



**PHILIPPINE INSTITUTE FOR PEACE, VIOLENCE  
AND TERRORISM RESEARCH**

**POLICY BRIEF**

**No. 4, July 2010**

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**THE PHILIPPINES:  
STATE OF THE NATION**

PRESIDENT BENIGNO SIMEON C. AQUINO III

Speaker Feliciano Belmonte; Senate President Juan Ponce Enrile; Vice President Jejomar Binay, Chief Justice Renato Corona, Former Presidents Fidel Valdez Ramos and Joseph Ejercito Estrada; Members of the House of Representatives and the Senate; distinguished members of the diplomatic corps;

My beloved countrymen:

Our administration is facing a forked road. On one direction, decisions are made to protect the welfare of our people; to look after the interest of the majority; to have a firm grip on principles; and to be faithful to the public servant's sworn oath to serve the country honestly.

This is the straight path.

On the other side, personal interest is the priority, and where one becomes a slave to political considerations to the detriment of our nation.

This is the crooked path.

For a long time, our country lost its way in the crooked path. As days go by (since I became President), the massive scope of the problems we have inherited becomes much clearer. I could almost feel the weight of my responsibilities.

In the first three weeks of our administration, we discovered many things, and I will report to you some of the problems we have uncovered, and the steps we are taking to solve them.

This report is merely a glimpse of our situation. It is not the entire picture of the crises we are facing. The reality was hidden from our people, who seem to have been deliberately obfuscated on the real state of our nation.

In the first six years of this year, government expenditure exceeded our revenues. Our deficit further increased to PhP196.7 billion. Our collection targets, which lack PhP23.8 billion, were not fully met, while we went beyond our spending by PhP45.1 billion.

Our budget for 2010 is PhP1.54 trillion. Of this, only PhP100 billion - or 6.5% of the total budget – can be used for the remaining six months of the current year. Roughly 1% of the total budget is left for each of the remaining month.

Where did the funds go?

A calamity fund worth PhP2 billion was reserved in preparation for anticipated calamities. Of this already miniscule amount, at a time when the rainy season has yet to set in, PhP1.4 billion or 70% was already spent.

The entire province of Pampanga received PhP108 million. Of this, PhP105 million went to only one district. On the other hand, the province of Pangasinan, which was severely affected by Typhoon Pepeng, received a mere PhP5 million, which had to be used to fix damages inflicted not even by Pepeng, but by a previous typhoon, Cosme. The funds were released on election month, which was seven months after the typhoon. What will happen if a typhoon arrives tomorrow? The fund has been used up to repair damage from typhoons that hit us last year. Our future will pay for the greed of yesterday.

This is also what happened to the funds of the MWSS. Just recently, people lined up for water while the leadership of the MWSS rewarded itself even though the pensions of retired employees remain unpaid.

The entire payroll of the MWSS amounts to 51.4 million pesos annually. But this isn't the full extent of what they receive: they receive additional allowances and benefits amounting to 81.1 million pesos. In short, they receive 211.5 million pesos annually. Twenty four percent of this is for normal salaries, and sixty six percent is added on.

The average worker receives up to 13th month pay plus a cash gift. In the MWSS, they receive the equivalent of over thirty months pay if you include all their additional bonuses and allowances.

What we discovered in the case of the salaries of their board of trustees is even more shocking. Let's take a look at the allowances they receive: Attending board of trustees and board committee meetings, and you get fourteen thousands pesos. This totals ninety eight thousand pesos a month. They also get an annual grocery incentive of eighty thousand pesos.

And that's not all. They get a mid-year bonus, productivity bonus, anniversary bonus, year-end bonus, and financial assistance. They not only get a Christmas bonus, but an additional Christmas package as well. Each of these amounts to eighty thousand pesos.

All in all, each member of the board receives two and a half million pesos a year exclusive of car service, technical assistance, and loans. Let me repeat. They award themselves all of these while being in arrears for the pensions of their retired employees.

Even the La Mesa watershed wasn't spared. In order to ensure an adequate supply of water, we need to protect our watersheds. In watersheds, trees are needed. Where there should be trees, they built homes for the top officials of the MWSS.

We cannot remove them from their positions quickly because they are among the midnight appointees of former president Arroyo. We are investigating all of these things. But if they have any shame left, they should voluntarily relinquish their positions.

Now let's discuss funds for infrastructure. The DPWH identified two hundred forty six priority safety projects to be funded by the motor vehicle user's charge. This needs a budget of 425 million pesos. What they ended up funding were only 28 projects. They disregarded 218 projects and replaced these with seventy projects that weren't in the plans. The 425 million pesos originally asked for became 480 million pesos, increasing because of projects allocated for a favored few.

These projects make no sense: unstudied and unprepared for, sprouting like mushrooms.

The era of such projects is at an end. Under our administration, there will be no quotas, there will be no overpricing, the funds of the people will be spent for the people. There's more. Five days before the term of the previous administration ended, they ordered 3.5 billion pesos to be released for the rehabilitation of those affected by typhoons Ondoy and Pepeng. This was supposed to fund eighty-nine projects. But nineteen of these projects amounting to 981 million pesos didn't go through public bidding. Special Allotment Release Orders hadn't even been released and yet the contracts were already signed. It's a good thing Secretary Rogelio Singson spotted and stopped them. Instead, they will all go through the proper bidding, and the funds will be used to provide relief to those who lost their homes due to typhoons Ondoy and Pepeng.

Let's discuss what happened in Napocor. From 2001 to 2004, the government forced Napocor to sell electricity at a loss to prevent increases in electricity rates. The real motivation for this is that they were preparing for the election.

As a result, in 2004, NAPOCOR slumped deeply in debt. The government was obligated to shoulder the 200 billion pesos it owed.

What the public thought they saved from electricity, we are now paying for using public coffers. Not only are we paying for the cost of electricity; we are also paying for the interest arising from the debt.

If the money we borrowed was used properly, then there would be added assurance that constant supply of electricity is available. However, this decision was based on bad politics, not on the true needs of the people. The people, after having to sacrifice, suffered even more.

This is also what happened to the MRT. The government tried again to buy the people's love. The operator was forced to keep the rates low.

In effect, the guarantee given to the operator that he will still be able to recoup his investment was not fulfilled. Because of this, Landbank and the Development Bank of the Philippines were ordered to purchase the MRT.

The money of the people was used in exchange for an operation that was losing money.

Let us now move on to the funds of the National Food Authority (NFA).

In 2004: 117,000 metric tons (of rice) was the shortage in the supply of the Philippines. What they (the government) bought were 900,000 metric tons. Even if you multiply for more than seven times the amount of shortage, they still bought more than what was needed.

In 2007: 589,000 metric tons was the shortage in the supply of the Philippines. What they bought were 1.827 million metric tons. Even if you multiply for more than three times the amount of shortage, they again bought more than what was needed.

What hurts is, because they keep purchasing more than what they need year after year, the excess rice that had to be stored in warehouses ended up rotting, just like what happened in 2008.

Is this not a crime, letting rice rot, despite the fact that there are 4 million Filipinos who do not eat three times a day?

The result is NFA's current debt of 177 billion pesos.

This money that was wasted could have funded the following:

- The budget of the entire judiciary, which is at 12.7 billion pesos this year.
- The Conditional Cash Transfers for the following year, which cost 29.6 billion pesos.
- All the classrooms that our country needs, which cost 130 billion pesos.

This way of doing things is revolting. Money was there only to be wasted.

You have heard how the public coffers were squandered. This is what is clear to me now: change can only come from our determination to stamp out this extravagance and profligacy.

That is why starting now: we will stop the wasteful use of government funds. We will eradicate projects that are wrong.

This is the point of what we call the zero-based approach in our budget. What used to be the norm was every year, the budget merely gets re-enacted without plugging the holes.

Next month we will be submitting a budget that accurately identifies the problem and gives much attention on the right solution.

Those that I have mentioned were only some of the problems we have discovered. Here now are examples of the steps we are undertaking to solve them.

There is a case of one pawnshop owner. He purchased a vehicle at an estimated cost of 26 million pesos.

If he can afford to buy a Lamborghini, why can't he pay his taxes?

A case has already been filed against him. Through the leadership of Finance Secretary Cesar Purisima, BIR Commissioner Kim Henares, Customs Commissioner Lito Alvarez, and Justice Secretary Leila de Lima, every week we have new cases filed against smugglers and against those who do not pay the right taxes.

We have also already identified the suspects of the cases of Francisco Baldomero, Jose Daguio and Miguel Belen, 3 of the 6 incidents of extralegal killings since we assumed the Presidency.

Fifty percent (50%) of these incidents of extralegal killings are now on their way to being resolved.

We will not stop the pursuit of the remaining half of these killings until justice has been achieved.

We will hold murderers accountable. We will also hold those who are corrupt that work in government accountable for their actions.

We have begun forming our Truth Commission, through the leadership of former Chief Justice Hilario Davide. We will search for the truth on the alleged wrongdoing committed in the last nine years.

This week, I will sign the first ever Executive Order on the formation of this Truth Commission.

If the answer to justice is accountability, the answer to the dearth in funds is a new and creative approach to our long-standing problems.

We have so many needs: from education, infrastructure, health, military, police and more. Our funds will not be enough to meet them.

No matter how massive the deficit is that may keep us from paying for this list of needs, I am heartened because many have already expressed renewed interest and confidence in the Philippines.

Our solution: public-private partnerships. Although no contract has been signed yet, I can say that ongoing talks with interested investors will yield fruitful outcomes.

There are some who have already shown interest and want to build an expressway from Manila that will pass through Bulacan, Nueva Ecija, Nueva Vizcaya, until the end of Cagayan Valley, without the government having to spend a single peso.

On national defense:

We have 36,000 nautical miles of shoreline, but we only have 32 boats. These boats are as old as the time of (US General Douglas) MacArthur.

Some had this proposition: they will rent the Navy headquarters on Roxas Boulevard and the Naval Station in Fort Bonifacio.

They will take care of the funding necessary to transfer the Navy Headquarters to Camp Aguinaldo. Immediately, we will be given 100 million dollars. Furthermore, they will give us a portion of their profits from their businesses that would occupy the land they will rent.

In short, we will meet our needs without spending, and we will also earn.

There have already been many proposals from local to foreign investors to provide for our various needs.

From these public-private partnerships, our economy will grow and every Filipino will be the beneficiary. There are so many sectors that could benefit from this.

We will be able to construct the needed infrastructure in order to help tourism grow.

In agriculture, we will be able to have access to grains terminals, refrigeration facilities, orderly road networks and post-harvest facilities.

If we can fix our food supply chain with the help of the private sector, instead of importing, we will hopefully be able to supply for the needs of the global market.

The prices of commodities will go down if we are able to make this efficient railway system a reality. It will be cheaper and faster, and it will be easier for travelers to avoid crooked cops and rebels.

A reminder to all: creating jobs is foremost on our agenda, and the creation of jobs will come from the growth of our industries. Growth will only be possible if we streamline processes to make them predictable, reliable and efficient for those who want to invest.

We make sure that the Build-Operate-and-Transfer projects will undergo quick and efficient processes. With the help of all government agencies concerned and the people, a process that used to take as short as a year and as long as a decade will now only take six months.

The Department of Trade and Industry has already taken steps to effect this change, under the leadership of Secretary Gregory Domingo: The never-ending horror story of

registering business names, which used to take a minimum of four to eight hours depending on the day, will be cut down drastically to fifteen minutes.

What used to be a check list of thirty-six documents will be shortened to a list of six, and the old eight-page application form will be whittled down to one page.

I call on our local government units to review its own procedures. While we look for more ways to streamline our processes to make business start-ups easier, I hope the LGUs can also find ways to implement reforms that will be consistent with the ones we have already started.

All will certainly benefit from this streamlining -- be it businessmen, soldiers, rebels and ordinary Filipinos. As long as the interests of Filipinos will not be jeopardized, we will explore all available avenues to make this a reality. We must start now, and we should all help achieve this and not stand in each other's way.

The time when we will no longer be made to choose between our people's security and the future of our children is upon us now.

Once we implement these public-private partnerships, we will be able to fund public service in accordance with our platform.

This will enable us to fund our plans for education.

We will be able to expand our basic education cycle from seven years to the global standard of twelve years.

We can build more classrooms, and we will fund service contracting under the Government Assistance to Students and Teachers in Private Education Program (GASTPE).

Conditional cash transfers that aim to lessen the burden of education on parents will also be funded if this partnership becomes a reality.

Our plans for improving PhilHealth can now be within reach.

First, we will identify the correct number of Filipinos who sorely need PhilHealth coverage, as current data is conflicting on this matter. On one hand, PhilHealth says that eighty-seven percent (87%) of Filipinos are covered, then lowers the number to only fifty-three percent (53%). On the other hand, the National Statistics Office says that only thirty-eight percent (38%) of Filipinos are covered by Philhealth.

Even as we speak, Secretary Dinky Soliman and the Department of Social Welfare and Development are moving to implement the National Household Targeting System that will identify the families that most urgently need assistance. An estimated 9 billion pesos is needed in order to provide coverage for five million poor Filipinos.

Our country is beginning to see better days ahead. The private sector, the League of Provinces headed by Governor Alfonso Umali, together with Governors L-Ray Villafuerte and Icot Petilla, are now ready to do their share when it comes to shouldering the financial burden. I know that the League of Cities under the leadership of Mayor Oscar Rodriguez will not be far behind.

If the local governments share in our goals, I know that I can surely count on Congress, the institution where I began public service, to push for our agenda for change. Our Cabinet has already showed its skill by identifying not just problems but also proposing solutions in a matter of three weeks.

In the aftermath of Typhoon Basyang, we were told by those in the power sector that we would be without electricity for four days. The quick action of Secretary Rene Almendras and the Department of Energy resulted in the restoration of power to almost all those affected within twenty-four hours.

The so-called water shortage in Metro Manila was quickly attended to by Secretary Rogelio Singson and the Department of Public Works and Highways. Secretary Singson did it without prodding, which alleviated the suffering of those affected.

We also witnessed the competence and initiative of those we appointed to be part of our Cabinet. It is but just that they not be forced to go through the eye of a needle to be confirmed by the Commission on Appointments. Should this happen, competent Filipinos will be encouraged to help our country by becoming public servants.

In the soonest possible time, we will convene the Legislative Executive Development Advisory Council (LEDAC) to discuss the important bills that need to be addressed. Rest assured that I will keep an open mind and treat you honorably.

We will push for the Fiscal Responsibility Bill, which will limit spending bills only for appropriations that have identified a source of funding. We need 104.1 billion pesos to fund those laws already passed but whose implementation remains pending because of lack of funds.

We will re-evaluate fiscal incentives given in the past. Now that we are tightening our purse strings, we need to identify those incentives that will remain and those that need to be done away with.

We will not allow another NBN-ZTE scandal to happen again. Whether from local or foreign sources, all proposed contracts must undergo the scrutiny of correct procedures. I now ask for your help with amending our Procurement Law.

According to our Constitution, it is the government's duty to ensure that the market is fair for all. No monopolies, no cartels that kill competition. We need an Anti-Trust Law that will give life to these principles, to afford Small- and Medium-Scale Enterprises the opportunity to participate in the growth of our economy.

Let us pass into law the National Land Use Bill.



It was in 1935, during the Commonwealth, that the National Defense Act was passed. There is a need to amend for a new law that is more responsive to the current needs of national security.

I appeal to our legislators to pass the Whistleblower's Bill to eradicate the prevalent culture of fear and silence that has hounded our system.

We will strengthen the Witness Protection Program. We must remember that from 2009 to 2010 alone, cases which involved the participation of witnesses under the program resulted in a ninety-five percent conviction.

There is a need to review our laws. I call on our lawmakers to begin a re-codification of our laws to ensure harmony in legislation and eliminate contradictions.

These laws serve as the basis of order in our land, but the foundation of all rests on the principle that we cannot grow without peace and order.

We face two obstacles on our road to peace: the situation in Mindanao and the continued revolt of the CPP-NPA-NDF.

Our view has not changed when it comes to the situation in Mindanao. We will only achieve lasting peace if all stakeholders engage in an honest dialogue: may they be Moro, Lumad, or Christian. We have asked Dean Marvic Leonen to head our efforts to talk to the MILF.

We will learn from the mistakes of the past administration, that suddenly announced an agreement reached without consultations from all concerned. We are not blind to the fact that it was done with political motivation, and that the interest behind it was not that of the people.

We recognize the efforts of the MILF to discipline those within its ranks. We are hopeful that the negotiations will begin after Ramadan.

To the CPP-NPA-NDF: are you prepared to put forth concrete solutions rather than pure criticism and finger-pointing? If it is peace you truly desire, then we are ready for an immediate cease-fire. Let us go back to the table and begin talking again.

It is difficult to begin discussions in earnest if the smell of gun powder still hangs in the air. I call on everyone concerned not to waste a good opportunity to rally behind our common aspiration for peace.

Our foundation for growth is peace. We will continue to be shackled by poverty if the crossfire persists.

We must understand that now is a time for sacrifice. It is this sacrifice that will pave the way for a better future. With our freedom comes our responsibility to do good unto our fellows and to our country.

To our friends in media, especially those in radio and print, to the block-timers and those in our community newspapers, I trust that you will take up the cudgels to police your own ranks.

May you give new meaning to the principles of your vocation: to provide clarity to pressing issues; to be fair and truthful in your reporting, and to raise the level of public discourse.

It is every Filipino's duty to closely watch the leaders that you have elected. I encourage everyone to take a step towards participation rather than fault-finding. The former takes part in finding a solution; from the latter, never-ending complaints.

We have always known that the key to growth is putting the interest of others beyond one's own. One thing is clear: how do we move forward if we keep putting others down?

How will those without education secure quality jobs? How will the unemployed become consumers? How will they save money for their future needs? If we change all this, if we prioritize enabling others, we will open a world of opportunities not just for ourselves but for those who direly need it.

We have already begun the process of change, and we are now able to dream of better things for our country. Let us not forget that there are those who wish us to fail, so that they will once again reclaim power to do as they please at the expense of our people.

My firm belief is that our fate is in the hands of God and our people. While we focus on uplifting the lives of our fellow men, I have an unshakeable faith that Almighty God will give us His blessings and support. If we remain firm in our belief that God is on our side, is there anything impossible for us to achieve? The mandate we received last May 10 is testament to the fact that the Filipino continues to hope for true change. The situation is not what it was before; we can all dream again. Let us all become one in achieving a fulfilment of our hopes and aspirations for our country.

*(English version of a Speech delivered at the Joint Session of the Philippine Congress on 26 July 2010. Reprinted from ABS-CBN news.com)*

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