



DEPARTMENT OF FINANCE 1988 ANNUAL REPORT



SUSTAINING ECONOMIC RECOVERY
THROUGH INTENSIVE
RESOURCE MOBILIZATION

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Message



The year 1988 saw the entire Government machinery gear its efforts towards strengthening the political, economic and social gains of the February 1986 revolution. These led to the attainment of a 6.7 percent real GNP growth, a single digit inflation rate, an increase in exports and a vastly improved economic situation conducive to industrial growth and stability.

Being one of the Government's main agencies, the Department of Finance contributed significantly to the attainment of these goals. Its operating bureaus, offices and attached agencies were able to surpass the level of government revenues collected in 1987. The Department was likewise in the forefront of the Government's efforts to reduce the country's debt burden through debt rescheduling and debt relief measures. It also continued to institute reforms in the government corporate sector to make these corporations financially viable while at the same time privatizing those corporations producing goods and services which are being provided adequately by the private sector. The Department also assisted local governments in intensifying resource mobilization efforts and the insurance industry in maintaining its continued growth and stability.

In 1989, the Department will continue to adopt reforms to further improve resource mobilization and attain the investment level required to attain the targeted 6.5 percent economic growth. Through these efforts, we expect to attain a significant increase in revenue collection in both national and local levels and limit the budgetary deficit to levels that would allow higher private sector investment spending. The monitored government corporate sector is expected to exceed its programmed internal cash generation while the Government's privatization program is expected to go into higher gear. The other operating units of the Department are likewise expected to attain or exceed their targets.

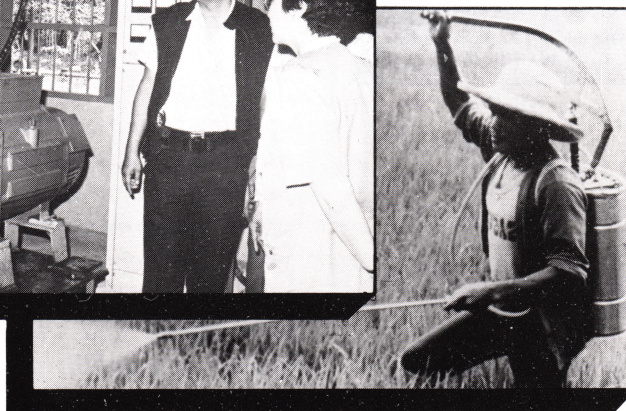
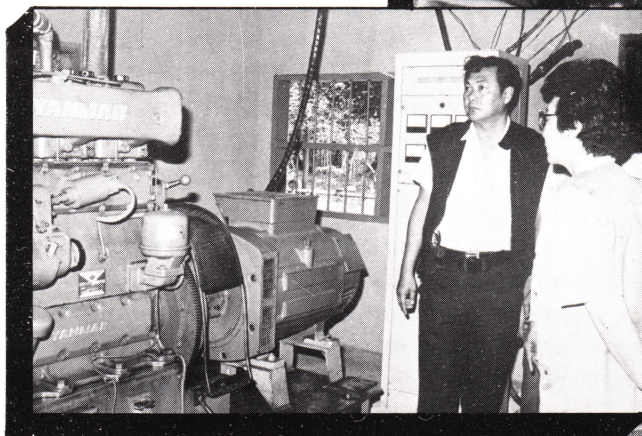
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VICENTE R. JAYME
Secretary

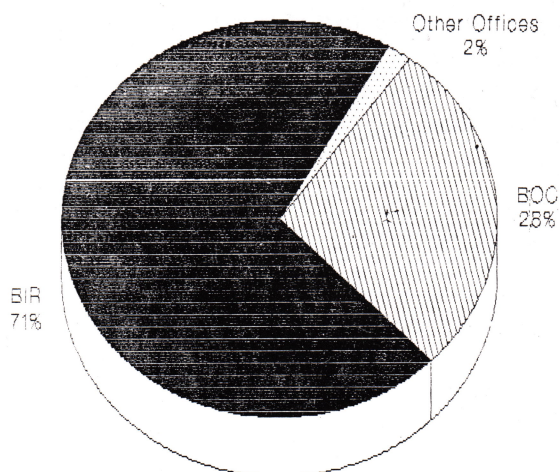
HIGHLIGHTS

In 1988, the whole government machinery focused its efforts on sustaining economic recovery. The Department of Finance, being the main agency involved in the formulation and administration of financial and fiscal policies, geared its activities toward enhancing public sector resource mobilization and in promoting an environment conducive to private sector savings mobilization and investment.

As a result, real GNP growth soared to 6.7 percent from 5.9 percent achieved in 1987 as investment activities expanded by 25.9 percent. By sector, industry was the largest source of growth, posting a growth rate of 8.6 percent. Strong domestic demand pushed the inflation rate to a manageable 8.8 percent notwithstanding the three successive rollbacks in the prices of domestic petroleum products.



1988 TAX REVENUE COLLECTIONS
(By Percentage Share)



In view of the crucial role of resource mobilization and fiscal management in the development process, the operating bureaus and agencies of the Department contributed significantly to the realization of the development objectives of the country. The Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) collected 70.5 percent and 27.7 percent, respectively, of total NG revenues while the Economic Intelligence and Investigation Bureau (EIIB) contributed P1.9 billion. Meanwhile, the Bureau of the Treasury (BTr) continued to institute reforms to improve treasury operations and cash management techniques in order to safeguard the government's financial resources and maximize their utilization. During the year, it recorded P248.1 billion cash inflows to the NG coffers as against P269.8 billion cash outflows.

In addition to its role in public resource mobilization, the Department also played a major part in instituting debt relief measures to sustain economic growth. It significantly contributed to the successful conclusion of debt restructuring agreements with 12 countries to implement the Paris Club Agreed Minutes.

The Department continued to implement the rationalization programs for government corporations to wean them away from overdependence on NG funds and enable them

to generate investible resources from their own operations. Structural reforms were implemented to internalize in government corporate operations the cost of NG funds. In addition, the privatization program was on the upswing as the list of government corporations approved for privatization reached 121 of which 23 have been privatized.

The Department likewise contributed to efforts to intensify resource mobilization in local government units. The Bureau of Local Government Finance (BLGF) emphasized on the development of local governments into financially stable, self-reliant units capable of participation in the pursuit of national growth.

The attached agencies of the Department of Finance also continued to undertake reforms to strengthen their assist-

ance in economic recovery efforts. The Insurance Commission (IC) promoted the growth and stability of the insurance industry and safeguarded the rights and interests of the insurance-buying public. The Fiscal Incentives Review Board (FIRB) continued to review petitions for restoration of withdrawn tax and duty exemptions and endorsed its evaluation for consideration of the proper authorities. The Central Board of Assessment Appeals (CBAA) continued to act on assessment cases. The Philippine Crop Insurance Corporation (PCIC) improved and expanded the coverage of its rice and corn insurance services amidst unfavorable weather conditions afflicting the agricultural sector. Lastly, the Philippine Export and Foreign Loan Guarantee Corporation (PHILGUARANTEE) implemented reforms to recover from its depressed financial state.



An efficient resource mobilization program is of paramount concern not only to the Department of Finance but to the President as well.

I. NATIONAL GOVERNMENT RESOURCE MOBILIZATION

In 1988, the Department made substantial gains in enhancing the flow of resources to the National Government's coffers in line with its role as the premier public sector resource mobilizer.

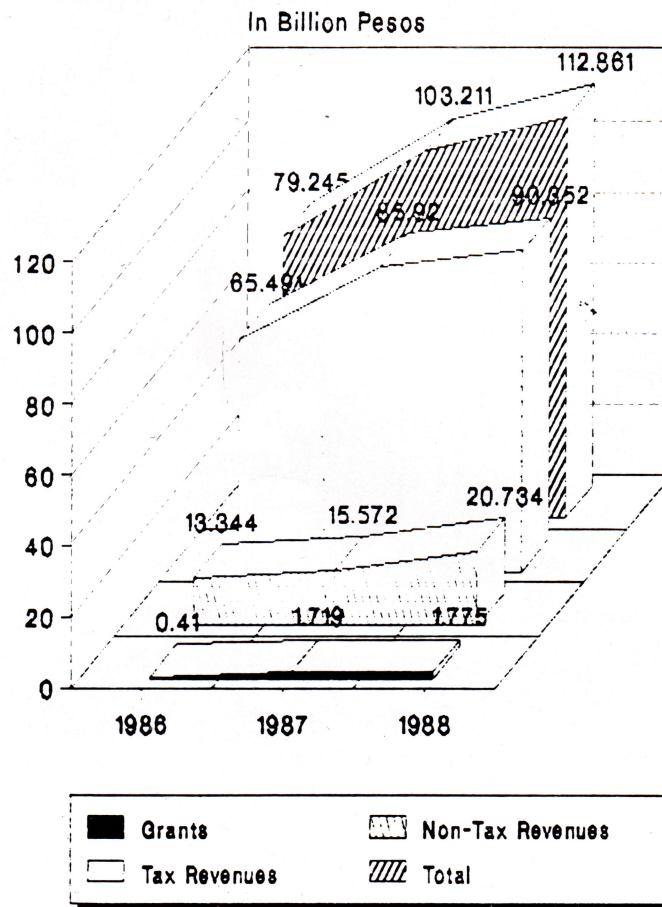
A. Revenue Generation

Total revenue collections for 1988 of the Department's main collection agencies and other government offices amounted to P 112.86 billion, representing a 9.35 percent improvement over the preceding year's level of P 103.21 billion. The increase in collections reflects the continuing improvement in business conditions and the higher employment and wage levels.

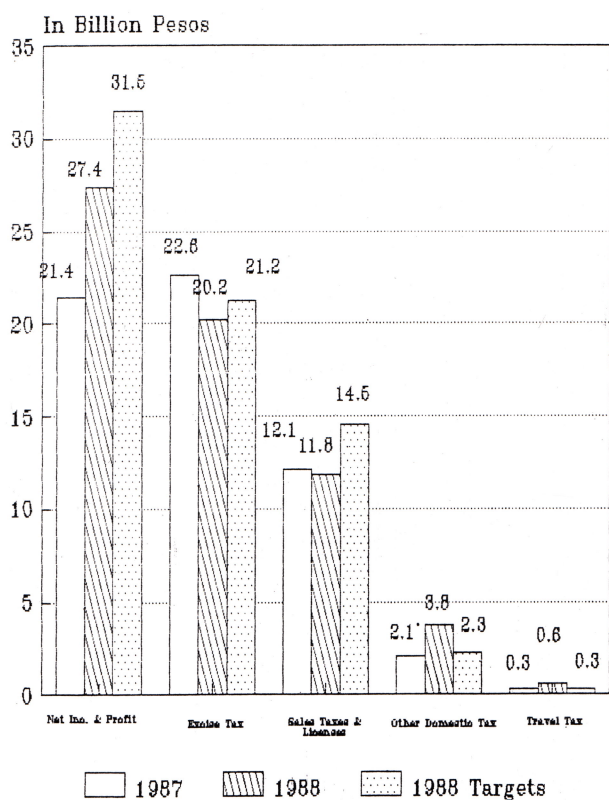
Of total revenues, P90.35 billion or 80.05 percent were in the form of tax revenues of which P63.72 billion (70.53 percent) were accounted for by the Bureau of Internal Revenue, P25.01 billion (27.68 percent) by the Bureau of Customs, and P1.62 billion (17.93 percent) by other government offices. On the other hand, non-tax revenues generated P20.73 billion, up by 33.14 percent from 1987 collections of P15.57 billion. These include interest income, dividend income, fees and charges from the cash operations of the Bureau of the Treasury totaling P7.09 billion, and income from privatized assets of the Asset Privatization Trust and the Presidential Commission on Good Government amounting to P6.0 billion. Grants which netted P1.78 billion reflected a very modest increase of 3.26 percent over last year's collection of P1.72 billion.

By type of tax, net income and profits comprised the

NATIONAL GOVERNMENT REVENUES (By Source)

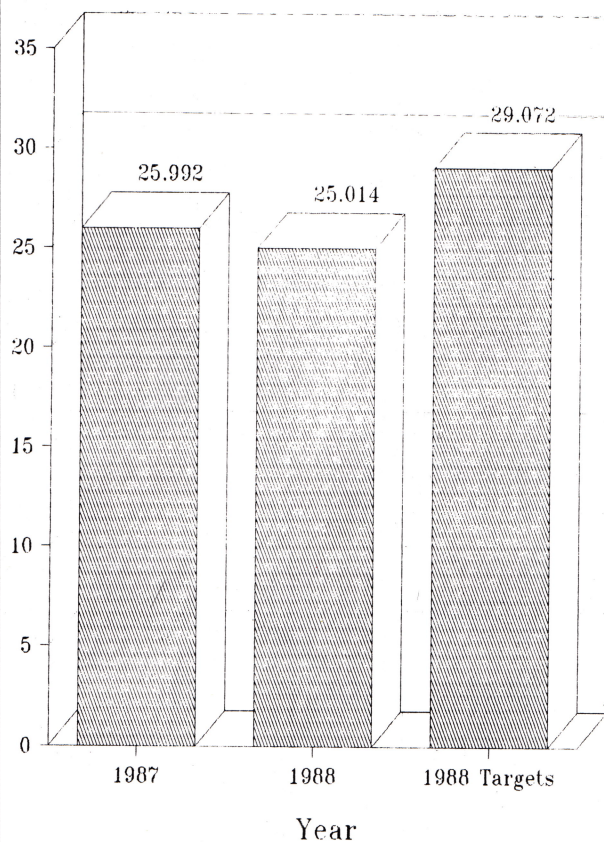


BIR TAX COLLECTIONS BY TYPE OF TAX



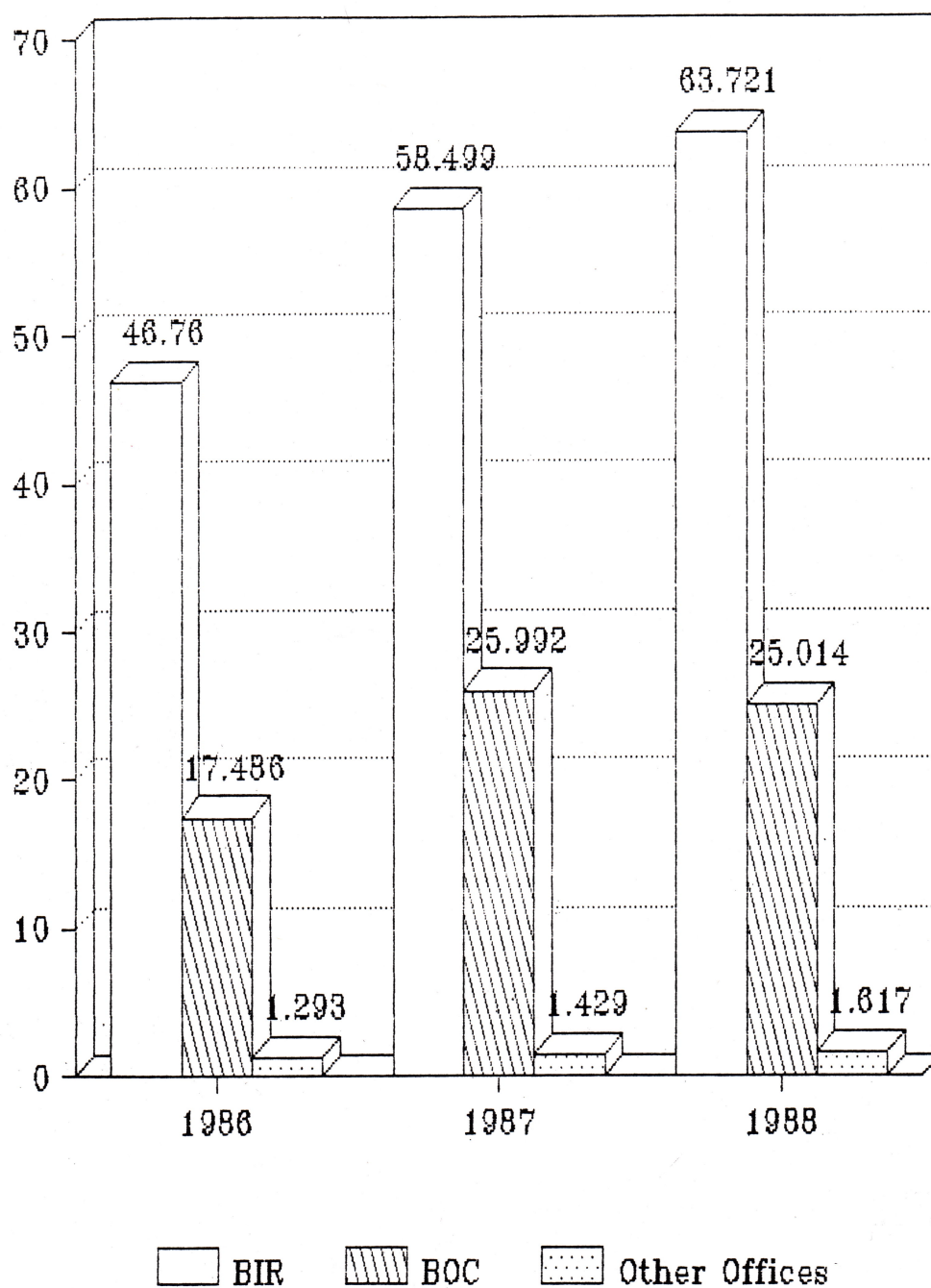
largest tax collection source at P27.41 billion or 24.29 percent of total revenue collections, displacing last year's major source, import duties and taxes. The lower dependence on import duties and taxes indicates the National Government's shift toward less distortive and less volatile revenue sources. Collections from import duties and taxes and excise taxes netted P25.01 billion and P20.17 billion,

BUREAU OF CUSTOMS COLLECTIONS (In Billion Pesos)



respectively. Other revenues which registered high increases over last year's levels were share in profits of government corporations which increased from P0.04 billion to P0.51 billion, BTr interest on CB deposits which increased from P1.93 billion to P5.84 billion, and travel taxes which increased from P0.28 billion to P0.57 billion.

NATIONAL GOVERNMENT TAX REVENUES
1986-1988, In Billion Pesos



NATIONAL GOVERNMENT REVENUES, BY COLLECTING AGENCY/TYPE OF TAX
(In Million Pesos)

	1987 Actual	1988 Program	1988 Actual
TOTAL REVENUES	<u>103,211</u>	<u>128,254</u>	<u>112,861</u>
Tax Revenues	<u>85,920</u>	<u>100,903</u>	<u>90,352</u>
Bureau of Internal Revenue	58,499	69,852	63,721
Net Income and Profits	21,442	31,505	27,409
Excise Taxes	22,641	21,227	20,170
Sales Taxes and Licenses	12,063	14,548	11,793
Other Domestic Taxes	2,076	2,306	3,783
Travel Tax	277	266	566
Bureau of Customs	25,992	29,072	25,014
Import Duties and Taxes	25,977	29,072	25,011
Export Taxes	15	0	3
Other Offices	1,429	1,979	1,617
LTO — Motor Vehicle Tax	1,120	1,583	1,255
DECS — Real Property Tax	177	280	306
DPWH — Metro Flood Control Tax	12	0	2
INP — Fire Code Tax	18	18	21
CID — Immigration Tax	4	4	6
DENR — Forest Charges	98	94	27
Non-Tax Revenues	<u>15,572</u>	<u>25,093</u>	<u>20,734</u>
Domestic Non-Tax Collections	12,456	22,430	20,539
Other Offices	7,165	8,715	7,652
Fees and Charges	5,746	6,303	5,460
Earnings and Other Credits	1,006	1,155	1,203
Interest Income from Investments	377	1,072	482
Share in Profits	36	185	507
PCGG Sequestered Assets	214	3,000	
Sale of APT Assets	1,039	4,528	6,006
Income on Asset Debt Swap	—	—	765
BTR Interest on CB Deposits	1,928	3,682	5,840
BTR Interest on Advances to Government Corporations	1,510	2,505	276
ESF Proceeds	3,116	2,663	195
Grants	<u>1,719</u>	<u>2,258</u>	<u>1,775</u>

B. Borrowing

To finance additional public sector investment spending, domestic and external borrowings were tapped by the Department.

In 1988, gross domestic borrowings amounting to P47.34 billion were generated through the issuance of Treasury Bills worth P35.31 billion and Treasury Notes valued at P12.03 billion.

GROSS DOMESTIC SECURITIES FLOATED (In Million Pesos)

	1988	
	Amount	Percent To Total
Treasury Bills	35.31	75.0
Treasury Notes	12.03	25.0
TOTAL	47.34	100.0

SOURCE: Bureau of the Treasury

In addition to the flotation of securities, the NG through the Department, extended guarantees to the bond issuances of the Land Bank of the Philippines amounting to P0.70 billion in support of the Comprehensive Agrarian Reform Program (CARP).

TOTAL OUTSTANDING PUBLIC DEBT (In Billion Pesos)

	1987	1988
I. Internal Debt	<u>240.976</u>	<u>270.122¹</u>
a. Real	231.116	261.314
b. Contingent	9.860	8.808
II. External Debt	<u>486.666</u>	<u>462.924²</u>
a. Real	228.101	365.920
b. Contingent	258.565	97.004

1/ Preliminary

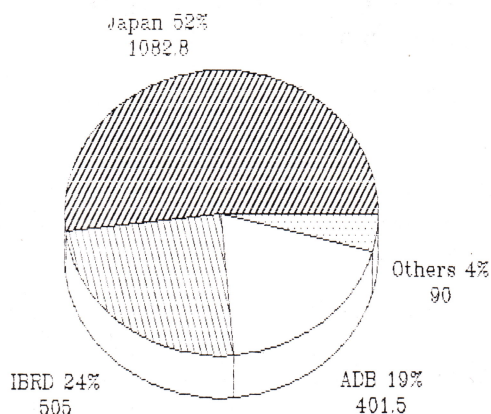
2/ Includes liabilities assumed from PNB, DBP, NPC (PNPP) NDC, PHILGUARANTEE excluding restructured debt.

SOURCE: Bureau of the Treasury

Internal debt outstanding of the NG stood at P270.10 billion as of year-end 1988. A large bulk of this was accounted for by direct debt which rose by 13.07 percent to P261.31 billion. Guaranteed debt, on the other hand, declined by 10.67 percent, from the 1987 total of P9.86 to P8.81 billion.

Foreign borrowings, on the other hand, were tapped to finance mainly the foreign exchange requirements of development projects and to improve the country's balance of payments.

NATIONAL GOVERNMENT FOREIGN BORROWINGS CY 1988, BY MAJOR CREDITOR (In Million US\$)



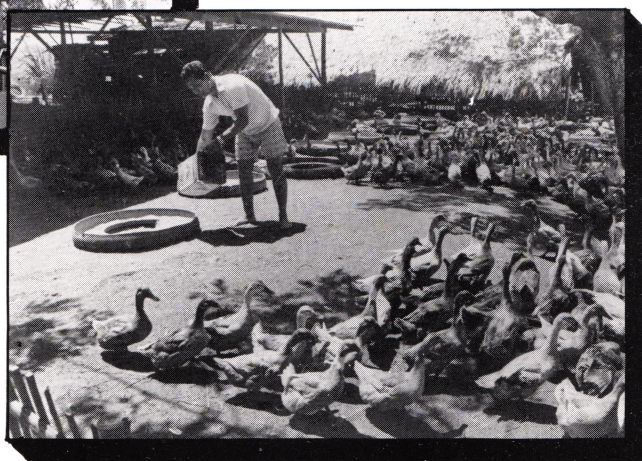
Twenty four (24) new loan commitments amounting to US\$2.1 billion were concluded, 79.3 percent higher than the 1987 level of US\$1.2 billion. Of the 1988 commitment, US\$1.6 billion was entered into by the Department on behalf of the NG. The remaining US\$456.0 million were guaranteed loans extended to government corporations.

A large bulk of the loans (43 percent) contracted during the year were intended for multi-purpose projects. The rest were contracted for power and electrification, agriculture,

social services, transportation, general infrastructure, commodity loans and credits, and industrial development projects.

A debt for nature swap agreement with the World Wildlife Fund covering a grant of US\$1-2.0 million was likewise concluded for the conservation projects of the Department of Environment and Natural Resources with 10.0 percent of the peso proceeds going to the NG.

Total loan disbursements for the year amounted to



**DIRECT AND GUARANTEED FIXED TERM FOREIGN LOANS
CONTRACTED BY THE NATIONAL GOVERNMENT
THROUGH THE DEPARTMENT OF FINANCE
BY PURPOSE
(In Million Dollars)**

	1988	
	<u>Number</u>	<u>Amount</u>
Power and Electrification	<u>7</u>	<u>412.3</u>
Direct	—	—
Guaranteed	7	412.3
Agricultural Development	<u>5</u>	<u>307.4</u>
Direct	<u>5</u>	<u>307.4</u>
Guaranteed	—	—
Transport Development	<u>1</u>	<u>112.0</u>
Direct	<u>1</u>	<u>112.0</u>
Guaranteed	—	—
Water Resources Development	<u>—</u>	<u>—</u>
Direct	—	—
Guaranteed	—	—
Industrial Development	<u>1</u>	<u>10.0</u>
Direct	<u>1</u>	<u>10.0</u>
Guaranteed	—	—
Social Development	<u>3</u>	<u>238.0</u>
Direct	<u>3</u>	<u>238.0</u>
Guaranteed	—	—
National Defense	<u>—</u>	<u>—</u>
Direct	—	—
Guaranteed	—	—
Multi-Purpose	<u>4</u>	<u>902.0</u>
Direct	<u>4</u>	<u>902.0</u>
Guaranteed	—	—
General Infrastructure	<u>2</u>	<u>67.6</u>
Direct	<u>1</u>	<u>24.1</u>
Guaranteed	1	43.5
Commodity Loans and Credit	<u>1</u>	<u>30.0</u>
Direct	<u>1</u>	<u>30.0</u>
Guaranteed	—	—
TOTAL	<u>24</u>	<u>2,079.3</u>
Direct	16	1,623.5
Guaranteed	8	455.8

US\$926.7 million, an increase of 4.0 percent over the 1987 level of US\$895.0 million. These included US\$420.3 million disbursements from loans signed prior to 1988.

The Department likewise played a key role in making available for budgetary purposes a total of P914.1 million in grants, portions of which were generated from the Australian Sector Inputs Program (P209.2 million) and from the U.S. food aid programs (P368.5 million). Grants also included amounts for specific projects totaling DM 10 million

from the German Government for the repair of typhoon-damaged infrastructure, and DFL25 million from the Netherlands to support agricultural projects.

Gross availments of the NG from external borrowings amounted to P15.1 billion, P13.3 billion or 95 percent of which came from program loans. With P12.6 billion in amortization payments, net foreign inflows from external borrowing registered a positive amount of P2.5 billion or 10.1 percent of the P24.4 billion cash deficit of the NG.

**LOAN AGREEMENTS SIGNED, 1988
BY CREDITOR
(In Million US Dollars)**

	<u>LOAN AMOUNT</u>
Asian Development Bank (ADB)	401.50
Second Manila Ports Project	43.50
Agriculture Technology Education Project (Agri-Tech) (SDR11.61M)	15.90
Forestry Sector Loan (US\$60M + SDR43.442M) ^{b/}	120.00
Secondary Education Dev't Project	70.00
Fourteenth Power Supply	120.00
NGO Microcredit (SDR 5.909M) ^{b/}	8.00
Sorsogon IAD	24.10
International Bank for Reconstruction and Development (IBRD)	505.00
Irrigation Operations Support (IOSP)	45.00
Gov't Corporate Reform Program ^{b/}	200.00
Housing Sector Loan ^{b/}	160.00
Bacon-Manito Geothermal Project	100.00
OPEC Fund for International Dev't	6.50
Co-financing of Agri-Tech with ADB	6.50
United States	30.00
Public Law 480 Title I ^{b/}	30.00
Japan	1,082.8
OECF 14th Yen Project Loan (Y50.2B)	402.00
OECF Phil-Japan Friendship Hway (Y14B)	112.00
OECF Sector Program Loan of the 15th Yen Credit Package (Y12.5B) ^{b/}	100.00
OECF Co-financing of GOR with IBRD (Y25B) ^{b/}	200.00
OECF Co-financing of Forestry with ADB (Y15B) ^{b/}	120.00
EXIM Bataan (Y3.23B)	25.58
EXIM Malaya (Y3.37B)	26.73
EXIM Sucat 1 & 4 (Y12.17B)	96.45
West Germany	27.54
KFW Sucat IV Project (DM46M)	27.54
Spain	10.00
Soft Loan — NSC	10.00
France	16.00
Gas Turbine (FF100M)	16.00
TOTAL	2,079.30
of which Program Loans	938.00

a/ preliminary, based on latest available data

b/ program loans

SOURCE: Department of Finance



The Department of Finance sees to it that foreign financing is obtained at the best possible terms.



The Department of Finance supports the economic recovery program of government by raising revenues to finance development requirements.

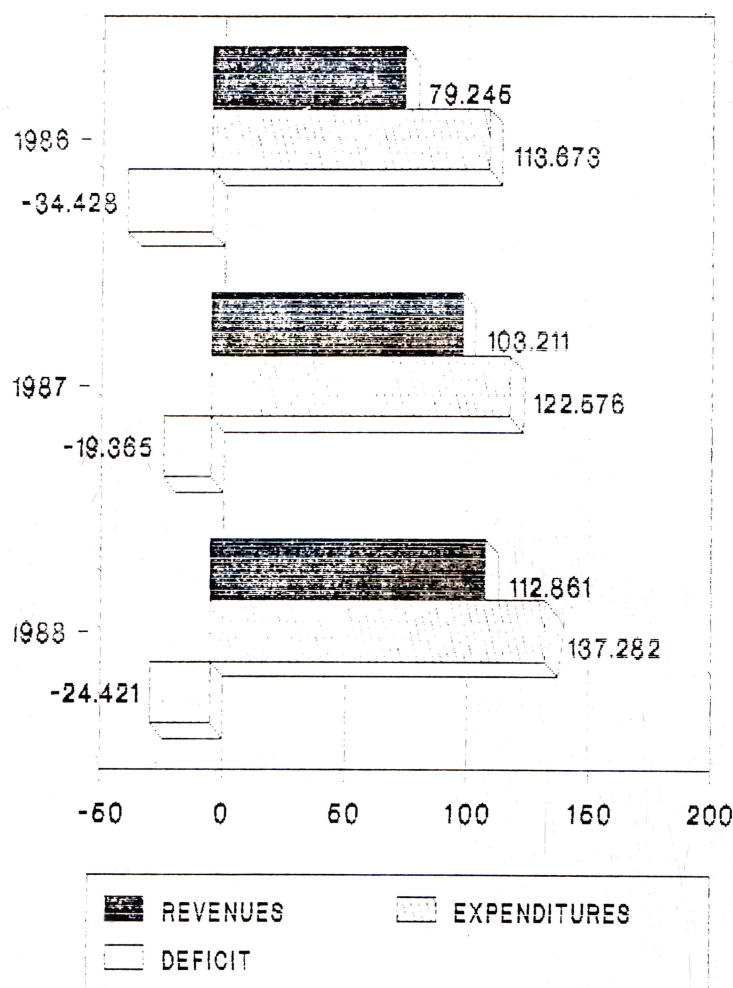
II. CASH, DEFICIT AND DEBT MANAGEMENT

A. Cash Operations

The Department of Finance through the Bureau of the Treasury (BTr) manages the cash operations of the National Government and keeps records of its transactions. It re-

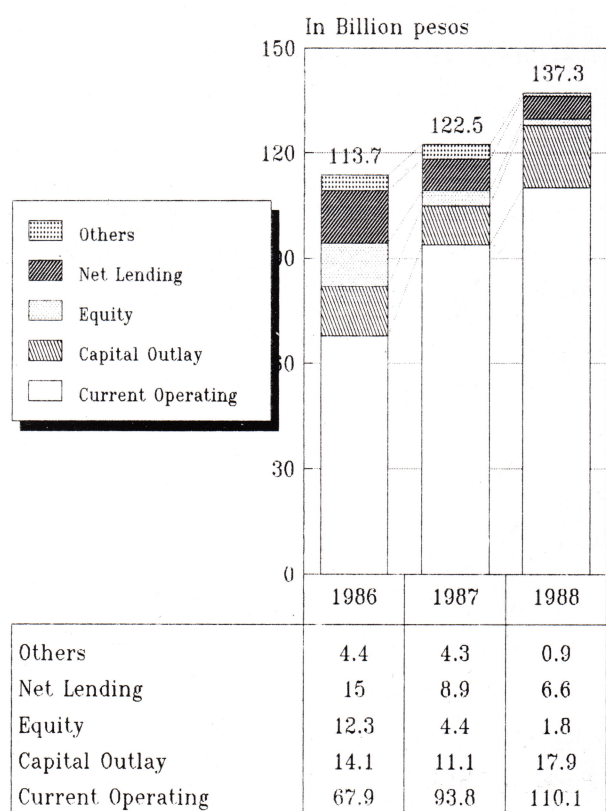
corded a total cash inflow of P249.0 billion in 1988 which is 11.8 percent higher than the 1987 level of P222.8 billion. Of this amount, P112.9 billion or 45.3 percent was accounted for by budgetary revenues which include collections by the BIR, BOC, and other offices. The remaining amount of P136.1 billion came from non-budgetary receipts which include receipts from trust liabilities, refunds for cash advances and overpayments, loan proceeds for relending to government corporations, and receipts from securities unloaded.

NATIONAL GOVERNMENT CASH OPERATIONS (In Million Pesos)



Total disbursements for the year amounted to P270.4 billion, P137.3 billion of which were budgetary expenditures. The rest (P133.1 billion) were non-budgetary disbursements including payments of trust liabilities, purchases of securities, relending to government corporations, and interest payments to holders of securities.

NATIONAL GOVERNMENT BUDGETARY EXPENDITURES



B. Deficit Management

The Department, in coordination with the Department of Budget and Management, assists the NG in limiting its cash budget deficit within manageable levels so as not to "crowd out" the private sector from the domestic credit market.

However, due to its pump-priming activities particularly during the first half of the year, the NG registered a higher expenditure level in 1988 (P137.3 billion) compared

to last year's level of P122.6 billion. This resulted in a cash budget deficit of P24.4 billion as expenditures outstripped that of revenues. In proportion to GNP, the cash budget deficit registered 2.9 percent, a slight rise from the previous year's level of 2.7 percent.

To finance the budgetary deficit, the Government resorted to both domestic and foreign borrowings. Net domestic borrowings for the year, after deductions for amortization payments and change in cash, amounted to P21.9 billion while net external borrowings amounted to P2.5 billion.

C. Debt Management and Debt Restructuring

Total debt service expenditures amounted to P68.9 billion, of which 65.6 percent and 34.4 percent represented interest payments and principal repayments, respectively.

Of this amount, P43.2 billion went to debt service payments on domestic obligations. Principal repayments on domestic debt reached P11.0 billion, P6.2 billion of which were paid for NG assumed liabilities.

On the other hand, repayments of principal on foreign obligations amounted to P12.7 billion, with P4.4 billion and P3.5 billion constituting amortization on loans directly contracted by the NG and redemptions of RP Japanese Yen Bonds, respectively. Interest payments on foreign obligations amounted to P13.0 billion. Of these payments, 53.9 percent represented interest charges on NG directly contracted loans.

In 1988, the Department continued to pursue debt relief measures to sustain economic growth. It played a major role in the successful conclusion of bilateral agreements with 12 countries to implement the Second Paris Club Agreed Minutes covering 100 percent of principal and 70 percent of interest payments due in 1987 and in the first semester of 1988.

D. Cash Balance

For the year ending 31 December 1988 the NG's total cash balance stood at P 70.4 billion as against P 53.0 billion registered in 1987. The bulk of this amount, constituting 87.6 percent, is deposited at the Central Bank of the Philippines.

III. RATIONALIZATION OF GOVERNMENT CORPORATE FINANCIAL OPERATIONS

The Department played an important part in the formulation of policy reforms to improve the financial operations of government corporations and reduce their dependence on NG equity infusions and subsidy contributions. It also participated actively in the implementation of the privatization program.

A. Policy Reforms for Government Corporations

In line with the objective of encouraging GOCCs to operate efficiently, reforms were continuously implemented to make explicit the costs of funds being provided by the NG to the GOCCs. The charging of interest on NG advances for the servicing of foreign and domestic loans incurred by GOCCs was instituted to reflect appropriate pricing considerations on the part of the GOCCs. Interest income from this source amounted to P257.9 million in 1988.

To further enhance the revenue-generating capacity of the NG, a Joint DOF-DBM Circular was issued to implement Executive Order No. 518 which mandates all GOCCs to declare and pay cash dividends to the NG. In 1988, a total of P189.7 million in cash dividends were declared by four (4) GOCCs, namely: PNOC, MWSS, LWUA, and PPA. PNB likewise declared P500.0 million in dividends to NG in 1988.

Guidelines for the conversion of NG advances into equity or subsidy were also instituted to clean up the books of the BTr and the GOCCs. This measure is a part of the continuing program to identify and resolve issues involving advances released to GOCCs in the past.

On 16 February 1988, the President issued Administrative Order No. 59 which embodies the principles and standards to be followed in the creation, management, administration, supervision and liquidation of GOCCs; defines the guidelines wherein the corporate mode may be adopted; and sets down the policy measures designed to improve the organizational and functional capabilities of the GOCCs. As a result, specific guidelines on subsidies, guarantees and utilization of proceeds from privatization, abolition and dissolution of GOCCs were initiated and identified. The guidelines are targeted for issuance by the first quarter of 1989.

B. Resource Mobilization of Monitored Corporations

As a result of these reforms, the internal cash generation of the 14 major non-financial government corporations¹ swelled to P12,136 million, up from only P6,188 million in 1987 as the growth in corporate receipts less current subsidies (12.01 percent) outstripped that of current expenditures (7.83 percent). The significantly improved operations of these 14 government corporations is attributed to the greater efficiency in their operations arising from an improved policy environment and the economic expansion that boosted the sales turnover of all corporations. The improved resource mobilization of these corporations enabled them to increase capital expenditures to P9,004 million, 8.4 percent above the 1987 level. This enabled them to acquire capital equipment and replenish declining inventories. Their post-investment surplus jumped to P3,138 million, a significant improvement from the 1987 deficit level of P752 million. The increase enabled the NG to decrease its equity infusion and net lending to these corporations and, at the same time, allowed the corporations to repay most of their domestic bank credits.

¹The fourteen (14) major non-financial government corporations are the National Power Corporation, the Philippine National Oil Co., the Metropolitan Waterworks and Sewerage System, the National Development Co., the Light Rail Transit Authority, the Local Water Utilities Administration, the National Electrification Administration, the National Housing Authority, the Philippine National Railways, the National Food Authority, the Export Processing Zone Authority, the Philippine Ports Authority, and the Ninoy Aquino International Airport Authority.

**SUMMARY OF THE FINANCIAL OPERATIONS
OF THE FOURTEEN MAJOR NON-FINANCIAL
GOVERNMENT CORPORATIONS**
(In Million Pesos)

	<u>1987</u>	<u>1988</u>
I. TOTAL RECEIPTS	<u>50,402.8</u>	<u>59,811.8</u>
1. Operating Receipts	44,632.9	48,239.6
a. Sales of goods/services	43,880.5	46,595.2
b. Current subsidies	752.4	1,644.4
2. Other Receipts	5,769.8	11,572.2
II. CURRENT EXPENDITURES	<u>44,214.8</u>	<u>47,676.2</u>
1. Operating Expenditures	32,249.3	35,125.7
a. Personal cost	2,365.8	2,874.5
b. Others	29,883.6	32,251.2
2. Other Current Expenditures	11,965.4	12,550.5
a. Interest payments	9,110.5	9,767.3
b. Tax payments to NG	371.4	467.6
c. Interest on NG advances	1,385.9	586.0
d. Dividend payments	38.2	12.0
e. Others expenditures	1,059.0	1,717.7
III. CAPITAL EXPENDITURES	<u>8,302.7</u>	<u>9,004.8</u>
1. Acquisition of Fixed Assets	6,746.7	7,764.3
2. Change in Inventories	990.2	246.9
3. Other Capital Expenditures	565.8	993.6
IV. CAPITAL TRANSFER	<u>(1,362.0)</u>	<u>—</u>
V. INTERNAL CASH GENERATION	<u>6,188.0</u>	<u>12,135.6</u>
VI. FINANCING (DEFICIT)/SURPLUS	<u>(752.7)</u>	<u>3,130.8</u>
VII. NET EXTERNAL FINANCING	<u>318.5</u>	<u>(2,875.9)</u>
VIII. NET DOMESTIC FINANCING	<u>434.2</u>	<u>255.8</u>

C. Privatization

On the other hand, the privatization program has achieved substantial progress for the past two years. The issuance of Presidential Proclamation No. 50 by President Corazon C. Aquino on 8 December 1986 defined the policy and procedural framework for privatization. It created the Committee on Privatization (COP) and the Asset Privatization Trust (APT) and spelled out the policy objectives of the program. Under the proclamation, the COP is tasked to oversee the implementation of the government's privatization program. It formulates the policies and general guidelines on privatization issues and approves the terms and conditions of the sale/divestment of government assets/shares. The actual disposal of the assets/shares is handled by the APT and other disposition entities, as assigned by the COP. This arrangement sets a check-and-balance mechanism within the system and helps ensure transparency.

As of 31 December 1988, the Privatization Program generated P16.86 billion in gross revenues for the Government. However, total remittances to the BTr arising from the disposition of transferred assets reached P6.4 billion. These were earmarked for the CARP. The difference between gross revenues and remittances for transferred assets is accounted for, among others, by amounts under

escrow pending settlement of legal issues and sales transactions awaiting completion via the debt-equity swap or debt-asset swap schemes.

Out of the total portfolio of transferred assets handled by APT, 104 accounts were fully sold and 48 accounts partially sold.

The COP has designated twelve disposition entities (DEs) to draw up and carry out the privatization schemes for the GOCCs approved for privatization. The DEs include the National Development Company (NDC), Philippine National Oil Company (PNOC), Government Service Insurance System (GSIS), Social Security System (SSS) and the Department of Agriculture (DA).

Total sales arising from the disposition of 19 GOCCs amounted to P4.4 billion as of 31 December 1988. In addition, four (4) GOCCs were privatized prior to the issuance of Proclamation No. 50, increasing the total number of GOCCs sold to 23. Moreover, three (3) other GOCCs are in the process of dissolution. The other GOCCs approved for privatization are in various stages of divestment proceedings. Valuation studies for some large GOCCs like Philippine Airlines and Philippine Associated Smelting and Refining Corp. (PASAR) are on stream. Plans are also underway for the public offering of some large GOCCs.

REVENUES GENERATED FROM PRIVATIZATION (In Billion Pesos)

	<u>1987</u>	<u>1988</u>	<u>Total</u>
APT/GFI Sales	3.87	3.84	7.71
GFI Collections	3.07 ^{1/}	0.90 ^{2/}	3.97
Other Income	<u>0.01</u>	<u>0.82</u>	<u>0.83</u>
Sub-total			
Transferred Assets	6.95	5.56	12.51
Privatization of GOCCs	<u>1.20</u>	<u>3.15</u>	<u>4.35</u>
TOTAL	<u><u>8.15</u></u>	<u><u>8.71</u></u>	<u><u>16.86</u></u>

1/ Includes DBP and PNB collections on transferred accounts from June 30, 1986.

2/ Represents PNB collections from January to December 1988 and DBP collections from January to November 1988 only.

IV. RESOURCE MOBILIZATION OF LOCAL GOVERNMENT UNITS

The Bureau of Local Government Finance (BLGF) is the Department's arm in the formulation and execution of policies concerning the development of the financial viability of local government units (LGUs). This is intended to effect LGUs' more effective participation in collective efforts geared toward accelerating the attainment of national development objectives.

In 1988, the BLGF through the Municipal Development Fund (MDF) facilitated the release of foreign loan

proceeds and GOP counterpart funds to LGUs participating under the USAID-Assisted LRM/RPTA and IBRD-financed PREMIUMED/RPTA Projects. Total releases amounted to P195 million with foreign grants at P93.3 million and GOP counterpart at P101.7 million.

For 1988, the LGUs are expected to generate an income of P12,037 million as against P9,672 million of last year, an increase of 24.4 percent. Total expenditures of LGUs for the same year are expected to increase by 26.3 percent to P11,525 million from the 1987 figure of P9,122 million.

CONSOLIDATED INCOME AND EXPENDITURES OF LGUs (in Million Pesos)

	<u>ACTUAL</u>	
	1987	1988*
INCOME	<u>9,673</u>	<u>12,038</u>
Local Source	<u>6,078</u>	<u>7,164</u>
Tax Revenues	3,677	4,515
Property Taxes	2,387	2,936
Business Taxes	1,290	1,579
Non-Tax Revenues	2,402	2,650
Receipts from Economic Enterprises	822	987
Fees, Charges and other Receipts	1,580	1,663
Grants	3,594	4,873
Statutory Allotments from National Government	3,142	4,364
National Aids	452	509
EXPENDITURES	<u>9,122</u>	<u>11,525</u>
Current Expenditures	<u>8,535</u>	<u>10,480</u>
General Government	2,659	3,123
Public Welfare and Internal Safety	2,080	2,678
Economic Development	1,695	2,216
Other Charges	2,101	2,463
Capital Outlays	<u>587</u>	<u>1,045</u>
OVERALL SURPLUS	<u>551</u>	<u>513</u>

* Projected amounts

Source: Bureau of Local Government Finance

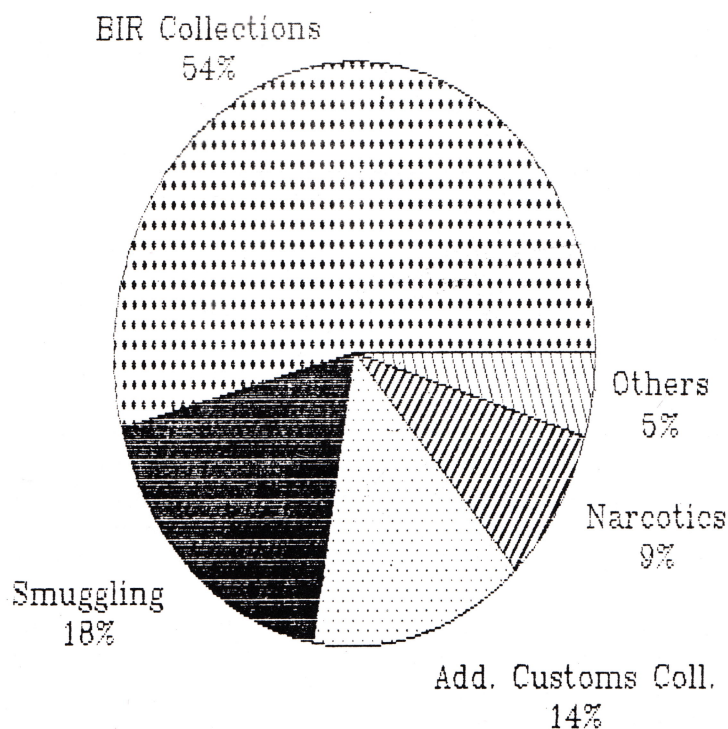
V. PERFORMANCE OF ATTACHED AGENCIES

The attached agencies supported the Department's goal of promoting domestic resource mobilization and sound fiscal and financial management of the economy. Activities in support of specific sectoral concerns are undertaken by the Economic Intelligence and Investigation Bureau (EIIB) which is involved in operations to minimize smuggling, illegal logging and other forms of economic subversion; the Fiscal Incentives Review Board (FIRB) which studies requests for the restoration of tax incentives and evaluates applications for tax incentives by government entities; the National Tax Research Center (NTRC) which conducts a continuing review of the tax system; the Philippine Export and Foreign Loan Guarantee Corporation (Philguarantee) which widens the credit ac-

cess of exporters and small entrepreneurs by providing guarantee coverage for their loans; the Philippine Crop Insurance Corporation (PCIC) which provides insurance protection to farmers; and the Insurance Commission (IC) which enhances public confidence in the insurance industry by protecting the rights and interests of the insurance buying public.

The EIIB, in its 1988 operations, yielded P1,872.9 million additional revenues to the NG. A large bulk of said revenues represents additional BIR collections (P1,014.1 million), seizures and penalties on technical smuggling (P311.9 million), and additional customs collections (P271.0 million). The rest were obtained from forest product confiscations, apprehensions and seizures of smuggled goods, and narcotics apprehensions.

1988 EIIB APPREHENSIONS AND SEIZURES



REGIONAL EIIB APPREHENSIONS AND SEIZURES
(In Million Pesos)
1988

		Pure Smuggling	Technical Smuggling	Additional Customs Collection	Forest Product Confiscation	Additional Forestry Collection	Narcotics	BIR Collections	Others	Total
EIIB Center										
1	— San Fernando, La Union	—	49.8	194.8	—	0.7	—	152.1	14.8	412.2
2	— Tuguegarao, Cagayan	—	—	—	1.0	—	—	65.5	—	66.5
3	— Cabanatuan City	—	6.7	—	10.8	0.3	0.3	8.5	0.1	26.7
3A	— Olongapo City	—	—	5.3	0.1	—	—	9.1	0.2	14.7
4	— Lipa City	—	0.2	—	0.6	—	—	56.1	0.7	57.6
4A	— Puerto Princesa City	—	—	—	—	0.9	—	105.3	—	106.2
5	— Legaspi City	—	—	11.1	0.1	1.1	—	30.3	1.5	44.1
6	— Iloilo City	—	6.4	0.2	2.9	—	—	87.7	4.4	101.6
7	— Cebu City	0.8	8.2	44.8	0.1	—	8.8	173.2	0.5	236.4
8	— Tacloban City	—	1.4	13.2	0.8	—	—	94.7	5.1	115.2
9	— Zamboanga City	—	6.6	0.7	0.9	—	153.6	—	—	161.8
10	— Cagayan de Oro City	—	1.7	0.2	5.6	4.0	—	184.1	28.7	224.3
11	— Davao City	—	0.1	—	0.2	0.2	—	47.2	—	47.7
12	— Cotabato City	—	1.1	0.7	—	—	—	0.3	—	2.1
N C R — EIIB Main		26.6	229.7	—	0.3	—	—	—	0.2	256.8
GRAND TOTAL		27.4	311.9	271.0	23.4	7.2	162.7	1,014.1	56.2	1,873.9

The FIRB issued resolutions endorsing to Congress the restoration of withdrawn tax and duty exemptions of local water districts, rural banks, and local inventors. It also endorsed to the President, the travel tax exemption of small and medium-scale exporters, subject to certain conditions. It evaluated a total of 35 applications for subsidy availment from the Tax Expenditures Fund (TEF).

During the year under review, the NTRC aligned its tax reform thrust with the challenge of making the tax system a potent instrument of social and economic justice. Highlighting its performance was the completion of 58 major studies on taxation and allied fields designed to promote tax equity, improve tax revenue productivity, upgrade tax collection and administration, and rationalize tax incentives for various sectors of the economy. The NTRC rendered technical assistance to Congress by conducting studies and providing comments on 168 bills pertaining to

new tax measures, increase in tax rates, tax rate reduction, abolition of taxes, change in tax structure, new tax incentives, improvement in tax administration, and amendments to certain provisions of the National Internal Revenue Code and the Tariff and Customs Code.

Guarantee issuances by the Philguarantee for the year 1988 totaled P26.0 million. Total outstanding guarantees, on the other hand, amounted to P4,212.3 million, of which P3,316.8 million will be transferred to the NG as contained in Philguarantee's financial rehabilitation program.

For 1988, the PCIC issued policies valued at P1,101.5 million, broken down into P865.4 million and P236.1 million for rice and corn insurance, respectively. Its policies covered 288,986 hectares benefiting 174,398 farmers. Correspondingly, it earned premiums amounting to P88.0 million.

RICE AND CORN CROP INSURANCE

	1987		1988	
	Rice	Corn	Rice	Corn
Total Amount of Cover (PM)	665.950	102.100	865.350	236.120
Number of Farmers Insured	111,776	9,721	149,801	24,597
Crop Area Covered (Has.)	191,442	23,362	242,335	46,651
Total Amount of Claims (PM)	53.190	24.686	163.850	43.342
Number of Claimants (PM)	35,708	5,988	57,248	11,681
Area Damaged (Has.)	68,764	15,058	95,401	25,529
Distribution of Loss by Cause (%)				
Typhoon/Flood	47.4	21.5	43.7	21.6
Pests and Rats	17.6	14.6	22.8	16.0
Drought	21.1	53.2	19.7	45.8
Plant Disease	11.7	9.4	11.8	11.6
Other Natural Calamities	2.2	1.3	2.0	5.0

SOURCE: 1988 PCIC Preliminary Report (16 February 1989)

PHILIPPINE CROP INSURANCE CORPORATION
1987 & 1988 Income Statement
(In Million Pesos)

Income	1988	1987	% INC./ (DEC)
Premiums Earned	88.026	58.662	50.06
Investment Income	43.607	47.647	(8.48)
Gain on Sale of Investment	(0.055)	107.069	(100.05)
Guarantee Fees & Other Income	<u>1.972</u>	<u>1.388</u>	<u>42.07</u>
TOTAL	133.550	214.766	(37.82)
Losses Direct Business	207.188	77.879	166.04
Less:			
Loss Recoveries on Reinsurance	0.000	1.284	(100.00)
Net Losses Direct Business	207.188	76.595	170.50
Operating Expenses			
Manpower	34.886	28.996	20.31
Marketing	4.632	3.905	18.62
Occupancy	4.281	4.348	(1.54)
Transportation	5.424	4.203	29.05
Office Equipment & Supplies	2.224	2.261	(1.64)
Other Expenses	5.110	5.575	(8.34)
TOTAL	56.557	49.288	14.75
Net Income (Loss) Before Taxes	(130.195)	88.883	(246.48)
Less: Taxes	9.940	8.344	19.13
NET INCOME (LOSS)	<u>(140.135)</u>	<u>80.539</u>	<u>(274.00)</u>

The IC, in 1988, continued to assist in efforts to enhance saving through the financial system by supervising the insurance industry. The IC authorized 131 insurance companies to operate in the Philippines. Total investments of both domestic and foreign-based insurance companies approved by the Commission amounted to P2,258.0 million

and US\$4.5 million. On 17 June 1988, the first regional office was opened in Cebu City. The expansion is expected to bring insurance supervision on matters such as settlement of claims, conduct of examination for underwriters and adjusters, and information dissemination closer to the insuring public.

**INVESTMENTS OF INSURANCE COMPANIES
APPROVED BY THE INSURANCE COMMISSION
(In Million Pesos)**

Type of Investment	1987	(%)	1988	(%)
Guaranteed Loans	32.50	2.02	1,193.60	52.86
Short-term Investments	223.90	13.89	328.00	14.53
Loans to Private Entities	818.90	50.81	—	—
Government Securities	51.70	3.21	223.00	9.87
Collateral Loans	—	—	207.90	9.21
Shares of Stock	159.40	9.89	190.60	8.44
Mortgage Loans	36.40	2.26	44.60	1.98
Real Estate	8.70	0.54	38.80	1.72
CBCI	5.60	0.35	—	—
Meralco Mortgage Bonds	—	—	16.00	0.71
Debenture Bonds	—	—	9.50	0.42
Lease Purchase Agreement	1.50	0.09	—	—
Land Bank Bonds	—	—	5.00	0.22
Restructured Foreign Obligations	—	—	1.00	0.04
Others	273.00	16.94	—	—
TOTAL	1,611.60	100%	2,258.00	100%

SOURCE: Insurance Commission

HIGHLIGHTS OF PERTINENT DEPARTMENT ORDERS, MEMORANDA AND CIRCULARS AFFECTING THE OPERATIONS OF THE DEPARTMENT

DEPARTMENT ORDERS

During the year 1988, One Hundred Seventeen (117) Department Orders were issued. Of the total Orders, seventy four (74) were concerned with the reclassification of local government units. The classification and sub-classifications serves as the basis for determining the maximum amount expendable for salaries and wages, representation allowances, administrative aids and other statutory contributions in the adoption of the annual budgets, while four (4) were concerned with the implementation of the Zone Values of Real Properties in various municipalities and districts for Internal Revenue Tax Purposes.

bod are reclassified from Fifth Class to Sixth Class; Claver and Mainit from Fourth Class to Sixth Class; and Dapa from Fourth Class to Fifth Class.

1. D.O. No. 4-88 — Reclassification of municipalities in the province of Batangas: The municipalities of Agoncillo, Balet, Laurel, San Luis, San Nicolas and Santa Teresita are reclassified from Fifth Class to Sixth Class; Alitagtag, Cuenca and Mataas na Kahoy from Fourth Class to Sixth Class; Balayan and Lemery from First Class C to Fifth Class; Calaca and Tuy from Fourth Class to Fifth Class; Calatagan, Ibaan, Lian, Lobo, Malvar, Padre Garcia, Rosario, San Jose, San Juan and Taal from Third Class to Fifth Class; Sto. Tomas and Taysan from Second to Fifth Class; Bauan from First Class A to First Class; Nasugbu from First Class B to Fourth Class; San Pascual and Tanauan from First Class B to Third Class; and Talisay from Third Class to Sixth Class.
2. D.O. No. 5-88 — Reclassification of municipalities in the province of Surigao del Norte: The municipalities of Alegria, Bacuag, Basilisa, Burgos, Cagdianao, Del Carmen, Dinagat, General Luna, Gigaquit, Libjo, Lorreto, Malimono, Pilar, Placer, San Benito, San Francisco, San Isidro, Sta. Monica, Sison, Socorro, Tagana-an, Tubajon and Tubod are reclassified from Fifth Class to Sixth Class; Claver and Mainit from Fourth Class to Sixth Class; and Dapa from Fourth Class to Fifth Class.
3. D.O. No. 6-88 — Reclassification of municipalities in the province of Camiguin: The municipalities of Catarman and Mahinog are reclassified from Fourth Class to Sixth Class; Guinsilban and Sagay from Fifth to Sixth Class; and Mambajao from Third Class to Fifth Class.
4. D.O. No. 7-88 — Reclassification of municipalities in the province of Misamis Occidental: The municipalities of Aloran, Bonifacio, Calamba, Clarin, Lopez Jaena, Sapang Dalaga, Sinacaban, Tudela and Don Mariano Marcos are reclassified from Fourth Class to Sixth Class; Baliangao, Concepcion and Panaon from Fifth to Sixth Class; Jimenez and Plaridel from Third Class to Sixth Class.
5. D.O. No. 8-88 — Reclassification of municipalities in the province of Misamis Oriental: The municipalities of Alubijid, Lagonglong, Sugbongcogon, Talisayan, Laguindingan and Magsaysay are reclassified from Fourth Class to Sixth Class; Balingasag, Tagaluan, Villanueva, Claveria, Jasaan, Manticao and Medina from Third to Fifth Class; Initao, Lugait, Opol and Salay from Third to Sixth Class; and El Salvador from Fourth Class to Fifth Class.
6. D.O. No. 9-88 — Reclassification of municipalities in the province of Bukidnon: The municipalities of Baungon, Impasugong and Pangantucan are reclassified from Fourth Class to Fifth Class;

Cabanglasan, Damulog and Kadingilan from Fifth to Sixth Class; Dangcagan, Kalilangan, Kitaotao, Lantapan, Malitbog and San Fernando from Fourth to Sixth Class; Kadingilan, Kibawe, Libona, Maramag and Talakag from Third to Fifth Class; Malaybalay and Valencia from First Class C to Fifth Class; Manolo Fortich from Second to Fifth Class; Quezon from First Class C to Fourth Class; and Sumilao from Third to Sixth Class.

7. D.O. No. 10-88 — Reclassification of municipalities in the province of Agusan del Norte: The municipalities of Kitcharao, Las Nieves, Santiago and Tubay are reclassified from Fifth Class to Sixth Class; Buenavista and Magallanes from Third to Fifth Class; Cabadbaran and Nasipit from Second to Fifth Class; Carmen and Jabonga from Fourth to Sixth Class; RT Romualdez to Sixth Class.
8. D.O. No. 11-88 — Reclassification of municipalities in the province of Agusan del Sur: The municipalities of Bayugan, Bunawan and Loreto are reclassified from Second Class to Fifth Class; Esperanza, Prosperidad, La Paz and Trento from Third to Fifth Class; Rosario, Talacogon and Veruela from Fourth to Sixth Class; San Luis, Sta. Josefa and Sibagat from Fifth to Sixth Class; and San Francisco from First Class C to Fifth Class.
9. D.O. No. 12-88 — Reclassification of municipalities in the National Capital Region: The municipalities of Malabon, Valenzuela, Mandaluyong, San Juan, Muntinlupa, Pasig, Marikina, Las Pinas, Makati and Paranaque are reclassified from First Class A to First Class; Navotas from First Class A to Third Class; Pateros from Second to Fifth Class; and Taguig from First Class A to Second Class.
10. D.O. No. 13-88 — Reclassification of municipalities in the province of Surigao del Sur: The municipalities of Barobo, Cantilan, Hinatuan, Tagbina and Tandag are reclassified from Third Class to Fifth Class; Cagwait, Lanuza, Madrid and San Agustin from Fourth to Sixth Class; Bayabas, Carmen and Cortes from Fifth Class to Sixth Class; Carascal, Lingig and San Miguel from Fourth to Fifth Class; Marihatag and Tago from Third to Sixth Class; Lianga from Second to Fifth Class; and Bislig from First Class A to Third Class.
11. D.O. No. 14-88 — Reclassification of municipalities in the province of Davao Oriental: The municipalities of Banay-Banay, Caraga, Cateel, Gov. Generoso, Manay, and San Isidro are reclassified from Third Class to Fifth Class; Baganga and Lupon from Second to Fifth Class; Boston and Taragona from Fifth to Sixth Class; Mati from First Class A to Fourth Class.
12. D.O. No. 15-88 — Reclassification of municipalities in the province of Davao del Sur: The municipalities of Bansalan and Hagonoy are reclassified from Second Class to Fifth Class; Don Marcelino, Kiblawan and Sulop from Fourth to Sixth Class; Jose Abad Santos, Mag-saysay, Malalag, Matanao, Padada and Sta. Cruz from Third to Fifth Class; Digos from First Class B to Third Class; Malita from First Class C to Fifth Class; Sta. Maria from Fourth to Fifth Class; Sarangani from Fifth to Sixth Class.
13. D.O. No. 16-88 — Reclassification of municipalities in the province of Davao del Norte: The municipalities of Asuncion, Babak, Carmen, Compostela, Maco, Mawab, New Bataan, New Corella, Pantukan, Samal, Sto. Tomas and San Mariano are reclassified from Third Class to Fifth Class; Kaputian, Mabini and Montevista from Fourth to Sixth Class; Kapalong, Monkayo and Na-

bunturan from Second to Fifth Class; San Vicente from Fourth to Fifth Class; Panabo from First Class C to Fourth Class; Tagum from First Class A to Third Class.

14. D.O. No. 17-88 — Reclassification of municipalities in the province of South Cotabato: The municipalities of Alabel, Banga, Kiamba, Maasim, Maitum, Malapatan, Malungon, Norala and T'boli are reclassified from Third Class to Fifth Class; Glan, Surallah and Tupi from Second to Fifth Class; Tampakan and Tantangan from Fourth to Sixth Class; Koranadal from First Class B to Fourth Class; Polomolok from First Class C to Fourth Class; Sto. Nino from Third to Sixth Class; and Lake Sebu to Sixth Class.

15. D.O. No. 18-88 — Reclassification of municipalities in the province of Sultan Kudarat: The municipalities of Esperanza, Kalamansig, Lebak and Mariano Marcos are reclassified from Third Class to Fifth Class; Columbio, Lutayan and Pres. Quirino from Fifth to Sixth Class; Isulan and Palimbang from Second to Fifth Class; Bagumbayan from Fourth to Fifth Class; and Tacurong from First Class C to Fourth Class.

16. D.O. No. 19-88 — Reclassification of municipalities in the province of North Cotabato: The municipalities of Alamada and Antipas are reclassified from Fifth Class to Sixth Class; Kabacan, Midsayap and M'lang from Second to Fifth Class; Magpet, Makilala, Matulam, Pigkawayan and Pikit from Third to Fifth Class; Libungan and Tulunan from Fourth to Fifth Class; Pres. Roxas from Fourth to Sixth Class; Carmen from Third to Sixth Class; Kidapawan from First Class C to Fourth Class, Aleosan and Banisilan to Sixth Class.

17. D.O. No. 20-88 — Reclassification of municipalities in the province of Lanao del Norte: The

municipalities of Bacolod, Matungao, Munai, Magsaysay, Poon Piagapo, Sapad, Tagoloan and Tangcal are reclassified from Fifth Class to Sixth Class; Baroy, Karomatan, Kolambugan, Linamon and Maigo from Fourth to Sixth Class; Baloi and Kauswagan from Third to Sixth Class; Lala and Tubod from Third to Fifth Class; and Kapatagan from Fourth to Fifth Class; while the municipalities of Nunungan, Pantao Ragat, Pantar and Salvador have maintained their classification to Sixth Class.

18. D.O. No. 21-88 — Reclassification of municipalities in the province of Lanao del Sur: The municipalities of Balabagan, Bayang, Lumba Bayabao, Lunbatan, Masiu and Tubaran are reclassified from Fifth Class to Sixth Class; and Malabang from Fourth to Fifth Class; while the municipalities of Bacolod Grande, Balindong, Bubong, Binidayan, Butig, Ganassi, Kapai, Lumbayanague, Madalum, Madamba, Maranta, Mulondo, Pagayawan, Piagapo, Poon-A-Bayabao, Pualas, Ditsaon-Ramain, Saguieran, Tamparan, Taraka, Wao, Marogong, Buadiposo Buntong, Maguing, Sultan Gumander, Bumbaran, Colanagas, Tagolon, Tugaya and Kapatagan have maintained their classification to Sixth Class.

19. D.O. No. 22-88 — Reclassification of municipalities in the province of Maguindanao: The municipalities of Buldon, Datu Paglas, Matanog, Sultan Sa Barongis, Kabuntalan, Talayan, South Upi and Bariri are reclassified from Fifth Class to Sixth Class; Buluan, Dinaig, Sultan Kudarat and Upi from Third to Fifth Class; Datu Piang and Maganoy from Fourth to Fifth Class; Ampatuan from Third to Sixth Class; Pagalungan from Fourth to Sixth Class; and Parang from Second to Fifth Class.

20. D.O. No. 23-88 — Reclassification of municipalities in the province of North Cotabato: The municipalities of Alamada and Anti-

pas are reclassified from Fifth Class to Sixth Class; Kabacan, Midsayap, M'lang from Second to Fifth Class; Magpet, Makilala, Matalam, Pigkawayan and Pikit from Third Class to Fifth Class; Libungan and Tulunan from Fourth to Fifth Class; Kidapawan from First Class C to Fourth Class; Carmen from Third to Sixth Class; President Roxas from Fourth to Sixth Class; Aleosan and Banisilan to Sixth Class.

21. D.O. No. 24-88 — Reclassification of municipalities in the province of Zamboanga del Sur: The municipalities of Alicia, Dimataling, Kumalarang, Labangan, Lapuyan, Midsalip, Olutanga, Ramon Magsaysay, Siay, Tambulig and Tukuran are reclassified from Fourth Class to Sixth Class; Aurora, Buug, Dumalinao, Dumingag, Kabasalan, Margosatubig, Naga and Titay from Third Class to Fifth Class; Bayog, Dinas, and Mahayag from Fourth Class to Fifth Class; Mabuhay, San Miguel, San Pablo, Tabina, Tungawan, Pitogo, Payao and Roseller T. Lim from Fifth Class to Sixth Class; Ipil from Second to Fifth Class; Malangas from Third to Sixth Class; Molave from First Class C to Fifth Class; and Vincenzo Sagun to Sixth Class; while the municipalities of Diplahan, Lakewood, Talusan, Imelda, Mariano Marcos and Josefina maintained their present classification of Sixth Class.
22. D.O. No. 25-88 — Reclassification of municipalities in the province of Basilan: The municipality of Maluso is reclassified from Fourth Class to Sixth Class; Isabela to Fourth Class; Lamitan to Fifth Class; Lantawan, Sumipsip, Tipo-Tipo and Tuburan to Sixth Class.
23. D.O. No. 26-88 — Reclassification of municipalities in the province of Sulu: The municipalities of Indanan, Luuk, Pangutaran, Parang, Patikul, Lugus, Panglima Estino and Pandami are reclassified

from Fifth Class to Sixth Class; Jolo from Third Class to Fourth Class; while the municipalities of Kalingalan, Maimbung, Marunggas, Panamao, Pata, Talipao, Tapul and Tongkil maintained their present classification of Sixth Class; Siasi to Fifth Class.

24. D.O. No. 27-88 — Reclassification of municipalities in the province of Tawi-Tawi: The municipalities of Cagayan de Sulu, Sitangkay, Tandu-Bas and Turtle Island are reclassified from Fifth Class to Sixth Class; while the municipalities of Balimbing, Simunul, South Ubian, Sapa-Sapa and Languyan maintained their present classification of Sixth Class; Bongao to Fifth Class.
25. D.O. No. 28-88 — Reclassification of municipalities in the province of Zamboanga del Norte: The municipalities of Katipunan, Manukan, Pinan, Polanco, Rizal, Sibuco and Tampilisan are reclassified from Fourth Class to Sixth Class; Labason, Liloy and Salug from Third Class to Fifth Class; La Libertad, Mutia, Sergio Osmena, Siayan, Sibutad and Sirawai from Fifth Class to Sixth Class; Manuel Roxas and Siocon from Second Class to Fifth Class; Jose Dalman from Third Class to Sixth Class; and Sindangan from Fourth Class to Fifth Class; while the municipalities of Bacungan, Godod, Baleguian and Gotalac maintained their present classifications of Sixth Class.
26. D.O. No. 29-88 — Reclassification of municipalities in the province of Northern Samar: The municipalities of Bobon, Las Navas, Pambujan, San Isidro, San Jose and San Roque are reclassified from Fifth Class to Sixth Class; Allen from Third to Sixth Class; and Laoang from Second Class to Fifth Class; while the municipalities of Mapanas, Capul and San Antonio maintained their present classifications of Sixth Class.

27. D.O. No. 30-88 — Reclassification of municipalities in the sub-province of Biliran, Leyte: The municipalities of Biliran and Kawayan are reclassified from Fourth Class to Sixth Class; Almeria, Cabucgayan, Caibiran, Culaba and Maripipi from Fifth Class to Sixth Class; and Naval from Third Class to Sixth Class.
28. D.O. No. 31-88 — Reclassification of municipalities in the province of Leyte: Abuyog, Alang-Alang, Bato, Burauen, Dulag, Hilongos, Jaro, Kananga, Palo, Palompon, and Tanauan are reclassified from Third Class to Fifth Class; Babatngon, Barugo, Capoocan, Javier, Julita, Leyte, Mc Arthur, Mahaplag, Matag-ob, Mayorga, Pastrana, San Miguel, Santa Fe, Tabontabon and Tunga from Fifth Class to Sixth Class; Albuera, Dagami, Hindang, La Paz, Mahaplag, Matalom, Merida, San Isidro, Tabango and Tolosa from Fourth to Sixth Class; Calubian, Carigara and Isabel from Second to Fifth Class; Villaba from Fourth to Fifth Class; Baybay from First Class C to Fifth Class; Inopacan from Third to Sixth Class.
29. D.O. No. 32-88 — Reclassification of municipalities in the province of Southern Leyte: The municipalities of Anahawan, Hinundayan, Libagon, Lilo-an, Macrohan, Padre Burgos, Pintuyan, Saint Bernard, San Francisco, San Ricardo, Silago and Tomas Oppus are reclassified from Fifth Class to Sixth Class; Bontoc, Hinunangan, Malitbog and San Juan from Fourth Class to Sixth Class; Maasin from Second Class to Fifth Class; and Sogod from Third Class to Fifth Class.
30. D.O. No. 33-88 — Reclassification of municipalities in the province of Western Samar: The municipalities of Almagro, Calbiga, Daram, Gandara, Jiabong, Pinabacdao, San Sebastian, Santa Margarita, Santa Rita, Santo Nino, Tarangan, Villareal and Zumarraga are reclassified from Fifth Class to Sixth Class; Basey from Third Class to Fifth Class; Catbalogan from Second Class to Fifth Class; Hinabangan and Wright from Fourth Class to Sixth Class; while Marabut, Matuguiano, Motiong, Pagsanghan, San Jorge, San Jose de Buan, Tagapulan and Talalora maintained their present classification of Sixth Class.
31. D.O. No. 34-88 — Reclassification of municipalities in the province of Eastern Samar: The municipality of Arteche, Balangiga, Balangkayan, Can-avid, Gen. McArthur, Giporlos, Hernani, Lawaan, Oras, Quinapondan, Salcedo, San Julian and Sulat are reclassified from Fifth Class to Sixth Class; Borongan and Guiuan from Third Class to Fifth Class; and Dolores from Fourth Class to Fifth Class; while Jipapad, Maslog, Maydolong, Mercedes, San Policarpio maintained their present Classification of Sixth Class; Llorente and Taft Fifth Class.
32. D.O. No. 35-88 — Reclassification of the municipality of Carmen in the province of Bohol from Third Class to Fifth Class.
33. D.O. No. 37-88 — Reclassification of municipalities in the province of Siquijor: The Municipalities of Enrique Villanueva, Larena, Maria and San Juan are reclassified from Fifth Class to Sixth Class; Lazi and Siquijor from Fourth Class to Sixth Class.
34. D.O. No. 38-88 — Reclassification of municipalities in the Province of Cebu: The municipalities of Alcantara, Alcoy Alegria, Aloquinsan, Boljoon, Compostela, Cordoba, Ginatilan, Madridejos, Malabuyoc, Moalboal, Pilar, Poro, Ronda, Samboan, Sta. Fe, Santander, Sogod, Tabuelan and Tudela are reclassified from Fifth Class to Sixth Class; Argao, Asturias, Balamban, Bantayan, Barili, Bogo, Carcar, Consolation, Daan-Bantayan, Dalagueta, Lilo-an, Medellin, Minglanilla, Naga,

and Tuburan from Third Class to Fifth Class; Badian, Borbon, Carmen, Catmon, Dumanjug, Oslob, Pinamungajan, San Francisco, San Remigio and Tabogon from Fourth Class to Sixth Class; San Fernando and Sibonga from Fourth Class to Fifth Class; and Talisay from First Class to Fourth Class.

35. D.O. No. 39-88 — Reclassification of municipalities in the province of Bohol: The municipalities of Carmen, Loon, Inabanga, Jagna, Tubigon, and Ubay are reclassified from Third Class to Fifth Class; Antiquera, Calape, Candijay and Cortez from Fourth Class to Fifth Class; Albuquerque, Alicia, Anda, Baclayon, Balilihan, Batuan, Bilar, Buenavista, Catigbian, Clarin, Corella, Dagohoy, Danao, Daus, Dimiao, Duero and Garcia-Hernandez, Jetafe, Lila, Loay, Loboc, Maribojoc, Panglao, Pilar, Sagbayan, San Isidro, San Miguel, Sevilla, Sikatuna, and Pres. Garcia (Pitogo) from Fifth Class to Sixth Class; Guindulman, Mabini, Trinidad, and Valencia from Fourth Class to Sixth Class; Talibon from Second Class to Fifth Class; Bien Unido from No Class to Sixth Class.

36. D.O. No. 40-88 — Reclassification of municipalities in the province of Iloilo: The municipalities of Barotac Nuevo and Calinog are reclassified from Second to Fifth; Ajuy, Alimodian, Banate, Barotac Viejo, Cabatuan, Carles, Dingle, Duenas, Dumangas, Estancia, Janiuay, Lambunao and Leganes from Third Class to Fifth Class; Anilao, Balasan, Concepcion, Guimbal, and Igaras from Fourth Class to Sixth Class; while the municipalities of Badiangan, Batad and Bingawan from Fifth Class to Sixth Class.

37. D.O. No. 41-88 — Reclassification of municipalities in the province of Aklan: The municipalities of Altavas, Banga, Batan and Libacao are reclassified from Fourth

Class to Sixth Class; Balete, Ibajay and Malinao from Third to Sixth Class, Burunga, Lezo, Madalag, Makato, Malay, Nabas, Numancia and Tangalan from Fifth to Sixth Class; Kalibo from First Class C to Fifth Class; and New Washington from Third to Fifth Class.

38. D.O. No. 42-88 — Reclassification of municipalities in the province of Antique: The municipalities of Anini-y, Bugasong, Dao, Laua-an, Libertad, Sebaste and Tibiao are reclassified from Fourth Class to Sixth Class; Culasi, Hamtic, Patnongon and Sibalom from Third Class to Fifth Class; Belison, Caluya and Valderama from Fifth to Sixth Class; Barbaza and Pandan from Third to Sixth Class; San Remigio from Fourth Class to Fifth Class; and San Jose from First Class C to Fifth Class.

39. D.O. No. 43-88 — Reclassification of municipalities in the province of Capiz: The municipalities of Cuartero, Dao, Ivisan, Jaminan, Ma-ayon, Panay, Panitan, Pilar, Sapien, Sigma and Tapaz are reclassified from Fifth Class to Sixth Class; Dumalag, Dumarao, Pontevedra and President Roxas from Third to Fifth Class; and Mambusao from Fourth to Fifth Class.

40. D.O. No. 44-88 — Reclassification of municipalities in the sub-province of Guimaras, Iloilo: The municipalities of Buenavista and Jordan are reclassified from Third Class to Fifth Class; Nueva Valencia from Fourth Class to Sixth Class.

41. D.O. No. 45-88 — Reclassification of municipalities in the province of Albay: The municipalities of Bacacay, Camalig, Guinobatan, Libon, Ligao, Oas and Tiwi are reclassified from Third Class to Fifth Class; Jovellar, Malilipot and Manito from Fifth to Sixth Class; Daraga and Tabaco from First Class C to Fourth Class; Malinao, Rapu-Rapu, Santo Domingo and Pio Duran

from Fourth to Sixth Class; Polangui from Second to Fifth Class.

42. D.O. No. 46-88 — Reclassification of municipalities in the province of Camarines Norte: The municipalities of Capalonga and Vinzons are reclassified from Fourth Class to Sixth Class; Imelda, San Vicente, Santa Elena and Talisay from Fifth to Sixth Class; Labo and Mercedes from Third to Fifth Class; Basud from Third to Sixth Class; Jose Panganiban from Second to Fifth Class; Daet from First Class C to Fourth Class.
43. D.O. No. 47-88 — Reclassification of municipalities in the province of Camarines Sur: The municipalities of Baao and Caramoan are reclassified from Fourth Class to Fifth Class; Balatan, Bombon, Cabusao, Camaligan, Canaman, Gainza, Garchitorena, Magarao, Milaor, Presentacion, Sangay and Siruma from Fifth Class to Sixth Class; Bato, Del Gallego, Lupi, Minalabac, Ocampo, Pamplona, Pasacao, San Fernando and San Jose from Fourth to Sixth Class; Buhi, Bula, Calabanga, Goa, Lagonoy, Nabua, Ragay, Sipocot, Tigaon and Tinambac from Third to Fifth Class; Libmanan and Pili from Second Class to Fifth Class.
44. D.O. No. 48-88 — Reclassification of municipalities in the province of Catanduanes: The municipalities of Baras, Pandan and San Miguel are reclassified from Fifth Class to Sixth Class; Bato, Caramoran, San Andres and Viga from Third to Sixth Class; and Virac from First Class C to Fifth Class; while the municipalities of Bagamanoc, Gigmoto, and Panganiban maintained their present classification of Sixth Class.
45. D.O. No. 49-88 — Reclassification of municipalities in the province of Masbate: The municipalities of Aroroy, Cataingan and Uson are reclassified from Third Class to Fifth Class; Baleno, Balud, Dimasalang, Mandaon, Milagros, Palanang, Placer, San Fernando, San Jacinto and San Pascual from Fourth to Sixth Class; Batuan, Esperanza, Mobo, Monreal and Pio V. Corpuz from Fifth to Sixth Class; Cauayan from Fourth to Fifth Class; Claveria from Third to Sixth Class; and Masbate from First Class C to Fifth Class.
46. D.O. No. 50-88 — Reclassification of municipalities in the province of Sorsogon: The municipalities of Bacon, Bulusan, Cagsuran, Castilla and Matnog are reclassified from Fourth Class to Sixth Class; Barcelona, Juban, Prieto Diaz and Santa Magdalena from Fifth Class to Sixth Class; Gubat, Irosin and Pilar from Third to Fifth Class; Bulan from Second to Fifth Class; Donsol from Fourth to Fifth Class; Magallanes from Third to Sixth Class; and Sorsogon from First Class C to Fourth Class.
47. D.O. No. 51-88 — Reclassification of municipalities in the province of Benguet: The municipalities of Bokod, Kapangan, Kibungan and Tublay are reclassified from Fourth Class to Sixth Class; Bakun and Buguias from Fourth to Fifth Class; La Trinidad and Mangkayan from First Class C to Fifth Class; Kabayan and Sablan from Fifth to Sixth Class; Atok from Third to Sixth Class; Itogon from First Class B to Fourth Class; and Tuba from First Class C to Fourth Class.
48. D.O. No. 52-88 — Reclassification of municipalities in the province of Ilocos Sur: The municipalities of Alilem, Banayoyo, Caoayan, Galimuyod, Gregorio del Pilar, Quirino, Salcedo, San Emilio, San Esteban, San Vicente, Santa Catalina and Santiago are reclassified from Fifth Class to Sixth Class; Bantay, Magsingal and San Juan from Fourth to Sixth Class; Cabugao and Sinait from Second to Fifth Class; Cervantes, Santa Lucia and Santo Domingo from Fourth to

Fifth Class; Narvacan, Santa Cruz, Santa Maria and Tagudin from Third to Fifth Class; Candon from Third to Fourth Class; and Vigan from Second to Fourth Class, while the municipalities of Burgos, Lidlida, Nagbukel, San Ildefonso, Sigay, Sugpon and Suyo maintained their present classifications of Sixth Class.

49. D.O. No. 53-88 — Reclassification of municipalities in the province of La Union: The municipalities of Agoo and Bauang are reclassified from Second Class to Fifth Class; Aringay, Bacnotan, Balaoan, Bangar, Luna, Naguilian and Rosario from Third to Fifth Class; Baguilan, Burgos, Caba, Pugo, San Gabriel, Santol, Sudipen, and Tubao from Fifth to Sixth Class; San Juan and Sto. Tomas from Fourth to Sixth Class; San Fernando from First Class A to Third Class.
50. D.O. No. 54-88 — Reclassification of municipalities in Mountain Province: The municipalities of Barlig, Bauko, Bontoc, Natonin, Paracelis, Sabangan, Sadanga, Sagada and Tadian are reclassified from Fifth Class to Sixth Class and Besao from Fourth Class to Sixth Class.
51. D.O. No. 55-88 — Reclassification of municipalities in the province of Negros Oriental: The municipalities of Bayawan and Guihulngan are reclassified from Second Class to Fifth Class; Mabinay, Manjuyod, Sta. Catalina, Siaton and Sibulan from Third Class to Fifth Class; Amlan, Ayungon, and Pamplo-na from Fourth Class to Fifth Class; Basay, Bindoy, Daus, Jimalalud, La Libertad, Tayasan, Valencia, Vallehermoso and Zamboanguita from Fourth Class to Sixth Class; Bacong and San Jose from Fifth Class to Sixth Class and Tanjay from First Class C to Fourth Class.
52. D.O. No. 56-88 — Reclassification of municipalities in the province of Pangasinan: The municipality of Urdaneta is reclassified from First Class A to Third Class; Alaminos from First Class C to Fourth Class; Bayambang, Binalonan, Binmaley, Bolinao, Calasiao, Lingayen, Malasiqui, Mangaldan, Mangatarem, Pozorrubio, Rosales, San Fabian, and Villasis from First Class C to Fifth Class; Asingan, Bani, Manaoag, San Manuel, Santa Barbara, Sison, and Tayug from Second Class to Fifth Class; Agno, Alcala, San Nicolas, San Quintin and Urbiztondo from Third Class to Fifth Class; Aguilar, Anda, Balungao, Basis-ta, Bautista, Burgos, Dasol, Infanta, Labrador, Mabini, Mapandan, Natividad, San Jacinto, Santa Maria, and Sual from Third Class to Sixth Class.
53. D.O. No. 57-88 — Reclassification of municipalities in the province of Abra: The municipalities of Tubo, Tineg and Bucay are reclassified from Fifth to Sixth Class; Bangued from Second to Fifth Class; Tayum from Fourth to Sixth Class; while Boliney, Bucloc, Dagupan, Danglas, Dolores, La Paz, Lacvub, Langangilang, Lagayan, Langiden, Licuan, Luba, Malibcong, Manabo, Pennarrubia, Pidigan, Pilar, Sallapadan, San Isidro, San Juan, San Quintin and Villaviciosa maintained their classification of Sixth Class.
54. D.O. No. 58-88 — Reclassification of municipalities in the province of Laguna: The municipalities of Alaminos, Calauan and Nagcarlan are reclassified from Third Class to Fifth Class; Bay, Liliw and Siniloan from Fourth to Fifth Class; Binan and Santa Cruz from First Class C to Fourth Class, Cavinti, Famy, Kalayaan, Mabitac, Pakil, Pangil and Rizal from Fifth to Sixth Class; Cabuyao from First Class B to Third Class; Calamba from First Class A to Fourth Class; Los Banos from Second to Fifth Class; Luisiana, Lumban, Magdalena, Majayjay, Paete, Pila, Santa Maria and Victoria

from Fourth to Sixth Class; Pagsanjan from Third to Sixth Class; San Pedro and Santa Rosa from First Class B to Fourth Class.

55. D.O. No. 59-88 — Reclassification of municipalities in the province of Cavite: The municipalities of Alfonso, Amadeo, Indang, Maragondon, Naic, Noveleta and Tanza are reclassified from Third Class to Fifth Class; Gen. Alvarez, Gen. Trias and Silang from Second Class to Fifth Class; Baco and Dasmariñas from First Class B to Fourth Class; Carmona and Ternate from Third Class to Sixth Class; Gen. Emilio Aguinaldo, Magallanes and Mendez-Nunez from Fifth Class to Sixth Class; Imus from First Class A to Third Class; Kawit from Third Class to Fourth Class; and Rosario from Second Class to Fourth Class.
56. D.O. No. 60-88 — Reclassification of municipalities in the province of Oriental Mindoro: The municipalities of Baco, Bulakao and San Teodoro are reclassified from Fifth Class to Sixth Class; Bansud, Gloria, Mansalay and Puerto Galera from Fourth Class to Fifth Class; Bongabong, Pinamalayan, Roxas and Victoria from Third Class to Fifth Class; Pola and Socorro from Fourth Class to Sixth Class; Calapan from First Class C to Fourth Class; and Naujan from Second Class to Fifth Class.
57. D.O. No. 61-88 — Reclassification of municipalities in the province of Marinduque: The municipalities of Gasan Mogpog and Torrijos are reclassified from Third Class to Fifth Class; Boac from Second Class to Fifth Class; Buenavista from Fourth Class to Fifth Class; and Santa Cruz from First Class A to Third Class.
58. D.O. No. 62-88 — Reclassification of municipalities in the province of Aurora: The municipalities of Baler and Maria Aurora are reclassified from Third Class to Fifth Class; Casiguran and Dipaculao from Fourth Class to Sixth Class; Dilasag, Dinalungan and Dingalan from Fifth Class to Sixth Class; and San Luis from Third Class to Sixth Class.
59. D.O. No. 63-88 — Reclassification of municipalities in the province of Romblon: The municipalities of Alcantara, Banton, Calatrava, Corcuera, Magdiwang, San Andres, San Jose and Santa Fe are reclassified from Fourth Class to Sixth Class; Cajidiocan, Looc, San Agustin and San Fernando from Third Class to Sixth Class; Concepcion, Ferrol, and Imelda from Fifth Class to Sixth Class; Odiongan and Romblon from Second Class to Fifth Class.
60. D.O. No. 64-88 — Reclassification of municipalities in the province of Rizal: The municipalities of Angono, Rodriguez (Montalban) and San Mateo are reclassified from Second Class to Fifth Class; Antipolo and Taytay from First Class B to Third Class; Cardona, Morong and Teresa from Third Class to Fifth Class; Binangonan and Tanay from First Class C to Fourth Class; Baras from Third Class to Sixth Class; Jala-Jala from Fifth Class to Sixth Class; and Pililla from First Class C to Fifth Class.
61. D.O. No. 65-88 — Reclassification of municipalities in the province of Quezon: Agdangan, Buenavista, Panukulan, Patnanungan, Perez, Plaridel and Quezon are reclassified from Fourth Class to Sixth Class; Alabat, Burdeos, Dolores, General Luna, Macalelon, Padre Burgos, Pitogo, Real, Sampaloc, San Andres, San Antonio, San Francisco, San Narciso from Third Class to Sixth Class; Atimonan, Calauag, Candelaria, Gumaca, Lopez, Lucban, Mauban, Sariaya, Tayabas and Tiaong from First Class C to Fifth Class; Catanauan, Guinayangan, Infanta, Mulanay, Pagbilao and Tagkawayan from Second Class to Fifth

Class; General Nakar and Pollilio from Third Class to Fifth Class.

62. D.O. No. 66-88 — Reclassification of municipalities in the province of Palawan: The municipalities of Aborlan, Batarasa and El Nido are reclassified from Fourth Class to Fifth Class; Araceli, Busuanga, Cagayancillo, Dumarán, Linapacan and Magsaysay from Fifth Class to Sixth Class; Balabac, Coron, Narra, Quezon, Roxas, San Vicente, and Taytay from Third Class to Fifth Class; Brooke's Point from Second Class to Fifth Class; and Cuyo from Fourth Class to Sixth Class.
63. D.O. No. 67-88 — Reclassification of municipalities in the province of Occidental Mindoro: The municipalities of Abra de Ilog, Calintaan, Magsaysay, and Rizal are reclassified from Fourth Class to Sixth Class; Looc and Santa Cruz from Fifth Class to Sixth Class; Paluan and Sablayan from Third Class to Fifth Class; Mamburao from Fourth Class to Fifth Class; and San Jose from First Class C to Fifth Class.
64. D.O. No. 68-88 — Reclassification of municipalities in the province of Batanes: The municipalities of Basco and Itbayat are reclassified from Fifth Class to Sixth Class; while Ivana, Mahatao, Sabtang and Uyugan maintained their present classification of Sixth Class.
65. D.O. No. 69-88 — Reclassification of municipalities in the province of Cagayan: The municipalities of Abulug, Alcala, Allapan, Amulung, Camalaniugan, Gonzaga, Lasam, Sanchez-Mira are reclassified from Fourth Class to Fifth Class; Aparri from Second Class to Fifth Class; Baggao, Ballesteros, Buguey, Claveria, Gattaran, Lal-lo, Penablanca, Solana and Tuao from Third Class to Fifth Class; Calayan, Iguig, Pamplona, and Rizal from Fifth Class to Sixth Class; Enrile, Santa Ana and Santa Teresita from Fourth Class to Sixth Class; and Tuguegarao from First Class B to Third Class; while Piat and Santo Nino maintained their present classification of Fifth Class; Santa Praxedes to Sixth Class.
66. D.O. No. 70-88 — Reclassification of municipalities in the province of Ifugao: The municipalities of Banaue, Hungduan, Kiangán and Lagawe are reclassified from Fourth Class to Sixth Class; Hingyon, Lamut, Mayoyao and Potia from Fifth Class to Sixth Class; Tinoc is Sixth Class.
67. D.O. No. 71-88 — Reclassification of municipalities in the province of Isabela: The municipalities of Alicia, Cabagan, Jones, Ramon, Roxas, San Mateo and Tumauni are reclassified from Third Class to Fifth Class; Angadanan, Aurora, Benito Soliven, Delfin Albano, Mallig, Naguilian, Palanan, and San Agustin from Fourth Class to Sixth Class; Burgos, Gamu, Luna, Maconacon, Quezon, Quirino, Reyna Mercedes, San Guillermo, San Isidro and Santa Maria from Fifth Class to Sixth Class; Cabatuan and Cordon from Fourth Class to Fifth Class; Echague and San Mariano from Second Class to Fifth Class; Cauayan from Second Class to Fourth Class; Ilagan from First Class B to Fourth Class; San Pablo from Third Class to Sixth Class, and Santiago from First Class A to Third Class; while Dinapigue, Divilacan and Santo Tomas maintained their present classification of Sixth Class and San Manuel to Fifth Class.
68. D.O. No. 72-88 — Reclassification of municipalities in the province of Kalinga Apayao: The municipalities of Balbalan, Flora, Lubuagan, Pasil, Pudtol, Rizal-Liwan, Santa Marcela, Tanudan and Tinglayan are reclassified from Fifth Class to Sixth Class; Calanasan, Conner, Kabugao, Luna, and Pinukpok from Fourth Class to Sixth

Class; and Tabuk from Third Class to Fifth Class.

Province of Laguna from Fourth Class to Third Class.

69. D.O. No. 73-88 — Reclassification of municipalities in the province of Quirino: The municipalities of Aglipay and Cabarroguis are reclassified from Third Class to Sixth Class; Diffun from Third Class to Fifth Class; Maddela from First Class C to Fifth Class; and Sagaday from Fourth Class to Sixth Class.

70. D.O. No. 74-88 — Reclassification of municipalities in the province of Nueva Vizcaya: The municipalities of Aritao, Bagabag, Dupax del Norte and Dupax del Sur are reclassified from Fourth Class to Sixth Class; Bambang and Bayombong from Third Class to Fifth Class; Diadi, Kasibu, Quezon, Santa Fe and Villaverde from Fifth Class to Sixth Class; Kayapa from Fourth Class to Sixth Class; and Solano from Second Class to Fifth Class; while Alfonso, Castaneda and Ambaguio maintained their present classification of Sixth Class.

71. D.O. No. 75-88 — Reclassification of municipalities in the province of Bulacan: The municipalities of Angat, Bustos, Calumpit, Guiguinto, Obando, Pandi, Pulilan, San Ildefonso, and San Rafael are reclassified from Third Class to Fifth Class; Balagtas, Bocaue, Bulacan, Paombong, Plaridel and San Miguel from Second Class to Fifth Class; Baliwag and Malolos from First Class B to Third Class; Hagonoy from First Class B to Fourth Class; Marilao and Sta. Maria from First Class C to Fourth Class; Meycauayan from First Class A to Third Class; Norzagaray and San Jose del Monte from First Class C to Fifth Class; and Dona Remedios Trinidad from Third Class to Sixth Class.

72. D.O. No. 89-88 — Amending the reclassification of the municipality of San Pedro in the

73. D.O. No. 97-88 — Reclassification of municipalities in the Province of Northern Samar: The municipalities of Biri, Lapinig, Rosario, San Vicente, Silvico Lobes, Victoria and Lope de Vega are reclassified from Fifth Class to Sixth Class; Catubig, Gamay, Lovezares and Palapag from Fifth Class to Sixth Class; and Catarman from Third Class to Fifth Class.

74. D.O. No. 108-88 Amending the reclassification of the municipality of Carmona in the province of Cavite from Sixth Class to Fifth Class.

75. D.O. No. 90-88 — Implementation of the Zonal Values of Real Properties in the municipalities of Mandaluyong and San Juan for Internal Revenue Tax purposes.

76. D.O. No. 94-88 — Implementation of the Zonal Values of Real Properties in the Districts of Tondo and San Nicolas for Internal Revenue Tax Purposes.

77. D.O. No. 113-88- Implementation of the Zonal Values of Real Properties in the Districts of Binondo and Sta. Cruz for Internal Revenue Tax Purposes.

78. D.O. No. 114-88 Implementation of the Zonal Values of Real Properties in the Districts of Quiapo, Sampaloc and San Miguel for Internal Revenue Tax Purposes.

In addition to these Department Orders which had reference to the reclassification of provinces, municipalities and cities, the Department of Finance also issued other noteworthy Department Orders touching on various policy and administrative areas. These include the following:

1) D.O. No. 80-88 which created an ad hoc organization review committee to undertake a review of the organizational structure, functional relationships, and distribution of responsibilities of all the units and agencies under the supervision and control of the Secretary of Finance;

2) D.O. No. 83-88 dated 28 March 1988 which created a Legislation and Review Committee, in order to ensure an effective participation of the Department of Finance in the Legislative branch of the Government and Cabinet;

3) D.O. No. 86-88 which revised the guidelines and procedures on the rules, regulations and procedures in the computation of annual additions to the BIR special fund;

4) D.O. No. 91-88 issued by the Department of Finance Anti-Graft and Corruption Task Force, the purpose of which is to promote a high level of public ethics and accountability and elimination of corrupt practices among personnel of DOF and its Bureaus;

5) D.O. No. 100-88 which created the Task Force on Long-term Planning for Resource Mobilization to attain the revenue targets in the Medium-Term Development Plan, 1989-1992 and sustain revenue growth in the next decade;

6) D.O. No. 107-88 which created a Legislative Proposal and Policy Review Committee (LPPRC) to provide a more comprehensive approach towards the formulation of policy recommendations and legislative proposals on national and regional taxation, local government finance and other financial or fiscal matters affecting the Department of Finance;

7) D.O. No. 116-88 which created the Central Project Management Office (CPMO) to oversee the implementation by the Department of Finance thru the Bureau of Local Government Finance of the Real Property Tax Administration and the Technical Components of the Project Agreement entered into by the Government and the IBRD for the Municipal Development Project, also known as PRE-MIUMED; and

8) D.O. No. 117-88 which created the Central Project Management Office (CPMO) to oversee the implementation by the Department of Finance thru the Bureau of Local Government Finance of the Real Property Tax Administration and the Technical Components of the Project Agreement entered into by the Government and the United States Government (thru USAID).

BUREAU OF INTERNAL REVENUE MEMORANDUM ORDERS

The Bureau of Internal Revenue issued several Revenue Memorandum orders. The most significant of such orders are as follows:

RMO No. 5-88 — Pursuant to Executive Order No. 273 articles such as distilled spirits, wines, fermented liquor, cigar, cigarettes, manufactured oils and other fuels and saccharine, maintained their classification as exciseable articles. New products subject to excise tax are mineral products and automobiles. Non-essential commodities however, whether locally manufactured or imported become exciseable articles subject to 20%.

RMO No. 16-88 — Amending RMO No. 29-88 to clarify the confusion brought about by the imposition of the 5% capital gains tax on the purchase by banks, finance and insurance companies of real property.

BIR Revenue Regulations

RR 2-88 — Provided for regulations governing the application of zero-rate exemption on certain transactions related to exporters and refunds of input-taxes. Amends Section 8 and 16 of RR 5-87.

RR 3-88 — Amended Section 16 and 23 of RR 5-87 Re: Refunds or tax credits of Input Tax pursuant to the provisions of Section 245 in relation to Section 4 of the NIRC.

RR 4-88 — Amended certain provisions of RR 20-86 Re: Withholding of Taxes on Monthly Payments by Government Agencies and Instrumentalities (as covered in Section 245 of NIRC in relation to Section 3 of RA No. 1051).

RR 5-88 — Amendment to Section 203 of Regulations No. 26 as amended by RR No. 77 and RR 3-75, otherwise known as the Documentary Stamp Tax Regulations.

CUSTOMS MEMORANDUM ORDERS

The Bureau of Customs (BOC) issued several Customs Memorandum Orders outlining in detail the rules and regulations to be followed in the exercise of its functions. Those relating to the operations of the Bureau of Customs are listed below:

- CMO No. 6-88 — Providing that importations of all types of telecommunications equipment such as radio transmitters, transceivers, repeaters and such other accessories must have the prior authority from the National Telecommunications Commission, otherwise these shall be seized in accordance with the provision of Section 2530 of the Tariff and Customs Code.
- CMO No. 9-88 — Creating the Customs-Industry Consultative Council in order to institutionalize the harmonious and close cooperation between the business community and the Bureau of Customs.
- CMO No. 10-88 — Dispensing with the requirements for clearances from the National Intelligence Coordinating Agency (NICA) and the National Bureau of Investigation (NBI) in the issuance of licenses of Customs Brokers.
- CMO No. 11-88 — Directing that any and all importations of cars, trucks, jeeps, buses and motor vehicles including automotive parts and truck parts, shall not be released unless prior clearance from the Office of the Commissioner is obtained in order to protect the government and to insure effective control and compliance with all requirements.
- CMO No. 16-88 — Providing for rules for effective monitoring/control/recording of entry of imported articles described as personal effects belonging to returning Filipino residents and are conditionally free from the payment of Customs duties and taxes pursuant to Section 105(f) of the Tariff and Customs Code and to prevent the abuse of the privilege.
- CMO No. 35-88 — Providing for rules for an effective central monitoring of Tax Credit Certificates being applied with the Bureau of Customs in payment of duties, taxes, charges and fees due to the national government.
- CMO No. 45-88 — Providing for a procedure for the speedy and immediate release/transfer of shipment of duly accredited entities with the Bureau of Customs including tax exempt shipment of the government, and its instrumentalities and government-owned and controlled corporations from the piers to their respective warehouses.
- CMO No. 47-88 — Prohibiting all Customs employees assigned at the departure and arrival areas of the Ninoy Aquino International Airport from conducting any search or inspection of the wallets and handbags of passengers, unless otherwise authorized by the Commissioner.
- CMO No. 54-88 — Directing that importations covered by consumption entries and involving questions on valuation and consequent appraisal may no longer be released under Tentative Liquidation.
- CMO No. 96-88 — Directing that all importation of tires, whether used or brand new, shall be subject to 100% examination prior to their release for effective control and in order to safeguard government revenue.
- CMO No. 97-88 — Providing for rules, regulations and procedures in the payment of duties and taxes on vehicles locally assembled from imported parts by non-assemblers to accelerate and increase the collection of more revenue for the government.
- CMO No. 102-88 — Providing for simplified procedures in the monitoring, stripping and transfer of conventional and/or containerized cargoes enumerated under Section 2601 (forfeited, abandoned cargoes and those held under warrant of seizure and detention) of the Tariff and Customs Code of the South Harbor and the Manila International Container Port, to the Customs Security Warehouse and authorized container yards or container freight stations.

CMO No. 129-88— Monitoring due and demandable bonds of surety companies prior to accreditation/sanctions on long overdue surety accounts to protect the interest of the government and for purposes of the quarterly accreditation of surety companies.

CMO No. 133-88— Providing that all payments of customs duties, taxes and related charges/penalties for both current transactions and back accounts shall be made through government owned and/or authorized agent banks.

CMO No. 136-88— Promulgating new rules and regulations in the treatment of imported articles declared as OFF-QUALITY in order to prevent abuses in the use of words such as stocklots, side-runs, cull rolls, records, mill lots, scraps, offgrade, reconditioned, used, junk or similar terms in describing imported articles in the entry declaration for the purpose of avoiding the payment of the proper duties and taxes.

CMO No. 140-88— Delineation of functions and responsibilities of Customs personnel assigned at the Export Processing Zone Authority (EPZA) — Customs Documentation Unit.

CMO No. 141-88— Promulgating stricter rules and regulations to prevent the repeated and fraudulent use of authorities/permits/clearances to import goods issued by the Bureau of Import Services under the Department of Trade and Industry, the Board of Investments, interagency bodies and other agencies.

CMO No. 147-88— Directing that all importations declared as computer and/or television parts shall be subjected to 100% examination in the presence of technical experts from the Philippine Chamber of Commerce and Industry-Customs Consultative Group (PCCI-CCG).

CMO No. 149-88— Requiring all importers/consignees to register with the Bureau of Customs

in order to expedite transactions and provide speedy assistance to the transacting public in connection with said transactions; to establish a data bank of importers/consignees regularly engaged in the import business.

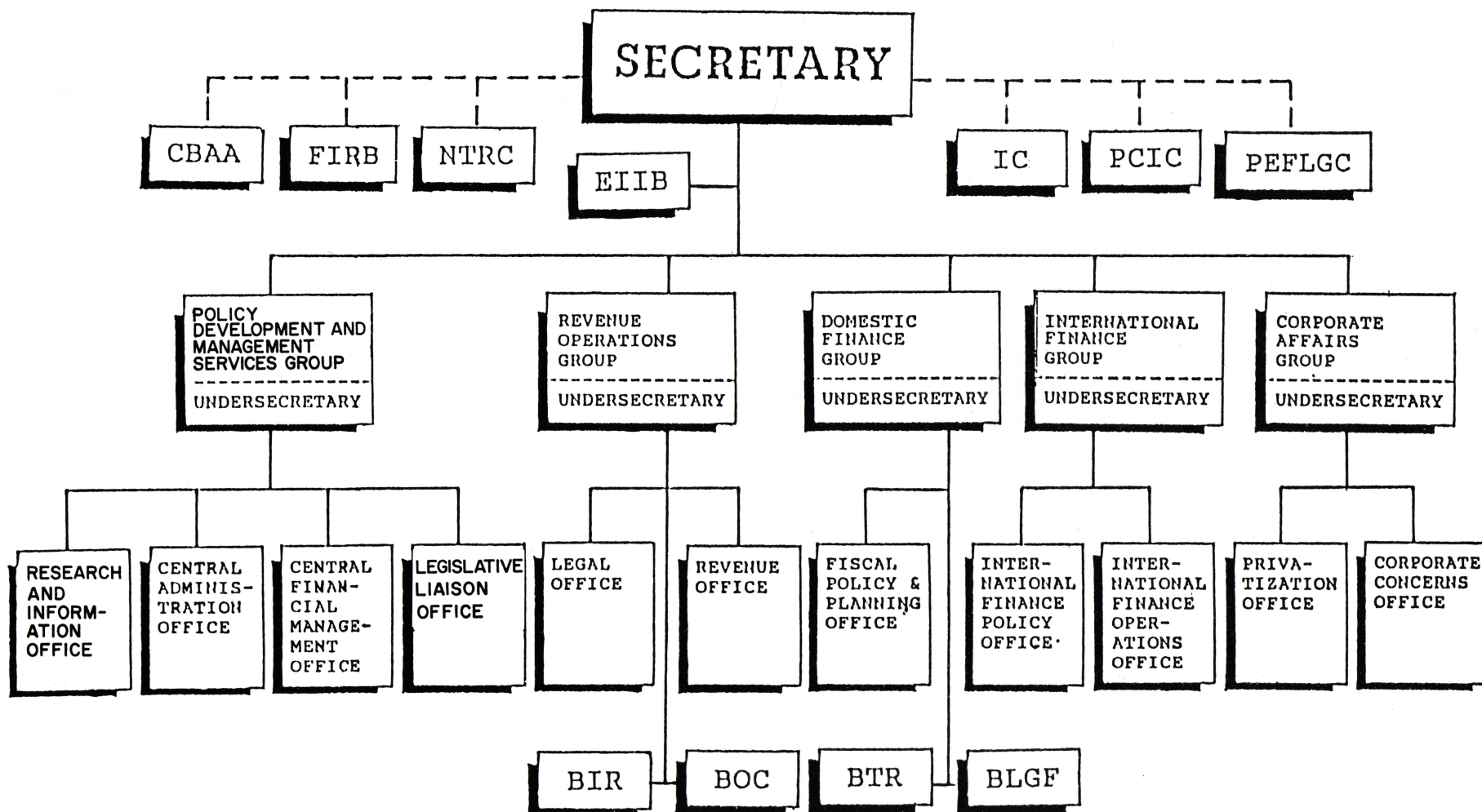
SUMMARY OF RESOLUTIONS APPROVED BY THE FISCAL INCENTIVES REVIEW BOARD

A. Resolutions restoring and affirming annulment of tax and duty exemptions of government agencies, corporations and private persons and entities:

FIRB RESOLUTION No.	SUBJECT	DATE
1 — 88	Phil. Crop Insurance Corp.	15 November 1988
2 — 88	Light Rail Transit Authority	15 November 1988
3 — 88	National Electrification Administration	15 November 1988
4 — 88	Home Development Mutual Fund	15 November 1988
5 — 88	Local Water Utilities Administration and Phil. Association of Water Districts under P.D. No. 198	15 November 1988
6 — 88	Filipino Inventors Society and Filipino Inventors Solidarity Thru Christian Brotherhood under R.A. No. 3850	16 November 1988
7 — 88	Rural Banks be granted tax credits	16 November 1988
8 — 88	Small and Medium scale exporters be granted travel tax exemptions under E.O. No. 283.	24 November 1988

DEPARTMENT OF FINANCE

Organizational Chart



SECRETARY

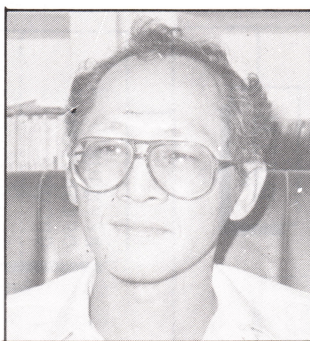


VICENTE R. JAYME
Secretary

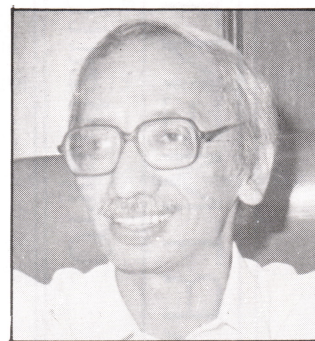
UNDERSECRETARIES



VICTOR S. MACALINCAG
Undersecretary
Domestic Finance Group (DFG)



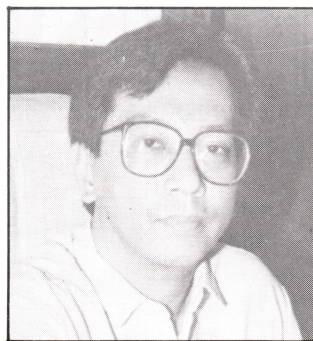
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International Finance Group (IFG)



RAMON K. KATIGBAK
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MARCELO N. FERNANDO
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Assistant Secretary



ANGEL Q. YOINGCO
Assistant Secretary



RICARDO T. KWEK
Assistant Secretary



JUANITA D. AMATONG
Assistant Secretary

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(Concurrent)
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Chief Hearing Commissioner
Central Board of Assessment Appeals

VICENTE R. JAYME
Chairman
Fiscal Incentives Review Board

JORGE C. ABADA
President
Philippine Crop Insurance Corp.

JESUS M. TANEDO
Exec. Vice-President
Philguarantee

ADELITA A. VERGEL DE DIOS
Commissioner
Insurance Commission

SALVADOR MISON
Commissioner
Bureau of Customs

JOSE U. ONG
Commissioner
Bureau of Internal Revenue

ROSALINA S. CAJUCOM
National Treasurer
Bureau of the Treasury

LORINDA M. CARLOS
Director
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