

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

Eighteenth Congress  
First Regular Session



HOUSE BILL NO. 1219

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Introduced by **Representative JOEY SARTE SALCEDA**

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**AN ACT  
REQUIRING THE PHILIPPINE GOVERNMENT TO ISSUE  
EDUCATIONAL BONDS FOR THE BENEFIT OF TERTIARY STUDENTS,  
APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

For most Filipino families, education is the investment that pays the best interest. This is why parents dream to provide the best possible education to their children. Except for food which stood at 41.5 percent of total household allocation in 2018, Filipinos spend the most on education, allocating around 15.4 percent of the monthly household budget, exceeding the global average of 8 percent<sup>1</sup>. This is reflective on how much Filipinos give premium on education. Education is seen as a levelling factor that will help them compete for better jobs and better salaries.

However, according to the Philippine Statistics Administration's 2017 Annual Poverty Indicators Survey (APIS) the percentage of drop outs remains high. In its 2017 survey of out-of-school children and youth (OSCY), the PSA determined that of the 39.2 million Filipinos aged 6 to 24 years old 9.1% belong to OSCY. In 2016, the equivalent percentage was 9.8%<sup>2</sup>. The most common reasons cited for not attending school were marriage or family matters (42.3%); high cost of education/financial concern (20.2%); and lack of personal interest (19.7%)<sup>3</sup>. The PSA said around 50% of OSCYs belong to families whose incomes were in the bottom 30% on a per capita basis.<sup>4</sup>

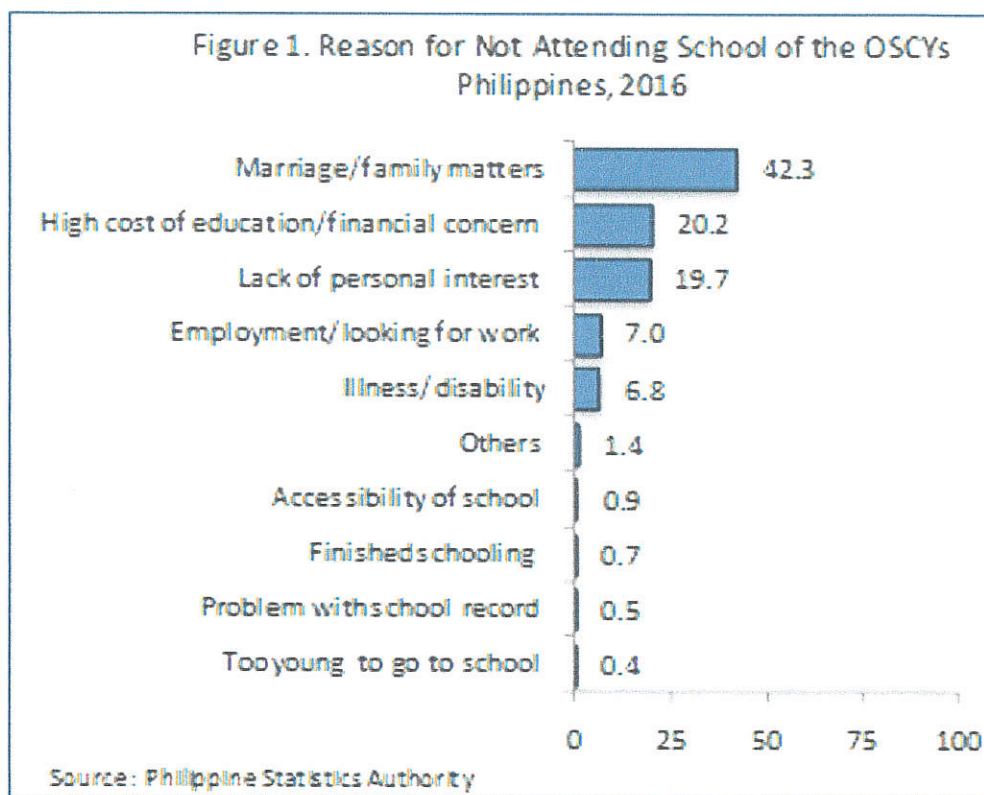
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<sup>1</sup> <https://news.abs-cbn.com/focus/08/22/18/average-pinoy-family-spends-almost-half-of-funds-on-food-study>

<sup>2</sup> <https://www.bworldonline.com/out-of-school-population-declines-in-2017-psa-says/>

<sup>3</sup> Philippines Statistics Authority, Reference Number: 2017-068 Release Date: Tuesday, June 13, 2017

<sup>4</sup> <https://www.bworldonline.com/out-of-school-population-declines-in-2017-psa-says/>



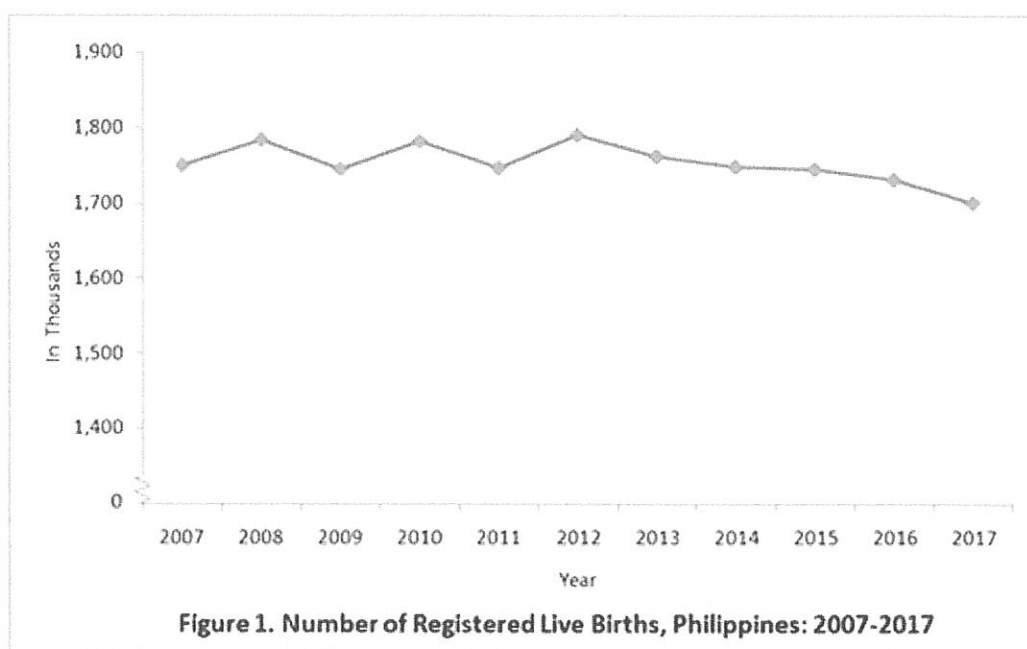
The numbers are very clear. Poverty is the greatest single driving force that keeps children away from school. Poverty restricts a child's view of the future. Poor families are more preoccupied with providing themselves with food, shelter and paying the bills so that education is relegated to the backburner. Often, the children are forced to do odd jobs in order to help their parents make ends meet. According to the PSA's Multidimensional Poverty Index, poverty impacts most heavily on education with the education dimension having the largest share or contribution to overall deprivation (MPI) at 36.5 percent and 36.9 percent in 2016 and 2017, respectively.

Despite the many financial assistance programs extended by the government and private sector to poor students, the education system remains plagued with deep inequalities. Millions of children and young adults remain out of school due primarily to poverty. While laws are in place to assist students financially like Universal Access to Quality Tertiary Education Act for instance that institutionalises free tuition and exemption from other fees in state universities and colleges (SUCs), local universities and colleges (LUCs), these may not be adequate. Education policies by the government as well as the capacity to send children to school may be subject to political and economic vicissitudes. A government of the day may shift its concern on other areas away from education which may restrict universal access just as because of inflation and unemployment, thus parents may be hard pressed sending their children to school. As the above graph shows, financial capacity plays a major role in keeping our children in school; stated negatively, poverty keeps our children away from school.

In order to negate these future uncertainties, the proposed bill endeavours to require the Government of the Philippines, through the Bureau of Treasury, to issue treasury bonds in favour of every child born at any given year with a maturity date extending until the beneficiary reaches eighteen (18) years of age. The Treasury Bond shall have the unconditional backing by the full faith and credit of the Philippine government, with guaranteed return of both interest and principal as they fall due. The proceeds of the bond shall be used exclusively to augment

any and all financial assistance extended by the government to students whether enrolled in a public or private educational institution.

The number of treasury bonds to be issues shall be based on the average yearly live births as officially declared by the Philippine Statistics Authority at any given year. Thus, for instance in 2017, the PSA declared that a total of 1,700,618 live births was registered which is equivalent to a crude birth rate (CBR) of 16.2 or 16 births per thousand population<sup>5</sup> According to the PSA, the number of registered live births showed a decreasing trend, noticeably from 2012 to 2017. The decrease in the last five years was 5.0 percent, from 1,790,367 live births in 2012 to 1,700,618 recorded births in 2017. (See Figure 1 and Table 1). It is projected that the yearly birth rate will vary, hence, the volume of treasury bonds issuable shall likewise adjust accordingly.



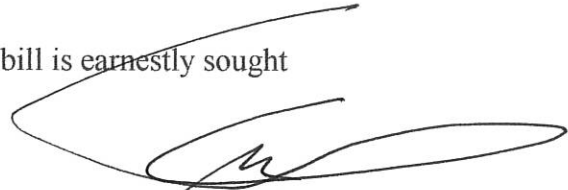
On the basis of the above cited figures, the Bureau Treasury shall issue a corresponding number of treasury bonds with par value of twenty five thousand pesos (Php 25,000.00) each and maturity of up to eighteen (18) years. All proceeds of the bond shall be pooled and held in trust by the National Treasurer, in a fund called “Educational Bond Fund”, which will then be applied to school expenditures to support the cost of tertiary education or any part or portion thereof. Release of the amount to the beneficiary shall be subject to the following conditions:

- 1) At the time he or she reaches eighteen (18) years of age, he or she must be enrolled in undergraduate-post-secondary programs of State Universities or Colleges, Local Universities and Colleges, private Higher Education Institutions and all Technical Vocational Institutions;
- 2) That at the time of bond maturity, the student is part of household included in the National Household Targeting System for Poverty Reduction (NHTS-PR) or *Listahanan 2.0*;

<sup>5</sup> <https://psa.gov.ph/content/births-philippines-2017>

The primary objective of the proposed bill is to put up a mechanism, that is the issuance of government securities or treasury bonds that would guarantee future funds for the education of the underprivileged Filipino youth that is insulated from the vagaries of politics and economic uncertainties.

In view of the foregoing, the passage of this bill is earnestly sought



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*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.* – This Act shall be known as the “**Educational Bond Act of 2019.**”

SEC. 2. *Declaration of Policy.* – It is the declared policy of the State to make education accessible to all irrespective of social and economic status. Towards this end, the State shall harness all available financial resources to increase participation by Filipinos across all socio-economic strata in tertiary education and, as far as practicable, enable them to complete their education.

SEC. 3. *Definition of Terms.* –

- (a) Educational Bond refers to a long term government security issued by a national government with corresponding interest and sovereign guarantee;
- (b) Educational Bond Trustee refers to the government agency, in this case the Commission on Higher Education (CHED). Any and all funds derived from the

proceeds of the issuance of the Treasury Bond shall be entrusted to CHED for safekeeping.

SEC. 4. *Issuance of Educational Bond.* – The Government, through the Bureau of Treasury and the Department of Finance, shall issue an educational bond in the name of every Filipino at birth which gives him or her the inchoate right to the proceeds of said security instrument upon maturity.

SEC. 5. *Number of Educational Bonds to be Issued.* – The number of educational bonds for issuance shall be based on the yearly average birth rate as officially declared by the Philippine Statistics Authority.

SEC. 6. *Key Features of the Educational Bond.* – For purposes of this Act, the educational bond issued by the Bureau of Treasury and Department of Finance shall have the following key features:

- (a) With a maturity period of eighteen (18) years;
- (b) With a face value of Twenty Five Thousand Pesos (Php 25,000.00)
- (c) With fixed interest rate;
- (d) Risk free; and,
- (e) Non-negotiable and non-transferable.

For purposes of this Act, no other class or category of bonds or securities shall be issued by the government other than that specified herein.

SEC. 7. *Qualified Beneficiary.* – The proceeds from the educational bond shall be released to the qualified beneficiary only under the following conditions:

- (a) At the time he or she reaches eighteen (18) years of age which coincides with the maturity date of the bond, he or she must be enrolled in undergraduate-post-secondary programs of any State Universities or Colleges, Local Universities and Colleges, private Higher Education Institutions and all Technical Vocational Institutions;

- (b) That at the time of bond maturity, the beneficiary is part of household included in the National Household Targeting System for Poverty Reduction (NHTS-PR) or *Listahanan 2.0*;

SEC. 8. *Placing Educational Bond for Public Auction.* – Any and all educational bonds assigned to unqualified and disqualified beneficiaries shall be placed on the auction block one (1) year after the date of maturity. The proceeds therefrom shall revert to the national treasury.

SEC. 9. *Educational Bond Trustee.* – The Commission of Higher Education (CHED) shall hereby appointed as trustee of the bond. Any and all funds derived from the proceeds of the issuance of the bond shall be held by the CHED for safekeeping. The CHED, in close coordination with the Bureau of Treasury and Department of Finance, shall adapt a mechanism for the efficient, fool-proof, and speedy release of the proceeds accruing from the securities to qualified beneficiaries.

SEC. 10. *Rule Making Authority.* – The Commission on Higher Education, Department of Finance and the National Treasury are charged with the administration and enforcement of this Act, shall promulgate the necessary implementing rules and regulations.

SEC. 11. *Appropriations.* – Such sums as may be necessary to implement the provisions of this Act are hereby appropriated out of any funds of the National Treasury not otherwise appropriated. Henceforth, the same shall be included in the annual General Appropriations Act.

SEC. 12. *Separability Clause.* – If any provision of this Act or the application of such provision to any person or circumstances is declared invalid, the remainder of this Act or the application of such provision to any other person or circumstances shall not be affected by such declaration.

SEC. 13. *Repealing Clause.* – All laws, decrees, ordinances, rules and regulations, executive or administrative orders and other presidential issuances inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SEC. 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,