



**REPUBLIC OF THE PHILIPPINES**  
**Senate**  
**Pasay City**

# **Journal**

## **SESSION NO. 42**

Tuesday to Friday, November 23 to 26, 2010  
Tuesday, November 30, 2010

**FIFTEENTH CONGRESS**  
**FIRST REGULAR SESSION**

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**CALL TO ORDER**

At 3:21 p.m., Tuesday, November 23, 2010, the Senate President, Hon. Juan Ponce Enrile, called the session to order.

**PRAYER**

Sen. Joker P. Arroyo led the prayer, to wit:

As we start our deliberations of the budget, please help us, O Lord, to sharpen our skills in addition and subtraction, division and multiplication, to better dissect the thousands of items in the budget.

Fortify our understanding in the general and special provisions that provide the guidance on the spending authority of the Executive of the hard-earned funds collected from the people.

With Your blessings and guidance, the Senate will enact a fair and good budget for the people.

Amen.

**ROLL CALL**

Upon direction of the Chair, the Secretary of the Senate, Atty. Emma Lirio-Reyes, called the roll, to which the following senators responded:

Angara, E. J.	Honasan, G. B.
Arroyo, J. P.	Legarda, L.
Cayetano, A. P. C. S.	Marcos Jr., F. R.
Cayetano, C. P. S.	Pangilinan, F. N.
Drilon, F. M.	Sotto III, V. C.
Ejercito Estrada, J.	Zubiri, J. M. F.
Enrile, J. P.	

With 13 senators present, the Chair declared the presence of a quorum.

Senators Escudero, Guingona, Osmeña, Recto, Revilla and Villar arrived after the roll call.

Senator Defensor Santiago was on sick leave.

Senators Lacson and Lapid were absent.

Senator Trillanes was unable to attend the session as he was under detention.

**APPROVAL OF THE JOURNAL**

Upon motion of Senator Sotto, there being no objection, the Body dispensed with the reading of the Journal of Session No. 41 (November 22, 2010) and considered it approved.

**ACKNOWLEDGMENT  
OF THE PRESENCE OF GUESTS**

At this juncture, Senator Sotto acknowledged the presence in the gallery of Gov. Imee R. Marcos

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of Ilcos Norte, councilors of Davao City, and some members of the President's Cabinet.

Senate President Enrile welcomed the guests to the Senate, expressing hope that the President's men would be able to help the senators scrutinize the budget so that it could be approved as soon as possible.

## **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 Speaker Feliciano Belmonte Jr. of the House of Representatives, dated 15 November 2010, respectively designating the following Representatives as members of the House panel on the following Congressional Oversight Committees/Commission:

Representatives Mandanas (H.), Gunigundo I (M.), Remulla (J. C.), Aggabao (G.) and Garcia-Albano (M.) for the Congressional Oversight Committee on Comprehensive Tax Reform Program (COCTRP);

Representatives Ong (E.), Gunigundo I (M.), Mariano (R.), Mendoza (R.) and Lagman (E.) for the Congressional Oversight Committee on Labor and Employment (COCLE); and

Representatives Ledesma IV (J.), Abaya (J. E.), Palmones (A.), Noel (F.) and Angara (J. E.) for the Congressional Commission on Science and Technology, and Engineering (COMSTE).

### **To the Committee on Rules**

### **BILLS ON FIRST READING**

Senate Bill No. 2601, entitled

**AN ACT PENALIZING CERTAIN ACTS  
IN THE IMPOSITION OF EXCES-  
SIVE PLACEMENT FEES AGAINST  
OVERSEAS FILIPINO WORKERS**

Introduced by Senator Escudero

### **To the Committee on Labor, Employment and Human Resources Development**

Senate Bill No. 2602, entitled

**AN ACT TO REGULATE THE SALT  
INTAKE OF CONSUMERS BY  
PROVIDING ALTERNATIVES TO  
THE CONVENTIONAL USE OF  
SALT, REQUIRING STRICT LABEL-  
LING STANDARDS, CONSUMER  
EDUCATION AND INITIATING  
PARTNERSHIPS WITH THE FOOD  
INDUSTRY**

Introduced by Senator Defensor Santiago

### **To the Committees on Trade and Commerce; and Health and Demography**

Senate Bill No. 2603, entitled

**AN ACT AMENDING PRESIDENTIAL  
DECREE NO. 442, BOOK V,  
CHAPTER II, ARTICLE 248, TO  
PROTECT THE RIGHTS OF THE  
EMPLOYERS**

Introduced by Senator Defensor Santiago

### **To the Committee on Labor, Employment and Human Resources Development**

Senate Bill No. 2604, entitled

**AN ACT PROVIDING FOR THE  
PROTECTION OF WORKERS IN THE  
CALL CENTER INDUSTRY**

Introduced by Senator Defensor Santiago

### **To the Committee on Labor, Employment and Human Resources Development**

Senate Bill No. 2605, entitled

**AN ACT PROHIBITING THE PRES-  
IDENTIAL RE-NOMINATION OR  
RE-APPOINTMENT OF A NOMINEE  
OR AN APPOINTEE WHOSE  
NOMINATION OR APPOINTMENT**

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HAD BEEN TWICE BY-PASSED BY THE COMMISSION ON APPOINTMENTS, BANNING THE PAYMENT OF SALARIES, EMOLUMENTS, PER DIEMS TO THE PERSONS CONCERNED, AND FOR OTHER PURPOSES

Introduced by Senator Villar

**To the Committee on Constitutional Amendments, Revision of Codes and Laws**

Senate Bill No. 2606, entitled

AN ACT PROVIDING FOR THE PROMOTION OF BREASTFEEDING PRACTICES AND INSTITUTING MEASURES THEREFOR AND FOR OTHER PURPOSES

Introduced by Senator Zubiri

**To the Committees on Health and Demography; Youth, Women and Family Relations; and Ways and Means**

Senate Bill No. 2607, entitled

AN ACT DECLARING A PARCEL OF LAND OF THE PUBLIC DOMAIN AN AGRICULTURAL LAND FOR TOWN SITE PURPOSE OF THE MUNICIPALITY OF SALVADOR BENEDICTO, PROVINCE OF NEGROS OCCIDENTAL AND FOR OTHER PURPOSES

Introduced by Senator Zubiri

**To the Committee on Environment and Natural Resources**

Senate Bill No. 2608, entitled

AN ACT PROVIDING A FRAMEWORK FOR THE OBSERVANCE OF COMMAND RESPONSIBILITY IN GOVERNMENT SERVICE

Introduced by Senator Villar

**To the Committees on Justice and Human Rights; and National Defense and Security**

**RESOLUTIONS**

Proposed Senate Resolution No. 286, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALARMING INCREASE OF INCIDENTS OF INCEST IN THE COUNTRY WHICH CAN BE ATTRIBUTABLE TO THE FEMINIZATION OF LABOR MIGRATION

Introduced by Senator Defensor Santiago

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

Proposed Senate Resolution No. 287, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEES TO INVESTIGATE, IN AID OF LEGISLATION, ON THE ALLEGED USE OF THE DIOSDADO MACAPAGAL INTERNATIONAL AIRPORT AS AN EXIT POINT IN THE TRAFFICKING OF FILIPINO WOMEN

Introduced by Senator Defensor Santiago

**To the Committees on Public Services; and Justice and Human Rights**

Proposed Senate Resolution No. 288, entitled

RESOLUTION URGING THE SENATE COMMITTEE ON PUBLIC SERVICES AND OTHER APPROPRIATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, FOR POSSIBLE REVOCATION OF FRANCHISE OF BUS COMPANIES FOR DEFYING THE RULES AND REGULATIONS ATTACHED TO A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY THEREBY CAUSING CRITICAL INCONVENIENCE TO THE COMMUTING PUBLIC

Introduced by Senator Sotto III

**To the Committee on Public Services**

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Proposed Senate Resolution No. 289, entitled

**RESOLUTION URGING THE APPROPRIATE SENATE COMMITTEE/S TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ANENT THE STATE OF TOBACCO INDUSTRY VIS-À-VIS THE IMPLEMENTATION OF WORLD HEALTH ORGANIZATION FRAMEWORK CONVENTION ON TOBACCO CONTROL (WHO FCTC) TO HELP ALLEVIATE THE PLIGHT OF TOBACCO FARMERS IN THE COUNTRY**

Introduced by Senator Villar

**To the Committees on Trade and Commerce; and Agriculture and Food**

#### **COMMITTEE REPORT**

Committee Report No. 11, submitted by the Committee on Finance, on House Bill No. 3101, introduced by Representative Abaya, *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 ELEVEN, AND FOR OTHER PURPOSES,**

recommending its approval with amendments.

Sponsors: Senators Drilon, Angara, Recto and the Members of the Committee on Finance

**To the Calendar for Ordinary Business**

#### **SPECIAL ORDER**

Upon motion of Senator Sotto, there being no objection, the Body approved the transfer of Committee Report No. 11 on House Bill No. 3101 from the Calendar for Ordinary Business to the Calendar for Special Orders.

#### **COMMITTEE REPORT NO. 11 ON HOUSE BILL NO. 3101**

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

House Bill No. 3101 (Committee Report No. 11), 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 ELEVEN, 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 Sotto, 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 Drilon for the sponsorship.

#### **SPONSORSHIP SPEECH OF SENATOR DRILON**

In presenting House Bill No. 3101 for the consideration of the Body, Senator Drilon delivered the following speech:

#### **THE FY 2011 NATIONAL BUDGET: MAKING REFORMS WORK**

The ascent to power of a new administration invariably opens a fresh chapter in the history of a nation. A time to start anew and to institute much-needed reforms for a better nation for generations to come.

On August 24, 2010, Pres. Benigno S. Aquino III, armed with an overwhelming mandate given him by the Filipino people, presented to Congress his administration's first national budget. Branded as the "Reform Budget," the National Expenditure Program (NEP) sought to put in place several noteworthy reform-oriented measures to address critical gaps in governance.

#### **Basic Governance Principles**

The Programmed New Appropriations stand at P933.479 billion.

P540.382 billion is proposed for Personal Services, the biggest component of the national budget, which will fund the salaries and other benefits of about 1.163 million permanent positions. It is an increase of P47.240 billion, or 9.6% over its current adjusted level of P493.142 billion. This increase is a consequence of the implementation of the Salary Standardization Law III.

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Regular MOOE is allocated P248.96 billion, compared to P281.02 billion in 2010. Capital Outlays will amount to P196.623 billion, 6% lower than current year appropriation.

The National Expenditure Program excludes items which are automatically appropriated, such as Debt Service-Interest Payments, Internal Revenue Allotment, and other such items, which by definition do not require periodic action by the Congress of the Philippines. For 2011, debt service will amount to P357.09 billion. Internal Revenue Allotment for Local Government Units will amount to P286.944 billion, almost 8% higher than the 2010 level. Note that IRA is one item in the budget that consistently reflects an increase that is even higher than the percentage growth of the national budget.

In a nutshell, the President's budget espoused the following basic governance principles: 1) transparency and accountability; 2) an "unabashed bias" for the poor; 3) public-private partnerships in the face of scarcity of government resources; 4) fiscal responsibility; and 5) zero-based budgeting as a guide to prioritization of programs or projects.

Given our ballooning deficit, our financial managers were constrained to limit our national budget to a meager 6.8% increase from the current fiscal year. Concomitant with this fiscal restraint, the President also deemed it necessary to redesign the budget to conform to his government's commitment to lift Filipinos from poverty through honest and effective governance.

At P1.645 trillion, or 18.2% of our Gross Domestic Product, the national budget seeks to address critical gaps in social services for the poorest of the poor. Thus, the allocation for social services will get the lion's share of the budget pie at 34.1%, an increase of 14.09% from the current year. Included under this sector is the Conditional Cash Transfer Program of the Department of Social Welfare and Development amounting to P21.194 billion next year. The Conditional Cash Transfer Program is a direct subsidy to a targeted 2.3 million household beneficiaries.

Senators and congressmen have their PDAF allocations in this budget, local governments have their IRA. Is it not about time the poorest of the poor in our midst have their own Internal Revenue Allotment?

To finance priority programs and in pursuit of reforms in the GOCC sector, budgetary support to Government-Owned and-Controlled Corporations in terms of subsidy, equity and

net lending was reduced by 40.7%. Obviously, the President, taking cognizance of the glaring irregularities involved in the excessive remuneration of officials of our state enterprises, has seen the urgency of instituting reforms in the GOCC sector. In the case of the NFA, its P8 billion subsidy this year was reduced to P2.5 billion "to stop the bleeding of government funds due to inefficiencies" while pushing for an amendment to the NFA Charter to separate its proprietary function from its regulatory and buffer-stocking functions.

Pursuant to the constitutional mandate, the Department of Education has the highest allocation with a budget of P207.270 billion for 2011. In addition, P1 billion is allocated for the school building program and P23.41 billion for State Universities and Colleges. Thus, a total of P231.680 billion is allotted in the National Expenditure Program for the education sector.

The DPWH gets the second highest allocation at P110.63 billion.

The Department of National Defense is in the third rank, at P104.67 billion. Note, however, that the Modernization Fund is allotted only P5 billion, while the pension of AFP retirees, war/military veterans amounts to P36.8 billion. With this lopsided allocation, the modernization of our AFP remains a dream. Note also that the item for pension and gratuity for the PNP amounts to P12.954 billion in 2011, while that of the Bureau of the Fire Protection and the BJMP amount to P1.448 billion.

These items must be looked at and studied by the President and the Executive Branch if we are to find enough fiscal space in order to modernize our Armed Forces and our Philippine National Police.

#### **House Bill No. 3101**

The House of Representatives approved House Bill No. 3101 or the 2011 General Appropriations Bill, with total Programmed New Appropriations of P933.479 billion. Other than internal realignments in the DPWH budget, the House of Representatives did not introduce any major amendment to the President's budget.

Hence, the House bill essentially retained the programs and thrusts of the National Expenditure Program, while allowing for several amendments to reflect the concerns of the House of Representatives.

Among these amendments is the P2.5-billion realignment carved out of the Department of Agriculture's allocation for Public-Private

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Partnership Support Fund to provide for a budget for the National Food Authority.

The House also realigned P250 million from the President's Intelligence Fund to fund the requirements of two new offices, the Truth Commission with P83 million, assuming that it passes the review of the Supreme Court, and the Presidential Communications Development and Strategic Planning Office, with P50 million.

Realignments within the budget of the Department of Education were also introduced, resulting in an increase of P1.2 billion for the Pre-School Education for All Children, and a cut of P1 billion from the allocation for School-based Management Installation and Support.

#### ***Through the Senate Legislative Mill***

The Committee on Finance now respectfully presents before this august Chamber what we would like to see as the National Government Budget for 2011.

The Committee on Finance proposes Total New Appropriations of P933 billion and an Unprogrammed Fund of P66.908 billion.

Specific amendments include, among others, the following:

1. Additional P35 million for Task Force Zero Backlog of the Court of Appeals;
2. Additional P26 million for the Civil Service Commission to retain its Fiscal Year 2010 MOOE level;
3. A cut of P1.446 billion from the Department of Public Works and Highways, particularly from the National Arterial, Secondary Roads and Local Roads and Bridges under Locally-Funded Projects;
4. Internal realignment of P1.5 billion within the Department of Education to fund the hiring of 10,000 additional teachers;
5. P100 million for the school-based *Alay Tanim* Program;
6. An increase of P268 million for research and development of the various state universities and colleges;
7. Additional P222 million budget for scholarship grants for undergraduates in the Science Education Institute under the DOST, and another P100 million for Science Technology Engineering Fellowships and Scholarships for the Philippines to Taiwan and Korea;
8. Additional allocation of P20 million to the National Library of the Philippines and

P40 million for the National Archives of the Philippines for the Digitalization of Colonial Documents;

9. Additional P20 million as initial funding for a Philippine Sports University under the Philippine Sports Commission;
10. The Unprogrammed Fund was cut by P10.350 billion in allocation for Support for Infrastructure Projects and Social Programs to provide for the following new line items: Calamity Fund with P4 billion, Rural/Sitio Electrification Project with P2.1 billion, and MRT/LRT Expansion with P4.25 billion;
11. Allocation of P978.550 million for Program Beneficiaries Component of the Comprehensive Agrarian Reform;
12. The budget of the Department of Finance, Office of the Secretary, was cut by P210.579 million, representing the refund of service development fee for the right to develop the Nampedai property in Tokyo. Further, P392.671 million was cut from the budget of the Bureau of Internal Revenue for the creation of new positions;
13. Finally, the Department of Transportation and Communications budget for subsidy to mass transport was reduced by P740 million, P370 million of which was realigned to various airports, ports and railways.

The Committee also proposed several special and general provisions. Among the more significant ones are the following:

1. A provision requiring the submission of a network plan prior to the release of the funds to the DPWH for farm-to-market roads. Eighty percent (80%) of such farm-to-market roads shall be identified by the Department of Agriculture and 20% by the Department of Agrarian Reform;
2. A special provision on use of income for the Maritime Industry Authority, and an increased amount for the use of income of the Land Registration Authority;
3. A special provision on the payment of retirement benefits and pension differential of PC-INP retirees;
4. The provision on the *Tulay ng Pangulo Para sa Kaunlarang Pang-Agraryo* was amended, specifying that the priority, as to the release of the fund, shall be given to the Agrarian Reform Communities (ARCs);
5. A special provision requiring the creation of

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an inter-agency secretariat that shall oversee the implementation of the Conditional Cash Transfer Program, and imposing a reportorial requirement on the release and utilization of funds, and the status of implementation, per region;

6. Further, we included a special provision requiring that funds released by DBM for the actual cash grant for the Conditional Cash Transfer (CCT) Program shall be directly released and deposited to government depository banks, and in their absence, in rural and other thrift banks duly accredited by the BSP, with the added proviso that no DSWD employee/officer, CCT secretariat and local government official shall directly handle funds intended for the cash grant;
7. We deleted a special provision in the House version creating a Congressional Oversight Committee authorized to realign savings under the Conditional Cash Transfer Program;
8. A special provision prioritizing the use of the Transport Studies Fund for a feasibility study on the construction of new road networks to decongest EDSA;
9. A special provision which requires the Philippine Institute for Development Studies to conduct policy studies on fiscal and financial policies for use by the policymakers, particularly of the Congress of the Philippines;
10. An amendment to the National Power Corporation's budget, indicating specific funding sources for the Augmentation Fund for Missionary Electrification and Watershed Management;
11. A provision specifying that savings from the unused portion of the appropriation for Public-Private Partnership (PPP) Fund by the end of the 2<sup>nd</sup> quarter of 2010 shall be realigned to other infrastructure projects identified by the President.

What are we set to enact into law is the very first budget of the Aquino administration. If indeed we want a better life for our people, let us allow our President a chance to succeed by giving the support that he needs to fulfill his anti-poverty promises.

Let us give this reform budget a chance, an opportunity to make a difference in the lives of our people and, ultimately, in the future of our nation.

We appeal to this august Chamber. Let us give the new Administration the time and opportunity to prove that it deserves the

mandate and trust of our people. And, if after one year, we see that this Administration does not implement properly what we authorized in this budget, then we shall have every reason to be less sympathetic next year. Meanwhile, let us together walk the path towards a national budget that advocates much-needed reforms.

With your support, we are confident that this budget will fulfill our esteemed Senate President Juan Ponce Enrile's message to our people in the last campaign: "*Gusto Ko Happy Ka.*"

#### **ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS**

Senator Sotto acknowledged the presence in the gallery of the members of the Asia Pacific Rural Agricultural Credit Association from India, Nepal and the Philippines; and Mr. Nakayama Eiki, who was guest of the Senate External Affairs and Relations.

Senate President Enrile welcomed the guests to the Senate.

#### **REMARKS OF THE CHAIR**

Senate President Enrile commended the Chair of the Committee on Finance, Senator Drilon, for his incisive and very clear exposition of the budget.

#### **REQUEST OF SENATOR CAYETANO (A)**

Responding to the request of Senator Cayetano (A) that the Committee on Finance provide the Members of the Body with a soft copy of the budget either through e-mail or in a flash disk to avoid carrying voluminous papers and allow each senator to follow the discussion through their respective computers, Senator Drilon replied that the Committee will try to comply as it has to consult first with its technical staff if it is possible to put everything in a disk within a limited period of time.

Senator Cayetano (A) thanked Senator Drilon for his positive reply, believing that his request is doable because there could not have been print-outs of the budget without the soft copy. He added that having a paperless budget hearing is even cheaper and environment-friendly.

*At this juncture, Senate President Enrile relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.*

## COSPONSORSHIP SPEECH OF SENATOR ANGARA

At the outset, Senator Angara said that his speech was in support of the sponsorship of Senator Drilon, explaining that his brief, which is focused on education, science and the state universities and colleges, is an unabashed bias for the poor because to him, education is really the most enduring instrument to fight poverty. He shared the sentiment of Senate President Enrile in congratulating the able and diligent Chair of the Committee on Finance for his very clear and lucid presentation of the budget.

*Following is the full text of the speech:*

The recent financial crisis severely damaged the world's leading industrial economies. But if any lesson can be learned from such a painful episode, it is this: developing countries who have built up their technological capacity weathered the financial tsunami.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) said in a news report that emerging industrializing countries have challenged the technological dominance of the United States, European Union and other Organisation for Economic Co-operation and Development (OECD) countries before the economic crisis and even after the economic crisis.

Asia, with China at the forefront, led recovery worldwide and is showing no let-up in R&D intensity. Brazil, India, South Africa and some of the Gulf countries have shown aggressiveness in pursuing scientific and technological development.

It chose one pleasant and glaring fact. **Knowledge and innovation are proving to be no longer the monopoly of developed countries** – developing countries are showing that they are equally capable not only to capitalize on it, but also create knowledge-intensive growth.

It is amid this distinct, evolving global landscape that I draw the attention of the Members of the Senate to a critical issue that could help usher the country toward a new era of growth.

The Philippines was fortunately one of a handful of countries that kept relatively strong economic growth throughout the global recession. But as the world's fastest growing economies have shown, it is not merely enough to stay afloat.

It is more pressing than ever to ensure that the country has the capability to create knowledge and harness innovation.

This is why I call for firm and consistent funding for education, in particular science and technology, as well as research and development. It is almost commonplace to say that science and technology is crucial to our national development. Yet that is absolutely true. Science and technology is the way to leapfrog our development. There is no other way to be able not only to catch up but to give our people rising living standards.

If we read all the competitiveness links, our main shortcomings in competitiveness largely stem from our S&T inadequacy.

There are several criteria for judging a country's competitiveness. The Philippines always suffers, and we have been going down in competitiveness year after year. Why? Because we lack technological capacity – the capacity to create, to innovate.

If it is really indeed a Reform Budget, we should create a critical mass of scientific knowledge and personnel through the proposed budget so it can truly deserve its claim.

To attain this, we will first make sure that the Department of Education – our Chairman already described this as an outline in the main sponsorship – shall hire 10,000 more teachers than what was proposed by the Executive. Why? We could build more classrooms, we can provide all the desks and books, but if there is no teacher, there is no education; we cannot render educational services. So, teachers are at the heart of the educational enterprise and therefore we propose that we hire 10,000 more or a total of 20,000 teachers.

I believe that Filipinos would benefit from the proposed K-12, extending our basic education by two years. But I also believe that there are many challenges to the plan that have to be discussed.

Hence, we propose – both the Committee of the House as well as the Senate – the creation of a bicameral oversight committee to provide a platform for the continuing dialogue on this very significant educational reform.

The best way to spur S&T knowledge is to nurture it in the academe.

We will continue to provide R&D and training funding through the Engineering Research and Development for Technology (ERDT), a consortium of the top eight universities in engineering, namely, the University of the Philippines in Diliman and Los Baños, Ateneo de Manila University, De La Salle

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University, Mapua Institute of Technology, Mindanao State University in Iligan, University of San Carlos, and Central Luzon State University.

The ERDT is on its third year. And so far, we have produced the planned number of masteral degree holders on PhD degree holders in engineering and the various sciences. This body will begin to create the critical mass of engineers, technologists and scientists that we need to staff our S&T community. And this will be the beginning, if I may suggest, of the leapfrogging of our development and catch up with our very competitive neighbors around us.

The Philippines is alarmingly lacking in Master of Science (MS) and Doctor of Philosophy (PhD) holders in science and engineering, with only one in every 54,060 Filipinos. What is the ratio in developed countries? Let us take Germany. Germany has one PhD holder per 3,316 Germans, the United States has one per 6,533 Americans, and Japan has one per 11,621 Japanese.

In addition, the number of scientists and engineers in the Philippines involved in R&D – incidentally, as the Chair and I know, is the creator of the new world in this era of information – is only 152 researchers and scientists for every one million Filipinos, very much less than the ratio recommended by the UNESCO.

The ERDT will make sure that the Philippines can generate more MS and PhD graduates especially in Information and Communications Technology (ICT), in semiconductor and electronics, energy, food and health, and in environment and infrastructure.

Why did I mention these key sectors of the economy? Because these are the most crucial and critical sectors of our modern economy and we need the experts in all these fields.

We will also inject R&D funding into selected state universities and colleges (SUCs) across the country so that knowledge and innovation can be harnessed as optimally as possible.

However, out of the 112 SUCs, many of them admit to not having the capability and the faculty to do research. And therefore, we have to make the hard choice of selecting those SUCs who, we believe, deserve R&D funding.

We did it two ways. First, we make available scholarships and fellowships for clearly defined fields of study to develop our human capital. Then, we initially concentrate R&D funding on those SUCs with the necessary faculty, laboratories and track record.

But at the same time, we will cultivate S&T as early as possible by helping the Philippine Science High School (PSHS) complete additional campuses in Region IV-A and Region IX. We must keep our pledge to our people that every region will have a Philippine Science High School. The PSHS has proven to be the best feeder of our engineering and science schools throughout the country.

And in addition, as mentioned by our Chairman, we provided over P200 million for additional science education scholarship as well as finance, for the first time, a graduate exchange program with Taiwan and Korea.

We have been accustomed to sending our best and brightest in science and technology to the United States, Japan and Germany. Now, we have just found out that Taiwan and Korea have as good as any curriculum in science and technology. In fact, these two countries are probably the most technologically advanced in the region.

And from the universities, we will step up our S&T development to the national and industrial levels through the Department of Science and Technology (DOST). The DOST has formed the Philippine Industrial Research Development Institute to further boost the competitiveness of the country's electronics and semiconductor industry. This institute was borrowed and patterned after Taiwan's institute. This institute in Taiwan was the one that generated the innovation, the technology that made Taiwan the leading technology in many fields.

We also decided to fund the Renewable Energy and Research Development Institute. The success of the alternative energy of Brazil, Korea, and the United States is in the fact that they financed – they spent money – to study renewable energy. We have that institute under the Renewable Energy Law, but for so long we delayed and dilly-dallied in financing and studying it. For the first time, in 2011, we are going to pursue an honest-to-goodness systematic research and development of our renewable energy sources.

That, in essence, summarizes the thrust of Subcommittee B, but just to mention further, we have provided money for the Philippine Disaster Science Center. The Philippine Science Disaster Center is a long, overdue institute that we should have set up five years ago. Such an institute exists in Taiwan, Japan, Korea, and of course, in Hawaii, in the United States and in Brisbane. And these are the institutes that study the effect and impact of weather patterns and

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now, especially, climate change. This will give us an early warning signal of change in weather pattern. This is especially needed in light of the climate changes that we are experiencing.

The World Bank said that our 2011 national budget could mark a decisive turning point in our country. This so-called reform budget is well-positioned to resume fiscal consolidation and improve spending efficiency. Let us all unite that this prediction comes true. Because it may be too late if we do not do so, and it may be too late for us given the rapidly changing global landscape and the rapidly increasing population of our country. This may be our chance to bring tangible gains and benefits to our people so that they, for once, will experience the social and economic gains out of the annual budget.

I hereby submit, together with the Chairman, the budgets of the Department of Education, Department of Science and Technology, Department of Trade and Industry and all their attached agencies; as well as the budgets of other executive and cultural offices like the National Museum and the National Commission on Culture and the Arts, with the hope that the 2011 budget, as requested by the Chair, receive our speedy approval.

#### **MANIFESTATION OF SENATOR SOTTO**

Senator Sotto informed the Body that the Members have been given a copy of the schedule of the plenary debates on the budgets of the different departments.

At this juncture, the Chair recognized Senator Drilon, Sponsor of the measure, and Senator Cayetano (P) for her interpellation.

#### **GENERAL PRINCIPLES**

Senator Drilon manifested that before the consideration of the budgets of the different departments, the Body would debate on the general principles of the budget.

#### **INTERPELLATION OF SENATOR CAYETANO (P)**

Preliminarily, Senator Cayetano (P) commended Senator Drilon for his thorough review of the budget and also lauded Senator Angara for raising concerns on the state of science and technology in the country. She also clarified that she only intended to gain a

better understanding of the general principles behind the proposed national budget but would not raise queries on the allocations of the individual departments.

Relative thereto, she pointed out that the proposed budget is based on the principle of having an “unabashed bias for the poor” as highlighted by the proposed P21-billion Conditional Cash Transfer (CCT) Program for the poor. However, she noted that neither President Aquino’s State of the Nation Address (SONA), the department secretaries nor Senator Drilon’s sponsorship speech explained how the CCT would be complemented by other government programs to alleviate poverty. She believed that although the Aquino administration was aware of the need for an employment program particularly amid the lingering effects of natural tragedies like *Ondoy*, it has not come up with any strong programs on employment generation. She underscored the importance of having a program that would complement the CCT. For instance, in the area of agriculture, she questioned the wisdom of decreasing the proposed 2011 budget for the National Food Authority purportedly to “stop the bleeding of government funds,” when many Filipinos continue to depend on agriculture for their livelihood and the country remains to be the world’s biggest rice importer. As such, she sought clarification on the government’s main thrust to achieve its goal of providing people with a support system beyond CCT.

Senator Drilon explained that the bias for the poor has always been a flagship project of every administration as evidenced even by the formation of a National Anti-Poverty Commission (NAPC). However, he pointed out that this was the first time that the administration has included in the budget a program which could be identified as a direct subsidy and assistance to the poor in the hope that the conditions attached to it could help bring its beneficiaries out of abject poverty. He said that the entire 2011 national budget is an employment generation program. For instance, he cited the case of Libon, Albay which has enjoyed a P2-million increase in sales and services for every P5 million disbursed for the CCT program.

As regards agriculture, Senator Drilon relayed the commitment of the agriculture secretary that the country would have self-sufficiency in rice in three-years time and programs toward that end, he believed, should generate economic activities and improve the lives of farmers in the rural areas.

With respect to infrastructure, Senator Drilon admitted that because of the lack of resources in the Philippines not much is allotted to it compared to other Asian countries. But he hoped the thrust of the present Administration, specifically the commitment to good governance, would encourage the private sector into joining various government infrastructure projects. He stated that the Public-Private Partnership (PPP) Program was initiated by the government to fill in the gap in infrastructure requirements since there are not enough funds for that purpose.

But Senator Cayetano (P) emphasized the need to have the structures i.e., training and micro-financing programs, in place at the local government level, and for the Administration to view the Conditional Cash Transfer (CCT) Program holistically to maximize the P21 billion allocated to it. She acknowledged that there are countries with national employment guarantee programs. However, she noted that the guidelines of the CCT were not clear, thus, she wanted to make sure that the funds would not be released to half-baked programs. In answer, Senator Drilon pointed out that the program is not new and that the past Administration, in fact, allocated P10 billion to it. He suggested that the senators propound their questions on the program when the budget of the DSWD is discussed on the floor. Senator Cayetano (P) agreed, but she pointed out that the program goes beyond the scope of the DSWD. Senator Drilon agreed as he explained that a special provision was inserted in the GAB providing for an inter-agency secretariat to assist the DSWD in the implementation of the program.

On another matter, Senator Cayetano (P) noted the wide gap and some inconsistencies between the DA's higher technology approach and the reality of the CARP, emphasizing that farm owners need to learn how to manage their small farms better. She emphasized that the role of agriculture should not be neglected.

Proceeding to the PPP Program, Senator Cayetano (P) asked why the infrastructure budget was low, and whether it is the intention of Congress to pass a PPP law. She noted that there are safeguards in the BOT law to ensure that funds will be spent well and that the bidding process will be properly observed. But she asked whether these concerns would still be included in the PPP law. In reply, Senator Drilon stated that he was not aware of any proposal by Congress to pass a PPP law,

adding that the BOT law is the basic legal structure upon which the PPP concept can be launched. Besides, he pointed out that the funds provided for the PPP are for preliminary activities that are needed to launch the program, for instance, the right-of-way and technical studies, which partake of public expenditures.

Asked on the lumpsum available for various departments to conduct feasibility studies, Senator Drilon said the lumpsum is specifically under the DPWH, DA and the DOTC budgets.

On whether these agencies would be the ones to conduct the feasibility studies, Senator Recto explained that NEDA comes up with the list of projects during the preparation of the Medium-Term Philippine Development Plan or the annual investment plan but the actual line agencies do the updating of the feasibility studies. He clarified that the role of the NEDA is primarily to prepare the Medium-Term Development Plan, especially following the assumption of the new Administration, and afterwards, the annual investment plan in consultation with the different agencies. As an institution that coordinates different government agencies like the DOF, DBM and others, he said that the NEDA therefore evaluates project proposals submitted by the line agencies to determine their financial and/or economic viability; once the project is approved, it goes to the President for approval; when approved, it goes back to the line agency for the drawing up of the specific contract; then it goes back to the NEDA Board for approval by the President and then to the DOF for the signing of contract.

Senator Drilon clarified that the PPP budgets are found in the agencies hereunder indicated:

AGENCY	PPP BUDGET
DPWH (Road Projects)	P22 billion
DPWH (Strategic Support Fund)	P 5 billion
Department of Finance (Office of the Secretary PPP Capability Building)	P 2 billion
Department of Agriculture (Strategic Support Fund)	P 2.5 billion
NEDA (Capability Building)	P 5 million
DOTC (Strategic Support Fund)	P 5 billion
TOTAL MOOE:	P 7 million
End Capital Outlay:	P12.525 billion

On the pro-poor projects, Senator Cayetano (P) recalled how supportive then Senator Aquino was of social service-oriented bills. Also, she recalled that

during the Bicameral Conference Committee on the Expanded Value-Added Tax, the DOF belatedly expressed concerns about the law which it should have expressed earlier had its representatives, along with the DBM, attended the hearings.

Relative thereto, Senator Cayetano (P) complained that certain department heads questioned the feasibility of the financial component of a bill only when it was already signed into law, when it was already too late to look into it. The problem, she pointed out, was that they never attended the hearing; instead they sent their representatives who, when asked to comment on the bill, would simply tell the Committee that they were there simply to listen. She appealed to the Cabinet secretaries that if ever they send their representatives to committee hearings, they should be authorized to give their opinion.

Senator Drilon took note of Senator Pia Cayetano's concerns and assured her that these would be relayed to the department secretaries and members of the official family, especially those called to committee hearings.

On another matter, Senator Cayetano (P) recalled that she and then Senator Aquino shared the same position and even took turns in interpellating on the general principles of the budget, particularly questioning the debt service payments. She stated that because of the Automatic Appropriations Law, a large portion of the budget is dedicated to debt service which includes paying 14 illegitimate debts. She said that she had been calling for an investigation of these debts every year; and like any parent, she would not want to take on a new debt without looking into its validity.

In addition, Senator Cayetano (P) recalled that she and Senator Angara, then Finance Committee Chair, agreed during the last budget deliberations to look into these illegitimate debts because it would be irresponsible of the Senate not to do so. She stated that time and again, these debts were questioned during the budget deliberations but the Body nonetheless passed the budget without even knowing whether or not there is reason to temporarily suspend debt payments. Noting that the Body intends to pass the budget within 10 days, she inquired if Senator Drilon would support a move to look into the debts.

Even as he expressed support for the effort to look into the illegitimate debts, some of which were

tainted with corruption, Senator Drilon cautioned the Body against suspending debt payments precisely because of the terms of the transactions, some of which might provide for cross-default. He opined that the Aquino Administration would not tolerate loans that are not beneficial to the people and that are graft-tainted. He cited the P18.5 billion Belgian loan for the dredging of the Laguna Lake, a project which the President suspended. He said that the Aquino Administration has already shown its resolve to address the problem by looking into various loans within in its first six months.

Senator Cayetano (P) stressed that she was calling for a responsible investigation and review of contracts that have been viewed as illegitimate, fraudulent, useless or in any way disadvantageous to the government. She said that she would submit to the Committee on Finance a copy of the document identifying the 14 illegitimate projects.

Thereafter, Senator Drilon acknowledged receipt of the document entitled "Illegitimate Debt Cases" and assured Senator Cayetano (P) that the Committee would look into it.

Senator Cayetano (P) pointed out that the Automatic Appropriations Law was passed at a time when the government, for lack of good financial standing, was required to give an automatic guarantee to creditors that payments would be made. She noted that a decade has lapsed, yet said law still operates and she stressed it was about time it was reviewed.

In reaction, Senator Drilon stated that reviewing laws is a continuing obligation of Congress. However, he pointed out that the country was still in an era of debt financing. He believed that amending the law and requiring congressional scrutiny of every payment made for obligations incurred by government could mean putting a stop to financing projects. He posited that when the country has achieved a situation wherein it no longer needs to borrow, then the law can be repealed and every disbursement should pass through Congress. He maintained that to finance the budget, a great portion of it has to be sourced from borrowings. He assured the Body that there are sufficient safeguards to determine if there is a need to incur a particular loan. He asserted that the P18.5 billion dredging project in the Laguna Lake was one example when safeguards worked because the President was able to put a stop to it even after the loan agreement was signed.

100

In addition, Senator Drilon stated that the *Bangko Sentral ng Pilipinas* would have to approve the incurred obligation but, he insisted, it would be extremely difficult for the Philippine government to sit down with its prospective lenders and say, "repayment is subject to approval by Congress."

Senator Cayetano (P) argued that consistent with her position on illegitimate debts, investors and creditors would have to be reminded that Congress would not turn a blind eye on such matters. She agreed that the Laguna Lake Development contract was a perfect example where the political will was enforced and when the safety measures were sufficient. She said that Congress should send a message that illegitimate debts incurred by the past administration would be looked into with prudence by the present government and, if necessary, it can cancel or suspend the same.

Again on the CCT, Senator Cayetano (P) supposed that the source of funding came from a debt, the full value of which Congress ought to know. She stated that because of the lack of information surrounding the P21 billion fund for the program, questions would have to be raised during the deliberations on the DSWD budget.

As regards climate change, Senator Cayetano (P) said that the issue is not a trend or fad, but rather a concern for both developed and developing countries. She averred that agencies, particularly the DOF and the NEDA, should be aware of the ongoing United Nations Framework on Climate Change Convention wherein developed countries have, to some extent, recognized their role as creators of the ill-effects of climate change; that instead of giving assistance or reparation for damages incurred, developed countries are making developing countries borrow from them. She opined that government should change its perspective on the effects of climate change. She stressed that the country does not need debts, but reparation for the degradation of its environment.

Senator Drilon stated that the questions of Senator Cayetano (P) would be entertained when budgets of line agencies are taken up.

## **INTERPELLATION OF SENATOR ARROYO**

To Senator Arroyo's observation that the thrust of the Administration budget was reform more than growth, Senator Drilon agreed, that is, if growth

means the lack of appropriation for extensive infrastructure projects. He explained that there was not much appropriation for infrastructure projects because the Administration wanted to avail of the goodwill and trust it has generated across the country which, hopefully, would encourage the private sector to do its share in providing the needed infrastructure at a reasonable profit. The budget, he stressed, simply has not enough physical space to provide for the needed funds for infrastructure.

Senator Drilon said that the budget deficit for this year was P325 billion and for 2011, the projected budget deficit was P290 billion. He remarked that the country has to incur debts again to fund its infrastructure needs, the reason why the Administration, as a matter of policy, wanted to encourage public-private partnership and has provided P12.5 billion for this particular purpose. He said that this was how the Administration wanted to project its growth budget rather than provide funds for infrastructure as what the past administration did.

Asked by Senator Arroyo whether infrastructure spending would come to a full stop considering the P26 billion difference in the DPWH's budget which was P126 billion in 2010 and P100 billion in the 2011 NEP, Senator Drilon replied that it would not but it might not be at that level needed to jumpstart the economy. He said that part of the DPWH's budget of P110.63 billion was the provision for a public-private partnership that would hopefully fill the funding gap in infrastructure.

Senator Drilon recalled that last week, the private sector was invited to a conference and briefed by the members of the Cabinet on the possible projects that could be undertaken under the PPP Program.

Senator Arroyo stated that according to media reports, the President supposedly said that the government should assure the private sector that whatever investments they make will be protected from regulatory, judicial or whatever intervention, meaning the State would be ready to help them.

Senator Drilon believed that there are sufficient laws to protect private sector investments against unwarranted intrusion by government. As an example, he cited an existing law which prohibits injunctions against public works projects. He said that the President simply emphasized the legal principle that

the State will protect investments from undue interference by the government.

Senator Arroyo said that he did not want to belabor the point except that the situation reminded him of the independent power producers, where the IPPs were paid whether the power they generated was used or not.

On agriculture, Senator Arroyo noted the decline in the budget for the Department of Agriculture which was P39 billion in 2010; P37 billion in the 2011 NEP; and P34 billion in the GAB. He questioned why there was a decrease, when agriculture is one of the cornerstones of the nation's economy.

On another matter, Senator Arroyo observed that DBM Secretary Abad was apparently discouraging Cabinet members from lobbying in the Senate for an increase in their appropriations. Senator Drilon explained that the DBM discusses the budget with its proponent during the budget submission; thereafter, the DBM makes the appropriate recommendations to the Cabinet and to the President who then approves the National Expenditure Program (NEP). He acknowledged that in the past, even after the agencies' budgets had been included in the NEP, they still lobbied for more. This time, he disclosed that the agencies were advised not to lobby for the reinstements of the budgets that were disapproved by the DBM and the President.

Going to the DILG budget, Senator Arroyo observed that in 2010, it was P65 billion while in the NEP, it is 86 billion, the same amount allotted by Congress, and it represented an increase of almost 50%. At this point, Senator Drilon requested that specific questions be raised again during the plenary discussions on the DILG budget. He, however, disclosed that to facilitate transparency and accountability, the Committee on Finance placed the P14.4 billion pension requirement under the Pension and Gratuity Fund of the Uniformed Personnel under the PNP, BJMP and the BFP.

On another matter, Senator Arroyo pointed out that the PDAF was increased by 150%, from P10 billion in the 2010 GAA to P24 billion in the 2011 NEP, which was clearly an executive initiative. Senator Drilon clarified that the NEP simply reflected the true amount in 2010 which was hidden in various budget items. He said that for the sake of transparency, the DBM placed P200 million as

PDAF for each senator and P70 million for each congressman which were really the amounts availed of in the 2010 budget. He explained that the public can now scrutinize how the PDAF is utilized by the different legislators as he stressed that there was no increase in the amounts and that they were just placed in the proper items.

Senator Arroyo noted the increases in the following funds: Calamity Fund – from P2 billion in 2010 to P5 billion in the 2011 NEP and GAA; Contingent Fund – from P800 million in the 2010 GAA to P1 billion in the 2011 NEP, which amounts were carried by Congress.

Asked on the fallback position of the government should the private sector fail to respond or to fill in the financing gap, Senator Drilon replied that the government could always avail of loans and grants to fund the infrastructure projects that could not be executed under the PPP program.

Senator Drilon said that the principles upon which the budget is based could be tackled in-depth when the budgets of the individual departments are considered on the floor. Senator Arroyo clarified that he was talking about the general principles and was merely trying to coordinate appurtenant issues.

Thereafter, Senator Arroyo asked why the proposed DOTC budget doubled from P16 billion in 2010 to P31 billion in 2011 when it has been a generally held impression that the department is very slow in implementing projects. Replying thereto, Senator Recto assured that when it is time for him to defend the budget of the department the next day, he would show in detail that the budget is actually lower because similar to the PDAF, the other budgets were merely consolidated, precisely the reason why it is called a reform budget. He added that, by and large, there is no growth on all infrastructure projects.

#### INTERPELLATION OF SENATOR MARCOS

Senator Marcos asked whether the Executive is not defeating the purpose of its anti-poverty attempts as he noted the shift of the budget towards social services which comprise around 43% thereof, as well as the corresponding reductions particularly in the agricultural and infrastructure sectors which, he asserted, are among the building blocks of the economy. Senator Drilon replied that in view of the fact that the government has no sufficient resources

to respond to all the needs of the economy, the administration has crafted the Public-Private Partnership (PPP) as its flagship carrier program in order to provide the needed funds for the goods and services and outlay that would be necessary to let the economy grow. He added that compared to the past several years, the public sector funding was simply not sufficient to propel the country to the desired growth that it needs.

Even as he recognized that the PPP is considered by the government to be its multiplier in terms of investments, Senator Marcos expressed hope that more details about the program would be presented because in a recent conference, only the lumpsum of the PPP was discussed. He said that the NEDA, which has been designated as the secretariat, and the Finance Secretary could go into the details as they present their respective budgets.

Asked whether the rapid increase in social services is a trend in the budget, a manifestation that the government is heading towards a welfare state, Senator Drilon replied that the government is not steadily moving towards a welfare state; it is simply conscious of its responsibility to address the social problems that have been hounding the country for decades. He explained that the program was launched and undertaken with much success in South American countries, principally Mexico and Brazil, because it helped many people overcome their plight.

Senator Drilon lamented that even as the country since 2000 to 2009 has an average of about 18% of government expenditures as a percentage of GDP, it has not achieved its desired growth. Since the proposed national budget maintains the same percentage given the government's limited resources, he said that it has embarked on the PPP initiative to test whether the inadequacies in public finance can be responded to by the private sector.

Senator Marcos opined that focusing on the social programs in the social development sector is a very expensive way to alleviate poverty despite some positive effects. He said that he was in England when the national health service bankrupted the government; likewise, President Obama is wrestling with the U.S. health care program for the simple reason that it is very expensive. Aside from it being costly, he said that it is something that can be done only in a very short term. He feared that if the

administration is heading towards the same direction, the country might experience the same difficulties. He then underscored the need to institute some systemic changes for economic growth to occur, specifically for jobs to be created and for people to be gainfully employed. Instead of adopting the more socialist and welfare approach to helping the citizenry, such as the "crib-to-grave" policy, he hoped that more attention would be given to the growth of the economy by adopting, for instance, a more *laissez faire* approach to helping those who are in difficulty in the society.

In Section 30 (*General Provisions*), Senator Marcos asked why 5% of the budget is devoted to Gender and Development (GAD). He believed that there should be a better formula than just an arbitrary number of 5% considering that some departments, such as the DepEd, are composed mainly of women. Manifesting the same observations for Sections 31 and 32, he said that the budget should not involve other functions, like putting youth functions in DOTC, because it does not make any sense. Should there be any savings from the different departments, he said that these should be reverted to the general fund and be used again for the core functions of the departments. He underscored the need to further study the mandates of the different departments as he reiterated that 5% was rather arbitrary and did not seem to correspond to the need of each department.

Senator Drilon explained that the minimum amount of 5% for GAD is provided by law although, oddly, the MWSS used it to declare bonuses.

At this juncture, Senator Cayetano (P) explained that various laws, the latest of which is the Magna Carta of Women, require that 5% of the budget of every government agency must be spent for programs that would benefit both men and women, but are specifically cognizant of the special needs for women.

Senator Drilon commented that declaring the GAD budget of 5% as a bonus which the MWSS Board did was certainly uncalled for. Senator Marcos reiterated the need to reexamine the flat rate of 5% considering that each department has different needs.

In Section 54, Senator Marcos likewise stressed the need to add a proviso that could take immediate effect limiting GOCCs from awarding themselves all kinds of bonuses and self-repayment of benefits. He pointed out that all bonuses being given to the

members of the board of the GOCCs should not exceed the basic salary of the president of a company. Further, he believed that the dividends, stock options, preemptive rights and all others that they have been taking advantage of should be paid as income to the agencies that the board members represent. He then asked whether it would be possible to introduce the necessary provision in the budget so that it could take effect next year.

Senator Drilon expressed his reservation to incorporate such a provision in the General Appropriations Act given the fact that many of the GOCCs do not draw any funds from the national budget. He stated that GOCCs have their own boards which are authorized by their respective charters to appropriate funds. Nonetheless, he pointed out that the rule has been included in the bill that he filed.

Senator Marcos believed that the inclusion of the necessary provision in the budget will set the mechanisms to limit what the members of the board of the GOCCs are giving to themselves even before the proposed bill of Senator Drilon becomes a law. He reiterated that any income earned by the board members should be returned to the agencies they represent and not into their own pockets for personal use.

Senator Drilon requested that he be given time to review the proposal. Senator Marcos stressed that the intention is to have a rule that would come into effect as quickly as possible.

As regards Section 65 (*Unprogrammed Fund*), Senator Marcos commented that it is not very clear where the revenues for the fund would come from and how it would be used.

Senator Drilon explained that the concept of the unprogrammed fund is to provide a standby authority for the government to spend whatever sums are realized. He pointed out that under the Constitution, no fund can be disbursed without the authority of Congress but the situation is such that in the course of the year, there can be loan proceeds that would come into the National Treasury for a specific project and which cannot be used or disbursed without a specific provision in the unprogrammed fund portion in the GAA. He stated that the funds can only be released when the identified source of revenue is realized, either through a loan or additional collection in taxes.

Adverting to Section 75 (*Preference for Priority Provinces and Municipalities*), Senator Marcos noted that with all the social programs that have already been included in the proposed budget, this particular provision seemed to be a redundancy and therefore could be deleted. Senator Drilon gave the assurance that the proposed amendment would be considered at the appropriate time.

On Section 79 (*Service Contracts*), Senator Marcos suggested that the provision should be strengthened by adding the phrase "such contracts must be for a very definite and clear purpose" to do away with the potential for its abuse. Senator Drilon said that the Committee would favorably consider the proposal during the period of amendments.

As regards Section 81 on service contracts with Information Technology (IT) entities, Senator Marcos said that it should be strengthened to prevent dishonest individuals from forming themselves into a group or taking over a group which would in turn give preferential treatment to that group.

Senator Drilon gave the assurance that the suggestion would be considered during the period of amendments.

With regard to Section 84, Senator Marcos believed that the provision which reads: "*Allocation for Mindanao*. Thirty percent (30%) of the applicable lumpsum appropriations integrated in the budget agencies under this Act shall be allocated for projects, programs and activities for the development of Mindanao," is vague because it was not clear how the fund would be applied. He urged that the government identify specific and detailed programs and projects for the development of Mindanao.

Senator Drilon said that the Committee will furnish Senator Marcos with the information on the regional distribution of the budget not only for Mindanao but also for Luzon and Visayas.

Senator Marcos said that he will reserve his other questions on the budgets of the line agencies.

## **INTERPELLATION OF SENATOR LEGARDA**

At the onset, Senator Legarda recalled that during the budget hearings of the various departments, the changing environment and climate as well as the

disasters that had affected the country were always taken into consideration. She informed the Body that during the last global humanitarian forum, it was reported that China, United Kingdom, France and other developing countries have started allocating 1% of their development budget for disaster risk reduction, even allocating 10% of their humanitarian relief funds to disaster-reduction work as a preventive measure against disasters. She hoped that the budget would be climate-resilient. For instance, with the country experiencing 20 typhoons a year, she asked whether the 2011 budget has taken into consideration the damage wrought by those typhoons to agriculture and health amounting to billions of pesos and loss of lives of millions of Filipinos.

Senator Recto cited the provision which states that any savings on the interest payments shall be used to augment the calamity fund, but he admitted that there is no specific allocation for disaster risk reduction in the various departments. However, he disclosed that studies are being conducted by NEDA in coordination with the DA and other agencies on the issue to be incorporated in the upcoming Medium-Term Philippine Development Plan.

Senator Legarda recalled that the issue of disaster risk reduction and preparedness was discussed in committee hearings in the past and it was assured that the 2010 budget for agriculture would be attuned to climate change; however, it appeared that the 2010 budget was only a repeat of the 2009 budget. She hoped that the 2011 budget would address the effects of climate change and mitigate the devastating effects of disasters.

She pointed out that from 1960 to 2000, China allocated more than \$3 billion on flood control projects that averted what would have been \$12 billion in losses. She said that it is worth to invest in disaster risk reduction because an investment of 0.5% the GDP in 10 years can avert losses of up to 40% of the GDP by 2100.

In reply, Senator Recto said that disaster-risk reduction has already been included in the plans of the different departments, citing particularly the DOTC and the DPWH, which have knowledge of what to do with the flood control programs, and the DA which has already determined where the irrigation canals should pass so as not to destroy a mountain in the process of building a facility, but on whether there was a specific line item budget on one particular

program similar to that in China, he was not aware of any provision in the budget.

Asked whether the country can afford to allocate 1% of the development budget for disaster-risk reduction and climate change adaptation for preventive purposes as suggested by some economists from the European Union in recent conference, Senator Recto said that this could be possible because the different government agencies can spend a minimum of 5%. He said that Senator Legarda could propose the necessary amendment at the proper time.

Senator Legarda pointed out that the government should ensure that school and hospital buildings are structurally safe especially in times of disasters, recalling the tragedy in Guinsaugon, Leyte which claimed the lives of a teacher and dozens of students, as proof of the use of inferior materials, and lack of land use planning. She cautioned that this could be replicated given the frequency of disasters in the country. She hoped that the planners in charge of the medium-term development plan and the legislators crafting the budget would take the matter into serious consideration, saying that it would be most appropriate to allocate the country's scarce and limited resources into preventive measures to avert and prevent losses in the future.

Senator Recto noted that there is also a budgetary item in the *Calamity Fund for Aid Relief and Rehabilitation Services to Communities/Areas Affected by Calamities Including Training of Personnel and Other Pre-Disaster Activities* under MOOE amounting to P2.6 billion.

Senator Legarda recalled that in the past, the Calamity Fund was intended solely for aid and rehabilitation, but with the enactment of the National Disaster Risk and Management Law in the Fourteenth Congress, it was allowed to be used for training and pre-disaster activities, which is good news to all LGUs because they can actually use it not only in terms of providing relief goods after calamities but also in retrofitting structures, for example, proposing flood control projects or other similar disaster preparedness measures.

Senator Legarda asked whether the budget, which is referred to as a "reform budget" because it has "an unabashed bias for the poor," is actually geared towards meeting the nine Millennium Development Goals (MDGs) in 2015. Senator Recto replied that

he did not have the data on the MDG, but he acknowledged the need for government to institute improvements in education and health care particularly on maternal and child mortality. To respond to the MDGs, he pointed out that the P466-billion allocation for social services in 2010 was increased to P530 billion in 2011, adding that the biggest incremental increases in the budget are specifically in the DepEd and DSWD which has a P21-billion allocation for conditional cash transfers to ensure that the children of the grantees would stay in school.

Asked on the difference of the CCT Program of the current administration from the previous ones in terms of the programs implemented, apart from the cost and the number of families to be affected, Senator Recto answered that although the number of families increased to 2.3 million, which translates to a budget of P21 billion, the program is essentially the same.

Asked on the difference between the PPP the BOT Law, Senator Recto replied that the PPP is just a generic term while the legal framework is the BOT Law, adding that although the two terms are one and the same, it would be better to use PPP because this has been used internationally since the early '90s.

Senator Legarda recalled that there was a Philippine National Reconstruction Commission that was mandated to assist in the reconstruction of areas devastated by typhoons *Ondoy*, *Pepeng* and *Frank* which would have been under the DOF after it was abolished, and that there were studies conducted by the World Bank and the ADB that billions of pesos are necessary for the reconstruction of the affected areas. She asked which agency is mandated to address the needs of people who are affected by typhoons.

Senator Recto said that there was no budgetary item for the Philippine National Reconstruction Commission in the previous administration as well as in the exit report of the former Finance Secretary.

Senator Legarda explained that she was bringing the issue before the Body in view of the fact that there was a P10-billion allocation from the Joint Resolution that was passed by Congress one year ago, aside from the grants and loans to the Philippine government and the P3.5 billion that was released from various sources including the Malampaya Fund, and that the P10-billion for the unprogrammed fund

was not released. She asked whether Senator Recto had the necessary information on the matter.

Senator Recto said that he would provide the information at a later time.

Senator Legarda stated that she would like to make sure that the Sponsors of the budgets of the DA, DOH, DOTC, DPWH and DENR shall be prepared to answer questions related to climate change adaptation and disaster risk reduction so that the Committee could make the necessary adjustments in the budget to attune it to the changing environment.

In response, Senator Recto said that the Committee would be ready to address the questions of Senator Legarda, adding that she would be provided with the documents on the exit report of the Philippine National Reconstruction Commission.

*At this juncture, Senate President Pro Tempore Ejercito Estrada relinquished the Chair to Senator Marcos.*

## NEXT DAY'S AGENDA

Senator Sotto reminded the Body that the session would resume at ten o'clock in the morning of the following day to tackle the budgets of the DepEd, SUCs, DOST, DENR, DILG, DOF, NEDA and the Legislative-Executive Development Advisory Council.

## SUSPENSION OF SESSION

Upon motion of Senator Sotto, the Chair declared the session suspended until ten o'clock in the morning of the following day.

*It was 6.15 p.m.*

## RESUMPTION OF SESSION

At 10:06 a.m., Wednesday, November 24, 2010, the session was resumed with Senate President Enrile presiding.

## AGENDA FOR THE DAY

Senator Sotto announced that in the day's session, the Body would take up the budgets of the Department of Education, State Universities and Colleges, Department of Science and Technology, Department

of Environment and Natural Resources, Department of the Interior and Local Government, Department of Finance, National Economic Development Authority, and the Legislative-Executive Development Advisory Council.

## **DEPARTMENT OF EDUCATION AND STATE UNIVERSITIES AND COLLEGES**

Senator Angara presented the budgets of the Department of Education and its attached agencies, and State Universities and Colleges.

### **INTERPELLATION OF SENATOR SOTTO**

Senator Sotto inquired if the DepEd budget for 2011 included a provision for K-12 education. Senator Angara replied that the proposal has yet to be worked out and that it was still too early to provide for its funding. He said that while he believed in the intrinsic merit of the proposal, more time is needed for wide and extensive consultation due to its consequent disruptive effect on the school calendar, family finances and household budgets, and scheduling of tertiary education. In addition, he noted that the incumbent DepEd Secretary is only four months into his job and has to have sufficient time to study the proposal. Nonetheless, he informed the Body that both the House of Representatives and the Senate are proposing to create an Oversight Committee on Education that would provide a platform for such extensive consultation.

Senator Sotto welcomed the development as he stressed the need for caution in implementing the proposal or even in including the same in future budgets. He noted that majority of the senators turned out to be excellent graduates even without gaining 12 years of education. He clarified that he is not averse to the idea of adding extra year for kindergarten education and a grade seven. Senator Angara said that the K-12 might possibly incorporate the pre-school or the early childhood learning as the first year, but doubted as to where the additional year could be tacked, either at the end of the elementary cycle or at the high school cycle.

Senator Angara explained that one of the reasons for increasing basic education from 10 to 12 years is the need to follow the international norm, although he pointed out that there are very progressive school systems that have only 11 years, like in Japan and Singapore. He said that with only 10 years in basic

education, only the Philippines and Botswana have the shortest education cycle in the world.

The Chair recalled that during his time, the requirement for a child to start school was at age seven. He asked on the age required for Singaporean children to enter school. Senator Angara replied that Singaporean children start school at age six, but their total primary and secondary education is 11 years after which the education department begins to screen the students either towards a vocational/technical course or towards a general university education. He said that in the Philippines, the traditional norm is for a child to be in Grade I at age seven, until it was advanced by one year in School Year 2006, requiring a child to be in Grade I at age six.

Asked by the Chair whether the Philippines is the only country that is going to adopt pre-school education as part of basic education, Senator Angara said that there are many countries especially in the West that admit children as young as four years old to nursery school and to early childhood learning centers, and the latest pedagogical and brain study findings have proven that the earlier a child is taught, the more knowledge he would retain in his adulthood.

Asked by the Chair whether the pre-schooling prior to age six in Singapore is included in the number of years of schooling required for the purpose of graduating in college, Senator Angara replied in the negative, saying that such schooling is purely preparatory.

Senator Angara reiterated that the theory behind increasing the years for basic education from 10 to 12 is to align the country's educational system with the international norm because in many cases, some of the country's architects are not accepted as full architects because they lack two years of basic education, and some nurses are treated not as registered nurses but as nursing aides for the same reason. He explained that the question of adding two more years has both pedagogical as well as financial implications depending on where it is tacked—whether to pre-university that will be shouldered by the parents because free education extends only to primary and high school education, or to elementary or secondary which lessens the burden on parents but more on the state. He admitted, though, that it is easier said than done because estimates would show the need for additional funding of approximately P16.5 billion a year.

To Senator Sotto's another query, Senator Angara affirmed that he was also exercising caution in implementing the proposal. Senator Sotto underscored the need for caution despite the need to be at par with the educational system of other countries in view of the fact that DepEd statistics would show that 60% to 70% of elementary graduates drop out of school, and only 25% to 30% graduate from high school. He said that adding two more years in basic education would mean adding more to the dropout statistics. He then expressed preference to adding one year in pre-school or kindergarten and another year as Grade VII to strike a balance, also in view of the adage that "everything you need to know in life you already learn in kindergarten."

Senator Angara affirmed that certain studies support the statement that half of what one carries into adulthood is what he or she learns between ages one to five years because, accordingly, the mind of the child between these ages is akin to a sponge that is able to absorb everything.

On whether the DepEd has a budget for a Drug Abuse Resistance Education (DARE) program for elementary and high school students, Senator Angara replied in the affirmative, stating that it has an allocation of P1,859,000 and was being administered in 721 schools with 7,200 students having been randomly tested so far.

Asked if the random drug testing project was the one endorsed by the Dangerous Drugs Board some years ago, Senator Angara replied in the affirmative. Senator Sotto clarified, however, that he was referring to the Drug Abuse Resistance Education (DARE) Program, a successful ongoing program in General Santos City and in San Fernando, La Union that he endorsed to the DepEd Secretary. He believed that the preventive education program of the DepEd is much more important than what the DILG, DDB and DND were doing in the war against dangerous drugs. He asserted that these law enforcement agencies are merely hitting the consequences of the menace but the DepEd is hitting its roots by preventing the youth from experimenting with dangerous drugs.

Senator Angara said that the DepEd has already incorporated the program on the dangers of drugs into the health and science subjects of the elementary and high school students.

Senator Sotto hoped that the Committee would still consider the possibility of implementing a DARE

program in the National Capital Region, Region VII and Region X that have the most number of drug users. He explained that under the DARE program, the Dangerous Drugs Board train the trainors, usually police officers, who are assigned to teach Grades V and VI students so even before they enter high school, they would have been properly educated on the evils of dangerous drugs.

Senator Angara informed the Body that the DepEd would be implementing the National Drug Education Program which would train guidance coordinators and health personnel on dangerous drugs. At present, he said, the DepEd has a marginal program on the dangers of drug abuse that is embedded in the health curriculum. He gave assurance, however, that he would sit down with the DepEd to strengthen the program with more allocation and make the NCR, Region VII and Region X priority areas.

Senator Sotto thanked Senator Angara for his support for a program that he believed is not an expensive undertaking since the police officers who act as trainors get their pay from the PNP.

Asked about the Alternative Learning System (ALS), Senator Angara stated that it is supposed to provide education to people outside the formal education system like dropouts and high school graduates who cannot afford college but still want to continue their studies. He lamented, however, that even if it is a major undertaking with a total of 541 learning centers and 1,657 mobile teachers, its allocation for 2011 was only P370 million compared to the P207 billion for basic education. Nonetheless, he disclosed that the DepEd was trying to increase the program's capability because it is one way of increasing the country's functional literacy which has been declining every year.

On whether there is a way to measure the success of the program, Senator Angara replied in the affirmative.

As to reports that students allegedly got certificates without attending classes, Senator Angara stated that students must pass or fulfill strict requirements before they are given certificates of completion or accreditation. He reiterated that it is not easy to get a certificate of completion and it is not a diploma mill.

Still on the Alternative Learning System, Senator Sotto asked on the difference between the items

"Support to Operations" with an allocation of P103 billion in 2009 and "Operations of Alternative Learning System" with an allocation of P284 billion in 2011. In reply, Senator Angara explained that the former involves the formulation of policies and procedures or their actual application to operations which can be likened to the MOOE, except that it is divided into policy formulation and operational expense.

Senator Angara said he was glad that at least one senator was equally interested in the Alternative Learning System, admitting that he was quite worried the government could be remiss in its duty to take care of its citizens who have fallen out of the formal education system. He pointed out that there might be 20 to 21 million Filipinos who could have been enrolled in elementary, high school, vocational/technical schools, universities and colleges while there were about 14 million Filipinos who are outside the formal structure. He underscored that in this time and age, if one is not exposed to new learning, he/she is considered illiterate and he pointed out that illiteracy perpetuates poverty. With 14 million Filipinos lacking the benefit of modern education or of being exposed to new learning and ideas, he stated that the vicious cycle of poverty is hard to break.

Senator Sotto agreed that education is definitely the instrument to bring most Filipinos out of poverty.

Relative thereto, Senator Angara recalled that the justification for the CCT program was to assist the parents keep their children in school as a way of breaking the cycle of poverty. He said that he was keen on looking at the ALS not only during the budget cycle but also continuously inquiring into how it can be improved.

Senator Sotto narrated that in his television program, the barangays are encouraged to help themselves without a hand from the government, for instance, to create chairs out of trash and even build additional classrooms. He believed that with Senator Angara at the helm, the program would be enhanced and further strengthened.

Asked what could be done with the cuts in the SUCs budget, Senator Angara disclosed that the Committee has restored part of the P293-million R&D and training funds to ensure that SUCs that have the capability to do research through their faculty, library and laboratory, and possess a good track record could continue their work.

Asked whether the SUCs are able to use their income, Senator Angara answered in the affirmative, adding that it is a powerful motivation for the presidents and boards of SUCs that have land grants to exploit or explore income-generating means to augment their income since they have the autonomy to spend what they earn.

Senator Sotto expressed hope that the DepEd would be able to fund part of the Drug Abuse Resistance Education (DARE) program without necessarily amending its budget. Senator Angara gave assurance that the Committee will study how it can help realign the health and nutrition budget to put more money into the Drug Abuse Prevention Program.

#### **INTERPELLATION OF SENATOR ZUBIRI**

At the outset, Senator Zubiri said that as a senator from Mindanao, his questions would pertain to the problems of the Mindanao State University (MSU), particularly the loss of allocation for its high schools.

As a background, Senator Zubiri stated that like UP Diliman, UP Los Baños, Central Mindanao University and Bukidnon State University, the MSU operates secondary schools. He said that the assumption that high schools under the auspices of the SUCs offer quality education is credible because the track record of most of their graduates is impressive. He noted that RA 6655, a landmark legislation that has helped so many of the Filipinos emerge from the ranks of poverty and principally authored by Senator Angara, provides free education for high school students.

However, Senator Zubiri appealed to Senator Angara to restore the budget of the SUCs for the maintenance and continuous operation of their high schools as he stressed that the idea behind RA 6655 is to put all national high schools under the DepEd. He asked whether it was still possible to augment the budgets of high schools run by the state universities. Senator Angara replied that government has laid down an educational policy that state universities which have high schools as a feeder school to college education should give up maintaining high schools for the simple reason that they should devote their resources and faculty to teaching tertiary students. He reasoned that the DepEd cannot go back to the old policy because it would be gross

distortion of the mission and a diversion of scarce resources. He said, however, that it would be possible for certain SUCs like the MSU, whose high schools as feeder schools to higher education antedate the policy, to keep its high school, for instance, in its Marawi Campus. However, he emphasized that this cannot be a perpetual policy.

Senator Zubiri pointed out that if DepEd shut down the 16 MSU feeder high schools overnight, 10,100 students would have no access to secondary education. He underscored that MSU teachers are well-entrenched and very familiar with the high schools in conflict areas where he doubted the DepEd would be willing to send their teachers. In response, Senator Angara said that the request of Senator Zubiri poses a dilemma because MSU is allowed to maintain a laboratory high school but, at the same time, it also wanted authority to establish feeder high schools.

Senator Zubiri clarified that according to the president of MSU, the university was not planning to put up new high schools. In fact, he said, the high schools were established in 1963, 1964, 1974 and the most recent, in 1978. In response, Senator Angara reiterated that MSU cannot continue operating 16 high schools because it has already been allotted a laboratory high school. To localize the problem, he suggested that MSU pinpoint an area, for instance, the Marawi Campus, where it wants to maintain its high school.

Senator Zubiri agreed with Senator Angara that most SUCs should not run high schools except for laboratory high schools similar to what has been done in Bukidnon.

Asked what could be done to address the displacement of 10,000 students, Senator Angara replied that they would fall under the jurisdiction of the DepEd. But Senator Zubiri underscored that the DepEd has not yet solved the lack of classrooms, citing Senator Angara's report that the Department, in fact, is bent on slashing the CCT budget to build more classrooms.

Senator Angara clarified that the cut in the CCT budget was intended for the hiring of more teachers and not for building more classrooms. He stressed that the school problem is unique to the ARMM because its education budget was not being spread out equitably.

Senator Zubiri asked whether the DepEd could absorb 10,000 high school students into the public school system as a result of the budget cut in the operation of high schools by public universities like the Mindanao State University.

### SUSPENSION OF SESSION

Upon motion of Senator Angara, the session was suspended.

*It was 11:05 a.m.*

### RESUMPTION OF SESSION

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

Senator Angara gave assurance that he would study the matter and find a solution to it.

Senator Zubiri said that he was merely appealing for an increase in the MOOE of the Mindanao State University so that it can accommodate the 10,000 students in the area.

For his part, Senator Angara explained that he merely wanted to protect the integrity of the MSU-Iligan as an outstanding university with an outstanding engineering curriculae. He believed that it would be a great disservice to the people of Mindanao to approve the establishment of more high schools within the university that has more high school students than tertiary students.

Senator Zubiri pointed out that high school students comprise only 29% of the MSU population as the remaining 71% are in the college level.

### SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended

*It was 11:12 a.m.*

### RESUMPTION OF SESSION

At 11:16 a.m., the session was resumed

### INTERPELLATION OF SENATOR ESCUDERO

Asked by Senator Escudero on the classroom shortage, Senator Angara replied that about 153,000

rooms are needed, and since P685,000 is needed per classroom, about P104.501 billion would be required for this purpose.

As regards the estimated cost of the construction of classrooms in 2011 and the lump-sum amount for the construction of school buildings, Senator Angara said that P8.156 billion would be needed to build 14,000 classrooms.

Senator Escudero asked whether the DepEd has an estimate on the number of classrooms that would be needed by the end of 2011 since the classroom shortage for 2010 is expected to increase with time. Senator Angara believed that if it were to maintain its present pace, the DepEd would not be able to address the 153,000 classroom shortage anytime soon since the 14,000 rooms targeted for construction in 2011 is even less than 10% of the total backlog. However, he said that there was a proposal to allow the private sector to participate in the construction of classrooms through the Public-Private Partnership (PPP) program. He noted that since classroom construction is funded annually, a private contractor could bid for the project and advance the funds for the same as he will be repaid through the yearly budget.

Asked how many more classrooms would be needed per year, Senator Angara noted that there is an exponential increase in the DepEd's projection, with the 170,000 estimate in SY 2011-2012 growing to 266,000 in SY 2015-2016. He conceded that this is less than 10% and is definitely higher than the number of school buildings that are constructed yearly.

Upon further queries, Senator Angara agreed that the additional classroom requirement would range from 3% to 10% in the next five years. He pointed out that it would be difficult for the DepEd to address the backlog based on the 2.04% projected student population growth rate.

Senator Escudero pointed out that the projected student population growth rate meant that 40 babies are being born every 12 minutes and, as such, at least one classroom would be needed for every 12 minutes in a year. He sought assurance that the DepEd has a solid plan on the PPP initiative to catch up with the backlog.

Relative thereto, Senator Escudero recalled encountering a problem with the bidding process for

the construction of classrooms in his district. He explained that in accordance with the Procurement Law, contractors from all over the country had participated in the internet bidding for the construction of a classroom in one barangay which cost about P300,000 to P700,000. However, he said that actual construction was long delayed since the winning bidder engaged the services of a subcontractor to undertake the project. He suggested that the law be amended or a policy shift be made on the part of the Government Policy Procurement Board (GPPB) so that the bidding process could be regionalized.

Senator Angara stated that the DepEd is already reviewing the bidding procedure but currently the agency is partnering with the local government in a way to localize the bidding process. Senator Escudero said that even the biddings of LGUs would be opened to interested parties around the country in compliance with a mandate from the World Bank and a provision in the Procurement Law which requires that all of the LGU biddings be conducted through the internet. He surmised that this would not be a permanent solution unless the Procurement Law is amended or the GPPB issues a policy directive that would not contravene the provision of the Procurement Law.

On another matter, Senator Escudero asked whether DepEd has a fund for maintenance, repair and rehabilitation of school buildings. He noted that DepEd only computed the backlog in classroom shortage based on the number of students entering the education system but not on the number of classrooms that are lost or are no longer serviceable. Senator Angara replied in the negative. He explained that this was because the DepEd includes the budget for such items in their capital outlay every year. He revealed that P8 billion of the P12 billion allocated for School Building Program would be used for the construction of school buildings while the rest are for rehabilitation and repair. Senator Escudero suggested that a portion of the P12 billion for rehabilitation and repair could be used for another variation of the PPP as had been done in his district when they only bought construction materials and let the PTA build the classrooms. He said that cutting out the standard 30% labor cost and 15% constructor's profit would lead to a savings of 45% which could in turn double the P4 billion allocated for repair and rehabilitation.

Senator Escudero also suggested that the DepEd budget be amended to include a P70 million allocation

for insurance coverage against damages from typhoons and other calamities, particularly in the easternmost parts of the country, including Aurora, Quezon, Region V, Region VIII, Quirino, Isabela and Cagayan, which are the entry point of typhoons. For instance, he said that P5 billion of the P10 billion received by the Bicol Region as calamity assistance from the government was used for the construction and repair of school buildings that were damaged by typhoons *Reming* and *Milenuo*. He revealed that GSIS was willing to cover the insurance not only for elementary and high school buildings but also for the buildings of state colleges and universities. He said that these funds could be released either through the LGU, the barangay or the PTA, so that the reconstruction and rehabilitation of damaged school buildings could be done simultaneously instead of sequentially. Senator Angara welcomed the proposal and assured that it would be worked out in consultation with the DepEd Secretary to determine how funds can be realigned for this purpose. Senator Escudero said that he would consult with the GSIS to get the exact computation and amount for this effort. He also believed that the agent's commission ought to be used to provide teaching and non-teaching personnel in the affected areas with accident insurance coverage of up to about P10,000. Senator Angara gave assurance that the program would be initiated. He said that this could become a national policy if it is proven to be feasible. Senator Escudero surmised that GSIS would not be adversely affected by such a policy because it would bear very little risk in this undertaking.

Asked how many teaching items DepEd would open for 2011, Senator Angara replied that although the DepEd proposed to open 10,000 items, the Committee recommended that 20,000 personnel be hired because there can never be education without teachers.

Senator Escudero inquired whether the DepEd has a separate staffing pattern for purely administrative or non-teaching personnel. He noted that the data on the teacher-student ratio in many rural schools was not accurate since even a teacher promoted as a principal but is no longer teaching is still included in the teaching population. He also pointed out that some teachers perform non-teaching functions such as those secretaries or accountants but were receiving salaries of teachers even though it would be cheaper to have other personnel for those jobs. Relative thereto, he asked whether the DepEd was making an inventory with respect to such occurrence in the field. Senator Angara replied that the DepEd is

reviewing the plantilla to determine the actual number of teachers. Senator Escudero suggested that DepEd study the formation of a separate promotion system for non-teaching personnel not only for career advancement but also to develop a professional corps that can administer a function different from teaching inside a classroom or both. Also, he proposed that a portion of the 20,000 teaching items includes positions for non-teaching personnel so that teachers could be unburdened from performing non-teaching functions.

On the absorptive capacity of the DepEd in hiring teachers, Senator Escudero recalled that DepEd would open, for instance, 15,000 items for teachers but would only hire 7,000 or 8,000. He pointed out that the proposed 2011 GAA did not reflect an item for bonuses of government officials and employees presumably because funding for this purpose is being charged against the savings of the agency. As such, he asked whether the DepEd has a separate budget for the teachers' bonuses. Senator Angara replied that while there was a line item for the teachers' 13<sup>th</sup> month pay, the agency would have to scrounge for savings should the President mandate an additional bonus. Senator Escudero hoped that it would not be a practice of DepEd to propose some projects but has no intention of implementing them to save funds for year-end bonuses. He hoped that the DepEd Secretary would not be influenced by the usual perceptions that he is a weak leader if he cannot provide bonuses at par with other agencies. He also hoped that by 2012, the government could provide an item for additional bonuses on top of the 13<sup>th</sup> month pay. He urged the DepEd not to source the funds for the Christmas bonus from the budget for the hiring of additional teachers. Senator Angara explained that this was unlikely because the DBM would not release the budget unless teachers are actually hired. The DepEd, he said, could cut on electricity and other MOOE's to come up with the needed savings. Senator Escudero surmised that the DepEd could get savings from teachers who retire within the year but have salaries allocated for the whole year, and those who resigned or passed away. In closing, he hoped that in the 2012 budget, Congress could provide for a uniform bonus for government officials and employees.

#### SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 11:44 a.m.*

## **RESUMPTION OF SESSION**

At 11:49 a.m., the session was resumed.

## **MANIFESTATION OF SENATOR SOTTO**

Senator Sotto stated that Senators Legarda, Cayetano (A) and Arroyo would interpellate on the budget of the Department of Education. He said that the session would be suspended for lunch and would be resumed at one o'clock in the afternoon.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended until one o'clock in the afternoon.

*It was 11:49 a.m.*

## **RESUMPTION OF SESSION**

At 1:38 p.m., the session was resumed with Senate President Pro Tempore Ejercito Estrada presiding.

## **AFTERNOON AGENDA**

Senator Sotto stated that the Body would continue the consideration of the budget of the Department of Education, its attached agencies and the SUCs, and later, the budget of the Department of Science and Technology.

## **INTERPELLATION OF SENATOR LEGARDA**

At the outset, Senator Legarda formally welcomed the DepEd family, headed by Secretary Luistro, to the Senate. She stated that according to the Secretary, he would be meeting tomorrow with the UN Assistant Secretary-General Margareta Wahlstrom, special representative of UN Sec.-Gen. Ban Ki-Moon, who was interested in giving assistance to education. In this regard, she informed the Body that she would be representing the Senate in the Asian Parliamentarians Consultative meeting to be convened by the UN International Strategy for Disaster Reduction (UNISDR). She said that the UN was interested in the country's education system and how it is impacted by disaster-risk reduction. She said that her questions would be geared, therefore, towards the matter and would serve as a background of the talking points between the Secretary and the UN Special Assistant.

In addition, Senator Legarda advised Secretary Luistro that it would not be out of order for him to seek possible funding from foreign institutions or at least to direct the DepEd on how to go about it.

On the area of education spending, Senator Legarda stated that the Philippines ranks among the lowest education spenders in Asia and the rest of the world. She bared that the East Asia Regional spending level averaged at 3.6% of GDP; South Asia at 3.9%; and the Philippines, lower than 3%. She informed the Body that when the countries were classified into four groups, based on income, it revealed that the spending level of the Philippines on education was even lower than the 3% median of the lowest income group.

Senator Legarda inquired how the DepEd feels about the fact that the Philippines was the lowest education spenders in the world and how it would slowly inch towards meeting the 2015 MDG deadline. In response, Senator Angara agreed that the Philippines has been the lowest spender in education in Asia and that, in fact, it was at the bottom of the tree with a spending ratio to GDP of about 2.2% versus an average of 3.6% for the rest of Asia. He believed that this largely explains why the quality of Philippine education has been declining over the years despite the constitutional prescription that education shall have the highest budgetary allocation. Given the very limited budget year after year, he asserted that the only strategy has been to prioritize and concentrate on science and technology.

With only four years to go before 2015, Senator Legarda inquired how much increase in the allocation should be made to reach the MDGs and wipe out illiteracy. Senator Angara stated that achieving the MDGs is not a single-handed effort by education alone. He said that it was becoming clear that the country would never achieve the goal of universal education for all; that it would not be able to reduce to half the poverty level; and that the goal for maternal health was beyond accomplishment. He averred that it was beyond the country's means to achieve these goals not only for lack of funding but also for lack of government focus in trying to achieve the goals.

Further, Senator Angara stated that just as the philosophy behind the CCT implies, the cycle of poverty could be broken through education. He said that government must actually do what must be done

— break the cycle of poverty and enroll as many children in school and keep them there.

Senator Legarda asked how different the “reform budget” was compared to the 2010 GAA, taking into consideration the former’s thrust to have transparency and accountability as well as the goal to wipe out illiteracy and promote universal education. Senator Angara explained that the design of the 2011 budget is geared towards entitlements rather than towards productive activities, a point that was echoed by Senator Arroyo. He opined that the amendments that the Committee introduced would more or less balance that perception given the slow economic recovery not only in the Philippines but throughout the world. He said that one good thing in the 2011 budget was that education got more in nominal value, amounting to an 18% increase or P32 billion.

Asked where he would put the 18% increase were he to recast the DepEd budget, Senator Angara replied that he would hire more teachers and put more emphasis on the quality of teaching and the curriculum. He explained that his perception of the basic education curriculum was that it is crowded which keeps the students busy but not concentrated on the basics that would make a difference in their lives.

Senator Legarda believed that it was not too late to infuse quality by giving teachers more opportunities for growth. Senator Angara stated that quality cannot be legislated but it can be improved internally and administratively through leadership. In addition, he said that he would concentrate more on the use of educational technology to solve shortages in schools and textbooks. He explained that through educational technology, lectures can be given to a larger group of students in a bigger hall or auditorium that seats 300 students rather than a nine by seven square meter classroom that is good for 44 students. However, he said that it could take time to provide the technology because every student would have to be provided with an iPod or something similar to it. He supposed, like Senator Escudero, that it would take longer than a lifetime to solve the physical shortages of schools.

Citing the University of the Philippines, Senator Angara stated that a good teacher in Mathematics or Biology can handle 120 students in a large auditorium and can even give a lecture to all eight campuses through the use of technology. He stressed that government should start investing in technology and

not postpone it a year longer because technology becomes obsolete in a couple of years.

As regards online access, Senator Angara stated that before the start of the SY 2011, all public high schools would have access to the web, as provided for in the budget.

Senator Legarda observed that this is one area where Secretary Luistro could explore the possibility of getting foreign funding because the DepEd could never have sufficient resources to fulfill its needs. She noted that millions of school-aged children are denied access to education as evidenced by the fact that the net enrollment rate in elementary education declined from 96.8% in 2000-2001 to 85.1% in 2008-2009. Moreover, she said that a quarter of students who enter Grade 1 drop out eventually from elementary and secondary schools. She added that the UNESCO estimates that more than one million children aged 6 to 11 were not attending school.

Commenting on the issue of dropouts, Senator Angara informed that Body that a special project called Reaching All Children (REACH) has identified the school divisions with low participation rate and high dropout rate. He stated that the project concentrated on students who dropped out in order to bring them back to school. He said that another program provides alternative learning modules for about 40 million Filipinos who are outside the formal school system but wanted to learn. He pointed out that the DepEd has a limited budget of P360 million for the project and so the NGOs and private sector are pitching in. Personally, he expressed dissatisfaction that a primary state function is being fulfilled by the NGOs, insisting that the State must perform its primary role. The essential thing, he stressed, is that there are programs to bring children back to the formal school system and offer an alternative learning system to those outside the formal school system.

Asked by Senator Legarda whether nutrition was integrated in the REACH program, Senator Angara replied that a budget of P85 million has been allotted to a school nutrition program for grade one pupils and to some nutrition education courses.

Referring to the results of the 2008 Functional Literacy Education in Mass Media Survey (FLEMS) which found that among Filipinos who completed elementary education, 20% were not functionally literate, Senator Legarda asked what the rate is for

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the current year and what the DepEd has been doing to improve the functional literacy of the youth, at least elementary graduates. In response, Senator Angara agreed that the functional literacy rate has stayed low and has remained static or stagnant since 2004.

As to what might have caused the 20% functional illiteracy rate, Senator Angara attributed it to the lack of funding for education, undertraining of teachers, underfeeding and malnutrition of pupils that contributed also to the generally declining educational standards over the years. He stressed that the one common denominator though is the underfunding of the educational system.

Senator Angara remarked that in the ocean of mediocrity, it was a great source of delight, however, that the country has islands of excellence in some of the schools, mostly private, whose outstanding students have been winning international competitions. If he were to judge the performance of the country's high school students, he lamented that they probably perform lowest internationally, ranking 43<sup>rd</sup> in mathematics and 42<sup>nd</sup> in science in an international testing of high school students. With regard to the quality of university graduates, he observed that more than 50% of them fail to pass the licensure examinations. He said that these indicate the low quality of Philippine educational standards over the years and, therefore, there was really an urgent need to arrest the decline and for policymakers to concentrate on how to improve it.

Upon further query, Senator Angara replied that the ratio of pupil to classroom was 44:1 or 44 pupils to one classroom; the ratio of pupil to teacher was 34:1 or 34 pupils for one teacher, probably the highest in ASEAN, an indication that the country's educational system is not performing very well. However, he said that the country should not give up hope because there are so many talented Filipinos who only need the chance and opportunity to show their talent.

Senator Legarda observed that even with the proposal to increase or fill up the vacant teacher positions by creating 10,000 new positions, there would still be a shortage of teachers. Senator Angara replied that the official figure on teacher shortage was 54,000 and that the Committee was recommending the hiring of 20,000 more teacher for next year.

Asked on the teacher's entry-level salary grade, Senator Angara said that it is Salary Grade 11. Senator Legarda recalled that she filed a measure in the 14<sup>th</sup> Congress that she refiled in this Congress proposing an increase in the entry-level salary grade of teachers from SG 12 to 18. She asked if the DepEd would be amenable to an entry-level SG 18. She expressed hope that the bill could be looked into so that more people would be encouraged into joining the teaching force but she admitted that it would entail more budget. Senator Angara said that the proposal might be impractical and unattainable since P31,000 a month is too high and personal services could just eat up most of the discretionary part of the education budget, thus leaving no room for MOOE or capital outlay.

To the observation that the hardship pay has not been paid to the teachers, Senator Angara recalled that he had the privilege of starting the hardship pay in 1989 when the entry-level pay of a teacher was only P1,800 a month and it took a long climb, 22 years to be exact, to get it to its current entry level of P18,500 a month. He remarked that increasing the teacher's entry-level pay to P31,000 a month might even take longer.

Senator Angara explained that it is very important in a macro sense to grow the economy as it is the only way through which public servants could be given their due in terms of pay. He said if the country's economy remains static, government would not be able to 1) pay its public servants well; 2) develop new areas of human endeavor; or 3) educate the children well. He averred that should the country's economy increase or grow by 6% or 7% over a period of five years, government would be able to afford better pay for its public servants.

Acknowledging that the proposal was presently unattainable and that it was necessary for the country's economy to grow, Senator Legarda expressed hope, nonetheless, that the bill would see fruition someday as she believed that even a P30,000 a month salary is just enough to meet basic minimum needs.

At this point, Senator Legarda thanked the Secretary for routing a memorandum to all regional directors clarifying that she did not file a bill to take away teachers' pay during summer.

Asked how science and technology would be improved as part of the educational system,

Senator Angara stated that there is need to recruit more mathematics and science teachers, and to set up a science classroom in every elementary and high school. He also stressed the need to help and support the country's science high school system. He said that several scholarship funds have been established both under CHED and DOST, and that almost P600 million has been allocated for scholarships in science and a special program called ERDT has been set up. He explained that ERDT taps the eight top engineering schools in the country — UP, Ateneo, DLSU, MSU-Iligan, San Carlos, among others, to train students and engineers in various science courses so that the country can build up a critical mass of scientists and technologists from whom innovations spring. He stated that he would like to build that critical mass because without innovation, the nation would just remain stagnant and uncompetitive, with the population increasing tremendously every year.

Senator Legarda expressed support for the prioritization of science and technology, hoping that the curriculum could incorporate information on the environment and climate change. She said that the teaching of climatic changes should start early, at basic elementary level. In reaction, Senator Angara disclosed that through the initiative of the Committee, a Bicameral Commission on Science, Mathematics and Engineering with six panels has been established, and a Disaster Science Center was created.

Senator Angara likewise cited the advantages of networking with an international pool of experts and utilizing the facilities of other countries for disaster preparedness and mitigation. He said that the COMSTE has likewise sponsored the attendance of teachers to workshops in Taiwan, in Hyogo, Japan and in other areas on the adoption to and mitigation of the impact of climate change.

Senator Legarda informed the Body that there is an ongoing meeting of the United Nations International Strategy for Disaster Reduction (UNISDR) in Manila and its top official in Geneva is expected to arrive to co-convene with her the Disaster Risk Reduction and Climate Change meeting, the final output of which is a regional hub for disaster risk reduction probably in Manila. This, she said, is an operationalization of the concepts on the creation of the Philippine Disaster Science Center. She said that other countries, particularly Korea through its National Emergency Management Agency (NEMA), are actively helping

out vulnerable nations like the Philippines in disaster science and resilience to climate change.

At this point, Senator Legarda conveyed the sentiments of teachers against the use of school buildings as evacuation centers during times of calamities as this, they claim, disrupt classes. Senator Angara said that the problem could be addressed by changing the school calendar so that classes begin in September instead of June which is the start of the typhoon season, and in order to synchronize with the universal opening of classes. He also emphasized the need to redesign the architecture of school buildings, citing as a model the school houses in Aurora designed by students of the U.P. School of Fine Arts and Architecture that double as evacuation centers. He said that he was trying to persuade school officials and teachers to accept the fact that there is no other place to hide during calamities except in school buildings, thus the need to make them suitable as evacuation centers.

Senator Angara stated that if he were a teacher, he would also complain about the unsuitability of his classroom as evacuation center. Senator Legarda, said that on the contrary, the teachers are complaining about the use of their classrooms as evacuation centers because classes are suspended and the schooling of children is affected. Senator Angara said that precisely, there is a need to change the mindset of teachers as he pointed out that in many countries, even in Japan, the natural evacuation center is the school building designed to suit the needs of evacuees.

Stating that all her PDAF for 2010 would be utilized for the construction of classrooms in LGUs, Senator Legarda hoped they would be designed by experts as green building models for other schools. Senator Angara gave the assurance that the DepEd is in the process of coming up with such a design in cooperation with the Florida State University, a well-known design university. Relative thereto, Senator Legarda said that she would require the LGUs to coordinate with the Office of the DepEd Secretary to produce a green classroom. Senator Angara, however, noted that the estimated P1 million cost for its construction would be slightly higher than that of the usual classroom that costs around P640,000.

At this point, Senator Legarda lamented that the impacts brought about by the cruel barrages of water and wind had affected more than two million families or 10 million individuals, or 10% of the population,

either as victims of floods, landslides or strong winds. Noting that the total damage and losses amount to at least US\$4.5 billion, she said that she was amazed at how more than 2% of the country's GDP could be lost through such natural calamities. In the education sector, she said that the World Bank/UN reports that the total amount of losses and damage was US\$57 million, covering 3,417 schools, 36 colleges and universities and about 2,800 day care centers, thereby displacing one million school children and 21,000 day care workers and teachers.

As of February 2010, Senator Legarda revealed that the cost of rehabilitating school sites all over the country would amount to P19.2 billion; however, the amount remains unfunded. Asked whether the amount has been provided for in the 2011 budget, Senator Angara replied in the affirmative.

Senator Legarda also informed the Body that a recent study published by Columbia University showed that compared to the rest of the world, the Philippines has the largest number of school children at risk from earthquakes. With 15.6 million school-aged children in earthquake zones, Senator Legarda said that the study has the following recommendations: 1) the Phivolcs must identify earthquake-hazard areas within the country; 2) the DPWH should immediately conduct a nationwide structural evaluation of all school buildings in the country to enhance their structural integrity; and 3) the DepEd must ensure that schools are structurally and organizationally resilient to earthquakes.

Asked whether the DepEd was aware of the study and has properly coordinated with the proper agencies, Senator Angara replied that the agency's engineers are aware of the report. He pointed out that Indonesia and Japan are situated in the same ring of fire susceptible to earthquake, but are better prepared in mitigating its effects. For instance, as a consequence of the Kobe earthquake in 1995, he said that the Japanese established the Disaster Science Center that has since provided training to all local officials and is inviting people from Southeast Asia, especially from the Philippines, to attend every summer a seminar on disaster risk management. Senator Legarda affirmed that the basis for Disaster Risk Reduction programs is the Hyogo Framework for Action adopted in Hyogo in 2005.

Asked by Senator Legarda whether ecology as a subject has already been integrated into the curriculum

of basic education, Senator Angara replied in the affirmative.

Senator Legarda recalled that when she was in grade school, she and her fellow students used to plant trees and vegetables like *pechay*, *alugbati*, and *kangkong* in vacant areas as part of their work in the Youth for Civic Action Program (YCAP). She asked if the DepEd has a similar ongoing program. Senator Angara replied that vegetable cultivation or *gulayan* is an ongoing project in 6,000 public schools or 15% of the total public schools. In this regard, he informed the Body that he and Secretary Luistro will launch the "Oh My Gulay" Project that targets children in the five-year old and under category which is considered the most malnourished group of the young population. He stated that almost 37% of that age group is either anemic or lack of proper nutrition so that when they enter Grade I, at age six or seven, they eventually drop out of school because of poor health. He stated that he wanted to implement the project to create consciousness among the people that many vegetables can be planted in the backyard to solve the nutrition deficiency among grade school and high school students.

Asked about the P100 million school-based *Alay Tanim* Program, Senator Angara replied that it is part of the vegetable planting program being implemented by DepEd wherein schools are required to cultivate vegetables in the school premises.

To the observation that the program that has been ongoing for some time was just being institutionalized in the budget, Senator Angara said that the DepEd was merely reviving it in grade school.

On the assumption that the money to be realized from selling vegetables would be used to assist in the nutrition program of the DepEd, Senator Angara said that the Committee would leave it to the DepEd to design the program and to come up with the implementing rules and regulations.

## SUSPENSION OF SESSION

Upon motion of Senator Legarda, the session was suspended.

*It was 2:45 p.m.*

## RESUMPTION OF SESSION

At 3:01 p.m., the session was resumed.

## REMARKS OF SENATOR SOTTO

Senator Sotto stated that Senator Legarda would no longer interpellate on the budget of the attached agencies of the DepEd since her concerns had already been addressed. He said that Senator Cayetano (A) would now take his turn followed by Senator Osmeña.

## INTERPELLATION OF SENATOR CAYETANO (A)

Senator Cayetano (A) said that the solution to the basic education problem hinges on having a classroom set-up with a ratio of one well-trained teacher to, at most, 45 students and no class shift of 8:00 am – 4:00 pm or 7:00 am to 3:00 pm. He asked how many classrooms would be needed with a 1:45 class ratio. In reply, Senator Angara said that while there was a proposal to construct 20,000 classrooms by next year, there would still be huge backlog of 153,000 classrooms for one-class shift given the 2.3% student population growth rate in the public school system.

Asked how much of the shortage in percentage is covered by the voucher system of the GASTPE program, Senator Angara replied that the program covers about 15,000 classrooms in 2010 and 16,000 classrooms in 2011, and he affirmed that the 1,000 increase in the number of classrooms is much cheaper than building them. He explained that the 2010 GASTPE allocation was P3.9 billion which was increased to P5.8 billion in 2011, thus, for P2 billion, there would be additional funds for more building space and teaching personnel.

Senator Cayetano (A) pointed out that if the President was really bent on improving the economy and making it do well, the government must also look into the state of public schools as well as private schools. He stressed that it is much cheaper to expand the GASTPE rather than build more schools because the government has to take into account the price of the land, the building cost and the teachers' pay. He expressed hope that the GASTPE would do very well and that the government would consider a much larger amount in 2012. Senator Angara agreed, as he pointed out that with GASTPE support, many missionary schools particularly in Mindanao survive up to this time.

Senator Cayetano (A) suggested that the Body review the amount to be allocated to education in

highly urbanized cities, as he agreed with Senator Angara that the thrust is to have quality education. He took cognizance of successful efforts of Gov. Enrique Garcia of Bataan in solving the classroom shortage in his province as reported in the *Philippine Daily Inquirer* which, he said, proves that things can be done if there is a public-private partnership or national and local governments initiatives. Asked what percentage of the Special Education Fund (SEF) is used to fund classrooms, Senator Angara replied that he would provide Senator Cayetano (A) the data as he did not have them at the moment.

Senator Cayetano (A) recounted that he had been encouraging Butch Abad and Jesli Lapuz during their respective stints as DepEd secretaries to make an official study on the SEF which could be a good source of information for future government actions. He disclosed that he had already suggested to the incumbent Education secretary to make it easier for LGUs to borrow money for school building by charging it against the SEF and not against the IRA. He lamented that many LGUs, especially in highly urbanized areas, do not really put a big portion of the funds to build classrooms, citing Taguig which may be a highly urbanized city but has three class shifts: 6:00 am to 10:00 am, 10:00 am to 2:00 p.m. and 2:00 pm to 6:00 pm. He disclosed that he was encouraged by the Bataan experiment because if Bataan can do it, so can Taguig. He expressed hope that with the encouragement of Secretary Luistro, the LGUs would be propelled, with the proper incentives, into achieving a zero-classroom backlog. For instance, he said, government can provide the LGUs more teachers if they built classrooms out of their own initiatives.

Aside from these concerns, Senator Cayetano (A) noted the DepEd should also address the perennial complaints of the teachers on how badly the GSIS has managed their pension fund, stressing that the teachers should be assured that they can rely on the senators for support. In response, Senator Angara said that Secretary Luistro had advised him that the DepEd has just begun a dialogue with the new management of the GSIS to address this particular problem.

Senator Cayetano (A) asked whether the P2 billion School-Based Management (SBM) project which would be evaluated in 2011 would still be funded for 2012. He also asked for an assurance that an analysis on the progress of the program be

made available during the hearing for the 2012 national budget. Senator Angara gave assurance that Senator Cayetano (A) would be provided with a report and an impact analysis on the project.

Asked on the amount allocated for DepEd's land acquisition, Senator Angara replied that a budget of P65 million would be allocated for school sites. However, he bared that DepEd is facing a problem on land titling because most of the titles of the donated land have remained in the name of the deceased donor whose heirs are claiming ownership while the other school sites are still on public land. He recalled that Congress had passed a law providing for the quick titling of all school sites because even creditors will not offer loans if the land title is not secured. Senator Cayetano (A) proposed that a bigger budget be allotted for land acquisition since getting land for school sites is more of a problem in highly urbanized areas than in rural areas where much land is available. However, he lamented the practice of some schools eventually selling their site and using the money to fund their programs. He suggested that the government allot an additional P50 million to P100 million for land acquisition because it would take time to negotiate for its acquisition. Senator Angara promised to look at ways on how to realign the budget so that extra funds could be allotted to the land acquisition fund.

On another matter, Senator Cayetano (A) recalled how then Senator Aquino advocated the use of line item budgeting for more transparency and hoped that the leadership in the DepEd would have the utmost transparency as well.

As regards the Alternative Learning System (ALS), Senator Cayetano (A) expressed concern that the budget for the program was decreased from P390 million in 2010 to P284 million for 2011 despite the huge increase the DepEd budget. Senator Angara clarified that the budget for the ALS was actually increased although this was not reflected in the budget for the program.

On another matter, Senator Cayetano (A) stressed the need to implement free medical check-ups for teachers as mandated by the Magna Carta for Teachers. However, he noted that the allocation for this benefit was lowered to P48 million. Senator Angara explained that the P90 million budget for 2010 was reduced to P40 million since P50 million of the amount was a congressional initiative.

Senator Cayetano (A) also stressed the importance of using the P200 million allocation for the Anti-TB program not only for the x-ray examination but even for the complete medical check-up of teachers. He cited Section 22 of the Magna Carta for Teachers which provides for the compulsory medical examination of teachers before they take up teaching. He suggested that there be an allotment for the free hospitalization and medical check-up of teachers even in government hospitals in light of the increase in the budget. Senator Angara welcomed the suggestion to increase the medical allowance for teachers which will cover medical examinations prior to employment as well as while they are in the service.

On another matter, Senator Cayetano (A) lamented the minimal amount that DepEd was putting into Special Education Fund despite a UNICEF survey which reported that 13% of Filipino children have some disabilities. He said that he was drafting a bill that provides that 10% of the budget be allocated for the SPED. He urged the DepEd Secretary to encourage foreign NGOs and other local government units to work closely with the agency and study the present state of special education. He believed that the government should speak out for the weakest sector of society like the orphans, elders and the disabled since they do not have lobby groups.

Senator Cayetano (A) also asked about the role of DepEd in the "*Malusog sa Simula, Yaman ng Bansa* Nutrition Program" under the National Nutrition Council since the program was no longer included in the 2011 budget. Senator Angara replied that the program had been terminated with the launching of the CCT. However, he explained that DepEd has maintained its "Breakfast Feeding Program" but on a smaller scale as it only has a budget of P76 million. He added that the school feeding program was being managed by the National Nutrition Council under the DSWD.

Asked on the role of DepEd on the Conditional Cash Transfer program, Senator Angara replied that the CCT program will be managed by an interagency body composed of the DSWD, DepEd, and the DOH. He explained that the three agencies were mandated to create a secretariat that would monitor the day-to-day implementation of the CCT.

Apologizing for bringing up the CCT at this time, Senator Cayetano (A) believed, however, that the DILG should be included in the discussion since the barangays and the local government unit would

play a big role in the selection and monitoring of beneficiaries. He explained that he brought up the matter because he wanted to make sure that the President's wishes are consistent and would be followed by his men. He recalled that then Senator Aquino requested the transfer of the P3.4 billion fund for the National Nutrition Council's feeding program to the DepEd, so it would be inconsistent to give it to the DSWD. If government gave the parents the money, he said that there is no telling if they have the knowledge of what is nutritious for their children unless they attended nutrition seminars, noting that not everyone knows about basic nutrition. He said that he was looking forward to discussing the matter further during the deliberations on the DSWD budget.

Lastly, Senator Cayetano (A) pointed out that the SEAMEO-INNOTECH summary indicated that 14% to 15% of children who enter Grade I do not go to Grade II. He opined that 80% of pupils drop out before they reach Grade II because of poverty. He believed that DepEd, through the teachers, would be in the best position to help identify the poorest of the poor and who are the most susceptible to illness. He expressed hope that the Aquino Administration would utilize the DepEd to ensure the success of the CCT.

In answer, Senator Angara informed the Body that the Committee had placed a special provision in the GAB involving the DepEd and DOH in the management of the program.

*(In the course of Senator Cayetano's interpellation, the Senate President Pro Tempore relinquished the Chair to Senator Zubiri.)*

#### REQUEST OF THE CHAIR

At this point, the Chair requested Senator Angara, the chair of the Committee on Cooperatives, and Secretary Luistro to take cognizance of the education cooperatives. It stated that the DepEd, under the previous administration, issued an order that the cooperatives be registered with the SEC, but under RA 9520, all cooperatives must be registered with the CDA. It said that Secretary Luistro would be furnished with a copy of the law.

#### SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 3:45 p.m.*

#### RESUMPTION OF SESSION

At 4:05 p.m., the session was resumed with Senator Zubiri presiding.

#### INTERPELLATION OF SENATOR OSMEÑA

Asked by Senator Osmeña why P1.5 billion was realigned from the P192 billion proposed DepEd budget that resulted in the decrease of the lump-sum appropriation for basic educational facilities, Senator Angara said that the realignment was carried out to support the proposal to hire more teachers, specifically from 10,000 to 20,000. He said that since the Committee did not want to increase the overall budget, it decided to look for a fund that could be realigned without injury to the rest of the program.

Senator Osmeña observed that every time the budget is debated upon, the legislators try to question the efficiency of the DBM and the various departments in their allocations to determine whether these were justified or unjustified and whether the operational efficiency makes sense.

Asked on the total student population in public institutions, Senator Angara replied that for school year 2010-2011, there are 24.550 million students of which 21.290 million are in public institutions and 3.281 million in private institutions.

On the current number of classrooms, Senator Angara said that the total inventory in pre-school, special, elementary, secondary schools was 448,071,000. He clarified that the number did not include that of the SUCs.

Asked on the student population if university students were included, Senator Angara estimated that it would be an additional 3.5 million more, bringing the total to about 28 million.

Upon further queries, Senator Angara confirmed that the ratio of teacher to pupils was 36:1 or one teacher per 36 pupils, and the ratio of students to classroom was 43:1 or 43 students per classroom.

Asked how the classroom shortage is computed given that it has always been the target to have an average of 40 pupils per classroom, Senator Angara clarified that the classroom shortage was 152,569. However, he said that if the GASTPE classroom substitute, referring to students who would have

entered the public system but were enrolled in private schools instead, is to be deducted, the net classroom shortage was 112,957.

As regards the cost of constructing a classroom, Senator Angara said that the DPWH would need P685,000 for a nine-by-seven-meter classroom. Senator Osmeña said that Senator Drilon was able to effect the construction of a classroom for only P400,000. Senator Angara said that the Filipino-Chinese Federation does it at even a lesser price, averaging to about P250,000.

Noting that P7.6 billion is required to build the shortage of 112,000 classrooms, Senator Osmeña asked how the DepEd and CHED are proposing to finally resolve the issue of classroom shortage that is raised during budget deliberations year after year. Senator Angara cited two approaches proposed by the agencies: 1) to open the construction of public schools to public-private partnership (PPP) where the private sector is invited to invest capital and get repaid from the annual school building fund; and 2) to expand the GASTPE law by increasing the grant from the P3.9 billion in 2010 to P5.8 billion in 2011, thereby causing an incremental increase of about a thousand classrooms.

Asked on the formula employed in translating the expenditures on GASTPE into classrooms, given the claim that the classroom shortage of about 152,000 is brought down to 112,000 if the advantages of GASTPE are factored in, Senator Angara replied that the DepEd utilizes the formula wherein the total amount of GASTPE allocation divided by 40 pupils results into the number of classrooms being accommodated through the GASTPE program. Senator Osmeña remarked that the formula does not make any sense to him.

To Senator Recto's view that the process is similar to buying seats like a call center, Senator Osmeña asked on the cost per student "seat" in GASTPE. Senator Angara replied that high school students outside Metro Manila receive P5,000 in tuition aid and P10,000 for students in the National Capital Region.

On the information that one half of the 1.5 million students in private high schools receive GASTPE assistance, Senator Osmena asked on the trade-off in terms of classrooms that should have been built. Senator Angara said that, in effect, GASTPE bought

16,000 classrooms. He explained that of the 40,000-classroom shortage that is eased by the funding of GASTPE, 9,000 classrooms for public school-bound students are in the process of construction; 14,000 would be funded in 2011; and 16,000 would be funded by GASTPE. However, Senator Osmeña remarked that the actual difference is still 40,000 classrooms and what is being constructed is totally irrelevant to the classroom shortage.

Considering the DPWH estimate of P650,000 to build a classroom at current rates, Senator Osmeña pointed out that in two years, P800,000 would be spent for 40 students to attend GASTPE. He asked whether it is cheaper to build classrooms or to keep on assisting students in private schools in view of the fact that in eight years, the government would have spent P80,000 per student. Senator Angara replied that it is still cheaper with GASTPE because there would be no need to buy space, as well as hire teachers and janitors, thus foregoing other overhead expenses. He revealed that the average cost to government per student in a publicly provided high school is P9,450, while the average cost of a GASTPE-provided classroom is only P5,800.

Senator Osmeña said that 40 students multiplied by the minimum amount of P5,000 for a GASTPE-provided classroom would amount to P200,000 a year which is equivalent to one classroom built in three years even at inflated government prices. Moreover, he said that an estimated P25,000 a month overhead expense in a publicly provided classroom would total P300,000 a year when multiplied by 40 students in a class, or P7,500 a year per student. He pointed out, however, the earlier claim that some high schools are only charging P5,400 per student per year outside of Metro Manila, which means that the estimate of P7,500 a year was rather on the high side.

Senator Angara said that while the observation is true literally and nominally, the time to save in having to wait for the construction is a soft variable, thus, if the classroom is immediately available, the need for the student to be immediately placed is there. Senator Osmeña agreed that students are growing older and they cannot be told to wait while the classrooms are built. However, he said that in the allocative efficiency of the DepEd budget, more weight must be placed into classroom building rather than into GASTPE. He stated that he was not against GASTPE; in fact, he would double its budget so that all of the kids are accommodated and there would be no stay-at-

home kids at all. The conditional cash transfer, he said, also encourages parents to send their kids to school and keep them there. He clarified that he just wanted to be enlightened as regards the mathematical computations and the economic justifications for the GASTPE allocation.

Relying to further queries, Senator Angara said that P12 billion is being set aside in 2011 for the construction of 14,243 classrooms.

Asked by Senator Osmeña how many years it would take to build the needed classrooms, Senator Angara replied that the proposed budget would cover only 10% of the needs, indeed a small dent on the overall shortage due to the ever-increasing population.

Senator Osmeña reasoned that the DepEd should have the information on inflation, the increase in salaries, electrical costs and population that can factored in a comprehensive plan that he insisted must be shown to him now because they have been debating the issue every year.

Senator Angara expressed hope that the DepEd has such a plan as he recalled seeing the problem when he started as a senator 21 years ago. He added that if there is such a plan, he would ask the Secretary to furnish Senator Osmeña with a copy thereof.

At the moment, Senator Angara informed the Body that the Secretary has a mandate to build enough classrooms within two years given the resources available to the Department. He observed that Senator Osmeña was asking for a projection of the classroom needs, information which the DepEd did not have.

Senator Osmeña requested the DepEd to prepare a plan that projects the increases in costs and population to allow the Committee on Finance during the yearly budget deliberations to benchmark what it says and what it has achieved. Senator Angara gave assurance that the DepEd would do so.

On the hiring of 20,000 additional school teachers that required the realignment of P1.5 billion, Senator Angara clarified that the Executive originally proposed the hiring of 10,000 additional teachers but upon his recommendation, the Committee agreed to increase it to 20,000 teachers.

Asked if the 20,000 teachers were available, Senator Angara replied in the affirmative. Senator

Osmeña requested the Committee to show proof that the teachers were really available. Senator Angara gave assurance that Senator Osmeña would be provided the data on Tuesday next week.

As to what was traded off to hire 10,000 additional teachers, Senator Angara stated that the P1.5 billion was for the salaries of 10,000 additional teachers for the first seven months of 2011 and it came from the school building fund.

Senator Osmeña asked why 20,000 teachers would be hired if the amount is just enough to cover the construction of 2,200 classrooms. He believed that it would be more practical to hire 10,000 additional teachers and, at the same time, build 10,000 classrooms. However, Senator Angara reasoned that the DepEd lacked 54,000 teachers as he added that education cannot go on without teachers but it can still be delivered without a classroom.

Senator Osmeña commented that the only reason why the 54,000 teachers cannot be hired is due to the lack of funds for their salaries. Senator Angara agreed that there are not enough funds for their recruitment and pay.

As to the annual average budget for a teacher, Senator Angara replied that it is P21,900 a month or P284,000 a year inclusive of benefits. Senator Osmeña computed that the amount needed to construct a new classroom is equal to the annual pay of two teachers.

On whether the DepEd has any ratio on classroom to teachers which could determine its efficiency in allocating its funds, Senator Angara replied that the ratio is 1.3 teacher to a classroom but the ideal figure is one teacher to a classroom at the elementary level and 1.6 teacher to a classroom at the high school level. He clarified that the additional teachers would be deployed to both elementary and high schools due to the need for more mathematics and science teachers.

Senator Osmeña pointed out that if there were only 500,000 available classrooms and 500,000 teachers at present and the teacher shortage is 54,000, the ratio will just be 1:1. However, Senator Angara stated that the LGUs support 48,000 teachers through the special education fund, and added to the 500,000 teachers, the total is 548,000 teachers for 500,000 classrooms or a 1.2:1 ratio.

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*At this juncture, Senator Zubiri relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.*

Senator Osmeña then asked how much the government is going to spend for classrooms this year and how much it is going to spend for new teachers next year, given that the Committee recommended the realignment of P1.5 billion.

### SUSPENSION OF SESSION

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

*It was 4:57 p.m.*

### RESUMPTION OF SESSION

At 5:20 p.m., the session was resumed.

Asked by Senator Osmeña on the total proposed expenditures for classrooms and teachers, Senator Angara replied that P10.5 billion was allotted for school buildings; P1.5 billion was added to the existing P1.5 billion allocation for the hiring of 10,000 new teachers; and P152,973 billion was apportioned for the Personal Services component which included the salaries of the staff. He clarified that the P1.5 billion for 10,000 teachers, which will only amount to about P150,000, would only cover a seven-month period beginning in June to December, plus the 13<sup>th</sup> month pay.

Senator Osmeña said that being his favorite project, he has funded the construction of classrooms, which number to 1,200 to date, so that it was frustrating to talk about classroom shortage every year. He lamented that it is really impossible for the government to resolve the problem in the near term given the constraints on the national finances.

On the PPP program which could help address the classroom shortage of 100,000, Senator Osmeña asked how much allocation would be needed annually to fund the P70-billion bond float of the DepEd since one classroom would cost P700,000 to build. Senator Angara replied that the current appropriation of P10.5 billion for school building is sufficient to service the bond float, adding that many contractors would be very happy to bid for the construction program.

Senator Osmeña agreed with Senator Angara that it would be advantageous to the government if

the interest rates are cheaper, for instance, it would only pay P4.2 billion a year in interest if it borrows P70 billion while allowing to float the bond at a little over 6%. He believed that if the government can get a 10-year or 15-year bond, it could completely address the classroom shortage.

To Senator Osmeña's observation that the DepEd and the CHED have several real estate properties all over the country, making them the largest owner of real estate in the country, Senator Angara answered in the affirmative, adding that some of these properties are in prime locations.

Senator Osmeña said that there are creative ways to utilize these assets which are "jewels in the attic." For instance, he said that the DepEd could make a huge profit if it sold the properties where the Cebu Normal University and Abellana National School, which are both along the Osmeña Boulevard in Cebu, are built on and relocate these schools elsewhere. He said that he has, in fact, been asking the DepEd since 1995 to come up with the inventory. However, he acknowledged that the DepEd has some problems, for example, some of the titles are interpreted as conditional donations, or DepEd does not have copies of the titles of the properties it occupies.

Nonetheless, Senator Osmeña pointed out that despite these problems, there are many clean titles that the DepEd can take advantage of, adding that for conditional donations, the government can make a deal with the owner where they can share profit, perhaps it could bring in a contractor who will put up a mall where the first two stories could be leased for business while the additional stories would be school facilities.

In response, Senator Angara said that this is being done in Vietnam where the contractor build on the site and go around with whatever restrictions that have been imposed on the property.

Senator Osmeña expressed hope that the new Education Secretary would support any program along these lines which Congress could also help push through legislation, or other types of executive proposals so that the Filipino children could get the quality education that they deserve. He suggested that the DepEd make their proposals on the matter, reiterating that the department should make an inventory of its properties because in Cebu alone, DepEd has about 300 to 400 properties which include

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high schools, elementary schools, colleges and SUCs where one property like the Cebu Agricultural School, which is located in the middle of the city, could be as huge as 20 hectares.

In response, Senator Angara said that the DepEd would comply, adding that he has volunteered to put together a financial team to assist the department in coming up with the concept of PPP on school construction and building on existing properties.

On the proposed P100-million budget for the *Alay Tanim* Program for 2011, Senator Angara said that it is part of the existing P1.2-million *Gulayan* Program of the DepEd, and the Committee proposed the budget increase because it is not only intended for health and nutrition education but also for the utilization of vacant areas for gardening.

Senator Osmeña said that he would present amendments at the proper time, either to cut, delete or realign the budget, hoping that the Chairman would understand that they may have differences in priorities.

Asked whether the P20-million item for the production of the air biology video program for high school is sex education, Senator Angara explained that it is biology for high school students to be shown in the Knowledge Channel, which is part of the science documentary already shown in Channel 4, a government television company, covering chemistry, general science and mathematics. He said that this will be part of the official curriculum to be accompanied by a teacher's manual.

Asked on the number of schools that are connected to the Knowledge Channel, Senator Angara replied that most schools are provided with a television set and DVD player. He added that the video will not only be received on free television but will also be produced and distributed to public high schools.

Senator Osmeña said Channel 4 could hardly reach any of the provinces and does not have free broadcast facilities in those areas. He agreed that cable TV would have a wider reach and the program would be useful as it would be done during school hours under the supervision of teachers. He clarified that he was not objecting to the project, but he believed that the matter could be revisited during the period of amendments where other priorities might be considered instead.

Asked on the source of the additional P293-million budget for SUCs, Senator Angara replied it was realigned from the DPWH budget as he clarified that it was simply returning to the SUCs part of the R&D and training funds amounting to P1.8 billion.

On the P5-million budget allotted to build a zoo for tarsiers, Senator Angara said that the Committee believed that the project, which was requested by Fr. Camacho, who is head of the SVD University in Bohol, is a worthwhile investment to be taken care of by a private foundation.

Going back to the matter on the P100-million budgetary increase in 2011 for the *Gulayan* Project, Senator Osmeña asked how the amount would be distributed.

Senator Angara replied that Filipino families are the intended beneficiaries of the *Pantawid sa Pamilyang Pilipino* program which aims to establish nurseries and provide seedlings and other planting materials. He added that the program would be done in conjunction with the DA.

Asked whether the “*Programang Agrikultura Para Sa Masa*” of the DA is tied up with the “*Gulayan Program*,” Senator Angara replied in the affirmative, but clarified that “*Gulayan Program*” is specific to the school districts and the school system because it is part of their nutrition and health programs. He added that the program is also connected to the Conditional Cash Transfer Program, since one of the conditions for availing of the CCT is that the parents/guardians would have to keep the child healthy and in school. Senator Osmeña proposed that the program be handled by one or two agencies which would breed the seeds and distribute them to schools rather than having the DepEd do it.

Upon further queries, Senator Angara replied that it is the DepEd and not the SUCs that will be managing the program since it supervises around 300 agricultural high schools that could implement the “*Gulayan Program*.”

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF EDUCATION AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection,

the budget of the Department of Education and its attached agencies, namely, the Office of the Secretary, the National Book Development Board, the National Council for the Children's Television, the National Museum, the Philippine High School for the Arts, and the DepEd School Building Program were deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 5:45 p.m.*

## **RESUMPTION OF SESSION**

At 5:51 p.m., the session was resumed

## **STATE UNIVERSITIES AND COLLEGES AND THE COMMISSION ON HIGHER EDUCATION**

Senator Angara presented the budgets of the State Colleges and Universities and the Commission on Higher Education.

## **INTERPELLATION OF SENATOR CAYETANO (A)**

At the outset, Senator Cayetano (A) lamented the budget cut imposed on the State Universities and Colleges (SUCs) and the CHED from P1.6 billion in 2010 to P925 million in 2011 which contradicts the 2011 budget message of President Aquino that underscored the importance of education for poverty eradication. He adverted to a report presented during the Southeast Asian Ministers in Education Conference which revealed that 85 out of 100 elementary students go back to Grade 1, while about 14% to 15% drop out. Moreover, he noted that only 17% of those who go to college actually graduate.

Asked on the ratio of college students in private schools vis-à-vis those enrolled in public institutions, Senator Angara replied that about 61% are enrolled in public universities while the remaining 39% attend private institutions.

Senator Cayetano (A) asked how the administration's goal of providing quality education at all levels could be achieved amid the drastic cuts in the budgets of the TESDA and the CHED. He indicated

that he would vote against the budget considering that the capital outlay for the SUCs, with the exception of the RTU which has P20 million gone from P1.7 billion in 2010 to zero for 2011. Relative thereto, he asked how President's policy to have quality education in all levels be reconciled with the 40% cut in the budgets of CHED and the SUCs. Senator Angara acknowledged that the 2011 budget is strongly biased toward basic education at the expense of tertiary education which, to him, is very critical in building up national leadership because this is where future leaders are molded. He noted that the Philippines has a very unique history in higher education, as he recalled that in the past, almost 80% of students attend private colleges and universities while only 20% go to public schools like the University of the Philippines and the Philippine Normal University. He surmised that the creation of more SUCs gave people greater access to higher education and, as such, resulted in a shift in enrollment from private to public tertiary schools. He said that the current 60:40 ratio showed that even though more college students are enrolled in public schools, private higher education still dominates the leadership training role.

Senator Cayetano (A) expressed concern that if the budgets of the CHED and SUCs were decreased drastically, it would affect the number of college graduates. He cited the cuts in the CHED budget, to wit:

- 1) P650 million for student financial assistance
- 2) P75 million for faculty scholarship; and
- 3) P103 million from the HEDF projects.

He stressed that among the cuts, the P650 million from student financial assistance was the most crippling and many students would lose their financial assistance while first-time students would not be able to get any financial assistance at all next year. He argued that there is no logic in removing the P650 million for students' financial assistance and the P75 million for the faculty scholarship. He averred that the programs were working, proven and easily identifiable. Noting that 83% of students who go to college do not finish their courses, he expressed concern that the 17% who manage to graduate each year could go down to 15% or even 13%. He said that there is no sense in increasing the money for students when the tuition goes up at the same time. He said that it would be all right, though, to increase the budget for the SUCs and, at the same time, maintain the financial assistance to students.

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Senator Angara agreed that the decrease would reduce tertiary enrolment and ultimately reduce the number of graduates.

Senator Cayetano (A) believed that it was not the intent of the President to cripple the SUCs but that he was wrongly advised when he said in his budget message that, "We allocated P23.4 billion to 112 State Universities and Colleges (SUCs) in 2011. This is 1.7 percent lower than the P23.8 billion budget for 2010. We are gradually reducing the subsidy to SUCs to push them toward becoming self-sufficient and financially independent, given their ability to raise their income and to utilize it for their programs and projects." He asserted that the message assumes that SUCs are able to raise revenues either by commercializing their resources like land and other assets or by raising tuition fees. He pointed out that commercializing assets cannot be done overnight as it takes a year or two to bid out a parcel of land, put up the structures, and rent them out. He took exception to the policy of the new administration for SUCs "to push toward becoming self-sufficient."

Senator Cayetano (A) hoped that the discussions would be brought up to the attention of the President. He believed that while some SUCs have the capability to raise funds or are able to implement socialized tuition fees because they have affluent students who can afford to pay higher fees, majority of them are still not self-sufficient. He warned the Members to prepare themselves for the renewal of student activism as manifested in rallies and protest movements.

Citing the University of the Philippines, Senator Cayetano (A) stated that if each of the 52,000 students paid P1,000 in tuition fee, it would only generate P520 million; if each paid P10,000, P5.2 billion would be generated. But, he pointed out that the cut in the UP budget was P2 billion, so that for UP to compensate for the loss, it has to increase tuition by P4,000 across-the-board. He noted that in the UP system, only UP Diliman and UP Manila have affluent students. He opined that if SUCs cannot raise the money through tuition fees, the more they cannot improve the quality of education.

Senator Angara pointed out that even for an old university with a lot of landholding like UP, the ratio of subsidy to internally generated income is 70%-30%. He agreed that many of the SUCs would be unable to raise enough money to reduce subsidy. He stated that the United States, which has a long tradition of fund-raising, was able to subsidize a

university because the Americans have a higher sense of philanthropy compared to other nations. He cited the \$13.15 billion endowment funds that they were able to raise for Harvard University. On the other hand, he asserted that the only way for SUCs to raise their internal income is through the combined efforts of utilizing and commercializing land grants, raising funds from alumni and friends, creating endowment funds, and raising tuition fees which is politically sensitive because with the exception of UP Manila, SUCs are not located in affluent communities.

Senator Cayetano (A) recalled that he was privileged to study at UP Los Baños for one semester and it was a big blessing to him because it was much cheaper: he shared a house for P1,000, P500 for food and P500 for laundry and cook services. He welcomed the increase in Personal Services for the SUCs which, he said, is in compliance with the Salary Standardization Law III. However, he took note of the P1.1 billion cut in MOOE. He noted that from 2000 to 2011, the total revenue collected from student fees was P1.264 billion or 6.6% of the SUCs' budget, and in 2010, P7 billion or 20% of the SUCs' budget was raised from student fees and the present Administration expects this to go up by 22% to P7.7 billion in 2011.

Senator Cayetano (A) questioned the concept of state universities if students are made to pay for their education, saying that they might as well go to private schools. Since there was a P1.1 billion cut in MOOE, he concluded that education in 2011 would be P400 million less in terms of quality, expenditures, etc.

In closing, Senator Cayetano (A) stated that the Mindanao University of Science and Technology (MUST), PNU, and UP benefitted from the special provisions of their charters which were passed in the 14<sup>th</sup> Congress. He said that the UP leadership was convinced not to sell their land in exchange for a centennial fund of P100 million a year for the next five years. He lamented that it was bad enough that the fund was not given, yet its budget was cut further by P2 billion. He believed that the resource persons have been patient about the inquiries and were in agreement that the budget should be increased; however, because it had been a team effort, the different departments have agreed that no one would lobby for a higher budget. He stressed that the CHED was not lobbying for itself but for the students who are directly affected by the cut. He said that there was no point in mentioning the promised P250 million

in the first year and P100 million in the succeeding years to PNU and MUST given the fact that the rest of the 112 SUCs were suffering from the cuts.

As regards the mechanics of the Higher Education Development Fund (HEDF), Senator Angara explained that when the CHED was created, it was endowed with a permanent fund taken from collections from tourism, PCSO and PAGCOR earnings. He stated that the HEDF was intended to help higher education in both public and private universities and colleges in terms of faculty development laboratory, library and research.

Senator Cayetano (A) said that given the cut in its budget, CHED should use its HDEF in a very transparent way and in such a manner that is very sensitive to the needs of the SUCs. He pointed out that in the past, the CHED had very good projects but some commissioners treated them as pork barrel. He said that pork barrel is not bad *per se* especially if it is used to benefit the constituents but if the commissioners had discretion, there should have been oversight.

Senator Cayetano (A) noted that some time ago, CHED had a lot of funds, thus, it had the leeway to identify any project it wanted to pilot test, for instance, in one or two SUCs but not in all 112 SUCs. He remarked that he was in favor of giving the commissioners the discretion and he was also in favor of the HEDF. He said that he would continue to fight for an increase in the CHED budget as he suggested that a dialogue be conducted between the Committees on Education of both Houses of Congress on how to use the HDEF for transparency.

He recalled that during their tenure as education committee chairs, he and Senator Roxas grilled the CHED chairman to ensure that the agency followed the policy that the Student's Assistance Fund is not to be politicized. He stressed that there is indeed a need for a real student loan program, financial assistance and scholarship programs.

In closing, Senator Cayetano (A) hoped that the Senate could find a way to restore the cuts in the CHED budget.

#### **MANIFESTATION OF SENATOR CAYETANO (P)**

Senator Cayetano (P) echoed the sentiments of Senator Cayetano (A), as she expressed disappoint-

ment over the decrease in the budget of the SUCs, in particular, the UP. She recalled that when Senator Cayetano (A) chaired the education committee, he did his best to increase the salaries of teachers. She voiced concern that while the budget does account for some salary increase, it was still below the desirable level.

She lamented that as the policymakers and legislators try to compromise on the demands of the teaching profession for higher salaries and the longer it takes government to provide the same, the easier it becomes for the teachers to leave the country for overseas jobs.

Relative thereto, Senator Cayetano (P) said that she appreciated the fact that the CHED has closed down many of the non-performing nursing schools. However, she expressed concern that the country is losing so many of the nursing professionals and most of them are teachers of nursing. She hoped that during the period of amendments or even in next year's budget deliberations, the Senate could work closely with the DBM on this particular issue so that the exodus of the country's health and teaching professionals could be addressed; otherwise, the country would face health and educational crises. She noted that whenever the DOST budget comes up, there is always a lively debate on science and technology, but the teachers leave just the same for greener pastures abroad.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 6:27 p.m.*

#### **RESUMPTION OF SESSION**

At 6:43 p.m., the session was resumed.

#### **INTERPELLATION OF SENATOR OSMEÑA**

Replying to the queries of Senator Osmeña, Senator Angara confirmed that the P293-million cut by the DBM on the budget of SUCs for use in R&D programs was restored and that the SUC budget included P20 million for the construction of the Teacher Education and Law Center Building at RTU and P10 million for the R&D of Pangasinan State University's normal education program.

Senator Osmeña asked whether the Committee at the proper time would favorably consider allocating P30 million for the construction of an R&D Center in UP Cebu to train students to be adept at computer-aided design and computer-aided manufacturing as he pointed out that Cebu has been designated a center of excellence, being the second fastest-growing call and IT recruitment center in the entire country. Senator Angara expressed willingness to consider the proposal.

### **SUBMISSION OF THE BUDGETS OF THE COMMISSION ON HIGHER EDUCATION, AND STATE UNIVERSITIES AND COLLEGES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budgets of the Commission on Higher Education and State Universities and Colleges were deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 6:46 p.m.*

### **RESUMPTION OF SESSION**

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

### **DEFERMENT OF THE CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF SCIENCE AND TECHNOLOGY**

Upon motion of Senator Sotto, there being no objection, the Body deferred the consideration of the budget of the Department of Science and Technology for Tuesday of the following week.

### **DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT**

Senator Drilon presented the budget of the Department of the Interior and Local Government.

### **INTERPELLATION OF SENATOR CAYETANO (A)**

At the onset, Senator Cayetano (A) recalled that during the last national elections, none of the presidential candidates made a firm commitment to

increase the share of the internal revenue allotment (IRA) of the LGUs; as such, the LGUs have been very concerned on how they could increase their revenues and share in the IRA. He said that he was trying to encourage the LGUs to come out with an incentive scheme or a progressive program to address this issue. He also asked if it was possible to provide for a fund from the national revenues to be used for the development programs and projects of 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> class municipalities.

Senator Drilon replied that the concern of Senator Cayetano (A) could be addressed in the 2012 budget of the DILG. He pointed out, however, that the rate of increases in the IRA over the past ten years was higher than that in the national government. He believed that the LGUs should be encouraged to use more of their powers under the Local Government Code to generate revenues, for example, from real estate taxes, so that they would be less dependent on the budget for their development needs. Nonetheless, he gave the assurance that in the next budget, the Committee would be open to provide assistance to such municipalities provided that they comply with certain performance standards like a corresponding increase in the local revenues or a counterpart funding from the lump-sum appropriations.

Senator Cayetano (A) agreed that the share of the LGUs in the IRA has been increasing through the years but the reality is that Congress would not be able to pass a law changing the distribution of IRA which, at present, favors rich cities and municipalities whose usual income generated from big businesses and real property taxes. He pointed out that the 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> class agricultural LGUs, which have smaller shares from IRA and hardly carry business or real taxes, are left at the mercy of their congressmen, senators, or the President or foreign grants, thus, they could neither come up with long-term development plans nor provide benefits or welfare services to the people in their areas. He suggested that instead of giving projects, a development fund could be set up to allow the LGUs more autonomy and let the mayors use their ingenuity to develop their municipalities.

Even as he acknowledged that there was not enough time to include such fund into the 2011 budget, Senator Cayetano (A) said that the Department could start developing the same for the 2012 budget. He believed that a young and progressive-minded leader like President Aquino would be open to a

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workable funding program for the poorer LGUs. Senator Drilon gave assurance that the Committee would examine the proposal for purposes of the 2012 budget.

Commenting on the P500 million allocation for Local Governance Performance Management Program, Senator Cayetano (A) believed that while the program aims to provide performance incentives to LGUs, it is better suited to rich municipalities or those with better income than to the 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> class towns that have no money or resources to manage in the first place. He asked if the mechanics or guidelines of the program would also provide poorer municipalities with better chances of being rewarded.

In reply, Senator Drilon stated that all the municipalities, with the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> class towns as priority, currently benefit from the program as each had already received P1 million.

However, Senator Cayetano (A) noted that the special provision provides that the funds shall be used for implementation of priority projects of the national government in order to achieve the millennium development goals (MDGs). In this regard, he pointed out that Secretary Robredo himself had shown that an LGU can sometimes do better than the national government, citing Naga City whose budget is posted in the Internet as a manifestation of transparency even though the Freedom of Information bill has not yet been passed by Congress. He said that he would like to change the special provision to the effect that the program would reward not only LGUs that follow national government programs but also those with unique working programs.

Senator Drilon pointed out that national programs are not necessarily inconsistent with the local programs because they could enhance the chances of achieving the MDGs. However, he said that projects initiated by the LGUs but are excluded from the national program could be supported, stating that it might be a matter of accommodating the program in designing the Local Governance Performance Management system.

Senator Cayetano (A) asserted that the LGU could really be a mechanism in making government work in areas too far for the national government to reach. He pointed out that the programs he was referring to might not have funding from the DILG but it can, nonetheless, identify and reward the LGUs

that are performing well. For instance, he said that the DepEd was open to giving a counterpart fund or incentives to the LGUs which would use their own funds or source money through their initiatives to solve the classroom shortage.

Senator Cayetano (A) cited the city government of Taguig, which is putting up a system to identify who among its constituents are sick and instead of the sick going to health centers, the doctors can see them at home and dispense medicines. He believed that so much more could be done if the DOH, with the help of the DILG, can come up with a similar program. He stated that the grant of cash awards or incentives to outstanding LGUs would strengthen entrepreneurial skills of local chief executives and encourage them to think outside the box to undertake projects that would benefit their constituents.

As regards the relationship of LGUs with the PNP, BJMP and the Bureau of Fire Protection, Senator Cayetano (A) posited that the LGUs should be more pro-active in addressing the needs of these agencies instead of relying on the national government to supply everything, for instance, fire trucks. He hoped that the 2012 budget would be instrumental in making the programs work. In reply, Senator Drilon said that the DILG officials led by Secretary Robredo were taking note of the suggestions of Senator Cayetano (A).

On a related matter, Senator Cayetano (A) believed that there was an inequity in the distribution of police personnel to the different cities because while the PNP law states that the ideal ratio of policeman to population is 1:500, the actual ratio is 1:730, according to a PNP resource person. He noted that it was 1:490 in Manila, 1:837 in Quezon City and 1:1,201 in Taguig City. He said that while the DepEd can have local hires to address the shortage of teachers, the PNP cannot resort to this practice.

Asked if a study was done to equalize the police force deployment, Senator Drilon replied that there was an ongoing program to review the deployment of personnel to police stations in provinces and cities and, indeed, the police leadership intended to improve the nationwide ratio of 1:730. He said that he had, in fact, pointed out the matter in the budget hearings given the theory that police presence in the street is a deterrent to crime. He said that the PNP was also reviewing the number of uniformed policemen deployed as bodyguards of VIPs.

Senator Cayetano (A) said that it was really ridiculous to impose the retirement age of 56 on the officers and members of the AFP, PNP, BJMP and the Bureau of Fire Protection because 56 is still a young age. He observed that in the Senate, the best ones like Senator Pimentel are, in fact, in their 70s, and during the long hours of plenary debates on the yearly budget, the older senators turned out to be the stronger ones, coming to the session hall early and staying late into the night. Besides, he pointed out, life expectancy has been improving with people getting healthier and living even up to 100, and that the most productive years of a man's life supposedly are between 60 and 90. He believed that the constitutional provision on the retirement age of 56 for the officers and members of the AFP ought to be changed.

In response, Senator Drilon said that the retirement age of 56 is a result of the fact that the years spent in the Philippine Military Academy are considered part of the active service. He agreed that there is a need to revisit the retirement age because the budgets of the AFP and the PNP were tilted or lopsided in favor of retirement pay which would worsen over the years. He noted that the Personal Services portion is already 80% of the total AFP budget and of the 80%, almost 50% is allotted to retirement pension. He added that in 2016, by most estimates, the AFP would be burdened with the retirement pay which would be higher than the salary of those in the active service.

Senator Drilon pointed out that the 2011 PNP budget has a P14 billion appropriation for the pension and gratuity fund of the PNP, BFP and BJMP. He stressed that this is an area which the Aquino Administration must look into because the government can never hope to modernize the PNP and the AFP with the lopsided demand on their resources. He noted that in the P104 billion AFP budget, for instance, only P5 billion was allotted to modernization vis-à-vis the P44 billion for salaries and P36 billion for retirement pay. He said that the matter requires long-term solutions which would depend on a comprehensive review of all the laws and legislators must decide whether to put up a separate retirement fund or continue providing the fund in the budget year-in and year-out.

Senator Cayetano (A) agreed that indeed there is a need to take into consideration the pros and cons of the matter. He noted that the provision banning

the extension of the service of military officers, except for the chief of staff, was put in the Constitution as a reaction to appointments in the AFP during the Marcos regime. As regards retirees, he recalled reading an article which says that retired U.S. military men turn out to be the best teachers which he attributed to the heavy investments of the U.S. government in its uniformed personnel. He pointed out that a similar program could be adopted by the Philippine government where retired AFP and PNP dentists, doctors or engineers, if they opt to, could be automatically reabsorbed by other government agencies like the DOH, DOTC or DPWH.

Assuming that the retirement age would be amended by 2012, Senator Cayetano (A) suggested that the DILG, together with the DND, study the viability of reabsorbing the many retirees from the uniformed services. Further, he proposed that uniformed personnel who were injured and the survivors of those who died in the performance of their duty be allowed to receive their pay, even promotions and other entitlements from GSIS because they would have been well and alive had they not sacrificed their lives for the country. In response, Senator Drilon said that in instances where a policeman is killed in action, 75% of the salary is given as a survivorship pension to the surviving spouse.

Senator Drilon stated that the P4 billion annual pensions of surviving spouses of World War II veterans is quiet a burden on the budget.

Senator Cayetano (A) lauded the PNP leadership, its foundations and past chief executives for making not only donations, but also offering grants to families of police and military personnel killed in action. However, he proposed that the family be given a grant to equal or higher than the salary received by the officer in recognition of their relative's heroic deeds.

On another matter, Senator Cayetano (A) asked whether a Civil Service Commission circular which states that police officers who commit minor offenses or failure to attend the flag ceremony are disqualified from receiving their Christmas bonus was still being implemented. Senator Drilon replied in the negative. However, he said that the PNP director general has promised to look into the matter.

To the observation that the allocation of the BJMP for food was lowered from P1,258,000,000 in 2010 to P1,189,000,000 for 2011, Senator Drilon

explained that the decrease was due to the projected reduction in the number of inmates for 2012 amid efforts to decongest the cases in the courts and release prisoners who have served the maximum term even if they have not yet been convicted. Senator Cayetano (A) underscored the importance of having an accurate projection on this matter considering that there are places in Metro Manila that have been suffering a higher crime rate as a result of the worsening economy.

Upon further query, Senator Drilon said that a prisoner's daily P50 food budget covers all meals for the day. Senator Cayetano (A) commented that the amount was not enough and he feared that a congested jail with bad food and no medical services would only toughen up prisoners instead of rehabilitating them. He urged the BJMP personnel to study how it could provide better services, food and medicine to those who are incarcerated. He also suggested that the DILG come up with an incentive program where LGUs could work together with the BJMP so that their jails could have better facilities.

Asked on the medicine budget for the inmates, Senator Drilon answered that each one is allotted P3 per day.

On a related matter, Senator Cayetano (A) said that he had opposed the transfer of inmates from Camp Bagong Diwa in Taguig which is supposed to be the Integrated Jail of Metro Manila because he felt that it was a real estate deal which benefited the city of Manila. Moreover, he noted that while the facility in Camp Bagong Diwa was better than the other jails, it still experienced the same problem of congestion as other jails. Senator Drilon admitted that there were inmates from various jails in Metro Manila who were transferred to Taguig.

For his part, Senator Cayetano (A) lamented that the detention center in Camp Bagong Diwa was just a new building but not a model jail. He hoped that the Aquino administration would turn these jails into real rehabilitation centers. However, Senator Drilon revealed that not all jails are in such dismal conditions as he had also provided P80 million for the modern provincial jail in Pototan, Iloilo.

#### **INTERPELLATION OF SENATOR SOTTO**

At the outset, Senator Sotto cited Executive Order No. 63 which mandates the creation of the

Physical Fitness and Sports Development Council to be headed by the secretary of the DILG that would serve as the nationwide organizational network to assist the PSC in the implementation of a Sports For All Program. He asked whether there was an allocation in the 2011 to fund the activities under the program. Senator Drilon answered in the negative.

On another matter, Senator Sotto pointed out that a substantial amount of the P69.4 billion budget of the PNP was intended for Personal Services. He asked whether the main thrust of the budget was to increase police visibility by recruiting more police patrols as proposed in the reorganizational plan of the National Police Commission (Napolcom). Senator Drilon replied that the PNP recruited 10,000 uniformed personnel in 2010 and plans to hire 3,000 more in 2011. He added that the bulk of the increase in the budget would go to retirement, pension and gratuity benefits of the police personnel.

Asked whether the reorganizational plan of the Napolcom included increasing police visibility and delivering efficient police services to the communities, Senator Drilon replied that these have been part of the plan for several years, but such undertaking requires adequate funding. However, he cautioned that Congress has to address the continued burden of pension and gratuity pay of retirees if it wanted to respond to the plans and programs of the PNP.

As regards the current number of uniformed personnel, Senator Drilon stated that there were 132,000, 13,000 of whom were doing administrative work in the headquarters, various stations and substations; and 90,000 deployed in the field.

Asked if a full deployment would achieve the desirable police to population ratio of 1:500, Senator Drilon stated that there was a 1:730 ratio at the moment but it varies in each unit, province or city and while some meet the ratio even better than the prescribed national ratio, others are worse off because of certain peculiarities. He added that all these matters were being reviewed by the DILG.

#### **MANIFESTATION OF SENATOR HONASAN**

Senator Honasan clarified that the police to population ratio was not the indicator of capability but a "teeth to tail" ratio. He stated that after Congress shall have passed the 2011 budget, the Committee would focus on the unusual figures in the PNP budget.

Adverting to Senator Sotto's inquiry on the number of personnel in the headquarters and on the field, Senator Honasan stated that it was not possible to match the number of personnel in headquarters or on the field to the MOOE and Capital Outlay given the criterion for operational readiness which, for the AFP, is that one must be able to move, communicate and shoot. He believed that the same should apply to the PNP, at least with respect to movement and communication, and this should be addressed in the 2012 budget.

As regards the grievance mechanism, Senator Honasan stated that during the hearings it was revealed that when a complaint is filed with the Napolcom's Internal Affairs Service or with the People's Law Enforcement Boards (PLEBs) everything turns upside down. He supposed that the August 23, 2010 incident might have been precipitated by a single complaint. He added that similar situations were also happening in the AFP and these issues would be discussed at the proper time.

#### **INTERPELLATION OF SENATOR SOTTO**

*(Continuation)*

Still on the number of PNP armed personnel needed, Senator Drilon stated that with a constant population of 92 million, the PNP would need 56,000 more police, which means increasing the present 132,000 to 188,000 to achieve a 1:500 ratio.

Upon further query, Senator Drilon confirmed that the Napolcom and the PNP Internal Affairs Service conduct separate hearings on cases involving police personnel. He said, however, that the agencies were in the process of streamlining the setup.

As regards the allocation to the legal service arm of Napolcom, Senator Drilon replied that there was none in the 2011 GAB but there was a P20 million allocation in the 2010 GAA which might not have been released because it was a congressional initiative.

On the PNP legal service, Senator Sotto observed that whenever a complaint is filed, the concerned policeman is not provided with a lawyer by the PNP. He stated that drug traffickers get back at policemen by filing cases against them. In response, Senator Drilon informed the Body that the PNP has a legal staff of 116 lawyers, however, a circular prevents them from standing as counsels of the charged policemen. He stated that it is unfortunate a policeman has to fend for himself.

Senator Sotto believed that such practice should not be allowed and the Napolcom and DILG should put up money for the legal defense of policemen. Senator Drilon stated that it was a policy issue and the rationale of the circular was that public funds should not be used to defend police personnel against charges of malfeasance or misfeasance. He said that the DILG and PNP recognized the need to provide legal assistance to police personnel who have pending cases and they have, in fact, a Memorandum of Agreement with the Integrated Bar of the Philippines and the Public Attorneys' Office to provide legal services.

Senator Sotto suggested that the matter be raised anew during the deliberations on the Department of Justice budget.

As regards the allocation for the Anti-Illegal Drugs Special Operations Task Force (AIDSOTF), Senator Drilon stated that it has none since it was just a task force. In order for it to function, he said that its allocation was drawn from the PNP's MOOE.

Senator Sotto recalled that when he was chair of the Dangerous Drug Board (DDB), he and PNP Chief Jesus Versoza were hoping that the allocation would come from the DDB or the PDEA. However, Senator Drilon explained that any increase in the budget would have to be sourced from other items, so a request for P500 million for the AIDSOTF would be difficult to come by.

At this juncture, Senator Sotto inquired if Senator Drilon would be amenable to asking the PCSO to fund the DDB as it was supposed to under the law. He stated that the funding was not given last year and expressed hope that it would be given in the coming year. Senator Drilon assured Senator Sotto that he would request the PCSO to consider funding the AIDSOTF as required by law.

On another matter, Senator Sotto reminded the DILG and PNP leadership of the Drug Abuse Resistance Education (DARE) program. He stated that the PNP in General Santos City and La Union were very successful in allowing PNP officers to teach Grade V and VI pupils about the dangers of drug abuse and suggested that the program be implemented on a larger scale.

#### **INTERPELLATION OF SENATOR ESCUDERO**

Adverting to the legal services given to PNP officers charged with an offense in connection with

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their work, Senator Escudero disclosed that over and above any MOA between the PNP and the IBP and/or the PAO, the AFP actually has a fund for this purpose. He said that in certain provinces, AFP members can actually engage the services of private lawyers who conduct the defense for their clients. He suggested that the Committee look into the fund allocated by the AFP for that purpose, about P30 million, and simply apply it in the budget allocated for the PNP.

Senator Drilon thanked Senator Escudero for the information as he gave assurance that the Committee would look into it.

By way of information, Senator Escudero stated that the Committee on National Defense and Security has been taking the lead in preventing the pension and retirement benefits from intersecting with the salary of active armed personnel. In addition, he disclosed that the Committee was also pursuing, with some PNP officers, the possibility of raising funds through the UN Peacekeeping instrument as a career move similar to what other countries were doing. As an example, he cited Bangladesh which has earned as much as \$300 million a year, the highest among peacekeeping contingents, simply by seeking UN Peacekeeping postings as a mode of modernizing its police and armed services. As per computations, he said that the PNP personnel posted on peacekeeping mission abroad can generate as much as P300 million to P400 million a year on top of whatever salaries and emoluments they will be receiving. For his part, Senator Drilon recognized and acknowledged the efforts of Senator Escudero on the issue of the retirement funds of uniformed personnel.

On another topic, Senator Escudero informed the Body that PAL and other airlines charge a PNP/AFP member who transports his/her firearm via the airline a P560 fee. He pointed out that the airlines used to provide this service for free when the police/soldier is covered by a mission order. Since neither the PNP nor the AFP has funds for this purpose, he said that the PNP/AFP member has to pay out of his/her personal funds. He suggested that the PNP/AFP either make representations with PAL and the other airlines to grant an exemption or simply allocate funds for it.

Agreeing to the observation, Senator Drilon stated that the cost of transporting the firearm should not be borne personally by the PNP/AFP personnel, because

this is an authorized expense under the MOOE of the PNP. Moreover, he said that the situation does not prevent the PNP or AFP from sitting down with PAL and Cebu Pacific to ensure that the rule does not apply to uniformed personnel on mission.

As regards the number of police personnel to be hired by the PNP in 2011, Senator Drilon replied that the 2010 budget created 3,000 new positions and there was an allocation for the hiring of 10,000 uniformed personnel. According to information, he said that about 2,400 so far have been hired for the current year but, he noted that there was a commitment from the DILG secretary and the PNP chief that the entire 10,000 uniformed personnel would have been hired by December 31, 2010.

Asked on the current total PNP force, Senator Drilon said that the PNP has 132,000 personnel, 10% of whom were in the headquarters doing administrative work and 90% in the field. He added that the PNP intended to hire about 7,600 more before the year is over and another 3,000 by next year, so by the end of 2011, there would be 142,600 PNP personnel.

Senator Escudero raised concern on the absorptive capacity of the agency. He explained that when Congress allocated the budget for the PNP to hire 10,000 armed personnel in 2010, a certain amount was earmarked for their salaries. He observed that to date, the PNP has hired only 2,400 out of the 10,000, thus there were savings from unfilled positions. He posited that this situation poses a problem in connection with the bonuses of government officials and employees because there is no specific item or ideal flat rate for the bonuses of government officials and the employees and these are usually charged against savings. Because of this practice, he said that the agency heads compete against each other in terms of who would be able to give bonuses to their employees.

Senator Escudero explained that he raised the issue to enable government to provide for a specific item for bonuses as it appears that Congress was being deceived by the agencies which, every year, propose items of expenditure knowing these would not be used just so to realize savings against which bonuses can be charged.

On the absorptive capacity of the PNP, Senator Escudero asked if the PNP intended to hire the 3,000

personnel and, if so, when. Senator Drilon replied that Senator Escudero was aware that the budget is just an authorization to spend public funds pursuant to the allocation provided therein and that the DBM releases the funds depending on the actual hiring of the personnel. He clarified that the PNP does not enjoy fiscal autonomy unlike the Supreme Court to which the entire budget is released to be disbursed in the manner it so wishes. As far as the PNP is concerned, he said that if it was able to hire only 2,500 in December 2010, only the budget corresponding to the expenditure for that one month would be released to it.

On the matter of bonuses, Senator Drilon stated that the budget carries the 13<sup>th</sup> month pay for all personnel of the national government, and that it is the additional bonuses that can be sourced out of savings. He disclosed that certain agencies that are aware of the practice actually request authority from Malacañang to declare bonuses that are sometimes granted and sometimes not granted. He admitted that he was aware of the number of instances when the COA required the reimbursement of the unauthorized bonuses, particularly of the LGUs. He said that other bonuses beyond the 13<sup>th</sup> month pay and authorized bonuses are subject to COA rules and stand the risk of being disallowed.

Senator Escudero agreed that indeed that the PNP and the DILG do not enjoy fiscal autonomy, and so they think of items which they propose to be funded. For instance, he said, if the Members were looking for P100 million or even a billion, working within the ceiling of P1.7 trillion, that amount can be sourced from the allocation for the hiring of 20,000 teachers or 3,000 new policemen in 2010. Senator Drilon replied that he would ask the PNP to give the Committee a schedule as to when it intended to complete the hiring of the 3,000 new policemen. He explained it was the first time, after a long period of time, that the PNP was being allocated funds to hire 10,000 new uniformed personnel and this was probably why it was not so efficient in filling up the vacancies.

Senator Escudero recalled that about three years ago, under former Secretary Puno, the PNP was authorized to hire 15,000 armed personnel but was only able to hire 5,000.

Asked on the salary of an entry-level policeman, Senator Drilon said it was P17,720 a month and including bonuses and allowances, about P230,000

per annum. He explained that he was looking for P100 million to be carved out from existing PNP appropriations which he thought can be sourced from this particular item. He averred that since the PNP cannot fill up all the positions, he can work within the same budget ceiling to fund a proposal that he wished to make.

To the observation that the PNP has only 16 dispensary clinics and one tertiary hospital serving 132,000 personnel, Senator Drilon confirmed the information. Senator Escudero observed that with a bed capacity of 300, it is one bed to 450 PNP personnel. In view thereof, he proposed the allocation of specific sums of money, ranging from P500,000 to P10 million, to DOH-owned and -regulated regional hospitals for additional health services for PNP personnel. He commented that it is impractical and unrealistic to bring injured or sick PNP personnel to Manila for treatment. Relative thereto, he suggested that the PNP draw up the procedure on how the funds would be dispensed, by whom and at what level. For his part, Senator Drilon said that the PNP has already spent P140 million in 2010 to improve the PNP hospital. However, he gave assurance that the Committee would look into the proposal. He noted that given the capacity of the PNP to hire uniformed personnel, they might not be able to reasonably consume all the PS funds allocated for 3,000 new hires during the year as long as the realignment is not for new PS in the hospital section of the PNP.

Senator Escudero said that based on the formula that the PNP came up with, the following allocations were determined, which are proportionate to the disposition and displacement of its forces: PGH, P10 million; Mariano Marcos Memorial Hospital in Ilocos Norte, P500,000; Batangas Regional Hospital, P2 million; and Bicol Medical Center, P3 million.

Senator Escudero proposed to delay for a few months the hiring of additional personnel to be able to source out the funds for tertiary hospitals. Senator Drilon said that the Committee would review whether or not the delay in the hiring could result in the funds reverting to the National Treasury since the funds are provided in the 2010 budget. Senator Escudero pointed out that the items for 10,000 personnel supposed to have been hired in 2010 have been carried over already in the budget for 2011. Senator Drilon said that he was informed that the allocation started on July 1 of the current year and not on January 1.

## **INTERPELLATION OF SENATOR OSMEÑA**

Senator Osmeña inquired whether there is a proposal from the DILG to assist the Bureau of Jail Management and Penology to utilize the PPP to build new prisons all over the country, as currently being done in the United States. Given the very low interest rates that government would be able to enjoy under President Aquino's low-interest regime, he said that government could be able to float bonds at 6% with the P5 billion that is used to maintain a jail.

Asked how much it would cost and how long it would take to replicate Muntinlupa, Senator Drilon said that the PNP might not be in a position to respond to the question because Muntinlupa is a national penitentiary run by the DOJ. Senator Osmeña believed that anybody who has had experience in building or construction could simply give the per square meter cost. Senator Drilon opined that it would follow the standard construction cost which is approximately P10,000 per square meter.

Replying to further queries, Senator Drilon said that the ideal area to house one prisoner is 4.7 square meters. Senator Osmeña pointed out, however, the need to double the area for purposes of estimation and to factor in not merely the cost of the holding cell but also of common areas such as corridors, kitchens, basketball courts, toilets and cafeterias. With approximately 60,000 prisoners, he said that the allocation needed would only be P6 billion at 10 square meters per prisoner. For a P6-billion loan, he said that interest cost would only be about P360 million a year. Senator Drilon said that the DILG is indeed looking at the models in other countries and is seriously considering private sector funding to come up with such facility. Senator Osmeña said that he proposed a similar financing scheme 10 years ago which was simply passed on to the Department of Finance because it is more proficient in numbers.

Senator Drilon said that during the committee hearing on the DOJ budget, he brought out the idea of putting up national and regional penitentiaries, not in all the regions, but probably in four places in the country, one each in Northern Luzon, Southern Luzon, Visayas and Mindanao. He added that part of the terms of reference would be the development of the present 300-hectare Muntinlupa property. He agreed that the proposal has been neglected by government as a financing scheme.

Senator Osmeña recalled that the issue was discussed as early as President Ramos' term in 1992 around which time the Alabang Stock Farm was sold. In fact, he said, there were even proposals to bid out Camps Aguinaldo and Crame which are very valuable properties. He opined that the problem arose because the original Muntinlupa property was donated by the Madrigal family. Senator Drilon said that he did not know which portion thereof, only the fact that a portion thereof has been converted into housing for DOJ employees.

Senator Osmeña believed that even if there was a conditional donation, a deal can be made, for instance, by splitting into half the profits on the development. Senator Drilon said that the proposal would be discussed again during the consideration of the DOJ and DOF budgets. Senator Osmeña believed that it is the most opportune time for the DILG to discuss the issue as he has never seen interest rates so low at 6%, making its carrying cost also low.

## **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT AND ITS ATTACHED AGENCIES**

Upon motion of Senator Sotto, there being no objection, the budget of the Department of the Interior and Local Government, along with its attached agencies, namely, the Office of the Secretary, Bureau of Fire Protection, Bureau of Jail Management and Penology, Local Government Academy, National Police Commission, Philippine National Police, and Philippine Public Safety College, was deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 8:52 p.m.*

## **RESUMPTION OF SESSION**

At 9:40 p.m., the session was resumed with Senator Honasan presiding.

## **DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

Senator Sotto presented the budget of the Department of Environment and Natural Resources (DENR).

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NO

The Chair recognized Senator Drilon, Sponsor of the measure, and Senator Legarda for her interpellation.

## INTERPELLATION OF SENATOR LEGARDA

Upon query of Senator Legarda, Senator Drilon replied that the budget of the DENR is 0.79 percent of the national budget.

Senator Legarda remarked that the DENR budget was a cause for embarrassment and frustration considering that Environment Sec. Ramon Paje testified in a hearing that the Philippines has waterways that are unfit for human activity, poor air quality, a heavily polluted environment and is one of the ten countries most vulnerable to disasters and calamities.

Asked why the Aquino Administration gave a very low priority to DENR that is central and essential to the survival of Filipinos, Senator Drilon replied that while DENR's budget is only 0.79 percent of the national budget, it does not mean that the Administration gave a low priority to its mandate. He stated that the present budget of the Department was P12.8 billion which the Committee proposed to increase by P184 million.

Notwithstanding the increase, Senator Legarda argued that in the prioritization of allocation, many projects would go unfunded such as reforestation, increasing the hectarage of the ancestral domain of the indigenous peoples, and defining the forest limits. She lamented that in the 2010 DENR budget, nothing was allocated to disaster risk reduction (DRR) and climate change adaptation.

Asked if funds were allocated from the 2011 DENR budget to mainstream DRR and climate change adaptation projects, Senator Drilon replied that the DENR has allocation in the amount of P6.269 billion for the following projects in support of climate change:

- reforestation, P1.149 billion;
- protection of the ecosystem, P930.2 million;
- research and development, P104.6 million;
- geosciences development and services, P156.7 million;
- mapping and remote sensing, P296.1 million; and
- IEC, P73.4 million.

Asked if these items are different from the 2010 allocation to climate change-related projects, Senator Drilon replied that they are continuing projects of the DENR. He clarified that the geohazard mapping project has been completed and that the maps have been sent to the LGUs.

As to the features of the geohazard maps, Senator Drilon replied that the DENR intended to enlarge them to a scale of 1:10,000, so that they will be bigger and contain more details. He confirmed that the maps actually show areas that are prone to landslides and floods, vulnerable coastal communities, and earthquake fault lines but they do not show the mining sites, and the biological dead bodies of waters — bays, rivers and seas.

As to the kinds of mapping or survey that would show dead bodies of water that pose environmental and health hazards, Senator Drilon replied that the DENR should buy a satellite imaging machine for that purpose.

As to the other compliance with climate change features in the 2011 DENR budget, Senator Drilon admitted that it is only the geohazard map that differentiates it from the previous budget.

On whether mangrove reforestation especially of coastal areas was included, Senator Drilon replied that it was his understanding that it is an ongoing activity that is being funded. As to upland reforestation, he stated that it is part of a continuing project that is being funded.

With regard to the P1.3 billion allocation for the upland development project, Senator Drilon explained that the following items have allocations under the item "Forest Development":

- plantation establishment, P634 million;
- plantation maintenance and protection, P267.9 million;
- convergence investment portfolio of 200 per province, P210 million;
- establishment of clonal nursery, P45 million;
- seedling production, P61.1 million;
- survey, mapping and planning, P26.2 million; and
- project monitoring and supervision, P89.8 million.

He affirmed that the program would be implemented in all regions. He also agreed to the suggestion

that the seedlings to be planted must be made available to all regions.

On whether the DENR allocated funds to capacity-building activities to ensure that LGUs and NGOs can explore and maximize opportunities for clean development mechanisms (CDM), Senator Drilon admitted that the items were not in the 2011 NEP.

However, Senator Legarda argued that the DENR is a facilitator for applicants for the CDM. She asked how the DENR would be able to inform the people or the LGUs that they could engage in the CDM and avail of the carbon credits.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 9:58 p.m.*

## RESUMPTION OF SESSION

At 9:59 p.m., the session was resumed.

## COMMITTEE OF THE WHOLE

Upon motion of Senator Drilon, there being no objection, the Body constituted itself into the Committee of the Whole to allow Secretary Paje of the DENR to respond to the questions of Senator Legarda.

At the instance of Senator Drilon, the Chair recognized Secretary Paje of the DENR, to directly answer the inquiries of Senator Legarda.

*Following is the full exchange between Senator Legarda and DENR Secretary Paje:*

**Senator Legarda:** My question earlier was: How are we informing the LGUs and other innocent parties that have pending applications or wish to apply for carbon credits? Do we provide for a budget for IEC or capacity building to be able to help them know more about this and to facilitate their CDM applications through the DENR for the UN?

**Secretary Paje:** The department has an ongoing program with respect to the promotion of CDM but mostly by approaching it to the leagues

through the planning officers of the LGUs, but it is not an active campaign reliever. We have to produce a campaign specifically for Clean Development Mechanism. So, these are basically part of the ongoing dialogues we have with the local government units.

**Senator Legarda:** There is great interest. However, there is also great ignorance on how the process is done. And I think even in this Chamber, during previous interpellations, many have asked how the process is done. But there is great and vast opportunity for CDM. May this Representation suggest that within the existing budget, IEC and capacity-building for LGUs especially those that have the interest and the capacity to avail of carbon credits through the CDM facilitated by the DENR can actually augment existing resources of government?

**Secretary Paje:** We will do it.

**Senator Legarda:** I think many countries in Asia are availing of it especially China and the Philippines, through many existing projects, but they can avail of this only if they knew how to do it. We ourselves here know it conceptually but how to go about it is very difficult. And I think the allocation for IEC for this availment of CDM would be very minimal. But the help it would give to LGUs would be great. I therefore would suggest that a budget be allocated just for the information campaign of the CDM.

**Secretary Paje:** We will put it in our small budget except for energy products because the way we handle CDM is that for energy projects, in terms of processing and evaluating the proposals, it has to be done by DOE. If it is related to industry, then DTI has to do it. But if it is related to forestry and environment then that is being passed upon or reviewed by the Department of Environment and Natural Resources.

**Senator Legarda:** Since the Secretary mentioned forestry, I do not think there is any CDM project yet on forestry.

**Secretary Paje:** That is correct, the Philippines has not approved yet.

**Senator Legarda:** Not one, yes. May I know from the Chairman of Finance Committee if the Secretary will answer all the questions or only on the CDM? Is the distinguished Sponsor yielding to the Secretary for all the questions or only for CDM?

**Senator Drilon:** If it involves specific projects of the DENR, with the lady Senator's permission, I would yield and have the Secretary respond to the questions directly but if it involved the

budget per se, we could respond to the questions. We are not very familiar with all the programs of the DENR which are the subject of the questions raised by the good Senator. So, we would request that the Secretary be allowed to continue responding to the questions.

**Senator Legarda:** I leave it to the better judgment of the Chairman when he would want to answer my questions and when he would yield to the Secretary. I will continue then to propound questions.

**Senator Sotto:** That is correct. The Chairman of the Committee on Finance has the floor so he can answer anytime.

**Senator Legarda:** He can just interject.

**Senator Sotto:** He can just interject with the Secretary of the DENR.

**Senator Legarda:** My question on the CDM has been sufficiently answered. And I am happy to note that the DENR Secretary is amenable to supporting an information campaign for LGUs for availment of the CDM. Thank you for that.

May we know how the implementation of a nine-year old law is going through the Ecological Solid Waste Commission? The segregation of garbage at source, recycling and composting are the essence of R. A. No. 9003. I recall, it was a year ago in our budget, we learned that the compliance is less than 20%. Has anything improved in the past 12 months?

**Secretary Paje:** We still believe that the performance of the LGUs in particular, with respect to compliance with Republic Act No. 9003, is very much wanting. We still need improvement. The compliance with respect to segregation is very low. With respect to the development of final disposal areas like the landfill areas is still very low. And we are trying very hard to develop new approaches together with the Department of the Interior and Local Government which we intend to implement through the barangays starting January next year to somehow compel households to really segregate the wastes.

**Senator Legarda:** At source, yes.

**Secretary Paje:** At source. And we intend to penalize the collectors who would collect unsegregated garbage. I have asked our legal service to study carefully the law, and it says there that we can penalize the truck collectors up to P500,000.

**Senator Legarda:** The gentleman is actually empowered by the law to penalize LGUs which do not comply.

**Secretary Paje:** We have been issuing notices of violations, we have been issuing CDOs, in fact. But, unfortunately, the compliance of the local government units is really dismal.

**Senator Legarda:** Is it because we have not funded the Commission adequately or is it not a matter of funding the Commission and simply a lack of political will in implementing the law?

**Secretary Paje:** I believe the LGUs are not really funding it properly.

**Senator Legarda:** It is the LGUs funding, not the lack of funding of the Commission.

**Secretary Paje:** Because the law says it is the LGUs.

**Senator Legarda:** Not the lack of funding of the Commission.

**Secretary Paje:** We are performing well within the Commission, I believe, despite the lack of funding. But I think the compliance is not with our department. It is with the LGUs.

**Senator Legarda:** There must be something wrong with the law. And if there is something wrong, I would admit it as principal author of the law if it needs to be amended. Is there something wrong with the law? Do we need to amend it to be able to implement it effectively?

**Secretary Paje:** I think it is really compliance. It is really a question of discipline. The people must obey the law. The people must segregate at source. If the households will not really segregate at source, automatically, the performance of the LGUs is affected.

**Senator Legarda:** Was it a P20 billion budget given to the Commission? What is the budget now for the Commission? *Ang liit.* That is not the justification for non-implementation of the law. I will, therefore, not move, it is not necessary for me to move for an increase in the budget of the Commission because the provision for the Commission is not the reason for the noncompliance with the law. It is really a lack of support from the LGUs then.

**Secretary Paje:** That is the reason why we are asking the DILG to help us to really compel the barangays. Because I believe everything starts with the barangay. If the barangay, especially now that we have finished the Barangay elections, we will be asking the DILG to convene the barangay chairmen and somehow tell them how to do it and compel them to do it especially the establishment of material recovery facilities which are basically mandated in the law.

**Senator Legarda:** Is the creation or the building of MRFs going to be funded by the LGUs?

**Secretary Paje:** Yes.

**Senator Legarda:** If we provide the funding through the DENR, would that help?

**Secretary Paje:** It will definitely help.

**Senator Legarda:** But it will be too expensive.

**Secretary Paje:** It is very expensive.

**Senator Legarda:** If the DENR is to request Congress for funding the MRFs that LGUs cannot comply with, how much would that cost?

**Secretary Paje:** We do not have the exact figure as of now.

**Senator Legarda:** Would it run to a hundred of millions?

**Secretary Paje:** Maybe billions.

**Senator Legarda:** And that is the reason why the LGUs cannot?

**Secretary Paje:** But, somehow, it has been nine years. Had they started it nine years ago, even with little budget, they would have completed it already. It is really compliance.

I believe it is really compliance. We must compel the people in the barangays to really follow the law and implement the law. That is what we are trying to do with the DILG and Secretary Robredo is helping us. Hopefully, we will be able to succeed in this regard.

**Senator Legarda:** Another law which I mentioned earlier is the Clean Water Act which the gentleman mentioned in our public hearing. Again, I would like to know whether it is a lack of funding by Congress of this law or it is lack of political will. Is it Congress' fault for not funding this law, or again, is it a lack of compliance of water concessionaires?

**Secretary Paje:** I believe it is both.

**Senator Legarda:** May we know, what are the consequences of the continued noncompliance with the Clean Water Act? Meaning, we continue to throw our sewage into our water systems.

**Secretary Paje:** Specifically, in Metro Manila, as a case, the law says that after five years of the passage of the Clean Water Act, the two concessionaires should have completed the establishment of all the waste water treatment facilities all over Metro Manila. That is the reason why, if we will see our water bills, there is, I think, 10% charge with respect to environ-

mental fee. Meaning, they have been collecting environmental fee from us.

But, unfortunately, the Supreme Court already issued a mandamus to 11 departments, including the DENR, MMDA, even the DBM and some other departments, compelling us to clean Manila Bay and convert the water of Manila Bay from class C water to class B which is fit for human activity, including swimming.

**Senator Legarda:** But how could we do that if it is a recipient or the receptacle of sewage?

**Secretary Paje:** That is reason why we have already issued the penalty of P200,000 per day to both concessionaires.

**Senator Legarda:** Is that being paid?

**Secretary Paje:** They sued us. But, as of the latest counting, it is already P2.8 million and the case is now with the Court of Appeals.

**Senator Legarda:** And so, if I ask the Secretary again whether he would ask for funding of the Clean Water Act from Congress, again, we will state, it is not a matter of a lack of funds or support for the law. It is lack of compliance again from the people or the institutions concerned.

**Secretary Paje:** And also, lack of investment on the part of the two concessionaires.

**Senator Legarda:** It is private investment here that is lacking and not congressional funding.

**Secretary Paje:** I believe so.

**Senator Legarda:** Thank you for that.

Presently, when we require environment impact assessment and ECCs, do we include climate hazards and disaster risks in its evaluation?

**Secretary Paje:** Yes.

**Senator Legarda:** Is it already incorporated?

**Secretary Paje:** Yes.

**Senator Legarda:** How long ago, because ECCs and EIAs have been there for a longest time but the concepts of DRR and CCA have only been for the past three or five years? But, this is already incorporated.

**Secretary Paje:** Starting 1999, we have incorporated already the geological hazard.

**Senator Legarda:** Geological hazard?

**Secretary Paje:** Yes.

**Senator Legarda:** And that is the only hazard that can be incorporated to the EIA?

**Secretary Paje:** Before that, we have already included all the hazards, except geological hazard, which we already incorporated since 1999.

**Senator Legarda:** Thank you for that.

Earlier, we were discussing the subject matter of mines in our country. May we know the stand of the present administration regarding mining activities in the Philippines because the previous administration made this a centerpiece program of its revenue generation efforts, especially for investments. May we know whether the present administration continues to support mining as a revenue-generating source?

**Secretary Paje:** We do, except that it should be sustainable, of clean and responsible mines.

**Senator Legarda:** And presently, there are 21 mining operators. Is that correct?

**Secretary Paje:** Yes.

**Senator Legarda:** Is it mining claims or operators?

**Secretary Paje:** As of now, there are 21 mining operations which are large-scale.

**Senator Legarda:** Are these foreign companies?

**Secretary Paje:** Yes.

**Senator Legarda:** And when we say that there are 21 mining operations in the country, we assume that they comply with the 1995 Mining Act and they pay 2% excise tax.

**Secretary Paje:** Yes.

**Senator Legarda:** Apart from the payment of the 2% excise tax which is contained in the Mining Act, may we know what else they are paying?

**Secretary Paje:** There is a provision in the law which says that if one is a mining company and he is operating inside a mineral reservation, it is supposed to pay 5% royalty of the gross to the government. And as of now, I think three companies are inside mineral reservations.

**Senator Legarda:** How many declared mineral reservations are there in the country?

**Secretary Paje:** We have a few, I think nine, but some are small. For example, Dinagat is a mineral reservation.

**Senator Legarda:** Dinagat.

**Secretary Paje:** Yes.

**Senator Legarda:** In Caraga.

**Secretary Paje:** In Surigao, Caraga.

**Senator Legarda:** Yes, of the nine, three have operations.

**Secretary Paje:** Ongoing large-scale operations.

**Senator Legarda:** Ongoing operations. And, therefore, the 2% excise tax based on the 1995 Mining Act is being paid and there is a 5% royalty because it is a mineral reservation area. Is that correct?

**Secretary Paje:** Yes, it is.

**Senator Legarda:** So, it is 7%.

**Secretary Paje:** Totaling 7%.

**Senator Legarda:** How about the other mining operations in the country which are not within mining reservation areas?

**Secretary Paje:** According to the law, the share of the government is only the 2% excise tax.

**Senator Legarda:** Since it is a tax, whether or not a tax is a tax, therefore, it is not a royalty. It is not a payment for the use, exploitation or utilization of the land. Are we saying then that the land and the extractive activity is given for free? Because everybody is taxed anyway for their operations. But how about the lease and the effects of the extraction from the land? How are we compensated for that?

**Secretary Paje:** The law is very clear that the share of the government is the 2% excise tax. There is a school of thought though that a tax is a tax and 2% excise tax is a tax. And, therefore, if we consider it as a tax then the share is zero.

**Senator Legarda:** That is what I mean. Because a tax is a tax. And, therefore, there is no rental, there is no compensation for the utilization of the land, for forests that have been wiped out, for trees that have been cut, for communities that have been affected, for land that has been over-exploited, water that has been polluted, health hazards that have been posed, and therefore, the share is zero.

**Secretary Paje:** If we consider the excise tax as a tax.

**Senator Legarda:** As only a tax.

Is it, therefore, time for us to amend the Mining Act or perhaps to identify mining areas already existent as mineral reservation areas so we can impose the 5% royalty and, at least, gain from them since *ginagawa namang sungkaun ang ating bansa*.

**Secretary Paje:** I believe that should be the direction. In fact, if I will be able to implement this proposal, I will push for the implementation

because Section 20 of the Mining Act says that the President has the authority to impose, implement or declare areas wherein the minerals are considered strategic. The President can declare it as mineral reservation.

My proposal is that we consider gold, nickel, chromite and copper as strategic minerals. And, therefore, we can declare them as mineral reservation and somehow the government can claim the 5% royalty from these operations.

Based on my computation, the share now is P390 million. If we implement this provision, it becomes P7 billion.

**Senator Legarda:** Three hundred million pesos is the contribution of mining activities?

**Secretary Paje:** It is from royalties.

**Senator Legarda:** That is all that mining contributes to the government's coffers?

**Secretary Paje:** That is apart from the 2% excise tax. But even the 2% excise tax, we have some figures that even the 2% excise tax was not being collected properly.

**Senator Legarda:** The 2% which comprises the tax was not even collected properly and apart from that, we should be getting 5% additional, assuming it has been declared a strategic mineral and therefore declared a mineral reservation area. So we have the 5% royalty. Other countries, what? Other countries collect 8%?

**Secretary Paje:** Yes. I think Western Australia, particularly Perth, is collecting 8%.

**Senator Legarda:** They collect 8% but the Australian mining company only pays 2% excise tax in the Philippines.

**Secretary Paje:** In the Philippines.

**Senator Legarda:** That is gross injustice and therefore there is really a need to look into that.

May we know how much budget we have allocated for the Bureau of Mines and what will this budget go into. And is the budget for the rehabilitation fund for areas affected by mining included in our budget or will this come from the mining operations and the investors in the area?

**Secretary Paje:** The budget of the Mines and Geosciences Bureau for 2010 is P543 million. For 2011, the proposal is P682 million.

**Senator Legarda:** May we know where the bulk of the budget will go to?

**Secretary Paje:** Majority, more than half would go to Personal Services – P375 million; MOOE is

P239 million; capital outlay is P66 million.

**Senator Legarda:** The mine rehabilitation fund. Will this come from government or from the mining operator?

**Secretary Paje:** There are two kinds All the mining companies are required to set aside a deposit for mining rehabilitation. Before, we used to have this at the end of the operation, but now, we changed it. From year 1, they are already setting aside so that if there is somehow a disaster, we can immediately run after the fund. But that is for the ongoing operation. But for those mines which have been abandoned in the past, we have allocations, a little allocation especially for Bagacay Mines. We are rehabilitating the Bagacay Mines using government funds.

**Senator Legarda:** Where is Bagacay?

**Secretary Paje:** It is in Samar.

**Senator Legarda:** The rehabilitation is coming from the funds deposited by the mining operator?

**Secretary Paje:** Not for Bagacay. But other mining companies, it is coming from their revenue. But for Bagacay, which is a closed mine, which has been abandoned in the past, we are rehabilitating it using government funds.

**Senator Legarda:** And that is from the funds of the Bureau of Mines?

**Secretary Paje:** Yes.

**Senator Legarda:** What is the mine wastes and tailings fee? Who pays for the mine wastes and tailings fee? Is it the operator or is it a fee which is allocated by the government, by the Bureau of Mines?

**Secretary Paje:** The mining companies, large-scale in particular, before they can operate, they are required to put up a tailings dam, and the mine wastes are contained in this waste.

There is a new tack though, with respect to waste nowadays. The wastes before are now vital resources nowadays. In fact, most of the mine tailings before are again being mined now. Meaning, they can still extract minerals from this waste.

**Senator Legarda:** There are claims for the mine waste, mine tailings ponds are being mined for remaining minerals which have been retained in the mine tailings.

**Secretary Paje:** Yes. Because in the past, they used crude technology and with the new state of the technologies now, they can recover more from this waste.

**Senator Legarda:** If we are to ban all forms of mining, how much would we lose? It is only 390. No, 390 is from the royalty.

**Secretary Paje:** Five years ago, the share of mining in the GDP is 1.2%.

**Senator Legarda:** It has risen to what, 6%?

**Secretary Paje:** To 5.8% as of the third quarter.

**Senator Legarda:** Its contribution is almost 6% of GDP.

**Secretary Paje:** We expect to hit 6% by the end of the year. That, somehow, according to the NEDA is quite vital already.

**Senator Legarda:** It is quite vital. However, the socio-economic environmental effects are also affecting some areas not very favorably. There are always local disputes in most mining areas which I am sure the DENR is very familiar with.

**Secretary Paje:** Yes. That is the reason why we are pushing somehow for the optimization of the share of government and somehow, we feel that we are selling our resources short in mining if we only collect the 2% excise tax. And if we follow the schools of thought of some civil society that excise tax is a tax, then, the share of government becomes zero, and I believe we are selling our resources short.

So we are trying very hard, especially now that the price of gold has already increased from \$200 per ounce five years ago to \$1,400 today. I believe this is the time to impose the royalty so that the mining companies will not somehow deny government. So, we are pushing this proposal, that we be allowed to declare even those areas being operated now by the 21 mining companies as mineral reservation so that we can increase the royalty from P390 million to around P7 billion.

**Senator Legarda:** On that note, I thank the Secretary for being patient, competent and knowledgeable. *Iyan ang gusto ko pag career ang Secretary, naiintindihan ang mga sinasagot.* You have been in the DENR for what, 28 years, more than 20 years?

**Secretary Paje:** Yes.

**Senator Legarda:** I would just like to say, the less than 1% provision in the budget is too measly a sum for an environment that we need to protect considering that it is the core of our being. However, that is what we could provide now. And if I had my choice, we would not make mining the centerpiece of our revenue-generating efforts. But I do not want to be responsible for trying to raise the balance, if we are to scrap

mining. Six percent of GDP, where are we going to get that?

But I express my concern and reservation about the environmental socio-impact of mining operations in our country. Not everyone, but in some areas.

*Thereafter, the session of the Committee of the Whole was deemed adjourned and the Body resumed plenary consideration of the budget of the Department of Environment and Natural Resources.*

#### INTERPELLATION OF SENATOR CAYETANO (P)

Senator Cayetano (P) cited the CCT programs which were primarily focused on MDGs 2, 4, and 5, particularly on maternal, infant and child mortality and keeping kids in school. Relative thereto, she asked whether the Comprehensive Livelihood Emergency Employment Program (CLEEP), which had been allotted a P1 billion in the 2010 GAA was renamed or scrapped. Senator Drilon clarified that the amount was an unauthorized expense that was never released. Senator Cayetano (P) believed that the CLEEP, if implemented properly under proper guidelines, would be employment for food which could easily form part of the CCT.

Asked whether the program was recommended for the 2011 budget, Senator Drilon replied in the affirmative but revealed that the DBM excluded it from the GAA. Senator Cayetano (P) opined that the CLEEP is a program worth subsidizing under the CCT. She also pointed out that since Millennium Development Goal 7 is for sustainable development, the P1 billion allocation, which is only 5% of the CCT, would go a long way in implementing pro-environment and pro-poor programs.

On another matter, Senator Cayetano (P) asked why the budget for the community-based Forest Management Program, had been reduced from P191 million in 2010 to about P100 million for 2011 even though all sectors consider it to be one of the best reforestation or livelihood partnership programs. Senator Drilon disclosed that P140 million of the CBFM budget was allotted to the Upland Development Program (UDP) which has a total budget of P1.3 billion, and being continued in 2011.

Upon further queries, Senator Drilon explained that part of the remaining P91 million budget of the

70

CBFM would be covered by the Upland Development Program.

Asked why the budget for the Forest Development Program (FDP) was increased while the allocation for the Forest Protection Program (FPP) was reduced, Senator Drilon replied that forest development initiatives could be privatized. However, Senator Cayetano (P) pointed out that the FDP budget did not need an increase as it could rely on private funding as compared to the FPP which requires more government resources. She also doubted whether the FPP, which is for protected areas, could get as much funding from the private sector. She also noted that the decrease in the FPP budget is consistent with the reduction in the budget for the Protected Areas and Wildlife Management Fund. Senator Drilon stated that part of the budget for the FPP were congressional insertions which could not be restated in the 2011 budget.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 10:39 p.m.*

## RESUMPTION OF SESSION

At 10:40 p.m., the session was resumed.

Senator Drilon stated that the 2010 allocation to forest protection was P278 million but P200 million of it came from a congressional insertion that President Arroyo vetoed, hence, the actual allocation was P78 million. He added that the allocation to forest protection, without any congressional insertion, was P208 million in 2011.

Senator Cayetano (P) stated that whether or not the 2010 allocation was primarily a congressional insertion, there is much to be done with forest protection and the people on the ground would agree that the insertion was valid. Similar to the President's position on pursuing infrastructure projects through the PPP, she believed that the same ought to be done for forest development. She suggested that the DENR look into private funding to focus attention on the protected areas and wildlife management whose allocations were cut.

Senator Cayetano (P) said that in the last six years, she has been working very closely with the

DENR to craft the protected area laws, all of which have provisions allowing the retention of generated funds precisely to solve the financial problems of protected and eco-tourism areas. However, she lamented that the DBM has reverted to the practice of putting the generated funds back into the general funds. Senator Drilon explained that although it is so provided in the law, the DBM has not allowed the automatic use of the generated funds.

Senator Cayetano (P) urged the DENR to do a better job of lobbying with the President, the DBM and the DOF to pay attention to Millennium Development Goal No. 7 and environmental development. She stated that the DENR budget was only 0.79% of the national budget and it should make better use of it. In reaction, Senator Drilon disclosed that the 2011 DENR budget has a Special Provision for Integrated Protection Areas Fund in the amount of P20 million sourced from gate collections, use of facilities, operations or management of protected areas under the NIPAS to finance projects which, in effect, is an automatic retention.

But Senator Cayetano (P) recalled that when the protected area laws were being enacted by Congress three years ago, the DENR requested that the purpose of the generated funds be made specific because of the specific needs of protected areas. The idea, she said, was to provide incentives to local residents to manage the fund properly and be rewarded by retaining it. She stressed that if the DENR gave back the generated fund to the general fund, no incentive would be given. Senator Drilon reiterated that the special provision allocates P20 million to all protected areas.

Senator Cayetano (P) argued that the laws, as per recommendation of the DENR, provide for the retention of fund for each protected area, whereas, the special provision provides for the retention of funds for the entire protected area. She pointed out that if DENR wanted the fund, it should have defended it and not given it up. Senator Drilon stated that the DENR Secretary was listening to the points being raised by Senator Cayetano (P).

Senator Cayetano (P) urged the Department Secretary not to put to waste the work that the legislators put into the laws.

As regards the Manila Bay issue, Senator Cayetano (P) stated that there was a P533 million

allocation for it in the 2010 budget, P513 million of which was generated by virtue of a Supreme Court *mandamus*, while the remaining P20 million was for the Meycauayan-Obando River. She noted that in the 2011 budget, however, only P150 million was allotted to the project. She recalled that the DENR lauded the SC decision that the various government units, including the city of Manila, should pay for the damages to Manila Bay.

As to why the DENR did not push for the inclusion of the whole amount in its 2011 budget, Senator Drilon replied that he was not aware of the timeline but it was highly possible that by the time the SC decision came out, the National Expenditure Program was already finished. He surmised that in compliance with the SC decision, a congressional insertion became necessary but it was eventually vetoed. He maintained that there was a P500 million submission as part of the department's budget, however, only P150 was allotted.

In conclusion, Senator Cayetano (P) stated that her questions focused on an issue that involved not only the environment but also tourism and economic progress. She said that government has ignored the value of the country's natural resources, in this instance, Manila Bay which has tremendous real estate value, and that its beautification could generate so much income, especially if ferries were to ply the Pasig River. She expressed hope that an increase in the DENR budget for the purpose would be granted.

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Environment and Natural Resources and its attached agencies — the Office of the Secretary, Environment Management Bureau, Land Registration Authority, Mines and Geosciences Bureau, National Commission on Indigenous Peoples, National Mapping and Resource Information Authority, National Water Resources Board, and Palawan Council for Sustainable Development Staff, was deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

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

*It was 10:54 p.m.*

#### **RESUMPTION OF SESSION**

At 11:03 p.m., the session was resumed.

#### **DEPARTMENT OF FINANCE**

Senator Recto presented the budget of the Department of Finance.

#### **INTERPELLATION OF SENATOR SOTTO**

Asked by Senator Sotto whether customs officials and officers in the different ports are given overtime pay, Senator Recto replied in the negative, saying that there was nothing in the budget for overtime pay to Bureau of Customs officials and officers.

Asked if there is a way to give overtime pay to BOC employees, Senator Recto said that it might not be necessary because the BOC has three-eight-hour work shifts.

As regards overtime pay for work that had already been performed, Senator Recto said that according to the DOF Secretary, the matter was being negotiated between the airlines, BOC and the Board of Airline Representatives (BAR) and apparently, there was a good chance the issue would be settled before the end of the year.

#### **INTERPELLATION OF SENATOR OSMEÑA**

Senator Osmeña sought to be clarified on the limit and extent of the P12.5 billion PPP program which seems to be the BOT programs, albeit renamed by the new Administration. Senator Recto gave the breakdown of the P12.5 billion appropriation: Department of Agriculture – P2.5 B; Department of Public Works and Highways – P5 B; Department of Transportation and Communications – P5 B. He confirmed that the legal framework for the PPP was indeed the BOT law.

Asked why there was already a P12.5 billion appropriation for the PPP projects, Senator Recto gave an illustration of how the fund would be used:

in building a toll road, for instance, it would be necessary for government to buy the right-of-way because doing so would reduce the cost of the user in the future; if the private sector were to buy the right-of-way, the cost may escalate and eventually it might be more expensive for the toll road user.

Senator Osmeña agreed that the government has always paid for the right-of-way and it has always been treated as local funding counterpart. However, he said that in this case, the funds did not come in lumpsum but were already dedicated to specific projects. Senator Recto confirmed that these were lumpsum funds as identified in the NEP, the GAA and the Committee Report.

On whether the funds may not be spent for purposes other than those for which they have been identified, Senator Recto replied that these were funds dedicated to projects to ensure that by 2011 government could bid them out early and start implementation as fast as possible.

Senator Osmeña said that he understood that it is indeed almost impossible to find out how much a specific project would cost unless and until the actual proponent undertakes due diligence to find out the actual project cost. He said that he has seen some indicative amounts under the DA but has yet to see the projects submitted by the DOTC. Senator Recto said that Senator Osmeña would be furnished with a copy of the list.

Under the DA budget, Senator Osmeña observed that P18.5 billion has been allocated for the Balog-Balog Multipurpose Project in Tarlac. He commented that this might be about the third time the Balog-Balog project has been built, noting that billions have already been spent on it in the last 12 to 15 years. He likewise took note of the following:

- P15.67 billion – Balintingon Reservoir Multipurpose Project, Eastern Central Luzon;
- P15.2 billion – Jalaur River Multipurpose Project, Iloilo
- P14.99 billion – Ilocos Norte Irrigation Project

Asked which agency or department has the overall responsibility to check whether these projects have economic sense or redound to the community and to find out if they are overpriced or not, Senator Recto replied that it is the NEDA through

its Investment Coordinating Council (ICC) of which the DOF is a member.

Asked if the Finance Secretary was familiar with the Balog-Balog Multipurpose Project in Tarlac, Senator Recto clarified that the project was not part of the PPP.

As to the news item entitled "DA rolls out P96.4 B worth of PPP projects," Senator Recto remarked that the press release most likely came from the DA. He clarified that the projects have not gone through the ICC process and/or the NEDA board for clearance.

Senator Osmeña explained that based on his personal computation, the Balog-Balog project might come out to a per hectare cost of P600,000 which he found ridiculous. Senator Recto opined that this might be why the project has not gone through the ICC process.

Senator Osmeña stated that he would just like to alert the Finance secretary and NEDA that these things are really way beyond what an irrigation project normally cost. He said that the Jalaur River project would cost P614,000 per hectare, and the Balintingon Reservoir Multipurpose Project, P783,000 per hectare. He said that this was a warning of things to come, as he recommended that whoever was in charge of the press release from the DA be reprimanded at the proper time. He stressed that he just wanted to make sure that whoever takes overall responsibility for the projects would look into them as he would not allow the DA to implement its own PPP projects based on the figures that were submitted.

Moving to another matter, Senator Osmeña said that government seemed to be building about 10% of the school building requirements. He observed that there was a need for 150,000 classrooms but government can only build about 14,000 classrooms a year. He said that DPWH charges about P630,000 per classroom but if government allowed the private sector to build the classrooms, it might come out much cheaper. He further explained that government will be spending only P2.8 billion a year in interest if it is willing to set aside P10 billion a year to build classrooms. It should then also be able to borrow the P70 billion to build the 150,000-classroom backlog and pay it off in 12 to 15 years, he said. But Senator Recto warned that there would still be a classroom backlog given the yearly increase in population.

Senator Osmeña hoped that the new Secretary would take advantage of the low interest rates and the current liquidity in the banking system which is in excess of P1 trillion.

On another matter, Senator Osmeña asked why the Philippine National Construction Corporation (PNCC), a state-run corporation, has failed to comply with DOF directives to remit to the national government around P1 billion pesos a year in toll collections after its franchise expired in 2007 and despite the Supreme Court ruling two years ago that the money belongs to the national government. Senator Recto said that the Finance secretary is on top of the situation and has written the PNCC two letters already.

Senator Osmeña pointed out that the nine members of the PNCC Board who are appointees of the previous administration have not been changed. Senator Recto said that there is already a recommendation to change the membership of the Board and a list has been submitted to the Office of the President.

Senator Osmeña adverted to the *Philippine Daily Inquirer* column of former NEDA chief Cielito Habito where he commented on President Aquino's assurance to potential PPP investors that government will guarantee to cover projects against all political regulatory and judicial risks.

Asked how the President can guarantee that he would cover projects against all political, regulatory, judicial and even market risks, Senator Recto said that he has not spoken to the President on the issue, but expressed belief that the President has not given any market risk guarantees as he, in fact, emphasized that he would welcome only solicited proposals and not unsolicited ones.

Senator Recto said that while there is apprehension among many businessmen on regulatory risks, the President could have merely made a comfort statement knowing that he would pursue his administration with transparency and honesty and, therefore, would not have problems regarding regulatory risks.

Senator Osmeña requested a copy of the speech of President Aquino at the opening of the PPP conference, saying he was bothered that even former Secretary Habito misunderstood the message that the President has relayed. Senator Recto said

that he himself was surprised by the various reactions to the President's message, but expressed confidence on the President's intentions and that his message was a comfort statement to the business community.

Senator Osmeña averred that while the President can assure a level playing field, and that the regulatory bodies will be fair and just and will work speedily to assess any and all accusations made against whoever the proponent might be, he cannot, however, ensure against corruption—as what happened to the Piatco case whose contract was amended seven times after the bidding.

To Senator Osmeña's misgivings on the reactions to the President's statement, Senator Recto believed that the President was ill-advised on the matter. He stated that there are many safeguards that the President will be instituting in the BOT process, for instance. Senator Osmeña, however, requested the DOF for a clarificatory letter, explaining what the President exactly meant.

As to when the final list of the PPP projects would be coming out, Senator Recto said that a final list has come out as part of the PPP conference including a few issues for privatization, such as the Legazpi Airport; LRT Line 1; MRT Line 3; Bohol Airport Development; Laguindingan Airport, Puerto Princesa; NAIA Expressway Phase II; LRT Line 1 South Extension; Kalibo Airport upgrading; Cavite-Laguna Express Highway; C-5 FTI/Skyway Connector; LRT Line 2 East Extension.

Replying to further queries, Senator Recto affirmed that the projects on urban mass transit, airports and seaports would fall under the jurisdiction of the DOTC and toll roads under the DPWH.

Asked on the role of the NDC in view of reports that government would raise financing through it, Senator Recto said that no final decisions have been made by the NEDA Board and the Office of the President on the matter but affirmed that it is within the realm of probabilities.

As regards the magnitude of the projects, Senator Recto said that the PPP projects on the President's list amount to P128 billion. Senator Osmeña manifested support for the projects that would pump prime the economy, but expressed caution on overborrowing like what Napocor did.

In reply to further queries, Senator Recto said that he was still uncertain on the role or participation of the NDC in the PPP.

Senator Osmeña clarified that he was in favor of government giving guarantees at a certain level of income because it makes it easier for the proponent to achieve financing in projects that are not going to be economically feasible, such as the LRT and the airports. These guarantees, he said, would be equivalent to a take-or-pay, similar to MRT's build-lease-transfer arrangement, which would impact also on the country's credit rating. Senator Recto affirmed that the success of the PPPs lies in the BOTs, as he believed that the country could catch up or even just be at par with its neighbors if it spends at least 5% of GDP for infrastructure. He said that the country would need more than the ADB/World Bank standard of 5% to be able to catch up, even more so given that the current allocation for infrastructure in the GAA is merely 1.6%.

Senator Osmeña said that government subsidy in the amount of P20 billion to P30 billion a year might suffice, as the returns of the economy would more than make up for it. Senator Recto agreed, saying that the best way to increase revenue is not new taxes but making the right investments that would make the economy grow at a faster rate.

Replying to further queries, Senator Recto said that total VAT that is expected to be collected in 2011 is P214 billion by the Bureau of Customs and P240 billion by the Bureau of Internal Revenue. He affirmed that the total amount is less than 6% of GDP as half of the country's production is in exports which are exempt from VAT or zero-rated.

Senator Osmeña expressed support for the budget of the DOF, provided that it also collect the money from PNCC.

## **INTERPELLATION OF SENATOR CAYETANO (A)**

Replying to the queries of Senator Cayetano (A), Senator Recto confirmed President Aquino's statement that no new taxes would be imposed in the first year of his administration, although there are initiatives from Congress like the rationalization of the fiscal incentives, sin taxes, excise taxes on mining from which government could generate revenue.

Given the President's intent not to impose new taxes, Senator Cayetano (A) posited that the revenue effort would remain the same while the tax administration effort would go up a bit. Asked on the revenue target of the present administration, Senator Recto replied that the collection of both the BIR and BOC is 15.6% of GDP, the same as last year's target, including non-tax items or fees and charges. On the other hand, he said that the current tax effort is 14.1%, admittedly lower than the tax effort during the Ramos administration registering at a high of 17% to 19%. He added that at today's prices, the equivalent of every 1% of GDP is P85 billion, but the percentage could only go up as high as 19%.

Senator Cayetano (A) recalled that it was the President himself, when he was still senator, together with Senator Recto, who said that the tax effort would increase if the VAT was passed. He asked how it could be when there are those who do not pay their taxes.

Senator Recto stated that the tax effort went up to 16% or 17% in 2007 but the target for next year went down due to the enactment of many laws from 2007 to 2010 which reduced the tax base to about P100 billion.

As to the reasonable tax effort that the DOF would like to attain next year, Senator Recto replied that it would be 14.1% for 2011 to about 18.1% by 2016.

Senator Cayetano (A) explained that he brought the matter up because it was the analysis of the President trying to put his theory into practice, however, the Bureau of Customs (BOC) has not met its revenue targets even if it can do it.

Senator Recto stated that the 16%-target collection was a marked improvement over the previous year.

Asked why the BOC has not met its target, Senator Recto reasoned that what is important was that at the moment, there is a significant increase in collection considering that the economy grew by 8% in spite of smuggling activities.

Senator Cayetano (A) stated that he was against the hypocrisy of having different targets for collecting in all levels of government which cannot be met. He believed that the administration can really bring

the government closer to the people by simply being honest.

### **SUBMISSION OF THE BUDGETS OF THE DEPARTMENT OF FINANCE AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budgets of the Department of Finance and its attached agencies were deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 11:47 p.m.*

### **RESUMPTION OF SESSION**

At 11:54 p.m., the session was resumed.

### **NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY AND THE JOINT LEGISLATIVE-EXECUTIVE COUNCIL**

Senator Recto presented the budgets of the National Economic and Development Authority and its attached agencies, and the Joint Legislative-Executive Council.

### **SUBMISSION OF THE BUDGETS OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, AND THE JOINT LEGISLATIVE-EXECUTIVE COUNCIL**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budgets of the National Economic and Development Authority and its attached agencies, and the Joint Legislative-Executive Council were deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the Senate President Pro Tempore declared the session suspended until ten o'clock in the morning of the following day.

*It was 11:56 p.m.*

### **RESUMPTION OF SESSION**

At 10:31 a.m., Thursday, November 25, 2010, the session was resumed with Senator Honasan presiding.

### **SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3101**

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

### **ADDITIONAL REFERENCE OF BUSINESS**

The Deputy Secretary for Legislation, Atty. Edwin B. Bellen, read the following matters and the Chair made the corresponding referrals:

#### **BILLS ON FIRST READING**

Senate Bill No. 2609, entitled

**AN ACT PROHIBITING ANY PERSON FROM ALLOWING CHILDREN 12 YEARS OLD AND BELOW TO RIDE AT THE BACK OF A MOTORCYCLE WHEN TRAVELLING ALONG PUBLIC AND PRIVATE ROADS**

Introduced by Senator Sotto III

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

Senate Bill No. 2610, entitled

**AN ACT ESTABLISHING THE OCEAN ENERGY DEVELOPMENT AUTHORITY AND APPROPRIATING FUNDS THEREFOR**

Introduced by Senator Trillanes IV

**To the Committees on Energy; Public Services; and Finance**

### **SECOND ADDITIONAL REFERENCE OF BUSINESS**

#### **BILL ON FIRST READING**

Senate Bill No. 2611, entitled

**AN ACT CONVERTING ALL ROADS LEADING TO TOURIST DESTINA-**

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**TIONS AND PORTS AS NATIONAL ROADS**

Introduced by Senator Escudero

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

**RESOLUTIONS**

Proposed Senate Resolution No. 290, entitled

**RESOLUTION URGING THE COMMITTEES ON TOURISM; GAMES, AMUSEMENT AND SPORTS; AND WAYS AND MEANS TO LOOK INTO THE POSSIBILITY OF HOLDING THE NEXT BOXING MATCHES OF CONG. MANNY "PACMAN" PACQUIAO AND ALL OTHER FILIPINO BOXING CHAMPIONS IN THE PHILIPPINES, WITH THE END IN VIEW OF MAXIMIZING THE OPPORTUNITIES THAT THEIR VICTORIES HAVE BROUGHT TO OUR COUNTRY BY EXPLORING THE PROSPECT OF BOOSTING PHILIPPINE TOURISM AND MAKING OUR COUNTRY THE BOXING CAPITAL OF THE WORLD BY PROVIDING TAX INCENTIVES TO FIGHTERS AND PROMOTERS THEREBY ENCOURAGING FOREIGN BOXERS TO COME TO OUR SHORES AND CHALLENGE OUR CHAMPIONS**

Introduced by Senators Honasan II and Villar

**To the Committees on Tourism; Games, Amusement and Sports; and Ways and Means**

Proposed Senate Resolution No. 291, entitled

**RESOLUTION EXPRESSING THE PROFOUND SYMPATHY AND SINCERE CONDOLENCES OF THE SENATE OF THE PHILIPPINES ON THE DEATH OF CAPTAIN GREGORIO OCA, A TRUE MARITIME LEADER**

Introduced by Senator Villar

**To the Committee on Rules**

**COMMUNICATION**

Letter from Executive Secretary PAQUITO N. OCHOA JR. of the Office of the President of the Philippines, dated 24 November 2010, transmitting to the Senate a certified photocopy of Proclamation No. 75, entitled

**GRANTING AMNESTY TO ACTIVE AND FORMER PERSONNEL OF THE ARMED FORCES OF THE PHILIPPINES, PHILIPPINE NATIONAL POLICE AND THEIR SUPPORTERS WHO MAY HAVE COMMITTED CRIMES PUNISHABLE UNDER THE REVISED PENAL CODE, THE ARTICLES OF WAR AND OTHER LAWS IN CONNECTION WITH THE OADWOOD MUTINY, THE MARINES STAND-OFF AND THE PENINSULA MANILA HOTEL INCIDENT,**

for the concurrence of the Senate, pursuant to Article VII, Section 19 of the 1987 Constitution. Proclamation No. 75 superseded Proclamation No. 50, which was issued by the President last 11 October 2010.

**To the Committee on Peace, Unification and Reconciliation**

**SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

It was 10:34 a.m.

**RESUMPTION OF SESSION**

At 10:53 a.m., the session was resumed.

**COMMITTEE REPORT NO. 11  
ON HOUSE BILL NO. 3101**

*(Continuation)*

Upon motion of Senator Sotto, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3101 (Committee Report No. 11), entitled

**AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERN-**

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MENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND AND ELEVEN, AND FOR OTHER PURPOSES.

Thereupon, the Chair recognized Senator Drilon, Sponsor of the measure.

## **CONGRESS OF THE PHILIPPINES**

Senator Drilon presented the budget of the Congress of the Philippines which includes the Senate, Senate Electoral Tribunal, Commission on Appointments, House of Representatives and House Electoral Tribunal.

He stated that the General Appropriations Bill indicated that the budgets of all the agencies as proposed in the 2011 National Expenditure Program were maintained at the same level, except for an increase of P50 million for the Commission on Appointments because when it submitted the budget, the DBM inadvertently reduced the budget by P50 million. He reiterated that there was no difference in the submission of the Office of the President and what the House of Representatives approved.

## **SUBMISSION OF THE BUDGET OF THE CONGRESS OF THE PHILIPPINES**

Upon motion of Senator Sotto, there being no objection, the budget of the Congress of the Philippines, which includes the Senate, Senate Electoral Tribunal, Commission on Appointments, House of Representatives, and House Electoral Tribunal, was deemed submitted for the Body's consideration.

## **OFFICE OF THE PRESIDENT**

Senator Drilon presented the budget of the Office of the President, saying that the Senate made no changes in the P4,025,507,000 proposal in the House version of the GAB. He explained that the increase in Personal Services in the Office of the President will fund the third tranche of the Salary Standardization Law (SSL), and the cuts in the MOOE and Capital Outlay, initiated by the Office of the President, were as follows: 1) P30,868,000 for local and foreign travel; 2) P50 million to fund the newly created Presidential Communications Development and Strategic Planning Office; 3) the combined 2010 allocation of P96.672 million for the Mindanao Economic Development Council and the Office of

the Presidential Adviser on Climate Change which were converted into regular agencies under the Other Executive Offices (OEO); 4) the combined 2010 allocation of P207.046 million for eight project offices which were considered redundant such as the Presidential Anti-Graft Commission and the Presidential Anti-Smuggling Group that were not getting any funding in 2011 as part of streamlining.

Senator Drilon said that the total reduction amounted to P384.586 million but there was an increase in the appropriation for the remaining project offices, particularly the Office of the Presidential Adviser on the Peace Process whose allocation increased to P235.800 million owing to the addition of P100 million to fund the negotiations with the MILF. Likewise, he pointed out that two project offices were created with a combined allocation of P123.423 million—the Philippine Center on Transnational Crimes with the budget of P40.423 million, and the Truth Commission with P83 million.

Senator Drilon also informed the Body that on its own initiative, the Office of the President reduced its Capital Outlay as well as scrapped the P200 million confidential and intelligence funds of the Presidential Anti-Organized Crime Commission (PAOCC) in order to fund the following offices: Presidential Communications Development and Strategic Planning Office (PCDSPO) – P50 million; Truth Commission P83 million; General and Administrative Services (GAS) – P50 million.

## **INTERPELLATION OF SENATOR SOTTO**

Senator Sotto recalled that in an earlier interpellation, when he asked if there was a budget for the Anti-Illegal Drugs Special Operations Task Force (AIDSOTF), he was told that it did not have a budget as it was a task force. He informed the Body, however, that as finance subcommittee chair of the cluster for the procurement of medicines during the Estrada Administration, he was able to convince then finance chair Senator Enrile to transfer P500 million from the Department of Health to the PAOCTF. In view thereof, he asked if it was possible to fund the AIDSOTF from the budget of the Office of the President if the funds cannot not be sourced from the DILG. Replying in the affirmative, Senator Drilon stated that the President has the power to realign items in the Executive department's budget to fund the task force. Senator Sotto expressed hope that with Senator Drilon's influence, the Office of the President would also consider funding the

International Security Operations Group (ISOG) so that it does have to wait for crumbs from the DDB and the PDEA which have insufficient budgets.

### **SUBMISSION OF THE BUDGET OF THE OFFICE OF THE PRESIDENT**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Office of the President was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 11:06 a.m.*

### **RESUMPTION OF SESSION**

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

### **OFFICE OF THE VICE PRESIDENT**

Senator Sotto presented the budget of the Office of the Vice President.

### **SUBMISSION OF THE BUDGET OF THE OFFICE OF THE VICE PRESIDENT**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Office of the Vice President was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 11:14 a.m.*

### **RESUMPTION OF SESSION**

At 11:17 a.m., the session was resumed.

### **THE JUDICIARY, THE SUPREME COURT, THE LOWER COURT, THE PRESIDENTIAL ELECTORAL TRIBUNAL, SANDIGANBAYAN, COURT OF APPEALS AND THE COURT OF TAX APPEALS**

Senator Drilon presented the budgets of the Judiciary, the Supreme Court, the lower courts, the

Presidential Electoral Tribunal, Sandiganbayan, Court of Appeals and the Court of Tax Appeals.

### **MANIFESTATION OF SENATOR DRILON**

Denying media reports that there had been a reduction in the proposed budget for the Judiciary for 2011, Senator Drilon explained that the P13,656,518,000 allocation recommended by the Committee of Finance was higher by 7.57% compared to the P13,622,000,000 proposed by the President. The increase, he said, did not even include the additional P35 million allocation that his Committee had recommended as funding for the Task Force Zero Backlog program of the Court of Appeals.

Senator Drilon also informed the Body that his Committee had asked the DBM to increase the budget of the national government by P3 billion following a request by the Supreme Court for additional funding to allow for increases in the Personal Services as well as the construction of the Hall of Justice in Manila. He clarified that his Committee was not against the request for more funding; rather, it was unable to source the additional P3 billion from other items in the budget because this would adversely affect the programs of other departments.

### **INTERPELLATION OF SENATOR SOTTO**

At the onset, Senator Sotto informed the Body that before the session resumed, he had a conversation with the justices of the Supreme Court on the possibility of creating special drug courts in view of the fact that he was also the principal author of the law creating the family courts in the Ninth and Tenth Congresses; however, he was informed by the justices that the proposed 2011 budget did not include funding for the family courts.

He expressed his apprehension to push for a bill creating special drug courts since the existing family courts were not being regularly funded.

Senator Drilon stated that at present a regular Regional Trial Court (RTC) is being designated as a special drug court by the Supreme Court. He explained that once an RTC takes on this function, it could no longer be given other cases but will exclusively handle drug-related cases.

As regards the family courts, he said that the High Court likewise designates a regular RTC to handle family and child cases similar to the juvenile and domestic relations courts. He disclosed, however,

that the Supreme Court is reviewing the possibility of including funding for such courts in next year's budget.

Senator Sotto thanked Senator Drilon for his assurance, expressing hope that the institutionalization of special drug courts would be tackled in a public hearing.

### **SUBMISSION OF THE BUDGETS OF THE PRESIDENTIAL ELECTORAL TRIBUNAL, COURT OF APPEALS, AND COURT OF TAX APPEALS**

There being no interpellation, upon motion of Senator Drilon, there being no objection, the budgets of the Presidential Electoral Tribunal, Court of Appeals, and Court of Tax Appeals were deemed submitted for the Body's consideration.

### **SANDIGANBAYAN**

Senator Drilon presented the budget of the Sandiganbayan.

### **INTERPELLATION OF SENATOR EJERCITO ESTRADA**

Asked by Senator Ejercito Estrada whether the Presiding Justice of the Sandiganbayan was present, Senator Drilon replied that Justice Sandoval was in Baguio and has requested that he be excused from the session that day. He said that Justice Sandoval was ably represented by other justices.

As to the understanding that all department heads must be present during the hearing of their respective budgets, Senator Drilon said that he was accepting the responsibility; explaining that the Committee accepted the request so that it could stay within its schedule.

Recalling that he recommended the increase or realignment of around P50 million for the budget of the Sandiganbayan two years ago, Senator Ejercito Estrada asked where the Sandiganbayan used the money.

In response, Senator Drilon said that the P50 million was used for the construction of the courthouse in Baguio, the reason why the Presiding Justice was in the city. He stated that while the courthouse is 100% finished, the project was not yet operational as the other facilities are still in the process of being completed.

Asked whether the P50 million was also used for other purposes, for instance, hiring additional prosecutors, Senator Drilon replied that the realigned amount was basically used as a capital outlay which is solely for the construction of the courthouse and not for personal services as a matter of policy since it would be a recurring expense.

Asked on the number of employees working in the Sandiganbayan, Senator Drilon replied that there are 385 employees, and two vacant posts for justices and 50 for administrative staff.

On whether the Sandiganbayan would fill up the vacant positions and whether it has enough funds for this purpose, Senator Drilon replied that the vacancies would mean savings for the Sandiganbayan because pursuant to the fiscal autonomy of the Judiciary, these funds to be released for the salaries would not revert to the general fund, and can therefore be realigned by the chief justice. He explained that the 50 administrative positions have not been filled up because a number of them are coterminous with the justices who have retired or may have been promoted like Justice Peralta who was promoted to the Supreme Court. He presumed that the administrative positions would be filled up when the appointments are made for the two vacant positions for justices, which were caused by the death of Presiding Justice Geraldez in April and the retirement of Presiding Justice Estrada.

As to the number of consultants in the Sandiganbayan, Senator Drilon said that none of the justices has any, although the savings can be used to hire consultants.

Asked whether the Sandiganbayan would need additional budget, Senator Drilon answered that there is a need for additional staffing. He reiterated that as a matter of policy, the President will not approve congressional insertions which cover additional hiring because it would be a recurring expense or budgetary item. He stressed that the preferred policy would be for the concerned agency to justify the hiring of additional personnel and include it in the National Expenditure Program.

### **INTERPELLATION OF SENATOR PANGILINAN**

Recalling that a few months back there was an interesting exchange in the media in terms of the different positions on the budget of the Judiciary such

that some of its members had raised the concern that their proposed budget was reduced by the Executive department, Senator Pangilinan asked whether the matter has been resolved.

Senator Drilon said that the issue was brought out by the Judiciary during the deliberations and they requested specifically P3 billion – P1.5 billion to cover the salary increases and the other P1.5 billion to fund the construction of the Manila Hall of Justice. He stated that the Committee has already informed the Judiciary that considering the substantial amount involved, it would be difficult to look for sources in the other items of the budget. Since Congress cannot increase the budget submitted by the President because it would run afoul with the Constitution, Senator Drilon said that the Committee has advised the court administrator to sit down with the DBM Secretary to figure out whether the national budget could be increased by P3 billion to accommodate the request of the Judiciary. He disclosed that the Committee has not yet received any advice on whether or not the meeting took place or any advice from the Office of the President as to any revision in the budget. He noted that the misunderstanding arose when the DBM took the position that RA 9227, authored by Senator Pangilinan, which granted special allowances to justices and judges, was already in compliance with the Salary Standardization Law, while the Judiciary asserted that the salary increases that it is demanding are part of the Salary Standardization Law.

Regarding the funding requirement for RA 9227, Senator Pangilinan said that he was informed by some judges in the first or second level courts that there had been delays in the releases of the compensation package as provided for in the law.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 11:46 a.m.*

### **RESUMPTION OF SESSION**

At 11:49 a.m., the session was resumed.

Senator Drilon disclosed that as per DBM report, the SAJ has a balance of P258,474,190.96 as of December 31, 2009. He said that although the

Supreme Court would collect P892 million or a total of P1.1 billion for the payment of special allowance for the current year, the dispute is whether the allowances should be credited as part of compliance with the Salary Standardization Law III.

To the observation that the High court was trying to reconcile the provisions of Joint Resolution No. 4, which is the Salary Standardization III, and RA 9227, Senator Drilon explained that the DBM has taken the position to credit allowances under that law to future increases in the basic salary under SSL III.

Relative thereto, Senator Pangilinan recalled that even prior to the issuance of Joint Resolution No. 4, RA No. 9227 mandated a 100% increase in the net take-home pay of the judges and the justices in the form of allowances. He asked how much compensation a first-level judge was receiving with the passage of that law.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 11:53 a.m.*

### **RESUMPTION OF SESSION**

At 11:54 a. m., the session was resumed.

Senator Drilon explained that the 100% increase in the compensation of judges in the form of allowances that was mandated by RA No. 9227 had been fulfilled under the Salary Standardization Act which also provided that allowances granted under that republic act shall be considered as compliance with future increases that will be granted to regular employees. Moreover, he noted that although the 10% increase provided by the SSL was integrated into the basic salary of the judges in 2007, the High Court ordered that the 10% increase should not be sourced from allowances and must be given separately as a basic salary to the judges. However, he said that the position taken by the Supreme Court was interpreted differently by the DBM, which considered the allowances as compliance with the law. He recalled that his proposal to integrate the entire living allowance into the basic salary of the judges as they would benefit in terms of bonuses and retirement pay was not accepted by the Court administrator due to the expected increase in the withholding tax if this was implemented.

Asked whether the Judiciary believed that the 10% increase must be sourced from the national government because it was mandated by a law apart from RA No. 9227, Senator Drilon answered in the affirmative. However, he said the DBM's decision to integrate the allowance in the basic salary resulted in an increase in the basic pay but a reduction in the SAJ.

Upon further queries, Senator Drilon replied that a first-level judge currently receives a total compensation of P50,000. He explained that this was due to the position of the Judiciary that, apart from the P25,000 in the SAJ, the government must give another 10% beginning 2007.

To the concern that the dispute in the interpretation of the law was the reason why the judges were receiving less in terms of the increase, Senator Drilon clarified that the position of the DBM was that the 10% was granted earlier, but in the form of allowance which was integrated into the basic salary.

Asked whether the judges and justices would be receiving an additional 10% if the dispute is settled, Senator Drilon answered in the affirmative. At this juncture, he adverted to Joint Resolution No. 4, to wit:

The grant of special allowances to certain public officials and employees as provided under Republic Act Nos. 9227, 9279, 9347, 9406, and 9417, which shall not exceed 100% of the applicable salary schedule as provided in the respective implementing rules and regulations shall be considered as an advance implementation of any subsequent increase in the salary rates under Republic Act No. 6758, as amended.

Senator Drilon stated that the aforementioned resolution was the source of the differing interpretations between the DBM and the Supreme Court.

As regards the possibility that the differing interpretations of the law could lead to a situation wherein the judges and justices in the first- or second-level courts in the Judiciary end up receiving a lower salary than state prosecutors, Senator Drilon answered in the affirmative, explaining that this would depend not only on how the law would be phrased but also in the amounts involved. He opined that it is up to the policymakers to ensure that this does not happen by closely monitoring the discrepancies that might ensue amid efforts to improve the compensation packages of government workers.

Senator Pangilinan recalled that the Committee on Justice and Human Rights had lowered the vacancy rates for the position of judges from 32% to 16% through Republic Act 9207, which called for an increase in the pay of judges. Further, he recalled that applications for these positions rose by as much as 1,500% since the pay was made at par with the first- or second-level courts. He expressed concern that the gains made by the Judiciary may have been lost since the rate was back to 25%. He said that he raised the issue because the amount of compensation directly affects efforts to fill up court vacancies and lower the vacancy rate.

Asked for the reason behind the increase in the vacancies and how the Judiciary intends to address the problem, Senator Drilon explained that as of August 31, 2010 the vacancies for judges in the first- and second-level court was pegged at 24.98% or a total of 550. This, he said, was higher than the vacancy rate in 2009. He believed that the Judicial and Bar Council (JBC) has been proactive in encouraging applications by announcing these vacancies in newspapers. Senator Pangilinan recalled that the JBC used to conduct regular interviews for applicants daily. He asked whether the JBC is still intensive in the efforts to interview and process applicants at the present time.

Senator Pangilinan stated that during his short term, Chief Justice Artemio Panganiban pushed the JBC on overdrive as he wanted to leave a legacy, hence, when he retired, the vacancy rate dropped to 16%. He stressed that there was no need to reinvent the wheel but just to repeat the efforts of Chief Justice Panganiban in terms of conducting more interviews. Agreeing with Senator Pangilinan, Senator Drilon informed the Body that the process was continuing, however, there were less applicants these days.

To the comment of Senator Pangilinan that newspapers carried the comment of Senator Drilon that there would be savings of about P3 billion to P5 billion if vacancies were not filled up, Senator Drilon explained that he made a rough calculation on the basis of the PS and the percentage of vacancies but, he pointed out, the court administrator gave a more accurate figure of 25% vacancy.

Senator Pangilinan hoped that the Judiciary would address the issue on vacancy squarely because the gap of 25% was a burden on the 75% who dispense

justice. As a consequence, he said that the vacancy affects the quality of the court proceedings and the swift disposition of cases owing to a backlog caused by either an impaired judge or a judge temporarily sitting on a vacant sala. He recalled that then Court administrator, now Justice Perez, mentioned that the average case life at the first-level courts was six years from the time the case was filed until the time judgment was rendered. He maintained that the delay in the disposition of cases leads to real problems and concerns.

Citing the Oakwood mutiny in July 2003, Senator Pangilinan stated that had the case been resolved within 24 months of continuous trial, regardless of whether the accused was convicted or absolved, the 2007 Manila Peninsula incident would not have happened.

Believing that the disposition of cases has a bearing on the national situation, Senator Pangilinan recalled the incident involving the Abu Sayyaf suspects detained in Camp Crame during the 2 ½ years of the pendency of their case whose escape attempt resulted in the deaths of three PNP officials. Had the case been resolved within 18 months, he asserted that the three officers would still be alive today. Senator Drilon agreed with Senator Pangilinan that the shelf-life of cases should be addressed and no less than President Aquino shared the same concern. He believed that among the solutions that must be adopted simultaneously are:

- 1) Revision of jurisdiction between the RTC and Metropolitan or Municipal Trial Courts; when RTC was relieved of cases particularly those falling under BP 22, it resulted in the congestion of city lower courts;
- 2) Congress must think out of the box, meaning it has to increase the number of courts in urban areas where population is high. Courts in far-flung areas where no lawyers are available often cause delays in the disposition of cases;
- 3) Organization of small claims courts to try cases of the municipal, metropolitan or circuit courts so that they could be disposed of quickly;
- 4) Review of the rules to lessen appeals or petitions and to impose discipline on lawyers who tend to delay cases as a part of their strategy in defending their clients;
- 5) Closer coordination between the prosecution service and the law enforcement agencies.

The delays are caused by the failure of the prosecution to present evidence;

- 6) Appointment of more PAO lawyers. When the accused does not have a lawyer, the trial cannot proceed, so justice is delayed; and
- 7) Improvement of the mediation program. Judges are mandated to conduct mediation conferences before an actual trial where parties are encouraged to come up with compromise agreements.

Senator Pangilinan bared that as of late last year, the vacancy rate of fiscals and prosecutors was 44%, which is another major cause of delay.

On the matter of thinking outside of the box, Senator Pangilinan stated that in 2008, Congress created the Judicial-Executive-Legislative Advisory and Consultative Council (JELACC), the purpose of which was to address the problems of the Judiciary, particularly its budgetary support. He inquired if the Judiciary still looks to the JELACC as an opportunity to thresh out its budgetary concerns. Senator Drilon stated that the chief justice was open to reviving the JELACC, a tripartite body, a move that needs the concurrence of both the Executive and Legislative branches.

Senator Pangilinan believed that the JELACC would provide the venue and vehicle for settling the issues of six-year case life, 25% vacancy rate, and the clashing interpretation of compensation. He stated that through the JELACC, the Judiciary would be modernized; cases would be resolved within 18 months; there would be single-digit vacancy rate at the first- and second-level courts; and better and more competitive pay for the judges, justices and court personnel.

Lastly, Senator Pangilinan likened the nation to a computer where the justice system is the hard drive and the investments are the software. He said that no matter what the investments are, if the hard drive is not functioning, the computer will not work.

#### **INTERPELLATION OF SENATOR EJERCITO ESTRADA**

Asked by Senator Ejercito Estrada on the case backlog of the Supreme Court from 2009 to 2010, Senator Drilon stated that there were an estimated 6,200 pending cases, which are, however, in various

stages of disposition since not all of them have been submitted for resolution. He said that due process requires the Judiciary to be judicious in disposing the cases without prejudice to anyone's constitutional right. He explained that upon filing of the petition in court, an initial study is undertaken to immediately know whether the case, on its face, appears to have merit which can be decided without the need to require parties to comment which usually delays the disposition of the case.

Senator Drilon highlighted the fact that the submission of cases for resolution depended on the parties to the case. He explained that while the trial judge can exert his/her influence on the parties to dispose of the case faster, the powers of the court are limited to a certain extent. He stated that in the case of the Supreme Court, the Constitution provides that it has two years to resolve cases from their dates of submission.

Asked by Senator Ejercito Estrada how the Senate could be assured that there would be an improvement in the Judiciary's performance if its budget was approved, Senator Drilon said that the Senate would have to rely on the patriotic belief of the members of the Supreme Court and the other players in the judicial system that the faster disposition of cases is to the national interest.

As to the number of employees and the number of the vacant positions in the Supreme Court, Senator Drilon replied that there were 2,500 positions in the adjudication and administrative departments of the Judiciary and as of August 31, 2010, 550 judges positions were vacant constituting 24.98% of the total positions.

On whether the Supreme Court intended to fill up the vacant positions, Senator Drilon replied in the affirmative as he also confirmed that these were funded positions. He added that the Constitution requires that the President appoint judges only on the basis of the recommendations of the Judicial and Bar Council.

Asked what the Judicial Development Fund (JDF) is all about, Senator Drilon clarified that the JDF was established under P.D. No. 1949 dated July 18, 1984, for the benefit of the members and personnel of the Judiciary. He explained that the fund is derived from, among others, the increase in legal fees prescribed in the amendments to Rule 141 of the

Rules of Court. He explained that as mandated by the decree, 80% of the fund is used for the cost and living allowances and the remaining 20% as capital outlay for office equipment and facilities. He disclosed that apart from the JDF, there was also the Special Allowance for the Judiciary (SAJ) fund under R.A. No. 9227 which is being used for the allowances of judges and justice and under the law, these are equal to 100% of basic pay.

Senator Ejercito Estrada inquired how much fees were collected for the JDF from 1999 to 2001 during the term of Chief Justice Davide.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 12:36 p.m.*

## RESUMPTION OF SESSION

At 12:36 p.m., the session was resumed.

Upon resumption, Senator Drilon said that the Supreme Court resource persons did not have the data in their possession but that Senator Ejercito Estrada would be provided the same within the next few days.

As regards data on the JDF and the SAJ collections for 2009, Senator Drilon revealed that it was P1,042,571,627.98 for the JDF and P1,139,503,563.11 for the Special Allowance for the Judiciary (SAJ) or a total of P2,182,075,191.09.

Asked how these funds were allocated, Senator Drilon said that as provided by P.D. No. 1949, 80% of the JDF is for allowances and 20% for capital outlay; on the other hand, the SAJ was just all allowances of members of the Judiciary.

Senator Ejercito Estrada requested the Committee to submit to him a list of the allocations to the municipalities and cities since 1999. Senator Drilon asked that the Committee be given more time to comply with the request.

Upon further query, Senator Drilon said that the chief justice is authorized to disburse the funds.

Asked who monitors the management of the funds, which office has oversight functions over the

JDF, and who heads it, Senator Drilon said that the Supreme Court has a Fiscal Management and Budget Office (FMBO) headed by Atty. Cora Flores and that the post-audit of the Supreme Court's disbursements is done by the Commission on Audit.

On the projects funded by 20% of the JDF, Senator Drilon responded that the 20% is used for capital outlay and the balance as of December 31, 2009, was P1,031,102,556.00. He explained that there were additional collections from January to August 2010 amounting to P129,347,177.00. He said that of the P1,160,449,743.00 total available fund as of August 31, 2010, P102,380,773.00 was disbursed leaving a balance of P1,058,600,713.00. He bared that there were earmarks and the corresponding allocations for the following:

Renovation of the Supreme Court	- P103.2M
Repair of the Office of the Court Administrator Building	- P150M
Court of Appeals in Cebu and Cagayan de Oro	- P120M
Manila Hall of Justice	- P150M
Halls of Justice Renovation	- P 36.6M
Computer Literacy Fund	- P109.4M
Procurement for Computers for the Supreme Court and Lower Courts	- P272.6M
Procurement of Other Equipment	- P124M

Asked on the JDF collections from Manila City courts, Senator Drilon said that he would see if the Committee could cull the figures from the data on general collections.

On another topic, Senator Ejercito Estrada asked whether the Supreme Court really spent about P120,000 for each of the 15 chairs of the justices in the session hall during the term of Chief Justice Davide. Senator Drilon replied that data as regards the matter were unavailable.

Asked how much was spent on curtains for the Supreme Court during the term of Chief Justice Davide, Senator Drilon said that the Committee likewise did not have that data. Senator Ejercito Estrada disclosed that according to reports that his office received, the Supreme Court spent P5 million on plain curtains.

Senator Drilon assured Senator Ejercito Estrada that the Committee would verify the information and submit a report thereon.

Senator Ejercito Estrada inquired on the number of motor vehicles purchased by the Supreme Court since the time of Chief Justice Davide. Senator Drilon replied that the Committee would have to check into the records of disbursements from ten years back and submit the requested information at the soonest possible time.

Asked by Senator Ejercito Estrada whether Chief Justice Davide committed nepotism when he appointed his son, Ryan Davide, as vice chairman of the Bids and Awards Committee, aside from his daughter Noreen Davide Sales who was his judicial staff officer, Senator Drilon replied in the negative, saying that the law allows the occupant of the office to hire relatives for confidential and coterminous positions.

Replying to another query, Senator Drilon affirmed that Ryan Davide left the Supreme Court at the same time that his father stepped down from office.

On the amount spent for the uniforms of Supreme Court employees, Senator Drilon said that each employee is entitled to P4,000 per year as clothing allowance which is part of the GAA and not taken from the JDF. He affirmed that bidding was conducted for the supply of uniforms.

Replying to further queries, Senator Drilon said that the Supreme Court is responsible only for the maintenance of the Halls of Justice. He recalled that when he was secretary of Justice, the DOJ constructed a sizeable number of halls of justice which were turned over to the Supreme Court for maintenance after construction.

Senator Ejercito Estrada expressed his desire to be furnished with data on how the JDF funds were spent from the time of Chief Justice Davide up to the incumbent chief justice.

#### INTERPELLATION OF SENATOR ESCUDERO

Preliminarily, Senator Escudero said that when he was still a member of the House of Representatives, he was one of those who filed the impeachment complaint against former Chief Justice Davide. He recalled that the House of Representatives has likewise been asking the Supreme Court to submit the disbursement of the JDF collections.

As regards sharing, Senator Escudero affirmed that 80% of the JDF should go to personnel and 20%

to capital outlay, the latter with the added requirement, that it should be spent proportionately where the additional fees were collected. He noted that the bone of contention was precisely when the JDF funds were spent to refurbish the Supreme Court mansions in Baguio City and to renovate the Supreme Court. He asked whether indeed fees were collected in Baguio City thus making it a recipient of a large part of the funds. He lauded the logic of PD 1949 particularly on the distribution of the allowances, such that the higher the collection of the court, the more the work it must have done and the more equipment it would need.

Senator Drilon affirmed Senator Escudero's observation that PD 1949 provides that not more than 20% of the said fund shall be used for office equipment and facilities of the courts where the legal fees are collected. Senator Escudero said that precisely, he was inquiring whether indeed the fees collected by the Supreme Court since many years back reached the amount for it to be able to renovate, or if the amount was merely advanced against future collections. He expressed hope that the newer members of the staff of the Supreme Court would be more open to showing its books of accounts compared to the older ones before them.

Senator Drilon gave the assurance that when the Committee was conducting hearing on the Supreme Court budget, there was no attempt on the part of those appearing before the Committee to hide any data. In fact, he said, they willingly showed the books or immediately submitted unavailable data that were requested of them.

Relative thereto, Senator Drilon disclosed that the resource persons had admitted that 20% of JDF is placed in the general fund and that the provision for the fund to be used for equipment and facilities of the court where the legal fees are collected is not being followed. However, he conveyed the Supreme Court's willingness to strictly follow the allocations of the 20% of JDF on a strictly per court basis, but expressed apprehension that this might result in distortions.

Senator Escudero asked how much additional budget the Supreme Court is asking for allowances which they are supposed to be paying and which they owe their personnel. Senator Drilon replied that during the hearings, the court administrator was requesting the amount of P1.5 billion to cover what

is asserted to be the deficiencies under the Salary Standardization Law.

Senator Escudero asked on the exact figure needed if the prevailing vacancy rate of 25% is deducted from the P1.5 billion that was requested. Senator Drilon stated that the Committee did not ask whether the figure is net of vacancies, but it manifested to the court administrator that given the totality of the request of P3 billion, Congress could not possibly source the P3 billion from within the budget without prejudicing the programs of the other departments. Thus, he said that the Committee has suggested that the matter be taken up with the Office of the President.

Senator Escudero remarked that the request could be accommodated by way of a supplemental budget or by computing using a reduced percentage or rate of vacancy, perhaps at 20% or even 15%. He requested the Office of the Court Administrator and the Senate Committee on Finance to do a rough computation using such reduced rates, while at the same time moving double time to fill up the vacancies. He asked how much could be saved so that within the same budget ceiling, Congress could allocate and appropriate money for the purpose to cover part of or, if not the whole amount of P1.5 billion, at least the more than P900 million in back allowances. Senator Drilon expressed willingness to do a rough computation based on a 20%-vacancy rate, but he stressed the need to get guidance principally from the Office of the President to determine which item could be cut to accommodate the amount.

Senator Escudero said that as a member of the JBC, he was informed that there is a very high vacancy rate because there are very few applicants in the positions opened up by the JBC or to positions vacated either by retirement or by death. Moreover, despite the increase in allowances, he said that there was no assurance that indeed the allowance would be given or received by a putative judge should he or she decide to apply for any position in the Judiciary. The second reason for the vacancy rate, he said, is the concern for safety and convenience if the personnel get assigned to far-flung areas in the country.

Given the fact that most lawyers live in the cities and litigants actually end up paying more if the lawyers have to go out of town to go to the court where the case is pending, Senator Escudero suggested that the Supreme Court also look into

potential legislative cover to authorize it to move the courts *within the existing number of courts as the exigencies or requirements of the delivery of justice so dictate or demand.* Senator Drilon said that, indeed, the location of the courts should be considered given the reasons cited by Senator Escudero. He opined that there may be mental reservation about getting assigned to a far-flung town because of the political influence of the congressman or the governor in the particular town which would make the dispensation of justice more difficult. He expressed willingness to support an amendment to the Judiciary Act to allow the Supreme Court to move stations where exigencies of the service so require. Senator Escudero said that he was, in fact, discussing with the court administrator on the possibility, given the Supreme Court's administrative latitude of supervision over judges, to allow it to transfer the assignment of a judge within the same judicial region without having to go through the JBC all over again because of the belief that once an RTC judge, always an RTC judge, wherever he or she may be assigned. He believed that the nomination should not be duplicated if the applicant is merely moving laterally to another position *within the same judicial region.*

Asked regarding the budget of the PET for 2010, Senator Drilon replied that PET's budget for the current year was P55,971,000.00. For 2011, he said that the Supreme Court proposed a budget of P61,099.000.00 but the DBM increased it by P1.6 million for maintenance and operating expenses.

Senator Escudero explained that he asked the question because in his 12 years in Congress, this was the first time that the DBM actually increased the proposed budget being asked by the agency because the usual practice was for the DBM to either approve or cut the proposed allocation. In this regard, he said that he had been informed that the allocation was not for the MOOE but for the payment of the Personnel Emergency Relief Assistance (PERA) which corresponds to the number of approved positions in the PET.

Senator Drilon admitted that he was not certain whether this was the first time that the DBM approved an allocation higher than what had been proposed by the agency. He said that he would also make the same adjustment to correct the deficiency in the allocation for the PERA of the employees, even if it would mean a bigger budget rather than allow this injustice to remain.

Senator Escudero expressed the hope that the DBM was as meticulous in correcting with the deficiencies in the allowances and monetary assistance of employees in other agencies like the P1.5 billion back allowance provided by law for the Judiciary which the department had conveniently overlooked.

## SUSPENSION OF SESSION

Upon motion of Senate President Pro Tempore Ejercito Estrada, the session was suspended.

*It was 1:17 p.m.*

## RESUMPTION OF SESSION

At 1:18 p.m., the session was resumed.

## SUBMISSION OF THE BUDGET OF THE SUPREME COURT AND THE LOWER COURTS, SANDIGANBAYAN, COURT OF APPEALS AND COURT OF TAX APPEALS

There being no other reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budgets of the Supreme Court and the lower courts, the Sandiganbayan, Court of Appeals and Court of Tax Appeals were deemed submitted for the Body's consideration.

## SUBMISSION OF THE BUDGETS OF THE CIVIL SERVICE COMMISSION, COMMISSION ON AUDIT, OFFICE OF THE OMBUDSMAN, COMMISSION ON HUMAN RIGHTS, DEPARTMENT OF FOREIGN AFFAIRS AND ITS ATTACHED AGENCIES AND INTERNATIONAL COMMITMENTS FUNDS

There being no reservation for interpellation, upon motion of Senator Ejercito Estrada, there being no objection, the budgets of the Civil Service Commission, Commission on Audit, Office of the Ombudsman, Commission on Human Rights, Department of Foreign Affairs and its attached agencies, and the International Commitments Fund were deemed submitted for the Body's consideration.

## SUSPENSION OF SESSION

Upon motion of Senator Ejercito Estrada, the session was suspended.

*It was 1:20 p.m.*

## **RESUMPTION OF SESSION**

At 3:00 p.m., the session was resumed.

## **PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE AND ITS ATTACHED AGENCIES**

Senator Drilon presented the budget of the Presidential Communications Operations Office (PCOO) and its attached agencies, namely, the Bureau of Broadcast Services, Bureau of Communications Services, National Printing Office, News and Information Bureau, Philippine Information Agency, and Presidential Broadcast Staff.

Senator Drilon stated that the Presidential Communications Operations Office, whose budget as indicated in the President's budget submission is P929.589 million in new appropriations, includes the following: Presidential Communications Operations Office Proper, Bureau of Broadcast Services, Bureau of Communications Services, National Printing Office, News and Information Bureau, Philippine Information Agency, Presidential Broadcast Staff or RTVM, and the People's Television, Inc. or Channel 4 which is a GOCC. He stressed that the President's budget of P929.589 million was retained by both the Senate and the House of Representatives.

## **INTERPELLATION OF SENATOR EJERCITO ESTRADA**

Asked by Senator Ejercito Estrada on the sale of Broadcast City, a property in Quezon City, Senator Drilon answered that the sale was actually a joint venture agreement (JVA) which was signed by Secretary Conrado "Dodi" A. Limcaoco, Jr. in March 2010, three months before the end of the term of then President Gloria Macapagal-Arroyo. He stated that the contract was not signed by the Executive Secretary who, as provided under the Administrative Code, is the only official in the country who can sign by authority of the President, an authority which cannot be transferred.

Senator Drilon said that he was not certain whether Secretary Limcaoco could sign the JVA without any special and specific authority signed by the President and filed with the official records of Malacañang. He noted that apart from Secretary Limcaoco, the JVA was also signed by Mr. Jose V. Javier, chief executive officer of Intercontinental

Broadcasting Corporation, and Mr. Joselito Yabut, chairman of the board, while on the part of R2 Builders, Inc. and Prime Estate Ventures, Inc., Mr. Nathaniel A. Romero signed as president and managing partner of Prime Estate Ventures, Inc.

Asked whether the JVA could be considered as void *ab initio* because Secretary Limcaoco had no basis or authority to sign in behalf of the Philippine government, Senator Drilon replied that unless there is a specific authority by the President of the Republic authorizing Mr. Limcaoco to sign the JVA, questions can be raised. However, he said that he was willing to be corrected if he was wrong, pending a review of the details of this legal issue, citing Section 2 of Executive Order No. 576 which provides that the PIA Director-General, who shall continue to have Cabinet rank, shall exercise supervision and control, "by authority of the President," over the Philippine News Agency; Bureau of Broadcast Service; Bureau of Communications Service; National Broadcasting Network, Inc.; Radio Philippines Network, Inc.; and Intercontinental Broadcasting Corporation. He stated that whether or not the provision includes the authority to act in behalf of the President to sign a document which would dispose of the property of the Republic is something that should be studied further.

Asked how much was involved in the sale, Senator Drilon answered that the sale of the 3.5-hectare property amounted to P728 million at P10,000 per square meter vis-à-vis the zonal valuation of the properties around the area which is P20,000 per square meter, subject to further verification. He clarified that though the sale may prove to be disadvantageous to the government, there should be a detailed examination of all the circumstances first.

On whether there were complainants with regard to the JVA, Senator Drilon said that according to Secretary Coloma of the PCOO, the matter is currently being reviewed by the Office of the Solicitor General. He added that Secretary Coloma has given assurance that the Senate would be updated on the matter regularly.

Senator Ejercito Estrada said that once the JVA is proven to be disadvantageous to the government, then it is his duty as senator to expose it to the Filipino people.

## INTERPELLATION OF SENATOR LEGARDA

Asked by Senator Legarda whether the PCOO is the new office that manages the *Radio ng Bayan*, NBN 4, Philippine Information Agency, IBC-13, RPN 9, National Printing Office and the former RTVM, Senator Drilon answered in the affirmative, adding that the PCOO used to be the Office of the Press Secretary.

Asked whether the budget of the former Office of the Press Secretary was greater than the present budget of the PCOO, Senator Drilon answered that the P200 million allotted to PTV 4 is a congressional initiative because the 2010 President's budget did not have this item. He noted that there was a reduced allocation for the Philippine Administrative Network Project Phase II, a foreign-assisted project that is jointly implemented by the PIA and the broadcast bureau, which is to be completed by December 31, 2010, and this is the reason why it was no longer included in the 2011 budget.

Senator Legarda asked how NBN 4 will survive without the P200-million provision.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 3:17 p.m.*

## RESUMPTION OF SESSION

At 3:19 p.m., the session was resumed..

Upon resumption, Senator Drilon said that the financial situation of NBN 4 has really been difficult, pointing out that the network has been funded through congressional initiatives.

Senator Drilon said that the 2010 congressional initiatives were vetoed by President Arroyo, thus PTV-4 went back to its practice of trying to survive by generating revenues or deferring payables, for instance, BIR dues. However, he asserted that this could actually inspire the management and staff of PTV-4 to exert more effort to look for funding and be more independent in their operations rather than be branded as the propaganda arm of the Administration in power.

*At this juncture, Senator Honasan relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.*

Senator Legarda disclosed that she worked for MBS 4 in the early 1980s, and she noticed that the employees of the station were still receiving almost the same salary, even though they are talented people who continue to be faithful in their government service. She also took note of complaints of delays in the release of salaries of employees of NBN 4 and IBC 13.

Asked whether the government could provide some provisions to these concerns, Senator Drilon suggested that legislators be encouraged to use part of their PDAF on programs to be aired on Channel 4, informing the people about the work they are doing. Senator Legarda welcomed the idea as she suggested that the legislators produce information materials where the airtime could be equally split between them and the station so that both could share in the revenues.

Upon further query, Senator Drilon confirmed there was no allocation to Channel 4 in the 2011 GAB, as he explained that the station was funded from congressional insertions for some years as part of the Arroyo Administration's thrust to minimize subsidies to GOCCs. Senator Legarda pointed out that Channel 4 could maximize its airtime by selling it to blocktimers and if managed properly, it could earn the station millions of pesos. She noted that Channel 13 has sold its airtime to a private company. For his part, Senator Drilon recalled that Channel 4 used to earn a lot when it aired the games of the Philippine Basketball Association, which indicates that the station could engage in revenue-generating programs even if it is a government station.

Senator Legarda gave recognition to the talents of the people manning RPN 9, IBC 13 and NBN 4 who opted to stay with the stations despite the offer of higher compensation by other stations. She said that she was thinking of putting part of her PDAF in NBN 4 to improve programs on environment or climate change. Also, she revealed that she had filed a bill proposing that the Philippine Information Agency create a welfare fund to help journalists so that they could have some semblance of benefits and insurance, especially those in the provinces who are not connected with big networks or those under contractual and casual status. She commended the

PIA for being supportive of her programs and for their advocacy of stories of non-political nature. Likewise, she lauded *Radyo ng Bayan* for refusing to become the propaganda arm of the Administration in power and hoping it would continue interviews of legislators on important issues.

Asked whether the PIA suffered a budget cut as she heard that the internet connection of some of its offices was cut, Senator Drilon revealed that from P328 million in 2010, its budget went down to P249 million or a cut of P78 million, as part of the general reduction particularly in the MOOE of all the agencies.

At this juncture, Senator Legarda relayed the requests of the PIA to put up field offices in provinces and to furnish them with basic internet access and computers.

Noting that only 48 of the 80 provinces have PIA offices, she asked how much it would cost to establish an office in each province. Senator Drilon replied that details would be submitted at a later time.

Asked by Senator Legarda on the wisdom of creating another communication office under the Office of the President; whether its roles, responsibility and jurisdiction differ from the Philippine Communications Operations Office (PCOO), which has the stations and other agencies under it; and where the budget of the new office was sourced, Senator Drilon replied that Executive Order No. 4 created the Presidential Communications Development and Strategic Planning Office (PCDSPO) and its budget of P50 million was taken from the Intelligence Funds of the President. He clarified that its budget did not affect the budget of the PCOO.

Senator Legarda requested that the head of the new office be summoned to the Senate to explain how the office would be run. Senator Drilon said that the head of the PCDSPO would be available during the deliberation of its budget which is under "Other Executive Offices."

On the function of the PCOO, Senator Legarda inquired whether the office sends messages for and in behalf of the President; whether there are guidelines as regards the messages to be carried; whether its messages emanates from the PCSMO; whether it coordinates with or gets clearance from the new office; and whether it exists independently of the new office. Senator Drilon replied that the practice of having three secretaries as part of the

Communications Office of the Office of the President was not new, citing the Arroyo Administration which had a presidential spokesperson, a press secretary and a supervising secretary. He opined that the Aquino Administration should learn from the failure of its predecessor of having three communications secretaries. He stated that the new President has appointed Atty. Edwin Lacierda as spokesperson; Sec. Ramon Carandang, who was placed in charge of crafting the messages of the President; and Secretary Sonny Coloma, who disseminates the government's message to the people.

On whether the PCOO disseminates messages from other government agencies like the Congress and its agencies, Senator Drilon answered in the affirmative.

Senator Legarda promised to study the budget to find out where to realign items for the PIA to improve its operation in certain strategic areas.

Senator Drilon relayed a communication he and Senate President Enrile received, saying that the President and the Cabinet members agreed to forego lobbying for increases in their respective budgets.

#### **SUBMISSION OF THE BUDGET OF THE PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Presidential Communications Operations Office and its attached agencies — Presidential Commission Operations Office proper, Bureau of Broadcast Services, Bureau of Communications Services, National Printing Office, News and Information Bureau, Philippine Information Agency and the Presidential Broadcast Staff (RTVM) — was deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 3:41 p.m.*

#### **RESUMPTION OF SESSION**

At 3:46 p.m., the session was resumed.

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## **DEPARTMENT OF AGRARIAN REFORM AND ITS ATTACHED AGENCIES**

Senator Recto presented the budget of the Department of Agrarian Reform (DAR) and its attached agencies.

### **INTERPELLATION OF SENATOR HONASAN**

At the outset, Senator Honasan expressed gratitude to Senators Recto and Drilon for "putting our money where our sponsorship speech was." He stated that agrarian reform is not only about giving land; fundamentally, it is empowering people. He said that the majority of the people and the poorest come from the agricultural sector. He averred that it is not enough that government acquire and redistribute land, it must, more importantly, redistribute the means of production and give the people freedom and choice following the sequence of granting ownership to small landowners, educating them about their responsibilities and rights, and organizing them into agrarian reform beneficiaries.

Adverting to the 2011 National Expenditure Program, Senator Honasan observed that there was a P730 million allocation to Program Beneficiaries Development, a component of the CARP, to which the House of Representatives added P1 billion and the Senate, P978 million, or a total of P2.7 billion, and that he earlier intimated to DAR Sec. Gil Delos Reyes that the allocation should be enough to jumpstart the program on a measurable trajectory.

Senator Honasan then quoted Section 37(f) of RA 9700, to wit: "Direct and active DAR assistance in the education and organization of actual and potential agrarian reform beneficiaries, at the barangay, municipal, city, provincial, and national levels, towards helping them understand their rights and responsibilities as owner-cultivators developing farm-related trust relationships among themselves and their neighbors, and increasing farm production." Thus, he posited that the success of agrarian reform is anchored on an increase in production to enhance productivity with the ultimate end of empowering farmer-beneficiaries so they can chart their destiny and uplift their lives.

Senator Honasan inquired how much of the P2.7 billion would be allocated to the education and organization of the agrarian reform farmer-beneficiaries at the barangay, municipal, provincial

and national levels to empower them. He stated that his question does not require an answer because there would be other opportunities to raise it again through the strengthened congressional oversight mechanisms.

Responding thereto, Senator Recto expressed appreciation to Senator Honasan for his comments on the efforts of the Finance Committee to provide for an increase in the 2011 allocation to the program beneficiaries of the CARPer law. He believed, however, that the Committee has not done enough as far as the appropriations for the CARP was concerned, especially so since the program has been ongoing for more than five decades. He stated that to be able to accomplish the objectives of the CARPer law by 2014, the program needed an appropriation of P30 billion a year, but only P20 billion was allotted to the program in the 2011 budget, so it needs at least P40 billion in 2012 to cover the deficit. He stressed that if government is unable to fund the program, it would not be finished by 2014.

Senator Recto said that what was alarming was that the NEDA report for the third quarter of 2010 indicated a drop in agriculture by 2.8% while the GDP growth for the same period was 6.5%, way below the 8% for the first half of the year. He said that the latest data did not even include the damage done by Typhoon *Juan* which would be felt by the fourth quarter. He stressed that a lot has to be done for the agricultural sector and he believed it must begin with the CARP beneficiaries.

Senator Recto stated that at the proper time, the Committee, together with Senator Honasan, would try to find additional resources to meet the CARPer law target: redistribute land, make farmer-beneficiaries productive, increase productivity, and emancipate the poorest of the poor by 2014.

Senator Honasan agreed that the NEDA would have to play a crucial role, as he gave assurance that the Body would be very supportive of its reform efforts.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 3:58 p.m.*

*10 AM*

## **RESUMPTION OF SESSION**

At 3:58 p.m., the session was resumed.

## **MANIFESTATION OF SENATOR SOTTO**

Senator Sotto informed the Body that Senator Escudero would no longer interpellate on the budget of the DAR.

## **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF AGRARIAN REFORM AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Agrarian Reform and its attached agencies was deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 3:59 p.m.*

## **RESUMPTION OF SESSION**

At 4:06 p.m., the session was resumed.

## **DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS AND ITS ATTACHED AGENCIES**

Senator Recto presented the budget of the Department of Transportation and Communications and its attached agencies.

## **INTERPELLATION OF SENATOR LEGARDA**

At the outset, Senator Legarda remarked that one of the principles for a climate-resilient transportation is the implementation of a multi-modal transport linkage to ensure that disasters do not completely disrupt the transport of public goods and services if one of the modes of transport fails. She noted that this was especially true in a country where there is a significant demand for inter-island transport.

Asked by Senator Legarda whether the DOTC has a comprehensive plan that takes into account the issue of climate-resilient transportation, Senator Recto

stated that there was a framework plan that basically covers land, air and sea transport. He added that many of the PPP projects that were shown to the private sector a few weeks ago basically deal with transport services, among them, improvements of the urban mass transit systems, airport infrastructure, seaport infrastructure; and the development of toll roads, in coordination with the DPWH.

Asked if the DOTC has a centerpiece program or project in its 2011 budget that would spur the country's economy, Senator Recto replied that a lot of the projects involve Metro Manila like the urban mass transit system, the idea being to link the MRT 3 and the LRT 1 extensions and finish the loop. He posited that right now, what the country has is a narrow gauge and what it needs is a standard gauge to have a one seamless standard gauge system to connect the south and north railways.

Relative thereto, Senator Legarda inquired into the status of the North Rail project as she recalled that a Senate investigation was conducted in the previous Congresses to look into its funding. Further, she asked if the contract was renegotiated. Senator Recto replied that President Aquino gave instructions to review the North Rail project and to renegotiate the deal with China, if possible. He explained that all the way to Clark, the project is about 80 kilometers and the first section to Bulacan, roughly about 30 kilometers. He added that 90% of the right-of-way has been bought and that 20% of the civil works on section 1 has been done. However, he disclosed that there would be a problem with the financial obligation or contract amounting to about US\$400 million since the project cost now was roughly about US\$600 million.

Asked if the US\$400 million was a loan, Senator Recto replied in the affirmative as he emphasized that the amount would not be enough to cover the cost of the project.

Asked what part of the loan has already been given to the Philippines and what percentage of the project has been completed thus far, Senator Recto stated that in terms of civil works, 20% has been completed but 50% of the loan amount has been spent.

Asked how the 50% of the loan has been spent when only 20% of the civil works has been done, Senator Recto said that the disbursements included

the advance payment to the Chinese contractors. He explained that since it was a bilateral loan from China, Chinese contractors are allowed to work on the project.

Asked if the advance payment to contractors was disadvantageous to the Filipino people, Senator Recto replied that precisely the project was being reviewed by the DOTC at the moment.

As to the time frame between the project inception and the target date of completion, Senator Recto disclosed that the project was conceptualized in 1995, the government got the loan in 2004, and the project was supposed to be completed in 2009; however, there were delays in the implementation of the project because of various reasons, among them, the purchase of the right-of-way, changes in the engineering design and changes in alignments.

Asked if the purchase of the right-of-way was part of the US\$400 million project cost, Senator Recto replied in the negative as he explained that it was bought through the local counterpart fund.

On whether the DOTC or any other government agency budget has an allocation for the relocation of people affected by the North Rail project, Senator Recto said that the resettlement of residents along the tracks has been handled by HUDCC and the NHA and if there was any allocation for relocation, it would be very minimal. He added that under the Arroyo Administration, the tracks were cleared and the purchase of the right-of-way was 90% completed. He stated that the US\$400 million went to the civil works, the construction of the whole railway system and terminals, and the purchase of coaches.

Upon further queries, Senator Recto stated that the whole stretch of the North Rail project would cost roughly a billion pesos per kilometer which, he confirmed, was reasonable.

On the rationale behind the DOTC review of the project, Senator Recto said that what was being conducted was value engineering, which meant finding out if the project could be done cheaper. He added that the DOTC was also going to check into the escalation cost.

As to whether the contract was pegged at US\$400 million regardless of the cost of the materials, Senator Recto clarified that this does not happen but

what usually occurs are change orders and price escalation owing to inflation rates and adjustment of the exchange rate.

On whether it is to the country's disadvantage that government failed to comply with the five-year plan, Senator Recto reasoned that most often, delays in projects are caused by acquisition of rights-of-way, redrawing of the engineering plans, and other reasons that emerge in the field.

On whether the government has to borrow an additional US\$200 million from the Chinese government to fund the gap, Senator Recto said that it was not necessary. He posited that the country should borrow from sources where it can get cheaper financing or fund the project locally. He added that work continues during the review.

With regard to the PPP, Senator Legarda noticed that in the 2011 DOTC budget, there was an allocation of P5 billion in lumpsum for Public-Private Partnership Support Fund. She said that the special provision on this item states that the NEDA and the DOF shall identify the projects to be jointly implemented by the private sector and shall formulate the guidelines for implementation.

Asked on the percentage of DOTC share in the PPP projects as compared to the private sector share, Senator Recto explained that the department would fund the viability gap by contracting the services of NEDA for a fee to study the financial viability and desirability of the project. He pointed out that the DOTC, as the implementing agency, could only charge a certain amount from the user. In the case of the Puerto Princesa airport, for instance, he said that the DOTC would build the runway while the private sector would construct the terminal as it would be too costly for the latter to do both. He said that the Panglao Airport project is ongoing; the MRT-LRT expansion to Cavite, for which 70%-80% of the right-of-way has been paid, and the Laguindingan Airport project are continuing projects from the previous administration; and the Kalibo Airport project is a new project to be initiated next year.

Senator Legarda asked whether the DOTC has a program for early warning systems which are crucial for disaster reduction and management and whether it has integrated the Disaster Risk Reduction (DRR) concept into its operations, as she revealed

that other countries use cellular broadcast messaging to disseminate vital information on weather, emergency alerts and other information on disasters. Senator Recto bared that the DOTC is operationally a Department of Transportation now because its "Communications" function had been transferred to the CICT under the Office of the President by virtue of an executive order issued by President Arroyo exercising her authority under the Administrative Code to reorganize the bureaucracy. He added that the CICT does not draw its budget from the department. He said that the CICT which is now in charge of communications has under it the National Telecommunications Commission so that all questions pertaining to coordination with cell networks, for instance, would be under the CICT.

Senator Recto said that there are bills in the House of Representatives seeking to create a communications department and for the DOTC to become merely the Department of Transportation. Senator Legarda said that she also filed bills in the 13<sup>th</sup> and 14<sup>th</sup> Congresses to elevate the CICT into a department and the DOTC could drop the "C" from its nomenclature.

At this point, Senator Legarda adverted to a COA report on the Sectoral Performance Audit of the Motor Vehicle Users Charge (MVUC) which found that there were no substantial accomplishments reported as of December 31, 2008, out of the funds released to DOTC amounting to P1.056 billion for air pollution control programs and that funds were being released to regional offices without regional work plans. She said that the report further mentioned that the DOTC promulgated Department Order No. 2008-03 creating a Program Management Office (PMO) which was tasked to formulate and recommend criteria in prioritizing projects to be funded from the SVPCF.

Asked whether the PMO has guidelines on the utilization of the fund, Senator Recto said while the funds were used for planning purposes in the past, the resource persons might now have a better idea how to spend part of the resources, such as funding the LTO to apprehend smoke belchers and construction of vehicle inspection stations. He added that aside from anti-smoke belching, there would be more integrated projects including road safety. He said that Senator Legarda will be provided with a copy of the guidelines on the utilization of the fund.

On another matter, Senator Legarda stressed the need to monitor and regulate emission testing centers in view of several complaints about fly-by-night emission testing centers. She said that representatives of the Association of Private Emission Testing Centers (APETC) have personally complained to some senators that several emission centers in collusion with syndicates and fixers issue certifications to vehicles without testing them for smoke belching. She stated that she would like to ensure a healthy environment for everyone. Senator Recto disclosed that 43 emission testing centers are about to be closed, and 56 more would follow suit. Senator Legarda said that it was unfortunate that the DOTC Secretary nor the LTO head was invited to the oversight committee meeting of Senator Zubiri. Senator Recto expressed the DOTC Secretary's willingness to meet with the APETC representatives.

#### **INTERPELLATION OF SENATOR SOTTO**

Replying to the queries of Senator Sotto, Senator Recto said that the Philippine Coast Guard which is under the Office of the DOTC Secretary, has a budget of P3.059 billion. He affirmed that the budget includes an allocation for the procurement of an EC 145, a search-and-rescue helicopter costing approximately US\$5.8 million, to replace the two aging BO-105c helicopters which are used in rescue operations.

Relative thereto, Senator Sotto recalled that when he was the Chairman of the Senate Committee on Public Services, a North American aircraft company, Bombardier Aerospace, offered the Philippine government a search-and-rescue airplane. He suggested that the Secretary of the DOTC revive talks with the company which is interested in making the Philippines a showcase of its product.

Senator Recto informed the Body that the leadership of the department is willing to consider the suggestion.

On another matter, Senator Sotto recalled that the investigator handling the Eso-Nice bus tragedy in Benguet claimed that the accident was due to faulty brakes even though the operator had been issued a certificate of roadworthiness by the LTO. He inquired if the office had already investigated the employee who issued the certificate. Senator Recto replied that the LTO had learned that the certificate was a fake.

As regards the concern that it was very easy to fake a certification of the LTO, Senator Recto underscored the need to put security features in such documents including the certificates of registration. He gave assurance that the agency was initiating reforms to address the issue.

Asked if the LTO has filed charges against the Eso-Nice bus company, Senator Recto replied that its franchise had been suspended.

On whether the office had also suspended the operation of the Metro Manila buses which joined the recent transport strike, Senator Recto informed the Body that the LTO conducted its initial hearing concerning the issue earlier that day.

Asked whether the LTO and LTFRB have a rationalization plan to ease the daily heavy traffic along EDSA considering that it could only accommodate about 1,600 buses even though there are 6,000 plying Metro Manila, Senator Recto replied that since the agencies' inventory of the buses is about to be completed, reforms to correct the problem are expected to be initiated by January next year.

As regards the suggestion that the LTFRB suspend the operations of all bus firms and eventually allow those complying with the policies and requirements to resume their operations, Senator Recto stated that the DOTC's immediate priority is to stop the operation of "colorum" buses in EDSA as well as buy new coaches for the Metro Rail Transit (MRT) that can transport thousands of passengers a day. He added that there is also a plan to decongest EDSA by constructing a parallel circumferential road. Senator Sotto gave the assurance that he would support the department to ensure that the plans would really be undertaken.

Upon further queries, Senator Recto explained that the Office of the Transportation Security handles the security scanners at the Ninoy Aquino International Airport (NAIA), while the NAIA airport police is in charge of perimeter security. For instance, he said that these security officers inspect vehicles to search for bombs and firearms.

Asked if there is an allocation for enhancing the training and capability of these personnel, Senator Recto replied in the affirmative.

## **INTERPELLATION OF SENATE PRESIDENT ENRILE**

Preliminarily, Senate President Enrile asked for the rationale behind the construction of an airport in Panglao even though both the Mactan-Cebu International Airport Authority and the Tagbilaran airport could service the needs of residents and tourists in that area. Senator Recto reasoned that this was not only because the old airport could no longer be expanded but also due to the fact that Panglao seems to be the current favorite destination of both foreign and local tourists.

On whether the main purpose of the airfield is to promote tourism in Panglao, Senator Recto replied that it is basically for Bohol. However, Senate President Enrile believed that there was no need for an expensive airfield since tourists could reach the province by going through other airports.

Senator Recto said that based on studies, the next best destination after Boracay would be Panglao, and he believed that the presence of an airfield in Panglao would bring in more tourists.

If that were the case, Senate President Enrile remarked that airfields should also be constructed in San Vicente and Balabac in Palawan, as the province is also a tourist destination. Senator Recto said that those infrastructures are part of the program of the DOT.

Senate President Enrile stated that Cagayan Valley, which has a population of three million, has better beaches than Panglao but he lamented that the government seemed not interested in putting up such basic tourism infrastructures and facilities.

Relative thereto, Senate President Enrile surmised that the purpose for constructing an airfield in Laguindingan in Misamis Oriental was to give the Ayala's easy access to a big tract of land that they want to develop in that area despite the fact that there is a well-developed airport in Cagayan de Oro. He decried the unwillingness of the national government to fund tourism infrastructure in other well-populated areas of the country that also have beautiful tourist attractions. He also suggested that the secretary of Tourism send people to the airfield being constructed in the town of Lallo in Cagayan Province to see whether it has extended any help to the project.

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## **INTERPELLATION OF SENATOR CAYETANO (A)**

Asked by Senator Cayetano (A) whether the DOTC under the new Administration had ordered a review of all its contracts under the past regime, Senator Recto replied in the affirmative, adding that these numerous agreements includes the NAIA III and the CNS-ATM contract with the Air Transportation Office (ATO).

On whether the CNS-ATM deal had been approved, Senator Recto said that the contract received a favorable review.

In the case of NAIA Terminal III, Senator Cayetano (A) said that there is no harm in reviewing the contract provided doing so will not cause delays particularly as the President had committed that it would be open by June 2011.

Asked whether there were contracts for Terminal III which were still under review, Senator Recto answered that the review, which had been completed, recommended the suspension of the contracts.

As regards reports that Terminal III would not be opened by June 2011 due to the suspension of the contracts, Senator Recto said that Senator Cayetano (A) has the correct information.

## **SUSPENSION OF SESSION**

Upon motion of Senator Recto, the session was suspended.

*It was 5:01 p.m.*

## **RESUMPTION OF SESSION**

At 5:04 p.m., the session was resumed.

Asked whether the Department could finish its review and get over any legal entanglement so that it could get the process started by the end of the year, Senator Recto answered in the affirmative.

Senator Cayetano (A) believed that having Terminal 3 open on schedule would boost goodwill and investments for the country.

To the observation that the PCG Mactan and Romblon Buoy Bases are floating ports, Senator Recto clarified that they are regular ports. He said that the DOTC budget includes funds for the manufacturing of the buoy but not for the floating ports.

Senator Cayetano (A) asked how much funding was being allotted to the Coast Guard for 2011 vis-à-vis what it actually needs to effectively respond to natural and maritime disasters as well as guard Philippine waters. Senator Recto explained that the fact that the country has one of the longest coastlines in the world meant that, ideally, there should be one Coast Guard vessel for every province in a coastal area or about 60 ships. He noted that of the 20 ships that are operational, ten are owned by the Coast Guard while the other ten are owned by the BFAR. However, he admitted that there were no plans to buy new ships because there is no budget for such purchases.

As regards the suggestion that the Coast Guard resort to other measures to acquire more vessels such as seeking donations from other governments or lobbying Congress to include the matter of acquisition in the review of the VFA, Senator Recto pointed out that the problem of sourcing fund hinders the agency from realizing many of its plans. For instance, he said that most of the P1 billion increase in the Coast Guard's budget for 2011 would be used to pay interest payments and salaries in compliance with the Salary Standardization Law III. He stressed that the economy has to grow at a faster rate, so that the government could generate more revenues to fund all its plans and requirements. He noted that although the country needs a 5% GDP to address infrastructural loans, only 1.6% of the budget is supported by the same.

Asked how much the government is losing to oil smuggling, Senator Recto confirmed that an estimated 30 million barrels are lost to oil smuggling. He said that the actual losses would be astronomical if the estimated \$80 worth of oil for each barrel was computed together with the 12% VAT levied on it.

Senator Cayetano (A) hoped that the Coast Guard would provide Taguig City with a disaster preparedness quick response facility similar to that in Batangas. He urged the Coast Guard to solicit donations for equipment from other countries and truly lobby for an increase in their budget.

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Senator Cayetano (A) hoped that the 2011 budget would be spent well to improve the Coast Guard because it plays a key role not only in fighting oil smuggling and promoting tourism, but also in ensuring the safety of sea travellers and the efficient transportation of goods. He pointed out that unlike Singapore, Malaysia, Hong Kong, Taiwan and Indonesia that put a premium on the capability of its Coast Guard to provide assistance to passenger ships, the lack of sufficient funding and equipment has hindered the Philippine Coast Guard from effectively handling maritime disasters. He urged the Coast Guard to remind Congress to allocate enough funds for its needs.

Senator Recto gave assurance that the Coast Guard would submit its plan for 2011. However, he believed that an improper prioritization of resources was the root of the problem.

Senator Cayetano (A) stressed that the Coast Guard would also play a big role in the plans to run ferries from Metro Manila to Rizal and Laguna.

Senator Cayetano (A) underscored the Administration's effort to be more transparent and open to criticism as he encouraged them to involve the NGOs and the media in all the controversial contracts.

#### **FURTHER INTERPELLATION OF SENATOR SOTTO**

Asked by Senator Sotto whether the Transportation Security Office was in charge of canine security in the airports, Senator Recto replied that this was being handled by the PNP.

#### **INTERPELLATION OF SENATOR ESCUDERO**

Preliminarily, Senator Escudero believed that the MRT 3 project was grossly disadvantageous to the government particularly in view of the fact that the Landbank and the DBP had acquired a controlling interest in the railway transit system and that he could not understand what Mr. Sobrepeña was selling to Mr. Manny Pangilinan considering that his shares had already been securitized and sold in the market. He noted that, apparently, Mr. Sobrepeña still controls the revenues earmarked by the MRT 3. He pointed out that advertising revenues from the MRT 3 could be used to supplement its income and in effect, lower the fees charged to commuters. Relative thereto, he

sought clarification as to the party owning the MRT 3. Senator Recto replied that the MRT Corporation of the Sobrepeña Group still controlled the railway system, even though the group of Manny Pangilinan was interested in purchasing the outstanding stocks in the firm. He added that it was still unclear whether the government, which has 14 of the 15 board seats in the MRT Corporation, could exercise full authority over the same as it bought 73% of the bonds but does not own any equity.

Senator Escudero noted that under arrangement, the government will return ownership of the MRT 3 since only the economic interest is sold to the private partner. He asked which parties could receive the P8 billion subsidy. Senator Recto explained that although the Landbank and DBP would get 72% of the budget and will remit the dividends to the government, even the Department of Finance was uncertain as to the recipient of the remaining 28%. As such, he expressed support for Senator Escudero's suggestion that a hearing be conducted on the matter.

Senator Escudero surmised that the BSP allowed the Landbank and DBP to buy into the economic interest of MRT 3, only for a limited time because the banks are not competent to run such a business. He presumed that Landbank and DBP would resell their interests via reprivatization to be undertaken through public bidding.

For his part, Senator Recto believed that the expected public bidding for the operations and maintenance of the full logo system of the MRT and LRT around Metro Manila had prompted Manny Pangilinan's interest in the MRT 3. He further clarified that Mr. Pangilinan had not paid P700 million for the MRT 3 but had only made a calculation of the amount needed to expand the railway system. However, Senator Escudero remarked that the reported P800 million corporation agreement between the Sobrepeña and the Pangilinan groups was quite a hefty price for a putative reprivatization particularly if the Sobrepeña group actually had nothing to sell in the first place.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Recto, the session was suspended.

*It was 5:30 p.m.*

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## **RESUMPTION OF SESSION**

At 5:39 p.m., the session was resumed.

Senator Escudero thanked Senator Recto and expressed the need for the Senate to conduct an inquiry into the matter.

## **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Transportation and Communications, and its attached agencies — Office of the Secretary, Civil Aeronautics Board, Maritime Industry Authority, National Telecommunications Commission, Office of the Transportation Cooperatives, Office of the Transportation Security, Toll Regulatory Board and the Philippine National Railways — was deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 5:41 p.m.*

## **RESUMPTION OF SESSION**

At 5:49 p.m., the session was resumed.

## **DEPARTMENT OF TOURISM**

Senator Recto presented the budget of the Department of Tourism (DOT) and its attached agencies.

## **SUBMISSION OF THE BUDGETS OF THE DEPARTMENT OF TOURISM AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Tourism, and its attached agencies — Office of the Secretary, Intramuros Administration, National Parks Development Committee, Tourism Promotions Board (PCVC) — was deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, Senate President Pro Tempore Ejercito Estrada declared the session suspended until ten o'clock in the morning the following day, November 26, 2010.

*It was 5:50 p.m.*

## **RESUMPTION OF SESSION**

At 10:36 a.m., Friday, November 26, 2010, the session was resumed with Senate President Enrile presiding.

## **SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3101**

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

## **THIRD 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. 2612, entitled

**AN ACT AMENDING REPUBLIC ACT NO. 9296 OTHERWISE KNOWN AS "THE MEAT INSPECTION CODE OF THE PHILIPPINES," PRESCRIBING PENALTIES OF IMPRISONMENT AND FINES FOR VIOLATIONS THEREOF AND AMENDING CHAPTER XIV THEREOF FOR THE PURPOSE**

Introduced by Senator Pangilinan

**To the Committee on Agriculture and Food**

Senate Bill No. 2613, entitled

**AN ACT PROVIDING PROFESSIONAL DEVELOPMENT FOR ELEMENTARY SCHOOL PRINCIPALS IN EARLY CHILDHOOD EDUCATION AND DEVELOPMENT**

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Introduced by Senator Defensor Santiago

**To the Committees on Education, Arts and Culture; and Finance**

Senate Bill No. 2614, entitled

**AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF A COMMITTEE TO IDENTIFY AND COORDINATE INTERNATIONAL SCIENCE AND TECHNOLOGY COOPERATION THAT CAN STRENGTHEN THE DOMESTIC SCIENCE AND TECHNOLOGY ENTERPRISE AND SUPPORT PHILIPPINE FOREIGN POLICY GOALS**

Introduced by Senator Defensor Santiago

**To the Committee on Science and Technology**

**RESOLUTIONS**

Proposed Senate Resolution No. 292, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE RECURRING REPORTS OF GOVERNMENT HOSPITALS ALLEGEDLY KEEPING MILLIONS OF PESOS WORTH OF SURPLUS AND EXPIRED MEDICINES**

Introduced by Senator Defensor Santiago

**To the Committee on Health and Demography**

Proposed Senate Resolution No. 293, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED DESECRATION OF BURIAL SITES IN SAGADA**

Introduced by Senator Defensor Santiago

**To the Committee on Education, Arts and Culture**

Proposed Senate Resolution No. 294, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE REPORTED PROJECTED POPULATION INCREASE IN METRO MANILA IN ORDER TO ESTABLISH A SUSTAINABLE DEVELOPMENT FRAMEWORK TO ADDRESS THE IMPENDING DILEMMA**

Introduced by Senator Defensor Santiago

**To the Committee on Health and Demography**

Proposed Senate Resolution No. 295, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED POOR FORENSIC INVESTIGATION BY PHILIPPINE AUTHORITIES**

Introduced by Senator Defensor Santiago

**To the Committee on Justice and Human Rights**

Proposed Senate Resolution No. 296, entitled

**RESOLUTION DIRECTING THE SENATE COMMITTEES ON TRADE AND COMMERCE; AGRICULTURE AND FOOD; AND SCIENCE AND TECHNOLOGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON IMPROVING AND STRENGTHENING THE COMPETITIVENESS OF THE LOCAL HALAL INDUSTRY IN THE GLOBAL MARKET AND SECURING THE STANDARDS OF LOCAL HALAL PRODUCTS**

Introduced by Senator Defensor Santiago

**To the Committees on Trade and Commerce; and Agriculture and Food**

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Proposed Senate Resolution No. 297, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE REPORTED NEED TO ADDRESS THE INCREASE OF STREET CHILDREN IN THE COUNTRY**

Introduced by Senator Defensor Santiago

**To the Committees on Youth, Women and Family Relations; and Social Justice, Welfare and Rural Development**

Proposed Senate Resolution No. 298, entitled

**RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE NEED TO FIND ALTERNATIVE SOURCES OF FUNDS AND ALLOCATE A PORTION OF THESE TO THE PUBLIC HEALTH SECTOR IN ORDER TO IMPROVE THE PUBLIC HEALTHCARE SYSTEM**

Introduced by Senator Defensor Santiago

**To the Committee on Finance**

Proposed Senate Resolution No. 299, entitled

**RESOLUTION CONDEMNING THE VIOLENT DEATH OF PROMINENT BOTANIST LEONARDO CO AND TWO OTHER COMPANIONS WHO WERE ALLEGEDLY CAUGHT IN A CROSSFIRE IN THE LEYTE PROVINCE AND DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE MILITARY'S PROBABLE BREACH OF THE RULES OF ENGAGEMENT BY INDISCRIMINATELY FIRING WITHOUT VERIFYING THEIR TARGETS**

Introduced by Senator Defensor Santiago

**To the Committee on National Defense and Security**

Proposed Senate Resolution No. 300, entitled

**RESOLUTION URGING THE SENATE COMMITTEE ON GOVERNMENT CORPORATIONS AND PUBLIC ENTERPRISES, AND OTHER APPROPRIATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE TRANSFER OF THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO) IN QUEZON CITY TO THE PHILIPPINE INTERNATIONAL CONVENTION CENTER (PICC) IN MANILA**

Introduced by Senator Sotto III

**To the Committee on Government Corporations and Public Enterprises**

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 10:40 a.m.*

#### **RESUMPTION OF SESSION**

At 10:47 a.m., the session was resumed.

#### **COMMITTEE REPORT NO. 11 ON HOUSE BILL NO. 3101**

*(Continuation)*

Upon motion of Senator Sotto, there being no objection, the Body resumed consideration, on Second Reading, of House Bill No. 3101 (Committee Report No. 11), 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 ELEVEN, AND FOR OTHER PURPOSES.**

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

Thereupon, the Chair recognized Senator Drilon, Sponsor of the measure.

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*At this juncture, Senate President Enrile relinquished the Chair to Senator Honasan.*

## DEPARTMENT OF LABOR AND EMPLOYMENT

Senator Drilon presented the budget of the Department of Labor and Employment (DOLE) and its attached agencies. He stated that he used to head the Department which believed was being manned by very competent bureaucrats headed by Secretary Linda Baldos.

Senator Drilon said that the P6,390,368,000 budget of DOLE that the House of Representatives approved was also approved by the Senate. As regards the TESDA budget, he clarified that the House of Representatives transferred P7.334 million from personal services for the higher education program of the Surigao del Norte College of Agriculture and Technology to the Surigao State College of Technology under the SUCs.

## RESERVATION TO INTERPELLATE

Senator Sotto manifested that Senator Cayetano (A) had made reservation to interpellate on the DOLE budget.

## INTERPELLATION OF SENATOR SOTTO

Asked by Senator Sotto on whether the National Labor Relations Commission (NLRC) used to be the Workmen's Compensation Commission (WCC), Senator Drilon replied in the negative, as he clarified that it was the Employees' Compensation Commission (ECC) that used to be the WCC. He said that the ECC runs the State Insurance Fund and does not get its budget from the General Appropriations Act.

Senator Sotto recalled that his mother was the medical commissioner of the WCC at one time.

Upon query, Senator Drilon stated that TESDA, under the able leadership of Dir. Gen. Joel Villanueva, has an allocation of P2,838,000,497.00 in 2011. He explained that while there appeared to be a cut of P7.34 million, it was actually a transfer from the TESDA budget to the SUC budget -- the amount pertaining to the Surigao del Norte College of Agriculture and Technology was moved to the Surigao State College and Technology.

Asked why the students and media kept referring to the transfer as a cut in the 2011 SUCs budget, Senator Drilon explained that nothing was cut, and that, in fact, embedded in the 2010 budget were congressional insertions amounting to P2.8 billion. He reiterated that the budget for SUCs in the 2010 National Expenditure Program (NEP) of the Arroyo Administration was actually P19,592,000,000, however, the General Appropriations Act for 2010 showed a budget of P22,402,000.000 or an increase of P2.81 billion which, he surmised, came from the appropriation for interest payments that was made to appear to be an overstatement because of disagreements on the peso-dollar exchange rates.

Moreover, Senator Drilon explained that in his 2011 budget submission, the President removed the congressional insertions for the SUCs because they cannot be possibly sustained at that level. But he pointed out that the 2011 budget for SUCs was actually higher than in 2010.

Asked how the congressional insertions in the 2010 budget were funded and used, Senator Drilon disclosed that in her veto message, President Arroyo imposed as a condition for the release the availability of funds beyond the programmed revenue. He remarked that unfortunately, the deficit expanded or increased as against the programmed deficit and there was no way by which the additional amounts could have been released because they were not there.

Addressing the students and professors of the SUCs who staged walkouts and demonstrations to protest the so-called budget cut, Senator Sotto stressed that there was no budget cut to begin with because the cut actually involved the removal of congressional insertions that were, in fact, vetoed by the President.

Senator Drilon remarked that students and professors of the SUCs cannot be blamed for reacting that way because they did not know that the additional budget for the SUCs in the 2010 budget were actually congressional insertions which were subject to a conditional veto of President Arroyo -- that the funds for the additional budget could only be released if there was a source for new funds or resources which did not materialize because the government's current budget deficit is bigger than it was when the budget was being prepared.

Asked for a list of legislators who made the insertions in the 2010 SUCs budget, Senator Drilon

replied that the Committee still has to look for the records.

Senator Sotto remarked that it is the job of the media to inform the student populace and the rest of the country that they have nothing to demonstrate against. He commented that the students and teachers were demonstrating against the cut of congressional insertions that were not even released to the SUCs.

As regards government agencies that deal with overseas labor and employment, Senator Drilon cited 1) POEA which is in charge of regulating licenses of recruitment agencies; and 2) OWWA, which is in charge of welfare cases. He said that there is an OWWA fund which stood at approximately P12.6 billion. He added that apart from the DOLE, the DFA also provides legal services to overseas Filipinos and the whole arbitration branch that processes complaint of the overseas workers.

Asked which agency was in charge of providing legal services to overseas Filipino workers, Senator Drilon reiterated that the DFA was responsible for the legal defense of all Filipinos overseas.

Asked to comment on the proposal to establish a Department of Overseas Welfare and Development, Senator Drilon believed that an additional bureaucracy just to take charge of the OFWs was not needed at this point because the present bureaucracy can adequately respond to the concerns of the OFWs. He recognized the contributions of the OFWs which he recalled was approximately US\$17 billion every year.

In closing, Senator Sotto remarked that it would probably be best to ask the DOLE Secretary and the other stakeholders in a public hearing about the creation of a Department for Overseas Welfare and Development or a Commission on Overseas Filipinos.

#### **INTERPELLATION OF SENATOR CAYETANO (A)**

Senator Cayetano (A) acknowledged that the POEA, OWWA, DOLE and DFA have different mandates insofar as attending to the needs of the OFWs is concerned. He noted that while the number of OFWs with problems was on the low side, it was important to show the OFWs that the government

takes care of them, especially when they have problems with abusive employers or when they needed repatriation or legal service.

Relative thereto, Senator Cayetano (A) asked on the purpose of the "Workers Protection and Welfare Service to Overseas Filipino Workers in the DOLE budget." In response, Senator Drilon explained that the item basically pertains to services performed by the labor attachés and welfare officers in the different embassies, 39 foreign posts and 16 Filipino workers resource centers.

To the observation that although the DFA handles the legal service fund of the OFWs, the workhorse is the labor attaché, Senator Drilon agreed, saying that the labor attachés are funded under the GAA while the Filipino Workers Resource Centers, staffed by welfare officers, is funded by the OWWA.

Asked why the Department's MOOE amounting to P188 million was cut by P50 million, Senator Drilon replied that the cut was a congressional insertion. He stated that the MOOE of welfare officers was sourced from the OWWA fund.

Senator Cayetano (A) remarked that he did not see anything wrong with congressional insertions *per se* unless they were immoral, illegal or a waste of money and neither did he see anything wrong in supporting the Workers Protection and Welfare Services to the OFWs with a congressional insertion which was just an amendment. Senator Drilon clarified that he was not passing judgment on the congressional insertion but merely stating the fact that they were vetoed conditionally by President Arroyo and as a consequence they were excluded in the 2011 budget.

Noting that the 2011 budget next year will be the Aquino budget, Senator Cayetano (A) urged the DBM to respect any amendment that Congress made so that in the 2012 budget, it cannot be said that a particular allocation or appropriation was removed because it was a congressional insertion.

Senator Drilon said that the 2010 budget carried an abnormally large insertion in the amount of P64 billion that really distorted it.

Saying that he is an ally in ensuring that no plot could destroy the country's democracy, Senator Cayetano (A) asked why unprogrammed funds should be obligated. He noted that this was akin to the

policy of President Ramos on mandatory reserves — for instance, he would assure a department secretary a budget of P100 million for OFWs instead of only P50 million, with the additional P50 million to be given on the 3<sup>rd</sup> or 4<sup>th</sup> quarter of the year, subject to availability of funds. Senator Drilon said that it is a question of policy whether or not the administration would like to project a higher program deficit, a policy that could be discussed when the next full budget is crafted by the Aquino administration. Senator Cayetano (A) agreed on the need to discuss the matter, as he pointed out that revenues automatically go to savings, not to unprogrammed funds.

As regards OFWs, Senator Cayetano (A) believed that it is time that the government made them feel in real terms the support that they need. He said that in a survey among OFWs, results surprisingly revealed that they chose seemingly trivial things to make them feel better off, such as reasonable fees and the quality of toilets in the country's airports.

Relative thereto, Senator Cayetano (A) cited several complaints by OFWs in Hong Kong, among them: forms in the consulate are made unavailable but could be secured for \$50; they were required to be retrained by TESDA after the 2007 crisis, almost losing their jobs because they were granted only a few days leave from work; and TESDA would teach them conventional things such as using washing machines with separate dryers and washers, when these are not in use in Hong Kong anymore. He also narrated the experience of his neighbor who was abused by his employer and went to a Philippine Embassy in the Middle East for help. He said that the OFW was given back his passport and deported to the Philippines on the condition that he would not press charges against his employer.

He hoped that in the next budget hearing, the DOLE and its attached agencies, particularly the POEA and OWWA, as well as the labor attachés and labor arbiters, could give an assessment of the reforms they did in 2011.

As regards the actuations of embassy people, Senator Cayetano (A) said that the Commission on Appointments is trying to address complaints against consuls and ambassadors who are merely reassigned to other posts when there are complaints against them. He hoped that the labor attachés and other embassy people could be held more accountable, but

at the same time protecting them from people who would arbitrarily file cases against them for various reasons if they do not get what they want.

Considering the shortage of lawyers in government, Senator Cayetano (A) asked on the reason for removing in the 2011 GAB the special allowances for labor arbiters of the NLRC as provided for in RA 9347. Senator Drilon affirmed the observation, saying that in the proposed budget, the NLRC is authorized to use its income sourced from fees collected to constitute the Special Trust Fund for the payment of special allowance to the chairman of the NLRC in accordance with RA No. 9347, subject to the submission of a special budget pursuant to Section 35, Chapter V, Book 6 of EO 292. He disclosed that the Committee has amended the committee report and included the phrase "and commissioners" after the word "Chairman," thereby including the special allowance under the Special Trust Fund, consistent with the provision in RA 9347.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 11:26 a.m.*

## RESUMPTION OF SESSION

At 11:31 a.m., the session was resumed.

Upon resumption, Senator Drilon affirmed that the 2010 GAA allows the chairman, the commissioners, and the labor arbiters to draw allowances from the Special Fund, but the GAB of 2011 left out the commissioners and the labor arbiters.

Expressing gratitude to Senator Cayetano (A) for calling attention to the matter, Senator Drilon assured that at the appropriate time, the Committee would propose an amendment to include the labor arbiters as part of those who are entitled to the benefits under the Special Fund collected that they already presently enjoy.

At this point, Senator Cayetano (A) adverted to Section 4 of RA 9347, which reads:

The Chairman and members of the Commission shall have the same rank, receive an annual salary equivalent to, and be entitled to

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the same allowances, retirement and benefits as those of the Presiding Justice and Associate Justices of the Court of Appeals, respectively. Labor arbiters shall have the same rank, receive an annual salary equivalent to and be entitled to the same allowances, retirement and other benefits and privileges as those of the Judges of the Regional Trial Courts. In no case, however, shall the provision of this Article result in the diminution of existing salaries, allowances and benefits of the aforementioned officials.

Senator Cayetano (A) asked whether the labor arbiters are getting 100% of the allowances equivalent to those received by judges under RA 9227.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 11:34 a.m.*

## RESUMPTION OF SESSION

At 11:35 a.m., the session was resumed.

Senator Drilon stated that even though the arbiters benefit from the special funds, the benefits that they receive would not be sufficient to put them equal to 100% of their basic pay. The remedy, he said, is either to increase the filing fees or include it in next year's budget.

Senator Cayetano (A) noted that in the 2010 budget, only P20 million from the special trust fund could be used to fund the allowances. He asked whether the problem was due to the P20 million cap or because of insufficient funds. Senator Drilon replied that the fund itself was insufficient, as it was less than P20 million.

On whether the NLRC submitted to the DBM a proposed appropriation to be sourced not from the special fund but from a regular allocation in the GAA for the full implementation of the law, Senator Drilon replied that it did but it was not allowed.

Senator Cayetano (A) requested the NLRC to submit its proposal to the Committee which he would consider during the period of amendments because he believed that if the judges and fiscals are receiving 100%, the arbiters should be given the same amount.

Senator Drilon stated that the under the law these allowances are considered advances to the increases that the arbiters will receive under the Salary Standardization Law (SSL). He explained that if the allowances are less than that granted through the SSL, an appropriation would be provided in the budget to cover the deficiency.

Senator Cayetano (A) maintained that the law states that the arbiters ought to receive an allowance equivalent to 100% of the pay of judges. This, he said, meant that any previous advances would be cancelled out because the allowances of the judges under the SSL had also been increased.

For his part, Senator Drilon said that the amount needed to cover the deficiency must be determined because it is only with the full implementation of the SSL that the arbiters would get 100% of their allowances.

Senator Cayetano (A) insisted that the intent of the law is to put arbiters at par with judges in terms of compensation so that they would not leave and apply as fiscals or judges. He requested the NLRC to submit its computation to the Committee so that it can determine where the funding could be sourced or have the same considered in the 2012 budget in case no allocation could be made for 2011.

Senator Drilon explained that the difference in opinion between the Supreme Court and the DBM was precisely on the provision on special allowances because the High Court had taken the position that in addition to the amount that the judges are getting from the grant of special allowances, they should also get what is being given under the SSL. However, he gave the assurance that the Committee will undertake an extensive study and wait for the computation of the NLRC.

Given the amount of work but limited time to take over from the Arroyo regime, Senator Cayetano (A) commended the Committee on Finance and the DBM for having done an amazing job on the budget. However, he stated that he agreed with the position of the Supreme Court that the special allowance was intended to give government lawyers adequate compensation in lieu of higher pay in the SLL since doing so would distort all the salary scales.

Senator Drilon disagreed. He contended that the DBM based its position on the law itself, which

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provides that the allowances are advances on future increases under the SSL.

If these were the case, Senator Cayetano (A) stated that a lawyer or a doctor would have a higher salary than a mayor or cabinet secretary which will not make sense since a higher position deserves a higher salary. He believed that the solution is not through the SSL but by granting them allowances.

Senator Drilon believed that the matter ought to be studied more carefully to avoid repeating a misinterpretation of the law particularly since the Supreme Court and the labor arbiters have the same position on the issue.

Senator Cayetano (A) pointed out that even though the special allowances are a good anti-graft measure, funding for the same remains to be a problem.

On a related matter, Senator Cayetano (A) lauded the National Conciliation and Mediation Board (NCMB) for accomplishing a high disposition rate of cases in 2009 as reported by the COA. He asked for the current number of accredited volunteer arbitrators (AVAs) and whether DOLE had extended them support given their good performance. Senator Drilon replied that presently only 231 of the 882 AVAs were handling cases. He agreed that voluntary arbitration is a program which the DOLE ought to support and promote because it is a better alternative to government intervention in labor disputes.

Asked on the official unemployment and underemployment rates, Senator Drilon replied that as of July 2010, unemployment rate was pegged at 6.9% and the underemployment rate at 17.9%. He stated that the unemployment rate in the Philippines is consistently higher than Malaysia, Singapore, Thailand and China.

Senator Cayetano (A) said that he was surprised by the results of the SWS survey conducted during the campaign period which showed the unemployment rate to be much higher than the official figures of 6%, 8%, 10% or 12%. This, he alleged, meant that the government had not revealed the real statistics on the situation.

Senator Cayetano (A) lamented that the unemployment rate in the country has been as high as 7%, and he pointed out that there could be a

problem with how "employment" is defined. For instance, he said that a person is not considered unemployed if he is not looking for a job while another who works at least one hour a day and earns about P50 to P150, just like the street sweepers employed by the LGUs, is seen just the opposite. He suggested that DOLE craft a more specific definition of such terms and do away with hypocrisy, formalities and statistics so that it could address the high unemployment rate.

Senator Drilon said that while he fully agrees with Senator Cayetano (A), the statistics on unemployment were based on a set of criteria by the International Labor Organization (ILO) which include those who are looking for work but are unable to do so because none is available but excludes someone who is not looking for a job even if he is unemployed.

Senator Cayetano (A) clarified that he was not suggesting that the country go against international standards; rather, the government ought to have a more accurate assessment of the situation. He cited the fact that the media, politicians and even policy-makers tend to rely on results of self-rated hunger and poverty surveys of the Social Weather Stations (SWS) than the official Family Income and Expenditure Survey (FIES) of the National Statistics Office which is conducted every three years. He suggested that these kinds of survey be used to determine how the LGUs are addressing unemployment in their areas.

In response, Senator Drilon said that the DOLE would start to disaggregate the unemployed force in the coming months.

Asked whether the TESDA allocation of P50 million for training and educational program on reintegration opportunities for OFWs would be sufficient, Senator Drilon said that the amount does not include the fund appropriated for the same program which is P117.4 million allotted by the OWWA for scholarships, short-term training and collegiate courses for employment and skills development.

Senator Cayetano (A) expressed hope that with President Aquino at the helm, the economy would continue to grow and could usher in jobs for OFWs who would prefer to stay in the country for good. He pointed out that the reintegration program should be

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enhanced because it would be instrumental in providing for the families of OFWs.

Asked whether the OWWA funds for land-based and sea-based overseas workers have been segregated, Senator Drilon answered in the affirmative. He said that as of September 30, 2010, the collection for land-based overseas workers stood at P826.1 million, while sea-based OFWs had a fund of P368.3 million.

Senator Cayetano (A) lamented that more often than not, projects of previous and present administrations intersect. For instance, he said that the new congressman of Taguig City blocked the release of P15 million allocated by the former congressman which was intended for TESDA scholarships. He asked whether the TESDA director general or the head of the concerned department would be able to assure the release of the funds. Senator Drilon replied that certainly there was politics involved there, and he gave the assurance that if there was already a SARO, the present TESDA leadership would recommend its release because ultimately, it is the potential scholars who would suffer.

Asked whether there had been a COA audit on TESDA under past administrations, Senator Drilon replied that the audit is ongoing. He said that while the present leadership is fully cooperating with the COA by providing them access to the documents pertaining to past operations, they are encountering difficulties in providing the supporting papers for unfunded vouchers which had been issued under previous administrations.

Senator Cayetano (A) said that it did not make sense to request more funding for the TESDA as it had previously been given a huge budget but did not have any results. He clarified that it was not the TESDA that was at fault but those responsible for the mismanagement of the funds. He expressed hope that the increase of the TESDA budget from P300 million to P700 million would be a good start for the scholars of technical education which may account for 83% of the student population.

#### **INTERPELLATION OF SENATE PRESIDENT ENRILE**

Asked by Senate President Enrile whether DOLE would continue to tolerate "contractualization" or the

common and current practice of some business establishment of hiring workers for a duration of six months only, Senator Drilon replied that only labor-contracting is prohibited under the Labor Code, and that the DOLE does not allow contractualization.

To the Senate President's suggestion that a law be crafted that would require business establishments to keep contractual workers even after completing their term of service, Senator Drilon admitted that work contractualization is rampant in a labor-surplus economy because many of the employed or the underemployed would accept such terms for lack of other employment opportunities. However, he said that the DOLE was aware of the problem and has made it a part of the legislative agenda that it would present to Congress at the appropriate time.

Asked whether the DOLE was aware of and had taken action following reports that many business establishments do not even pay the minimum wage but their workers do not complain for fear of losing their job, Senator Drilon said that based on DOLE statistics, 70% of companies have complied with the minimum wage law. He said that the inspectorate system in the DOLE regional offices regularly checks the records of the companies and those found not complying with the law would be made to pay its workers the appropriate amount as restitution. He said that the inspectorate system is advantageous to the workers because they do not need to file a complaint since the violation would be detected through the inspection of company records.

In closing, Senate President Enrile suggested that Congress initiate a thorough investigation regarding the situation to determine whether to tolerate labor contractualization or find a suitable solution to protect the workers.

#### **INTERPELLATION OF SENATOR LEGARDA**

Preliminarily, Senator Legarda asked how many companies in the private sector employ contractual workers. Senator Drilon replied that DOLE inspection team only had limited data on the matter. However, he opined that contractualization appeared to be a growing trend because the labor economy was affected by the principle of supply and demand. He explained that in a labor-excess economy, some employers tend to avoid following labor standards and many workers are paid lower than the minimum wage. He believed that the best protection for workers

is a fully developed economy with a negligible unemployment rate so that the employers could not resort to such unfair labor practices.

On another matter, Senator Legarda sought clarification regarding reports that some nursing graduates and interns have resorted to paying hospitals for their internship or training and are not even compensated for their services. Senator Drilon replied that such a practice is not allowed by the DOLE. However, he noted that nursing graduates would agree to work in a hospital without compensation in exchange for getting training needed for work overseas. He acknowledged that the situation, which is also evident in government hospitals, would not be beneficial to nurses unless they were hired and paid for their services. Senator Legarda asked whether the Department of Health not only knew but was tolerating such a practice. She requested the DOLE to provide information regarding labor contractualization so that proper legislation could be crafted to address the issue.

Senator Legarda asked how the huge decline in the budget of the TESDA would affect unemployed and out-of-school youths that are training with the agency under the Training for Work Scholarship Program (TWSP). Senator Drilon explained that the P5.454 billion that had been allocated for the TWSP was reduced to P700 million during the Arroyo Administration and was retained at the same level by the Aquino government. He said that the budget cut issues were raised regarding abuses in the utilization of the fund.

Senator Drilon disclosed that an audit has already been conducted on the extraordinarily large allocation, and he informed the Body that Director General Villanueva had told him that the agency was being pestered and threatened with collection suits filed by TESDA-accredited training institutions because of unfunded vouchers. He said that the P5.4-billion fund exceeded by P970 million, and he bared that P570 million worth of scholarship vouchers were issued without funds. He stated that a significant portion of the P5.4 billion came from the President's social fund and not from the GAA, and this was abused by some of the former directors who were political allies of the former President.

As regards the P700 million training-for-work program, Senator Drilon stated that the program, which will be conducted by TESDA and accredited

centers, will cover agriculture, BPOs, tourism, creative industry, infrastructure and manufacturing, or the key employment generating sector.

On whether the projects were carried over from previous years or these are new studies based on needs and employment opportunities, Senator Drilon stated that the selected sectors have always been there; it was merely based on prioritization, and the DTI identified the sectors that were demand-driven. He disclosed that in the briefing of the DTI, agriculture, tourism, and service industries were among the sectors that were being developed.

Asked how the regions were served through these funds, Senator Drilon stated that it depended on the capacity of the different regions to do the training. He said that scholarships were recommended by the industry boards while some were generated by applications of trainees.

Adverting to available data on the training-for-work program, Senator Legarda observed that for the age group 15 to 24, the unemployment rate was relatively high at 17% compared to the average rate of 6.8%. She inquired how the program would have a positive impact on the youth unemployment problem and what part of the problem would be solved.

Senator Drilon explained that the target of the TESDA is to have 55 out of 100 trainees employed six months after completing the training. He said that it would be best for the present leadership to be given the opportunity to reach the targets rather than use the experience of the past when the program was used for political purposes. He asserted that the statistics was much lower in terms of result because it was obvious that the objectives were different from the original intention of the program.

Senator Legarda reiterated her support for TESDA and expressed hope that it will continue its programs. She stated that she had wanted to give the agency a bigger budget but realized that it was unattainable to increase the budget of every agency.

On another matter, Senator Legarda inquired if the OWWA still has the funds to repatriate workers and provide legal assistance to OFWs in the event that the assistance for the repatriation of workers under the National Fund was deleted.

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In reply, Senator Drilon stated that insofar as members of the OWWA are concerned, there is a repatriation assistance budget of P70 million, P50 million from DOLE, P79.3 million from DFA and additional P30 million for legal assistance. He said that the DFA's budget for this purpose was restored in the House version of the GAB, providing for the implementation of RA 1022, the Amended Migrant Workers Act, including a minimum amount of P30 million for legal assistance fund. He said that the appropriation is P136,000,480.00 in addition to the fund of OWWA.

On whether there are still Public Employment Service Offices (PESOs) even if the law was never funded, Senator Drilon replied that they are under the payroll of the LGUs, adding that the Bureau of Local Employment (BLE) under the DOLE has oversight functions over the PESO officers. He stated that according to the DOLE, there are 1,756 municipalities with PESO officers under the LGU payroll.

#### **INTERPELLATION OF SENATOR CAYETANO (P)**

Adverting to the points raised by Senator Legarda regarding nurses, Senator Cayetano (P) stated that the hearing on the matter had to be reset because the DOH was not available during the original schedule.

On another matter, Senator Cayetano (P) stated that during the Fourteenth and Fifteenth Congresses, she filed a resolution and after months of committee hearings, much progress has been made; however, DOLE has refused to sign the final documentation without a law to settle the discrimination against Hepatitis B carriers in the workforce.

Senator Drilon stated that the DOLE secretary was not aware of the incident involving an official refusing to sign the agreement. He said that the Secretary would look into the incident and submit a report to the Body. He informed the Body that the office in charge of the matter was the Occupational Safety and Health Center.

Senator Cayetano (P) likewise sought the assurance of the DOLE that the existing gender-related labor concerns are being carefully monitored by the agency. Senator Drilon said that the DOLE has given assurance that the concerns are being covered by the Family Welfare Program of the DOLE.

At this point, Senator Cayetano (P) stated that Dr. Teresita Cucueco is the executive director of the Occupational Safety and Health Center. She asked what the problem was behind the first documentation. Senator Drilon replied that the draft was being refined.

Senator Cayetano (P) reiterated that her office had received information that the DOLE officials were not inclined to sign the draft policy, invoking the absence of the law thereon. Senator Drilon remarked that the DOLE officials have committed to sign the draft as they have already approved it.

Senator Cayetano (P) recalled that her father had Hepatitis B but he continued to move around the country performing his duties as senator. She stressed that the disease is not contagious and people who have it do not pose a threat to the general public and should not be refused jobs here or abroad. She disclosed that her office gets a lot of e-mails everyday requesting assistance on the issue. She said that she preferred that the DOLE not wait for the law but issue a policy thereon. She noted that the Hepatitis-B Immunization law took six years to pass.

As regards women's issues, Senator Drilon stated that the Bureau of Workers With Special Concerns has a reference guide, the Women Workers' Advocacy Program, which already includes and addresses said issues.

Senator Cayetano (P) stated that since women's issues require monitoring and the DOLE already conducts regular monitoring, she was content with the DOLE's response.

Moving on to another topic, Senator Cayetano (P) inquired what the OWWA was doing as regards the medicare of the OFWs. She said that OWWA used to handle the medicare until it was transferred to PhilHealth. She revealed that during her travels to other countries, she learned of the OFWs' concern that the absence of PhilHealth offices in Philippine consulates and embassies abroad made it difficult for them to register with the agency, and so they are unable to get the medicare benefits due them. In fact, she added, OFWs who get sick would rather stay in their host countries, especially those with health benefits rather than go home. She stated that PhilHealth was supposed to send an officer to Hong Kong periodically to help OFWs. Replying thereto, Senator Drilon confirmed that OWWA used to collect

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the PhilHealth funds but this was transferred to the PhilHealth and the funds have reach a hundred billion. He said PhilHealth has the infrastructure needed to enroll OFWs which could be funded by its operating funds. On the other hand, he said that OWWA has a supplemental budget of P9 million in 2010 for OFWs.

Asked how the supplemental funds were used, Senator Drilon replied that they were used for the health rehabilitation of OFWs.

Senator Cayetano (P) gave notice that the Committee on Health and Demography would conduct a public hearing on the matter of the transfer of the administration of the funds from OWWA to PhilHealth which she found to be very ineffective. Senator Drilon remarked that the motivation for the transfer was really suspect.

On another matter, Senator Cayetano (P) stressed the need for the OWWA to be more proactive and more aggressive in addressing the human trafficking issue. She believed that the visual warnings and advertisements in the airports should be more creative because the last point of contact with the victims is the airport. She narrated that when she visited Bangkok and Cambodia, she was struck by the big visual posters that state, "Trafficking is a Crime." She urged the agency to come up with posters and visuals targeting both the predators and the victims. She manifested that she would likewise conduct a hearing on this matter as she stressed that this concern was not being addressed with enough vigor. Senator Drilon thanked Senator Cayetano (P) for the points she raised and assured her that the DOLE officials were working on these issues and concerns.

Proceeding to another matter, Senator Cayetano (P) expressed satisfaction that the CHED had suspended the accreditation of certain college courses that were deemed to have an oversupply. She said that there was a strong need for DOLE, CHED and TESDA to work closely together on the issue of education vis-à-vis the labor supply and market particularly on what they could to improve science and technology. In closing, she urged the DOLE, DSWD and the DOH to work very closely with the families of OFWs and to come up with programs to support them. Senator Drilon thanked Senator Cayetano (P) for her concerns and assured her that the DOLE leadership would continuously look into those issues.

## SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF LABOR AND EMPLOYMENT AND ITS ATTACHED AGENCIES

There being no other interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Labor and Employment and its attached agencies – Office of the Secretary; Institute for Labor Studies; National Conciliation and Mediation Board; National Labor Relations Commission; National Maritime Polytechnic; National Wages and Productivity Commission; Philippine Overseas Employment Administration; Professional Regulation Commission; and the Technical Education and Skills Development Authority – was deemed submitted for the Body's consideration.

## SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 1:05 p.m.*

## RESUMPTION OF SESSION

At 2:39 p.m., the session was resumed with Senate President Enrile presiding.

## DEPARTMENT OF HEALTH AND ITS ATTACHED AGENCIES

Senator Drilon presented the budgets of the Department of Health and its attached agencies.

## INTERPELLATION OF SENATOR SOTTO

Asked by Senator Sotto on the budget of the Philippine Children's Medical Center (PCMC), Senator Drilon replied that the Senate Finance Committee submitted exactly the same allocation as that of the House of Representatives in the amount of P380 million. He affirmed that the budget includes the procurement of new equipment and increasing the capacity to accommodate more charity patients.

Adverting to page 463 of the GAB, under *Support to Operations of the Department*, Senator Sotto asked clarification on the difference between "national health policies" which was allotted P45.720 million and "policies for international health and cooperation" with P29.672 million, as he hoped that there would be no duplicity in funding and research efforts.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 2:44 p.m.*

## RESUMPTION OF SESSION

At 2:47 p.m., the session was resumed.

Upon resumption, Senator Drilon explained that national health policies include policies such as the development of MDGs and other macro-level policies that cut across sectors and units of the DOH, including operations and systems research; on the other hand, policies and support mechanisms for developing programs and projects for foreign development assistance and other cross-cutting projects include coordination with international partners and agencies. He said that the DOH has given assurance that research efforts and funding will not be wasted on duplicity.

On page 468 of the GAB, Senator Sotto asked on the specific programs or action plans for family health and family planning that has an allocation of P931.349 million. In reply, Senator Drilon cited the following components of the program: 1) Major Final Planning Output No. 1: Health Policy and Program Development, P12.98 million; 2) Major Final Planning Output No. 2: Capability Building Service for LGUs and Other Stakeholders, P29.95 million; 3) Major Final Planning Output No. 3: Leveraging Services for Priority Health Programs, P880.5196 million; and 4) Administrative Support, P7.9 million.

Asked what "leveraging services for priority health programs" meant, Senator Drilon replied that it is a support to the following: procurement of logistics such as micronutrient supplements; natural family planning; family planning commodities; and other essential drugs for mothers and children.

The Chair recalled that during the committee hearing on the DOH budget, mention was made on the procurement of pills – P280 million; injectables – P100 million; and condoms – P8 million; or a total of P388 million.

At this point, Senator Sotto requested a breakdown of the P880-million budget for leveraging services.

Senator Drilon said that the P880 million would be implemented primarily through the LGUs which themselves would determine how much assistance they would need. He said that 50% of the approved request would be given in kind or commodities, and 50% in cash.

As regards criteria on the grant of assistance, Senator Drilon said that the degree of assistance would depend on three factors: maternal mortality, child mortality and level of poverty in a locality.

Senator Sotto observed that when local government officials visit their constituents in poor areas, they are asked for jobs or financial help but not for condoms or contraceptives. He asserted that the people were having difficulty in understanding why P880 million would be spent to procure family planning commodities including essential drugs. He stated that he and Senate President Enrile share the same position on contraceptives although they have not discussed it.

Asked what kind of contraceptives would be procured under the program, Senator Drilon replied that these include the pill, condoms, IUDs and injectables.

Senator Sotto underscored that except for condoms, contraceptives go against Section 12 of Article II of the Constitution which says, "The State recognizes the sanctity of family life and shall protect and strengthen the family as a basic autonomous social institution. It shall equally protect the life of the mother and the life of the unborn from conception."

*At this juncture, Senate President Enrile relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.*

To bolster his point, Senator Sotto pointed out that Metro Manila has a population between 10 million and 12 million people and a land area of 60,000 hectares, or a population density of 18,600 persons to one square kilometer, meaning it might be congested but there was still room for movement. On the other hand, he noted that the world population of 6.7 billion can fit in Texas with its 69 million hectares and still the population density is lower – 9,800 persons per square kilometer. He concluded that population explosion is the problem of government and the religious belief of some Filipinos should not be faulted for it. He refused to believe in the myth

being peddled by population control groups or some UN member-countries that there is need for population control to check the population explosion in the world. Thus, he questioned the need to spend P880 million on contraceptives which might not be needed at all, adding that he would agree to spending it on information on population control and other more pressing needs like aid to farmers. Personally, he said, Filipinos should buy condoms and not rely on government to supply them. He admitted that he and the DOH have opposing views on the matter and at the proper time, he would sit down with the finance committee chair to talk about devoting the P800 million to other worthwhile health programs. In reaction, Senator Drilon stated that the budget deliberation is not the time to argue about the validity of each other's position. He stated that the Committee was quite aware of Senator Sotto's stand on the issue but was willing to discuss, at the proper time, how the parties could be satisfied with the proper wording of the program's objectives.

Moving on to another item in the DOH budget, Senator Sotto asked whether the P289,275,000 allocation to the Dangerous Drug Abuse Treatment and Rehabilitation Centers was for the 10 centers nationwide. Senator Drilon replied in the affirmative, as he added that the centers were located in Tagaytay City, Mandaue City, Cagayan de Oro, Cebu City, Iloilo, San Fernando, Malinao, Bicutan, Dulag in Leyte, as well as the Halfway House Rehabilitation Center in Cebu City.

Upon further queries, Senator Drilon stated that the budget for the centers was P312,170,000 in 2010 and P289,275,000 in 2011, a decrease of P22,895,000. However, he cautioned that the Committee has not examined the 2010 budget so there was no telling if it included congressional insertions, a matter that has to be verified.

As to how much money was allotted to the Dangerous Drugs Board (DDB) from the 2010 allocation for the operation of the rehabilitation centers, Senator Drilon replied that the funds were released directly to the DDB and there were no records of the same.

Senator Sotto asked if the DOH was amenable to transferring the Dangerous Drugs Treatment and Rehabilitation Program to the DDB. He confirmed that he was, in effect, proposing the transfer of the budget for the operation of the rehabilitation centers

and supervision of the DDB from the DOH to the DDB, but he clarified that it could be done at some future time, not necessarily in the 2011 budget.

On the statement of Senator Drilon that it is a valid policy matter that can be discussed and decided, perhaps before the next budget cycle, Senator Sotto hoped so, pointing out that the P289 million allocation was for the operation of 10 centers, whereas the Philippine Orthopedic Center alone was allotted P356 million. He stated that there were more than 90 public and private rehabilitation centers throughout the country but only 48 of them were accredited precisely because it was not a DOH priority and the accreditation procedure was slow and difficult.

Asked on the number of indigent patients covered by the P3 billion National Health Insurance Program, Senator Drilon said that the implementation of the National Health Insurance Program (NHIP) which will benefit approximately 3.5 million indigent families, was transferred from the Assistance to Local Government Units (ALGU) to the DOH.

Asked whether there was a COA report on the NHIP, Senator Drilon replied in the negative. He explained that the practice of granting the lump-sum appropriations has been minimized since the funds are being placed under the appropriate departments whose heads would be accountable on how these were utilized.

In response, Senator Sotto asked the Committee to look into the matter. He also requested the DOH for a report on the previous implementation of the program as well as its plans to ensure that the program would be successfully implemented in 2011.

## SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 3:23 p.m.*

## RESUMPTION OF SESSION

At 3:41 p.m., the session was resumed.

## INTERPELLATION OF SENATOR LEGARDA

At the outset, Senator Legarda expressed her support for barangay health workers (BHW) and

lauded the proposal to include funds for their training modules in the 2011 national budget. Relative thereto, she asked for details on these training modules and programs especially since many BHWs are more interested in primary health care training. Senator Drilon explained that the training modules, which would be made available to all BHWs, would last for three months and would be funded through an item in the national budget.

Asked to explain the difference between the fund for BHW training and the Local Health System Development Assistance (LHSDA), Senator Drilon said that the LSHDA, which has a P26.7 million allocation, will be for the central office while the Metro Manila office will have a budget of P61,222,000.00 for local health assistance including health system development and public health support programs. He said that the regional offices would also be given separate budgets for this purpose.

Upon further queries, Senator Drilon replied that while the LGUs could offer a counterpart training for BHWs, the program would continue even without their assistance since it is not dependent on funding from the local government.

On whether the Health secretary could appropriate a lumpsum of his funds to augment the BHWs' assistance program should the need arises, Senator Drilon stated that the realignment of funds is a prerogative of the President upon the recommendation of the secretary.

On another matter, Senator Legarda asked whether the proposed budget would be sufficient to attain the Millennium Development Goals which include the reduction of child mortality. She also asked whether the concept of Disaster Risk Reduction has been mainstreamed into the Department of Health. Senator Drilon answered in the affirmative, pointing out that the DOH budget includes a P163.8 million allocation for "Health Emergency Management Including Provisions for Emergency Drugs and Supplies" for purchasing drugs and supplies in case of disaster. He added that P100 million had also been set aside to fund a complete disaster management program, including manuals on structural, non-structural and functional safety of hospitals as well as retrofitting of regional government hospitals. Senator Legarda underscored the importance of retrofitting government hospitals particularly since disaster victims tend to go to these places for shelter and assistance.

Asked to confirm a DOH report stating that the Philippines has a high probability of attaining MDG No. 4 on child mortality by 2015 but would not likely be able to achieve goal No. 5 which is improving maternal health, Senator Drilon clarified that the data came from the past Administration and that new programs were being instituted to ensure a better assessment of the country's capability to attain target No. 5.

As regards program and policies that would be needed to have a medium or high attainment goal for the improvement of maternal health care, Senator Drilon replied that aside from the continued development of the skills of health professionals, especially at the local level, the construction of birthing facilities was also important in attaining MDG No. 5. He said that P5,720,000.00 has been allocated for enhancing birthing facilities such as those found in rural health centers.

Senator Legarda noted that infections account for most maternal deaths particularly in homes with insufficient and inadequate health care. As such, she asked how the construction and improvement of birthing facilities could improve maternal health care and reduce maternal mortality. Senator Drilon pointed out that not only would there be better birthing facilities in the centers than those at home, but midwives and nurses would be manning these centers since their items are part of the budget.

Asked how the DOH plans to achieve MDG No. 6 considering forecast that it has a low attainment insofar as combating HIV-AIDS is concerned, Senator Drilon assumed that the radical change in the position of the Pope regarding the use of contraceptives, such as condoms, would go a long way in improving the country's ability to combat the disease. He added that the DOH budget covers the purchase and free distribution of condoms.

Asked to comment on the report that the Philippines has a high rate of attainment in combating diseases like malaria and tuberculosis, Senator Drilon explained that the DOH offers free treatment for such illnesses. For instance, he informed that Body that health centers provide six-month worth of medication for TB patients for free. Therefore, he pointed out that TB patients asking for financial assistance could be referred to these health centers.

Asked whether the Tropical Disease Foundation

18  
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of Dr. Thelma Tupasi was supported by the DOH or whether it is a private initiative, Senator Drilon replied that it is a private foundation.

Senator Legarda stated that there was need to upgrade the equipment of the Philippine Children's Medical Center (PCMC) that has only 200 beds and according to information, Health Secretary Ona could augment the allocation to the hospital through reserve funds. In reaction, Senator Drilon noted that as director of the National Kidney and Transplant Institute (NCTI), Dr. Ona was able to improve the facility through innovative financing without sacrificing the services to the indigents. He assumed that with the allocation identified as "assistance to the Philippine Children's Medical Center," Secretary Ona could do it again.

Adverting to the National Nutrition Council (NNC), Senator Legarda stressed that its role is very important, especially since malnutrition is one of the major reasons for the high dropout rate among elementary school children. She narrated that recently, U.S. Secretary of State, Hillary Clinton, embarked on a worldwide program promoting nutrition in developing countries. She supposed that the Philippines could avail of the program that could be translated into funds from USAID; and the Council, in coordination with agencies like the DepEd and the DA, could promote the planting of indigenous vegetables like *malunggay* and *alugbati*. Senator Drilon bared that the NNC has projects for the promotion of good nutrition and accelerated hunger mitigation with an allocation of P238.198 million. He stated that under EO 616, the Council formulates food and nutrition policies and strategies to improve nutrition, and it exercises oversight function to ensure that hunger mitigation measures are in place.

On whether the Council acts alone, Senator Drilon stated that following certain protocols, it coordinates the implementation of projects with the DepEd and DSWD, and it has oversight function.

On another matter, Senator Legarda noted that it has been the practice of some private and public hospitals to use nurses, who were looking for job placements abroad, without compensating them and to make them to pay for their training. Senator Drilon explained that on-the-job trainings are essential to nurses who want to work overseas and hospitals do not charge them fees but give them meal allowances. However, he stated that there are minimal fees for

specialized skills like IV insertion, dialysis, ICU nursing which includes operating rooms and basic life support. He said that the trainings are accredited by the Philippine Nurses Association (PNA).

Senator Legarda stressed that aside from specialized nursing, there should be no other fees and if there are, these should be brought to the attention of the DOH.

#### **INTERPELLATION OF SENATOR CAYETANO (P)**

Asked by Senator Cayetano (P) on the rationale for the decrease in the MOOE of the DOH for certain hospitals and if there was in-depth discussion with the Department, Senator Drilon stated that the congressional insertions were simply deleted to bring the budget back to the original proposal.

As regards the budget for health enhancement, Senator Drilon stated that it was intended for the barangay health stations and rural health units in order to reduce infant mortality. He said that a budget of P1.393 billion was allocated to DOH levels 1 and 2 hospitals.

Senator Cayetano (P) noted that like the SUCs, it appeared that most of the cuts were made on congressional insertions that could not be defended. However, she asserted that in reality, most of the departments needed and wanted to keep these allocations. She inquired whether the cuts were meant to make the Department self-sustaining or if there was not much fund at all.

Senator Drilon clarified that the congressional insertions were vetoed by the Arroyo Administration on the assumption that it had to maintain the 2004 levels because the programmed deficit would not allow bigger allocations. He said that the DOH was not the only department whose budget was cut, pointing out that the total increase in the 2011 budget was only 6.1%. He hoped that the economy would expand and the budget deficit would be lowered so that in time the government could provide all the funds needed by every department. He posited that the current budget deficit program of P350 billion was due to the election spending which constrained and restricted the Aquino Administration to expand government services. But he believed that by 2012, there would be more fiscal space which would allow funding to government hospitals.

10 AM

Senator Cayetano (P) supposed that P1.393 billion was allotted to primary and secondary hospitals so government could meet the general health care needs. She stated that she has always been supportive of primary and preventive health care but even in her first term, she recognized that government was not doing enough for preventive health care and giving the DOH a small amount for health promotion. However, she noted that the government hospitals she visited all over the country seem to have their fare share with the help of various medical associations that were quite active in promotion. She said that she looking forward to a more balanced budget next year.

Senator Cayetano (P) narrated that the amendment she made to the 2010 budget was an additional P59 million for the Doctors-to-Barrios component of the Rural Health Practices Program which included increasing the number of midwives from 110 to 240 and the number of doctors from 50 to 100 and correspondingly upgrading their salaries. However, she disclosed that just two months ago, Senate President Enrile received a letter from DBM Usec. Relampagos informing the Senate that regrettably the Department could not give favorable consideration to the request. Relative thereto, she asked if there was any increase in the 2011 DOH budget for rural health providers, specifically the midwives, doctors and nurses to the barrios. Senator Drilon replied that insofar as additional budgets under the DOH were concerned, there were additional positions created for 175 midwives and 110 doctors. He emphasized that the doctors-to-barrios and rural health program has been allocated the amount of P123.284 million.

Upon further query, Senator Drilon clarified that it was President Arroyo who vetoed the item. He assumed that the policy insofar as Personal Services was concerned was that the DBM did not want to be bound by the obligatory funding of positions which were included as insertions. The DBM, he said, wanted a thorough review of the number of positions that would be needed and came up with 285 positions for both midwives and doctors. He acknowledged that the number might not be sufficient but the overall deficit position of the government should be taken into account. He reiterated that the current budget deficit was already programmed at P350 million principally because of the elections and campaign expenses in the first half of 2010. He hoped that the country would have more fiscal space

after the 2011 budget although there would still be a deficit of P290 million.

On the matter of deficit, Senator Cayetano (P) opined that there are means by which the health community or the DOH can contribute to the country's coffers, one of which is medical tourism. She inquired if the DOH has in its agenda a medical tourism program. Replying thereto, Senator Drilon said that there is no specific budget in the DOH for the program since there are still policy issues that have to be tackled. For instance, he noted that certain Asian patients only allowed themselves to be treated by physicians from their own countries that are licensed to practice in the Philippines under a medical tourism program. He believed that there was also some resistance from the local medical practitioners to foreign doctors practicing in the country.

Senator Cayetano (P) argued that even without the component of foreign medical practitioners in the Philippines, the country can promote medical tourism by providing local doctors with tourists-patients. She stated that she would conduct a public hearing on the matter to elicit support for her objective to keep doctors and medical practitioners in the country and still earn a good living.

Senator Drilon agreed with Senator Cayetano (P) that medical tourism has really contributed to the national economy of other countries, Thailand being an example. He bared that hospitals in European countries correspond with hospitals outside Europe with advanced technology where they would send their patients for health care.

Senator Cayetano (P) noted that a European hospital could adopt a local hospital and fund a part of it. Senator Drilon found the idea laudable. He stressed, however, that there should be close coordination between the DOH and the DOT. He added that there are certain medical insurance policies in the United States that should be looked into.

Senator Cayetano (P) recalled that there was a discussion on this matter in connection with the ISO accreditation for hospitals in the 14<sup>th</sup> Congress.

Still on income generation, Senator Cayetano (P) commented that for the past few years, the fees being charged by the BFAD or FDA for the registration of new pharmaceuticals were so small. She pointed out that many of the pharmaceutical products were developed

by multinational companies that make millions of pesos but they were charged only a P5,000 fee. She then inquired if the fees have been increased considering that they are a substantial source of income for both the FDA and the DOH. Replying thereto, Senator Drilon said that there was a definite plan to increase the fees within the first quarter of next year but there is publication requirement that has to be met. He disclosed that income for the first six months of 2010 of the FDA amounted to P114.4 million, and he projected that this will approximately be P230 million in 2010 and upon implementation of the new fees, the income for next year is projected to be P502 million, an increase of over 100%.

As regards the status of the administrative order regarding the increase in fees, Senator Drilon explained that it has yet to be approved by the DOH secretary and published.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 4:34 p.m.*

## RESUMPTION OF SESSION

At 4:37 p.m., the session was resumed.

Upon resumption, Senator Drilon informed the Body that the administrative order was being drafted by the FDA and it would be signed by the DOH Secretary in the first week of December. He said that the DOH has committed that there would be a new schedule of fees not later than January 15, 2011. He added that in 2011, the new fees are projected to generate P500 million and in the succeeding year, about P1 billion.

Senator Cayetano (P) thanked Senator Drilon for the information and expressed hope that the Committee on Finance would look favorably at her proposed amendments to strengthen the health care programs next year should that P1 billion become available.

Senator Drilon posited that the Oversight Committee on Public Expenditures would exercise its oversight function by requiring a report from the DOH on the issue and directed the Committee staff to send the request for the pertinent documents by the end of the first quarter of 2011.

Senator Cayetano (P) requested that she be furnished by the Committee with a copy of the Administrative Order.

Asked whether the new fees being charged for violations of the new Food and Drugs Act that was passed two years ago have already been implemented, Senator Drilon replied in the affirmative.

Senator Cayetano (P) then asked on the comparison between fees collected prior to the new Food and Drugs Act and the new fees when fully implemented. She also inquired whether Atty. Emilio Polig Jr., who is a one-man army in the Legal, Information and Compliance Division of the department, now has people working with him. With hundreds of cases pending in his office, she said that Atty. Polig needed manpower to handle the cases so that the department can charge the fees and generate more income for the agency. Senator Drilon replied that the Legal Division has hired two lawyers and one more has been interviewed, but the backlog in cases still remains. Senator Cayetano (P) requested a copy of the backlog of cases involving violations of consumer and FDA laws to see whether there are potential gold mines that would bring to a higher level the health safety standards and provide much-needed income.

As an income-generating program, Senator Cayetano (P) asked if the DOH is now involved with the DFA in talks with receiving countries who need the country's health human resources such as nurses, doctors, and therapists so that a comprehensive program could be undertaken for the receiving countries to be able to give back to the hospitals and nursing schools where the health personnel came from, for instance, by subsidizing the public and medical nursing schools where they were taken from. Senator Drilon said that talks between the two departments are ongoing but these are a little bit complicated, so not much progress has been made.

Senator Cayetano (P) urged the DOH to have a strong concern about the matter, confident that it could address the shortage in qualified nurses within the supervisory levels.

As regards the complaint of OFWs on the lack of access to health care because there are no PhilHealth offices abroad, and that PhilHealth officers visit the embassies or consulates only thrice a year, staying only a few days per visit, Senator Drilon

replied that there are already PhilHealth offices in Hong Kong, Macau and Riyadh, one to be opened in Singapore in January, and similar offices to be opened soon in Italy, Qatar and United Arab Emirates. He believed, though, that DFA or DOLE personnel could be tapped and trained to act as PhilHealth representatives instead of opening field offices separately, except in areas where there are high concentration of OFWs, such as Saudi Arabia, Hong Kong and Macau. Senator Cayetano (P) stressed the need to address the matter, as many OFWs get sick and some with critical ailments which prevent them from working and merely relying on treatment. Senator Drilon agreed, saying that in reality, OFWs avail of PhilHealth benefits usually through their relatives.

Asked whether drug rehabilitation is already covered by PhilHealth, Senator Drilon replied in the affirmative, adding that the PhilHealth Board has yet to decide on the exact amount of benefit to be paid.

#### **INTERPELLATION OF SENATOR CAYETANO (A)**

Asked by Senator Cayetano (A) on the Aquino administration's policy as far as government subsidy to hospitals is concerned, Senator Drilon cited the following health directions of the current administration: 1) A road map towards universal health care through a refocused PhilHealth program; 2) Particular attention to be given to the construction of and support for the rehabilitation of health facilities—LGU and regional hospitals, rural health units, and barangay health stations — and clustering of hospital facilities and public/private partnerships; 3) Attainment of Millennium Development Goals 5 and .6 by reducing maternal, neonatal and infant mortality, and support to contain and eliminate aged-old public diseases such as malaria, dengue and tuberculosis; 4) Increased attention to trauma which is the fourth leading cause of disease; and 5) More aggressive promotion of healthy lifestyle to prevent non-communicable diseases like heart diseases, stroke, diabetes and obesity.

Senator Cayetano (A) lauded the Aquino administration for its health policy initiatives, even for the immunization program whose budget it almost tripled. However, he noted the cuts in the budgets of the Lung Center of the Philippines (P144 million), National Kidney and Transplant Institute (P366 million), Philippine Children's Medical Center (P48 million), and Philippine Heart Center (P409 million).

He then asked whether it is the policy of the Aquino administration to make them self-sufficient. Senator Drilon said that while the desired end is for self-sufficiency, the reductions were not in pursuit of such policy but was a result of congressional initiatives and insertions, which were conditionally vetoed by former President Arroyo. However, he said that without the congressional insertions, the 2011 budget reflects an improvement to the extent of 13.7% compared to the 2010 budget.

Asked to confirm reports that the net earnings of government hospitals are retained by them but a similar amount is subtracted from their next year's budget, Senator Drilon replied that government hospitals are given full use of their income so that consequent increases therein accrue fully to the government hospital earning it. He said that support to government hospitals has admittedly stabilized and is dictated purely by the financial and fiscal space that the budget allowed. He believed that if there were more funds available, earnings would not be subtracted from the following year's budget but might have been spent by specialized hospitals to improve their operation and earn more income because they have use of that income as was in the case of NIKTI.

Senator Cayetano (A) agreed that while indeed the earnings have made them better hospitals, these became a disincentive because the DBM started deducting from them technically when their income was not over and above but accrued to the total income. For instance, he said that if NIKTI has a budget of P100 million and earns P50 million, it is an incentive for them to make P75 million to P100 million the next year because over and above the P200 million, they are making more. If the DBM will give P200 million regardless of how much they make, he said that it kills the entrepreneurial spirit of the hospitals that are doing good. He pointed out that people in Northern Luzon, the Visayas and Mindanao wanted specialized hospitals in their regions so that they do not have to travel to Metro Manila to consult with specialists. He supposed that Dr. Enrique Ona, who used to be chief of the National Kidney and Transplant Institute (NIKTI), was brought in as health secretary to study the proposal of establishing specialized hospitals in major areas, among others.

Asked whether other specialized hospitals were established after the Marcos regime, Senator Drilon replied in the negative, as he clarified that only

new units were established in specialized hospitals. Senator Cayetano (A) believed it would be a high achievement for the Aquino Administration to establish new specialized hospitals, in spite of the high cost, during its six-year tenure in which endeavor to take advantage of the expertise of Dr. Ona.

Moving on to the PhilHealth program, Senator Cayetano (A) asked what 100% universal coverage meant. In reply, Senator Drilon stated that without need for premium payment, it means automatically covering 5.5 million families considered as the poorest of the poor. At the present, he said, only 2,750,000 of the 5.5 million of the poorest families are covered, adding that the rest of the enrollees, approximately 18 to 20 million, are members of the GSIS and SSS who pay monthly premiums.

Senator Cayetano (A) recalled that the Arroyo Administration used to boast of 90% coverage but most Filipinos he talked to do not even have Philhealth cards and many want to be enrolled. He calculated that with the 1.7 million GSIS members, 22 million SSS members, and 2.2 million poorest of the poor members, it means that about 27 million Filipinos out of a population of 85 million have PhilHealth coverage.

Saying that he has PhilHealth coverage, Senator Cayetano (A) asked whether his five children were completely or partially covered. In response, Senator Drilon clarified that only children below 21, the age of majority, have full coverage.

Given the fact that one-third of the population is young and that most families have two to three children, on the average, Senator Cayetano (A) assumed that only 50% of the 27 million has full coverage. Senator Drilon replied in the affirmative.

Senator Cayetano (A) rued that the problem was that the Arroyo Administration kept on changing the figures to make it appear that more Filipinos were covered, arguing that if five million Filipinos families were covered and each family has five children, it meant that 25 million Filipinos were covered.

Asked how PhilHealth would choose the beneficiaries that could avail of its P3.5 billion allocation for premiums, Senator Drilon replied that the DSWD means test would be used to determine who are the poorest of the poor and the same data will be used for the CCT program.

Senator Cayetano (A) asked how the Department would proceed with the survey when it used to simply get the list of beneficiaries from mayors and congressmen. Senator Drilon admitted that in the past, the selection of beneficiaries of government programs was really politicized. He recalled that the Arroyo Administration transferred P500 million from the OWWA fund to PhilHealth so that the President can give out PhilHealth cards imprinted with her image during the 2004 elections.

Senator Cayetano (A) stated that precisely, the DOH should avoid using the framework of the Arroyo Administration by just adopting the list. He asked how PhilHealth would use the P3.5 billion allocation and how it can ensure that the poorest of the poor would really be benefitted. In response, Senator Drilon stated that according to Secretary Ona, the DOH would use the data culled by the DSWD for its CCT program. He hoped, however, that the congressmen and senators would exercise self-restraint by not suggesting to PhilHealth who ought to be enrolled in the program.

On the matter of beneficiaries, Senator Cayetano (A) pointed out that at the local level, the list often includes relatives of politicians who are nowhere near of being poor. He believed that the barangay health workers are the key to identifying the poorest of the poor, although, there is no assurance they would not list down their relatives. He disclosed that the government of the city of Taguig was working with a group who did the survey in Bukidnon, going house-to-house to take pictures, and successfully identifying the poorest of the poor. He recalled that the DOH did it in its anti-tuberculosis campaign when its doctors and health workers went house-to-house and he believed it can do so again.

Senator Cayetano (A) asked whether the DOH, which would be assisting the DSWD implement the CCT program, would be using the latter's database. He stated that PhilHealth might as well enroll them because under the CCT, the poorest of the poor family would be given P500 plus P300 per child monthly. He asked whether the P3.5 billion allocation for PhilHealth premiums could be deducted from the P20 billion CCT allocation, the former being a one-time deal and the latter being a monthly program. He argued that subtracting P100 a month from the P500 or P1,200 from the P6,000 yearly support to the poorest of the poor family would help PhilHealth cover more families. In reply, Senator Drilon gave

assurance that the DOH, a member of the Board of Advisers that will oversee the CCT program, would take the suggestion into account. He stated that deducting the P3.5 billion from the P20 billion would allow PhilHealth to expand the coverage.

But Senator Cayetano (A) feared that the expanded coverage might not help the PhilHealth members who live in provinces where there are no PhilHealth-accredited hospitals. He asserted that the P3.5 billion could be used instead to improve primary and secondary health care facilities. Senator Drilon stated that it would be difficult to revise the budget by Wednesday, December 1, 2010, but he believed that funds can be realigned after the budget is approved.

Senator Cayetano (A) observed that legislators keep on talking about helping the poorest of the poor but it is the orphans, the elderly in homes for the aged and the differently-abled who need help the most. He asked whether the DOH would be willing to consult with the DSWD so that these people could be covered. Senator Drilon stated that the DOH would consider the suggestion even after the approval of the budget precisely because there is that flexibility to realign certain portions of the budget.

Asked about the size of the pharmaceutical industry in terms of drugs sold, Senator Drilon replied that it is P123 billion, 12% of which represents government purchases and of the 12%, 40% represents purchases of generic drugs.

On whether generic medicines are locally manufactured while the non-generics, which are more expensive, are manufactured by a foreign company with a subsidiary in the country, Senator Drilon answered in the affirmative.

Asked why there are still non-generics in the market when there is a policy to push the use of generic medicines and make them more accessible to the public, Senator Drilon said that there is still a good number of drugs that have no generics, that is why only 40% to 60% of public purchases would be generics. He stated that the DOH is currently talking with the manufacturers of generic drugs to address the problem and this will be facilitated and given priority by the Food and Drugs Administration.

#### **INTERPELLATION OF SENATOR OSMEÑA**

Asked by Senator Osmeña whether the budget allocation of P366 million was sufficient to run the

Lung Center, Senator Drilon replied that the current budget has an allocation of P301.560 million for the hospital which includes congressional insertions while the President's budget for 2011 is P157.560 million which was recommended by Congress.

Asked how the congressional insertions were made, Senator Drilon replied that the amount of P64 billion, which was taken off the debt service budget, is the source of additional funding for the various agencies including the Philippine Lung Center, which was conditionally vetoed by President Arroyo, so that the funding will only be released if additional revenues were generated. He explained that, in effect, the original budget of the Philippine Lung Center as proposed in the President's budget for 2010, was not the budget appearing in the GAA because of the President's conditional veto of the particular item.

Asked whether the increase in the budget for the Lung Center and the Kidney Center would apply only to their respective patients, Senator Drilon answered in the affirmative.

Replying to further queries, Senator Drilon said that government subsidy dropped because the congressional insertions were not released, therefore, less patients were accommodated by these hospitals.

Asked how much it would cost to construct a Lung Center or a Kidney Center, Senator Drilon replied that it would cost about P3 billion to put up a specialty hospital anywhere in the country.

Senator Osmeña remarked that putting up facilities in key areas in Visayas and Mindanao would greatly help patients and their families in terms of the cost of travel and accommodation.

In reply, Senator Drilon noted that the Vicente Sotto Hospital in Cebu City has a kidney transplant program and the Davao Medical Center is fully equipped with the required facilities and similar facilities were being put up in Cagayan De Oro; and there are surgeons in Bacolod and Iloilo although kidney transplant centers are yet to be established there.

Asked whether it would be possible to establish facilities even as an adjunct to an established public hospital like the Corazon Locsin Montelibano Hospital in Bacolod, Senator Drilon replied that there is an ongoing project costing P500 million, which is expected to be finished in 2011.

16  
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Senator Osmeña believed that the congressional insertions would be better utilized if these went to those afflicted with kidney and lung diseases.

Asked whether there was a policy to promote medical tourism, Senator Drilon answered that the DOT and DOH did a study on the matter three years ago.

To the statement that the Philippines has the second highest medical cost in Asia, Senator Drilon said that the country is naturally among the lowest in Asia in terms of medical cost. He stated that after the budget deliberations the DOH Secretary will brief Senator Osmeña on the cost of health care in the Philippines vis-à-vis other Asian countries, and provide him with the necessary data.

Replying to further query, Senator Drilon stated that there are only five hospitals in Metro Manila which are ready for the concept of medical tourism.

Senator Osmeña pointed out that St. Luke's Medical Center, Makati Medical Center, Asian Hospital and Medical City, are almost at par with the hospitals in the Asian countries.

Senator Drilon said that there has not been substantial progress in medical tourism the last five years. He added that although the DOH needed to work on some issues including the insurance policies for services done in the country, the Secretary had given his assurance that efforts will be undertaken to accelerate the program and ensure that medical tourism becomes a major component of the country's economic program.

Asked when the completion of the program is scheduled to be completed, Senator Drilon replied that while policy and legal issues could be resolved within 2011, other things, like the accreditation of medical centers, also have to be considered.

On whether the Philippines is an area covered by the medical insurance carrier of foreign patients, Senator Drilon conceded that several issues needed to be resolved before portability clause could be worked out in favor of local hospitals and health care providers.

Senator Osmeña asked whether the DOH has considered including cosmetic surgery into its medical tourism program. He also suggested that the DOH

ensure that such medical procedures would be covered by insurance. Senator Drilon said the DOH was willing to study the proposal.

On another matter, Senator Osmeña asked whether the DOH has a program for the wholesale purchase of medical equipment. He said that certain hospitals allow for a fee some of their doctors to fund the purchase of a certain equipment and make profit from it. He suggested following the practice of other countries that resort to making bulk purchases so that they could acquire the equipment at a cheaper price. Senator Drilon stated that the DOH Secretary has committed to follow that procedure in 2011.

In closing, Senator Osmeña reiterated his request for a copy of the study. Senator Drilon gave assurance that the documents would be available the following week.

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF HEALTH AND ITS ATTACHED AGENCIES**

There being no other interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Health and its attached agencies namely, the Office of the Secretary, the Commission on Population, the National Nutrition Council, the Lung Center of the Philippines, the National Kidney and Transplant Institute, the Philippine Children's Medical Center, the Philippine Heart Center and the Philippine Institute for Traditional Alternative Health Care, were deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 5:49 p.m.*

#### **RESUMPTION OF SESSION**

At 6:43 p.m., the session was resumed

#### **SUBMISSION OF THE BUDGETS OF THE OTHER EXECUTIVE OFFICES**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budgets of the Other Executive Offices,

namely: Games and Amusement Board, Mindanao Development Authority, Dangerous Drugs Board, National Anti-Poverty Commission, National Commission on Muslim Filipinos, National Council on Disability Affairs, National Intelligence Coordinating Agency, National Security Council, Philippine Commission on Women, Philippine Drug Enforcement Agency, Philippine Racing Commission, Presidential Legislative Liaison Office, and Presidential Management Staff, were deemed submitted, one after the other, for the Body's consideration

### **AUTHORITY OF THE FREEPORT AREA OF BATAAN**

Senator Drilon presented the budget of the Authority of the Freeport Area of Bataan.

### **INTERPELLATION OF SENATOR OSMEÑA**

Asked by Senator Osmeña on the budget of the free port of Bataan, Senator Drilon stated that upon its establishment in 2009, it was not given a budget because it was still under the PEZA but it was given an adjusted budget of P51,672,000 in 2010.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 6:48 p.m.*

### **RESUMPTION OF SESSION**

At 6:49 p.m., the session was resumed.

Senator Drilon further clarified that the freeport area of Bataan had an allocation of P100 million in the 2010 GAA but it was a congressional insertion that was never released.

As regards the land area of the free port, Senator Drilon replied that the entire 1,700 hectares have already been fenced. He added that the free port has a boundary with Subic, the rest by the sea and mountains. He said that except for the town proper, the rest of Mariveles was declared as part of the free port area.

Asked if a resolution accepting the free port was passed by the town council of Mariveles, Senator Drilon replied in the affirmative.

On whether the economic activities of the local residents were disrupted by the free port, Senator Drilon stated that no fishermen or indigenous communities were displaced and no irrigated rice lands were damaged, because the free port is situated in mountainous areas.

Senator Osmeña stated that he has always been against the establishment of free ports in the country because the revenue impact on the national income is substantial. Citing a report of the Department of Finance to the American Chamber of Commerce in April 2010, he said that under the previous Administration, revenue-eroding laws were enacted in the 14<sup>th</sup> Congress. He averred that like the Aurora Special Economic Zone, the Bataan Free Port presents for the government a yearly revenue loss of P3 billion, that is aside from the P100 million budget given by the government.

Further, Senator Osmeña explained that the P100 million in the 2011 NEP was supposed to go to a developmental program for the preparation of a 20-year master plan for the free port. He stated that the law was passed in 2009 even without an economic feasibility study and that government stands to lose billions.

Senator Drilon lamented that it was unfortunate that both he and Senator Osmeña were not in Congress when the law was passed and he has not gone over the congressional records to see what led to the passage of the law. Along with the new leadership of the free port, he apologized that they were not in the position to respond to inquiries in the meantime.

Senator Osmeña informed the Body that the Bataan Economic Zone and Freeport bill emanated from the House of Representatives and it was sponsored by Senator Gordon in the Senate. He said that all free port bills fall under the jurisdiction of the Committee on Economic Affairs but Senator Gordon was the chairman of a subcommittee that heard the Bataan free port measure.

Asked how many locators were within the zone, Senator Drilon replied that there were 40.

Senator Osmeña expressed reservation on the Bataan free port whose records he intended to look into. He requested the Committee to provide him with a copy of the PEZA budgets for the past five years.

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## **SUBMISSION OF THE BUDGET OF THE AUTHORITY OF THE FREEPORT AREA OF BATAAN**

There being no other reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Authority of the Free Port Area of Bataan was deemed submitted for the Body's consideration.

## **CAGAYAN ECONOMIC ZONE AUTHORITY**

Senator Drilon presented the budget of the Cagayan Economic Zone Authority.

## **INTERPELLATION OF SENATOR OSMEÑA**

Asked by Senator Osmeña how many hectares the Cagayan Economic Zone Authority encompassed, Senator Drilon replied that it is 54,000 hectares which include the islands of San Vicente, Fuga and Barit.

Asked by Senator Osmeña how many ports the Cagayan Free Port has, Senator Drilon said that there were two existing ports that have been used for quite some time.

As regards the number of towns or cities in the 54,000-hectare area, Senator Drilon replied that only two towns — Santa Ana and Aparri — are part of the 54,000 hectares.

Since the law was passed a long time ago, Senator Osmeña assumed that the residents and officials of the aforementioned towns have been consulted and voiced no objection to the free port.

As to whether fisherfolk, members of the indigenous tribes or cultural minorities were displaced, Senator Drilon replied in the negative. He likewise said that no rice lands were destroyed and no tillers covered by CARP were displaced because of construction or expansion of the free port.

Asked if any logging was going on in the 54,000-hectare area, Senator Drilon replied in the negative.

Senate President Enrile confirmed that logging operations are totally prohibited in the zone.

As regards the implementation of any IFMA within the 54,000 hectares, Senator Drilon said that there was none.

Asked how many locators were in the zone, Senator Drilon stated that there were 99 locators of which 67 were operational.

As regards the airports in the zone, Senate President Enrile clarified that the airports were in the islands of Mabbag, which was for private planes and Fuga, which is no longer operational.

Senator Osmeña inquired on the total revenue generated by all 67 active locators in the CEZA. Senator Drilon replied that the Committee did not have the data at the moment but these would be made available to Senator Osmeña on Tuesday, November 30, 2010.

As to how many people have been employed by the 67 locators, Senator Drilon replied that it was 6,000 more or less.

At this point, Senate President Enrile suggested that the actual income of the free port be entered into the record to show how much money the government has generated from it. He revealed that starting from zero, its income grew to P300,000 per annum and by 2009, it was more than P100 million.

Senator Drilon stated that the estimate, subject to further refinement, was that in the last five years of operation, the contribution of CEZA to the national government coffers was approximately P1 billion.

Senator Osmeña recalled that the P1 billion included the taxes paid by the locators and there was a 5% tax on gross income with 3% going to the national government and 2% going to the provincial and municipal governments and the CEZA.

Senate President Enrile disclosed that there were two online casinos operating in Cagayan but no Filipino can gamble there because a foreign currency, the Hong Kong dollar, is used. He stated that a jai alai gaming firm was given a license but the CEZA issued a cease-and-desist order which the operators did not follow so the jai alai was closed. He said that CEZA cancelled the license but the operators got an injunction and the matter was still pending before the court.

## **MANIFESTATION OF SENATOR SOTTO**

At this juncture, Senator Sotto manifested that he was withdrawing his reservation to interpellate on the

SEC budget after he was assured by the leadership of the Commission that it would be attending a meeting on some issues concerning the office.

*At this juncture, Senate President Enrile relinquished the Chair to Senator Honasan.*

### **SUBMISSION OF THE BUDGET OF THE CAGAYAN ECONOMIC ZONE AUTHORITY**

There being no further interpellation, upon motion of Senator Sotto, the budget of the Cagayan Economic Zone Authority was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE SECURITIES AND EXCHANGE COMMISSION**

There being no further interpellation, upon motion of Senator Sotto, the budget of the Securities and Exchange Commission was deemed submitted for the Body's consideration.

### **SOUTHERN PHILIPPINES DEVELOPMENT AUTHORITY**

Senator Drilon presented the budget of the Southern Philippines Development Authority.

### **INTERPELLATION OF SENATOR OSMEÑA**

Senator Osmeña recalled that the Southern Philippines Development Authority (SPDA) was created in 1980 by virtue of a presidential decree. He said that it seemed to be a unique agency because it was tasked to undertake developmental and economic viable ventures in Regions IX, X, XI, XII and XIII, or the entire Mindanao. Relative thereto, he inquired as to what the Authority can do today that the private sector or other government agencies cannot.

Senator Drilon replied that in 2002, President Arroyo issued E.O. No. 149 ordering the deactivation of the SPDA but on August 29, 2006, she issued E.O. No. 560 that reactivated the SPDA with the main task of being the implementing arm of the economic catch-up plan on the implementation of the 1996 GRP-MNLF Peace Agreement. He clarified that it was for that specific and limited purpose that the SPDA was reactivated.

Asked whether the personnel who had been separated in 2002 were rehired or if new personnel

were recruited, Senator Drilon said that not everybody was rehired but some were.

Asked for the total manpower complement of the SPDA, Senator Drilon stated that there were 51 in the regular plantilla employees and 41 non-plantilla employees or a total complement of 92.

Senator Osmeña recalled that in 2003, EO 229 was issued creating the Mindanao Peace and Development Fund to which the assets and the funds of the SPDA were transferred.

Asked if the SPDA was able to recover its assets or if it was funded anew, Senator Drilon replied that the remaining non-operating assets of the SPDA were transferred to the Mindanao Peace and Development Fund which did not function.

As to projects developed by the SPDA since its reactivation in 2006 under EO 560, Senator Drilon said that there were seven, namely: Koronadal Business Center in South Cotabato; Bonbon Agri-Development Project in Agusan del Sur; Integrated Solar Salt and Fish Farm Project in Misamis Oriental; Kapatagan Ice Plant in Lanao del Norte; Pikit Ice Plant in North Cotabato; Vitale Fishpond Estate in Zamboanga del Sur; and the Mindanao Special Economic Zone Authority in Wao, Lanao del Sur. He agreed to the observation that these projects can very well be operated by the private sector.

Senator Osmeña observed that the projects seem to have gestated a long time ago and asked if these assets already belong to the SPDA prior to its abolition in 2002. Senator Drilon replied in the affirmative, as he clarified that they were abandoned, hence, no income was derived from them.

Senator Osmeña posited that the sole purpose now for existence of the SPDA was merely to try to revive the businesses.

Senator Osmena said that based on his experience in business, the private sector would simply turn the proposal down. He asked why the government would force the reopening of an ice plant when it might be cheaper to build a new one. He believed that even without taking a look at the operating statements, the projects are all write-offs for which new money would have to be injected. In fact, he said, the government has already suffered a write-down of over P210 million from 2009 to 2010.

Senator Drilon opined that since the Aquino administration just inherited the budget proposal, it did not have sufficient time to go into a detailed review of the continued operation of the agency. Senator Osmeña clarified that he was not blaming the current administration. In fact, he said, it was during the GOCC hearings that he himself learned of the existence of subsidiaries which were just wasting money. He expressed hope that the Committee on Finance could take a longer, deeper and wider look into the more than 600 GOCCs and such similar problems in government, with the view of streamlining operations in order to save funds and ensure that the limited resources of the country are put to better use and spent in the service of the people.

### **SUBMISSION OF THE BUDGET OF THE SOUTHERN PHILIPPINES DEVELOPMENT AUTHORITY**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Southern Philippines Development Authority was deemed submitted for the Body's consideration.

### **ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY**

Senator Drilon presented the budget of the Zamboanga City Special Economic Zone Authority (ZCSEZA).

### **INTERPELLATION OF SENATOR OSMEÑA**

Senator Osmeña asked how much funds the ZCSEZA received from the national government since 2005 when he questioned Executive Director Georgina Yu during a hearing. He said that he would not wish to use the word "subsidy" because there might be differences in nomenclature given the fact that the government is mandated by law to invest into the capital stock which is not considered a subsidy.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 7:26 p.m.*

### **RESUMPTION OF SESSION**

At 7:29 p.m., the session was resumed.

Replying to the query of Senator Osmeña, Senator Drilon disclosed that for the period 2005 to 2010, total equity released was P300.106 million and total subsidy released was P137.499 million, or a gross total subsidy and equity amounting to P437.605 million for said period.

Senator Osmeña, however, recalled that during the hearing, it was reported that P950 million had been released by the government both in equity and subsidy, or a total of P1.4 billion when added to the P437.605 million.

As to the number of locators in the Zamboanga Free Port, Senator Drilon replied that there are 33 locators. Senator Osmeña requested a copy of the list as he recalled that when he last questioned the agency during a hearing, he was told that there were only three locators. Senator Drilon said that Senator Osmeña would be furnished with a list on Tuesday.

Senator Osmeña noted that the agency report for 2008 cited 20 locators in the economic zone, and that among the ZCSEZA's accomplishments for the same period, the same report mentioned reforestation, forest protection, experimental demo farm, construction of viewing decks, marketing and promotions, and nature park operations.

As regards economic activities in the area, Senator Drilon cited the following: manufacturing and processing of technically-specified natural rubber for rubber tiles; seafood manufacturing and processing; processing and manufacturing of micro vial coco cellulose or nata de coco. He said that the agency also recently signed a Memorandum of Agreement with a coal-fired power plant for 100 mega watts.

Senator Osmeña opined that most, if not all, of the locators did not have to be in a free port in order to exist since a free port is normally established for processing companies that import many of their products. Thus, he asked why a bowling alley and a convention center were listed as locators, including the company that produces nata de coco, given the fact that Zamboanga itself is a main source of coconut. Further, he also asked if there was a new concept that is being developed for the Zamboanga Free Port.

Senator Drilon said that according to the agency, it has undertaken such projects to make the zone attractive for tourists. Senator Osmeña, however,

pointed out that there is no other country in the world that announces that it needs a free port because it is putting up a tourist zone. Senator Drilon affirmed that since that was already the case, it is a *fait accompli*.

As regards the total area of the zone, Senator Drilon said that the total area was approximately 16,000 hectares, 15,390 of which are highlands and 700 hectares are lowlands.

Relying to further queries, Senator Drilon said that no one has been displaced as a result of the free port, no rice lands plowed over, and no fisherfolk displaced. He likewise said that there are also no legal or illegal logging activities in the area.

#### **SUBMISSION OF THE BUDGET OF THE ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AUTHORITY**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Zamboanga City Special Economic Zone Authority was deemed submitted for the Body's consideration.

#### **ANTI-MONEY LAUNDERING COUNCIL**

Senator Drilon presented the budget of the Anti-Money Laundering Council.

#### **INTERPELLATION OF SENATOR SOTTO**

Asked by Senator Sotto whether the Anti-Money Laundering Council has already submitted a list of drug lords included in the Order of Battle, Senator Drilon replied in the affirmative. As for the latest update, Senator Drilon disclosed that the accounts of the drug lords were frozen and there were ongoing forfeiture proceedings in a civil case.

Senator Sotto disclosed that he has been apprised by AMLC officials that their main problem was that they could not take action unless cases were filed against these personalities. He asked if the AMLC has submitted a proposal to Congress to give it more muscle. In response, Senator Drilon stated that Senator Osmeña filed Senate Bill No. 2484 on September 7, 2010, precisely to address the difficulties that the AMLC has been encountering, especially in the light of the Eugenio ruling.

#### **INTERPELLATION OF SENATOR OSMEÑA**

Senator Osmeña disclosed that because of the difficulty of the AMLC with the law, he has filed an amendatory bill but given the fact that the first and second AMLC laws encountered difficulties being enacted into laws, he feared that the bill might also find rough sailing. He asked if the AMLC has anything to brag about, adding that he would like to see how many smugglers and drug lords it has caught in the last five years. Replying thereto, Senator Drilon maintained that the incident involving a drug trafficker is something the AMLC can brag about because his accounts were frozen. However, he admitted that the recent Supreme Court decision in the Eugenio case has really hampered the operations of the AMLC. He hoped that the enactment of the Osmeña bill into law would bring some relief.

Still on the amendatory bill, Senator Osmeña stated he had asked the *Bangko Sentral* Governor to help get the House version passed first because there might be some problems with the congressmen. By and large, he believed that majority of the senators would cooperate in passing the Senate version. He stated that after passing the AMLA I and II, there should have been some improvement in the anti-money laundering activities but he noted that the AMLC got bogged down because by virtue of the SC decision on the PIATCO case, the BSP was not allowed to look into the frozen accounts, and so it became a useless exercise since the court's freeze order gets lifted after the 20-day period and the depositor can withdraw his money.

In reaction, Senator Drilon stated that the AMLC record showed that the Council has frozen approximately P2,591,793,218, of which P1.7 billion had been returned to victims of pyramiding scams, kidnapping for ransom and other predicate crimes, while the remaining P882 million were subject to forfeiture proceedings in court.

But Senator Osmeña pointed out that the AMLA was passed precisely to prevent terrorist funds and proceeds of international drug trafficking from being laundered through the banking system but the cases mentioned by Senator Drilon, he said, do not involve terrorist or drug funds. Senator Drilon corrected that the P18 million frozen and forfeited funds in the case he cited were terrorist funds. He emphasized that under the AMLA, the Council can act upon other

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predicate crimes and it can ask the court to freeze the proceeds from such crimes.

Relative to the coverage of the AMLA, Senator Osmeña recounted that his version of the bill listed 32 predicate crimes, including tax evasion, which the Committee chopped down to 24 and further chopped down to 18 during the plenary debates.

Asked on the number of crimes under the AMLA, Senator Drilon stated it was 14. Senator Osmeña asserted that this was the reason why so many big fishes slipped through the net. The biggest problem of AMLA, he contended, is getting the banks not only to freeze but to seize deposits. Senator Drilon reiterated that the SC ruling on the Eugenio case really hampered the effectiveness of the AMLC.

Asked about the Eugenio ruling, Senator Drilon stated that it had to do with PIATCO and the remittance of the bribe money from Hong Kong to Manila.

In closing, Senator Osmeña wished the AMLC would have a more successful year in 2011.

#### **SUBMISSION OF THE BUDGET OF THE ANTI-MONEY LAUNDERING COUNCIL**

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

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 7:50 p.m.*

#### **RESUMPTION OF SESSION**

At 7:51 p.m., the session was resumed.

#### **CLIMATE CHANGE COMMISSION**

Senator Drilon presented the budget of the Climate Change Commission.

#### **INTERPELLATION OF SENATOR LEGARDA**

Asked by Senator Legarda how a change in its leadership would affect the operations of the Climate

Change Commission and whether it could finish the national action plan within six months in preparation for the Cancun conference, Senator Drilon replied that the vice chair has given assurance there would be more extensive consultations with members of the Commission, meaning it would act more collegially and matters would not be decided solely by the vice chair.

Senator Legarda stated that on her own initiative, she worked closely with the DENR on climate concerns even before the Commission was created in the 14<sup>th</sup> Congress. She suggested that the vice chair encourage the President to convene the National Commission on Climate Change, as she disclosed that there were still problems with mudflows in Isabela because of the unusual rainfall. She pointed out that even as the Senate was debating on the 2011 GAB, parliamentarians were meeting to discuss disaster-risk reduction which only emphasizes the fact that much work has to be done locally, nationally and internationally. She stated that local governments do not even actually understand the linkages between the climate-change adaption and disaster-risk reduction. Senator Drilon stated that the vice chair has committed to ask the President to convene the National Commission on Climate Change at the soonest possible time given the urgent ecological concerns.

As regards the national action plan, Senator Drilon clarified that the law has set a deadline, April 28, 2011, which the leadership would exert every effort to meet and for this purpose, it would be holding extensive consultations between now and April 28.

Senator Legarda noted that the DENR has launched a publication on climate-change adaptation funded by the German Technical Cooperation (GTZ) that included the results of consultations with stakeholders including LGUs. She asked if the results were still relevant since the study was made two years ago. Senator Drilon stated that many of the outputs in the document have found their way into the draft of the action plan. He confirmed that the document could fast-track the action plan because the study was on mainstreaming the DRR and CCA in various sectors including agriculture and health, among others. He said that the action plan was not a duplication of the work of the DENR since the former involved more sectors.

Going back to the allocation of the Commission, Senator Legarda bewailed that it was allocated a

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measly P38 million to perform its mandate to provide research and technical assistance to LGUs that are affected by climate change so they can be climate-change resilient. She expressed concern that the mandate might not be accomplished since the panel of technical experts has not even been organized. Senator Drilon stated that he was aware that under the past administration, the vice chair had some difficulties with the Commission chair, President Arroyo. But he believed that the new President and the new DBM Secretary would be more receptive to the views of the vice chair and the work of the Commission. Besides, he said, the President could augment the allocation of the Commission should it become necessary.

Asked how much of the P38 million goes to Personal Services or salaries, Senator Drilon answered that P18.569 million would be used to pay the wages of the personnel that would fill up the 46 new non-permanent positions created by the DBM. He also explained that 29% of the P16.6 million MOOE budget is allocated for travelling expenses, while P3.7 million is set aside for the purchase of office equipment.

Asked to disclose the salaries of the head and commissioners of the Commission, Senator Drilon replied that the head receives P69,458.00, which is equivalent to a department secretary (SG 31), while each of the two commissioners with a rank of undersecretary (SG 30) receives P56,943.00.

On whether the Commission's P38 million budget also covers compensation for its technical experts, Senator Drilon said that apart from the P743,000.00 allocated for professional services, which, to him, may be inadequate, about P15 million in the MOOE could be used to pay technical experts. He reiterated that support from the Contingency Fund of the President could augment the budget.

Senator Legarda suggested that the Commission work closely with the NDRRMC as she stressed the need for cabinet secretaries of relevant agencies to meet and discuss how the programs on climate change adaptation could be better implemented. She also indicated that she would look for other sources to augment the present GAA so that the Commission would not have to wait for dole-outs from the Office of the President.

Asked on the whereabouts of the other commis-

sioner, Senator Drilon said that the commissioner, who has a term of six years, was in Tarlac for the celebration of Climate Change Consciousness week.

### **INTERPELLATION OF SENATE PRESIDENT ENRILE**

Asked by Senate President Enrile regarding the status of the former vice chair of the Climate Change Commission, Senator Drilon answered that he was still a member of the Commission.

Asked for the reason behind the former vice chair's departure, Senator Drilon replied that there had been gaps in the decision-making process when the former vice chair made a number of decisions without the knowledge and concurrence of the other members.

Upon further queries, Senator Drilon confirmed reports that the former vice chair had unilaterally appointed a bank as a national implementing entity for the Republic without consulting the Commission and the President and had single-handedly decided on South Korea rather than Qatar, as the venue for the forthcoming convention on Climate Change. He stressed that the two instances, where the former vice chair exceeded his authority, were among the reasons why he was relieved from his position.

### **SUBMISSION OF THE BUDGET OF THE CLIMATE CHANGE COMMISSION**

Upon motion of Senator Sotto, there being no objection, the budget of the Climate Change Commission was deemed submitted for the Body's consideration.

### **PRESIDENTIAL COMMUNICATIONS DEVELOPMENT AND STRATEGIC PLANNING OFFICE**

Senator Drilon presented the budget of the Presidential Communications Development and Strategic Planning Office (PCDSPO).

### **INTERPELLATION OF SENATOR LEGARDA**

Replying to Senator Legarda's suggestion for the PCDSPO to be renamed because the agency's name has weak recall even though it is a communications office, Senator Drilon said that it would be

possible because the PCDSPO was created through Executive Order No. 4 and not by law. He explained that the PCDSPO has the following functions: (1) coordinate the crafting, formulation, development and enhancement of the messaging system under the Office of the President; (2) design and recommend responses to issues that arise on a daily basis; (3) ensure consistency in the messages issued by the Executive Department; (4) assist in the formulation and implementation of new media strategies for the Office of the President; (5) assist in research and development of new media instruments; (6) liaise with the Malacañang Records Office; (7) control and supervise the conduct of market research, monitoring public opinion, and gathering, use and analysis of other relevant data; (8) formulate editorial guidelines and policies for state media; (9) ensure consistency in the implementation of the corporate identity of the Executive Department; (10) act as custodian of the institutional memory of the Office of the President, which includes the supervision and control of the Presidential Museum and Library, and liaising with the Malacañang Records Office; (11) perform editorial functions for the Official Gazette; and (12) perform such other functions as may be directed by the President.

Asked which agency performed the said tasks prior to E.O. No. 4, Senator Drilon replied that it was part of the mandate of the Office of the Press Secretary. He explained that the principal function of the PCDSPO is to craft, formulate, develop and enhance the messaging system under the Office of the President. He added that messages from the PCDSPO would be disseminated through the Office of the Press Secretary which is headed by Secretary Coloma.

On whether there was even a need to divide the Office of the Secretary and have a Cabinet-level Secretary head the PCDSPO, Senator Drilon replied that such a matter was under the discretion of the President who might have deemed important the creation of PCDSPO to achieve better communication with the public.

Upon further queries, Senator Drilon explained that the P50 million allocation for the PCDSPO for 2011 was sourced from the Intelligence Fund of the Office of the President. He said that P18 million or 36% of the P50 million would pay the salaries of 40 staff members who are mostly writers and researchers.

Senator Legarda questioned how the Climate Change Commission would be able to carry out the difficult task of assisting the LGUs as it only has a budget of P38 million compared to the P50 million allocation for a communications office like the PCDSPO. Relative thereto, she expressed concern over the possible overlapping of functions between the PCOO and the PCDSPO. Senator Drilon replied that there was no duplication because the PCDSPO is tasked to craft messages for the President which would be disseminated to the general public through the PCOO.

Asked whether the two agencies were closely coordinating with each other to ensure consistency in the messages emanating from the President and the government to the public, Senator Drilon answered in the affirmative.

Adverting to media reports claiming that the telephone call from Mr. Donald Tsang of Hong Kong during the Luneta hostage-taking incident was referred to the DFA, Senator Legarda asked how the head of the PCDSPO became involved in the matter when the call was supposed to have been coursing through proper channels. Senator Drilon explained that the phone call was referred to the DFA not only because it involved another country but also due to the fact that the PCDSPO did not receive prior information that such a call was going to be made. Senator Legarda suggested that there be closer coordination among these officers so that the message is delivered and the public would not be confused. She hoped that these agencies come up with names that have better recall and would describe its actual function. Also, she reminded the PCDSPO to be professional and not let itself be used for political or personal purposes since the taxpayers' money is being used to fund their operations. Lastly, she cautioned against the irresponsible use of social networking sites as these have a negative impact on the government, on the people and even the President.

#### **SUBMISSION OF THE BUDGET OF THE PRESIDENTIAL COMMUNICATION DEVELOPMENT AND STRATEGIC PLANNING OFFICE**

There being no other interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Presidential Communication Development and Strategic Planning Office was deemed submitted for the Body's consideration.

## SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 8:25 p.m.*

## RESUMPTION OF SESSION

At 8:55 p.m., the session was resumed

## DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

Senator Drilon presented the budget of the Department of Public Works and Highways and its attached agencies. He stated that the NEP proposed P1,826,083,000 for the DPWH which the Senate reduced to P99,380,130,000.

## INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña stated that he would limit his queries on the Road Users Tax or the Motor Vehicle Users' Charge (MVUC) authorized under RA 8794 whose total collections between 2001 and June 2010 amounted to over P65 billion. Senator Drilon clarified that as of November 8, 2010, the total collection has reached P68,441,299,752.08.

Senator Osmeña stated that the law provides that there shall be four special trust accounts in the National Treasury: 1) The Special Road Support Fund, 70% of which goes to the maintenance and improvement of drainage of national primary roads and 30% for the maintenance and improvement of drainage of national secondary roads.; 2) the Special Local Road Fund for the maintenance of local (provincial and city) roads, traffic management and road safety devices; 3) Special Road Safety Fund for the installation of adequate and efficient traffic lights and road safety devices; and 4) Special Vehicle Pollution Control Fund which goes to the DOTC. He said that 7.5% of the total MVUC Fund was for air pollution control. He then requested the DPWH to submit to the Senate a report on where the expenditures were made in the past 10 years. Senator Drilon stated that the DPWH would do so.

Senator Osmeña pointed out that there have been numerous objections to the way the past administration dispensed the Road User's Fund for certain project.

Asked if the present leadership would continue the use of the Road User's Fund, Senator Drilon confirmed that there were a lot of anomalies in the previous administration, for instance, in the selection of projects, the board approved a number of projects for funding but those implemented were not the ones approved by the board. He stated that there have to be changes which would, however, require amendments to the law. He expressed confidence that the present leadership could work with the present system. He believed that DPWH would disburse the funds in accordance with the provisions of the law.

Since the new administration need the Road User's Fund, Senator Osmeña asked if the law could be repealed and leave everything to the national budget. Senator Drilon replied that there is a school of thought that would support the proposition of putting everything back in the national budget, with prior authorization for the disbursement of allocations from the general fund. He said that there is a need to review and amend the provision on disbursement in the law.

As to the members of the Road Board, Senator Drilon stated that there are seven: DPWH secretary, as *ex-officio* chair; and as members, the DOF secretary, the DBM secretary, the DOTC secretary and three members from the transport and motorist organizations.

As regards the representative of the Philippine Motoring Association in the board, Senator Drilon said it was Mr. Gus Lagman.

At this juncture, Senator Osmeña made reservation to interpellate further on the Road Users' Fund. He stated that he was looking forward to the bill of Senator Drilon that would either repeal the entire law or to keep the tax but transfer the funds to the DPWH budget instead of the board administering it.

## INTERPELLATION OF SENATOR CAYETANO (P)

Asked by Senator Cayetano (P) on the Special Vehicle Pollution Control Fund, Senator Drilon stated that a total of P2,288,687,920 was released from 2001 to 2009 but none in 2010. He gave the schedule of the releases, as follows:

2001 to 2005	P421.1 million
2006	541.3 million
2007	no release
2008	541.7 million
2009	811.5 million

Senator Drilon stated that the entire 7.5% was released but there was still a balance of P3,600,120,000. He added that only the DBM manages and releases the funds.

### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS**

There being no other reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Department of Public Works and Highways was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 9:10 p.m.*

### **RESUMPTION OF SESSION**

At 9:14 p.m., the session was resumed.

### **DEPARTMENT OF NATIONAL DEFENSE AND ITS ATTACHED AGENCIES**

Senator Drilon presented the budget of the Department of National Defense and its attached agencies.

Senator Drilon stated that the budget of the Department of National Defense was P104,504,921,000, 80% of which, or P80 billion, goes to personal services. Of that P80 billion, he said, over P36 billion was for retirement and P44 billion for salary. He cautioned that a situation could arise in 2016 when the allocation for retirees will be higher than that for the regular salaries of the active service personnel. He pointed out of the P104 billion, only P5 billion was allocated to the AFP modernization and the country can never hope to modernize the AFP with it. Therefore, he urged the concerned individuals to take the bull by the horn, put their heads together, and see how the system can be reformed to provide a

modernization fund worthy of the AFP personnel and, at the same time, not prejudice the veterans. He explained that given the country's tight fiscal situation where it has a deficit of about P325 billion for 2010 and a program deficit of P290 billion for 2011, the people cannot expect the economy to expand to the point that it can provide enough funds for AFP modernization.

Senator Drilon noted that the Aquino Administration has five years to resolve the problem. He posited that it is not an easy problem as he urged the legislature to work closely with the Executive Branch to see what solutions can be adopted in the next five years so that the country could avert a situation where the budget for retirement pay of the retired AFP personnel is higher than the budget for salaries of the regular uniformed AFP personnel.

### **INTERPELLATION OF SENATOR SOTTO**

At the outset, Senator Sotto thanked Senator Drilon for his opening statement as it paved the way for the points that he wanted to raise. He recalled that in 1996, Congress passed a joint resolution providing for the AFP Modernization Program, the main component of which was the development of capability, material and technology, which involves the acquisition or upgrading of weapons, systems and technology. He stressed that the law was meant primarily to develop the AFP's capability in addressing external defense concerns. He recalled that the implementation of the AFP Modernization Program was supposed to be done within a 15-year period, as so provided in the sunset clause of the law.

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Asked what percentage of the program has been completed after 14 years, Senator Drilon said that it was only about 10%. He explained that Congress intended to reserve a portion of the proceeds from the sale of Fort Bonifacio to the extent of P50 billion for the AFP modernization and for that purpose, the Bureau of Treasury was supposed to create a Special Purpose Fund. He noted, however, that the past administration did not set up the special fund so all the proceeds from the sale of Fort Bonifacio was placed in the General Fund and became part of the general budget.

Senator Sotto stated that if that was the case, there was no way that the modernization program would be near completion even in the next 15 years.

Moving on to another topic, Senator Sotto recalled that in 2002, Congress passed a law providing for the funding of the increase of the base pay of members of the AFP. Asked whether the members of the AFP were enjoying the salary adjustments, Senator Drilon replied in the affirmative, saying that the increase was granted in two tranches.

On whether the proposal to increase the combat duty pay of soldiers was already included in the 2011 budget, Senator Drilon said that the Committee on National Defense and Security chaired by Senator Escudero has submitted a committee report on the measure increasing the combat pay of the AFP personnel from P240 to P1,000.

In closing, Senator Sotto hoped that the Senate could come up with a holistic approach to be able to upgrade the salaries and benefits of the soldiers by revisiting their compensation package in light of the changing scenarios confronting the Committee.

#### **INTERPELLATION OF SENATOR EJERCITO ESTRADA**

At the outset, Senator Ejercito Estrada said that it was disturbing to note that only P5 billion was going to the AFP modernization program. He recalled that during the time of President Ramos, the income to be generated from the sale of Fort Bonifacio was supposed to be utilized for said purpose. He inquired if the current administration has concrete solutions with respect to modernizing the equipment and facilities of the AFP. He said that according to Senator Osmeña, the income generated from the sale of Fort Bonifacio was about P32 billion. Replying thereto, Senator Drilon said that he does not remember the exact amount but the law, he recalled, provided for the setting up of a P50 billion special fund from the proceeds of the sale of the Fort Bonifacio. He reiterated that the special fund was not created and the proceeds became part of the general budget. He said that this was the reason why the armed forces has to beg and fight yearly for a share of the GAA for its modernization program.

Asked what the DND planned to do with the P5 billion, Senator Drilon replied that there were a number of schemes available to the DND, to name some: private-public partnership; lease of AFP properties; and possible increase in the share of BCDA. He said that a number of real properties can

also be used as the source of funds, one being Camp Aguinaldo that was donated by the Ortigas family to the government on the condition that it shall be used as a military camp. He stressed that there is nothing to prevent the AFP from negotiating with the Ortigas family that in exchange for the return of the property, Ortigas and company would fund to a certain extent the modernization program or the transfer the camp and offices to some other area. He said that simultaneously, the legislature can look into measures correcting certain abnormalities in the current situation.

Asked how many airworthy helicopters the AFP has, Senator Drilon said that out of 40 helicopters, 12 were airworthy and 22 were grounded and needed maintenance. Funds for the maintenance of the helicopters, he said, would be taken out of the MOOE of the AFP budget.

Replying to further queries, Senator Drilon said that the 28-year old plane of the President of the Philippines was purchased during the incumbency of President Marcos and was used by all his successors, except perhaps President Estrada. He said that it was used recently by President Aquino from Ho Chi Minh City in Saigon to Hanoi. Likewise, he recalled that when he was Executive Secretary, part of the plane's maintenance was supported by the *Bangko Sentral*.

#### **INTERPELLATION OF SENATOR OSMEÑA**

In reply to Senator Osmeña's queries, Senator Drilon said that the President's plane was an F-28, with 6,000 hours on its airframe. Senator Osmeña noted that the plane is very young and very safe, having only flown 6,000 and having gone through about 3,500 cycles. He pointed out, though, that it would be hard to secure its parts since Fokker does not manufacture them anymore. He expressed gladness that President Aquino uses the plane, as he pointed out that it is not the age of the airplane that determines its airworthiness but the number of flying hours that affect its wear and tear and the stress on the airframe. He said that the engine could always be overhauled to make it run like brand new.

On another matter, Senator Osmeña noted that the Huey helicopters of the AFP are fairly older models that were used extensively by the U.S. Air Force in Vietnam in the 1950s before they were donated to the Philippines. In addition, he said that there are variants of the 1-H helicopters used by the

PAF, the type of helicopter which is among the most dependable in history. While the U.S. Air Force is already phasing it out for a new model, he believed that it would be fairly easy to get spare parts to upgrade the country's Hueys, or to buy factory-rebuilt Hueys which a lot of secondary companies in the U.S. also do. Senator Drilon stated that P400 million is allotted in the budget for this purpose.

Replying to further queries, Senator Drilon affirmed that Bell Helicopter sells fully reconditioned Hueys 1-H of a later variant. He likewise confirmed that the PAF has ordered eight Swienik combat helicopters from Poland at a cost of about US\$7.4 million per unit.

Senator Osmeña opined that even while Swienik, which was already bought 100% by Agusta helicopters, is a very dependable company, it would be better to buy completely rehabilitated, almost brand-new factory Hueys UH-1-H for twice the number of a Swienik helicopter. However, he said that he would leave the matter to the decision of the AFP leadership.

To generate funds for the AFP modernization, Senator Osmeña said that selling the 170-hectare Camp Aguinaldo at P100,000 per hectare would generate P170 billion for the government. He said that it should not even be sold back to Ortigas & Co. alone as it could not absorb everything, but to other developers as well. Even with P85 billion, he said that the AFP modernization could get on its way and all the government needs is to sit down with Mr. Drilon who heads Ortigas & Co.

On the information that Mr. Drilon has retired but remains a consultant, Senator Osmeña said that Mr. Drilon could advise the AFP to come to terms with Ortigas & Co. He recalled that when Congress approved the AFP Modernization during the Ramos administration, the exchange rate was P20 to a dollar, which means that the AFP has since lost about P50 billion as a result of the depreciation of the peso.

On another query, Senator Drilon affirmed that there are continuing deductions of 5% from the salaries of AFP personnel for RSBS.

Noting that it would be impossible to fund a pension plan with a 5% deduction, Senator Osmeña asked whether the AFP is willing to join the GSIS,

which would mean a 9% to 10% deduction from the salaries of AFP personnel and a counterpart 9% to 10% from the AFP as the employer. He said that the Senate Committee on Banks, Financial Institutions and Currencies which he chairs would help the AFP explore the possibility with GSIS officials. Senator Drilon manifested the AFP's willingness to join the GSIS, but expressed uncertainty whether the GSIS would be willing to accept them, considering that the retirement age of AFP personnel is lower at 56 years old, which means the amount of premiums to be paid would also be lower. He stressed the need for studies to be done in the process of making a decision on the pension fund that has continuously become a burden to the national budget, especially because not only the AFP is involved with P36 billion in appropriations, but also the PNP with P14 billion, the BJMP and the Bureau of Fire Protection, or a total of P50 billion a year on pension fund. This, he said, does not even include the Judiciary.

Senator Osmeña enumerated three options to address the matter: first, that funding it out of the budget could be continued which, admittedly, is unsustainable since there would be a struggle every year to get their pension fund into the budget for the simple reason that there is not enough money to pay for all the requirements that government needs to run the government and at the same time take care of the veterans; second, leave it to a professional who could make use of the deductions, such as investing it wisely and properly to make sure that the retirees would be paid what they are promised at the time of payment; and third, join the GSIS which is already a professionally-run organization with a bureaucracy that knows how to take care of such things. He said that the retirement age would not be a problem because they would just form a separate account, in view of the fact that not all insurance policies are the same, with some annuities being paid out at age 60, and some others at age 65. Moreover, he believed that the GSIS is a very solid financial institution as they have an advantage which the SSS does not, such as monopoly on all fire insurances and on nonlife insurance policies of all government-owned and -controlled corporations and government properties in the country.

Senator Osmeña manifested the disappointment of his classmate, who helped conceptualize the RSBS in 1974, at what happened to the RSBS which he thought would be viable. He said that the RSBS would have problems if a pension fund

was formed again, particularly in the hiring of professional managers who would take charge of investing the premium payments. He hoped that the GSIS would be willing to sit down and discuss the matter so that the Senate Committee on Banks, Financial Institutions and Currencies could help formulate the type of law that would be able to capture and ensure the viability of any new pension fund that would cover the members of the AFP and PNP.

Senator Drilon revealed that Senator Escudero has formed a study group precisely for the purpose. He also welcomed the offer of expertise of Senator Osmeña on the matter.

#### SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 9:55 p.m.*

#### RESUMPTION OF SESSION

At 9:57 p.m., the session was resumed.

#### INTERPELLATION OF SENATOR CAYATENO (P)

Asked by Senator Cayetano (P) if the DND was implementing a gender-awareness program, Senator Drilon replied that it has, in fact, graduated two batches were now in the field and spreading the principles of the program, and the third batch was currently undergoing training.

Senator Cayetano (P) believed that her office, in coordination with the officials of the Philippine Commission on Women and the DND representatives could help design programs on gender awareness. She then asked to meet the DND representatives, saying that she wanted to maximize the use of the 5% allocation and to ensure that the DND has proactive programs that benefit both men and women. Certainly, she said, she wanted men in uniform who have wives and young daughters to be the protectors of women's rights. She cautioned that it was not an easy task to budget such a huge amount and as Senator Drilon himself knew, some offices have indeed abused the use of funds entrusted to their care. In reaction, Senator Drilon stated that he would ask the DND Secretary to direct Asst. Sec. Lamberto

Sillona, the program director, to sit down with Senator Cayetano (P).

On veterans affairs, Senator Cayetano (P) observed that veterans have access to health care through the Veterans Memorial Medical Center in Manila. However, she noted that there was only one such hospital in the entire country but veterans were living mostly in provinces where they were encouraged to retire.

Asked whether veterans can get free medical care from other medical facilities or out-patient clinics for simple medical problems that do not require hospitalization, Senator Drilon answered that the veterans and their wives can go to accredited provincial government hospitals.

Upon further query, Senator Drilon confirmed that there were AFP medical hospitals in certain provinces that treat active servicemen.

Senator Cayetano (P) encouraged the AFP leadership to start negotiations towards the accreditation of all government hospitals to give easy access to health care to veterans and active servicemen as well as their recognized dependents. She stated that she would be willing to work with the DOH to set up halfway houses just like in America where soldiers and their families can stay while the former are being treated on out-patient basis in military hospitals.

#### INTERPELLATION OF SENATOR CAYETANO (A)

Initially, Senator Cayetano A) observed that for a new Administration, everything is supposed to go right during the honeymoon period and that it was really the opportune time for the department secretaries to review and learn from the mistakes of the past Administration and to identify new doable projects.

Referring to the retirement age of AFP servicemen, Senator Cayetano (A) stated that he was unaware if anyone has filed or intended to file a bill increasing it. Since it would take time to pass such a bill into law, he asserted that there might be a faster way of doing it, for instance, through an administrative order signed by the President or a Memorandum of Agreement executed between the DND and the various executive departments. The problem with retiring at age 56, he said, is that it is

just the beginning of life for most people. He reiterated that the most active and productive senators these past three years in the Senate had been the eldest – Senators Arroyo, Pimentel and Enrile. He pointed out that the retirement age of Supreme Court justices was 70 but even upon retirement, some of them were appointed to government posts.

Senator Cayetano (A) stated that one thing the DND Secretary can do is to execute a MOA with the department secretaries providing for the absorption of soldiers who retired at age 56, for example, as engineers by the DPWH or DOTC; as medical/dental practitioners by the DOH; or as drivers by the DOT or other agencies. He believed that the military personnel had been invested with a wealth of specialties.

Senator Drilon gave the assurance that the DND secretary would study it and share it with the members of the Cabinet.

Proceeding to the survivorship pension, Senator Cayetano (A) asked if it was fair that the dependents of a soldier who died in action should receive only 75% of the benefit. He pointed out that when soldiers die in action, they give up their lives for the country, but if they were lucky enough to continue in service, they would probably be promoted so that when they retire, they would be receiving 100% retirement pension.

Asked how many soldiers die in action in a year, Senator Drilon stated it was 400, on the average. Senator Cayetano (A) proposed that soldiers killed in action be treated as if they were still alive, meaning, they would get full pay and the promotions that would have come down the line, and upon retirement age, they would be entitled to full pension. For example, he said, a soldier who dies at age 45 could be paid until he shall have reached age 56 at which time, he would get full pension. He lamented the Filipinos' attitude of attending to the needs of the living and neglecting the needs of the dead, in this case, the bereaved families who have been deprived of a breadwinner. He believed that adopting such a program would send the right message to the fighting men that their families would be cared for should anything happen to them in battle. He asserted that this is the best government can do for its heroes and hoped the DND Secretary could look into it and support it. If there is a need for legislation, he suggested that the legislators fast track it.

Senator Drilon gave assurance that there were DND programs that respond to the needs of survivors of soldiers killed in action, citing the scholarship programs that their children are allowed to avail of. He stated that while there are benefits for survivors, these have to be reviewed carefully as they accumulate over the years – P400 in the first year, P800 in the second year and P1,200 in the third, and so forth. While he lauded the proposal, he pointed out that the DND secretary has to study its implications on the budget so that any program towards that end has to be realistic.

Asked on the total AFP membership, Senator Drilon replied it was 127,000.

Relative to the scholarship program, Senator Cayetano (A) proposed that all the 112 SUCs enroll one dependent per soldier, where it is geographically doable. He pointed out that since a soldier is assigned everywhere and increases in his salary come few and far between, he could at least be assured that one of his children would be enrolled in a state university or college near where his family resides. In this regard, he suggested that the DND secretary and the CHED execute a MOA providing for such a program. However, he asked the state university or college to make its entrance examinations a bit easier for the children of AFP personnel.

Senator Cayetano (A) said that there are around 4,300 scholars of enlisted personnel who were either in the service, retired or had been killed in action. However, he noted that the number of scholars was only a mere 4% of the 128,000 dependents.

As regards the suggestion to implement measures similar to the GMA Scholarship Program which required SUCs to offer additional scholarships, Senator Drilon replied that with such a welcome concept, the DND Secretary would be more aggressive in seeking even more allocation from the SUCs.

Senator Cayetano (A) urged the DND to put up more facilities for the families of military personnel similar to Camp John Hay, which has churches, restaurants, sports and recreational facilities. Senator Drilon replied that the Committee will work on the suggestions, which he believed would certainly uplift the morale of enlisted personnel.

Asked whether the budget for pensions are appropriated through the GAA, Senator Drilon

answered in the affirmative. He said that the P12,731,655,000 allocated for Personal Services of the Philippine Veterans Affairs and the P24.591 billion for General Administration and Support Service are included in the P36 billion total budget of the DND.

On whether the failed Retirement and Separation Benefits System (RSBS) was still being liquidated, Senator Drilon said that a system of refund that was sourced from the collection was currently being implemented.

Asked whether there were plans to put up a professionally-managed pension fund for the AFP, Senator Drilon said that enrolling the pension of the AFP personnel in the GSIS was one of the issues that should be extensively reviewed in view of the increasing burden of including allocation for pension in the national budget. Senator Cayetano (A) hoped that the DND Secretary would be able to come up with recommendations on the proper pension fund.

On another matter, Senator Cayetano (A) pointed out that the 2009 COA Report showed significant inaccuracies, for example, inaccurate balances in the Philippine Army amounting to P27.29 billion, P24.06 billion for the Air Force and P16.66 billion for the Navy. He said, however, that the term "inaccurate" would not necessarily mean that there was an anomaly because such miscalculations could have been due to errors in the accounting process.

Senator Cayetano (A) also cited a 2009 COA report which showed that even though eight out of 15 housing projects for the Philippine Navy worth P142,490,000, which was funded out of the AFP Modernization Fund, have remained uncompleted due to lengthy delays, payment for damages had been imposed on the contractors. Relative thereto, he asked whether the Modernization Fund could be used for housing projects. Senator Drilon cited Section 4 of Republic Act No. 7898 or the Act for the Modernization of the AFP, which authorizes the use of the fund to provide an adequate support system and housing facilities to AFP units and personnel.

Senator Cayetano (A) clarified that he was in fact in favor of not objecting to the providing housing for the military. However, he suggested that the new leadership address the issue of the uncompleted housing projects. He also believed that despite limited

government resources, funding for such projects could be sourced by transferring funds from one project to another. However, Senator Drilon pointed out that due to the growing budget deficit running to P325 billion for the current year and programmed at P290 billion next year, the government has limited resources for the fund. He pointed out that, by law, the special fund could have been created from the proceeds of the sale of Fort Bonifacio as the same could not be used for budgetary support for general operations of the government.

Senator Cayetano (A) believed that the AFP cannot rely on the special funds not only because it has never been funded but doing so would affect allocations for other departments in view of the huge amount needed. He stressed that the AFP can continue to ask the DBM for the funding because the BCDA continues to sell government property such as it had done when it sold 30 hectares of land to Megaworld. Moreover, he pointed out that the BCDA law, which is focused more on selling a property rather than leasing it, should be reviewed because it would be more beneficial for the AFP to enter into leasing arrangements.

Upon further queries, Senator Drilon said that *Libingan ng Bayani* covers 120 hectares and that 3.5 square meters is allotted for the remains of each soldier/military hero. However, he noted that the National Shrine Administration has not purchased other lots in the past 12 years.

Senator Cayetano (A) suggested that the National Shrine Administration buy similar properties in Visayas and Mindanao to make these memorial parks accessible to the families that have been left behind by the soldiers.

On another matter, Senator Cayetano (A) lamented the plight of soldiers who have been staying in a government-owned land in Taguig because the AFP and the National Shrine Administration opposed the proclamation signed by then President Gloria Macapagal-Arroyo which gave the land to the soldiers. Relative thereto, he asked whether there was a MOA between the Arroyo administration and a private corporation for a water treatment facility which would cover five hectares of the property. Senator Drilon said that the MOA was executed with the Manila Water which will run the underground facility. He added that the Ayala Corporation will develop the surface into a war historical park.

Senator Cayetano (A) asked whether the Task Force Bantay, which was established in 1994, has been doing its job in view of the growing number of informal settlers. He suggested that a multi-agency meeting be held to address the matter.

Likewise, Senator Cayetano (A) noted that although the government tolerated the mushrooming of illegal settlers in government lots, it also enforced the demolition of the homes of those who had taken residence in these lands before 1986 which is a violation of the UDHA. He also pointed out the irony in the fact that former President Arroyo followed the example of former President Macapagal when she withdrew a proclamation she had signed a day before the 2010 national elections which has given the settlers a right to the lots.

Also, Senator Cayetano (A) suggested that the DND build national shrines around the country in honor of its soldiers. However, Senator Drilon revealed that no funds had been allocated for this purpose. Senator Cayetano (A) admitted that Congress had failed to provide funding to secure the lots allotted to the military.

On the suggestion of Senator Cayetano (A) that the military come up with a performance audit which would be presented before the Members during either an executive or open session, Senator Drilon confirmed that the DND can hold a briefing on the matter before a select group of senators.

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF NATIONAL DEFENSE**

There being no other interpellations, upon motion of Senator Sotto, there being no objection, the budget of the Department of National Defense and its attached agencies, namely, the DND Proper (Office of the Secretary), Government Arsenal, National Defense College of the Philippines, Office of the Civil Defense, Philippine Veterans Affairs Office, Philippine Veterans Affairs Office (Proper), Military Shrine Services, Veterans Memorial Medical Center, Armed Forces of the Philippines, Philippine Army (Land Forces), Philippine Air Force (Air Forces), Philippine Navy (Maritime Forces), and the General Headquarters (Proper), were deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the Chair declared session suspended until nine o'clock in the morning of Tuesday, November 30, 2010.

*It was 10:39 p.m.*

#### **RESUMPTION OF SESSION**

At 9:14 a.m., Tuesday, November 30, 2010, the session was resumed with Senate President Enrile presiding.

#### **MORNING AGENDA**

Senator Sotto announced that the Body would continue to deliberate on the budgets of the Department of Science and Technology and its attached agencies, the Department of Social Welfare and Development, the Department of Trade and Industry, the Department of Agriculture, the Budgetary Support to Government Corporations, the Department of Energy, the BSGC-Other Executive Offices, Autonomous Region in Muslim Mindanao, the Commission on Elections, the Department of Justice, the Department of Budget and Management, Allocations to Local Government Units, Calamity Funds, Contingency Funds, Government Funds, Miscellaneous Funds and the Priority Development Assistance Funds.

#### **DEPARTMENT OF SCIENCE AND TECHNOLOGY AND ITS ATTACHED AGENCIES**

Senator Drilon, Chair of the Committee on Finance, informed the Body that Senator Angara would defend the budget of the Department of Science and Technology.

Thereupon, the Chair recognized Senator Angara, Sponsor of the budget of the Department of Science and Technology.

#### **MANIFESTATION OF SENATOR ANGARA**

At the outset, Senator Angara revealed that the bulk of the 14% increase in the budget of the Department of Science and Technology (DOST) would be used for the modernization of Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA). But he expressed dismay

that some vital agencies under the DOST did not get additional funding, namely: a) the Renewable Energy Research Institute, which was created under the Renewable Energy Law to find ways to maximize the renewable energy sources of the country like wind, water, biomass, solar and ethanol from algae; and b) the Industrial Research Development Institute, which would provide funding for research and laboratory facilities for use by local scientists and technologists as well as Filipino scientist living overseas.

### **INQUIRIES OF THE CHAIR**

Asked by Senate President Enrile on the difference between the National Research Council of the Philippines and the National Academy of Science and Technology, Senator Angara explained that the National Research Council of the Philippines is the national body composed of leading researchers, scientists and technologists which provides leading scientific thoughts and ideas in fields like hard sciences, physical sciences and social sciences, while the National Academy of Science and Technology is a more elite and select group where membership is by nomination and election. He added that the researches of the NRC are reported and published annually.

On whether the Congressional Oversight Committee on Science, Technology and Engineering (COMSTE) receives the reports of the accomplishments of the research institutes, Senator Angara replied that the COMSTE not only has access to the research output of the National Research Council but that there is likewise an active research cooperation between the two bodies.

Upon further queries, Senator Angara clarified that the COMSTE is a coordinating and oversight body. For instance, he said that the electric car was a research project initiated by a member of the National Research Council who was also a member of the scientific panel of COMSTE.

Asked why a congressional oversight committee initiated the research instead of the NRC which was provided with funds, Senator Angara explained that the idea for the electric car was initiated by individual scientists who happened to be members of both the National Research Council and COMSTE.

As regards the observation that the Philippine Council for Industry and Energy Research ought to have initiated such research instead of the COMSTE

which is composed of politicians and legislators, Senator Angara explained that an oversight body such as the COMSTE is tasked to identify and collate scientific ideas so that policies could be drafted in support of undertakings like Green Energy and the Telemedicine initiatives.

The Chair pointed out that telemedicine is no longer a new technology as it is known all over the world. Senator Angara clarified that the technology was being adopted by the Philippines. He maintained that the invention and transfer of technologists were initiated by individual Filipino technologies, engineers and scientists who happened to belong to scientific groups like the National Research Council. He explained that telemedicine was initiated by UP Manila and the DOST but was only supported and facilitated by the COMSTE through policy and funding. Whether telemedicine was already adopted nationwide, Senator Angara disclosed that there were currently four working prototypes but that 100 stations would be operational by mid-2011. He added that while the initiative was supported by DOH and DOST, the private sector has not taken advantage of the project because it was still being tested.

Furthermore, Senator Angara said that telemedicine did not start in the Philippines but was merely being adapted to the local situation. The Chair noted that telemedicine was being utilized in modern countries and that its implementation in the Philippines would be dependent on the availability of infrastructure.

The Chair asked whether there was a symbiotic relationship between the DOST and the Department of Trade and Industry considering that industrial policies would be adopted in setting up industries. It pointed out that the DOST has a research arm that ought to participate in the evaluation of business enterprises that erode the revenues through tax incentives. It also sought clarification as to whether the DOST was consulted by the DTI in granting tax incentives to existing industries such as those in the field of agriculture, industry, medicine or food technology. In reply, Senator Angara underscored the need to have close linkages among the DOST, DTI and DOH so that these policies could be put in place.

Senate President Enrile asked whether the Executive Department consulted the DOST as to whether such investments proposed for tax erosion were worthwhile.

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Asked where abalone is found in the Philippines, Senator Angara pointed out that there were abalone farms in Aurora, Samar and Iloilo, although production was small. He also explained that abalone thrives in tropical waters but only in a certain environment.

At this point, the Chair stated that Cagayan has abalone but experts have yet to find out exactly where and precisely, it wanted to find out whether the institutes were effective in performing their functions.

Asked if there were maps identifying the sites where abalone thrives, Senator Angara gave assurance that he would provide the Senate President with the map.

#### **INTERPELLATION OF SENATOR SOTTO**

Asked by Senator Sotto what the nine institutes attached to the DOST were doing, Senator Angara replied that they are research facilities. He clarified that under the DOST structure, it has the R&D institutes, advisory bodies and sectoral councils. He stated that advisory bodies such as the National Academy of Science and Technology, and the National Research Council of the Philippines, play supportive roles to the DOST as primarily promoter and propagator of science and technology. Acknowledging that DOST has too many attached agencies, he gave assurance that in the next COMSTE, he would sit down with the DOST officials and stakeholders to discuss how the Department can be streamlined. He stated that there are too many R&D institutes but their funding and output are low.

Asked on the budget of the DOST, Senator Angara replied that it was P6.402 billion for 2011, an increase of 7% over the 2010 budget. He added that the average allocation to each institute was P70 million.

Asked by the Chair why the allocation to the Office of the Secretary (OS) was so big, Senator Angara explained that under the budgeting system, the allocation to the OS-DOST includes the budgets of the regional offices. He confirmed that the OS-DOST has the bulk of the workforce.

At this point, the Chair asked for a breakdown of the capital outlay, to which Senator Angara acceded.

Resuming his interpellation, Senator Sotto asked

what the councils were doing. Senator Angara stated that as their names imply, these are councils for different sectors – health, agriculture and forestry, industry – that consult with the stakeholders. For instance, he said, the Philippine Council for Health Research and Development consults with people and organizations involved in health — the medical profession, the hospital association, etc. He stated that said Council had an allocation of P79 million in 2009.

Senator Sotto asked for the accomplishment of the Council for 2009 and 2010, to which Senator Angara acceded.

The Chair asked for a breakdown of the almost P2 billion MOOE of the OS-DOST so that it could be compared with other departments. Senator Angara gave assurance that the data would be submitted to the Senate President within the day. He clarified that the P2 billion appears huge because it covers grants and aid given by the DOST to universities, the sectoral councils and individual researchers.

Asked why these expenses should come out of the MOOE, Senator Angara stated that it was for budgetary convenience. He pointed out that researches or technology transfers are conducted at the regional level, depending on the needs of the regions and on the available talents in the regions, and the regional offices pay for them.

The Chair expressed concern that there might be duplication in the researches as it suggested that the research on abalone, for instance, be concentrated in Aurora and the propagation be dispersed to areas that have the right environment. Senator Angara agreed to the observation of the Chair. However, he pointed out that the bureaucratic structure of DOST and its budgeting system have to be followed. He hoped that the Aquino Administration could look into the budget system and improve it as he noted that lump-sum appropriations were oftentimes concentrated in certain offices.

Asked by the Chair why a technical department like the DOST has regional offices, Senator Angara stated that indeed, government has to rethink the regionalization concept because not every national office needs regional offices.

Asked by Senator Sotto on the major outputs of the Health Research and Development Council,

Senator Angara replied that the Council initiated the production of herbal medicine; launched telemedicine in the country; and developed commercial products from plants that have medicinal and pharmaceutical values.

Asked on the budget of the Philippine Institute of Volcanology and Seismology, Senator Angara said it was P205 million.

On whether the amount included allocation for new equipment, Senator Angara said that to the credit of the Philvolcs, it has been quite successful with its modernization process since, like PAGASA, it attracts very strong international support.

As to the budget of the Philippine Nuclear Research Institute, Senator Angara replied that it has P140 million. He said that the most notable output of the Institute, in relation to bananas, the country's number one agricultural export, is mutation breeding through radiation that enables the cultivation of sturdier draught-resistant species of crops. Contrary to what most people think, he stated that nuclear technology can be used for health, crops, industry and the environment and not just for building bombs.

As regards the stand of the Institute on the proposal of Rep. Mark Cojuangco to revive the nuclear plant in the Philippines, Senator Angara replied that the official stand of the DOST is that the government ought to start the nuclear program strictly for civilian use. He said that the country could have really advanced in this area because it began its nuclear program in the 1970s, almost at the same time as Taiwan and Korea, both of which depend on nuclear energy to supply 60% of their needs. He stated that according to the DOST secretary, nuclear technology is now one of the cleanest, safest and reliable technologies and cost-effective power generation. Since the country stopped its nuclear program in the '70s and early '80s, he said, all the scientists, technologists and technicians have gone abroad to work for foreign governments or corporations. He stressed that the Philippines has to rebuild the critical mass of scientists and technologists now if it is to catch this wave of power generation that has a long gestation period.

Asked whether the Philippine Council for Agriculture, Forestry and Natural Resources Research and Development and the Forest Research and Development Institute, in one way or another, helped

the alternative development program of the Dangerous Drugs Board and whether it has initiated any funding allocation for the agency in the last two years, Senator Angara replied in the negative.

As regards research and funding support, Senator Angara revealed that the country's current spending on R&D is less than 10% of 1% of GDP but government share in that spending is only .3%, less than one-third of the total R&D spending. He stated that as a benchmark, UNESCO requires that the Philippines must spend 1% of GDP or P60 billion.

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

Senator Angara remarked that the number of scientists per million in the Philippines is ridiculously low. He said that the mandatory number is that there must be at least 360 scientists and technologists per one million population but the current ratio is 125 scientists and technologists per one million population. For comparison, he cited the ratios in other countries: U.S. — one scientist per 6,533 people; Japan, — one scientist per 11,600 people; and Germany — one scientist (a PhD) per 1,300 people. He said that low scientific manpower and very low R&D spending resulted in slow economic growth for the country. He pointed out that China, India and Korea spend at least 6% of GDP on R&D and because of this innovation, their capacity for technology is almost unlimited and their progress is skyrocketing. He posited that supporting science and technology was the only way to jumpstart national development and economic growth because the traditional economic ways were unsuccessful.

In closing, Senator Sotto requested a copy of the DOST's health, science and technology plan.

## INTERPELLATION OF SENATE PRESIDENT ENRILE

Asked by Senate President Enrile when the DOST was established, Senator Angara recalled that the predecessor of the DOST, the National Science Development Board, was established in 1958.

As to the major accomplishments of the DOST since 1958, Senator Angara said that the DOST has helped developed the country's geothermal industry, particularly the exploration aspect.

Senator Angara emphasized the importance of the geothermal industry, as he pointed out that the country is the number two geothermal power in the world, next to the United States. Moreover, he said that even as the country adopted good practices from New Zealand and the United States, it has been responsible for training many geothermal engineers and technologists in the world.

To Senate President Enrile's claim that it was an American company that set up the geothermal industry in the country, Senator Angara clarified that the basic research was done by a Filipino scientist.

Replying to further queries, Senator Angara said that the Textile Research Institute (TRI), which was established in 1988, developed indigenous first-class organic fibers such as banana, abaca and pineapple fibers that constitute a great part of the country's textile and clothing industry. He said that on the average, the institute receives an annual budget of P50 million used not merely for discovering natural fibers but also in setting up textile laboratories in SUCs.

Asked on the outcome of the ramie experiment in order to replace flocks, Senator Angara said that the TRI tried to develop ramie in South Cotabato until China swamped the industry, making it not economically viable to continue with the experiment.

As regards the result of the experiments to produce cotton, Senator Angara said that the Department of Agriculture has as its attached agency the Cotton Development Administration (CODA), among the agencies which he has always insisted during budget hearings to be merged with the TRI so that cotton and fiber researches could be combined into one.

As regards the utility of the fibers, Senator Angara said that in compliance with the law mandating the use of local textiles for the uniforms of government employees, the local fibers are combined, for instance, banana fiber is mixed with cotton while abaca is mixed with silk or piña to make a *barong tagalog*.

Senate President Enrile asked why there was not enough banana fiber for textile production despite the fact that the country is a major producer of banana. Affirming that even Japan has made a specialty paper out of banana sack other than to produce clothing, Senator Angara opined that there could be

not much interest yet on the part of the private sector to produce textile from banana and pineapple fiber, or that government policy to promote indigenous materials might not be present, unlike in Japan and Korea.

Senate President Enrile recalled that during the war when there was scarcity of clothing especially in the northern provinces, Filipinos were ingenious enough to process tree barks into clothing. Senator Angara affirmed that the textile researchers have made researches in Tan-ag and CAPCO on alternative clothing materials that are abundant and cheaper.

Replying to further queries, Senator Angara affirmed that the TRI has produced fiber from pandan plant, water lily and *saluyot*. Senate President Enrile remarked that the TRI has no need to research on *saluyot* as it is produced by the Ilocanos and the Ibanags. Senator Angara said that funding for *saluyot* research, then, would have to be removed from the budget. Senate President Enrile expressed willingness to show the TRI the trees in each region that produce fibers.

Asked on the difference between the Metals Industry Research and Development Center and the Industrial Technology Development Institute, Senator Angara said that the two are synonymous and the word "Center" was its original title which has not been amended yet.

To Senate President Enrile's suggestion to put the Metals Industry Research and Development Center and the Industrial Research Development Institute together, Senator Angara said that the Committee is following this up with the DOST, and that it even suggested that the Advanced Science and Technology Institute, Industrial Technology Development Institute, and Metals Industry Research and Development Center be folded into one and placed under the Industrial Research Development Institute.

Asked why there is a consultative body over the actual research body, Senator Angara replied that the consultative body is composed of experts in the particular sector, whether they come from the academe or from the industry or the private sector, who possess the interest and credentials required of members of the council; on the other hand, an institute is one that is made part of the bureaucracy and laboratories.

146 147

Asked why there is need for a council in every sector, Senator Angara agreed that there is need to rationalize the number of institutes and councils and expressed hope that the new Secretary would study the matter. He pointed out the difficulty of conducting R&D and of producing good innovation in the country in view of too much bureaucracy and layers in government.

Asked what the DOST had accomplished over time other than geothermal energy, Senator Angara replied that the country is one of the pioneers in the commercialization of medicinal plants. Senate President Enrile, however, disclosed that there are a lot of herbal organizations that do their own research, for instance, Carica. Senator Angara expressed the belief that Carica would not have the capability if not for DOST that pioneered it.

Senate President Enrile recalled that he was even consulted by Carica on certain plants, such as lagundi, or *makabulding* which means something that could cure blindness. He explained that the white nectar of the plant has long been used as medicine for wound. He also claimed knowledge of plants that could be eaten raw, or that could heal diseases such as malaria. Senator Angara affirmed that the lagundi industry in the medicinal field is the pioneering work of the DOST that is worth half a billion a year.

Senate President Enrile also pointed out that *malunggay* that is now capsulized has long been consumed by Ilocanos. Senator Angara agreed, pointing out that Taiwan has, in fact, drawn up a vegetable map of the Philippines showing which province consumes more vegetables than the others, with Northern Luzon ranking first.

Senate President Enrile proposed the streamlining of the department as he believed that there is duplication of functions and its large budget is so diffused that its effective utilization is absent.

Affirming the observation, Senator Angara said that the worst thing that could happen to research is bureaucratize R&D. He then bared the DOST's plan under the new Secretary to fold the organization from five to three councils as well as to streamline the institutes.

Replying to further queries, Senator Angara affirmed that India spends a certain percentage of its GNP for research, half of which is government

expenditure. He disclosed that the Philippines spends only .11% of its GDP, slightly less than 10% of 1%, with a ratio of .08% by the private sector and .03% by the government. He said that according to UNESCO, the ideal ratio is 1% of GDP; thus, for a P3-trillion GDP, the Philippines must spend P60 billion for R&D. Government expenditure for research, he said, would amount to P20 billion including the R&D of SUCs. He lamented the fact that the country is not known for innovation, and that there is no real change in the way people do business, produce and market commodities and educate.

Senate President Enrile recalled that everyone was so enthused when Congress enacted the renewable energy law in 2008 but to date, it has not been implemented. This shows, he said, that while Filipinos do have the imagination, they lack the will to implement. Senator Angara clarified that the Renewable Energy Act cannot be implemented because the tariff on electricity rates has not yet been approved by the Energy Regulatory Commission (ERC). On his part, Senate President Enrile surmised that it was the strong lobby of foreign businessmen.

In like manner, Senate President Enrile expressed doubts the Philippines can compete in the car industry, noting that he first heard of the Motor Vehicle Development Program 60 years ago but the production of vehicles like the Tamaraw has stopped while manufacturers such as Sarao and Francisco Motors have remained under the development stage so that they can continue enjoying the tax holiday. He believed it was about time the Filipinos did it for themselves and not allow foreigners to keep on taking them for a ride.

On the Renewable Energy Act, Senator Angara explained it was the foreign investors who were pushing for its implementation but apparently, the government was having problems with the tariff.

The Chair manifested that he would be posing the same questions to the DOE when its budget comes up for floor deliberation in the afternoon

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

#### INTERPELLATION OF SENATOR HONASAN

Preliminarily, Senator Honasan said that in the history of industrialized countries, the steel industry

has always been the engine of industrialization and increased productivity. He asserted that when a country has the capability to build machines that can build other machines, the strength of its people can actually be multiplied.

Asked by Senator Honasan if the Metals Industry Research and Development Center (MIRDC) envisions that the Philippines can produce its own engine blocks, Senator Angara replied that the Metals Industry Institute will be undertaking the production of small engines.

As regards a steel manufacturing base, Senator Angara recalled that almost 40 years ago, an integrated steel manufacturing facility was built in Iligan but it closed eventually owing to many reasons. Since then, he said, other countries have overtaken the Philippines in steel production to the extent that the country cannot afford to restart it.

Asserting that the production of small engines will be the start of a new policy direction, Senator Honasan assumed that the MIRDC will spearhead the country's industrialization efforts. Senator Angara stated that the concept or vision is to lump all small institutes into one big institute, with the MIRDC at the core, to pioneer cutting-edge and basic industries in which endeavor many countries were willing to help. Senator Honasan expressed doubts that the P122 million allocation to the MIRDC would help it achieve that objective.

As to how industrialization would be jump-started to make the country competitive in the world market, Senator Angara replied that the President and his Cabinet should make the fundamental decision when to begin industrialization with the reactivation of the steel industry, a matter best discussed within LEDAC. He asserted that the P122 allocation can be used as seed capital.

On whether the members of the Cabinet cluster consult with each other so that the country's industrialization could be decided once the LEDAC is convened, Senator Angara replied that at least four line departments interact very actively: the DOST with the DTI, which has a bureau on small-and medium-size technology promotion; with the DOH, which has a new technology for dengue testing; and with the DA for small agricultural equipment and varietal improvement of bananas and other crops.

Senator Honasan said that it was an encouraging development because in the course of the budget hearings, it was discovered that the cabinet secretaries do not really have an avenue for coordination. In addition, he pointed out that the information base that is crucial to policy directions was not updated.

Senator Angara recalled that he and Senator Honasan at one time proposed a P15 million allocation for DAR to establish a database on lands for distribution and support services to be institutionalized but it was the Executive that turned it down.

Senator Honasan expressed optimism that with the reform budget of the President, Senators Drilon, Angara and Recto would be able to address the problem.

*In the course of Senator Honasan's interpellation, the Senate President relinquished the Chair to Senator Zubiri.*

## MANIFESTATION OF THE CHAIR

At this juncture, the Chair expressed its appreciation for PAGASA's performance during the last two typhoons unlike in the past when it gave conflicting weather forecasts.

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

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Science and Technology and its attached agencies was deemed submitted for the Body's consideration.

## SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 10:52 a.m.*

## RESUMPTION OF SESSION

At 11:01 a.m., the session was resumed.

## DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

Senator Drilon presented the budget of the

Department of Social Welfare and Development (DSWD).

### INTERPELLATION OF SENATOR MARCOS

At the outset, Senator Marcos said that his questions would center on the Conditional Cash Transfer (CCT) Program which he favored because it is a good short-term measure. However, he expressed concern over the selection of beneficiaries because only the barangays in municipalities which have a poverty incidence of 50% or higher are being considered for the program. He pointed out that the selection process would exclude potential beneficiaries in areas which have less than 50% poverty incidence. He asked how the DSWD would address the situation because it is a fact that there are very poor families in every barangay in the country.

In reply, Senator Drilon said that there are four criteria in the selection of beneficiaries:

- Set 1 covers the 20 poorest provinces from Regions I, II, III, IV-A, VI and IX based on Table 1 of the 2006 Official Poverty Statistics and the poorest municipalities in the selected provinces based on the 2000 small area estimates which are both published by the National Statistics Board, and also includes the poorest areas in the NCR and in the independent cities;
- Set 2 covers the 180 poorest municipalities based on the 2003 small area estimates, where the poverty incidence is 61.23%, and includes nine cities and municipalities in Zamboanga del Norte;
- Set 3 covers the 255 poorest municipalities from Regions II, III, IV-A based on the 2003 small area estimates, where poverty incidence is 57.15%; and
- Set 4 covers the poorest municipalities included in Set 3 with the remaining eligible households and the 823 poorest municipalities where the poverty incidence is 36.99%.

Asked how assistance would be provided to the families who are among the over four million very poor households but not covered by Sets 1 to 4, Senator Drilon said that barely half or about 2.3 million of the estimated 4.6 million poor households in the country would benefit from the CCT's budget of P21 billion. However, he pointed out that the DSWD has other programs which could respond to the needs

of the households that are not covered by the CCT. For instance, Senator Drilon said that the DSWD has various undertakings including child protection and core-shelter programs; assistance to indigent Filipino senior citizens; supplemental feeding – *Kapit Bisig Laban sa Kahirapan*; the Comprehensive Integrated Delivery of Social Services (*KALAHICIDSS*) program; and the social pension for elderly persons under the Expanded Senior Citizens Act, which entitles the indigent senior citizen a monthly stipend of P500 for his daily subsistence and other medical needs. However, he admitted that aside from budgetary constraints, the CCT program itself was not designed to cover all families.

Noting that there were poor households in affluent LGUs like Makati City and Quezon City, which were excluded in the 4.6 million household targets, Senator Marcos expressed concern over the seemingly arbitrary selection of CCT beneficiaries. He stressed the importance of accurately identifying the beneficiary households so that the urban poor living in affluent communities are not excluded from the list of target beneficiaries. He suggested that the DSWD closely coordinate and consult with the LGUs to be able to identify CCT beneficiaries in the area because it would be difficult for the DSWD to field enough people to conduct interviews and make an assessment of every potential beneficiary. Moreover, he believed that surveys cannot provide an accurate assessment of any issues since interviewees tend to either overstate or understate their situation. On the other hand, he pointed out that the LGUs have records on the data needed to validate the qualification of the CCT beneficiaries. He also urged the DSWD to prepare an accurate, comprehensive and extensive list of possible beneficiaries that would include those living in relatively affluent LGUs.

Senator Drilon said that the DSWD and the various LGUs had signed a Memorandum of Agreement (MOA) for the verification of the list of household beneficiaries. However, Senator Marcos pointed out that the agreement was only between the DSWD and the LGU included in the program. He reiterated his recommendation for the DSWD to coordinate with all the LGUs because they have the information needed in the program.

Nevertheless, he also expressed concern over the possibility that some heads of the LGUs might use the CCT program to favor political allies and exclude those who oppose them.

10 2010

As regards the household assessment, Senator Marcos inquired whether each potential CCT beneficiary will be interviewed and assessed by a DSWD representative. Senator Drilon replied in the affirmative, adding that house-to-house interviews will be conducted by enumerators hired by the agency. He then showed a sample of a household assessment form which the DSWD enumerators will use in interviewing the potential CCT beneficiary.

Asked on the validation process following the household interview, Senator Drilon explained that all the local officials, as well as the social workers, potential CCT beneficiaries and barangay officials, will be assembled in a pre-determined barangay or municipality for validation and updating of household information. He said that the qualified beneficiaries would then be enrolled with the Landbank. He also underscored the fact that since the program deals with the smallest unit of the society, which is the barangay, it would be easy to assess and determine whether a potential CCT beneficiary was indeed qualified to receive financial assistance.

On the possibility that the list of the DSWD would need to be amended due to conflicting data with the LGU, Senator Drilon explained that if the revalidation of the data showed that the intended beneficiary was not qualified for the CCT, then he would be excluded from the list. He admitted that it would be difficult to update the CCT list based on verbal inputs alone. He stressed that even though the maximum grant of P1,400 per month would only be given to families earning a minimum income of P6,400, other factors have also to be considered. Again, he pointed that the LGUs would be part of the process and precisely the assembly was being conducted to isolate it from political partisanship. He reiterated that all the household-beneficiaries would have to go through the process and like any other system, the DSWD would have to provide allowance for certain drawbacks and improve on the system as it goes along.

Senator Marcos stated that he would continuously bring up his concerns even though the program was yet to be implemented because it was important not to allow many families who qualify to slip through the cracks and to exclude those who do not. Indeed, he said, there are many factors and forces that operate at the local level. He believed that there is need to have a better system to distill information and not just depend on hearsay and gossips. He said that just

to identify the 1.3 million household beneficiaries at 3% error would cost a huge amount of money. He stressed that before taking the first step of implementation, the DSWD must be confident that the list is in order, and that it should continuously find ways to strengthen the process because it can be abused and there will be people who would try to abuse it. He averred that it would be such a waste if the program was not successful because the list was flawed from the start.

Acknowledging the concerns of Senator Marcos, Senator Drilon admitted that just like the South American system, there would be errors in the inclusion and exclusion process and precisely at various levels, there would be advisory committees to constantly review the implementation of the program. In addition, he said that the Oversight Committee on Public Expenditures would require regular reporting and would meet with the DSWD officials in order to be updated on the program's progress or shortcomings.

Admittedly, Senator Drilon stated that it was not a perfect system but the Department was open to suggestions. He said that the only thing that matters at the moment is that out of the 4.6 million poor families, only 2.3 million would be covered by the CCT. He supposed that if ever there were families that should not be included, they would be part of the remaining 2.3 million that were not the intended beneficiaries. He stressed that the money was not enough, hence, the Department would try its best to keep the beneficiaries within the set criteria. He added that there will be a procedure to hear grievances, a monitoring system, an advisory system, and an Oversight Committee on Public Expenditures that would meet on a regular basis. He informed the Body that Senator Marcos is a member of the oversight committee.

Senator Marcos stated that because of the scarce resources, every effort must be made to ensure that these are used properly and all efforts must be well-focused to minimize waste. He said that with a budget of P21 billion, a mistake of even .1% would translate to millions.

Senator Drilon clarified that a 1% error would translate to P210 million. He said that if the P210 million went to families other than those who fall under the first four categories, the amount would accrue to the remaining 50%. He said that he could not imagine that a person with an income of P10,000

a month would slip into the system. If ever a household does not fall under the four sets of criteria but nevertheless was found to be poor and deserving, the error, if any, would be resolved in its favor.

Senator Marcos stated that if ever there would be inaccuracies, it would still redound to those who are in need.

Senator Drilon assured the Body that the P210 million would not be lost because it would still benefit those who need it.

Senator Marcos expressed hope that there would be a way to tighten up the procedures. He stated that the house-to-house interviews would only be done at the start of the program and the list to be generated from the beginning would still be the list in years to come. He opined that it was exceedingly important to get it right from the start because any inaccuracies would be carried over the years.

But Senator Drilon pointed out that the list is not etched in stone but is subject to a regular update. He said that it is expected that there would be inaccuracies and gaps, but it does not mean these would not be corrected. He explained that the Beneficiary Update System is a process wherein information, statistics, figures and facts are replaced to effectively update and correct the data once a month. He said that the municipal link would be manned by DSWD contractual employees hired to monitor at the municipal level. He stated that there is one enumerator for every 1,000 household-beneficiaries which would be physically possible to visit because they are clustered.

Senator Marcos expressed doubt just how effective the system of updating would be since it would be difficult to ask a representative to show up to an update meeting every month if he/she needs to work or has a previous commitment. He stated that sometimes, the beneficiary has to travel a fair distance to get to the meeting place.

Senator Drilon pointed out that coming to the meetings would be part of the conditions for a family-household to continuously qualify as a beneficiary. He stated that as the need arises, more enumerators would be hired. He said that Mahar Mangahas of SWS did a spot check in Northern Samar and found the incidence of compliance to be relatively high.

Senator Marcos stated that from personal experience, it is difficult to gather every person in the community in a meeting. He supposed that it would be better to bring the DSWD, the municipal link, etc. to the beneficiaries rather than the other way.

Moreover, Senator Marcos averred that there seems to be too many conditions to the implementation of the program which, in effect, has become a considerable burden on those who the government is supposed to be helping. He said that in the absence of a more extensive network of enumerators, it is necessary to first see how the system works, assess and figure out how successful it is after a while and from there check if there are changes that need to be in the system.

As regards the compliance verification system, Senator Marcos observed that the memorandum order issued by the DepEd assigned a permanent DepEd focal person to every congressional district. He asked if this was the only mechanism for the compliance verification system or only a part of it. Senator Drilon replied that beginning in 2011, the NGOs will be actively involved in the compliance verification system together with the DOH. He added that the barangay health workers and the midwives will be utilized by the DOH in the verification process.

As regards the monitoring and reporting period, Senator Drilon explained that the reports were being done quarterly but in 2011, the report will be done once every two months. He clarified that while this is an additional task for the volunteer barangay health worker, it would not entail any additional burden on their part because the data are gathered in the normal course of their activities. Senator Marcos recognized the critical role of the hard-working barangay health workers. However, he believed that the program should have a more robust compliance verification system. He pointed out that the task expected from the NGOs and the barangay health workers is not their core activity. While he hoped that the spirit of volunteerism would help propel the project, he averred there should be a more specific mechanism to implement it. He commented that one person to monitor one congressional district is not enough to do the task, thus, there is a need to focus on the capability of the system. He argued that there are weaknesses both in the information gathering and in the compliance verification system of the program, both of which are critical because resources are

scarce and funds have to be directed to the proper parties.

For his part, Senator Drilon acknowledged that the perceived deficiencies in the program should be addressed in the course of implementation. As regards the barangay health workers, he pointed out that they are given allowances by the LGUs because part of the MOA entered into between the DSWD and the LGU is that the LGU will direct the barangay health workers to provide the data to the DSWD municipal links. He added that based on a spot check by the SWS, it appears that the system was working. He admitted that the system is not perfect but he hoped that it will improve as more data come in.

Moving on to another matter, Senator Marcos noted that the payment processing is a relatively straightforward matter and should be sufficient assuming that the information upon which payments are made is accurate and that compliance is regularly monitored and all requirements are complied with. He said that based on DSWD reading materials, it seemed that the identification of potential beneficiaries is done by a computer program which determines whether the household meets the criteria of the CCT. Relative thereto, he inquired whether the compliance verification system is an online system and whether the information determination is made at the central office of the DSWD. Senator Drilon replied in the affirmative.

On further queries, Senator Drilon confirmed that the information and data generated from the compliance reports of the barangay health workers and the DepEd field officers in the congressional districts are collated by the DSWD.

Senator Marcos stressed the importance of the accuracy of the data being fed into the computer program of the DSWD as he cautioned that a small mistake would cost the government millions of pesos.

Replying thereto, Senator Drilon averred that he was aware of possible shortcomings in the system but, he pointed out that it has been in place for years and the DSWD was particularly looking into the inclusion/exclusion process which is the heart of the program. He explained that the DSWD has to be objective in its choice of the beneficiaries and prevent human judgment from getting into the decision-making process. He pointed out there was a set of criteria culled from surveys.

As regards the mechanism for the qualitative spot checks, Senator Marcos inquired if the results of those spot checks would be available. He remarked that he would not be surprised if it would be found out later that the success or failure of the program's implementation was site-specific because there are particular conditions in different areas that impact the implementation of the program. He cited a spot check that was conducted by SWS for the World Bank from February to March 2010 in Northern Samar. Since it was a very small sample, he doubted that the qualitative conclusions from the spot check can be representative of the whole province. He expressed concern that any future change in the design of the program and its implementation will be based only on a very short period of time and solely on one province.

Senator Drilon explained that what was conducted was a pilot spot check. Such being the case, he said that the spot checks in 2011 will no longer be pilot checks and statistically, the results of the spot checks by then will already accurately reflect the situation on the ground. He noted that after having seen the results of the pilot test, the spot check will be part of the regular verification process. He expressed confidence that the spot check as a part of the validation process would be instituted and would be conducted in a number of different locations to give a statistically accurate data of how the system works.

Senator Marcos said that in terms of manageability, it is useful to consider the Philippines as a homogenous society. To ensure that the funds would go to those who really deserve them, he emphasized the need to look initially at all the areas as being equal or having the same situation because looking at each area independently would require a great deal of effort which would mean more funding for surveyors than for beneficiaries. He stressed the need to consider the conditions, history and location of each place to effectively implement the program.

In reply to queries, Senator Drilon affirmed that the DSWD has established a monitoring team in each region utilizing the municipal links established in the previous years to facilitate implementation of the 4 P's. He also affirmed the need to hire additional municipal links for the implementation of the CCTs. He cited the staffing pattern for 2011 at the national and regional levels to cover 2.3 million households, as follows: in the National Program Management Office (NPMO), 134 technical people and 37 administrative

support, or a total of 171; in the Regional Program Management Office (RPMO), technical force of 3,232 and administrative support of 1,174, or a total of 4,406. He added that as of November 26, actual hiring of the NPMO for technical and administrative support at the national level was at 95 which will go up to 171 in 2011. For the RPMO, he said that there is presently a manpower complement of 1,484, which will increase to 4,406 in 2011. He said that the additional manpower will be contractually hired specifically for the CCT.

As regards the Independent Advisory Monitoring Committee (IAMC), Senator Drilon said that its main function would be to advise the department on improvements in the system and on policies of transparency, accountability, participation, equity and quality assurance of the program. Among the members of the IAMC, he said, are Evelyn Singson and Winnie Monsod.

With the proposal to create an inter-agency secretariat, Senator Marcos asked on the distinction and division of work between the secretariat and the IAMC. Senator Drilon said that the two would be complementing each other. He also affirmed that the formation of the secretariat was the initiative of the Committee on Finance through the representation of Senator Angara as vice chairman, and that such amendment in the special provision was welcomed by the DSWD itself. He said that at present, the IAMC is composed of the DSWD secretary as chair; DOH and DepEd secretaries as vice chair; DILG, NAPC, and the National Nutrition Council as members; and Evelyn Singson and Winnie Monsod.

Senator Marcos remarked that there was still lack of clarity on how the entities would work with one another in spite of the clarity of the intent of their existence.

On the supply side of the program, Senator Marcos noted that there is no provision for assistance to LGUs so that they could add to their services, putting the beneficiaries at a disadvantage no matter how they wish to partake of the program. He then stressed the need to identify the LGUs that lack the capability to supply the services, particularly those included in the list of the 20 poorest provinces and 200 poorest municipalities.

Replying thereto, Senator Drilon said that the data on the number of elementary schools that do not

meet the benchmark standards for the four P's areas are not as bad as depicted. For instance, he said that for the Pupil-to-Teacher ratio in elementary schools of 45 pupils to one teacher, 4,923 meet the DepEd benchmark standards while only 297 do not meet the same standards. In the Pupil-to-Classroom ratio of 45 pupils to one classroom, he said that 4,573 meet the standards and 647 schools do not.

Given the data, Senator Drilon said that the inadequacies on the supply side are manageable and that there is a provision in the national budget for classrooms and hiring of additional teachers. He disclosed that the last time he was in the Senate, he assigned P250 million of his pork barrel to the construction of classrooms. He said that legislators could assist similarly by focusing on the entitlements to the four P's. He said that, in fact, there is presently a coordination between the DOH and DepEd to prioritize the four P's in order to address the supply side of the program, not that there is effort to dedicate unnecessarily public funds to the CCT program in favor of the others. He stated that funds are necessary in order to address the needs of the poorest of the poor in the country.

Senator Marcos pointed out that to make the CCT more effective, widespread, and focused, the DSWD should go to the LGUs to give the beneficiary-households a better chance to comply with the requirements and thus become eligible for the benefits.

Senator Drilon stated that the DSWD was already doing that. On a related matter, he disclosed that recently, he got P50 million of his school-building entitlements and he would direct that in the provinces, the school buildings be focused in identified PPP areas. He hoped that this example could be followed by his colleagues to alleviate the shortage of classrooms a little bit.

Senator Marcos lauded the initiative of Senator Drilon. However, he reasoned that the LGUs cannot depend on the good graces of the legislators and political leaders. He suggested that such mechanism be made part and parcel of the program so that it would not solely depend on the good effort of one senator.

Senator Drilon gave assurance that the suggestion would be considered by the Committee.

Senator Marcos reiterated the points he raised in

46 48

his interpellation, to wit: 1) the information gathering is weak and should involve more LGU assets that were presently available; 2) the verification process should be strengthened in view of the fact that millions of families were the target-beneficiaries of the CCT; and 3) there is a need for a more proactive approach to help the LGUs that are unable to provide the services the CCTs require as a condition for qualifying for the benefits.

Senator Drilon expressed appreciation for the incisive intervention of Senator Marcos which, he opined, would go a long way in making the program successful.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, there being no objection, the Chair suspended the session until two o'clock in the afternoon of the same day.

*It was 12:40 p.m.*

#### **RESUMPTION OF SESSION**

At 2:13 p.m., the session was resumed with Senate President Enrile presiding.

#### **SUSPENSION OF THE CONSIDERATION OF THE BUDGET OF THE DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**

Upon motion of Senator Sotto, there being no objection, the consideration of the budget of the Department of Social Welfare and Development was suspended.

#### **MANIFESTATION OF SENATOR DRILON**

Senator Drilon informed the Body that the consideration of the DSWD budget was suspended so that the Senate could dispose of the budgets of the other agencies whose executives were waiting within the Senate premises even though no member had made reservation for interpellations.

#### **SUBMISSION OF THE BUDGET OF THE CULTURAL CENTER OF THE PHILIPPINES**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Cultural Center of the Philippines was deemed submitted for the Body's consideration.

#### **SUBMISSION OF THE BUDGET OF THE DEVELOPMENT ACADEMY OF THE PHILIPPINES**

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

#### **SUBMISSION OF THE BUDGET OF THE COMMISSION ON FILIPINOS OVERSEAS**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Commission on Filipinos Overseas was deemed submitted for the Body's consideration.

#### **SUBMISSION OF THE BUDGET OF THE COMMISSION ON THE FILIPINO LANGUAGE**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Commission on the Filipino Language was deemed submitted for the Body's consideration.

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

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

*At this juncture, Senate President Enrile relinquished the Chair to Senate President Pro Tempore Ejercito Estrada.*

#### **SUBMISSION OF THE BUDGET OF THE MOVIE AND TELEVISION REVIEW AND CLASSIFICATION BOARD**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Movie and Television Review and Classification Board was deemed submitted for the Body's consideration.

#### **SUBMISSION OF THE BUDGET OF THE NATIONAL COMMISSION FOR CULTURE AND THE ARTS**

There being no reservation for interpellation, upon

motion of Senator Drilon, there being no objection, the budget of the National Commission for Culture and the Arts was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE NATIONAL HISTORICAL COMMISSION OF THE PHILIPPINES**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the National Historical Commission of the Philippines was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE NATIONAL LIBRARY OF THE PHILIPPINES**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the National Library of the Philippines was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE NATIONAL ARCHIVES OF THE PHILIPPINES**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the National Archives of the Philippines was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE OPTICAL MEDIA BOARD**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Optical Media Board was deemed submitted for the Body's consideration.

### **SUBMISSION OF THE BUDGET OF THE PHILIPPINE SPORTS COMMISSION**

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Philippine Sports Commission was deemed submitted for the Body's consideration.

### **MANIFESTATION OF SENATOR DRILON**

Senator Drilon stated that the budgets of the following agencies would be taken up after the interpellations on the budget of the Department of Social Welfare and Development:

- Department of Trade and Industry and its attached agencies;
- Department of Agriculture;
- Budgetary Support to Government Corporations;
- Department of Energy including the Energy Regulatory Commission and its attached corporations;
- Housing agencies which includes the Home Development Mutual Fund, Home Guaranty Corporation, National Home Mortgage Finance Corporation, National Housing Authority, Housing and Land Use Regulatory Board, and Housing and Urban Development Coordinating Council;
- Autonomous Region of Muslim Mindanao;
- Commission on Elections;
- Department of Justice; and the
- Department of Budget and Management including the allocations for the LGUs and lumpsum funds such as the Contingent and Calamity Funds.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 2:20 p.m.*

### **RESUMPTION OF SESSION**

At 2:20 p.m., the session was resumed.

### **RECONSIDERATION OF THE BUDGET OF THE CULTURAL CENTER OF THE PHILIPPINES**

Upon motion of Senator Sotto, there being no objection, the Body reconsidered the budget of the Cultural Center of the Philippines in view of Senator Zubiri's request for interpellation.

### **SUSPENSION OF CONSIDERATION OF THE BUDGET OF THE CULTURAL CENTER OF THE PHILIPPINES**

Upon motion of Senator Sotto, there being no objection, the Body suspended consideration of the budget of the Cultural Center of the Philippines.

## **DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT**

*(Continuation)*

At the instance of Senator Sotto, there being no objection, the Body resumed consideration of the budget of the Department of Social Welfare and Development was resumed.

### **INTERPELLATION OF SENATOR SOTTO**

At the outset, Senator Sotto declared his support for the budget of the Department of Social Welfare and Development which, to him, is one of the important departments in the government. However, he expressed concern over how the Department's CCT program would affect other agencies particularly the Department of Agriculture (DA) and the National Food Authority (NFA).

Senator Sotto also clarified that despite having opposed a number of government undertakings, i.e. GATT, oil deregulation law, EPIRA, he had always hoped that these would be successful in the end. He hoped that unlike previous programs which failed, DSWD's CCT program would turn out differently. Relative thereto, he asked for the DSWD's general assessment of the CCT program during the previous administration which had been allotted a budget of P10 billion for one million target beneficiaries.

In reply, Senator Drilon said that, in general, the program as implemented by the previous administration was on track as validated by the pilot spot check of the SWS in Northern Samar. He added that, on the basis of the qualitative impact evaluation by the Institute of Philippine Culture of Ateneo de Manila, the project has been implemented in accordance with the objectives set by the Arroyo administration, and this became the basis of the present leadership to continue and expand the program.

Asked whether the reports have identified problems or areas for improvement, Senator Drilon answered in the affirmative, citing, for instance, the long lines at the Landbank ATMs as well as the difficulties encountered by beneficiaries in gaining access to funds since some Landbank branches were situated in distant areas. To address the problem, he said that the DSWD included rural banks accredited by the Landbank into the system. He said that telecommunications firms were also being tapped as part of the remittance system for the CCT.

To address the gap in the inclusion and exclusion of beneficiaries, Senator Drilon explained that the DSWD is implementing a more intensive validation process which includes a regular updating of the beneficiary list. He also said that the DSWD would identify and give priority assistance to PPP areas which lack classrooms and teachers and health centers that appear to be deficient so that CCT beneficiaries could comply with the requirements for financial assistance.

On whether the DSWD under the present administration would be more effective in providing services amid such challenges, Senator Drilon stated that the Department was cognizant of the problems and was doing its best to come up with a better system. He added that the Oversight Committee on Public Expenditures would be able to monitor the major investment of public funds into the program by requiring reports from the DSWD on a regular basis.

Asked how the DSWD decided on the 2.3 million families as target beneficiaries, Senator Drilon replied that although it would have been ideal for government to provide assistance for the 4.6 million Filipino families living below the poverty line, budget constraints would only allow the current CCT program to give aid to 25% of the 4.6 million poor families. However, he noted that the number is greater compared to the previous target.

Asked what percentage of the P21.1 billion budget for the current CCT program would actually reach the target beneficiaries and what percentage would be for operational or administrative cost, Senator Drilon stated that about 81% or P17 billion would go to the beneficiaries while the remaining 19% or about P4 billion would be for operational and administrative expenses.

On whether the DSWD could accomplish its target in one year, Senator Drilon explained that since it would be physically impossible to enroll an additional one million beneficiaries in January, the DSWD would utilize scheme where enrollment would be done in phases and would be complemented with the corresponding manpower and training. He pointed out that the one million household target would be achieved by enrolling 325,519 households in the first quarter, 326,631 in the second quarter, 326,323 in the third quarter and 323,281 in the fourth quarter.

On whether the DSWD would have to loan money to fund the program, Senator Drilon replied that although no specific loan would be made for the CCT program, a general budgetary supplement would be sourced from the World Bank and the Asian Development Bank to cover the programmed deficit of P325 billion for 2010 and another P290 billion for 2011.

As regards information that P8 billion was slashed from the budget of the Department of Agriculture, particularly from the National Food Authority, to fund the CCT project, Senator Drilon explained that since there was no allocation for the NFA in the national budget, half of DA's budget of P5 billion for the PPP or P2.5 billion, was moved to the NFA for its operating expenses and purchase of cereals.

Asked whether the selection process for the CCT beneficiaries was similar to the system used by the National Health Insurance Program (NHIP) of the DOH as it would be more cost-effective for the government, Senator Drilon said that although the CCT and the NHIP rely on the same listing, given the common sources of data for families below the poverty line, he was uncertain whether both programs used the same process in determining the lowest 50%.

Upon further queries, Senator Drilon replied that the DSWD will hire and train 4,000 personnel as contractual employees in 79 provinces. He explained that personnel training, which has a budget of P1.6 billion, was an ongoing process and would be conducted for two weeks for each of the four batches that would coincide with the increase in the number of beneficiaries.

On whether street and sidewalk dwellers were covered by the CCT program, Senator Drilon answered in the affirmative, adding that they are qualified as long as they were permanently residing in an informal settlement. Further, he said that DSWD's Set 5 would include street families in urban centers outside Metro Manila. He revealed that the DSWD's estimates of 209,000 households in urban centers would be eligible for the CCT program by January 1, 2011.

#### **INTERPELLATION OF SENATE PRESIDENT ENRILE**

At the outset, Senate President Enrile admitted that he has limited knowledge about the program.

However, he expressed support to it, recognizing it as a form of social justice to the poor. However, he believed that legislators ought to review the program considering that the amount involved would be a burden on government resources.

Asked whether the CCT was designed to address the issue of widespread poverty, Senator Drilon reiterated that the program aims to assist 50% of the 4.3 million Filipinos living below poverty line in 79 provinces, excluding Batanes as more than half of its population were below the threshold poverty income.

Asked whether the province of Cagayan was included in the program, Senator Drilon said that 5,415 households in Cagayan were target beneficiaries of the program.

Senate President Enrile asked how the target beneficiaries were distributed among the 28 towns and one city of the Province of Cagayan.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 2:50 p.m.*

#### **RESUMPTION OF SESSION**

At 2:50 p.m., the session was resumed.

Upon resumption, Senator Drilon replied that 500 households beneficiaries were included in the municipality of Sta. Ana. Senate President Enrile explained that he asked such questions to check whether the government has a detailed study of the distribution of the poor in the localities that would be covered by the program. Relative thereto, he asked for the names of the barangays where the 500 target beneficiaries in Sta. Ana were residing.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 2:51 p.m.*

#### **RESUMPTION OF SESSION**

At 2:55 p.m., the session was resumed.

N  
16

Senator Drilon stated that the DSWD targeted barangays Casambalangan and Port Irene in Sta. Ana, and barangays Palau and Port San Vicente in Poblacion. But President Enrile insisted that those were affluent barangays. He expressed disbelief that the Department did not include the areas along the Pacific coast, namely: Casagan, Patunungan, Novak, and Gotan where the poorest of the barangays are found. He said that roads were opened in those areas so that the barangays can be reached.

Senate President Enrile lamented that the children cannot even go to school because of poverty. He said that in barangay Casambalangan, the school is just in the center of the barangay and there are private cars.

Senator Drilon stated that those were only four out of 343 barangays. He said there were still 167 family in other areas.

Senate President Enrile challenged the DSWD to go to Barangay Caroan, Gonzaga, probably the poorest barangay in the entire country.

Senator Drilon said included in the list are Sta. Ana, Calayan Island, Sto. Niño and Amulong, Peñablanca, Solana and Tuao.

Senate President Enrile asserted that whoever gave the data does not know Cagayan. He advised the Department to review its beneficiaries. He stressed that the poorest people of Cagayan are situated along the coastline on the northern face of Luzon from San Vicente in the east that goes along the Pacific coastline all the way to Sta. Praxedes in the west, some 300 kilometers.

Senator Drilon supposed that nobody could be more authoritative on the geography of Cagayan than Senate President Enrile himself and recommended that the Department review the listing in close consultation with him.

Senate President Enrile informed the Body that there are no banks or communication lines in the island town of Calayan. Realizing the problem, Senator Drilon stated that the Landbank would conduct off-site delivery to the town.

On the information that one can hardly travel to the island by plane, let alone by sea because of the

big waves, Senator Drilon stated that according to Secretary Soliman a chopper was used for previous deliveries.

At this juncture, Senate President Enrile inquired if the program would reach the Turtle Islands in Tawi-Tawi.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 3:02 p.m.*

#### **RESUMPTION OF SESSION**

At 3:02 p.m., the session was resumed.

Senator Drilon informed the Body that there were 17,749 household-beneficiaries in the municipalities of Bongao, Langulan, Panglima Sugala, Sapa-Sapa, Sibuto, Simunul, Sitangkai, South Ubion and Tandubas. He stated that like Calayan, they do not have Landbank facilities so the bank has to deliver the cash off-site.

To the observation that the town of Taganak was not included when it is the poorest town in Tawi-Tawi, Senator Drilon stated that it would be included in 2011 program as he surmised that the Department was working on what it inherited from the previous administration. He said that as part of the economic stimulus, people would be hired to set up a municipal link in Taganak.

As regards the town of Balabac in Palawan, Senator Drilon stated that there were 1,500 household beneficiaries.

Asked if the town of Mangsi was part of the CCT, Senator Drilon replied in the affirmative. He stated that Globe Telecom has a facility through the Palawan Pawnshop and the beneficiaries can get their money through cash transfer.

Senate President Enrile stated that he was probably the only highest ranking government official to ever visit Mangsi since the time of President Marcos and that it was good to know that the town had progressed.

As to the town of Calanasan in Apayao, Senator Drilon stated that it is part of the program.

As regards the towns of Maconacon, Divilican and Dinapigue which were among the poorest towns in Isabela, Senate President Enrile asked if they were also covered by the CCT. He reminded the Body that Maconacon was among the badly hit towns when Typhoon *Juan* hit the country last year.

Senator Drilon stated that towns included were: Palanan, 1,500 beneficiaries; and Divilican, 413 beneficiaries. He said that there is no Landbank in these towns so the money would be flown to the beneficiary-families. But he observed that government would be spending more in transporting the money.

As regards Pag-aso, Senator Drilon stated that it has not reached that far.

Senate President Enrile stated that he would not blame the Department for not including it because it is 250 miles west of Palawan.

On the P21 billion *Pantawid Pamilyang Pilipino* (PPP) program, Senate President Enrile observed that there are four sub-programs: the Cash Transfer to Poor Household; Feeding Programs; Food-for-Work Program; and Rice Subsidy. He inquired as to who would benefit from the sub-programs and how the funds would be divided.

In reply, Senator Drilon explained that the programs would be done simultaneously and that the rice subsidy was intended for a specific sector — the small-scale farmers and fishfolk.

Senate President Enrile stated that farmers have rice reserves and he asserted that the fisherfolk would need the rice more than the farmers. Senator Drilon stated that the small-scale farmers would benefit from the program during the lean months. He explained that the rice subsidy would be given during the planting season, when what they have been stored has reached a very low level.

As for the Food-for-Work Program, Senator Drilon stated that basically, it would benefit those who have been displaced by the internal conflict in Mindanao and those who are still recovering from typhoons *Ondoy* and *Pepeng*.

Asked if the families would have to work for their food, even if their children go to school, Senator Drilon replied in the affirmative, saying that the work involves rebuilding of their houses. He added that

these are sectors that do not have the capacity to earn a regular livelihood.

On the amount allotted to those who avail of the food program, Senator Drilon stated that as the program title indicates, it is the food for work program wherein the rate of assistance for each family-beneficiary shall be ten working days for three cycles of 75% of the prevailing minimum wage rate.

Senate President Enrile inquired whether the actual distribution of money would be done through a bank or through the DSWD. Senator Drilon replied that it will be through a payroll system operated by the DSWD and managed by the LGU Social Welfare and Development Officer in coordination with the DSWD.

Senate President Enrile explained that he asked the question to disabuse the minds of people and not to make an assumption that there was corruption. He said that he wanted to ensure that the actual amount was actually received by the beneficiary and that the data reported were accurate.

Asked by Senate President Enrile on what type of safeguards or auditing system was going to be put in place to ensure the cleanliness of the program, Senator Drilon replied that there was a monitoring under the LGUs and that the DSWD has engaged the help of a number of NGOs. The disbursements are subject to audit by the COA, he added.

Asked whether there was a list of the beneficiaries and their addresses and if the receipts will be issued for the amounts received, Senator Drilon explained that the beneficiaries sign a payroll.

As to where the records will go and collated, Senator Drilon clarified that the records will be kept at the DSWD regional office while collation of records will be done by the Financial Management Service at the central office and made available to COA for post-audit.

Asked whether the list of beneficiaries would be made available to national and local leaders for purposes of verification, Senator Drilon replied in the affirmative. In connection therewith, he directed the DSWD to furnish Senate President Enrile with a copy of sample payroll from Cagayan.

At this juncture, the Chair asked if there were beneficiaries from the City of San Juan.

10  
11

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 3:21 p.m.*

## RESUMPTION OF SESSION

At 3:22 p.m., the session was resumed.

Upon resumption, Senator Drilon stated that the City of San Juan has 338 beneficiaries from 17 out of 21 barangays, namely: Balong-Bato, Batis, Corazon de Jesus, Ermitaño, St. Joseph, Kabayanan, Maytunas, Onse, Pasadena, Pedro Cruz, Progreso, Salapan, San Perfecto, Santa Lucia, Tibagan, West Crame and Rivera.

## INTERPELLATION OF SENATOR LEGARDA

Preliminarily, Senator Legarda remarked that the *Pantawid Pamilyang Pilipino Program* (PPP), otherwise known as the conditional cash transfer (CCT) program, was designed to solve poverty directly in the short term through the provision of cash grants to the poorest of the poor. She said that the program will actually need a five-year follow-through implementation over the next five years. Given this scenario, she asked whether the commitment will be followed through the next five years. Senator Drilon confirmed that the conditional cash transfer program was indeed a five-year program as he expressed hope that the enrollees can graduate successfully after that period.

Noting that the program was initiated by the Arroyo Administration, she asked how many of the enrollees in 2008 will be graduating within the next few years and how the government monitors those who are expected to graduate from the program. Replying thereto, Senator Drilon said there was a program that would allow access to the families, in Sets 1, 2 and 3, to livelihood projects. Counting from the time they were first enrolled, he hoped that by the end of the fifth year, they would have already graduated.

On further queries, Senator Drilon stated that the program was modeled from other countries — Mexico's *Oportunidades*, Brazil's *Bolsa Familia*, Colombia's *Familias en Accion*, Indonesia's *Keluarga Harapan* (PKH) and Cambodia's Japan Fund for Poverty Reduction.

Asked by Senator Legarda whether there are families who have successfully graduated from the program and who could be looked upon as models, Senator Drilon replied that none have graduated so far since the program started only in 2008.

Asked if there have been any marked improvement in the lives of people who have been enrolled in the program since 2008, Senator Drilon revealed that based on a qualitative impact evaluation done by the Institute of Philippine Culture, Ateneo de Manila, and data collected from Nueva Ecija, Northern Samar and Agusan del Sur from February 1–10, there were improvements in school attendance and in the use of health services. He said that the evaluation concluded that the program has a lot of potential in improving the people's lives and changing the behaviors of the beneficiaries with regard to health and education. He stressed that since the CCT is a five-year program, it is difficult to make an assessment of how it has improved the lives of the beneficiary after only two years. He reminded Senator Legarda that a number of these poverty-reduction programs seek to address the MDGs which are long-term programs.

Senator Legarda agreed to Senator Drilon's observation that the country still has four years to meet and attain at least a few of the nine goals under the MDGs.

As regards the difference between the implementation, coverage and monitoring of the CCT program during the Arroyo Administration and Aquino Administration, specifically if there was anything that would make it more innovative and effective, Senator Drilon said that the DSWD has adopted a convergence strategy which was being implemented hand-in-hand on a parallel basis, with the conditional cash program including livelihood projects which he hoped would impact on the lives of the beneficiaries. He added that the community-driven development program is another component of the convergence strategy.

On further queries, Senator Drilon clarified that the major difference was in the anti-poverty reduction programs of the DSWD which would be implemented by one team in one municipality for greater impact and better coordination.

Senator Legarda said that she was glad the DSWD was adopting the convergence strategy. She disclosed that in her committee hearings, she often

talk of convergence between and among government agencies for them to mainstream and coordinate efforts to be more cost-effective in the sharing of scarce resources..

As regards the coordinating mechanism between the TESDA and the DSWD in connection with the implementation of a *barangay kabuhayan* skills program in 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup>-class municipalities, Senator Drilon replied that TESDA is actually part of the livelihood component, as he disclosed that there was a memorandum of agreement between the TESDA and the DSWD on livelihood skills training.

Since the budget is with the DSWD, Senator Legarda inquired as to how TESDA would provide for the livelihood component of the CCT program. Senator Drilon replied that the DSWD would craft the program and TESDA would provide the technical support and resource persons for the DSWD modules. Thus, he said, the DSWD would pay for the training expenses out of its budget and the existing assets of TESDA such as trainors would be utilized as resource persons.

On whether the existing livelihood programs in poor communities, like the Green Skills Program of TESDA in Payatas, would be part of the CCT, Senator Drilon replied in the affirmative, saying that the training programs in barangays are already part and parcel of some of the livelihood components under the DSWD's program. For instance, he said that in Maguindanao, the TESDA was able to train beneficiaries on the use of water hyacinth in making bags.

Asked whether the training program implemented by TESDA in coordination with the DSWD would be over and above the P1,400 stipend and whether the beneficiaries of the CCT would be eligible for the skills training to be provided by TESDA, Senator Drilon replied in the affirmative. He said that precisely, they were chosen because they are actually living below the poverty line and would naturally become beneficiaries of the training program.

On whether it was correct to assume that the CCT would address the needs of the fourth- to sixth- class poorest provinces in the country even if a very important law that addresses their needs is unfunded, Senator Drilon replied in the affirmative. He affirmed that even if TESDA says that its funds are limited, the CCT program would cover the requirement because the mandate of TESDA is

partly served by the funding from the CCT program and other livelihood projects of the DSWD. He likewise affirmed that not only TESDA but all the accredited institutions under it would provide the training, as long as it is TESDA that accredits the training centers. Senator Legarda expressed satisfaction that the program is not merely a dole-out but a means of empowering the poor by skills training.

Asked how the CCT funds would be able to fund micro-enterprises in depressed rural areas of the country, Senator Drilon clarified that the CCT cannot be used to fund livelihood programs, but the DTI assists in product development, packaging and marketing through its Self-Employment Assistance Program. He affirmed that the livelihood funds that would pay for the trainors of TESDA and the micro-enterprises would not come from the CCT but from other DSWD budgets such as *Kalahi-CIDSS* and basically from SEA-K. He expressed disagreement, though, on the manner by which the funds were used, especially in loaning them out as livelihood funds.

Replying to further queries, Senator Drilon said that the DSWD would provide the funds out of its regular budget and the DTI would provide technical support and the resource persons. He said that about 19% of the CCT funds would go to administrative costs and 81% to the actual program. In the determination of beneficiaries, he said that the idea of biometrics was considered, but this was scratched upon discovery that a number of barangays where the beneficiaries are located still do not have electric power.

In reply to another query, Senator Drilon said that the total number of potential beneficiaries is 4.6 million, but initially the program is designed to address 2.3 million families by December 31, 2011, inclusive of the one million beneficiaries at present. He affirmed that the 4.6 million families were identified in 79 provinces out of 80, composed of the traditionally underserved regions of the country such as ARMM, CARAGA, Zamboanga Peninsula, Samar and Leyte. He added that the 4.6 million database is also provided to the DOH and DepEd. Since only half of the 4.6 million would be served in the present budget, he said that the rest would be served within the limits of the other programs of the department, such as the Kalahi-CIDSS, Supplemental Feeding Program, Food-for-Work Program for Internally Displaced Persons, and Rise Subsidy Program for poor farmers and fishermen, and the other programs of the national government.

147  
148

Asked on the systems loss for the delivery of cash to far-flung areas arising from actions of criminal elements and even corruption, Senator Drilon admitted that the cost of delivery is much higher than the benefit itself. He said that it is sometimes a given that to serve the poorer sector of society in the far-flung areas, more money is spent to deliver the service than the value of the service itself.

Senator Legarda asked on the actual target of eradicating or reducing poverty, as she reminded that the deadline of the Millennium Development Goal to eradicate poverty is within four years. Senator Drilon said that the target of the CCT program is to reduce the families living below the poverty line from 33.9% to about 24% in 2015. He revealed that in the Latin American countries where the program is implemented, there were cases of substantial reduction in the number of families living below the poverty line.

Senator Drilon concurred with Senator Legarda's view that it is through the provision of a resilient or sustainable livelihood that people could be uplifted from poverty considering that the grant is only for P1,400 and the threshold of poverty income is P6,400. Senator Legarda stressed that the coordination and convergence with the DTI, TESDA and other government agencies is most essential in ensuring the success of the CCT or 4-Ps program.

To the information that based on DSWD records for September 2010, there are still 9,000 families living in evacuation centers absent housing provision from government, Senator Drilon informed the Body that as of November 29, 2010, there were still 1,970 families consisting of 8,648 persons in evacuation centers as an aftermath of Typhoons *Ondoy*, *Pepeng* and *Santi*.

Asked if these typhoon victims have not been provided shelters either through the Core Housing Program of the DSWD or through the low-cost housing projects of the NHA, Senator Drilon replied that providing houses for the victims through the shelter programs of the DSWD and NHA through the LGUs was a continuing endeavor.

Asked if the DSWD was coordinating with the LGUs and other agencies on bringing these families to permanent homes, Senator Drilon stated that the DSWD has funds for the housing units but not the land. He pointed out that it is the responsibility of the LGUs to provide the land, whether purchased or donated, before the DSWD can construct the houses.

Relative thereto, Senator Legarda brought to the attention of the DSWD secretary the plight of evacuees who have been living in makeshift tents in Datu Piang, Maguindanao for years. She said that owing to the armed conflict in the area, the evacuees no longer have homes to return to or refuse to return home. Senator Drilon said that the 271 families were staying in three evacuation centers in Datu Piang.

Moreover, Senator Drilon disclosed that the DSWD was working with the Office of the Presidential Adviser on Peace Process, the Mindanao Development Authority and its own regional office in the ARMM to prepare the evacuees for relocation before the end of the year. In addition, he said that the DSWD is establishing new resettlement areas for those who have been permanently displaced as a result of the armed conflict.

Asked how health and sanitation, and environmental awareness would be incorporated in the CCT program, Senator Drilon replied that the beneficiaries would be mobilized to engage in tree planting, vegetable gardening and other clean and green efforts in their respective communities which would be institutionalized in the CCT program. He clarified, however, that such activities would not be an additional condition to qualify for the CCT.

## **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 4:01 p.m.*

## **RESUMPTION OF SESSION**

At 4:07 p.m., the session was resumed.

## **REQUEST OF SENATOR DRILON**

Upon resumption, Senator Drilon requested that the Body consider first the budget of the Pasig River Rehabilitation Commission to allow its head to be excused as there were no reservations to interpellate.

## **SUSPENSION OF THE CONSIDERATION OF THE DSWD BUDGET**

Upon motion of Senator Sotto, there being no objection, the Body suspended the consideration of the budget of the DSWD.

100 45

## SUBMISSION OF THE BUDGET OF THE PASIG RIVER REHABILITATION COMMISSION

There being no reservation for interpellation, upon motion of Senator Drilon, there being no objection, the budget of the Pasig River Rehabilitation Commission was deemed submitted for the Body's consideration.

## DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT

*(Continuation)*

Upon motion of Senator Sotto, there being no objection, the Body resumed consideration of the budget of the DSWD.

## INTERPELLATION OF SENATOR RECTO

Preliminarily, Senator Recto noted that the general appropriation was P1.540 trillion in 2010 and P1,000,645,000 in 2011 which was actually smaller than the previous year. Senator Drilon clarified that the new programmed appropriation would include the automatic appropriation. He explained that the P1.028 trillion for 2010 included congressional insertions and initiatives that were vetoed conditionally by the previous Administration.

Senator Recto said that in the actual total programmed appropriation, the increase of P100 billion was for the salary standardization and debt service, as a consequence of which, the growth drivers of the economy, such as infrastructure, have been reduced. He pointed out that the biggest increase in the budget was the allocation to the DSWD for its Conditional Cash Transfer (CCT) program.

Senator Drilon agreed that the biggest increase in the budget was for the DSWD but the lion's share went to education. He admitted that the allocation to economic services was reduced but under the strategy of the reform budget, infrastructure spending was supposed to be handled by the private sector, especially in the poorest of the poor provinces.

Senator Recto noted that infrastructure spending in 2011 will go down to 1.6% of the GDP, but for the government to be at par with its neighbors, it must spend 5% of the country's GDP. He stated that many of the projects were already in the 2008 list and the total of the PPP projects is only P128 billion

which is less than 1.5% of GDP. He believed that to be able to reduce poverty, the economy must grow first because without economic growth there would be nothing to distribute.

Senator Recto stressed that unless the economy grew and jobs were created, the middle class would continue to pay government loans from the World Bank and ADB to finance undertakings such as the Conditional Cash Transfer program.

Noting that the 6.5% growth in the economy in the third quarter of 2010 was 20% lower than the 8% growth in the first half of the year, Senator Recto pointed out that the decrease was due to the 24% decline in public construction in the third quarter and a dip of 2.5% in the agricultural sector which resulted in the loss of more than 200,000 jobs. He expressed concern that the 20% reduction in the growth rate would adversely affect the confidence level of the business sector.

Senator Recto also noted that for 2010, the total amount spent for social services was P466 billion, down to P433 billion in 2011. He asked whether the NEDA or the DOF had conducted appropriate studies to determine the impact of the P20 billion CCT budget on the growth of the economy, particularly since government ought to use its limited resources on economic growth drivers like job creation. Senator Drilon said that although he was not aware of any study, he assumed that the country's economic managers were responsible enough to know how the CCT program would affect the economy. He also clarified that only P10 billion was being proposed as additional allocation for the CCT.

Senator Drilon explained that the *Pantawid Pamilyang Pilipino* (PPP) program is an emergency poverty alleviation program to address the rising poverty incidence in the country. He pointed out that the government was admittedly taking a certain degree of risk in expecting the private sector to compensate for economic losses that could result from the removal of the P10 billion in the economic sector of the National Expenditure Program. He also believed that while the participation of the private sector is essential to economic growth, economic managers had taken the position that a bridge program is needed to move the poorer sector of the society up in the economic ladder. He added that the high trust rating of the Aquino administration would also encourage the private sector to participate in

10

infrastructure and other programs to improve the GDP and expand the economy.

Senator Recto also sought clarification as to whether Congress could commit to allocate P20 billion annually for the 6-year CCT program, a period within which a child could already finish his elementary education. Senator Drilon replied that Congress is not bound to provide the budget for the five-year program, explaining that the program would be stopped if the DSWD failed to deliver the expected results because it did not have the capability to implement the CCT effectively. He urged Congress to give the Aquino administration a chance to meet the expectations of the people.

For his part, Senator Recto said that Congress could review the program during deliberations for the 2012 budget to determine whether the CCT budget was properly utilized.

As regards the number of DSWD employees, Senator Drilon said that the present personnel component is 4,000, of whom 2,000 are regular employees and the remaining 2,000 are contractuels. To fully implement the CCT program, he explained that the DSWD would need a total of 4,000 employees which would be hired in tranches corresponding to the increase in the number of enrollees every quarter.

As to the schedule of the implementation of the program, Senator Drilon said that at present, there were more than 2,000 DSWD employees catering to one million beneficiaries. He explained that under the program, CCT beneficiaries would be increased by 300,000 every quarter and as such, 317 new DSWD employees would also be needed every quarter to provide additional manpower for this purpose. He clarified that the proposed P21 billion allocation takes into account the different phases of the program.

As to the suggestion that the DSWD also utilize personnel at the provincial social welfare offices, Senator Drilon said that in addition to the Social Welfare Development officers in the local level, the DSWD would also receive assistance from employees of the LGUs.

As to the number of new hires needed to implement the program, Senator Drilon said that for the DSWD alone, there would be an additional 1,200 hires for the whole year or a total of 4,000 including the employees from the local level whose salaries would be sourced from the Department's budget.

Upon further queries, Senator Drilon said that about 81% or P17 billion of the P21.1 billion budget would go to the beneficiaries, while the remaining 19% or about P4 billion would be for operational and administrative expenses which include expenses of the bureaucracy, i.e. training and the delivery costs. He pointed out that in areas where there are no telecommunication sites, banks or pawnshops, the cost of delivering the financial assistance is more expensive than the benefit itself.

As to how the government would address the poor families which may not belong to the 2.3 million target beneficiaries, Senator Drilon said that there are other programs that could help them.

Asked for details regarding the allocation of the budget, Senator Drilon said that P17,137,864.33 would be for the total cash grant; P1,624,772.529 for the training of personnel; P716.4 for salaries and allowances; P171.3 million for bank service fees; P333 million for IEC and advocacy materials; P315 million for the printing of manuals and booklets; P676.8 million for other monitoring, evaluation and administrative expenses, and P217 million for capital outlay.

Asked whether the Secretary is aware of the Community-Based Monitoring System (CBMS), and whether the research conducted in the CBMS was as extensive as that undertaken by LGUs in partnership with the UNDP, Senator Drilon replied in the affirmative. He added that the DSWD also accesses data gathered by LGUs.

As regards the concern that the methods for monitoring the beneficiaries' compliance with the conditions of the program were insufficient particularly amid the lack of schools in poor barangays, Senator Drilon noted that the percentage of barangays/municipalities that do not meet the CCT program's conditions in terms of providing education was not as significant as to prevent the delivery of benefits for the intended beneficiaries. As such, he said that other Members had agreed that funds could be redirected to prioritize the building of classrooms or hiring of new teachers in the areas covered by the PPP program to address the failure of some barangays to meet the benchmark standards of the CCT.

As to the number of barangay schools nationwide, Senator Drilon pointed out that it is the DepEd that would have this information since the DSWD only monitors barangays where beneficiaries intend to go

to school. However, he disclosed the following data:

- Total number of elementary schools that meet the benchmark standard of people-to-teacher ratio is 4,923;
- Total number of schools that do not meet the ratio is 297;
- The pupil-to-classroom ratio that meet the standard in the PPP areas is 4,573; and
- The number of schools that do not meet the benchmark standard in the PPP areas is 647.

As regards the ratio of students-to-classrooms in the secondary level, Senator Drilon revealed that 541 high schools met the benchmark standards of the DepEd while 364 did not.

At this juncture, Senator Recto presented some principles in budgeting, namely (a) the plan to make the economy grow at a faster rate despite the limited resources through job generation; (b) the proposal to narrow the gap between the rich and the poor to make the economy more sustainable and expand the middle class to further encourage consumer spending which, in turn, would boost economic growth; and (c) the issue on equity and fairness, particularly in deciding whether to prioritize extending financial assistance to those who are contributing to the economy, such as farmers whose livelihood has been affected by natural calamities.

For his part, Senator Drilon pointed out that despite adherence to such economic policies, the poorest of the poor continue to increase. However, he noted that the CCT program could provide beneficiaries with education and health services with the goal of breaking the cycle of inter-generation poverty.

Senator Recto underscored the importance of implementing alternative actions to assist the poor. He cited the example of Brazil which is one of the richest economies in the world after having embarked on a redistributive policy to bridge the gap between the rich and the poor. He also believed that while the budget of the DSWD ought to be maintained, the GAA should also include a special provision allowing the President to use the CCT budget for other government undertakings should the program be found ineffective.

Senator Drilon noted that even though the House of Representatives included a special provision for

the creation of an oversight committee to monitor the program, only the President has the power to realign the items in the national budget after following its approval by Congress, in the same manner that the Senate President could realign the budget of the Senate because of the separation of powers among the three branches of government.

Upon further queries, Senator Drilon said that Congress could offer suggestions on how the CCT funds could be utilized without the need for a special provision in the law. He noted that such a special provision had been included in the proposed budget of the House of Representatives but was deleted in the committee report because it would interfere with the President's prerogative to realign the budget of the Executive branch.

In closing, Senator Recto proposed to introduce an amendment to the budget bill at the proper time.

#### **INTERPELLATION OF SENATOR ESCUDERO**

Preliminarily, Senator Escudero underscored the following: a) that governance is about allocating scarce resources; b) that the P21 billion allocation for CCT needs to be scrutinized considering that it is bigger than the budgets for other agencies; and c) that there was no truth to assumptions that those who opposed the CCT program were against efforts to assist the poor, particularly amid concerns on whether the project could be implemented properly.

At this juncture, upon query of Senator Escudero, Senator Drilon confirmed the following figures:

Cash Grant	P 17,137,864,333
Training	P 1,624,772,529
Salaries and Allowances	P 716,468,037
Bank Service Fees	P 171,378,643
IEC and Advocacy	
Materials	P 333,049,643
Printing of Manuals	
and Booklets	P 315,935,216
Other Expenses for	
Monitoring Evaluation	
and Administration	P 676,817,698
Capital Outlay	P 217,775,000

Senator Drilon stated that the figures are found on pages 790 and 791 of the General Appropriations Bill.

Senator Escudero presumed that the proposed budget already included the projected one million beneficiaries for 2010 and 1.3 million for 2011. He inquired if one million family-beneficiaries would be identified during the 3-year period, 2007 to 2010. In response, Senator Drilon stated that the DSWD had already identified the 4.3 million families. However, he pointed out that realistically, there were only one million beneficiaries in 2010 and another 1.3 million would be targeted in 2011 or a total of 2.3 family-beneficiaries by the end of 2011. He said that as of November 30, 2010, there were 975,250 family-beneficiaries.

Senator Escudero observed that from January 2008 to September 2010, the DSWD was able to enroll 787,807 family-beneficiaries, of which almost 200,000 family-beneficiaries were supposed to be added. He inquired how the DSWD was able to identify the additional 200,000 families or 25% of what the DSWD was able to do in the past three years, within two months. Senator Drilon reiterated that the 4.3 million family-beneficiaries have already been identified, only that the agency added 200,000 family-beneficiaries.

Citing the FIES figures as of 2006, Senator Escudero stated that the exact figure was 4,677,305 poor families. Senator Drilon stated that the date used by the DSWD came from the National Household Targeting System which was based on the NSCB 2006 data.

As for the budget for the national targeting component of the program, Senator Drilon stated that in 2010, the budget was P722.5 million, and P100 million in 2011 that would be used to maintain the database and to update the beneficiaries' list.

At this juncture, Senator Escudero inquired as to the exact number of the family-beneficiaries.

### SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 5:02 p.m.*

### RESUMPTION OF SESSION

At 5:03 p.m., the session was resumed.

After conferring with the DSWD Secretary, Senator Drilon stated that there were 4,395,666 identified poorest households.

### SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 5:04 p.m.*

### RESUMPTION OF SESSION

At 5:04 p.m., the session was resumed.

Replying to further queries, Senator Drilon gave the following data, to wit:

Total Number of Households in Sets	
1, 2 and 3 -	972,000
Females	799,000;
Children 0-2 years old	277,722;
Children 3-5 years old	504,144;
Children 6-14 years old	1,537,718;
Pregnant Women (as of November 30, 2010)	36,092
Set 4 Estimates under the CCT Additional 1.3 million households	
Females	1,072,000
Children 0-2 years old	283,000
Children 3-5 years old	675,000
Children 6-14 years old	2,061,000
Pregnant Women	48,000

Senator Escudero noted that the DSWD used the data from the NSCB and not from the FIES. He believed that the small difference indicates that there are still a number of poorest of the poor families that need to be identified and qualified under the program. Thereafter, he requested a soft copy of the list of family-beneficiaries, along with details like the ages of children and the number of pregnant women who are due to give birth in the first quarter of 2011. Senator Drilon acceded to the request.

Asked if the 4.3 million were the poorest of the poor based on the FIES, Senator Drilon replied that it was the poor households listing.

Asked how many of the 4.3 million poorest households qualify for the CCT, Senator Drilon

16

explained that all 4.3 million family-beneficiaries would have been enrolled at the same time if there were enough funds. However, he stated that the reality was that only 50% of the 4.3 million would be given cash grants in 2011.

Adverting to earlier interpellations, Senator Escudero inquired if there was a possibility that in one barangay, one household may qualify and its neighbor would be disqualified, Senator Drilon stated that it was possible. However, he said that if a barangay was chosen, chances are that everyone in the barangay would be included. He added that if indeed the neighbor was not included, it is because at present the program can only cover half of the total identified poorest of poor families.

As regards the list, Senator Drilon stated that the list was prepared in 2009 when the DSWD conducted a survey where the 4.3 million family-beneficiaries.

Senator Escudero observed that the DSWD promised Congress that with the P21 billion budget, it could enroll 1.3 million more family-beneficiaries by 2011. However, he pointed out that it would take the DSWD three years to enroll one million family-beneficiaries. He inquired if the DSWD was inefficient under the previous administration.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 5:14 p.m.*

## RESUMPTION OF SESSION

At 5:15 p.m., the session was resumed.

Upon resumption, Senator Drilon explained that there was no list in 2009 because the survey began only that year and it identified the 4.3 million poorest of the poor households. He disclosed that of the number of household-beneficiaries in the list, about one million were enrolled in the CCT program and an additional 1.3 million would be enrolled in phases by 2011. Every information, he said, has to go through the process of validation and that enrolment will be made in four batches.

Asked by Senator Escudero whether the list prepared by the Arroyo Administration was reliable and therefore need not be reviewed, Senator Drilon

underscored that the list is not etched in stone so there is a procedure through which complaints against any of the one million enrollees can be processed.

Senator Escudero recalled that he criticized the CCT program of the Arroyo government, principally the manner by which the intended beneficiaries were identified, because he believed it was haphazardly done. He alleged that certain people were enrolled in exchange for political favors in connection with the previous elections. Thus, he asked assurance from the DSWD that the review would not only for the purpose of compliance but to identify the real enrollees. He stated that he has documents in his possession showing, for instance, that a certain barangay captain chose only his relatives as beneficiaries. Replying thereto, Senator Drilon reiterated that the list can be revised if need be. He disclosed that the program includes a grievance redress system which is a computerized system developed to efficiently track, respond and manage complaints and grievances from all the stakeholders. He added that the DSWD was, in fact, reviewing Sets 1 and 2 with the UP College of Social Work and Community Development.

Moving on to another matter, Senator Escudero asked what the assumptions of the DSWD were when it computed the cash grants say, P500 monthly for medical checkups, out of the P17,137,864,333 allotted for the program. Senator Drilon clarified that the approximate daily assumption is that each enrolled family, consisting of a mother and two children of school age, would have an average grant of P1,100 for purposes of the program.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 5:21 p.m.*

## RESUMPTION OF SESSION

At 5:27 p.m., the session was resumed.

Upon resumption, Senator Escudero asked what the assumption was in coming up with the figure of P17,137,864,333 billion. Senator Drilon reiterated that it is a P1,100 cash grant per month per family enrolled in the program. He said that it was just an average based on a family consisting of a mother and two kids multiplied by P2.3 million.

10  
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Senator Escudero argued that if P17 billion is divided by P1,100 and then that is divided further by 12, the result is 1,298,323.0552 beneficiaries. He said that if the target is 2.3 million and the assumption is that the average benefit to be given is P1,100 per month, the 2.3 million cannot be attained. Replying thereto, Senator Drilon explained that the amount is not divided by 12 months. He said that there will be four batches in 2011: 324,519 will be enrolled for 12 months; 326,631 will be enrolled for nine months; 323,323 will be enrolled for six months; and 323,281 will be enrolled for three months. He said that it will be about 2.3 million but on a staggered basis.

Senator Escudero argued that even if the distribution is staggered for the rest of the year, at an average of P1,100 a month, the government cannot accommodate its target because by the end of the first quarter of 2011, 1.3 million have already been accommodated.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 5:33 p.m.*

### **RESUMPTION OF SESSION**

At 5:34 p.m., the session was resumed.

Upon resumption, Senator Drilon confirmed the observation of Senator Escudero, saying that a review of the computation indicated that there could be a gap. He said that the funds may not be sufficient to cover 2.3 million. At that point, he said, it appears that the program does not have that capability to pay the benefits that should accrue to the 2.3 million beneficiaries.

Senator Escudero said that based on his computation and on the assumptions of the DSWD, P30.360 billion would be needed in 2012 to benefit 2.3 million families.

Senator Drilon expressed hope that the economy would be stable enough to provide the additional funds necessary to let the program run until 2012.

Senator Escudero noted that while the DSWD and President Aquino himself promised coverage of 2.3 million beneficiaries by the end of 2011, the

program would only be sustained until March 2011 if beneficiaries are given P1,100 per month.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 5:37 p.m.*

### **RESUMPTION OF SESSION**

At 5:42 p.m., the session was resumed.

In reply to Senator Escudero's queries, Senator Drilon explained that P13.2 billion would be required in 2011 for the existing one million enrollees, and that the program intends to enroll an additional 1.3 million beneficiaries in 2011. Assuming that the amount is deducted from the remaining P17.2 billion cash grant for 2010, he said that the enrollment dates have to be delayed from March to October 2011 so that the budget could suffice for the remaining 1.3 million beneficiaries. Initially, he said that 300,000 or so could be enrolled in the first quarter to make do with the remaining budget, then enrollment of the remaining one million could be postponed by a few months considering also that there are no corresponding educational fees to be paid during vacation. However, he said that the department still intends to complete enrollment of the remaining beneficiaries during the various months of 2011.

Senator Escudero, however, believed that the department was engaging in pure guesswork when it promised the enrollment of 326,000 during the first quarter beginning January, and about 300,000 again during the second quarter. He said that if P13.2 billion would be spent for the first one million enrollees, the remaining CCT funds will only amount to P3.9 billion. He also pointed out that the DSWD computed only for 10 months because of the two-month vacation from school.

At this point, Senator Escudero asked how the DSWD would divide the P3.9 billion for the additional 1.3 million enrollees for 2011.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 5:48 p.m.*

## RESUMPTION OF SESSION

At 5:53 p.m., the session was resumed.

Upon resumption, Senator Drilon disclosed that the total number of household beneficiaries by the end of December 2010 would be 1,015,542, to be carried over to 2011 for 10 months, requiring a funding of P11,170,962,000.

Senator Drilon further explained that deducting the amount needed to pay the 1,015,542 enrollees and beneficiaries from the total fund will leave a balance of P5,966,902,333 that, in turn, will cover 1.3 million beneficiaries. Of that number, he said, 650,411 will be paid starting June 2011 and at P1,100 per household-beneficiary for a period of seven months, P4,173,470,583 will be needed; and the remaining 652,157 beneficiaries will be paid starting October 2011 and at P1,100 per household-beneficiary, P1,793,431,750 will be needed. Thus, at the start of October 2011, he calculated that government would have completed the payment to 2.3 million beneficiaries at a cost of P17,137,864,333.

As to why the P300 educational grant per child was multiplied only by 10 months, Senator Drilon replied that the number pertains only to the 10 months in a school year.

But Senator Escudero stated that he assumed that the calculation of the P1,100 per month allowance per household-beneficiary was supposed to include the payment of P500 cash grant per month for 12 months. Senator Drilon stated that the assumption was 10 months for the educational grant and 12 months for the cash grant. He explained that in the course of the year, if only an X amount of the fund remained, there have to be adjustments in the number of beneficiaries and the timing of payments.

But Senator Escudero argued that the DSWD proposed the budget for the CCT based on pure guesswork because earlier, the figure it gave Senator Drilon was 300,000 enrollees per quarter but apparently, payment would start in June 2011. Senator Drilon admitted that the figure of 300,000 enrollees per quarter was mentioned but the question of when they would be paid depends on the availability of funds.

Senator Escudero pointed out that the presumption is that once enrolled, the person is already considered to be in the program. He stressed that precisely,

those 4.3 million who have long been in the database were not being included in the calculation. However, he agreed that the CCT program was a work in progress. In reaction, Senator Drilon stated that depending on the funds available, the number of beneficiaries and the target date of entitlement were still subject to change. He cautioned that the DSWD might not even get the entire authorized amount or enroll the 1.3 million additional beneficiaries as the deficit might impact the program.

Senator Escudero said that he expected that by the time it goes to Congress to ask for money, the DSWD would have already done all the preparations, all the homework. He contended that it was not therefore true that 2.3 million beneficiaries would be paid starting January 2011 and that the earliest time the additional benefits can be given to the existing 1,015,542 household-beneficiaries would be at the start of June 2011.

Asked if it was correct to assume that the additional enrollees would be more or less 611,000 from June 2011, and that the balance of allowances would be paid in installments until all the 2.3 million household-beneficiaries shall have been paid by the end of the 2011, Senator Drilon replied in the affirmative.

If the CCT was indeed a five-year program as envisioned, Senator Escudero calculated that the Aquino Administration would be needing approximately P28 billion to comply with its promise to the 2.3 million household-beneficiaries by 2012.

Senator Escudero charged that the DSWD came to Congress unprepared to ask for that huge amount because it did not know exactly how and when to spend it. He stated that the DSWD made empty promises, giving everyone the impression, especially the beneficiaries, that payments would be made starting January 2011. Senator Drilon stated that the Oversight Committee on Public Expenditures would require the DSWD to submit quarterly reports on the progress of its performance as far as achieving its targets is concerned.

Senator Escudero asked the Committee to look into the computations, noting that the DSWD would only give benefits in closed amounts of P300 and P500, so no amount could end with the figure 333.

As regards the bank service fee of P171 million, Senator Escudero recalled that as originally presented

by the DSWD, the money would be released only through Land Bank of the Philippines (LBP) but later on, a Committee amendment added rural and thrift banks to the LBP. He presumed that the fee would go to Landbank as proposed by the DSWD. Senator Drilon explained that the Landbank would be negotiating the fees of rural banks and cooperatives, among others, for which it would be using the P171,378,643 which is 1% of the total cash benefit.

Asked if the fees to be paid to the likes of Globe, Smart, for services rendered would be charged against the P171 million service fee, Senator Drilon replied in the affirmative.

Senator Drilon said that the liability or obligation of the DSWD is equivalent to only 1% of the total cash grant because it is the Landbank which shall negotiate with the other outlets or entities, i.e. pawnshops or telecom companies that will be utilized in the distribution of the cash grant.

Senator Escudero said that the DSWD should monitor and make sure that the cash grant would reach the 2.3 million beneficiaries. Senator Drilon said that the DSWD has met with the Landbank executives to ensure the ability of the bank to deliver the cash grants to the intended beneficiaries, adding that the technical working group of the DSWD and Landbank has included the telcos and other outlets to ensure the effective distribution of cash grants. He stated that the delivery of cash grants is the responsibility of Landbank.

To reports that one of the findings of the SWS survey conducted with respect to the implementation of the program during the Arroyo administration was that the program did not improve the quality of life nor did it change the income level of the beneficiaries, Senator Drilon said that the program was not designed to increase income to the point of sufficiency. He stated that it would be difficult to see an improvement in the family income with only a P1,400-monthly stipend given that the poverty threshold is P6,500 a month. He explained that the amount shall be given to augment the family income and serve as an impetus and incentive for families, to wit: 1) to send their children to school with an attendance of at least 85%; and 2) to attend to pre-natal and post-natal services in government health centers.

Senator Drilon informed the Body that Mayor Agnes Dycoco has written him about the increased

economic activity in Libon, Albay. He said that a P5-million payout could mean P2 million in sales for entrepreneurs and transport operators.

Saying that the coverage of the CCT program under the Arroyo administration was 429 municipalities, 28 cities and 62 provinces, Senator Escudero requested that he be provided with data on similar testimonials from the covered localities.

Senator Drilon stated that apart from the spot check done by the SWS in one municipality, another spot check will be done by the SWS on a number of beneficiary barangays in order to have a more accurate reading of the effectiveness of the program.

Senator Escudero pointed out that in the sample survey form of compliance, the actual level of compliance showed that only six out of the 30 respondents actually complied with the two conditions of the program while some complied with only one condition and the rest did not comply at all.

Asked whether the spot check which was done in Samar also indicated that 2% of the respondents complained that they did not receive the cash grants even though they were beneficiaries, Senator Drilon answered in the affirmative. He said that although it may be difficult to achieve a 100% compliance, 2% is a manageable gap and that what is important is that the complaints were immediately addressed.

Further, Senator Drilon stated that the 2% represents only one area in Northern Samar and cannot be used as the basis to conclude that 2% of the beneficiaries in the whole country did not receive the cash grant. He said that Senator Escudero will be provided with a copy of the actual summary of grievances/complaints per region for the 3<sup>rd</sup> quarter of 2010.

On whether the DSWD can actually determine that a particular beneficiary received the cash grant and that he or she complied with the conditions of the program or not, Senator Drilon replied that the Department has a verification system in place. He affirmed that it was the proposal of the Committee that the cash grants would not be handled by any DSWD official and would only be given to the intended beneficiaries. He likewise affirmed that beneficiaries will no longer be allowed to use other persons to get the cash grants for them; and that the telcos and other outlets under the responsibility of the Landbank will assist in the distribution of cash grants.

Asked when the DSWD realized that the Landbank needed the services of private entities to assist in the distribution of cash grants, Senator Drilon replied that the DSWD was already aware of the problem when they went to the House of Representatives, explaining that when the Department formally presented the problem to the Landbank, the latter offered the remedial process of authorizing other outlets. He said that the matter was consulted with the COA.

On the concern that it would take a person 220 minutes on the average to line up for the distribution of the cash grant, Senator Drilon said that the DSWD will be adding more outlets to ease the problem.

Senator Escudero pointed out that the survey also revealed that there was only 32% compliance of the health requirements for the program. He noted that the cash grants given in Brazil, Colombia, Mexico and Indonesia are not based on conditions. He asked how the DSWD addressed the problem with respect to incomplete or insufficient data, whether the Department has conducted a time-and-motion study, and whether the data was available. Senator Drilon answered in the affirmative.

On whether the grantees would be removed from the list of beneficiaries for the second cash grant if they do not comply with the conditions, Senator Drilon said that the grantee would continue receiving the grant until such time when it is determined that the grantee was not complying with the conditions which will happen at a later stage.

That being the case, Senator Escudero asked if it would then be possible that the grantee would be receiving the cash grant for the whole year despite failing to comply with the conditions of the CCT. Senator Drilon answered in the affirmative, adding that the beneficiary would not be required to return the money even after being disqualified from the program. He assumed that the grantee would exert every effort to comply with the conditions of the CCT because it would only be the source of regular income for the family. However, Senator Escudero noted that the actual situation ran counter to that theory as evidenced by a DSWD report on barangay Banga in Sugpon, Ilocos Sur where 36 households had been subjected to the compliance and verification system of the DSWD. He revealed that only six of the 36 grantees complied with the requirement on health and education, while 15 or nearly half failed

to meet the conditions. He said that the results of the report raised questions on whether the intended purpose of the program was being achieved. He asked the DSWD to give its comments on the report which was based from data on Annex "B" of the compliance and verification form which was an overview of the *Pantawid Pamilyang Pilipino* program prepared by DSWD.

## SUSPENSION OF SESSION

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

*It was 6:44 p.m.*

## RESUMPTION OF SESSION

At 6:49 p.m., the session was resumed.

Upon resumption, Senator Escudero stated that the points he raised regarding the application form of the *Pantawid Pamilyang Pilipino* Program had been clarified.

On another matter, Senator Escudero asked where a beneficiary could avail of free pre-natal and post-natal examinations in order to qualify for the P500 monthly financial assistance, Senator Drilon replied that the medical examination could be done at the health center.

To the contention that not all barangays have health centers, Senator Drilon pointed out that not all barangays are covered by the program. However, Senator Escudero lamented that it is even the poorest of the barangays which do not have health centers.

For his part, Senator Drilon said that he had data on the number of municipalities and cities which do not meet the DOH benchmark standards including doctor, nurse and midwife-to-population ratios which showed that a good number do not meet the standards for CCT. However, he believed that this information would be helpful in prioritizing the areas where improvements to the CCT program could be undertaken in coordination with the DepEd and the DOH.

Senator Escudero pointed out that the country lacked 153,000 classrooms, 13.2 million desks and 104,000 teachers, and that of the 42,000 barangays, only 16,200 have health centers and about 2,300 have rural health units. He also noted that there were only

3,050 government doctors, 1,900 dentists, 4,600 nurses, and 16,800 midwives for the 2.3 million intended beneficiaries. He asked how the government could address the lack of medical personnel and educators in poverty-stricken areas so that the target beneficiaries could comply with the requirements for CCT. He assumed that in a situation where there are no health centers in the area, the DSWD must decide whether or not to suspend the family-beneficiaries. However, he pointed out that there are roving midwives and health workers, and there is the KALAHICIDSS funds intended for the construction of health centers and day-care centers. He admitted that the data mentioned by Senator Escudero were correct on a national basis but to fill the gap as soon as possible, government can prioritize the construction of health centers and classrooms in the identified areas, and provide the midwives and nurses. He argued that if the government cannot provide the facilities, it also cannot use as an excuse the lack thereof to deprive the intended beneficiaries of the benefits.

To the observation that there are no patients to monitor if there are no health centers, and there are no students to send to school if there are no schools but the indigent families needed aid the most, Senator Drilon agreed. Precisely, he said, the government would try to help the indigent families avail of the program most probably by adjusting the compliance standards in the identified areas although, he admitted, the presence of the facilities is a condition to enrollment of family-beneficiaries. He emphasized that government must break the cycle of poverty and work on the gaps that have been identified.

Since the initial cash grant has no conditions and the family-beneficiaries that fail to comply with the conditions on medical checkups and school attendance would be warned three times, once every quarter, before being delisted, Senator Escudero noted that they could actually be receiving the cash grants for the whole year. Senator Drilon admitted that it is entirely possible if their barangay does not have a health center and a school.

Asked whether the DSWD would, eyes closed, exclude the family-beneficiaries from the program while there is no health center and school in their barangay or, eyes closed, simply grant them the cash benefits, Senator Drilon believed that the DSWD would, eyes closed, continue the CCT. He pointed out that the family-beneficiaries cannot be faulted

that government failed to build a health center and school in their barangay.

Asked whether he was not sure the Administration would have P30 billion in 2012 for the cash grant to 2.3 million family-beneficiaries, Senator Drilon replied in the affirmative.

Should the CCT fail in 2012, Senator Escudero expressed concern that the government would just have given away a huge amount of money without gaining something in return. But Senator Drilon insisted that the indigent families would have been helped, albeit in a small way.

If the DSWD was not ready to implement the program, if it has not yet completed all the plans and the target beneficiaries in some areas have not yet qualified, Senator Escudero asked if it would be possible to postpone the program until DSWD is ready. In reaction, Senator Drilon stated that the indigent families cannot wait. He gave assurance that the DSWD would continue to look for an alternative learning system and field roving midwives, if need be. Government, he insisted, cannot give up on the program just because certain barangays do not have health centers and schools or just because certain family-beneficiaries have not yet qualified. If the program does not succeed in 2011, notwithstanding all the efforts of the Administration, he stated that it could be scrapped in 2012. He pointed out that the perceived gaps are manageable, adding that they are more the exception than the rule.

Senator Escudero asserted that governance is about allocating scarce resources and the way he saw it, P21 billion can build 30,000 classrooms at P660,000 per classroom or 1,300 kilometers of roads to alleviate poverty in far-flung areas. In reaction, Senator Drilon asked that the Aquino Administration be given a chance to implement the program for one year and if it is bungled by this time next year, legislators would be less sympathetic and they can go back to the classic and accepted rules and policies on appropriating public funds. Indeed, he said, while the P21 billion can build an x number of classrooms and an x kilometers of road, 2.3 million indigent families needed direct help. He admitted that the cash grant is a subsidy but, he argued, the legislators were also giving subsidy through earmarks from their entitlements for the medical expenses of indigents in hospitals. He asserted that there is no difference between giving a family-beneficiaries in Albay P1,400

a month and assigning P2,500 from Senator Escudero's entitlements to a patient undergoing dialysis at the NKTI.

Senator Escudero argued that the problem with the P1,400 subsidy is that it is a dead end, meaning it would not help other people unlike the funds allocated to the DOH by way of free medical service because the assets remain with the DOH to help other patients. However, he stated that he was willing to give the Administration a chance, hoping that the legislators would not be telling each other next budget season, "I told you so!" if the CCT turned out to be a very expensive mistake. He stated that the legislators were willing to give P21 billion to give the Aquino Administration a chance in spite of fact that the past track record of the DSWD in implementing the program has not been particularly good. He manifested that at the proper time, he would be proposing amendments.

As a final point, Senator Escudero asked the DSWD, after the budget season, to explain to the people the schedules of payments and enrollment, saying that he did not want to raise false hopes. He noted that a lot of money will be spent on training and information dissemination, anyway. Senator Drilon clarified that the first million family-beneficiaries will be receiving cash grants in the first five months; this number will increase to 1,900,000 on June 1 and to 2,300,000 in September 2011.

#### **INTERPELLATION OF SENATOR PANGILINAN**

Initially, Senator Pangilinan stated that he has publicly expressed support for the program as he ran on a campaign promise to address poverty and corruption. He believed that the CCT is the centerpiece of the Administration and that it squarely addresses poverty.

Asked how the DSWD intended to improve the program and, at the same time, evaluate its performance, Senator Drilon cited the following: 1) an advisory committee composed of the DepEd, DOH, DSWD, DILG and NAPC; a multi-agency Secretariat, as provided for in a special provision in the Senate version of the GAB; a pilot spot check to be conducted by the SWS; and impact assessments by third parties. He added that Ateneo de Manila University did an impact evaluation of the initial implementation.

In this regard, Senator Pangilinan requested relevant documents to help him better understand the verification process and know what parties were involved.

Upon further queries, Senator Drilon confirmed that the local governments of areas where the program is being implemented will be part of the municipal advisory committee; and that private groups, local chambers, and church-based organizations will participate in the program. He stated that the DSWD has entered into MOAs with NGOs and POs.

Considering that the poorest of the poor are concentrated in rural areas, Senator Pangilinan asked whether there was a bias in their favor in the implementation of the CCT. Senator Drilon replied in the affirmative as he explained that the poor in the rural areas are not included in the first three sets of beneficiaries.

As regards the rural poor, Senator Drilon stated that apart from the CCT, one of the programs under the 4 Ps is directly focused on small farmers and fisherfolk.

Senator Pangilinan stated that he was aware of the program and that he would favor programs for the rural poor who have been struggling to support themselves and who, in fact, should be provided with more assistance to help them succeed.

Asked how the program's success would be measured, Senator Drilon said that one specific measure of success in education is that all school-aged children who were enrolled would finish primary school while with regard to health centers, the infant mortality rate would go down.

Senator Pangilinan requested supporting documents on the country's present infant mortality and school dropout rates in relation to the programs being implemented by the DSWD to address these concerns. Senator Drilon said that the Committee would provide the Senate with the data.

On a related matter, Senator Pangilinan recalled that when he chaired the Committee on Education, there was a matrix which indicated the year-on-year dropout rates from the first grade onwards on the basis of which the Committee would monitor the program. He suggested that the data be made part of the verification process. Senator Drilon agreed to the

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suggestion, saying that the data could be disaggregated corresponding to the areas of implementation.

### SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 7:18 p.m.*

### RESUMPTION OF SESSION

At 7:31 p.m., the session was resumed.

### INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña expressed support for the CCT program as he sees the glass half-full rather than half-empty. He said that he sympathizes though with the concerns of his colleagues as regards the cost and the expected pitfalls in connection with the CCT's implementation.

Asked by Senator Osmeña how the success or failure of the CCT can be judged, Senator Drilon replied that as suggested by Senator Pangilinan, in a particular barangay, for instance, the data at the start of program as to the number of children who entered primary grades can be compared to the data five years hence to see whether there was an improvement in the dropout rate or whether the children have progressed. In the area of health, he said that the data on infant mortality at the start of the program can be compared with data at the end of the program and see if infant mortality has declined.

Senator Osmeña opined that the program has to be monitored for about 20 years with that purpose in mind but he believed that in 10 years time, it would be possible to measure the success or failure of the program. He stated that the program cannot be unsuccessful unless there is massive corruption in the DSWD. He averred that when wealth is transferred from the wealthy to those who have less in life, the quality of their life improves. He disclosed that in Mexico which implements a similar program, there was a finding that while about 14% of the beneficiaries rose from poverty after some years, 12% fell into poverty that was caused by risk factors such as the poor economy, natural calamities, accidents and other uninsured risks.

Asked whether these risks have been factored into the program, Senator Drilon replied they were.

He agreed that while such programs might help lift a certain percentage of the poor from poverty, a certain percentage might still fall into poverty. He clarified that the CCT was not the only anti-poverty program being implemented by the DSWD, as he cited the other programs under the 4Ps: the livelihood program, and the KALAHID CIDSS program. He asserted that the DSWD's convergence strategy would help it achieve success with its target beneficiaries.

For his part, Senator Osmeña requested a copy of the DSWD targets and called upon the Department to assist the senators in monitoring the programs. In reaction, Senator Drilon gave assurance that the Oversight Committee on Public Expenditures would require the DSWD to submit a regular report on the progress of the program's implementation.

Senator Osmeña said that he was more worried about making the program more efficient, rather than the money, and would be looking into leakages. However, he believed that the program will help alleviate poverty in the country and he welcomed its expansion in 2011.

Asked what the CCT budgets would be in 2012 and in 2013, Senator Drilon replied that if the program would have 2.3 million enrollees, then for 2012, it would be about P29 billion and for 2013, it would still be P29 billion assuming there would be no additional enrollees. He pointed out the number of enrollees in 2012 would shape the figure for the 2013 budget.

Asked on the family income to qualify for the CCT, Senator Drilon said that it is P6,500 a month.

Asked if the amount would stay at P6,500 plus inflation in the next five or ten years, Senator Drilon replied that it would depend on the result of the next survey of the Family Income and Expenditure Service.

Senator Osmeña argued that it was not necessary given the statistics on which the DSWD based their projections and targets when it formulated the program. He opined that the DSWD should already have a projection for the next ten years or, at least, a wish list based on a normal growth rate in the GDP of about 6% and an effective tax rate of 17%-18%. Senator Drilon clarified that the DSWD based its program on 4.3 million families, with a family income of P6,500 per month, per family.

As regards the number of families that would be eligible for the safety net given the P10,000 income limit, Senator Drilon estimated that another 1.5 to 2 million families would be added to the 4.3 million families.

Senator Osmeña said that he expected the DSWD to give the legislators a deeper understanding of the program which he hoped will be funded until 2015 to cover as many families as possible, and achieve the same level of success of countries in Africa and Latin America that have similar programs. He also believed that the direct cash transfer to the poor is better than wasting money on subsidies to energy and gasoline, the latter having reverse effects by making people buy more instead of trying to conserve.

Asked whether subsidizing a family with three or less children would encourage it to have more kids, Senator Drilon said that the subsidy of P300 per child is not enough incentive.

As to whether the government could utilize the distribution system for CCT in distributing condoms, Senator Drilon sought leave from discussing the topic lest the Members of the Senate vote against the program.

Senator Osmeña said that in view of the costly overhead expense for sending out the payments, eventually the banking system would have to be utilized by giving the family an account wherein money could be automatically deposited every month. He said that the Committee on Banks, Financial Institutions and Currencies has been trying to encourage the rural banks to adopt the automation system to lower overhead expense and to encourage a marketable distribution system. He said that the electric cooperatives are the best distribution system in the rural areas because they collect monthly from the households.

Senator Drilon said that the DSWD is a politically-laden organization precisely because of its ability to go house-to-house. Senator Osmeña, however, said that it also depends upon the affordability and access to roads.

#### **INTERPELLATION OF SENATOR CAYETANO (A)**

Preliminarily, Senator Cayetano (A) suggested using the PhilHealth database in identifying the poorest of the poor to avoid duplication of efforts

and so that the P3.5 billion counterpart of PhilHealth could be put to other uses. He also inquired whether the DSWD is amenable to giving P400 instead of P500 as its counterpart but already with a PhilHealth card so that the P3.5 billion could either be added to the P21-billion CCT program or to other programs that support it. Senator Drilon said that he was not inclined to accept the amendment because PhilHealth has a reserve fund of P109 billion as of the end of October and is being encouraged to increase the benefits on the basis of the over-reserve fund considering that the law only requires two months of reserve of about P60 billion. Thus, he said that giving PhilHealth an additional P100 multiplied by P2.3 million might make matters a little worse. He acknowledged the wisdom of Senator Osmena's suggestion to improve the benefits of PhilHealth or to reduce its premium.

Senator Cayetano (A) reiterated his suggestion to use the P3.5 billion under the DOH for other purposes because the P21-billion CCT program would already be used for the poorest of the poor. Senator Drilon explained that Senator Escudero has pointed out that the enrollment of the 2.3 million poorest of the poor families could not be completed because of the inadequacy of funds.

Senator Cayetano (A) believed in the holistic approach of integrating the P3.5 billion into the CCT program, whether the P100 is added to or subtracted from it, because the same people would benefit from it. Senator Drilon expressed willingness to study the idea if indeed the target beneficiaries of PhilHealth are the same beneficiaries of the CCT.

Senator Cayetano (A) remarked that the Arroyo administration did not have good criteria for choosing the beneficiaries of the PhilHealth card because the endowment was more of an anti-impeachment grant. He disclosed that those who were given PhilHealth cards were qualified voters and were constituents of congressmen who continuously voted against impeachment.

Senator Cayetano (A) said that if the DSWD has established a system of identifying the poorest of the poor, it might as well be given the counterpart funds of PhilHealth. He reminded that the intent of the program is to have less poor people in the next five to ten years, which means that the people who will be enjoying the grant for the next three years would have children who will graduate from the

program and can take care of themselves and, thus, the grant could be given to other beneficiaries.

With regard to the more than 4,000 people who will be trained as enumerators to identify the beneficiaries, Senator Cayetano (A) offered to the DSWD the system used by Taguig City government wherein 500 enumerators went to each house, took its picture with a digital camera and using the GPS marked it on the Google map; then the enumerators filled in the survey sheets as to income, number of dropouts, and type of illnesses of family members. He informed the Body that for this year alone, the local government was able to deliver medicines to each household, enabling sick family members to stay at home and did not have to go to the health center. He said that if the DSWD is open to a pilot project, it can hook up its system with that of the Taguig City government which had been tested and implemented in Bukidnon. The intention of the city leaders, he pointed out, was to rationalize the use of scarce resources and eliminate the practice of guessing where these should be focused. Senator Drilon said that the DSWD Secretary had assured him that the Department would be pleased to work with the Taguig City government on the program.

As to how the P2.8 billion Supplemental Feeding Program would be implemented and how beneficiaries would be chosen, Senator Drilon replied that it is an existing feeding program for 1.62 million children in day care centers registered with LGUs.

As to the mechanics of the P4.2 billion Rice Subsidy Program, Senator Drilon replied that there was a new program called Food for Work for small-scale farmers and fisherfolk affected by disasters, the *El Nino* phenomenon, and conditions aggravated during the lean months of the year. As of August 17, 2010, he said that a total of P2,037,039 was distributed by the DSWD to small-scale farmers who needed continuing relief.

Regarding the DSWD subsidy for victims of typhoons, fires and other calamities, Senator Drilon replied that the Department has a Quick Response Fund in the amount of P287 million which is separate from the calamity fund of the President.

To the suggestion that the Cash for Work Program be expanded to cover sectors affected by calamities and that its nomenclature be changed, Senator Drilon agreed.

On whether the School Feeding Program would be maintained, Senator Drilon replied that it would continue under the National Nutrition Council (NNC).

Senator Cayetano (A) explained that his concern is to ensure the proper monitoring of children who drop out of school after Grade I because of malnutrition. He believed that since the DepEd has the records, it can tell the DSWD and the NNC who dropped out.

At this point, Senator Cayetano (A) asked if the P3.5 billion was slashed from the NCC budget.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 8:05 p.m.*

#### **RESUMPTION OF SESSION**

At 8:07 p.m., the session was resumed.

Upon resumption, Senator Drilon clarified that the P3.5 allocation to the feeding program was no longer in the 2011 GAB. He presumed that it was used for related programs like the Supplemental Feeding Program for children in day care centers nationwide. He confirmed that the Supplemental Feeding Program, PhilHealth Program and the CCT target the same beneficiaries.

Senator Cayetano (A) recalled that he had suggested to Health Secretary Ona that orphans in orphanages registered with the DSWD and the elderly in nursing homes like the Home for the Aged be included in the list of PhilHealth beneficiaries because orphans have no parents and the elderly have been abandoned by their relatives and really, they are the poorest of the poor. In this regard, he suggested that the orphans and the elderly be also given adequate funds for their needs more so, since there was a P21 billion allocation to the CCT. Senator Drilon stated that the maintenance expense of orphanages and homes for the aged as well as services in DSWD facilities were charged against the DSWD budget.

However, Senator Cayetano (A) requested the DSWD secretary to do a random check because he was told by officers in the few facilities he visited that whenever residents have to be hospitalized, their problem is where to get the funds.

## **SUBMISSION OF THE BUDGET OF THE DEPARTMENT SOCIAL WELFARE AND DEVELOPMENT AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Social Welfare and Development and its attached agencies was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 8:12 p.m.*

### **RESUMPTION OF SESSION**

At 8:12 p.m., the session was resumed.

## **SUBMISSION OF THE BUDGET OF THE CULTURAL CENTER OF THE PHILIPPINES**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Cultural Center of the Philippines was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 8:13 p.m.*

### **RESUMPTION OF SESSION**

At 9:19 p.m., the session was resumed.

## **SUBMISSION OF THE BUDGET OF THE AUTONOMOUS REGION IN MUSLIM MINDANAO**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Autonomous Region in Muslim Mindanao was deemed submitted for the Body's consideration.

## **SUBMISSION OF THE BUDGET OF THE COMMISSION ON ELECTIONS**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection,

the budget of the Commission on Elections was deemed submitted for the Body's consideration.

## **DEPARTMENT OF TRADE AND INDUSTRY**

Senator Angara presented the budget of the Department of Trade and Industry (DTI).

### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 9:21 p.m.*

### **RESUMPTION OF SESSION**

At 9:24 p.m., the session was resumed.

### **REMARKS OF SENATOR OSMEÑA**

Senator Osmeña said that he was ready to yield the floor to any member who wished to interpellate on the budget of the DTI because his questions would be limited to the Aurora Special Economic Zone Authority.

### **INTERPELLATION OF SENATOR CAYETANO (P)**

Asked by Senator Cayetano (P) whether there are a lot of pending cases with the DTI in terms of violation of the Consumers Act, Senator Angara replied that there are consumer cases that go directly to the Department.

Saying that she was exploring other income opportunities given that a lot of social service programs are unfunded, Senator Cayetano (P) pointed out that the huge backlog of cases on administrative fines could bring in so much income if collected.

Senator Angara said that fines and penalties that were imposed in 2010 amounted to P1.1 billion while the projected amount for 2011 is P1.15 billion.

Asked whether the DTI is like the FDA which has a lot of unattended backlog cases and if it has enough personnel to handle said cases, Senator Angara answered that the Department has two desks where a consumer can file complaints, namely: the DTI National Capital Region and the Bureau of Trade Regulation and Consumer Protection. He said that the DTI has resolved all the 11,195 complaints that

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were filed with the Department within the period allowed by law.

To Senator (P) Cayetano's request that she be provided with a copy of the schedule of fees and penalties for guidance, Senator Angara said that the Committee will submit the necessary data.

### **REQUEST OF SENATOR ANGARA**

At this point, upon his request, Senator Angara was allowed to present a 7-minute video on the Aurora Pacific Economic Zone (APECO).

### **INTERPELLATION OF SENATOR OSMEÑA**

Thereafter, Senator Osmeña asked for the locations of the scenes and dive sites featured in the video presentation. Senator Angara replied that most of the scenes were shot in Casiguran but the dive sites and the beaches were in Baler and Casiguran, where Casapsapan Bay was located.

Asked how much was invested by the government in the ASEZA/APECO, Senator Angara stated that the total disbursement and obligation was P507 million of which P436 million was earmarked for Phase 1 of the corporate campus, which includes the entrance gate, administration building, hostel as well as the road network within the area. He said that the project was expected to be completed by June 2011. He also clarified that the P507 million was not included in the proposed budget for 2011. Moreover, he revealed that funding for the construction of the bridges was part of the program of the DPWH.

Senator Osmeña also sought clarification regarding insertions in the budget of the DPWH in 2008, 2009 and 2010 in view of the various infrastructure projects of the agency, such as the Baler-Casiguran road network which would have an allocation of P287 million for 2011. Senator Angara said that he was never involved in the solicitation for or insertion of funds for the road network project that would link Baler to Casiguran, as well as to Pantabangan in Nueva Ecija as this was a DPWH undertaking which was nearing completion. Further, he said that of the proposed P3.45 million budget for 2011, P45 million would be used to pay the balance of the land acquisition, P100 million would be set aside for the extension of the airport runway, and another P100 million was intended for internal utilities, water and the sanitation system.

To the observation that an additional P145 million in the budget was made on the recommendation of the DBM, Senator Angara clarified that the DBM approved the Subcommittee's request for an additional allocation of P200 million while the President also recommended another increase of P145 million.

Senator Osmeña also sought an explanation for the P2.5 billion insertion and realignments for Aurora province. Senator Angara clarified that these were not made for his personal benefit. He explained that the P20 million allocation for the establishment of the Aurora Soils and Water Resources Research and Training Center was an old appropriation included in the 2010 budget but was still being presented since it was a two-year project. That being the case, Senator Osmeña pointed out that the P20 million was not an old appropriation but was, in fact, an insertion because it was not in the original budget of the DBM. However, Senator Angara maintained that the fund was part of the 2010 budget.

On the allocation of P25 million for AMRO rural irrigation system, the Disalit RIS and the Manggitahan CIS in Dilasag, Senator Angara said that these were projects under the NIA irrigation program.

Upon further queries, Senator Angara explained that the P25 million allocation for the Aurora Marine Research and Breeding Center has been in the budget for the past three years, while the P20 million appropriation for the production of the On-Air Biology Video Programs for high school was requested by the Knowledge Channel. On the other hand, he said that the nutrition section of the DepEd had asked for P25 million for the Technical Services on Food and Nutrition for Advocacy, Formulation, Production and Distribution of Food Rich Micronutrient Vegetables, while the DOST requested P150 million to complete the construction of Philippine Science High School campuses as well as another P222 million as additional budget for scholarship grants.

Asked why the Science, Technology and Engineering Fellowship and Scholarship for the Philippines only offered scholarships for Taiwan and Korea, Senator Angara explained that this was due to a memorandum of understanding among Taiwan, Korea and the Philippines.

As regards the P50 million allocation to the Fiber and Dye Center, Senator Angara explained that since the functions related to the fiber and dye

industry were scattered among three agencies, namely: the Forest Research Institute under the DOST, the Design Center under the Cultural Center of the Philippines, and the Fiber and Dye Center under the Department of Agriculture, there was a recommendation to put them together under either the DOST or DTI.

Asked about the P20 million allocation to the Baler Lighthouse, Senator Angara stated that it was a funding for an ongoing project.

As regards the Legal Education Board, Senator Angara recalled that he authored the law creating the board believing that the education of lawyers ought to be handled professionally by lawyers, which is the tradition and custom everywhere except the Philippines. He confirmed that as of now, the subjects which lawyers should pass and be certified for are determined by the Supreme Court, hence, they are largely oriented towards passing the bar subjects which, he said, were already outdated. He believed that the curriculum ought not to be rigid and written into the statute but rather flexible as the practice of law is a dynamic discipline.

Upon further queries, Senator Angara clarified the purpose of the following allocations:

- P10 million to teachers' training – part of the R&D funds of SUC;
- P10 million additional funding for cultural agencies – lumpsum fund for cultural agencies like the National Museum, National Library, National Archives, National Commission for Culture and the Arts, among others;
- P15 million for the Philippine-Spanish celebration – to fund the annual celebration in Madrid as well as in certain places in the Philippines, as decided by the steering committee headed by the chair of the National Historical Institute; and
- P40 million for the nationwide and foreign celebration of the 150<sup>th</sup> birth anniversary of Dr. Jose Rizal – the fund will be applied according to the criteria to be set by the NHI and the celebration will be held not only in the Philippines but abroad, specifically Madrid and Berlin and U.S. cities where there were active Knights of Rizal organizations.

With respect to the P10 million allocation for the implementation of the National Heritage Conservation

Act under RA 10086, including a P5 million allocation to the St. Joseph Parish in Dingras, Ilocos Norte, Senator Angara stated that the law has not been funded for the last two years, hence, the Committee allocated P10 million to it. As regards funding for the St. Joseph Parish, he disclosed that Gov. Imee Marcos wrote the Committee to ask that the church be the first historical edifice to be conserved because of its unique structure. He noted that among the colonial churches that needed conservation are the churches in Tumauini and San Pablo, both in Isabela, that were constructed by the Dominicans using bricks from red clay that is found in Cagayan Valley.

As regards the P10 million allocation for the preservation of archival documents, plans, maps, books and other materials on Philippine-Spanish relations in various libraries and archives in Spain, Senator Angara stated that there are priceless colonial documents in the Archives on the Orient in Sevilla and Salamanca, Spain, that no one has yet indexed and made a bibliography on. He asserted that the project ought to be started now, otherwise they might be lost. In connection therewith, he underscored that the government ought to start training young scholars who can read old Spanish.

With regard to the allocations for the digitalization of documents, Senator Angara stated that like Spain, the Philippines also has voluminous, priceless colonial documents that were, in fact, rotting away in some corner of the National Archives. He said that the Committee allocated P40 million to the National Archives to put the colonial documents in digital form to preserve them. The P20 million allocation to the National Library, he said, was for the conservation, in digitized form, of the Filipiniana collection that included the Rizal papers.

Upon query, Senator Angara confirmed that P20 million was allocated to the Philippine Sports Commission to fund the Philippine Sports University which was probably enough to start it. He said that the P20 million is seed money and government can solicit the rest of the money from sports-minded businessmen. The idea behind the university, he explained, is to allow the Philippines to train professional athletes and coaches, and to professionalize sports development as he observed that many Olympic winners were trained in sports universities.

Asked on the P59 million allocation for the implementation of the Aurora Provincial Coconut

Development Center, Senator Angara recalled that the institution was established three years ago through his initiative as he saw how the coconut industry was becoming a sunrise industry, while most trees in other areas were being cut down for lumber, and he thought it was best to set up a coconut research and nursery in Aurora, the leading coconut producer outside of Bicol and Mindanao, where the coconut is 20% heavier and has 20% thicker meat than the average Philippine coconut. He narrated that the center collected the coconut germplasm from many parts of the Philippines in a germplasm bank in Aurora and started tissue culture. Today, he said, Aurora is producing thousands of coconut seedlings that were in demand by coconut producers.

As regards the P8.3 million reduction in the subsidy to the Philippine Institute for Development Studies (PIDS), Senator Angara stated that the PIDS was started as the policy vehicle for policymakers, but unfortunately, he said, it turned out that the PIDS experts could not be relied upon because they were engaged elsewhere, so the Committee recommended the disbandment of the agency and the attachment of its personnel to the U.P. so that they can serve a wider audience. He bared that the PIDS director-general has asked Congress to give the agency another chance and has advised the staff that they must act as policy advisers to policymakers. He stated that Congress has put in a special condition in the GAB that the PIDS budget will not be released unless its staff can show proof that they have outputs.

Senator Osmeña observed that the PIDS has only a P60 million budget because it enjoys an endowment fund and its staff are not really full-timers. To enable them to augment their income, he said, the staffers were allowed to take on contracts even in other countries which is good because of the experience they gain. In connection therewith, he noted that the Senate Economic Planning Office (SEPO), which was established through his initiative, has about eight vacancies which he hoped to fill up with good men. Precisely, he said, the SEPO was set up to ensure that its staff would enjoy full terms and not be fired every time there is a change in the leadership. He said that he envied the U.S. Senate because the senators remain in the same committees throughout their life in the institution and their staffers get better and better.

Further, Senator Osmeña pointed out that the

U.S. Senate also has a General Accounts Office, an independent special investigative body, that conducts investigations for the members of Congress. He believed that the SEPO should be ramped up because it is the Senate's link to the PIDS. He bemoaned that he tried using the PIDS several times but it cannot respond quickly enough precisely because of the way it was organized. He opined that Senator Recto, who used to be NEDA chief, could help reshape the PIDS and make it more useful and relevant to the policy-making process.

In response, Senator Angara stated that he put a special condition in the PIDS budget that its appropriation shall be used for the conduct of policy studies and that Congress would be furnished with copies of its output. He explained that the PIDS staffers were allowed to devote 20% of their time to outside consultancy while they were paid full-time by the agency. He said that what happened was that many of them were unavailable to the congressional committees because they were somewhere else fulfilling consultancy engagements.

Asked by Senator Angara to share his experience with the PIDS, Senator Recto said that the PIDS was given the same budget in 2011 as in 2010. He stated that although the DBM suggested an increase, the Subcommittee agreed to retain the 2010 allocation of P17 million and, at the appropriate time, increase it to P27 million, provided the PIDS officials dialogued with the Committee members and commit to respond to the needs of policymakers which apparently they did.

Citing another institution, Senator Angara stated that the Development Academy of the Philippines (DAP) was organized by Prime Minister Cesar Virata and Dr. Onofre Cruz and it served a very useful purpose in setting the country's developmental goals and objectives. He said that the DAP recruited the best and the brightest at that time, among them, Sec. Ping de Jesus. However, he observed that over the years, the institution has lost its original mission or has outlived the main purpose for which it was organized. He recalled telling the DAP leadership to redirect their mission to becoming the teacher to all government executives, similar to that of the Civil Service Academy of Singapore where government executives go for regular training. He believed that the institution has lived up to that challenge so the Committee put in a special provision in the GAB to redirect its mission.

106 107

For his part, Senator Osmeña recalled that the DAP submitted a management study of the Senate structure that said, among others, that the Senate can operate more efficiently with less than one-third of its employees which he found to be true. However, he said that he finds the DAP to be rudderless and leaderless, and he believed that it should be working under the DBM. He noted that the DBM only worries about the money part and does not bother about the management part which is about making government more efficient. He suggested that the DAP be put under the DTI whose management experts can give the DAP the proper direction. He pointed out that in Australia, for instance, there was an out-of-the-box merger between the trade department and foreign affairs department wherein the main business is to promote Australia on which the diplomatic thrusts are focused. He said that he does not know if the Aquino Administration was willing to entertain out-of-the-box ideas to avoid doing what has been done for the past 50 years with the same mediocre results.

Senator Angara read into the record the special provision he drafted for the DAP and which the Committee accepted: "*DAP Training Program*. The training program of the Development Academy of the Philippines (DAP) shall be geared towards the training of government executives and employees. The DAP shall formulate a curriculum in consultation with the Civil Service Commission and the Career Executive Service Board to be used in the training of government employees, officials and executives." He pointed out that whether the DAP is put under the DBM, DTI or the Civil Service Commission, the description of its new mandate will still be very useful.

As to the projection of what the APEC would need in the next 10 years, Senator Angara opined that if APEC gets an additional P700 to P800 million in the next three years, the whole development stage would have been completed. He believed that the Aurora Ecozone will work because it is the only international port in the Pacific. He said all great ports of the world like Sydney, Singapore, Shanghai, Kaoshiung, Seoul, Vancouver, Los Angeles and San Francisco are on the Pacific that used to be the traditional maritime highway. He pointed out that for Asia, the China Sea became the navigational and maritime highway because it is closer to China, East Asia, Japan, Korea and Taiwan. He believed that the Pacific would regain its pre-eminent position as the maritime highway given the geo-political problems

in Asia that include the conflicting claims over groups of islands. Besides, he noted, China was investing heavily and importing from Argentina, Chile, Brazil and Australia.

*At this juncture, Senator Drilon relinquished the Chair to Senator Zubiri.*

Asked whether a feasibility study was made to justify the Aurora ecozone, Senator Angara replied in the negative, pointing out that no feasibility study was done for any Philippine free-trade zone. He stated that with regard to the APEC, experts were hired to do the master planning and they provided on-the-site guidance. He explained that on the Pacific side, Aurora is one of the most protected and one of the deepest harbors of the country with average depth of 25 meters; its 3,000 hectares are enclosed by the San Ildefonso Peninsula and the Luzon mainland. He explained that this was the reason why the place was called "kasiguran," meaning secure, and it served as a stopover for the galleon trade. He disclosed that according to experts from Finland, Spain, Taiwan and Korea, Aurora is one of the safest harbors and will make one of the best logistics hubs in the Pacific, more so because all the hubs in Asia-Pacific were overcrowded.

Senator Osmeña stated that if he were a businessman, he would require a feasibility study to see if the concept makes sense. He said that there must be important reasons to support the proposal and throw money into it. He pointed out that several ports were established prior to the Aurora Special Economic Zone and hundreds of free port bills were pending in the House, two of which the Senate heard recently.

Senator Angara argued that Congress did not make a mistake in creating the Mactan, Cagayan and Zamboanga free ports and it will not make a mistake in creating the Aurora free port because of its very good strategic location.

Senator Osmeña stated that he has to be convinced that Casiguran would make a good free port and it would be worthwhile to invest P1.5 billion in it. In response, Senator Angara underscored that the P1.5 billion invested in the port would be recovered in less than five years.

As regards the Zamboanga Free Port Zone on which government spent P950 million, Senator Osmeña pointed out that to date, the port has about six or nine

locators, among them bowling alleys and sports clubs, not the kind the government expected. He disclosed that there are studies that support the thesis that establishing a free trade port does not guarantee an increase in the gross domestic capital formation. In reaction, Senator Angara gave assurance that he has read literature on free ports and had they been followed, he doubted China would have developed into the superpower that it is today. He maintained that the opening of the Casiguran free port will open a million hectares of land and water to future investments; provide access to the land-locked provinces of Quirino and Vizcaya; and open opportunities not only to Aurora but to the northeast corner of the Philippines that has remained undeveloped and unserved for almost three centuries. He stressed that it is one of the few remaining unexplored and undeveloped areas in the Philippines.

Asked by Senator Osmeña for the names of academicians who supported the establishment of free trade ports in Aurora or elsewhere, Senator Angara said that he does not remember the names of the UP professors but he will arrange a meeting with them for Senator Osmeña.

Asked if he was aware of the DOF list of revenue-eroding laws that the 14<sup>th</sup> Congress passed, Senator Angara replied in the affirmative.

Thereupon Senator Osmeña read the revenue losses: Personal Equity and Retirement Account (PERA) – P12 billion; Real Estate Investment Trust (REIT) – P2.7 billion; Tourism Incentive Law – P6 billion.

Senator Osmeña likewise noted the losses of various attached agencies of the Department of Finance because of leakages, for instance, the Bataan Free Port and the Aurora Free Port, both with P3-billion losses. Senator Angara stated that while the perspective of tax collectors is to avoid even a single peso loss in their collections, there is such a thing as elasticity wherein one may lose temporarily but would recoup in the long run.

Asked which free trade zone has generated revenues, Senator Angara replied that the Cagayan Free Port Zone has generated P1 billion from operations.

At this point, Senate President Enrile disclosed that P300 million has been paid in out of its authorized capitalization of P3 billion and from 2004 to 2010,

it has generated a total of P1 billion in revenues for the government and has an investment of approximately the same amount. He explained that in this case, "revenues" would mean the tariff, duties and internal revenue taxes plus the 5% generated by the free port from locators. He said that the ongoing major project for the port which is outside the zone is an airport with the length of 3,000 meters with a runway of about 2.6 to 2.8 kilometers. He added that the outlay of the investment of the government would be 40% of the total project cost, and 60% to be provided by the locators in Sta. Ana. He further revealed that the land occupied by the entire airport is a private land acquired by the locators in conjunction with the CEZA.

Senate President Enrile pointed out that the concept adopted by CEZA was quite different from that of Sta. Ana with the entire town covered by the free port without any person being dispossessed of any property, the forest cover made intact because of a logging ban, and the environment protected. He affirmed that logging operations were stopped after the logging concessions were paid and upon expiry of their licenses.

At this point, Senator Angara affirmed that P120 million has been obligated to Mr. Jojo Ong who has a valid existing effective logging concession. Senate President Enrile said that while there used to be logging concessions in Sta. Ana, the licenses have expired.

Senator Angara said that logging concessions in Aurora are effective, necessitating compensation of the concessionaire. He said that for 12,400 hectares of a beautiful peninsula, 90% of which is forested with some of the most unique coastlines in Aurora, P120 million is a bargain.

Senator Osmeña asked on the value of the surface rights of Jojo Ong on the 12,400 hectares covering San Ildefonso Peninsula in Casiguran town. Senator Angara clarified that the lands in Sta. Ana were public, with no existing concessionaires and no rights were paid to anyone.

Senator President Enrile clarified that the Cagayan Economic Zone and Free Port did not acquire lands for locators. He said that the lands used by the locators were either acquired or leased by them from the owners. Senator Angara remarked that it is the same scheme that the Aurora Free Port is pursuing.

Relative thereto, Senator Angara said that the Sta. Ana harbor was built at a cost of P1 billion and has generated P1 billion in revenue for government from 1994 to 2010. He said that an international harbor would be built in Aurora on a B-O-T basis, one of the projects that were submitted by the government to investors when the PPP was launched. He disclosed that recently the Korean government gave a grant at no cost to government for the feasibility study of the international harbor.

Senator Osmeña asked why a feasibility study is needed for a mere port. Senator Angara replied that feasibility studies are needed for an international port to attract international bidders.

At this point, Senator Osmeña adverted to the IFMA issued by former DENR Secretary Sonny Alvarez in December 2001, which reads:

The inclusion and development of areas within the IFMA area that are found to be part of a certificate of ancestral domain or those areas which are actually occupied by indigenous peoples under a claim of time immemorial possession shall not be considered as part of the IFMA area.

In view thereof, Senator Osmeña asked why Jojo Ong was paid P120 million for something that he does not have rights. Senator Angara clarified that there is no ancestral domain in San Ildefonso because the ancestral domain of the Dumagats is in the mainland. He said that the Dumagats around San Ildefonso are merely fishing around and outside the bay. He clarified that the basis for paying Jojo Ong P120 million is for the standing timber remaining on his concession, with Cuervo & Associates appraising the standing timber to be worth P300 million. After bargaining and negotiations, he said that the parties finally agreed on P120 million. He stressed that the APEC's aim is to preserve the beautiful peninsula that would likewise protect the harbor and the ecozone to make the name "Casiguran" a reality. He revealed that Casiguran was a stopover for galleons which travelled from Manila to Acapulco via the Pacific and California.

Senator Osmeña recalled the presence, during the last budget hearing, of a Conchita de Escarda who was a leader of her tribe, *Agtas*, and the group, the *Samahan ng mga Katutubong Dumagat sa Aurora (SAKADA)*. He disclosed that Ms. de Escarda filed in January 2001 a petition for identification,

delineation and recognition of ancestral domain claim or for the issuance of a Certificate of Ancestral Domain title covering 91,872 hectares and encompassing Calabgan, Casiguran.

At this point, Senator Osmeña disclosed that there were some *Agtas* in the gallery who have requested him to raise questions on their behalf.

Senator Angara pointed out that Calabgan, which is the recognized ancestral domain of the Dumagats of Casiguran, is a barangay that is located in the mainland, not in San Ildefonso. He said that San Ildefonso is merely 12,400 hectares, while Calabgan is 91,000 hectares.

Senator Osmena said that he has a certification from the Mayor of Casiguran issued in 2001 stating that the locations of the ancestral domain are in Dinalungan, Casiguran and Dilasan, which means that APEC paid P120 million for nothing. Senator Angara said that the intent of taking over San Ildefonso, whether or not it is an ancestral domain, is to protect it as a forest zone and as a marine reserve. However, he maintained that San Ildefonso is not an ancestral domain. Senator Osmeña said that the *Agtas* behind him claim that they have been in the place since time immemorial. Senator Angara remarked that Senator Osmena was not from the place, thus, he should not depend on the words of people who cannot be asked during plenary deliberations but should have been presented during the committee hearings. He recalled that Senator Osmeña presented only one Dumagat during a committee hearing who was not even from the place but was from Dingalan which is located at the end of Aurora. He suggested that a special hearing on the matter must be convened so as not to unduly delay the proceedings.

Senator Osmeña conveyed the sentiment of the tribal groups that they were never called to the hearings on the ASEZA and APEC bills that were attended only by Congressman Sonny Angara, Jojo Ong and a certain Mr. Sabalo, a witness from NEDA, and another from the DOF, and a Mr. Tan who was there for the Mindanao Economic Development Authority bills. He said that nobody from the attendees were from Casiguran.

Senator Osmeña further noted that of the entire transcript of the hearing totalling only 25 pages, the testimony of Miss Tasara was only one page, while

10 11

that of the gentleman from NEDA was three pages. He maintained that the transaction involving San Ildefonso was in violation of the IPRA Law because there was no Free and Prior Informed Consent (FPIC) from the indigenous peoples of the ancestral domain. Senator Angara asserted that the lands are not part of an ancestral domain but are either public land or private land that are transferable.

Senator Osmeña also pointed out that there was also violation of the Local Government Code which provides that the consent of the local government involved would have to be secured in establishing the facility. Senator Angara said that the consent of the provincial as well as the municipal board was secured. He said that he would provide Senator Osmeña copies of the resolutions.

Senator Angara said that if a referendum were taken at that instant, he was positive that 99% of the people of Casiguran would vote in favor of the facility.

Senator Angara pointed out that Senator Osmeña also brought his own resource person, Mr. Palafox who, he alleged, was a notorious person pretending to be a planner. He recalled that the Aurora Pacific Economic Zone (APEC) paid Mr. Palafox P32 million for a useless plan which was rejected by the Philippine Ports Authority, Civil Aviation Administration and the Office of the Government Corporate Counsel because it did not include engineering studies like hydrological and soil analyses, as stipulated in the contract. He said that Mr. Palafox claimed during the hearing that the site he had chosen was not followed and that the project was built on another site but, he recalled, this site was not affected by the floods when the whole town of Casiguran was submerged in neck-deep water a month ago.

Senator Osmeña commented that he would just leave the matter between Senator Angara and Mr. Palafox who, he thought, has a valid story. However, he noted that the television advertisement of Senator Angara did not take into consideration the concerns of some groups in Aurora whose grievances he was trying to bring out into the open.

Senator Angara thanked Senator Osmeña for taking up the cudgels for his constituents in Aurora whom he has always taken care of.

Senator Osmeña noted that as some quarters claim, the APEC project has unjustly displaced

farmers and fisherfolk and that the level of economic and social injustice has risen so high that it prompted some people to write a petition that was signed by five bishops, 20 parish priests, various NGOs, and members of environment and agrarian reform advocacy groups and cultural minorities. He hoped Senator Angara could have sat down with the group last Sunday to a dinner hosted by his son, Representative Sonny Angara. He recalled that during the dinner, Representative Angara asked him what they could do to resolve the situation in Casiguran and his response was that the Senator should sit down with the group to hear their concerns. He stated that for the third time, the group travelled from Casiguran to Manila just to consult with him as he wondered why Senator Angara could not even dialogue with the group.

Senator Angara wondered who he should talk to since only two of the 15 signatories to the public advertisement are from Aurora while the rest are outsiders. Senator Osmeña stated that Senator Angara could have talked with Fr. Joefran Talaban who was in the Senate the whole day. Senator Angara gave assurance that he would be willing to do so, anytime.

Senator Angara asserted that if the last elections in Aurora was a gauge or some sort of referendum on the project, it was worthwhile to note that Representative Angara and Governor Bella Angara won overwhelmingly in the very barangay of Fr. Talaban. He said that if need be, the matter could be put to a referendum. For his part, Senator Osmeña stated that he would rather leave it to the concerned individuals to decide if there is need for a referendum. But, he said, he would not stand in the middle of the controversy.

Senator Angara stated that Governor Cua of Quirino, the chairman of the Regional Development Council of Region II, Governor Garcia of Bataan, the Chairman of the Regional Development Council of Region III to which Aurora is attached, Governor Suarez of Quezon and Representative Enverga issued statements in support of APEC, all believing that their respective provinces would benefit from it. He believed that these political leaders would not have supported the ecozone had they believed it was against the interest of the people of Aurora.

Senator Osmeña commented that local folks do not see the big picture unlike senators who have to look at the entire interest of the country considering

that the resources are not big. The small people of Aurora, he asserted, merely wanted their rightful share. In reaction, Senator Angara believed that opening a million hectares of land and sea to development would expand or enlarge opportunities for the people of the province. Senator Osmeña disagreed.

Asked why APEC, a government corporation, has not been audited by COA, Senator Angara replied that it has a resident auditor, and if he has doubts, Senator Osmeña could verify.

But Senator Osmeña recalled that in the presence of Senator Angara himself, he asked for the 2009 COA report on APEC, specifically on how the P200 million was spent, but the COA representative replied there was no such report. Senator Angara clarified that COA has not yet finished its audit report for said year.

Asked why a private corporation is going to manage APEC, Senator Angara stated that as a wholly owned government corporation, it will be managed by a public board of directors.

Senator Osmeña manifested that he would terminate his questions on the APEC budget with a *caveat* — his strong objection to the insertion of a P200 million allocation. He expressed hope that the issue would be resolved peacefully in view of the grievances and concerns of the group over certain matters related to the project, among them, the issue on the sale of the irrigated rice lands. He stated that according to these people, the landowners felt aggrieved because some of them sold their properties at P45,000 per hectare and the others at P650,000 per hectare, supposedly. Senator Angara clarified that it was the resort that was bought for P650,000 per hectare or P65 per square meter but the area has existing roads and buildings that could be put to use immediately so its development could be jump started. He insisted that in the sale of the irrigated lands, the sellers received more than P45,000 per hectare and Senator Osmeña could see the record of transaction.

Senator Osmeña said that he would welcome it, adding that most of the facts came out during the hearings. Senator Angara reiterated that he would be willing to show the records so that Senator Osmeña could verify the information being relayed to him which, he noted, apparently came from one side only.

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

There being no other reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Trade and Industry and its attached agencies was deemed submitted for the Body's consideration.

Senator Sotto presented the budget of the Department of Agriculture and its attached agencies.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 11:18 p.m.*

## **RESUMPTION OF SESSION**

At 11:28 p.m., the session was resumed.

## **DEPARTMENT OF AGRICULTURE AND ITS ATTACHED AGENCIES**

Senator Drilon presented the budget of the Department of Agriculture and its attached agencies.

## **INTERPELLATION OF SENATOR SOTTO**

At the outset, Senator Sotto stated that earlier that day, the officials of the Department of Agriculture submitted a proposal regarding their continuing development of a sericulture industry which was a project that he had started in the Mountain Province and Benguet to eradicate marijuana plantations in Kapangan, Bakun and Kibungan.

Asked regarding the budget for the sericulture programs in Benguet and Kalinga, Senator Drilon replied that P39 million had been set aside for the three-year program in the municipalities of Kapangan, Sablan, Bakun, Kibungan and Mankayan in Benguet and the municipality of Tinglayan in Kalinga.

Saying that he also spearheaded a similar project in Balamban, Cebu where abaca was planted in place of marijuana, Senator Sotto asked whether the DA also has programs to help the abaca industry in Balamban. Senator Drilon said that the Fiber Industry Authority was directly involved in that project.

He added that the projects that had been initiated by Senator Sotto were continuously funded and were ongoing.

### SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

*It was 11:33 p.m.*

### RESUMPTION OF SESSION

At 11:34 p.m., the session was resumed.

### REMARKS OF THE CHAIR

The Chair (Senator Zubiri) stated that with the swift submission of its budget, the Department of Agriculture was being given a golden opportunity to rid itself of graft. He also congratulated the Department for a job well done this year.

### SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF AGRICULTURE AND ITS ATTACHED AGENCIES

There being no further interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Department of Agriculture and its attached agencies was deemed submitted for the Body's consideration.

### SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 11:35 p.m.*

### RESUMPTION OF SESSION

At 11:42 p.m., the session was resumed.

### DEPARTMENT OF ENERGY AND ITS ATTACHED AGENCIES

Senator Sotto presented the budget of the Department of Energy and its attached agencies, namely:

- Office of the Secretary;
- Energy Regulatory Board;

- National Electrification Administration;
- National Power Corporation; and
- Philippine National Oil Company.

### SUSPENSION OF SESSION

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

*It was 11:43 p.m.*

### RESUMPTION OF SESSION

At 11:43 p.m., the session was resumed with Senate President Pro Tempore Senator Ejercito Estrada presiding.

Thereupon, the Chair recognized Senator Zubiri for his interpellation on the budget of the Department of Energy.

### INTERPELLATION OF SENATOR ZUBIRI

Senator Zubiri asked for timelines in the implementation of the Biofuels Law and the Renewable Energy Act which had been stalled due to problems with the pricing scheme. Senator Recto replied that since consultations among industry players regarding the matter were ongoing, the Department of Energy was hopeful that the bio-ethanol pricing scheme would be accomplished before the end of the year.

On whether the DOE has prepared a similar system for renewable energy players, Senator Recto replied that the program would be implemented by the second quarter of 2011.

In closing, Senator Zubiri urged Secretary Almendras to continue pushing for renewable energy and the renewable fuels as the flagship project of the President as these would be better for the environment.

### INTERPELLATION OF SENATOR OSMEÑA

At the outset, Senator Osmeña asked on the net profit and net loss of the National Power Corporation (Napocor) for December 31, 2009. Senator Recto replied that the firm had a net loss of P701 million for 2010 which was smaller compared to P2.8 billion in 2009.

10

Senator Osmeña questioned how the Napocor could still lose money even after selling its power plants to pay off all its debts. Senator Recto explained that these losses were the result of an executive order which set a P0.40/kwh cap on purchased power cost recovery.

Senator Osmeña noted that despite efforts to reflect the true cost of power through the removal of inter-grid, intra-grid, and inter-region subsidies, and allowing government-owned power plants to be auctioned at fair prices, potential foreign investors are apprehensive of putting money into the local power industry because the government continues to own a chunk of a market so that it could manipulate and even lower power rates for political reasons.

Asked how many percent of the total contracts and the total power plants of dependable capacity have been sold and what remains with the Napocor, Senator Recto said that since the Napocor had sold 91% of its power plants, only the Sucat and Malaya plants, as well as those in the Visayas and Mindanao, remained. He added that the decision regarding the ownership of the Angat plant was still pending with the Supreme Court. He also clarified that the Malaya plant, which was being used to provide additional power, was still operating. Senator Osmeña remarked that the DOE is using the Malaya plant to plug the gap in the supply and demand equation.

As regards the PSALM, Senator Recto revealed that although the firm posted a net income of P15.4 billion in 2009, it also registered a net loss for the first semester of 2010. He also agreed with Senator Osmeña's observation that the present leadership of the Department of Energy should not be faulted for the current debt situation of the PSALM. He noted that the \$10 billion worth of assets that had been sold by the PSALM to pay its \$165 billion debt did not necessarily represent cash payments to the government considering that some of these were down-payments and, as such, it would take a number of years before the entire \$10 billion would be recovered. However, Senator Osmeña pointed out that some of the receivables should have been offset against existing liabilities, since most were bilateral loans from World Bank and JICA.

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF ENERGY AND ITS ATTACHED AGENCIES**

There being no other interpellation, upon motion

of Senator Sotto, there being no objection, the budget of the Department of Energy and its attached agencies, namely, the Office of the Secretary, the Energy Regulatory Board, the National Electrification Administration, the National Power Corporation and the Philippine National Oil Company, was deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 11:59 p.m.*

#### **RESUMPTION OF SESSION**

At 12:01 a.m., the session was resumed.

The Chair recognized Senator Angara, subcommittee Chair.

#### **HOUSING AGENCIES**

Senator Angara presented the budgets of the following shelter agencies:

- Home Development Mutual Fund;
- Home Guaranty Corporation;
- National Home Mortgage Finance Corporation;
- National Housing Authority;
- Land Use Regulatory Board; and
- Housing and Urban Development Coordinating Council.

#### **INTERPELLATION OF SENATOR OSMEÑA**

Asked by Senator Osmeña who heads the Home Guaranty Corporation under the new Administration, Senator Angara replied that it was Manuel Sanchez.

Noting that the HGC's P500 million allocation appeared like a life-support system, Senator Osmeña pointed out that the agency was seriously mismanaged by past administrations and it was, in fact, selling guarantees under the table. He noted that the agency went into situations where the moral hazards were tremendous because the housing developer did not care too much about losing money since the project was insured by the HGC anyway. He asserted that

the problem started when the Ramos Administration constructed five villas in Subic for the 1996 APEC meeting under an HGC guaranty but was unable to off-load them quickly enough.

Upon query, Senator Angara stated that four of the five villas had been sold.

Senator Osmeña stated that the National Home Mortgage Finance Corporation (NHMFC) was another agency on a life-support system with also a P500 million allocation in 2011. He asked what the allocation was meant for since the NHMFC was supposed to have sold off most of its mortgages and receivables. Senator Angara stated that the HMFC used to provide home financing with funds provided by the GSIS, SSS and NHDM Fund but it stopped doing so in 1996 and today, he said, the agency owes P23 billion to the three institutions.

Asked how the NHMFC intended to pay off its loans, Senator Angara replied that it has a repayment program and has managed to reduce its payables from P42 billion to P23 billion.

Senator Osmeña asked the NHMFC to provide the Committee a report on the matter and furnish him with a copy thereof. Senator Angara gave assurance that NHMFC would do so.

On the recurring source of income of NHMFC, Senator Angara stated that it finances its operations from collections. Senator Osmeña assumed that NHMFC retained the good mortgages and sold the bad ones but took a loss in the process.

Asked if NHMFC would ever be in a position to get back to home mortgage financing, Senator Angara stated that the agency expects to clean up its balance sheet and pay off the P23 billion debt within three years.

In connection therewith, Senator Osmeña recalled that when he took over as chair of the bank committee from Sen. Jun Magsaysay, one of the bills he sponsored was the securitization bill, the idea being to replicate in the Philippines what Freddie Mac and Fanny Mae did in the U.S. which was to buy a pool of mortgages, then securitize and resell them. Senator Angara stated that the NHMFC was still doing it, launching its first security-backed mortgages in the amount of P2.2 billion in March 2009.

On the capital account of NHMFC, Senator Angara clarified that there was still a positive balance considering that the agency has P42 billion collectibles, although it also has payables of P23 billion.

As this point, Senator Osmeña asked to be given a copy of the balance sheet of NHMFC as he expressed doubt it can still be resurrected. He surmised that government might have to go into another type of home mortgage financing vehicle.

Proceeding to Pag-IBIG that generated P45 billion in loans, Senator Osmeña asked if it has sold any of the mortgages or securitized and resold them in the secondary market which was one way of raising money. Senator Angara replied that Pag-IBIG has not done so. Senator Osmeña reasoned that the Senate was trying to look for ways to help the housing industry and one of it is to sell the mortgages so that it can have money to lend out again.

On whether the P4 billion allocation to the National Housing Authority was a direct subsidy to displaced and relocated informal settlers, Senator Angara replied in the affirmative.

## **SUBMISSION OF THE BUDGETS OF HOUSING AGENCIES**

Upon motion of Senator Sotto, there being no objection, the budgets of the shelter agencies, namely, Home Development Mutual Fund, Home Guaranty Corporation, National Home Mortgage Finance Corporation, Housing and Land Use Regulatory Board, and Housing and Urban Development Coordinating Council were deemed submitted for the Body's consideration.

## **SUSPENSION OF SESSION**

Upon motion of Senator Sotto, the session was suspended.

*It was 12:15 a.m.*

## **RESUMPTION OF SESSION**

At 12:17 a.m., the session was resumed.

Thereupon, the Chair recognized Senator Drilon, Sponsor of the measure.

16  
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## **DEPARTMENT OF JUSTICE AND ITS ATTACHED AGENCIES**

Senator Drilon presented the budget of the Department of Justice and its attached agencies. He explained that the National Expenditure Program (NEP) allocated P7,152,000,031,000 to the Department of Justice and its attached agencies, namely, Bureau of Correction, Bureau of Immigration, Commission on the Settlement of Land Problem, National Bureau of Investigation, Office of the Government Corporate Counsel, Office of the Solicitor General, Parole and Probation Administration, Presidential Commission on Good Government and Public Attorney's Office. He explained that the Committee adopted the proposed budget in the NEP and the House version of the GAB. However, he bared that in consultation with Sec. Leila de Lima, only P119.123 million will remain as confidential fund and P31 million will be under the MOOE of the Witness Protection Program. This way, he said, there will be an accounting of how the confidential fund is spent and the Justice secretary will have enough elbowroom in utilizing the funds.

### **INTERPELLATION OF SENATOR OSMEÑA**

Upon query of Senator Osmeña, Senator Drilon confirmed that there was a year-on-year increase of P725.732 million in the DOJ budget.

Senator Osmeña asked why there was a decrease in the allocation to the NBI of about P70 million.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 12:23 a.m.*

### **RESUMPTION OF SESSION**

At 12:23 a.m., the session was resumed.

In reply to the query, Senator Drilon explained that in the 2010 GAA, the NBI was allocated P779.720 million which was increased by P4.8 million to P784.533 in the NEP that both the House and Senate versions of the GAB adopted.

However, Senator Osmeña insisted that the figure he has was P851 million in the 2010 GAA.

He presumed that of the P851 million, P779.729 million was released. For his part, Senator Drilon assumed that the gap could have been a congressional initiative that President Arroyo conditionally vetoed.

Senator Osmeña argued that the additional allocation of P4 million was barely enough to cover inflation and what the NBI needed was really a P32 million increase. But Senator Drilon explained that the P18 million for capital outlay in the 2010 GAA was not retained in the 2011 NEP because the buildings and structures for which it was meant were completed in 2010. Instead, he noted, the NEP provided for a P25 million allocation to furniture, fixtures and equipment.

Senator Sotto stated that Secretary de Lima has, in fact, mentioned that the NBI would be needing additional funds and hopefully, the Body could do something about it during the period of amendments.

### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF JUSTICE AND ITS ATTACHED AGENCIES**

Upon motion of Senator Sotto, there being no objection, the budget of the Department of Justice and its attached agencies, namely, Bureau of Corrections, Bureau of Immigration, Commission on the Settlement of Land Problem, National Bureau of Investigation, Office of the Government Corporate Counsel, Office of the Solicitor General, Parole and Probation Administration, Presidential Commission on Good Government and Public Attorney's Office, was deemed submitted for the Body's consideration.

### **SUSPENSION OF SESSION**

Upon motion of Senator Drilon, the session was suspended.

*It was 12:26 a.m.*

### **RESUMPTION OF SESSION**

At 12:38 a.m., the session was resumed.

### **DEPARTMENT OF BUDGET AND MANAGEMENT**

Senator Drilon presented the budget of the Department of Budget and Management and its

attached agencies. He explained that the Committee proposed an appropriation of P753.279 million which was P19.26 million lower than the 2010 appropriation for the DBM.

### **INTERPELLATION OF SENATOR CAYETANO (P)**

Senator Cayetano (P) said that the DOH and the DSWD have expressed the need for roughly P6 billion to P7 billion to cover the PhilHealth needs of the poorest of the poor, consisting of about five million households. She asked whether there are efforts to collect arrearages in employer's share owing to PhilHealth as of June 2009, for instance, by the national government in the amount of P8 billion and SUCs in the amount of P400 million. Senator Drilon said that he would try to confirm the validity of the information.

Senator Drilon disclosed that as of one month ago, PhilHealth has a reserve fund of approximately P109 billion, and since the law only requires a reserve fund equivalent to two years of operation, or about P60 billion to P65 billion, the agency has more than a year's worth in excess funds. As a result thereof, he said that there are proposals to either reduce PhilHealth's premium or increase its benefits, but these are facing resistance on the basis of an alleged opinion of its internal actuarian whose objectivity is put in doubt as he would always try to preserve the unnecessary excess funds for reasons of their own.

As regards the arrearages in the employer's share of the national government, Senator Drilon affirmed that the amount is P8.9 billion. He said that the problem arose because PhilHealth kept on increasing the premium since 2001 without prior consultation with the DBM, therefore, the funds have not been appropriated. He stated that PhilHealth can increase the premium for all it wants, but unless Congress appropriates and authorizes the DBM to remit such premiums, it will remain a receivable in the books of PhilHealth and a payable in the books of the national government.

Considering that there is still a budget deficit of P290 billion, Senator Drilon said that the national government could update its contribution to PhilHealth at a certain point when fiscally viable, perhaps in the 2012 budget, as he reiterated that the PhilHealth is overly sound at the moment.

Senator Cayetano (P) reiterated the need for DBM to send representatives in the budget hearings who have the capacity and the ability to respond intelligently to questions. She lamented that in her hearing prior to the start of budget deliberations, she was told that the reserve fund was P70 billion or roughly two years of reserve, not P109 billion. She said that even as she could text or call the DBM Secretary if his presence is needed, she would be content with the presence of an undersecretary or a director who can intelligently answer and participate in the hearings.

Similarly, Senator Cayetano (P) underscored the need for DBM to be present in the hearings so that they are made aware of the concerns raised, as she recalled that during the review of the concerns of the budget for forest protection, protection of wildlife, and management of various protected areas, all of the budgets for the operations and maintenance of the three items have been deleted from the budget. She pointed out that the protected area laws are individual laws that her committee has worked on with the DENR in the last four years. She said that in those laws, provisions were placed for the Department to be able to retain the income that it generates; thus, if their income retention provisions and other income are removed from their budget, all the work for the last four years is gone to waste.

Noting that the rationale for the deletion was that these were all congressional insertions, Senator Cayetano (P) pointed out that it is the job of Congress to make amendments, thus, it is a disservice to just lump the congressional insertions and delete them altogether. She stated that the amendments were made precisely upon the behest of the department's representatives that they were necessary amendments to existing laws.

Replying to the concerns of Senator Cayetano (P), Senator Drilon explained that the congressional initiatives or insertions were vetoed conditionally by President Arroyo unless new revenues are sourced to respond to such appropriations. Unfortunately, he said that instead of being able to source new revenues, the budget deficit ballooned to P325 billion which left the initiatives unfunded.

While acknowledging the need to fund the P104 billion in unfunded mandates, Senator Drilon expressed regret that the funding of the laws could not be prioritized at this time that the government is operating on a deficit.

Senator Cayetano (P) expressed hope that the concerns she raised in her letter to the Senate President dated September 24, 2010, with respect to her amendments to the DOH's budget of Doctors to the Barrios Program and the Rural Health Practice which the DOH acknowledged as a valid concern could be addressed when indeed funds become available.

Senator Cayetano (P) asked why funds were never released to the DOH and PhilHealth from the sin taxes under RA 9334 which provides that 2.5% of the incremental revenue shall be credited to the account of DOH as a trust fund for disease prevention, and another 2.5% shall be remitted to PhilHealth Insurance Corporation for the purpose of universal coverage. Senator Drilon took note of the observation, as he opined that this is not the only earmarking that is not working and which has not been implemented. He requested the DBM to look into the matter, considering that it is not a question of new revenues but a question of earmarking a portion of additional taxes realized out of the revision in the schedule of the sin taxes. He added that the budget, which is sourced from the general fund, also has provided for increases in the budget of PhilHealth and the DOH which is actually even higher than the earmarked amount.

Senator Cayetano (P) affirmed that the reason for the earmarking was to provide additional funds which are extremely needed and are consistent with the poverty reduction program, considering that health disease prevention is the cheapest form of health care.

Senator Drilon suggested that the DBM consider the earmarked portion for the PhilHealth as part of the remittance for premiums that have remained unremitting over the years as these are the same funds that are tangible and can be used for discharging the obligation wherever they are sourced. Senator Cayetano (P) said that she would leave it up to DBM to be creative in obtaining such objectives.

On another matter, Senator Cayetano (P) pointed out that the PhilHealth law states that the NEDA, in coordination with the National Statistics Office and the National Institute of Health of the University of the Philippines, shall undertake studies to validate the accomplishments of the PhilHealth program, with the budget required coming from the income of PhilHealth.

On the misgiving that PhilHealth's actuarial studies might be self-servicing, Senator Cayetano (P) stressed the need for PhilHealth to undertake and fund an honest-to-goodness study that Congress and various sectors of society could utilize in validating PhilHealth's use of its funds, the status of its funds and reserves, and its existing as well as future potential benefits. Unfortunately, she said, PhilHealth has not released the funds for the purpose.

Senator Drilon expressed surprised that the figure given to Senator Cayetano (P) was different from what was given to him by Dr. Rey Aquino, PhilHealth president, in the presence of Secretary Ona. He said that it almost amounts to a misrepresentation of the PhilHealth to the Committee on Health. Senator Cayetano (P) also recalled to have shaken her head in disappointment as her concern revolved around the reserve fund that could be put to good use. Senator Drilon manifested his intent to attend the next hearing on PhilHealth to be called by the Committee on Health and Demography.

#### **INTERPELLATION OF SENATOR CAYETANO (A)**

In reply to the queries of Senator Cayetano (A), Senator Drilon affirmed that there was a reduction of approximately P111 million in the MOOE of all SUCs when comparing the National Expenditure Programs for 2010 and 2011.

#### **SUBMISSION OF THE BUDGET OF THE DEPARTMENT OF BUDGET AND MANAGEMENT AND ITS ATTACHED AGENCIES**

There being no other reservation for interpellation, upon motion of Senator Cayetano (A), there being no objection, the budget of the Department of Budget and Management and its attached agencies was deemed submitted for the Body's consideration.

#### **SUSPENSION OF SESSION**

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

*It was 1:02 a.m.*

#### **RESUMPTION OF SESSION**

At 1:04 a.m., the session was resumed.

## METRO MANILA DEVELOPMENT AUTHORITY

Senator Drilon presented the budget of the Metro Manila Development Authority. He explained that the P997,182,000 proposed budget in the 2011 NEP was the same as in the Senate and House versions of the GAB. Compared to the MMDA budget in the 2010 GAA, he confirmed that there was a reduction of P1,095,480,000 as a result of the deletion of two items – the P500 million congressional initiative that President Arroyo vetoed, and the allocation to foreign-assisted project, specifically the Metro Manila Urban Transport Integration Project funded by the IBRD loan that had been terminated.

## INTERPELLATION OF SENATOR CAYETANO (A)

At the onset, Senator Cayetano (A) recalled that in the 2010 GAA, the allocation to metro-wide services was P1.76 billion but it was reduced to P518,621,000 in the 2011 GAB. He asked if the amount would be sufficient for the whole year.

## SUSPENSION OF SESSION

Upon motion of Senator Drilon, the session was suspended.

*It was 1:07 a.m.*

## RESUMPTION OF SESSION

At 1:11 a.m., the session was resumed.

In response to the query, Senator Drilon confirmed that the 2010 GAA provided for solid waste tipping fees in the amount of P1.576 billion, of which P730 million was a congressional initiative. He said that, in effect, the 2010 GAA allocated P846 million to MMDA and this was reduced by P2.580 million in the 2011 NEP. However, he pointed out that the total revenue of MMDA comes not only from the national government but also from the Internal Revenue Allotment, P211,470,000; fees and charges, P58 million; excavation fees, - P1.5 billion; other incomes, P34 million; and 5% LGU contribution - P1.7 billion, for a total revenue of P2,985,963,000.

As to how long the P580 million allocation for solid waste disposal would last, Senator Drilon replied that it was only for the first quarter of the year.

Senator Cayetano (A) stated that it was his understanding that the LGUs take care of the hauling and the MMDA, the disposal and he asked if the contract for hauling could include the disposal. He warned that the landfill operators would close down the dumpsites if the MMDA cannot pay.

On whether there were other allocations for garbage disposal for the rest of the year or whether the MMDA has to come back to Congress for a supplemental budget, Senator Drilon replied that the total funds available for the Solid Waste Management Office was P851,052,000.

Since the first quarter allocation to solid waste disposal was P580 million in the first quarter, Senator Cayetano (A) concluded that the MMDA would be needing more than P2 billion for the entire year. Senator Drilon replied that while the national subsidy for the Solid Waste Management Office was P518,621,000 in 2011, it has internal sources amounting to P311,620,000, so the total available funds for MOOE in 2011 is P830,241,000. If indeed the funds for waste disposal would be insufficient, he believed the President's Contingent Fund could be tapped to fill the gap.

Senator Cayetano (A) expressed concern that if the funds the LGUs generate would be used for garbage disposal, the Metro Manila mayors might insist that the national government take care of it.

In reply, Senator Drilon said that while there was P311.6 billion from an internal source, the Committee would review the matter.

Senator Cayetano (A) pointed out that the government spends about P500 to P700 million to build just one of the five to eight flyovers for Metro Manila alone in a year but it allots only P208 million for flood control. Although flyovers do ease traffic, he said, more people are inconvenienced by flooded roads. Therefore, he stressed that more funds should go to flood control rather than flyovers, noting that they might not be even spared from floods like the flyover in Pasig. In response, Senator Drilon said that there was P10.3 billion in the President's budget for the DPWH flood control and drainage projects in 2011.

Senator Cayetano (A) noted that the MMDA handles flood control for Metro Manila alone while the DPWH handles flood control for the rest of the

150

country. He suggested that the MMDA and the DPWH talk to address the problem, stressing that he would support allocations to new roads but not to new flyovers.

To address the garbage problem, Senator Cayetano (A) suggested that the MMDA, together with the city mayors, allocate more to clean and green programs and waste segregation just as Antipolo and La Union did thereby reducing their garbage by 30% to 40%.

#### **REMARKS OF THE CHAIR**

The Chair commended the Chairman of the Metro Manila Development Authority for capably handling the affairs of the Metro Manila Film Festival (MMFF). He expressed hope that the Chairman would not be like his predecessor who accepted cash, as birthday gift, from the funds of the beneficiaries of the MMFF.

#### **SUBMISSION OF THE BUDGET OF THE METRO MANILA DEVELOPMENT AUTHORITY**

There being no further interpellation, upon motion of Senator Sotto, there being no objection, the budget of the Metro Manila Development Authority was deemed submitted for the Body's consideration.

#### **SUBMISSION OF THE BUDGETS FOR THE SPECIAL PURPOSE FUNDS AND UNPROGRAMMED FUND**

There being no reservation for interpellation, upon motion of Senator Sotto, there being no objection, the budgets of the Calamity Fund, Contingent Fund, E-Government Fund, Miscellaneous Personnel Benefits Fund, Retirement Benefits Fund, Priority Development Assistance Fund and Unprogrammed Fund were deemed submitted for the Body's consideration.

#### **TERMINATION OF THE PERIOD OF INTERPELLATIONS**

Upon motion of Senator Sotto, there being no objection, the Body closed the period of interpellations on House Bill No. 3101.

#### **SUSPENSION OF CONSIDERATION OF HOUSE BILL NO. 3101**

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

#### **MANIFESTATION OF SENATOR DRILON**

Senator Drilon stated that his office had already given notice to the Members that the Committee was ready to receive amendments and requested that the same be submitted before noon of that day. With clearance from the Senate President, he also requested an all-senators' caucus after the roll call to discuss the amendments in the hope that the budget would be approved that day or on Monday.

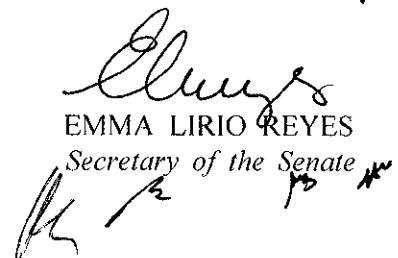
Senator Sotto said that the caucus would follow the *turno en contra* which was scheduled after the roll call.

#### **ADJOURNMENT OF SESSION**

Upon motion of Senator Sotto, there being no objection, the Senate President Pro Tempore declared the session adjourned until three o'clock in the afternoon of that day, December 1, 2010.

*It was 1:30 a.m.*

I hereby certify to the correctness of the foregoing.



EMMA LIRIO REYES  
Secretary of the Senate

Approved on January 17, 2011