,121,727	1,071,973	(49,754)
A.	Office of the Secretary.....	940,994	911,433	(29,561)
B.	Intramuros Administration.....	28,989	28,815	(174)
C.	National Parks Development Committee....	131,774	131,725	(49)
XXII.	DEPARTMENT OF TRADE AND INDUSTRY.....	1,979,356	1,931,630	(47,726)
A.	Office of the Secretary.....	1,672,683	1,629,006	(43,677)
B.	Board of Investments.....	183,750	180,563	(3,187)
D.	Construction Industry Authority of the P	33,787	33,593	(194)
E.	Construction Manpower Development Founda	17,327	17,259	(68)
G.	Philippine Trade Training Center.....	26,428	26,275	(153)
H.	Product Development and Design Center of	48,379	44,934	(3,445)
XXIII.	DEPARTMENT OF TRANSPORTATION AND COMMUNICATI	7,381,558	7,368,984	(12,574)
A.	Office of the Secretary.....	7,140,732	7,131,644	(9,088)
B.	Civil Aeronautics Board.....	27,880	27,437	(443)
C.	Maritime Industry Authority.....	190,798	187,817	(2,981)
E.	Office of Transportation Cooperatives...	11,265	11,177	(88)
F.	Office of Transportation Security.....	1,000	1,000	0
G.	Toll Regulatory Board.....	9,913	9,909	(4)
XXIV.	NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY.	1,212,870	1,198,902	(13,968)
A.	Office of the Director-General.....	412,922	400,814	(12,108)
C.	National Statistical Coordination Board.	71,540	71,174	(366)
D.	National Statistics Office.....	656,318	653,051	(3,267)
E.	Philippine National Volunteer Service Co	10,792	12,847	2,055
F.	Statistical Research and Training Center	19,936	19,924	(12)
G.	Tariff Commission.....	41,362	41,090	(272)
XXV.	OFFICE OF THE PRESS SECRETARY.....	808,391	801,121	(7,270)
A.	Office of the Press Secretary (Proper)...	101,338	98,690	(2,648)
B.	Bureau of Broadcast Services.....	222,758	221,648	(1,110)
C.	Bureau of Communications Services.....	24,365	24,302	(63)
D.	National Printing Office.....	115,004	114,964	(40)
E.	News and Information Bureau.....	69,173	68,565	(608)
F.	Philippine Information Agency.....	183,952	183,312	(640)
G.	Presidential Broadcast Staff (RTVM).....	91,802	89,640	(2,162)

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DEPARTMENT/AGENCY/CORPORATION/FUND				
XXVI.	OTHER EXECUTIVE OFFICES.....	3,783,169	3,768,161	(15,008)
A.	Anti-Money Laundering Council.....	10,000	9,300	(700)
B.	Commission on Higher Education.....	206,514	204,828	(1,686)
C.	Commission on Filipino Language.....	26,384	26,370	(14)
E.	Cooperatives Development Authority.....	208,778	207,424	(1,354)
F.	Dangerous Drugs Board.....	149,874	149,434	(440)
G.	Energy Regulatory Commission.....	146,428	140,828	(5,600)
H.	Film Development Council of the Philippi	4,177	4,010	(167)
I.	Games and Amusements Board.....	40,708	40,438	(270)
J.	Housing and Land Use Regulatory Board...	154,308	152,506	(1,802)
K.	Housing and Urban Development Coordinati	70,342	69,140	(1,202)
L.	Intellectual Property Office.....	62,266	62,266	0
M.	Movie and Television Review and Classifi	28,453	27,355	(1,098)
N.	National Anti-Poverty Commission.....	48,198	46,763	(1,435)
P.	National Commission on Culture and Arts.	293,843	308,483	14,640
	P.1 National Commission on Culture and	19,529	19,222	(307)
	P.2 National Historical Institute.....	60,593	74,733	14,140
	P.3 The National Library.....	59,829	61,289	1,460
	P.4 National Museum.....	102,140	101,615	(525)
	P.5 Records Management and Archives Off	51,752	51,624	(128)
Q.	National Commission on Indigenous People	405,438	402,443	(2,995)
R.	National Commission on the Role of Filip	27,998	27,722	(276)
S.	National Intelligence Coordinating Agenc	243,967	243,183	(784)
T.	National Security Council.....	49,321	47,960	(1,361)
	National Telecommunications Commission..	141,294	140,262	(1,032)
U.	National Water Resources Board.....	27,673	27,619	(54)
V.	National Youth Commission.....	53,205	51,663	(1,542)
W.	Office on Muslim Affairs.....	214,520	213,290	(1,230)
X.	Optical Media Board (Videogram Regulator	23,581	28,374	4,793
Y.	Palawan Council for Sustainable Developm	79,587	78,872	(715)
Z.	Philippine Drug Enforcement Agency.....	141,487	140,953	(534)
AA.	Philippine Racing Commission.....	38,455	38,329	(126)
AB.	Philippine Sports Commission.....	104,340	102,949	(1,391)
AC.	Presidential Commission on Good Governme	66,468	66,074	(394)
AD.	Presidential Commission for the Urban Po	45,018	44,800	(218)
AE.	Presidential Legislative Liaison Office..	20,661	20,276	(385)
AF.	Presidential Management Staff.....	166,820	163,475	(3,345)
AG.	Professional Regulation Commission.....	254,923	253,829	(1,094)
AH.	Securities and Exchange Commission.....	227,740	226,943	(797)
XXVII.	AUTONOMOUS REGION IN MUSLIM MINDANAO.....	6,691,223	6,684,679	(6,524)
A.	Autonomous Regional Government in Muslim	6,691,223	6,684,679	(6,524)
XXVIII.	JOINT LEGISLATIVE-EXECUTIVE COUNCILS.....	1,616	1,613	(3)
A.	Legislative Executive Development Adviso	1,616	1,613	(3)
XXIX.	THE JUDICIARY.....	7,523,732	7,540,149	16,417
A.	Supreme Court of the Philippines and the	6,705,025	6,721,442	16,417
A.1	Presidential Electoral Tribunal.....	46,820	46,820	0

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DEPARTMENT/AGENCY/CORPORATION/FUND				
B.	Sandiganbayan.....	197,406	197,406	0
C.	Court of Appeals.....	514,940	514,940	0
D.	Court of Tax Appeals.....	59,541	59,541	0
XXX.	CIVIL SERVICE COMMISSION.....	472,624	470,873	(1,751)
A.	Civil Service Commission.....	441,702	440,022	(1,680)
A.1	Career Executive Service Board.....	30,922	30,851	(71)
XXXI.	COMMISSION ON AUDIT.....	3,651,306	3,638,212	(13,094)
XXXII.	COMMISSION ON ELECTIONS.....	1,305,923	1,304,945	(978)
XXXIII.	OFFICE OF THE OMBUDSMAN.....	647,839	705,519	57,680
XXXIV.	COMMISSION ON HUMAN RIGHTS.....	197,375	196,244	(1,131)
	SPECIAL PURPOSE FUNDS	219,291,091	219,283,436	(7,655)
XXXV.	BUDGETARY SUPPORT TO GOVERNMENT CORPORATIONS	4,685,670	4,733,170	47,500
B.	Department of Agriculture.....	1,357,700	1,377,700	20,000
B.1	National Dairy Authority.....	52,200	72,200	20,000
B.2	National Food Authority.....	900,000	900,000	0
B.4	National Tobacco Administration....	80,000	80,000	0
B.5	Philippine Coconut Authority.....	170,000	170,000	0
B.6	Philippine Crop Insurance Corporati	30,500	30,500	0
	Philippine Rice Research Institute..	90,000	90,000	0
B.7	Sugar Regulatory Administration....	35,000	35,000	0
C.	Department of Energy.....	260,000	260,000	0
C.1	National Electrification Administra	260,000	260,000	0
F.	Department of Health.....	813,560	839,560	26,000
F.1	Lung Center of the Philippines.....	207,560	208,560	1,000
F.2	National Kidney and Transplant Inst	185,000	207,000	22,000
F.3	Philippine Children's Medical Cente	226,000	227,000	1,000
F.4	Philippine Heart Center.....	155,000	157,000	2,000
F.6	Philippine Institute for Traditiona	40,000	40,000	0
I.	Department of Tourism.....	64,800	64,800	0
I.1	Philippine Convention and Visitors	64,800	64,800	0
J.	Department of Trade and Industry.....	106,000	106,000	0
J.1	Cottage Industry Technology Center.	13,000	13,000	0
J.2	Center for International Trade Expo	93,000	93,000	0
K.	Department of Transportation and Communi	135,000	135,000	0
K.2	Philippine National Railways.....	135,000	135,000	0

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L.	National Economic and Development Author	24,300	24,300	0
L.1	Philippine Institute for Developmen	24,300	24,300	0
M.	Office of the Press Secretary.....	50,000	50,000	0
M.1	People's Television Network, Int...	50,000	50,000	0
N.	Other Executive Offices.....	1,870,000	1,871,500	1,500
N.1	Cagayan Economic Zone Authority....	90,000	90,000	0
N.2	Cultural Center of the Philippines..	120,000	120,000	0
N.3	Development Academy of the Philippi	70,000	71,500	1,500
N.5	National Home Mortgage Finance Corp	500,000	500,000	0
N.6	National Housing Authority.....	1,000,000	1,000,000	0
N.10	Zamboanga City Special Economic Zon	90,000	90,000	0
O.	Budgetary Support to Government Corporat	4,310	4,310	0
XXXVI.	AGRICULTURE AND FISHERIES MODERNIZATION PROG	10,261,068	10,170,214	(90,854)
A.	DEPARTMENT OF AGRICULTURE.....	10,030,878	9,940,024	(90,854)
A.1	Office of the Secretary.....	9,032,531	8,956,211	(76,320)
A.2	Bureau of Fisheries and Aquatic Reso	829,268	815,945	(13,323)
A.4	National Meat Inspection Commission	97,631	96,881	(750)
A.5	Philippine Carabao Center.....	71,448	70,987	(461)
B.	BUDGETARY SUPPORT TO GOVERNMENT CORPORATI	230,190	230,190	0
B.1	Philippine Coconut Authority.....	41,330	41,330	0
B.2	Philippine Fisheries Development Aut	150,000	150,000	0
B.3	Philippine Rice Research Institute..	38,860	38,860	0
XXXVII.	ALLOCATIONS TO LOCAL GOVERNMENT UNITS.....	155,866,558	155,866,377	(181)
A.	Internal Revenue Allotment.....	151,623,054	151,623,054	0
B.	Special Shares of Local Government Units			
	National Taxes.....	1,907,158	1,907,158	0
C.	Local Government Empowerment Fund.....	15,000	15,000	0
D.	Barangay Officials Death Benefits Fund..	37,000	37,000	0
E.	Metropolitan Manila Development Authorit	1,084,506	1,084,506	0
F.	Pasig River Rehabilitation Commission...	449,840	449,659	(181)
H.	Premium Subsidy for Indigents under the			
	National Health Insurance Program.....	750,000	750,000	0
XXXVIII.	AREA DEVELOPMENT ASSISTANCE FUND.....	0	0	0
XXXIX.	CALAMITY FUND.....	700,000	700,000	0
XL.	CONTINGENT FUND.....	800,000	800,000	0
XLI.	DepEd - SCHOOL BUILDING PROGRAM.....	1,000,000	1,000,000	0
XLII.	E-GOVERNMENT FUND.....	1,000,000	1,000,000	0

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XLIII.	INTERNATIONAL COMMITMENTS FUND.....	1,800,584		1,800,584	0
XLIV.	MISCELLANEOUS PERSONNEL BENEFITS FUND.....	2,360,000		2,546,880	186,880
XLV.	NATIONAL UNIFICATION FUND.....	50,000		50,000	0
XLVI.	PRIORITY DEVELOPMENT ASSISTANCE FUND.....	6,100,000		5,949,000	(151,000)
XLVII.	PENSION AND GRATUITY FUND.....	34,667,211		34,667,211	0
TOTAL PROGRAMMED APPROPRIATIONS, NET OF DEBT SERVICE.		562,808,880		562,568,880	(240,000)
ADD: DEBT SERVICE FUND - INTEREST PAYMENT				0	0
TOTAL PROGRAMMED NEW APPROPRIATIONS.....		562,808,880		562,568,880	(240,000)
ADD: UNPROGRAMMED FUND.....		34,854,520		34,854,520	0
TOTAL NEW APPROPRIATIONS.....		597,663,400		597,423,400	(240,000)

COMMITTEE REPORT ON H.B. # 3154
(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND : DEPARTMENT OF EDUCATION
AGENCY: Office of the Secretary

PAGE #	LINE #	PARTICULARS
81		<p>Insert a new provision that shall read as follows:</p> <p>Implementation of the Supplemental School Feeding Program. The Department of Education shall allow the assistance and participation of other government agencies, Parent-Teachers Associations, non-government organizations and other institution, which have track records and capability in implementing a similar program</p> <p>Re-number succeeding Special Provisions accordingly.</p>

COMMITTEE REPORT ON H.B. # 3154

(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND :

DEPARTMENT OF FINANCE

AGENCY:

Bureau of Local Government Finance

PAGE #	LINE #	PARTICULARS
414	26	<p>Insert new provision that read as follows:</p> <p>Monitoring of Local Government Unit Expenditure. In the monitoring of the BLGF of the expenditures of local government unit, it shall ensure that the locally generated funds and the Internal Revenue Allotment shall not be used for intelligence and confidential purposes.</p>

COMMITTEE REPORT ON H.B. # 3154

(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND : DEPARTMENT OF FOREIGN AFFAIRS
AGENCY: Office of the Secretary

PAGE #	LINE #	PARTICULARS
		<p>Insert a new provision that shall read as follows:</p> <p>Authorizing the DFA to use its income for the repatriation of undocumented Filipino workers</p> <p>Re-number succeeding Special Provisions accordingly.</p> <p>Repatriation Fund. The amount of Twenty Million Pesos (P20,000,000) of the income of the Department of Foreign Affairs shall be made available for the repatriation of undocumented Filipino workers,</p>

COMMITTEE REPORT ON I.L.B. # 3154
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SPECIAL PROVISIONS

DEPT/FUND : DEPARTMENT OF JUSTICE
AGENCY: National Bureau of Investigation

PAGE #	LINE #	PARTICULARS
523	16	<p>Insert a new provision that read as follows:</p> <ol style="list-style-type: none">1. Use of Income. The National Bureau of Investigation is authorized to use its income in the amount of Twenty Five Million Pesos (P25,000,000) from the service fees collected in the issuance of NBI clearance to pay for the rental of its satellite offices used in the processing and issuance of NBI clearance. <p>Remember succeeding provisions accordingly.</p>

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COMMITTEE REPORT ON H.B. # 3154

(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND : DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS
AGENCY: Office of the Secretary

PAGE #	LINE #	PARTICULARS
772	39	<p>Insert new provision that read as follows:</p> <p>3. FOSARV Acquisition Project. The amount appropriated for the <i>Follow-on Search and Rescue Vessels Acquisition Project</i> shall be released only after an intensive review of the engineering and electrical systems of the vessels shall has been conducted by the technical Ad Hoc Evaluation Committee headed by the Department of Transportation and Communications (DOTC). The DOTC shall certify that the repairs on the defects noted thereon have been completed by the supplier and that the obligations of the supplier covered by the warranties provided under the supply contract and under existing laws, rules and regulations, including but not limited to the Civil Code and the Government Procurement Reform Act (Republic Act No. 9184) have been complied with.</p>

COMMITTEE REPORT ON H.B. # 3154
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SPECIAL PROVISIONS

DEPT/FUND : OTHER EXECUTIVE OFFICES
AGENCY: Movie & Television Review & Classification Board

PAGE #	LINE #	PARTICULARS
861	55	<p>Insert a new provision that read as follows:</p> <p>3. Use of Income. The MTRCB is authorized to use its income in the amount not exceeding Five Million Pesos (P5,000,000) for the review and classification of CD and VCD tapes, pursuant to Section 27 of Republic Act No. 9239 which was not funded in FY 2005.</p>

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SPECIAL PROVISIONS

DEPT/FUND : OMBUDSMAN
AGENCY:

PAGE #	LINE #	PARTICULARS
972		<p>Insert a new provision that shall read as follows:</p> <p>Assignment of Ombudsman to Government Agencies. . An Ombudsman shall be assigned to national government agencies and government-owned and controlled corporations, particularly to the BIR, BOC and DPWH to ensure the observance of high standards of ethics and efficiency in all government institutions.</p> <p>Re-number succeeding Special Provisions accordingly.</p>

COMMITTEE REPORT ON H.B. # 3154

(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND : SPECIAL PURPOSE FUNDS

AGENCY: E-Government Fund

PAGE #	LINE #	PARTICULARS																																			
1061		Delete page 1061 and in lieu thereof, insert the following: XLI. E-GOVERNMENT FUND For major information and communication technology projects P1,000,000,000.00 <u>New Appropriations by Purpose</u> <table><tr><th></th><th>Personal Services</th><th>Current Operating Expenditures Maintenance and Other Operating Expenses</th><th>Capital Outlays</th><th>Total</th></tr><tr><td>A. PURPOSE(S)</td><td></td><td></td><td></td><td></td></tr><tr><td>1. For Major Information and Communication Technology Projects, including:</td><td></td><td></td><td>P1,00,000,000</td><td>P1,00,000,000</td></tr><tr><td>a. Harmonization of Registration Numbers of NSO, SSS, BIR-TIN, GSIS (NEDA-NSO) P100,000,000</td><td></td><td></td><td></td><td></td></tr><tr><td>b. Business Registry System DTI/SEC/BIR/SSS (DTI) P100,000,000</td><td></td><td></td><td></td><td></td></tr><tr><td>Total, Purpose</td><td></td><td></td><td>1,000,000,000</td><td>1,000,000,000</td></tr><tr><td>TOTAL NEW APPROPRIATIONS</td><td></td><td></td><td>P1,000,000,000</td><td>P1,000,000,000</td></tr></table> <u>Special Provision(s)</u> 1. Use of Fund. The amounts appropriated herein shall be used to fund the specific major information and communication technology projects of the government. 2. Release of the Fund. The release of funds shall be made to the lead agency of the particular project after submitting complete project details to the Department of Budget and Management (DBM). A copy of the project details and a status report shall be furnished to the Committee on Finance of the Senate and the Committee on Appropriations of the House of Representatives. <u>New Appropriations By Object of Expenditures</u> (In Thousand Pesos) A. Purpose(s) Capital Outlays 1,000,000 Total Capital Outlays 1,000,000 TOTAL NEW APPROPRIATIONS 1 000 000		Personal Services	Current Operating Expenditures Maintenance and Other Operating Expenses	Capital Outlays	Total	A. PURPOSE(S)					1. For Major Information and Communication Technology Projects, including:			P1,00,000,000	P1,00,000,000	a. Harmonization of Registration Numbers of NSO, SSS, BIR-TIN, GSIS (NEDA-NSO) P100,000,000					b. Business Registry System DTI/SEC/BIR/SSS (DTI) P100,000,000					Total, Purpose			1,000,000,000	1,000,000,000	TOTAL NEW APPROPRIATIONS			P1,000,000,000	P1,000,000,000
	Personal Services	Current Operating Expenditures Maintenance and Other Operating Expenses	Capital Outlays	Total																																	
A. PURPOSE(S)																																					
1. For Major Information and Communication Technology Projects, including:			P1,00,000,000	P1,00,000,000																																	
a. Harmonization of Registration Numbers of NSO, SSS, BIR-TIN, GSIS (NEDA-NSO) P100,000,000																																					
b. Business Registry System DTI/SEC/BIR/SSS (DTI) P100,000,000																																					
Total, Purpose			1,000,000,000	1,000,000,000																																	
TOTAL NEW APPROPRIATIONS			P1,000,000,000	P1,000,000,000																																	

COMMITTEE REPORT ON H.B. # 3154

(Line by Line Amendments)

SPECIAL PROVISIONS

DEPT/FUND :

SPECIAL PURPOSE FUND

AGENCY:

Miscellaneous Personnel Benefits Fund

PAGE #	LINE #	PARTICULARS
1072	32-33	<p>Insert the following:</p> <p>c. Foreign Exchange (FOREX) differential requirements of the employees assigned to the different embassies of the Department of Foreign Affairs.</p> <p>Re-number succeeding Special Provisions accordingly.</p>

COMMITTEE REPORT ON H.B. # 3154
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SPECIAL PROVISIONS

DEPT/FUND : SPECIAL PURPOSE FUND - UNPROGRAMMED
AGENCY:

PAGE #	LINE #	PARTICULARS
1081	42	<p>Insert a new provision that shall read as follows:</p> <p>5. Appropriation for TESDA-CEMMT Project. Of the amount appropriated under Purpose 3 – Support to Foreign-Assisted Projects, the amount of Three Hundred Forty Seven Million Eight Hundred Thousand Pesos (P347,800,000.00) shall be allotted to the Development of Center of Excellence for Modern Manufacturing Technology (CEMMT) Project of the Technical Education and Skills Development Authority (TESDA).</p> <p>Re-number succeeding Special Provisions accordingly.</p>

COMMITTEE REPORT ON H.B. # 6385

(Line by Line Amendments)

GENERAL PROVISIONS

PAGE #	LINE #	PARTICULARS
1298	35	<p>Between the word "Act" and the period (.), insert a colon (:) and the phrase "PROVIDED, That in no case shall savings be used to pay bonuses, allowances in kind and in cash or other personnel benefits unless authorized by law".</p> <p>The new provision shall now read as follows:</p> <p>Section 61. Priority in the Use of Savings. In the use of savings, priority shall be given to the augmentation of the amounts set aside for compensation, year-end bonus and cash gift, retirement gratuity, terminal leave benefit, old-age pension of veterans and other personnel benefits authorized by law, and those expenditure items authorized in agency special provisions, in Section 17 and in other sections of the General Provisions of this Act: PROVIDED, That in no case shall savings be used to pay bonuses, allowances in kind and in cash or other personnel benefits unless authorized by law.</p>

COMMITTEE REPORT ON H.B. # 6385
(Line by Line Amendments)

GENERAL PROVISIONS

PAGE #	LINE #	PARTICULARS
1298	44-45	<p>Insert a special provision that read as follows:</p> <p>The acquisition of cars, airline tickets, advertisements by all government agencies, shall be centralized in the Department of Budget and Management.</p> <p>COMMITTEE RECOMMENDATION:</p> <p>Section 64. Authority to Undertake Centralized Procurement. The acquisition of cars, airline tickets, advertisements by all government agencies shall be centralized in the Department of Budget and Management.</p> <p>Renumber succeeding provisions accordingly.</p>