

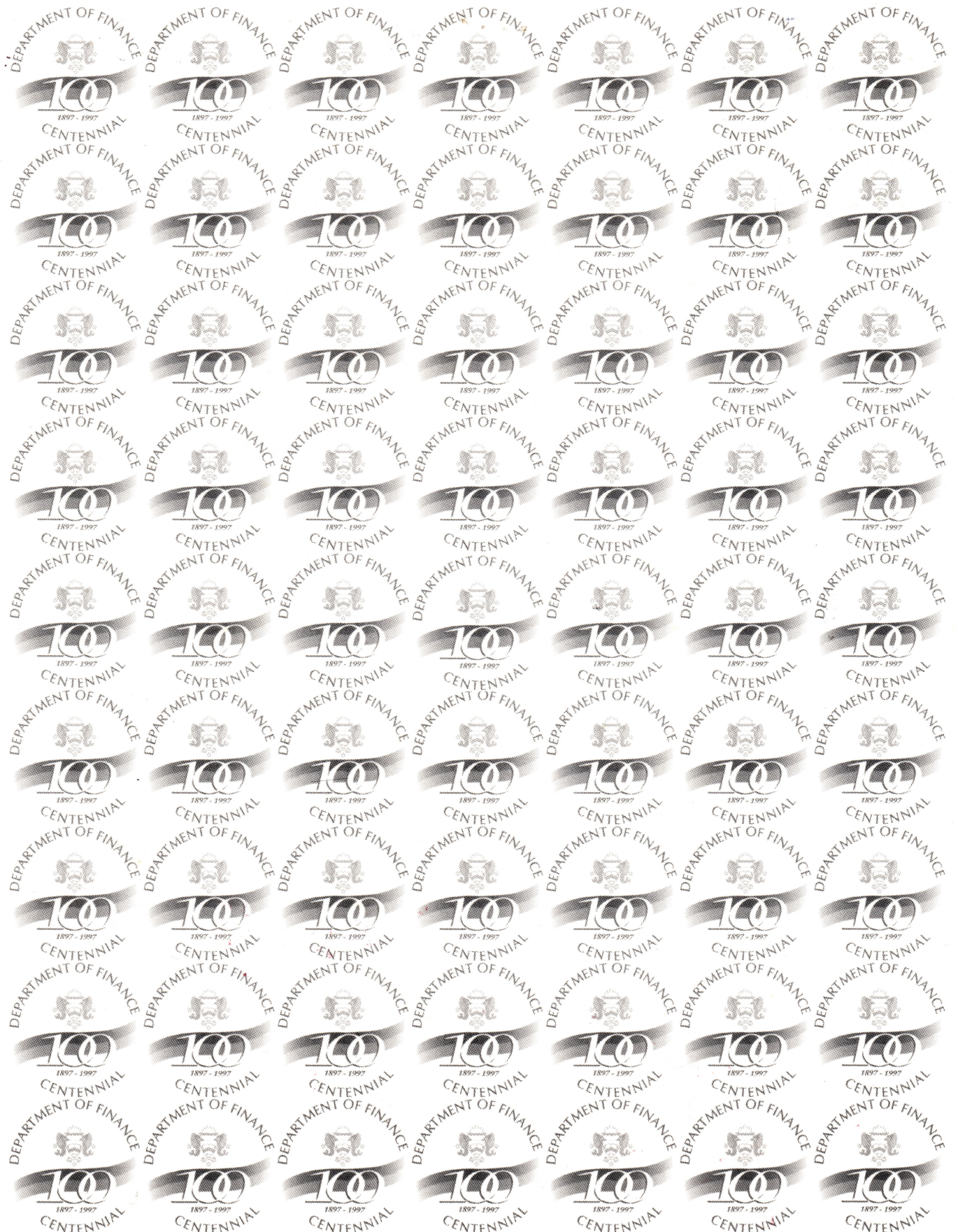
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# Annual Report 1997



The Department of Finance  
celebrates its 100th Year









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## DOF Mandate

Under Executive Orders 127, 127-A and 292, the Department of Finance is responsible for the following:

1. Formulation, institutionalization and administration of fiscal policies in coordination with other concerned subdivisions, agencies and instrumentalities of the government;
2. Generation and management of the financial resources of government;
3. Supervision of the revenue operations of all local government units;
4. Review, approval and management of all public sector debt, domestic or foreign; and
5. Rationalization, privatization and public accountability of corporations and assets owned, controlled or acquired by the government.





## Letter to the President

His Excellency  
President Fidel V. Ramos  
Malacañang, Manila

Dear Mr. President:

I have the honor to submit the 1997 Annual Report of the Department of Finance and its attached agencies and bureaus.

The report highlights the accomplishments of the Department and its modest contributions to help Government ensure a steady growth amidst the currency turbulence that undermined Asian economies during the year. I am pleased to note that the prudent fiscal policy we imposed was a key element in our economic strategy that helped us prevent a further deepening of the crisis in the domestic economy.

However, we would like to emphasize that none of our accomplishments would have been possible without the support of Your Excellency. Thus, on behalf of the officials and employees of the Department and its attached bureaus and agencies, I would like to extend to Your Excellency our sincerest appreciation and deepest gratitude. Your strong leadership inspired us to move forward and transform the difficulties into challenges which, in the process, gave us more vigor in pursuing our vision for our country and our people.

As we enter a new millenium, we commit ourselves into continuing the fiscal discipline that we have learned from lessons of the difficult times in the past. We assure Your Excellency that in 1998, as we did in 1997, we will keep our fiscal house in order.

Very truly yours,

A handwritten signature in black ink, appearing to read "Roberto F. de Ocampo", is written over a horizontal line.

ROBERTO F. DE OCAMPO

Secretary





## Message from the President

Republic of the Philippines  
Malacañang, Manila

Through the last century, the Department of Finance has stood as a strong pillar of Filipino nationhood. It has assured a stable base of revenues that allowed government to function well and bring our people closer to a life of freedom and justice, prosperity and peace. These were the virtues that inspired our founding fathers to throw out the yoke of colonialism and establish Asia's first republic.

Today, much of the legitimacy our government enjoys derive from the robust performance of our economy and the great sense of optimism this engenders among our people. The contributions made by the Department of Finance have been crucial to our economic recovery.

In addition to its brilliant handling of the debt problem, the DOF has played a leading role in the market-oriented reform program that has restored the vibrance of our economy.

Through fiscal prudence, the DOF has achieved four consecutive years of budget surpluses. These surpluses are key ingredients in bringing down inflation and interest rates, as well as reducing dependence on borrowing.

Beyond assuring a stable fiscal environment conducive to economic growth, the DOF has also played a lead role in the privatization program and in preparing the financial packages for our infrastructure program. The Department has helped in the liberalization of our financial system and in the reform of our capital markets. Most recently, the DOF spearheaded the modernization of our tax system, assuring our government of a predictable revenue base that encourages long-term planning for our economy.

It is most fitting that as the Department of Finance celebrates its centennial, the country is preparing to exit from the supervision program of the International Monetary Fund. As we exit from the IMF, there will be much reason to celebrate. We will, after all, be moving to a higher level of economic independence. We will prove to all that even without the IMF's carrots and sticks, we are capable of doing what needs to be done to assure the basic stability of our economy and financial system.

Next year, on the centennial of our nationhood, my term as President of the Republic ends. I am happy to note that this administration will conclude on a note of great optimism about our nation's economic prospects.

With dedicated and competent people in government, I will end my term with little anxiety in my heart. I am sure that in the forthcoming period, the Department of Finance will continue the excellent work you have been doing.

Mabuhay ang Department of Finance!

A handwritten signature in black ink, appearing to read 'F. Ramos', written over a horizontal line.

FIDEL V. RAMOS  
President  
Republic of the Philippines





## Message from the Secretary

I am pleased to note the accomplishments of the Department and its attached agencies and bureaus in 1997, especially in helping Government ensure a steady economic growth despite the difficulties brought about by the currency crisis that swept through Asia during the year.

We pursued a prudent fiscal policy with the end in view of maintaining a strong fiscal foundation. Thus, coupled with sound monetary management, our fiscal discipline resulted in a relatively stable financial environment. Inflation rate averaged 5.1 percent while the bellwether 91-day Treasury bill rate averaged 13.1 percent.

The highlight of our fiscal program in 1997 was the enactment of the last component of the Comprehensive Tax Reform Program (CTRP) through R.A. 8424, which assures for the National Government a long-term sustainable source of revenues. The enactment into law of the CTRP also removed one major hurdle in the country's exit from the IMF.

During the year, we also reinvigorated our savings mobilization program with the implementation of a merit-based regulation for the stock market, a more neutral and investment-friendly tax system for financial instruments and transactions, a computerized stock market information and trading network for regional cities, and the issuance of longer maturities for Treasury bonds. The country's first ever 20-year fixed rate Treasury bond had its maiden offering in April 1997, establishing for the country an extended yield curve (the longest in Asia) and benchmark which the country's financial market now functionally uses to price their financial instruments and products.

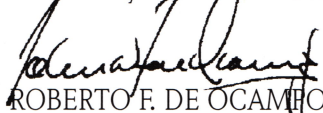
These are but some of the significant steps we took in 1997. There are still a number of measures, in the implementation of which the Department played a major role. This Annual Report puts on record these contributions of the Department.

Let it be said, however, that 1998 will be an even more difficult year for our economy and our people. It will require us to be more vigilant and to adopt swift policy responses to international economic disturbances. It will require us to monitor closely the movements of domestic and international economic indicators to ensure that emerging problems are nipped in the bud and adequate adjustments are made by economic sectors before problems spill over and spread.

I am confident the Department will rise to the challenges of the times. The lessons we learned in the past years will enable us to weather the passing storm and come out of it strengthened rather than weakened.

Finally, I wish to express my sincerest appreciation to all the officials and employees of the Department and its attached agencies and bureaus for their support and cooperation in 1997 as well as in the past few years since 1994.

Thank you and MABUHAY!

  
ROBERTO F. DE OCAMPO  
Secretary



# *The DOF: Celebrating a Proud History...*

## Timelines

1897

The Department of Finance was established at the same time that the Revolutionary Government was founded in Naic, Cavite; General Baldomero Aguinaldo was appointed Director of Finance by General Emilio Aguinaldo.

The Finance Director became the Secretary of the Treasury under the first constitutional republican government — the Biak-na-Bato Republic.



*Baldomero Aguinaldo*

1901

The Department of Finance and Justice was formally organized by virtue of an act passed by the Civil Service Commission headed by William Howard Taft. Gregorio Araneta was the first Filipino appointed as Secretary of Justice and Finance.



*Gregorio Araneta*

1916

The Philippine Legislature passed Reorganization Act No. 2666, which divided the Department of Finance and Justice into two independent departments.

1917

The Philippine government established a formal budget system, six years before the federal government of the United States had its own.

1919

The Philippine Legislature passed Act No. 2833 otherwise known as "The Philippine Income Tax Law".

1936

The DOF functions relative to the formulation and preparation of the National Government budget were transferred to the newly-created Budget Commission. The preparation of income and resource estimates remained with the Department.

1939

The National Internal Revenue Code was enacted through Commonwealth Act No. 466.

1942

The Japanese authorities imposed various sales and luxury taxes and printed Japanese war notes to finance government operations interrupted by war.





1949

Creation of the Central Bank. DOF Secretary Miguel Cuaderno relinquished the Finance portfolio to Pio Pedrosa to serve full time as first CB Governor.



*Miguel Cuaderno*



*Pio Pedrosa*

1951

The passage of new tax measures under Secretary Aurelio Montinola helped achieved a balanced budget from 1952 to 1954.



*Aurelio Montinola*

1955

Under the stewardship of Secretary Jaime Hernandez, the DOF caused the issuance of bonds up to P1.0 billion to finance a massive economic development program.



*Jaime Hernandez*

1957

The DOF spearheaded the passage of the Tariff Act, improving revenue generation for government and protecting the growing industrial sector.

1959

The Government pursued an overall stabilization program to curb the growing government deficits, which resulted from massive spending on the three year economic development program that lasted from 1955 to 1958.

1960

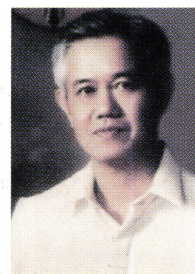
The National Government succeeded in stabilizing fiscal operations with the imposition of a margin levy of not more than 40% on the sale of foreign exchange.

1970

The export tax law was enacted to check the worsening balance of payments problems.

1978

The Department was transformed into a Ministry of Finance under a parliamentary form of government. Minister Cesar E.A. Virata, concurrently Prime Minister, continued to be at the helm of the Finance portfolio since assuming the post in 1970.



*Cesar Virata*

1970-1985

As government policy turned increasingly interventionist in the economy, the Ministry became the voice of caution. It spearheaded the creation of inter-agency committees to rationalize the otherwise free-for-all system of allocating government resources. The Investment Coordination Committee (ICC) was created to rationalize government investments, the Government Corporate Monitoring and Coordinating Committee (GCMCC) to reform the government corporate sector, and the Fiscal Incentives Review Board (FIRB) to reverse the proliferation of fiscal incentives.

1983

The international debt crisis erupted with the Philippines following Mexico as a debt rescheduling country. A standstill arrangement forestalled further drain of the country's balance of payments.



1986

The Department formulated and implemented a Tax Reform Program which included the introduction of the 35% single tax rate for corporations.



*Jaime Ongpin*

1987

The Ministry of Finance was reverted to a Department following the ratification of the 1987 Constitution which provided for a presidential form of government. Accordingly, the Department was reorganized and its organizational structure, distribution of powers and functions and coordination mechanisms streamlined.

1988

The Value Added Tax was introduced and replaced a complicated sales tax structure.



*Vicente Jayme*



*Jesus P. Estanislao*

1993

The macroeconomic environment vastly improved after the Economic Stabilization Program of 1991 and 1992. For this feat, the Philippines returned to the international voluntary markets after more than a decade of absence. The DOF spearheaded the re-entry with a \$150 million Eurobond issue.



*Ramon R. del Rosario, Jr.*



*Ernest C. Leung*

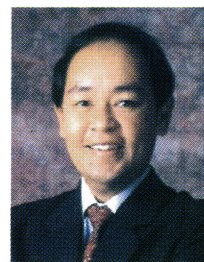
1994

Through better resource allocation and cash management by the DOF, the National Government posted a budget surplus of P16.3 billion, the first in twenty years.

1995

The National Government sustained its strong fiscal position, posting a second consecutive budget surplus. Fiscal stability helped contain inflation at a single-digit, notwithstanding the rice crisis that hit the country during the second semester.

Secretary Roberto F. de Ocampo was voted "Finance Minister of the Year" by the prestigious Euromoney magazine "for presiding over the least expected recovery of an Asian economy". He was likewise chosen "Man of the Year" by Philippine Graphic magazine for his substantial role in bringing the Philippine economy to greater heights.



*Roberto de Ocampo*

1996

The Philippines was hailed as "Asia's Newest Tiger" by various international credit institutions for its sound fiscal and monetary conditions.

The National Government recorded a budget surplus for the third consecutive year and the public sector generated its fiscal surplus since the sector started to be monitored in 1985.

Two of the components of the Comprehensive Tax Reform Program restructuring tax on the downstream oil industry and the shift from ad valorem tax to specific tax on "sin" products were enacted into law.

The Philippines made a successful re-entry to the Samurai Bond Market after 15 years of absence.

The DOF spearheaded the successful conclusion of Brady Exchange Program eventually earning for the Philippines the award of "International Borrower of the Year" by the prestigious International Finance Review.

1997

The National Government was able to post its fourth consecutive budgetary surplus despite the currency turmoil that plagued East Asia.

The individual and corporate income tax component of the Comprehensive Tax Reform Program was finally enacted into law after months of fierce Congressional debates.



# Centennial Celebrations



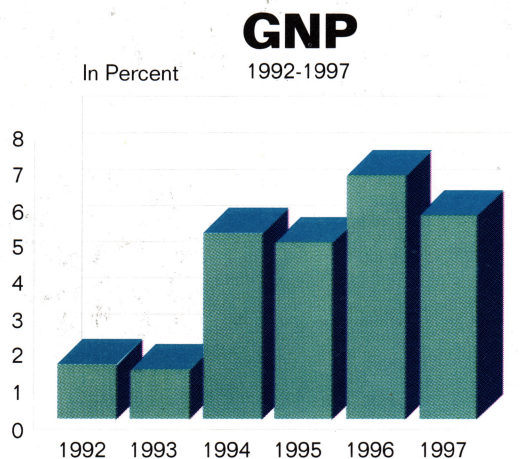


# ...Building a Solid Future

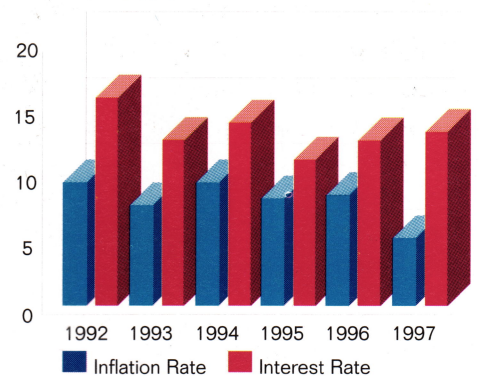
## Sustaining Economic Growth

The year 1997 turned out to be a challenging year for the Philippine economy. The domestic economy was well on its way to achieving another banner year until it was derailed by the currency turmoil in East Asia and the El Niño phenomenon. Despite these setbacks, the economy managed to sustain its growth momentum as it posted real GNP growth of 5.8 percent in 1997, a slight deceleration from the 6.9 percent growth registered in 1996.

Exports and investments continued to spur economic growth, a clear manifestation that the domestic economy has finally freed itself from the traditional boom-bust growth regime. Total exports grew significantly by 23 percent with the electronics sector leading the pack with a hefty 30.7 percent growth. The favorable peso-dollar exchange rate during the second half of 1997 as well as improvements in productivity and competitiveness fueled the export surge. Likewise, the creation of special economic zones for light industrial products, machineries, and electronic goods; liberal foreign investment regime; duty exemptions on imported inputs used in exports; and improvement in customs administration effectively sustained the growth



**Interest Rates & Inflation**  
In Percent      1992-1997



of the export sector. Growth in investments declined to 9.8 percent from the previous year's growth rate of 15.6 percent owing to the uncertainties in the financial market and the steep rise in interest rates. However, fixed capital investments remained strong, growing by 11.9 percent.

Despite the sharp depreciation of the peso and higher interest rates, prices did not escalate, even posting a lower than projected average inflation rate of 5.1 percent, the lowest in a decade. The low inflation figure was due to the following factors: increased competition, sufficient production and supply of food commodities, cautious liquidity management aided by a strong fiscal position, price monitoring efforts of the government and wage restraint. The adequate supply of staple commodities such as rice and corn helped ease the upward pressure on the consumer price index.

The tight liquidity adopted by monetary authorities to curb speculative attack on the peso pushed up the interest rates on 91-day Treasury bills in the fourth quarter, surging to 18-20 percent level. But the stable financial market and the lower average rates for T-bills during the first three quarters pulled down the year-end average to 13.6 percent.

Amidst the projected slowdown of East Asian economies, investor confidence in the Philippines



remained upbeat as reflected by the heavy inflow of investments during the year. This perception further enhanced the reputation of the Philippines in the international credit market. Various international credit rating agencies upgraded the country's credit rating in recognition of its prudent economic management. Both Moodys, Standard and Poors and Duff and Phelps gave the country a credit upgrade to one notch below investment grade while the Japanese Credit Rating Agency upgraded the country to two notches above investment grade. These credit rating upgrades were significant in that they enabled Philippine borrowers to tap international sources of funding at a lower cost.

## Fiscal Management

The consolidated public sector financial position (CPSFP), which is the combined financial position of all government entities, posted a deficit of P22.9 billion, a reversal from the P7.26 billion surplus registered in 1996. The deficit was equivalent to 0.9 percent of GNP as against 0.3 percent in 1996. The deficit was accounted for by higher interest expense and capital expenditures incurred by GOCCs, mainly National Power Corporation, expenditures related to the El Niño phenomenon to maximize agricultural support, CB restructuring transactions, drastic decline in the GFIs

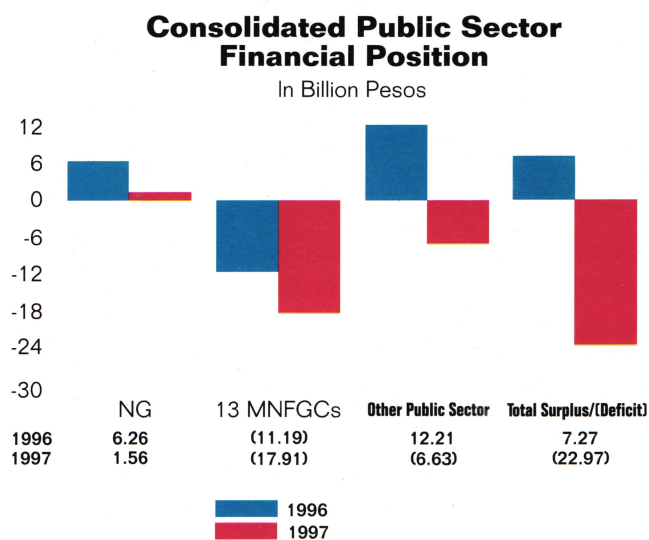
surplus with the exclusion of PNB and the lower than targeted NG surplus.

Sound fiscal management enabled the NG to generate a modest cash budget surplus of P1.5 billion in 1997. The surplus was realized despite lower than projected revenue collections, the delayed passage of a major tax legislation (the CTRP was signed December 12, 1997 but was slated to take effect January 1, 1998) and the continued fall of the average tariff rate in line with the government's tariff restructuring program. The fiscal system was bolstered by the implementation of the excise tax reform.

Total revenues reached P471.8 billion while expenditures totaled P470.4 billion. Despite the shortfall in the collections of BIR and BOC during the year, the higher dividend contributions of government-owned and controlled corporations (GOCCs) to the National Government, stronger performance of the Bureau of the Treasury (BTr) and higher privatization receipts made up for the shortfall. BTr exceeded its target by P22.7 billion as it was able to generate P9.7 billion from investment income. Privatization generated P9.4 billion on the strength of the contributions made by PCGG and BCDA which amounted to P2.7 billion and P4.2 billion, respectively.

Interest payments grew only slightly by 1.9 percent due to lower interest rates and stable exchange rate which prevailed in the first half of the year. Modest cuts in equity and tax expenditures eased the pressure on expenditures. Personal services grew by 27.6 percent as the final phase of the Salary Standardization was implemented.

The slight cutback in expenditures did not dampen the inflow of resources to important priority sectors. Economic services which include power and energy, agriculture and trade and industry cornered 44.8 percent of the total public sector expenditures. The social services sector was allotted 25.3 percent of which education and health services captured the biggest portion with an allotment of P93.5 billion and P17.5 billion, respectively. The share of general public services rose to P102.3 billion from P79.6 billion in 1996 although its share to total expenditures declined.





# Resource Mobilization

The slack in general economic activities dimmed the prospects of higher revenue collection performance. In 1997, the NG posted total revenues of P471.8 billion, 15 percent higher than the previous year's level, but P11.5 billion below the program originally set at P483.4 billion.

## Tax revenues

Tax revenues reached P412.2 billion in 1997, up by 20.7 percent from the previous year's collection level of P367.9 billion. While collections exceeded that of 1996, it was P35.8 billion short of the program.

The lower than programmed GDP growth and confusion in the implementation by BIR of a revised tax payment scheme were the major reasons for the underperformance in internal revenue collections.

BOC's aggregate collections declined by P9.8 billion to P94.8 billion from P104.6 billion in 1996. The drastic drop in collections was expected midway through the year on account of the decline in average tariff rate and slower import growth due to the peso depreciation.

On the aggregate, while total collections were below the projection, the tax revenue-GDP ratio gained slightly, from 16.1 percent to 16.2 percent.

## Non-tax Revenues

Non-tax revenues reached P59.7 billion in 1997 compared with P42.6 billion in 1996. Proceeds from privatization surged by 68.4 percent in 1997, reaching P9.6 billion from P5.7 billion in 1996. Income collected by the BTr rose in 1997 to P35.4 billion from P24.6 billion the previous year. A substantial part of the increase was due to jump in interest income to P14.7 billion from P3.5 billion in 1996. The National Government's share in the income of PAGCOR, NAIA Profits, Airport Terminal Fee, DFS income and other GOCCs contributed P8.1 billion in 1997, further boosting the non-tax revenue account.

Despite the absence of upward rate adjustments to cover the costs of administration, revenues from fees and other charges exhibited a moderate increase of 14.5

## Cash Budget, 1996-1997

In Billion Pesos

	1996	Program 1997	Actual
Revenues	410.5	483.4	471.8
Tax Revenues	367.9	448.0	412.2
BIR	260.8	334.5	314.7
BOC	104.6	110.8	94.8
Other Offices	2.6	2.7	2.7
Non-Tax Revenues	42.6	35.4	59.7
BTR Income	24.6	12.7	35.4
Fees & Charges	10.8	11.4	13.2
Privatization	5.7	10.5	9.4
Others	0.9	0.7	0.0
Grants	0.6	0.1	1.7
Expenditures	404.2	470.4	470.3
Surplus	6.3	13.0	1.6

percent in 1997. Foreign grants more than doubled, reaching P1.7 billion in 1997 as against P0.6 billion in 1996.

## Domestic Borrowing

The National Government reduced its gross securities flotation to P438.9 billion from P493.2 billion in 1996. The issuance of Treasury bills declined by P65 billion. This was done intentionally in favor of new issues with longer maturities in order to deepen the financial market, prevent frequent roll-over of issues and prevent high borrowing costs. Thus, the 10-year Fixed Rate Treasury Bonds gained ground as flotation doubled, reaching P14.8 billion in 1997 as against P7.6 billion in 1996.

The offering of 20-year fixed-term treasury bonds (FXTBs) effectively lengthened the debt maturities of the National Government. The flotation established for the country an extended yield curve (the longest in Asia) and benchmark which the financial market now uses to price their financial instruments.

## External Borrowing

In 1997, the DOF negotiated for 26 loans totaling US\$1.8 billion to secure financing for development projects. These include US\$1.16 billion (Y124.2 billion) from the Overseas Economic Cooperation Fund (OECF) of Japan, US\$366.6 million from the Asian Development Bank (ADB), US\$160 million (Y20.8 billion) from the Export-Import Bank of Japan, and US\$56 million from the World Bank. These loans



financed projects which focused on efforts to address the adverse effects of the El Niño phenomenon, sustain economic development in the Special Zone of Peace and Development (SZOPAD) areas in Mindanao, improve the country's environmental management capability, and increase involvement of local government units in the implementation of projects.

## The Comprehensive Tax Reform Program

Through the years, government revenues were enhanced via constant legislation of new revenue measures, borrowings and sale of government assets in order to make up for the inadequate revenue collections under the existing tax system. The inadequacy of the tax system arose from complex and cumbersome tax administration as well as the existence of high and multiple tax rates. The need for a long-term and sustainable source of revenue becomes more pronounced during periods of economic difficulties when revenues are eroded. Against this backdrop, the DOF, in consultation with experts from the academe and business community, designed a comprehensive tax system known as the CTRP to correct structural flaws in the existing tax system thus ensuring a healthier fiscal position in the long-run.

The structural change in the tax system included R.A. 8184 or the Restructuring of the Excise tax on Petroleum Products and R.A. 8240 which shifted the taxation of the so-called "sin" products from ad valorem tax to specific tax. The former law is a complementary measure to R.A. 8180 which deregulated the downstream oil industry. These laws comprised the first two components of the CTRP passed earlier in 1996.

After several months of long, tedious and intensive studies and deliberations, the individual and corporate income taxation, the third component of the CTRP, was finally enacted into law through R.A. 8424 on December 12, 1997. The legislation of the CTRP also paved the way for the country's exit from the tutelage of the International Monetary Fund (IMF).

An important feature of the CTRP is its pro-poor provisions. Taxpayers living below the poverty threshold of P66,529 are exempt from the income tax. Personal and additional exemptions are increased substantially and marginal tax rates are lower. A family of six, for instance, is entitled to a maximum exemption of P98,400 broken down as follows: P32,000 each for the married couple, P8,000 each for four qualified dependents and additional maximum deduction of P2,400 for premium payments for health and/or hospitalization insurance.

The salient features of the CTRP are: (a) lower tax burden for the majority of the taxpayers through increased personal and additional exemptions. Personal exemption for single taxpayers increased to P20,000 from P9,000, for head of the family P25,000 from P12,000 and for married individuals P32,000 from P18,000. Additional exemption of P8,000 each for qualified dependent (maximum of 4 dependents), (b) simplified tax rates ranging from 5 percent for taxable income not over P10,000 to 34 percent for income over P500,000 and consisting of 7 brackets, and (c) phasedown in income tax rates for corporations starting 1998 at 34 percent, 33 percent for 1999 and 32 percent for 2000 and thereafter.

Part of the CTRP package include reforms in capital gains tax, re-imposition of a dividends tax, adoption of minimum corporate income tax, tax exemption of overseas income of non-resident citizens, limitation on the deductibility of interest expense, imposition of tax on interest income from FCDUs of residents, among others.

### Major Features of the Comprehensive Tax Reform Program

#### 1. Personal and Additional Exemption

##### 1.1 Personal Exemption

	Old	New
Single	P9,000	P20,000
Head of Family	P12,000	P25,000
Married (each)	P18,000	P32,000

##### 1.2 Additional Exemption

	Old	New
Per Dependent (maximum of 4 dependents)	P5,000	P8,000

#### 2. Corporate Income Tax

Effective January 1, 1998	34%
Effective January 1, 1999	33%
Effective January 1, 2000 and thereafter	32%



# The Government Corporate Sector

The deficit of GOCCs surged in 1997 to P17.9 billion from P11.2 billion in 1996. This was due to: 1) higher import costs and interest costs arising from peso devaluation and higher capital expenditures mainly for the Masinloc Coal-Fired, Northwestern-Luzon Transmission and Leyte-Cebu Interconnection projects, 2) lower collection by PNOC-EDC of trade receivables from the National Power Corporation, 3) procurement of sugar by the National Food Authority which was not totally disposed, and 4) acceleration of capital spending by the Philippine Ports, National Electrification Administration, and National Development Corporation.

The surplus of GFIs declined in 1997 to P3.8 billion from P8.4 billion in 1996. This was due to the exclusion of PNB's financial operations in 1997 and the lower income of DBP. The surplus of Social Security Institutions was significantly lower at P3.8 billion compared to P8.4 billion in 1996. The contraction was a result of the delay in the remittances of employers' share in premium contributions to GSIS and a sharp decline in SSS investments in government securities.

Net transfers from the National Government to GOCCs were notably lower in 1997, registering only P14.1 billion compared with last year's level of P18.6 billion due to lower NG shares in DFS receipts arising from lower DFS net sales, higher net lending releases to GOCCs and minimal increase in subsidy releases. However, the lower net transfers to NG was partly offset by higher privatization proceeds and lower equity releases.

## Fiscal Position of 13 Major Non-Financial Government Corporations

In Billion Pesos

	1996 Actual	1997 Program	1997 Preliminary
Total Receipts	113.66	135.21	115.56
Current Expenditures	93.26	104.54	95.86
Capital Expenditures	31.60	39.99	37.61
Internal Cash Generation	20.40	30.67	19.70
Financing Surplus/(Deficit)	-11.19	-9.32	-17.91

## Government Corporate Sector Fiscal Position

In Billion Pesos

	1996 Actual	1997 Program	1997 Preliminary
GOCCs	-11.19	-9.32	-17.91
GFIs	8.44	3.34	4.34
SSIs	8.48	5.88	3.86
<b>Total</b>	<b>5.73</b>	<b>-0.10</b>	<b>-9.71</b>

Foreign borrowings contracted by GOCCs and guaranteed by the National Government in 1997 totaled P17.9 billion and included the bond flotation by NPC of Goldman Sachs Long-dated Yen Private Placement Bonds, NPC power grid project, PNOC-EDC Northern Negros Geothermal Project and PPA Detailed Engineering Studies for Batangas Port Development Project Phase II.

## Public-Private Sector Partnership

### Privatization Program

The government's privatization program has enhanced the role of the private sector in the economy. Similar to other countries undergoing privatization, the program has helped improve the economy's investment climate by stimulating and attracting both foreign and local investments, broadening ownership base and generating revenues for government.

As of December 31, 1997, total cumulative revenues generated from privatization and divestment of assets/corporations amounted to P184.1 billion, as shown below:

	No. of Accounts	Total Proceeds
GOCCS	98	P75.4 billion
Transferred Assets	343	44.6
Surrendered Assets	9	23.9
Fort Bonifacio	1	39.2
Other Assets	1	1.0
<b>Total</b>	<b>452</b>	<b>P184.1 billion</b>

For the same period, privatization proceeds remitted to the National Treasury reached P114.2 billion.



Majority of the proceeds of the sales were used to finance vital government projects such as the Comprehensive Agrarian Reform Program (CARP). They also augmented resources to finance vital infrastructure projects such as farm-to-market roads, bridges, irrigation facilities, water and power supply projects and livelihood projects, to hasten economic development in the countryside.

For 1997, actual remittances to BTr amounted to P9.6 billion, P1.67 billion higher than the remittances of P7.9 billion in 1996. The surplus was attributed to the remittance of BCDA from the sale of Fort Bonifacio property of P4.1 billion and the remittance of PCGG from the sale of assets of P2.5 billion.

A significant privatization program undertaken in 1997 was the MWSS privatization which was awarded to two proponents—Benpres Holdings and Ayala Corporations—for close to US\$6.5 billion.

### **The Philippine BOT Program**

The impressive growth of the Philippines over the last five years has created massive demand for better infrastructure support. Annual budgetary appropriations remain insufficient to address various development efforts, opening up opportunities for innovative project financing schemes. The heavy infrastructure demand of a growing economy provided the impetus for government to actively seek partnership with the private sector in creating the Build-Operate-Transfer (BOT) Scheme. The Scheme allows various modes of private sector participation in infrastructure development.

To attract greater private sector participation in the BOT Scheme, the government provides a guarantee policy to private undertaking of large projects with high costs and long payback periods. In some instances, it provides equity infusion and government guarantees to private investors.

Since its inception in 1994, private sector involvement has become a major catalyst of infrastructure development in the country. The success of the BOT Scheme in the Philippines has transformed it as a model of government-private sector partnership for other developing economies.

In 1997, infrastructure development was heavily concentrated in power, energy, and toll road sectors. Among these projects are: the San Roque Multi-Purpose Project of the National Power Corporation estimated at US\$789 million in project cost, Metro Manila Skyway (Stage I) worth US\$361 million, Manila-Cavite Toll Expressway valued at US\$250 million and Light Rail Transit Line No. 3 (MRT 3) with cost of US\$655 million.

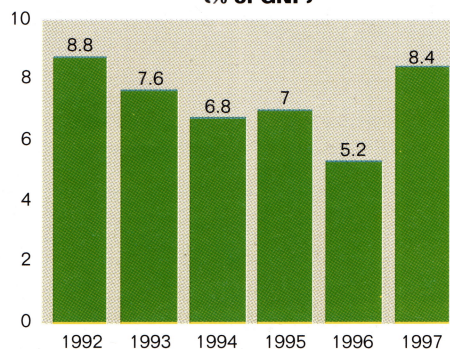
## **Debt Management**

### **National Government Debt**

As a result of the National Government surplus and prudent cash management, the National Government's debt outstanding, as a percentage of GNP, declined from 48.6 percent in 1996 to 42.9 percent in 1997. However, the ratio of NG's debt service to GNP rose from 5.2 percent to 8.4 percent as the peso depreciation and the hike in interest rates combined to increase debt service expense. Principal payments almost doubled, increasing by 20.2 percent of expenditures as against 10.6 percent in 1996.

Net domestic borrowings tapered down in 1997 to P20.2 billion from P49.3 billion in 1996, reflecting the absence of crowding out effect on private investors.

**National Government  
Debt Service  
(% of GNP)**



### **External Debt**

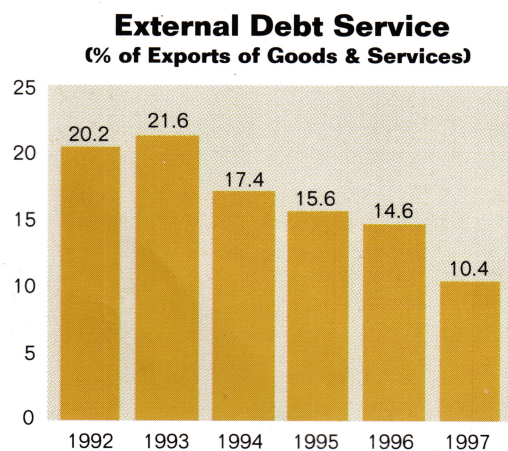
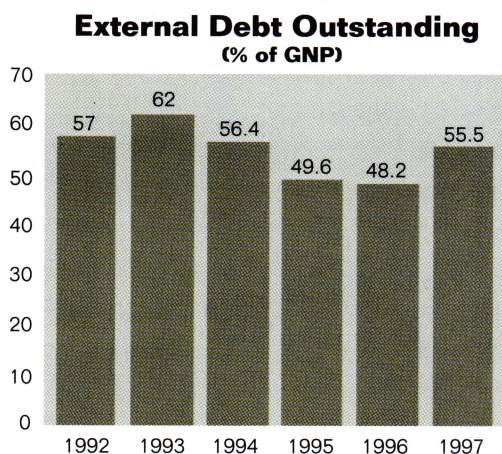
As of end December 1997, the country's outstanding external debt stood at US\$46.4 billion, 14.7 percent higher than the previous year's level. However, external



debt service, as a percentage of exports, declined to 10.4 percent from 14.6 percent in 1996, reflecting the country's stronger capacity to service its external debt. As a percentage of GNP though, external debt was higher at 55.5 percent from 48.2 percent in 1996.

Since economic growth was solidly backed by outstanding performance in exports and investments, the country's credit rating continued to receive credit rating upgrades.

Moodys, Standard and Poors and Duff and Phelps gave the country a credit upgrade to one notch below investment grade while the Japanese Credit Rating Agency upgraded the country to two notches above investment grade. These credit rating upgrades were significant in that they enabled Philippine borrowers to tap international sources of funding at a lower cost.



## Capital Market Development

The Department played a pivotal role in providing advisory services relative to the development and implementation of capital market reforms. It likewise enhanced its internal capacity through which reforms can take place. Paramount in these reforms was the development of asset-backed securitization (ABS) in the Philippines, which exhibited potentials to greatly enhance liquidity in the housing, consumer and infrastructure finance sectors.

The development of ABS took a leap when the APEC Core Group met in Kuala Lumpur in September and December to help draft a cross-country report on securitization in coordination with the Asian Development Bank (ADB).

The government's strong fiscal position and lower domestic interest rates in the first quarter made possible the successful maiden offering of the country's first-ever 20-year fixed-term treasury bonds (FXTBs) in April 1997. The flotation established for the country an extended yield curve—the longest in Asia—and benchmark which the country's financial market now functionally uses to price their private financial instruments and products.

In 1997, the electronic linkage of Registration of Scrippless Securities (RoSS) with Government Securities Eligible Dealers (GSEDs) was operationalized. The RoSS is an electronic system to officially register the ownership of scrippless or uncertified securities from the time of origination through redemption. The system ensures transparency in the government securities market and will help sustain investors' confidence in the integrity and efficiency of the market. With the computerization, trades are now electronically reported to RoSS without need for paper documentation.

The Securities and Exchange Commission instituted regulatory reforms in the equities market in line with the principles of self-regulation and full disclosure. The temporary self-regulatory organization status of the Philippine Stock Exchange, however, expired on February 8, 1997. Under the full disclosure rules, all



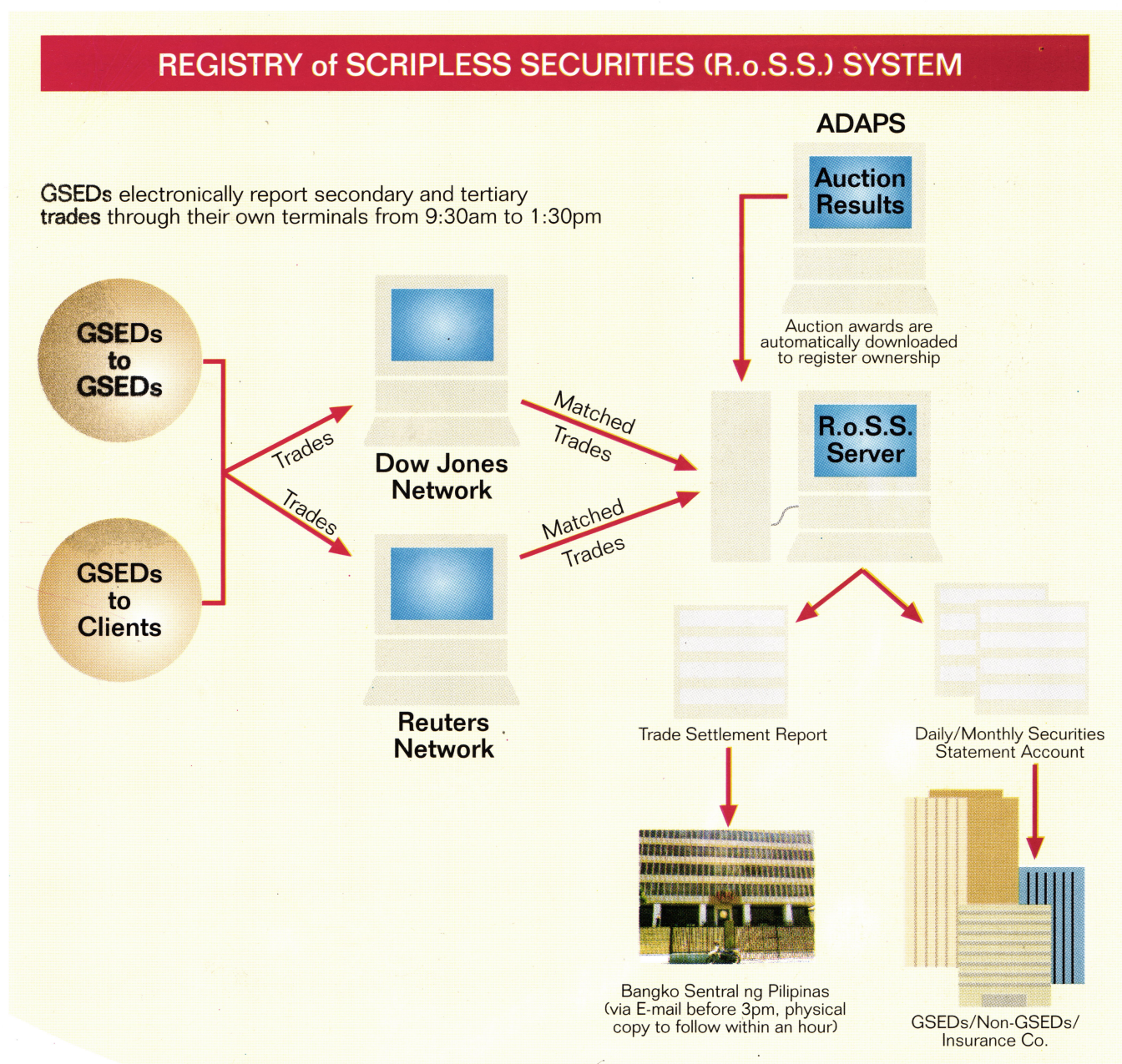
material and necessary information about the issuer of securities are disclosed in order to protect the interest of investors.

To widen the securities investor base, SEC proposed a new Initial Public Offering (IPO) scheme through the development of an IPO distribution process. The new scheme was seen to lead to a wider dispersal of IPO shares at more competitive prices. A significant development in the distribution process was the allocation of 10 percent of the total IPO shares to local small investors or buyers whose subscription will not exceed P20,000 each.

The DOF also pushed for the amendments of

securities-related laws to pave the way for greater foreign investment participation. These are: the Revised Investment Company Act and the Securities Regulation and Enforcement Act. Both remained pending in Congress and were slated for further deliberations.

The insurance industry also contributed a significant share in the development of the capital market. With the liberalized policies, the industry grew dramatically with the entry of new players that included four foreign insurance companies and eight domestic insurance companies. Liberalization will allow the industry to mobilize greater domestic savings and increase the rate of insured population. The dynamism of the industry





brought the total paid-up capital of the industry to over P7 billion in 1997 from P3.1 billion in 1996.

### **Housing Finance**

The Department pursued efforts to reform broad aspects of housing finance, including: (a) the rationalization of various public housing finance agencies, such as the Home Insurance Guarantee Corporation (HIGC), the National Home Mortgage Finance Corporation (NHMFC) and the Home Development Mutual Fund (HDMF); (b) development of the market for mortgage-backed securitization; (c) creation of a well-targeted low-income housing finance mechanism; (d) enhancement of the capacity of housing agencies to formulate sound and internally consistent housing policies. The said reforms were supported by a World Bank (WB) technical assistance loan.

Beyond the technical assistance loan from WB, the Department was in the forefront of developing implementing guidelines for the Multi-Window Lending System for the Unified Home Lending Program (UHLP). In addition, the DOF provided support and advisory services for key state housing agencies, such as the HDMF, HIGC, NHMFC, and the key state pension funds that contribute to housing finance—the SSS and GSIS.

Through its financial advisory and guarantee facilities, the Department ensured the uninterrupted flow of funds to the socialized housing sector in 1997, which was highlighted by the HDMF's P5 billion Yen Bond Flotation in September. The proceeds of the bond issuance, underwritten by DBP-Daiwa Securities, were used by the HDMF to finance mortgage take-outs under the UHLP program.

### **Pension Fund Reform**

The Department took the lead in considering issues on pension fund reform in 1997. Through its direct involvement in the Social Protection Coordinating Committee, as well as indirectly through its work in capital market development, the DOF has striven to raise public awareness of the need to strengthen the state pension institutions, particularly their level of benefits and balance sheets.

### **Savings Mobilization**

In 1997, the Department, as head of the National Commission on Savings (NCS), carried on significant activities geared towards realizing a higher level of domestic savings:

a. Establishment of alternative deposit instruments. The NCS spearheaded the establishment of mutual/venture growth funds to open alternative fund sources for small enterprises.

b. Strengthening the Philippine Postal Bank. The NCS supported moves aimed at transforming the Postal Bank as the primary vehicle for mobilizing deposits at the grassroots and far-flung areas. It likewise supported the revival of the Thrift Stamp Program. To ensure the success of the Program, the NCS proposed that a tie up with other banks be sought for the distribution and opening of accounts utilizing postal stamps as the main instruments for saving.

c. On-the-spot Poster Making Contests. The nationwide contest complemented the entry of the Philippines in the World Piggybank Contest held in Japan. The contest did not only help challenge the creativity of the Filipino schoolchildren but also served as an instrument in helping them better understand the value of savings;

d. The Tipid Movement. The NCS has linked with the Bank Administration Institute of the Philippines (BAIPHIL), the Girl Scouts of the Philippines (GSP) and the Kabayani Club of the DECS for the incorporation of the Tipid Movement, Inc.—a foundation which would help fulfill the objectives of the NCS.

## **Local Government Finance**

Greater fiscal autonomy and wider access to credit financing have further strengthened local government units (LGUs) financial positions, slowly weaning them away from overdependence on NG assistance.

The Local Government Code of 1991 provides LGUs a substantial share in internal revenue allotment (IRA) and in the taxes on national wealth. Likewise, the Code authorizes LGUs to access the resources of the private sector in undertaking social, environmental and infrastructure projects under the BOT concept.



To determine appropriate financing policies for LGUs, the DOF, along with members of the Investment Coordinating Committee (ICC), developed a cost sharing scheme to be applied for projects of the LGUs. The scheme, which was based on the project type and the revenue class of the LGU, has the following attributes: (a) it promotes local accountability and autonomy; (b) prescribes a framework for NG assistance on the basis of equity, externalities, and economies of scale; (c) allows the NG funding to complement IRA provisions, and (d) defines a transitional role for National Government agencies as "champions of sectoral co-financing programs". Recent projects adopting the scheme include Fisheries Resource Management Project, the Subic Bay Municipalities Infrastructure Development Project, the Community Based Resource Management and the Local Government Finance and Development Project.

The Municipal Development Fund (MDF) continues to provide soft term financing to LGU development projects. The MDF was established in 1984 by virtue of PD 1914 to operate as a revolving fund, capitalized initially from donor-sourced monies, for making loans to LGUs. A total of 126 LGUs have availed of funds for infrastructure and economic enterprises, while some 850 LGUs were extended grants to improve real property tax administration. Releases of development project funds from MDF amounted to P1.3 B in 1997.

Bond flotation can be another viable financing instrument for LGUs. Despite legal and procedural constraints, a promotional caravan on bond flotation was undertaken in coordination with the BOT Center. The activity opened new possibilities down to the municipal level. A simulation study on bond flotation proved that bonds are viable and potent as a financing mechanism although contingent costs were high. Using modest projects as models, the simulation netted positive income to LGUs because of derived additional intangibles such as employment and contingent LGU revenues generated from economic activities.

Joint fora were conducted to improve the present credit financing framework under the LGC. In this regard, the DOF, through its Bureau of Local Government Finance, prepared a phased action plan that will attempt to promote growth of the capital market.

Included in the plan are several amendatory proposals to the LGC to provide greater financing access to LGUs.

To inform LGUs of the various financing schemes available, a series of seminars was conducted in various regions in the country. The financing options were presented by the Department, the different government financial institutions, Coordinating Council of the Philippine Assistance Program (CCPAP) BOT Center, Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), Philippine National Bank (PNB), and private financing institutions.

About 2,500 participants from 65 provinces, 78 cities and capital towns and 445 municipalities benefited from the seminars. The participants consisted of provincial governors, vice-governors, city and municipal mayors, planning and development officers, sanggu-niang bayan members, and treasurers and assessors.

## DOF and Social Reform Agenda

The Department supported efforts towards poverty alleviation as Flagship Champion on Credit under the government's Social Reform Agenda (SRA). The Department utilizes the National Credit Council (NCC) as a forum to formulate and generate credit and savings policy to alleviate the economic plight of the marginalized sectors of the society.

A significant achievement of the NCC was the crafting of the National Strategy for Microfinance which was presented by the Philippine delegation during the First Microfinance Summit held in Washington, D.C. on February 4-5, 1997. The primary aim of the Strategy is to channel the flow of economic gains to the poor segments of society.

The NCC was actively involved in the passage of two important legislative bills recently signed into law: the Anti-Poverty Act and the Agriculture and Fisheries Modernization Law. These laws direct the Department to commission an independent review of the respective



mandates of government financial institutions and entities involved in credit delivery and policy.

To provide technical assistance to the NCC, the Department entered into a two-year grant agreement with the United States Agency for International Development (USAID) to finance the Credit Policy Improvement Program (CPIP). The CPIP aims to assist the NCC: 1) rationalize government-sponsored credit and loan guarantee programs, 2) modify inappropriate policies and inefficient practices in government-sponsored credit and loan programs, 3) formulate appropriate savings and credit policies, and 4) encourage the promotion and implementation of a viable alternative and sustainable private financial market.

As of December 31, 1997, seven case studies have been conducted under the CPIP, namely: 1) Establishing a data base on directed credit and loan guarantee programs; 2) Regulatory Barriers to Innovative Lending Practices; 3) Policy Barriers to Savings Mobilization; 4) Interest Rates, Subsidies, and Directed credit Programs; 5) Assessment of the Performance of Government Non-Financial Agencies Implementing Directed-Credit Programs; 6) Effect of Mandated Loan Allocation on Financial Intermediation Costs; and 7) Case Study on the Best Practices of Government Non-Financial Agencies Implementing Directed Credit Programs.

## International Initiatives

### APEC Finance Ministers Meeting

The Department hosted a number of international meetings which further boosted the country's reputation as an outstanding chair and excellent host. In April 1997, Secretary Roberto F de Ocampo chaired the Fourth APEC Finance Ministers Meeting which was hailed as a success by the participating finance ministers. The Philippine chairmanship was marked by at least three distinct characteristics. First was the close partnership with the private sector in the substantive preparations for the meeting. For the first time, representatives of the APEC Financiers Group, the Pacific Economic Cooperation Council (PECC) and APEC Business Advisory Council (ABAC) were involved even at the working group level. Second, was the Philippine leadership to go beyond plans into action. This facilitated consensus on a list of agreed collaborative initiatives which would stimulate private sector participation in infrastructure and accelerate financial and capital market development. Third was the increased frankness and sharing among the ministers about common challenges facing the region. Instead of reading prepared statements, ministers were engaged in dialogue among themselves.



*President Fidel Ramos and the Finance Ministers of APEC give the thumbs-up sign during the opening of their fourth meeting held in Cebu on April 5-6, 1997.*





*Undersecretary Ma. Cecilia Soriano fields questions at the conclusion of the Finance and Central Bank Deputies Meeting on the Asian Fund Facility or the Manila Forum. With Undersecretary Soriano are Mr. Sullivan (ADB), Mr. Fischer (IMF), Mr. Sakakibara (Japan) and Mr. Summers (USA).*

### **The Manila Framework**

In November 1997, the Department hosted and chaired a historic meeting in Manila of Finance and Central Bank Deputies to develop a concerted approach to restore financial stability in the region. The meeting resulted in an agreement on the need and desirability of establishing a framework for regional cooperation to enhance the prospects for financial stability. The framework, now popularly known as the Manila Framework, recognizes the central role of the IMF in the international monetary system and includes the following initiatives: (a) a mechanism for regional surveillance to complement the global surveillance by the IMF; (b) enhanced economic and technical cooperation, particularly in strengthening domestic financial systems and regulatory capacities; (c) measures to strengthen the IMF's capacity to respond to financial crises; and (d) a cooperative financing arrangement that would supplement the resources of the IMF and other international financial institutions.

The Manila Framework was strongly endorsed by the APEC Economic Leaders during their November 24-25, 1997 meeting in Vancouver. They also highlighted the importance of accelerating the implementation of the collaborative initiatives agreed during the APEC Finance Ministers Meeting in Cebu.

Since the Vancouver endorsement, elements of the Manila framework have been further fleshed out. On the suggestion of Secretary de Ocampo, the ASEAN



*Secretary de Ocampo joins a team of top Philippine government officials in addressing the Keidanren in Tokyo, encouraging Japanese investors to set up plants in the Philippines.*

Finance Ministers agreed on December 1, 1997 to enhance regional surveillance by establishing a permanent secretariat and tasking the Asian Development Bank (ADB) to develop the terms of reference for this purpose. The informal ASEAN Leaders Meeting in Kuala Lumpur on December 14-15, 1997 urged their finance ministers to rapidly implement the Manila Framework. On December 17, 1997, the IMF Executive Board of Directors approved the establishment of a Supplemental Reserve Facility as a mechanism to deal with crises of confidence affecting the capital account. The Manila Framework has become a historic document and is constantly referred to in various international fora for discussing the Asian crisis.

### **WTO Financial Services Negotiations**

The Department headed an inter-agency task force which formulated the Philippine negotiating position in financial services. This enabled the Philippines to submit in November 1997 an initial offer in financial services. The Philippine offer which was an improvement over its 1995 offer encouraged other ASEAN economies involved in the negotiations to submit their respective offers by December 1997. By exercising leadership in the region, the Philippines contributed to the successful conclusion of the financial services negotiations at the World Trade Organization (WTO).

### **Investment Promotion**

To counter the negative perceptions of international investors on the Philippine economy and dampen the



effects of the regional turmoil, the Department participated in investment promotion activities.

The team from the Department headed by Secretary de Ocampo presented before portfolio investors in Hongkong, Tokyo, Canada and the United States the key differences between the Philippine economy and those of its neighbors, highlighting the strong performance of the banking system, the balance of payments, the fiscal position and the structural reforms being implemented by the country. The team also made a presentation at the Keidanren Seminar in Tokyo to encourage Japanese companies to set up operations in the Philippines.



*Secretary de Ocampo meets with Chairman Nur Misuari during the Special Donors Meeting for SZOPAD in General Santos City*

## The Peace Process

The government has been successful in its peace dialogues with dissidents. Its negotiations with Muslim insurgents have led to peace accords that have brought a profound positive impact on investor confidence in southern Philippines.

### **The Special Zone of Peace and Development (SZOPAD) Social Fund Project**

Recognizing the need to sustain gains of the peace process in Mindanao, the DOF urged the support of the World Bank (WB) for possible funding of quick-disbursing small-scale social and economic infrastructure projects in the SZOPAD areas. Accordingly, the WB proposed the SZOPAD Social Fund as a mechanism through which resources are to be channeled to finance qualified projects for poor municipalities and depressed areas especially those with MNLF combatants and the *lumads* (indigenous people). The projects will be implemented by public or private agencies such as local governments, non-governmental organizations, community groups or by peoples' organizations.

Activities to be supported by the SZOPAD Social Fund include the rehabilitation and construction of drainage culverts and bridges, barangay gravel roads and municipal roads to access MNLF and *lumad* communities, fish ports and rockcauseways; rehabilita-

tion or improvement of existing communal irrigation systems; improvement, repair, expansion and new construction of community water supply facilities; construction and rehabilitation of elementary school buildings, *madrasah* (center for Koran studies), multi-purpose training centers, water and sanitation facilities and furniture; basic equipment for Barangay Health Stations and Rural Health Units; training of various leaders of community organizations, people's organizations, cooperatives, farmers and artisans, among others. It is expected that these activities will spur economic activities and uplift the conditions of the people in SZOPAD.

Initial financing of US\$10 million to finance the projects would come from the WB. The Organization of Petroleum-Exporting Countries (OPEC) Fund for International Development likewise committed an additional US\$10 million loan for the SZOPAD Social Fund. Projects to be implemented will be in collaboration with the respective government line agencies.

During the 1996 Consultative Group Meeting in Tokyo, Japan co-chaired by the Department official development assistance (ODA) in the amount of US\$400 million was committed for power, education, rural infrastructure, agriculture and road projects.

The Special Donors Meeting for SZOPAD on August 8, 1997 in General Santos City generated strong support from the international donor community and reaffirmed their strong support for the social amelioration of the victims of armed conflicts and poor commu-



nities in SZOPAD. The meeting led to the successful conclusion of US\$10 million loan for SZOPAD during the 1997 Consultative Group Meeting in Paris, France.

Through the SZOPAD Social Fund, hope has finally sprung in Mindanao after long years of stagnation and deep slumber. For its part, the DOF will continue to make a difference in the lives of the people in the South through greater mobilization of financial resources for various development efforts.

## DOF Frontline Offices

### **The Revenue Operations Group (ROG)**

The Department is not only involved with levying or imposing taxes on various economic sectors. It also promotes their development through fiscal incentives. The DOF though has become more cautious in extending preferential tax treatment, targeting only those sectors that will positively contribute to the economy. Recently, the recipients of fiscal incentives have been reduced to activities that are exporting, catalytic, and undergoing industrial adjustments.

The Revenue Operations Group plays a crucial role in lending support to activities that are entitled to tax perks granted by government. It handles the processing, advisory, verifying, clearing and monitoring functions of the DOF with respect to applications for tax or duty exemptions. These service-oriented tasks are enforced to safeguard the system against spurious claimants.

In 1997, the Revenue Operations Group processed a total of 7,292 applications and granted a total of P3.3 billion in tax and duty exemptions. This figure was significantly lower than the aggregate total of P4.7 billion in tax and duty exemptions granted in 1996. The reduction was due to the lower duty exemptions received by the National Power Corporation in 1997 which was only P264.1 million compared to P1.0 billion in 1996, and the slight drop in duty exemption to telecommunication companies, from P1.2 billion in 1996 to P981 million in 1997.

### **The Mabuhay Lane**

The Mabuhay Lane was created by virtue of Department Order No. 29-54 dated May 13, 1994 and tasked to process application for tax and duty exemption on importation of certain sectors. The rationale behind its creation was to facilitate processing of applications to a shorter period from the average 7-day processing by housing initialing officers in one area and reducing their number before papers are transmitted to the Bureau of Customs. Through the years, the target sector of the Mabuhay Lane has been expanded to include: 1) importation under Section 105 of the Tariff and Customs Code, 2) importation of capital equipment of BOI and non-BOI firms pursuant to Section 3 of R.A. 7369, 3) importation of capital equipment of qualified export-oriented firms, pursuant to Section 16(b) of R.A. 7844, 4) importation made by the Asian Development Bank, and 5) importation of contractors for the Department of Energy.

Since its initial operation on May 18, 1994, the Mabuhay Lane has earned the approval and admiration of the transacting public for its fast and efficient service. The usual 7-day processing of application for exemption has been reduced to a 24-hour processing.

In 1997 Mabuhay Lane reached another milestone. The Department formally launched the electronic tax and duty exemption system initially linking the Mabuhay Lane to the 3 major ports of the Bureau of Customs, namely, the Ninoy Aquino International Airport, Port of Manila and the Manila International Container Port. The electronic linkage has considerably reduced the processing time to 3 hours in the Mabuhay Lane and 4 days in the Bureau of Customs. The computerization process ushered in the possible emergence of a paperless transaction in the Mabuhay Lane by the next millennium.

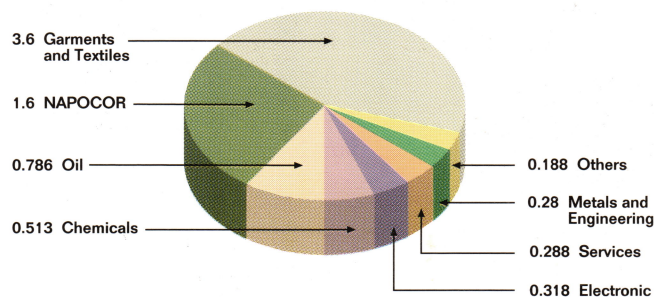
With the computerization, the number of applications processed by Mabuhay Lane swelled in 1997 to 30,469 from 25,147 in 1996.

### **The One-Stop Shop Action Center**

The One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (CENTER) continues to administer the grant of fiscal incentives in the form of tax credits and duty drawbacks to exporters. The CENTER's



### Tax Credits Granted - 1997 By Industry / In Billion Pesos



existence paved the way for the expeditious and orderly system of processing tax credits and duty drawbacks.

On the micro-level, the system benefits exporters through lower cost of exports and easier access to inputs at world prices. On the macro-level, the grant of tax credits and duty drawbacks benefits the economy through higher dollar remittance generated from export sales.

In 1997, total tax credits processed by the CENTER totaled P8.1 billion while issuances of tax credit certificates (TCCs) reached 2,903. The numbers are lower compared to those of 1996. Tax credits granted in 1996 amounted to P14.6 billion while TCCs released totaled 3,828. The decline was accounted for by the fall in the average tariff rates and the slowdown in economic activities due to the Asian currency turmoil.

On a per industry basis, garments and textiles was granted the highest amount of tax credits with P3.6 billion, followed by NAPOCOR with P1.6 billion, oil with P796 million, chemicals with P513 million, electronics with P318 million, services with P289 million, metals and engineering with P280 million, agro-based with P97 million, construction with P56 million and toys and gifts with P35 million.

The CENTER continues to accept applications for tax credits under the Export Development Act (EDA). Guidelines and procedures have been issued to implement Rule VII Section 2(c) of the said law. A Task Force was also created to verify and audit export transactions relative to Section 16, sub-sections (c) and (d) of EDA.

In 1997, the Department of Finance and the Export Development Council conceptualized the project on "The Improvement of the Duty Drawback System and the Generation and Institutionalization of the Standard Formula of Manufacture". The project was aimed at reviewing and developing systems and procedures for establishing and updating the standard formulas of manufacture leading to the standard rates in a computerized environment. To complement the project, an Information Systems Plan was formulated to eventually link the CENTER with the Bureau of Internal Revenue, the Bureau of Customs, the Garments and Textiles Export Board, the National Statistics Office, and other government agencies.

## Human Resource Development

To keep pace with the opening of the global markets and rapid change in information technology, the Department continued to pursue and strengthen its human resource development program in 1997. The program ranged from effective personnel management, judicious hiring of personnel, training and development, performance evaluation to personal development and career mobility.

Training and development has been the key to sustaining the high quality of human resource in the



*The DOF hosts the interbureau sports and ballroom dancing festival at the Rizal Memorial Coliseum in May, 1997.*



Department. Employees are encouraged to attend local and foreign training courses and short-term courses like information technology, time series analysis, regression analysis, microfinance, auditing, accounting, budgeting, cash management, records management and health care programs. Deserving and promising employees were sent abroad to pursue graduate degree programs. Others are currently pursuing their master's programs in various fields of interest.

The Department's successful hosting of the APEC Finance Minister's Meeting, the Asian Fund Facility and other important international fora and conferences was a testament to the world-class quality of its human resources. The personnel mobilized during these occasions rendered effective competent, and efficient secretariat assistance and support services.

## Accomplishment of DOF Attached Agencies and Corporations

### **Bureau of Internal Revenue**

Total collections of BIR in 1997 amounted to P314.6 billion, 20.7 percent higher than the previous year's collection of P260.7 billion. It was lower than the projected target of P334.4 billion for 1997.

The Bureau remains committed to pursuing further administrative reforms and measures that will enhance revenue collection performance and ease tax administration. Under its 5-year tax computerization project, the Bureau has accomplished the following: (a) development of computerized tax administration systems, (b) implementation of the Taxpayer Record Update Program, (c) implementation of electronic data transmission in pilot revenue districts, (d) launching of the third Revenue Data Center in Cebu, (e) inauguration of the BIR National Revenue Command Center; the National Training Center and the four(4) electronic touch screen information kiosks, (f) roll-out of systems in Revenue Data Centers in Manila and Cebu, and (g) training of revenue personnel in various district offices and data centers.

Revenue collection efforts were enhanced with the establishment of two taxpayer service centers in Manila and Quezon City. New modes of payment were prescribed through authorized agent banks per Revenue Regulation No. 4-97. The new modes of payment are done in the form of the Bank Debit System and Credit Facility System.

The Bureau hosted the 27th Study Group on Asian Tax Administration and Research Conference in November 1997 in which 63 foreign delegates participated. The Conference had for its theme: "Transforming Strategies for Tax Administration in Response to the Trend of Globalization and Information Technology Revolution".

### **Bureau of Customs**

The aggregate collections of the Bureau in 1997 reached P94.8 billion. Said figure was lower than the 1996 collection level of P104.5 billion and P16 billion below the program for the year. The sharp decline in collections was due to the lower average import duty arising from tariff rate reductions.

The Bureau achieved milestones in the improvement and simplification of systems and procedures. The application of information technology to its operations has resulted in a more effective delivery of service.

The deployment of information technology was first applied to payments system, processing of clearance documents and release of shipments. Under the Project Abstract(PAS), a joint undertaking between the Bureau and the Bankers Association of the Philippines, duty payments are made to the authorized agent banks effectively rendering the system cashless and paperless. The PAS ensured faster transmission of payment details and virtually eliminated corruption in the sensitive aspect of customs work. The creation of electronic files of payments also made possible the replacement of the old manual system of reconciling payments collected by the banks and the remittances to the National Treasury.

The implementation of the Automated Customs Operating System also changed drastically the manner of clearing shipments. The electronic record is created by the importer or broker using a procedure called Direct Trader Input or Tele-Clearance.



The Bureau also designed the Duty and Tax Exemption System interconnecting the Department and the Bureau. Aside from facilitating processing time, the system is also capable of removing the introduction of fictitious or tampered exemption papers and the fraudulent release of shipments.

Another significant milestone for the Bureau was the establishment of Payment Verification System for drawback and tax credit application. This system linked the Bureau with the Department's One Stop Shop Center to hasten processing of claims for duty drawback. The Bureau also developed the Vehicle Tracking and Global Positioning Systems to track the movements of controlled shipments as they transit from one Customs port to another. The system removed the need for customs officers or guards to escort such shipments.

### **Bureau of the Treasury**

In 1997, the outstanding cash balance in the custody of the Bureau amounted to P98.9 billion. The balance was lower than the P131.5 billion registered in 1996. The lower cash balance was due to higher National Government withdrawals to finance the higher funding requirements of resulting from the sharp depreciation of the peso and the increase in interest rates.

The Bureau succeeded in further deepening the capital market and broadening the participation in securities trading by entities with longer dated maturities. It effectively lengthened the debt maturities of the National Government with the offering of 20-year FXTBs in April 1997.

The Bureau also operationalized the electronic linkage of Registry of Scripless Securities (RoSS) with Government Securities Eligible Dealers (GSEDs) whereby all government securities trades are electronically reported to RoSS without need for paper documentation. RoSS in turn, confirms by providing GSEDs the status of their securities account.

The Bureau likewise upgraded the Debt Management Financial Analysis System (DMFAS). The system provides accurate and timely debt information for cash flow projection, analysis and policy formulation. It allows debt planners to quickly analyze the impact on the country's overall debt burden resulting from hypothetical changes in financial markets. Furthermore, it is

useful in debt rescheduling negotiations as the system can select the loans to be renegotiated given the impact of debt restructuring scenarios.

The Bureau fully operationalized the Treasury of the Philippines Network (TOPNET)— an information network which translated process innovations in the Bureau into an electronic system. It consists of five systems, namely, the Treasury Operations Information System; Field Operations Information System; National Government Cash Accounting Information System; Policy Research and Operations Planning Information System; and the Administrative Information System.

### **Bureau of Local Government Finance**

In 1997, BLGF directed its activities towards skills development and capacity building, formulation of policies for the promotion of local fiscal autonomy, clarification of issues on local taxation, real property valuation, easier and wider access to credit financing, and enhancement of local development pursuits.

During the year, BLGF continuously monitored the financial performance of LGUs. Collections of real property tax, the most important revenue source of LGUs, exceeded estimates by nearly P600 million from P11.5 billion to P12.1 billion. In line with this pursuit, on-site monitoring through revenue and assessment audits were conducted to check status of funds and compliance with operational procedures of the treasury and assessment offices.

The Municipal Development Fund (MDF), on the other hand, continues to provide soft term financing to LGUs development projects. In 1997, a total of 126 LGUs availed of funds for infrastructure and economic enterprises, while some 850 LGUs were given grants to improve the real property tax administration (RPTA). Releases of development project funds from MDF amounted to P1.3 billion during the year.

### **Economic Intelligence and Investigation Bureau**

The EIIB, the agency responsible for fighting all forms of economic subversion, continued to assist in revenue generation and protection of environment. The agency's intensified apprehension and seizure activities



netted P14.8 million in additional revenues for the government.

In 1997, the EIIB gathered and evaluated 2,535 reports out of which 1,498 resulted in operations and investigations. The number of cases prosecuted and investigated totaled 704. There were 334 apprehensions out of which 115 were filed with various courts.

### **Securities and Exchange Commission**

The year 1997 required the Securities and Exchange Commission to be more vigilant in the performance of its task as overseer of the securities market and the corporate sector which were adversely hit by the regional currency crisis.

The SEC closely monitored the health and soundness of the corporate sector which is a prerequisite to effective regulation. The Commission required all registered corporations and partnerships to submit annual audited financial statements. Those with registered securities were required to submit quarterly and current information reports that contain financial information and management discussion of their operations. A regular audit for post registration purposes and inspection of corporate books for verification were conducted. In 1997, SEC made 4,313 examinations resulting in the issuance of 24 cease and desist orders, this was an increase of 118 percent from the 1996 level.

Close monitoring of finance companies, investment houses and listed companies engaged in property development was likewise initiated in the light of the financial woes in the Asian region.

Despite the currency crisis, the registration of corporate and partnership investments went up by 15.2 percent. Total paid up capital of these companies amounted to P59.5 billion, jumping by 40.3 percent from P42.4 billion in 1996.

To further enhance the capital market the SEC undertook closer monitoring of the compliance with the net capital rule by securities brokers and dealers. It issued margin rules for securities transactions which allow customers to purchase securities on credit thereby increasing liquidity in the financial market. It also issued the subordination agreement rule which requires

all brokers/dealers to comply with the net capital rule under which they are required to maintain at all times a net capital of P5 million or 5 percent of aggregate indebtedness, whichever is higher.

A significant change in the securities market was the issuance of a circular allowing participation and protection of a wider base of investors. The proposed rules provide that 10 percent of the IPO shares be allocated to local small investors whose subscription will not exceed P20,000 each.

SEC's regulatory reforms continue to be anchored on full disclosure and self regulation. The full shift in the regulatory philosophy in the processing of registration statements from merit-based system to full disclosure was effected in 1997 in which material information about the issuer are disclosed based on the Full Disclosure Rules.

Due to the bearish sentiments in the stock market, licensing of securities in the primary market declined by 39.6 percent. Only 96 corporations were issued secondary licenses in 1997 as compared to 159 licensees in 1996. Equity shares accounted for 47.9 percent of total amount of registered securities. It declined by 52.6 percent from the 1996 level. Pre-need plans appeared to be the favorite business in 1997 as licensing surged by 93.5 percent.

### **Insurance Commission**

The liberalization of the insurance industry which started in 1996 has transformed it as a major mobilizer of savings. In 1997, the Commission authorized the entry of four foreign insurance companies and eight domestic insurance firms. The four foreign companies include: John Hancock Life Insurance Corporation, Berkley International Life Insurance Corporation, Zurich Life Insurance Corporation, and Zurich General Insurance Philippines, Inc.

The Commission acted on 142 requests for investments of insurance funds amounting to P11.8 billion and US\$3.5 billion placed in various investment instruments like Eurobonds, government bonds, stocks, guarantee loans and short-term investments.

The Commission likewise pursued its regular business of reviewing investment reports of insurance funds, pre-licensing examination of newly-formed



insurance companies, approving re-insurance treaties and monitoring companies with insurance claims.

### **Philippine Deposit Insurance Corporation**

In 1997, priority programs formulated were aimed at further enhancing PDIC's role as insurer, liquidator of closed banks, and co-regulator of banks. Efforts were pursued to enhance the efficiency and effectiveness of the Corporation in implementing its mandate of protecting depositors through the promotion of a sound banking system.

As co-regulator of banks, PDIC conducted off-site and on-site examinations of member banks to evaluate their overall soundness in line with its mandate to protect depositors and maintain public confidence in the banking system. In 1997, the indicator system used in off-site examinations to monitor bank performance was expanded to make it more comprehensive and better identify risk areas in a timely manner.

During the year, a computer-assisted audit system was pilot-tested in two commercial banks examined with the use of Audit Command Language, a software that facilitates retrieval of organized data to enhance analysis which were previously done manually.

As of year end 1997, PDIC's total financial assistance to rescue ailing banks amounted to P2.8 billion. Such rescue and support operations involved eight banks, including Monte de Piedad which was granted P325 million in financial assistance during the year. Outstanding loan principal, which involved six(6) banks, was P1.6 billion by year end.

Total claims settled in 1997 amounted to P3.4 billion, representing 1.2 million accounts from 308 closed banks. Through subrogation, PDIC can recover the amount of insured deposits paid to depositors of closed banks. As of year end 1997, claims for subrogated deposits worth P3.2 billion were filed with the liquidators of the 289 closed banks. Total recoveries coming from 34 closed banks amounted to P181 million, representing a recovery rate of 6 percent.

### **Central Board of Assessment Appeals**

In 1997, the Central Board of Assessment Appeals acted on 426 tax cases involving assessed value of the properties amounting to P3.7 billion. The total market

value was P5.3 billion. Unlike in the previous years, the Board discontinued projecting the number of cases that may be filed annually in view of its stand that such exercise is not applicable to a collegial body such as the Board. The cases are solely dependent on the taxpayers' satisfaction on the assessment made on their property.

The year 1997 saw the revitalization of the staff of the Board. Two capability-building seminars for the members of the local boards, assessors and treasurers were conducted in May and July to re-examine their commitments toward a better tax administration system in the Philippines

### **Philippine Coordinating Committee on the Asian Development Bank**

The Philippine Coordinating Committee on the Asian Development Bank is the official channel of communications between the Asian Development Bank and the government, covering all the administrative aspects of the ADB-Government relationships pertaining to the status and operations of the Bank in the Philippines.

An important function of the Committee is to assist the Bank in the preparation and organization of the annual meetings of the ADB Board of Governors. The delegations are headed by a governor who is normally the minister of finance, and sometimes, the central bank governor. The Philippine government hosted the 26th Annual Meeting (May 4, 1993) and the 29th Annual Meeting (April 30, 1996). The 32nd Annual Meeting will be held in Manila on April 29, 1999 for which preparatory work began in 1997.

### **Philippine Export and Foreign Loan Guarantee Corporation**

The corporation's outstanding guarantee as of December 31, 1997 stood at P5.9 billion, reflecting a 36.2 percent increase from the preceding year's level of P4.4 billion. The recorded increase was due to the P1.5 billion rise in the General Facility Program resulting from foreign exchange fluctuations on a U.S. dollar-denominated loan.

Major priority projects which provide vital services to the export sector garnered the bulk of the outstanding guarantees amounting to P5.4 billion while the



remaining P528.2 million went to the export sector. The financing support of the Corporation to client firms generated total export sales of US\$911.2 million in 1997 which was 3.8 percent higher than the previous year. The growth generated more employment opportunities and improved the competitiveness of small and medium enterprises.

### **National Tax Research Center**

The NTRC is the research arm of the Department, specializing in tax and fiscal researches. The NTRC continues to conduct research in taxation as basis for policy formulation and legislation consistent with the development plans of the government.

Among its major studies completed in 1997 include rationalizing the fiscal incentives system; improving the tax policy, structure and revenue collection; simplifying tax administration; improving tax compliance; and enhancing the revenue-raising power of local government units.

The NTRC provided technical assistance to the Technical Working Group of the APEC Finance Minister's Meeting in Cebu and Subic; Task Force on Oil Industry Deregulation; Task Force on the Rationalization of Duty-Free Stores Operations in the Philippines; Presidential Task Force on the Sugar Industry; and the Working Group on Reforming the Real Property Tax System through Process Innovation

The NTRC also handled the technical and secretariat functions of the Executive Committee as well as the technical working groups on taxation, financial services, customs and local governments on the review of the Subic Bay Freeport Policy and Institutional Framework.

As the secretariat of the Fiscal Incentives Review Board (FIRB), the NTRC processed and evaluated 35 applications for tax subsidy availments requested by government-owned and controlled corporations for consideration of the FIRB Technical Committee and the Board Proper.

## Challenges and Directions

To sustain economic gains and dampen the adverse impacts of the Asian currency turmoil, the Department shall, for the immediate years ahead, accelerate the pace of reforms consistent with the government's pole-vaulting strategy for the 21st century. The policy reforms shall cover, among others:

### • **Financial Services**

Transform the Philippines as a financial center in East Asia through the right mix of liberalization policies, a well-developed capital market and information infrastructure.

### • **Agriculture and industry**

Passage of the following: Irrigation and Agricultural Productivity Enhancement Act, the Ancestral Domain Code and the National Land Use Act

In support of these reforms, the Department shall:

- **Maintain strong fiscal position**
  1. Improve tax collection efficiency of BIR and BOC
  2. Accelerate privatization of public sector corporations and assets
  3. Strengthen collections from advances to and dividends from government corporations
  4. Enhance investment incomes of the National Treasury
  5. Observe judicious expenditure programs
- **Improve the savings rate**
  1. Further deepen the capital market
  2. Improve supervision of the financial system
  3. Enhance the variety and volume of financial instruments including government securities
  4. Rationalize the taxation of financial instruments
  5. Enhance the competitiveness of the financial sector



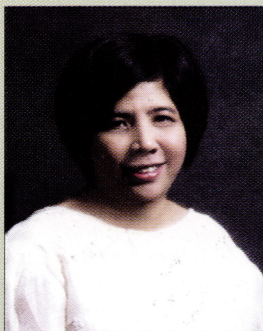
# The Secretary of Finance



Roberto F. de Ocampo



## The Undersecretaries



**Ma. Cecilia G. Soriano**  
Policy Development and  
Management Services Group  
International Finance Group  
Corporate Affairs Group



**Milwida M. Guevara**  
Domestic Finance Group



**Antonio P. Belicena**  
Revenue Operations Group

## The Assistant Secretaries



**Ma. Eleanor F. De la Cruz**  
Policy Development and  
Management Services Group



**Gil S. Beltran**  
Domestic Finance Group



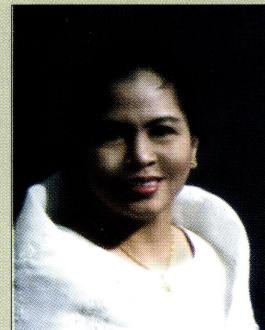
## The Directors



**Crisanta S. Legaspi**  
Director IV  
Privatization Office



**Lourdes Z. Santiago**  
Director IV  
Central Administration  
Office



**Ma. Lourdes V. Dedal**  
Director IV  
Central Financial  
Management Office



**Soledad Emilia J. Cruz**  
Director IV  
Corporate Operations Office



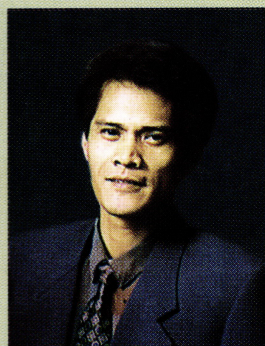
**Thelma A. Mariano**  
Director IV  
Legal Affairs Office



# The Directors



**Concepcion S. Kimpo**  
Director IV  
Revenue Office



**Porfirio B. Villena, Jr.**  
Director IV  
Office of the Undersecretary  
Policy Development and  
Management Services Group



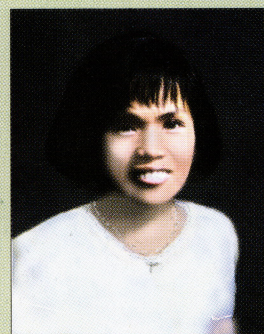
**Ma. Lourdes B. Recente**  
Information and Liaison  
Office



**Ma. Teresa S. Habitan**  
Director IV  
Fiscal Policy and Planning  
Office



**Jeremias N. Paul, Jr.**  
Director IV  
International Finance  
Policy Office



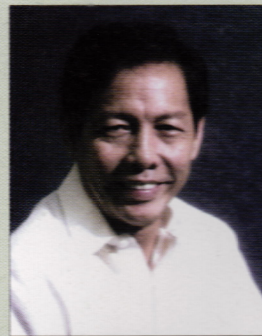
**Rosalia C. De Leon**  
Director IV  
International Finance  
Operations Office



# The Directors



**Helena B. Habulan**  
Director III  
Corporate Operations Office



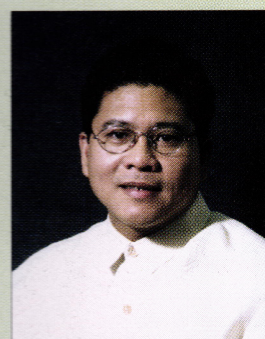
**Rogelio S. Casiguran, Jr.**  
Director III  
Revenue Office



**Fidel G. Condrada**  
Director III  
Legal Affairs Office



**Joselito S. Almario**  
Director III  
Fiscal Policy and Planning  
Office



**Uldarico P. Andutan**  
Deputy Executive Director  
One-Stop Shop Tax Credit  
and Duty Drawback Center



## The Bureau Heads



**Liwayway Vinzons-Chato**  
Commissioner  
Bureau of Internal Revenue



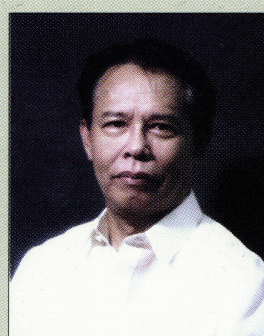
**Guillermo L. Parayno, Jr.**  
Commissioner  
Bureau of Customs



**Caridad Valdehuesa**  
Treasurer of the Philippines  
Bureau of the Treasury



**Lorinda M. Carlos**  
Executive Director  
Bureau of Local Government  
Finance



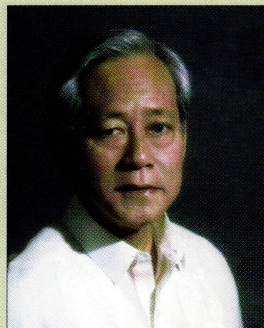
**Servando V. Lara**  
Commissioner  
Economic Intelligence and  
Investigation Bureau



## The Heads of Attached Agencies



**Perfecto R. Yasay**  
Chairman  
Securities and Exchange  
Commission



**Eduardo T. Malinis**  
Commissioner  
Insurance Commission

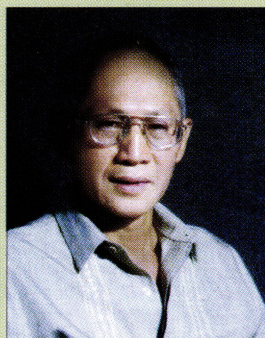


**Margarita G. Magistrado**  
Chairman  
Central Board of Assessment  
Appeals

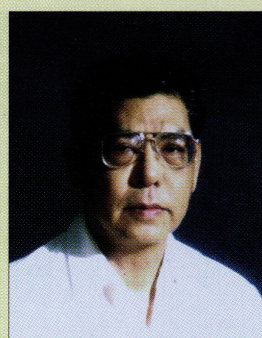


**Vicente G. Quintos**  
Executive Director  
National Tax Research Center

## The Heads of Attached Corporations



**Ernest C. Leung**  
President  
Philippine Deposit Insurance  
Corporation



**Victor C. Macalincag**  
President  
Philippine Export and foreign  
Loan Guarantee Corporation



# Department of Finance Directory

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Tel. Nos.</u>
Secretary	Roberto F. de Ocampo	6/F DOF Building Roxas Blvd. corner Pablo Ocampo, St. Manila 1004	Fax: 521-2948 523-4355, 523- 6051, 524-7011 loc. 2211/3009
Undersecretaries	Ma. Cecilia G. Soriano Policy Development and Mangement Services Group International Finance Group Corporate Affairs Group	3/F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 526-4648 526-2298 524-7011 loc. 2785
	Milwida M. Guevara Domestic Finance Group	4/F DOF Building Roxas Blvd. cor. Pablo Ocampo St.	Fax: 526-2260 526-8462
	Antonio P. Belicena Revenue Operations Group	3/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 526-1515 526-8178
Assistant Secretaries	Ma. Eleanor F. dela Cruz Policy Development and Managemenr Services Group	8/F EDPC Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-8459
	Gil S. Beltran Domestic Finance Group	4/F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 524-4287 525-3305, 523- 3825, 524-7011 loc. 2459
Director IV	Crisanta S. Legaspi Privatization Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo Sr. Manila 1004	523-5123 524-7011 loc. 3057, 3058
	Lourdes Z. Santiago Central Administration Office	8/F EDPC Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 526-7604 526-1265
	Ma. Lourdes V. Dedal Central Administration Management Office	8/F EDPC Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-0493
	Soledad Emilia J. Cruz Corporate Operations Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	525-7427 524-7011 loc. 3158
	Thelma A. Mariano Legal Affairs Office	4/F DOF Bldg. Roxa Blvd. cor. Pablo Ocampo St. Manila 1004	526-8458



# Department of Finance Directory

	Concepcion S. Kimpo Revenue Office	Podium, DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-8458
	Porfirio B. Villena, Jr. Office of the Undersecretary PDMSG	8/F EDPC Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-6924
	Ma. Lourdes B. Recente Information and Liaison Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 526-2260 526-6968
	Ma. Teresa S. Habitan Fiscal Policy and Planning Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Telefax 524-4287 525-3305 523-3825 524-7011 loc. 2459
	Rosalía C. de Leon International Finance Operations Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	524-7011 local 2875
	Jeremias N. Paul International Finance Policy Office	5/F DOF Building Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	521-8584 524-7011 local 2875
Director III	Joselito S. Almario Fiscal Policy and Planning Office	5/F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	523-3825 524-7011 loc. 2459 Telefax: 524-4287
	Helena B. Habulan Corporate Operations Office	5/F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	524-7011 loc. 2213
	Rogelio S. Casiguran Jr. Revenue Office	Podium, DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-8458
	Fidel G. Condrada Legal Affairs Office	5//F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	526-0519
Deputy Executive Director	Uldarico P. Andutan One-Stop-Shop Tax Credit and Duty Drawback Center	3/F DOF Bldg. Roxas Blvd. cor. Pablo Ocampo St. Manila 1004	Fax: 526-2281 526-2290 / 98



# Department of Finance Directory

## Bureau of Internal Revenue

Commissioner	Liwayway Vinzons-Chato	National Internal Revenue Bldg. Diliman, Quezon City	922-4894 929-7602 / 02 926-5771
Deputy Commissioner	Beethoven L. Rualo	National Internal Revenue Bldg. Diliman Quezon City	926-5771 921-4324
	Estelita C. Aguirre	National Internal Revenue Bldg. Diliman, Quezon City	922-1926 926-5697
	Carol Carreon	National Internal Revenue Bldg. Diliman, Quezon City	928-5833 928-3733

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## Bureau of Customs

Commissioner	Guillermo L. Parayno, Jr.	Bureau of Customs Bldg. Port Area, South Harbor Manila	527-4511 527-4517
Deputy Commissioner	Titus Villanueva	Bureau of Customs Bldg. Port Area, South Harbor Manila	527-9473
	Licerio C. Evangelista	Bureau of Customs Bldg. Port Area, South Harbor Manila	527-4507 527-1960
	Luciano N. Millan, Jr.	Bureau of Customs Bldg. Port Area, South Harbor Manila	527-4537
	Rey Allas	Bureau of Customs Bldg. Port Area, South Harbor Manila	527-1933

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## Bureau of Treasury

Treasurer of the Philippines	Caridad Valdehuesa	Palacio del Gobernador Bldg. Intramuros, Manila	Fax: 527-2822 527-3179 / 84
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# Department of Finance Directory

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Tel. Nos.</u>
Deputy Treasurer of the Philippines	Alberto D. Buyawe	Palacio del Gobernador Bldg. Intramuros, Manila	527-3083
	Eduardo S. Mendiola	Palacio del Gobernador Bldg. Intramuros, Manila	527-3152
<hr/>			
<b>Bureau of Local Government Finance</b>			
Executive Director	Lorinda M. Carlos	7/F Palacio del Gobernador Bldg., Intramuros, Manila	Telefax: 527- 2780, 527- 7641/48 loc 203
Deputy Director	Angelina M. Magsino	7/F Palacio del Gobernador Bldg. Intramuros, Manila	527-7641 / 48 loc. 205

## **Economic Intelligence and Investigation Bureau**

Commissioner	Servando V. Lara	Camp Aguinaldo EDSA, Quezon City	Fax:911-7847 911-7833/41
Deputy Commissioner	Federico A. Macabasco	Camp Aguinaldo EDSA, Quezon City	Fax:911-7847 911-7833/41

## **Securities and Exchange Commission**

Chairman	Perfecto R. Yasay	SEC Bldg., EDSA Greenhills, Mandaluyong City	Fax:722-0990 704-755,774-548
Associate Commissioner	Fe Eloisa C. Gloria	SEC Bldg.,EDSA Greenhills, Mandaluyong City	788-549 701-911
	Edijer Martinez	SEC Bldg.,EDSA Greenhills, Mandaluyong City	786-857 772-158
	Rodolfo L. Samarista	SEC Bldg.,EDSA Greenhills, Mandaluyong City	796-158
	Rosalinda Casiguran	SEC Bldg.,EDSA Greenhills, Mandaluyong City	796-158



# Department of Finance Directory

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Tel.Nos.</u>
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## Insurance Commission

Commissioner	Eduardo T. Malinis	Insurance Commission Building U.N. Ave., Manila	Fax: 522-1434 525-2015
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## National Tax Research Center

Executive Director	Vicente G. Quintos	Harbor II Center Bldg. 23 rd Street, Port Area Manila	Fax: 527-2050 527-2064
Deputy Director	Lina D. Isorena	Harbor II Center Bldg. 23 rd Street, Port Area Manila	527-2050
	Dante V. Sy	Harbor II Center Bldg. 23 rd Street, Port Area Manila	527-2071

## Central Board Of Assesment Appeals

Chairman	Margarita G. Magistrado	8/F EDPC Bldg. BSP Complex Roxas Blvd., Manila 1004	526-8469
Member	Atty. Benjamin M. Kasala	8/F EDCP Bldg. BSP Complex Roxas Blvd., Manila 1004	525-1410 Fax 525-1411
	Atty. Angel Palomares	8/F EDCP Bldg. BSP Complex Roxas Blvd., Manila 1004	525-1410 Fax 525-1411

## Philippine Deposit Insurance Corporation

President	Ernest C. Leung	2228 Pasong Tamo Makati City	818-6906 (DL) 810-4901 Trunkline
Executive Vice-Pres.	Ricardo M. Tan	228 Pasong Tamo Makati City	813-3699 (DL)
Sr. Vice-President	Atty. Virginia P. Castillo	2228 Pasong Tamo Makati City	818-0082 loc. 700



# Department of Finance Directory

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Tel. Nos.</u>
-----------------	-------------	----------------	------------------

## Philippine Export and Foreign Loan Guarantee Corporation

President	Victor C. Macalincag	Executive Center Bldg. Gil Puyat Ave. Makati City	Fax: 895-1416 895-1506/07
Acting Executive Vice-President	Jane V. Tambanillo	Executive Center Bldg. Gil Puyat Ave. Makati City	Fax: 895-1416 895-1705 896-4515 loc. 163 / 164 - 124

## Fiscal Incentives Review Board

Chairman	Hon. Roberto F. De Ocampo	6/F DOF Building Roxas Blvd. Corner Vito Cruz Manila 1004	Fax: 521-2948 523-4355 523-6051 524-7011 loc. 2211/ 3009
Presiding Officer	Usec. Ma. Cecilia G. Soriano	3/F DOF Building Roxas Blvd., Corner Vito Cruz Manila 1004	Fax: 526-4648 526-2298 524-7011 loc. 2785



# THE DEPARTMENT OF FINANCE CENTENNIAL CD ROM

The Anvil Award of Excellence – Tools of PR  
Electronic and Interactive Media - CD-ROM  
Public Relations Society of the Philippines

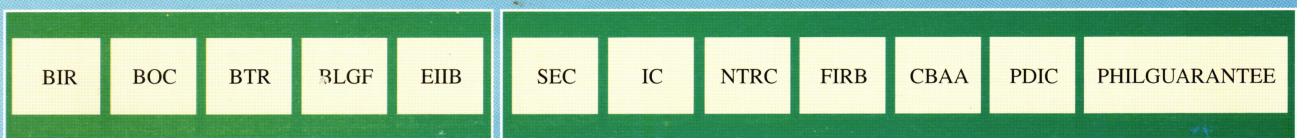
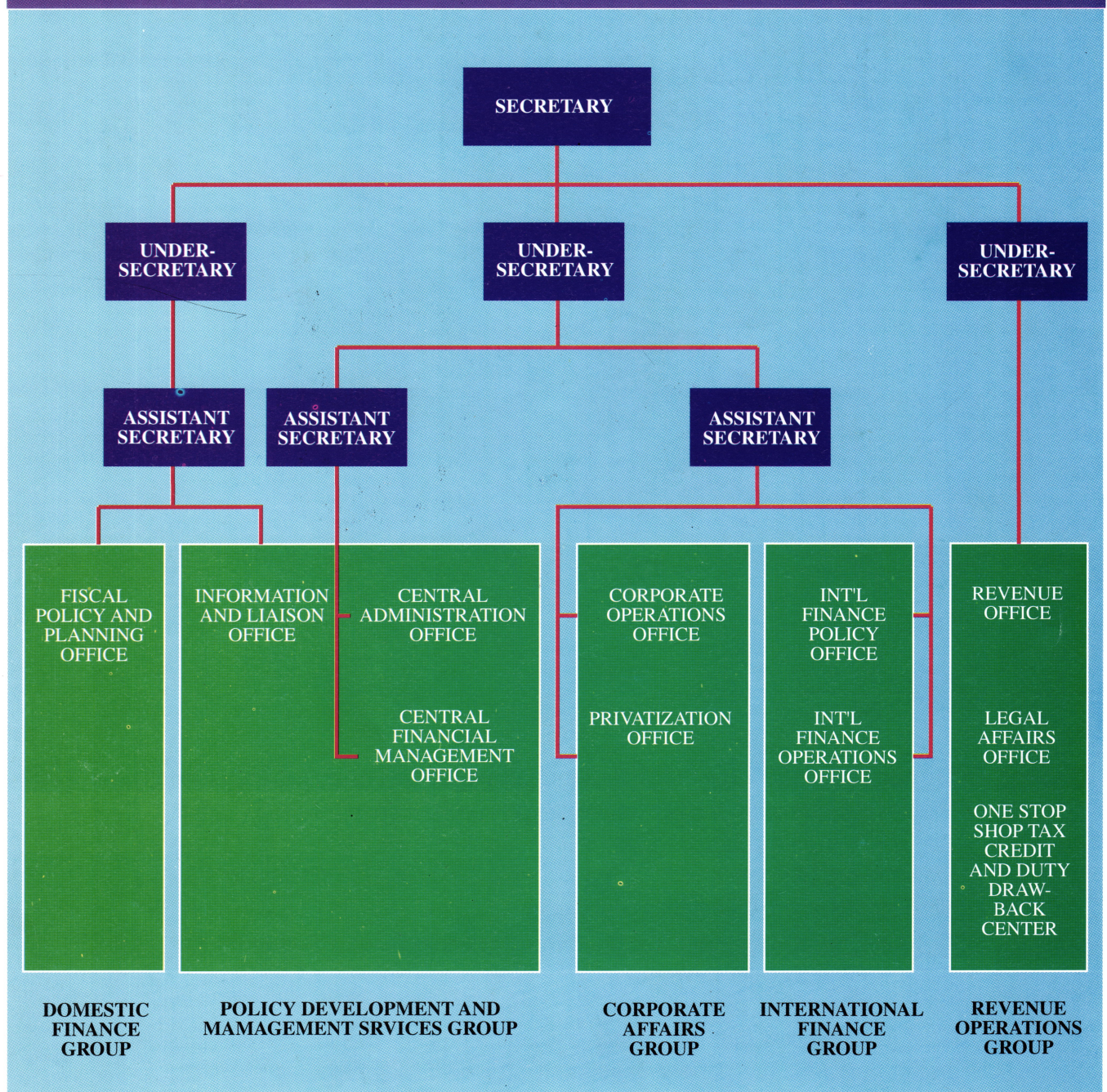


On March 31, 1997, the Public Relations Society of the Philippines presented the Anvil Award of Excellence for the category tools of PR to the DOF Centennial CD Rom. To commemorate the one hundredth year anniversary of the Department of Finance last April 24, 1997, the DOF commissioned Nova Productions International to produce an interactive CD ROM that would put in correct historical perspective the role, achievements and vision of the Department and its chief stewards.

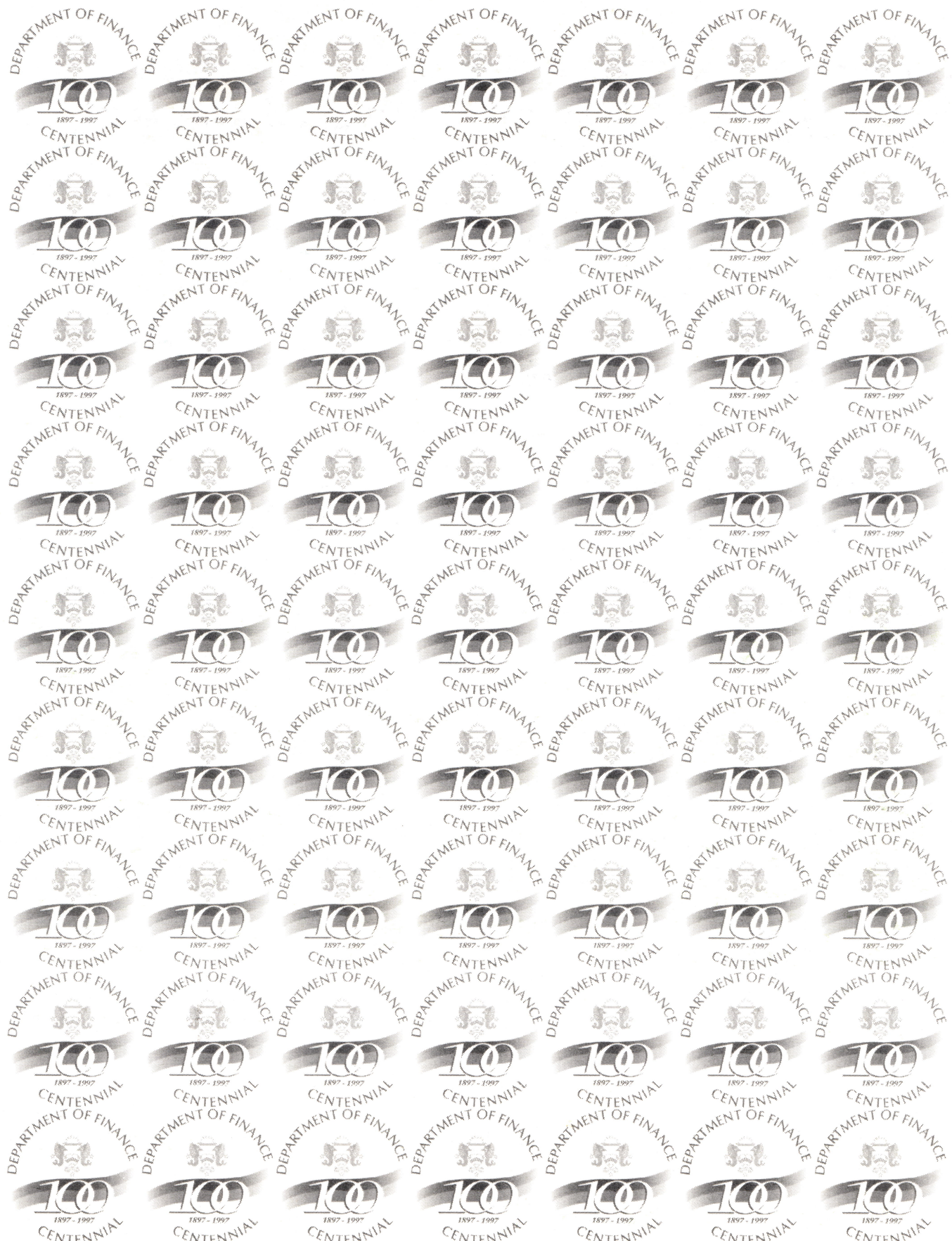
The project shows that the history of economic policy making can serve as useful guide for the present generation of policymakers as they chart the economic directions of the country into the 21st century.



# Work Distribution and Organizational Chart











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