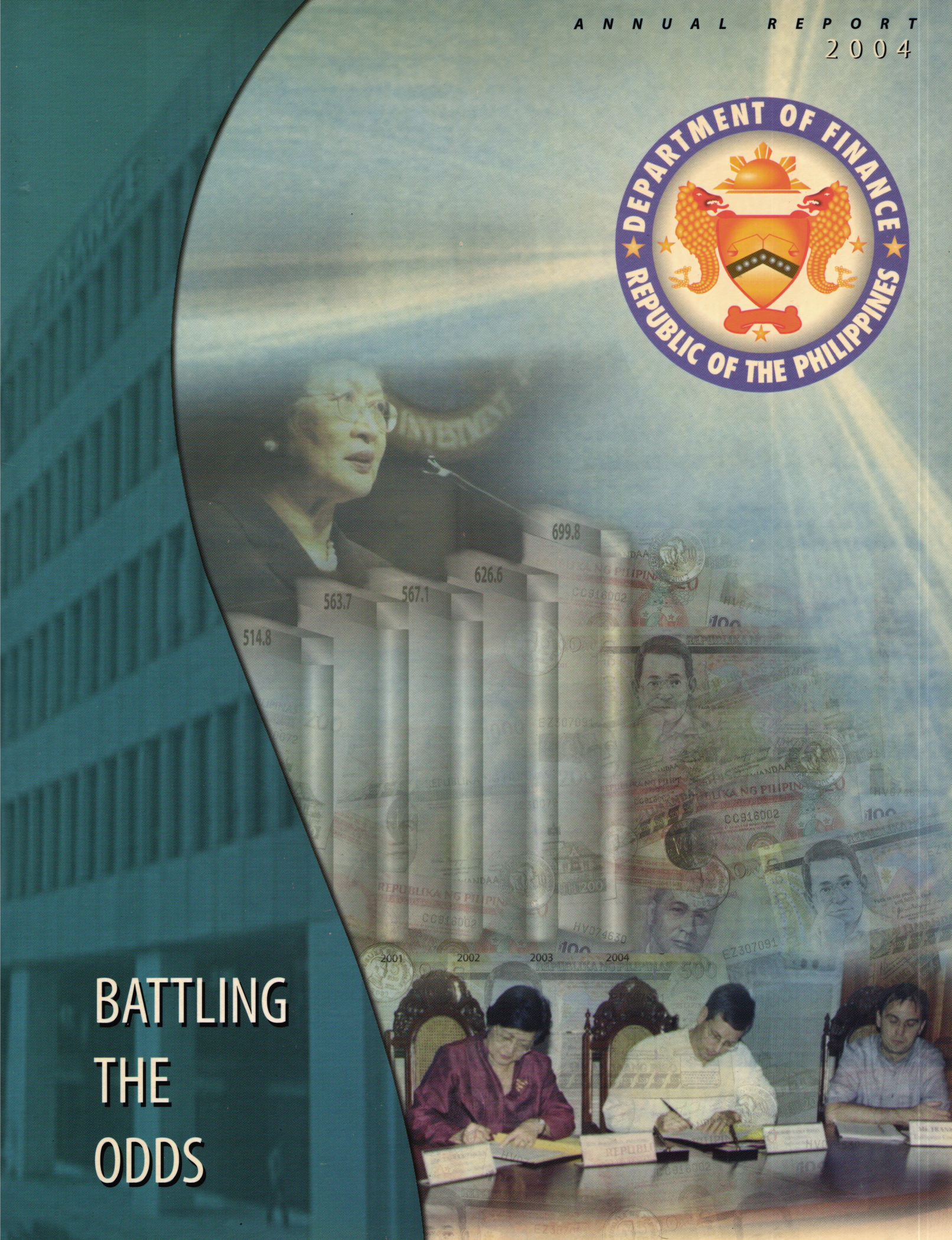
ANNUAL REPORT
2004

DEPARTMENT OF FINANCE
REPUBLIC OF THE PHILIPPINES



BATTLING THE ODDS

MISSION

Our economy must be one of the most dynamic and active in the world, globally competitive and onward looking. The DOF shall take the lead in providing a solid foundation for the achievement of this objective, by building a strong fiscal position, through the following:

- formulation, institutionalization and administration of sound fiscal policies;
- improvement of tax collection efficiency;
- mobilization of adequate resources at most advantageous terms to meet budgetary requirements;
- sound management of public sector debt; and
- initiation and implementation of structural and policy reforms.

VISION

- A strong economy with stable prices and strong growth;
- A stable fiscal situation which could adequately finance government projects and budgetary programs;
- A borrowing program that is able to avoid the crowding-out effect on the private sector and minimizes costs;
- A public sector debt profile with long maturities and an optimum mix of currencies that minimizes the impact of currency movements;
- A strong economic growth with equity and productivity.

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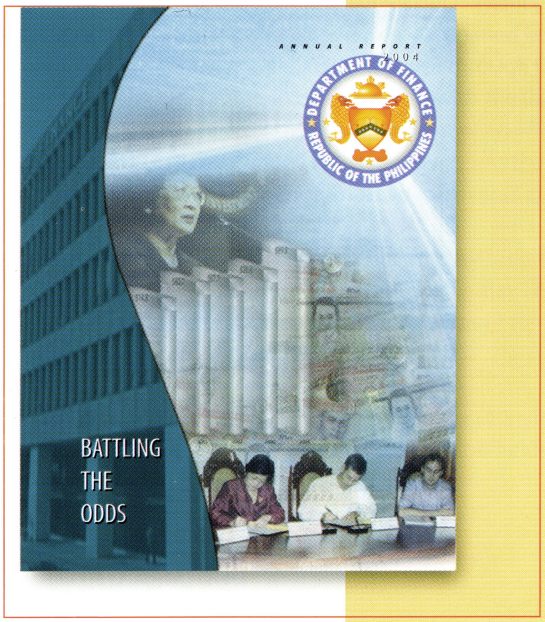
The Department of **FINANCE**

In mammoth organizations – corporations, conglomerates, multi-nationals, governments – the indispensability of a central finance office to manage and mobilize resources is a truism. Without logistics and financial support "when needed, where needed", operations would be paralyzed in no time. That the birth of the Department of Finance predated that of the Philippine Republic is a testimony to its importance. Founded on 24 April 1897 by the Philippine Revolutionary Government, the DOF has undergone various structural and functional overhauls, but has nonetheless remained a key department. Today, the critical tasks of revenue generation, resource mobilization and fiscal management rest on the shoulder of the Department of Finance. The government must provide the citizenry with infrastructure, education, health and other basic services; and the DOF must be ready with the funds for them. Likewise, the DOF must steer fiscal program toward an investment-friendly environment, which is the catalyst for growth.



Our **COVER**

For the Department of Finance, the work to build a strong fiscal sector has already begun, steered by the battle cry – BATTLING THE ODDS.

Our cover depicts imagery associated with the country's goals of progress through a strong fiscal sector to be achieved by our country through the cooperative and unified efforts of all sectors. The rays emanating from the DOF logo signify the dawning of a new fiscal era, moving towards our ultimate goal of sustained economic growth underpinned by fiscal consolidation.

We shall battle the odds that shall come our way and we shall have the strong spirit to pursue our agenda, meet our mission, and realize our vision – A STRONG REPUBLIC.

Letter to **the President**

Her Excellency
GLORIA MACAPAGAL-ARROYO
President
Republic of the Philippines
Malacañang, Manila

Dear Madam President:

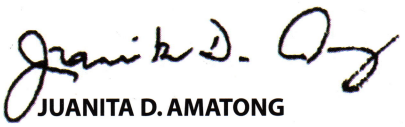
On behalf of the officials and employees of the Department of Finance and its attached bureaus, agencies and corporations, I am honored to submit to Your Excellency our Annual Report for the year 2004.

This report is a chronicle of the accomplishments, activities and reform initiatives of the Department as we vigorously carried out our mandate of resource mobilization and maintaining fiscal discipline in support of Her Excellency's 10-point agenda. Towards this end, we implemented strategies and reform measures to reduce the public sector deficit and improve governance in our revenue collecting agencies. With our reform initiatives, Your Excellency, we were able to provide strong underpinnings for a sustained economic growth over the medium-term.

We managed to stay on track with our fiscal consolidation program. We brought down the ratio to GDP of the National Government deficit to 3.8 percent, much lower than the 2003 level of 4.6 percent and the program of 4.2 percent. We are now a year ahead of our medium-term fiscal consolidation objective. Aptly, we have chosen the theme "Battling the Odds" for the 2004 Annual Report, in acknowledgment of our resiliency and ability to rise above difficulties.

I thank Your Excellency for your unwavering support to the reform measures that the Department is advocating as we continue to pursue our development goals. As we face yet another year, we are confident that with your able leadership, our prospects will be brighter in the coming years.

Respectfully,



JUANITA D. AMATONG

Message from **the Secretary**

In 2003, the country underwent difficult challenges in economy, governance, and politics. This was compounded by the series of natural calamities in the latter part of the year.

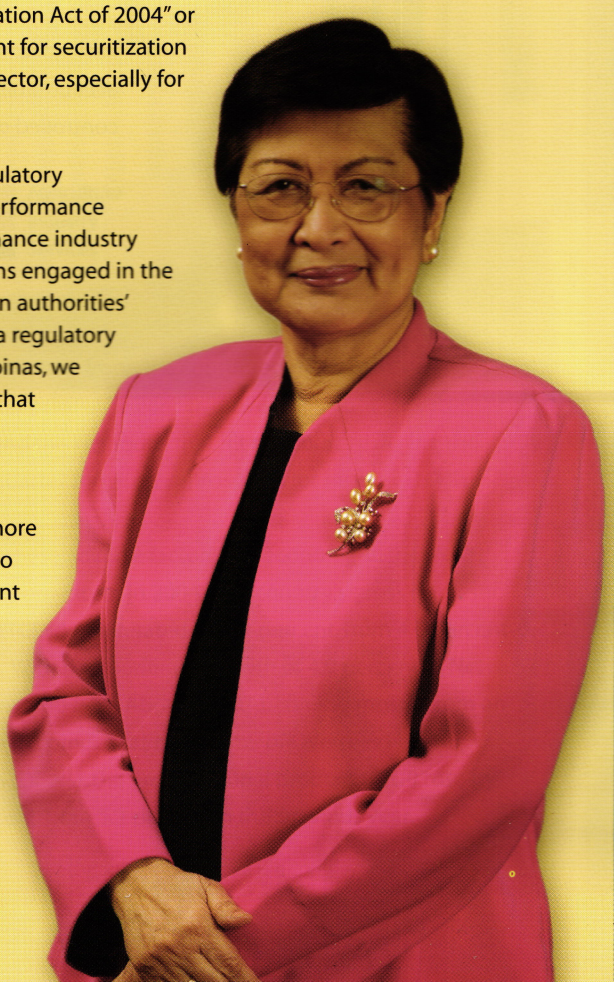
On the fiscal front, curbing the fiscal deficit remained the biggest challenge even as we continued to pursue our fiscal consolidation program that would bring our fiscal position to a balance by 2010 or earlier. This program is crucial to achieving a sustainable economic growth over the medium-term.

I am happy to share with you that our collective efforts have yielded positive results. For 2004, we brought down the ratio to GDP of our fiscal deficit to 3.8 percent, from 4.6 percent in 2003 and well below the program of 4.2 percent. This is significant because we are now at least a year ahead of our medium-term target which was achieved with a healthy improvement in revenue generation accomplished largely through administrative efficiency. Our revenue to GDP ratio has stabilized and is expected to rise with the implementation of legislative and administrative reforms that have been passed recently.

We continued to pursue a prudent debt management strategy. The National Government's (NG) debt portfolio is long-term in nature to prevent bunching of maturities. Medium-and long-term debt of the NG account for 85 percent of the total debt. Public sector external debt has an average maturity of 19.5 years compared to the private sector's 11.2 years.

The DOF made significant progress in improving governance at the agency. Through the Revenue Integrity Protection Service (RIPS), we embarked on a massive lifestyle check on BIR and BOC in a bid to rid the DOF of corrupt officials and employees. Our efforts in this area have resulted in the dismissal and suspension of a number of officials and employees.

We created a more favorable capital market with the passage of "Securitization Act of 2004" or Republic Act No. 9267. This law paved the way for an enabling environment for securitization which is essential in generating long-term funds for the housing finance sector, especially for the government's socialized and low-income housing program.



The DOF remained at the forefront of creating an enabling policy and regulatory environment to promote microfinance in the country. We formulated a performance standards for all types of microfinance institutions, to serve as the microfinance industry benchmarks to allow the comparison of performance among all institutions engaged in the delivery of microfinance services. We spearheaded initiatives to strengthen authorities' regulatory powers over credit cooperatives through the establishment of a regulatory framework for the sector. In collaboration with the Bangko Sentral ng Pilipinas, we have also started work on the establishment of an effective credit bureau that *will help financial institutions to accurately assess the creditworthiness of* potential borrowers and hence improve the overall credit climate.

Keeping our fiscal house in order is not an easy task. It would have been more difficult without the support of the DOF staff. May I extend my gratitude to all the officials and employees of the Department for their firm commitment and resolve in carrying out the DOF mandate.

Together, let us continue to move towards our ultimate goal of sustained economic growth underpinned by fiscal consolidation.

JUANITA D. AMATONG
Secretary

DOF **Mandate**

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

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

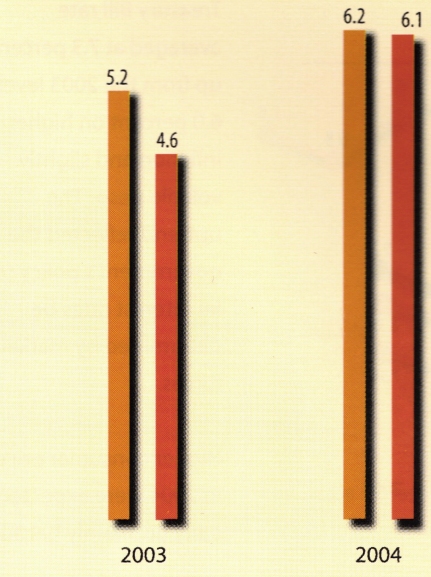
Economic **Highlights**

Macroeconomic Fundamentals

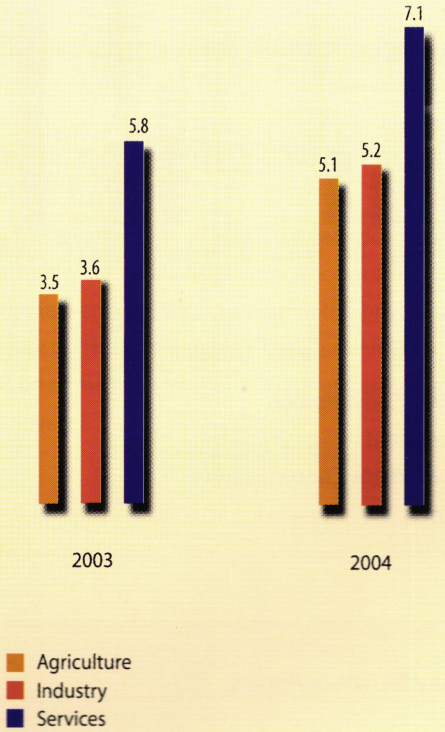
In 2004, the global economic environment remained threatened by a host of factors. Foremost among them was the prolonged US-led war in Iraq that contributed to the spiraling in the prices of oil in the world market. The concomitant increase in the prices of energy and materials tempered world industrial production growth, squeezed profit margins and even resulted to a loss of jobs.

These external threats spilled over to the domestic front, rendering investors to remain cautious while the Philippine government opted to ban the deployment of Filipino contract workers bound for Iraq. Aside from these, however, there was no major disturbance in the global financial system, while trade among countries and regions remained robust during the year.

Output Growth *(In Percent)*

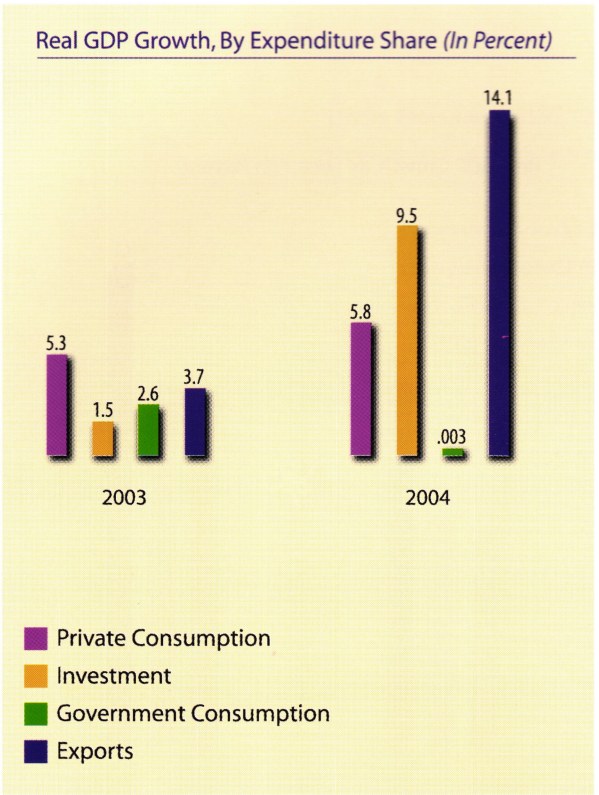


Real GDP Growth, By Sector *(In Percent)*



In the domestic front, the continued hike in oil and consumer prices, the concerns over the country's fiscal deficit and the typhoons that hit the country during the fourth quarter threatened prospects for higher growth.

Despite these adverse factors, the economy sustained its growth momentum in 2004. The country's gross domestic product (GDP) accelerated by 6.1 percent, from 4.6 percent in 2003. With the moderate growth of 4.9 percent in Net Factor Income from Abroad (NFIA), coming mostly from an increase in compensation income of Overseas Filipino Workers (OFWs), the gross national product (GNP) rose by 6.2 percent, from 5.2 percent in the previous year.

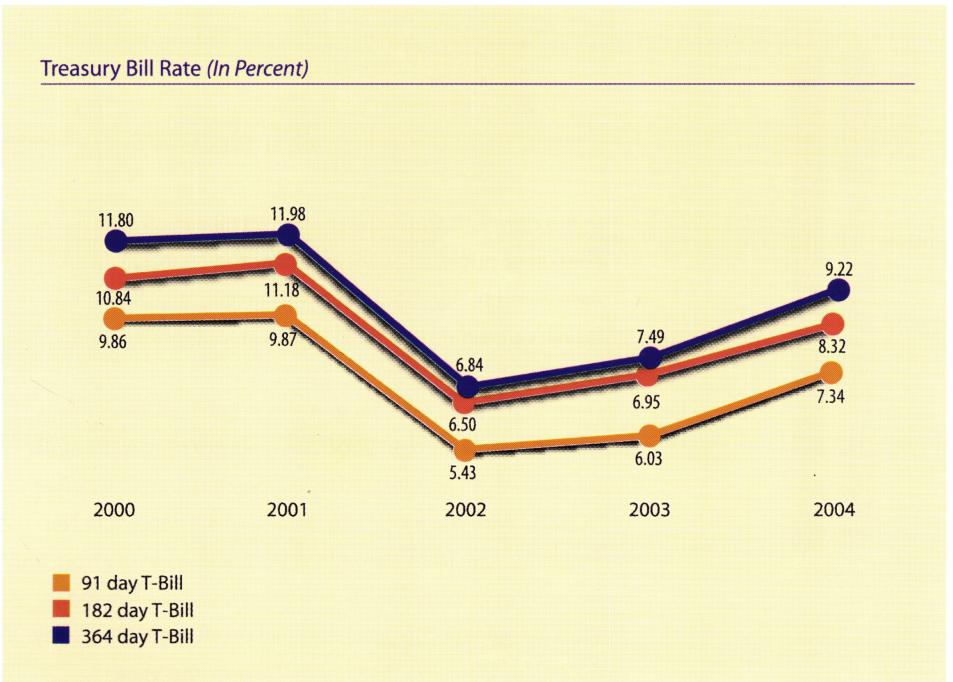


All the three major sectors of the economy posted healthy performance, with agriculture growing by 5.1 percent from 3.5 percent in the previous year. Industry picked up by 5.2 percent from 3.6 percent while services accelerated by 7.1 percent from 5.8 percent.

By expenditure share, growth was bannered by exports which grew by 14.1 percent from 3.7 percent in 2003. Investments grew by 9.5 percent from 1.5 percent in 2003 due to hiked investments in construction, which improved by 6.2 percent from –2.9 percent. Growth of investments in durable equipment, however, slowed down to 4.4 percent from 8.5 percent in the previous year. Private consumption rose by 5.8 percent from 5.3 percent in the previous year.

The government's resolve to achieve the targeted level of budget deficit trimmed government consumption expenditures to .003 percent in 2004 from 2.6 percent growth in 2003.

There were no unwarranted pressures on interest rates during the year, even as the benchmark 91-day Treasury Bill rate averaged at 7.3 percent, up from the 2003 level of 6.0 percent on higher inflation and slightly volatile peso. The uptrend reflected the government's policy to let interest rates be determined by market forces.



Higher consumer prices in 2004 were expected early on, mainly because

of a sustained increase in the prices of crude oil in the world market. Average inflation rate for the year was recorded at 6.0 percent, almost double from the 2003 level of 3.1 percent.

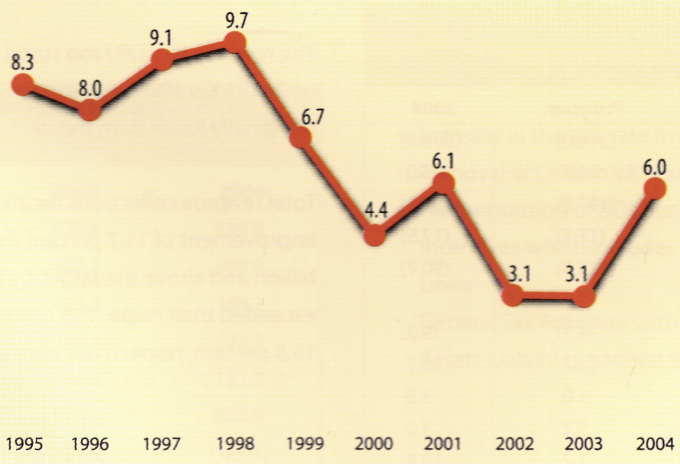
The Peso tracked the slight volatility against the dollar of most of the other currencies in the region. The average exchange rate for the year was recorded at P56.04 to the dollar, compared with P54.20 to the dollar in 2003. This is equivalent to a 3.40 percent depreciation which supported the competitive position of the country's export sector. The Bangko Sentral ng Pilipinas (BSP) -- the country's monetary authority -- continued to monitor currency movements and prevented the peso from becoming a target of speculative attacks during the year.

While both domestic and external risks lingered throughout the year, business activities remained brisk as reflected in the country's trade statistics and stock market. In 2004, merchandise exports were registered at US$39.6 billion, 9.4 percent more than the 2003 level of US$36.2 billion. Growth in 2003 was recorded at 2.9 percent.

The PHISIX registered a 53.4 percent gain to 1,621.7 from the 2003 level of 1,197.2. Volume transactions recorded a hefty 230.7 percent increase to 284.3 billion shares in 2004 compared to 86.0 billion shares in 2003, while value transactions gained by 42.0 percent to P206.4 billion from P145.4 billion during the reference period.

In 2004, the government intensified its advocacy for the rationalization of credit and microfinance policies to facilitate the increased participation of the private sector in microfinance. This is in line with the government's declaration of microfinance as the cornerstone in its fight against poverty.

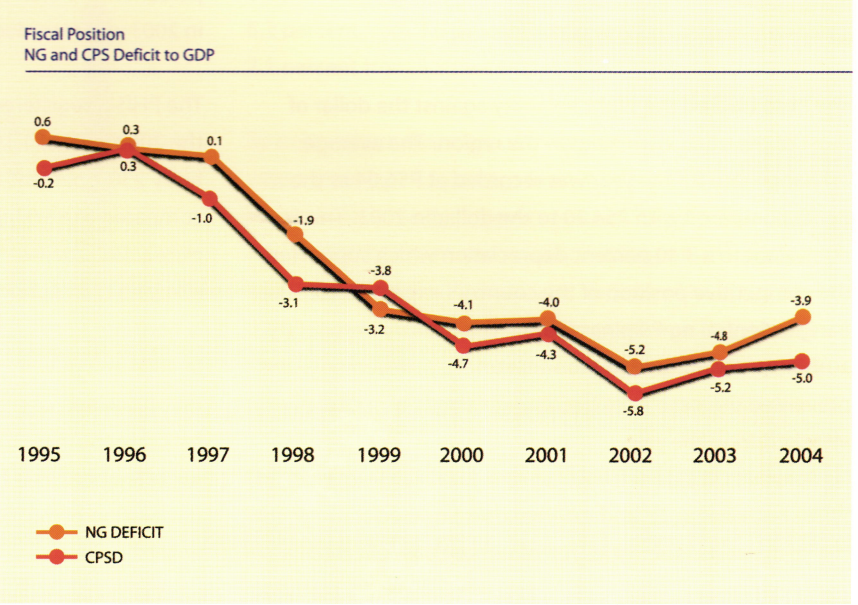
Average Inflation Rate *(In Percent)*



Fiscal **Management**

Contained the Fiscal Deficit

The National Government accelerated its deficit reduction program by containing the year-end deficit at 3.9 percent of GDP or P187.1 billion compared with the program of 4.2 percent and the 2003 level of 4.8 percent. This made the National Government at least a year forward in its balanced budget target by 2010.



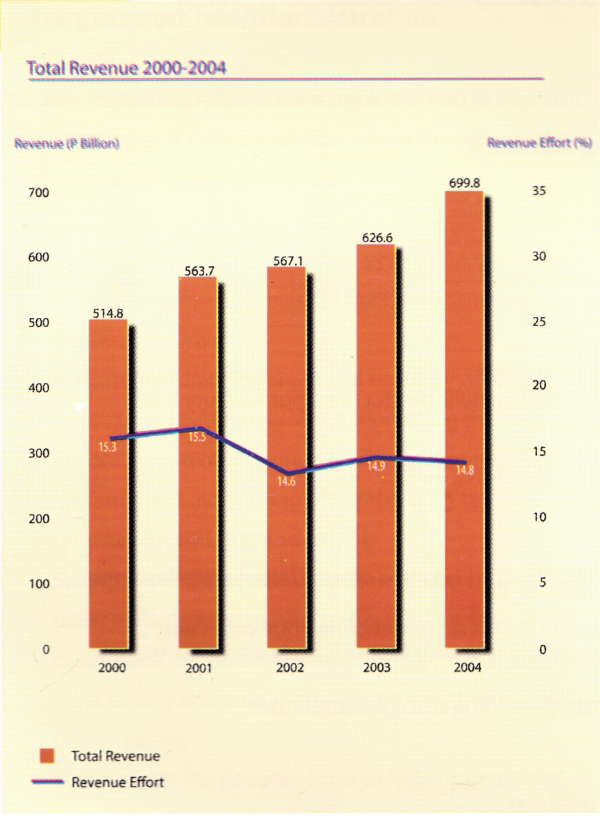
The consolidated public sector deficit (CPSD) to GDP ratio reached 5.0 percent in 2004, well below the program of 6.7 percent. This is largely due to the following: (1) lower NG deficit; (2) lower losses posted by NAPOCOR due to privatization of its generating plants; (3) rationalization and prioritization in capital outlays of GOCCs; (4) surpluses posted by social security institutions (SSIs) and government financial institutions (GFIs); and (5) higher surplus accounts of LGUs.

CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION 2004
(In Billion Pesos)

Particulars	Program	2004
Total Surplus/(Deficit)	(316.0)	(235.9)
Percent of GDP	-6.7	-5.0
National Government	(197.8)	(187.1)
CB Restructuring	(17.1)	(17.5)
14 MNFGCs	(125.5)	(90.7)
Adjustment of net lending & equity to GOCCs	(4.1)	(9.2)
SSIs (SSS, GSIS, PHIC)	11.7	25.1
BSP	1.0	3.3
GFIs (DBP, LBP, Philexim)	5.2	5.2
LGUs	1.2	15.4
Timing adjustment of interest payments to BSP	1.2	3.9
Other adjustments	0	(2.8)

The revenue to GDP ratio stood at 14.8 percent in 2004 while the tax effort was eroded at 12.6 percent. These are marginally lower than the ratios registered in 2003.

Total revenue collections for 2004 reached P699.8 billion, an improvement of 11.7 percent over 2003 collection of P626.6 billion and above the target by P23.3 billion. BIR and BOC exceeded their respective collections by 10.1 percent and 15.5 percent, respectively over 2003 level.



Secured Passage of Key Legislative Measures

The DOF worked vigorously for the passage of key legislative measures to complement the administrative measures that were implemented in 2004. Pushing the legislative agenda has two main objectives: (1) to remove distortions in the tax system and simplify tax administration; and (2) to ensure sustainable source of revenues over the long-term in keeping with the principle of revenue adequacy in taxation.

Two key legislative measures were passed in 2004. These were:

- Republic Act 9334 or the Law Increasing the Excise Tax Rates on Alcohol and Tobacco Products. This law, which takes effect on January 1, 2005, has an estimated impact of P15.0 billion in additional revenues annually.
- Republic Act 9335 or the Lateral Attrition Law which provides for a system of rewards and sanctions for officials and employees of the BIR and BOC.

The following measures are likewise being pushed in Congress and are now in advanced stage of legislation:

- Increase in the VAT rate from 10% to 12%
- Removal of Certain VAT Exemptions
- Harmonization of BOI, Ecozones and Freeport Incentives which includes repeal of Special Incentive Laws;
- General Tax Amnesty with Submission of Statement of Assets Liabilities and Net Worth (SALN);

NG FISCAL PERFORMANCE
(In Billion Pesos)

Particulars	2003	2004
REVENUES	626.6	699.8
Tax Revenues	537.7	598.0
o.w. BIR	425.4	468.2
BOC	106.1	122.5
Non Tax Revenues	88.9	101.7
EXPENDITURES	826.5	886.8
SURPLUS/(DEFICIT)	(199.9)	(187.1)

2004 Legislative Agenda

I. Republic Act 9334 - Rationalization of the Excise Tax on Alcohol, Cigarettes and Tobacco (ACT) Products

A. Increases the excise tax rates

- Tobacco/cigarettes
  13.4 percent-400 percent for the initial year
  3.6 percent plus P0.16 every two years until 2011 in lieu of indexation

- Alcohol
  Distilled spirits and wines
  - 30 percent increase for initial year
  - 8 percent increase every two years until 2011

  Fermented liquor
  - 20 percent increase for initial year
  - 8 percent increase every two years until 2011

B. Lifts the exemption of taxes and duties on imported tobacco and alcoholic products except for Duty Free Philippines which shall continue to be exempted from duties only

Earmarks part of proceeds for health services

II. Republic Act 9335 - Lateral Attrition Law

- Establishes a system of rewards and incentives, covering revenue and customs officials/employees from the district level up to the Commissioner of the BIR/BOC;
- Creates an incentive and rewards fund to be sourced from the excess on target of revenue collection;
- Creates a Revenue Performance Evaluation Board for Special Incentive and Rewards and Lateral Attrition.

III. Increase in the VAT rate from 10 percent to 12 percent and Removal of Certain VAT Exemptions

Lifts particular exemptions:

- Sale and importation of coal, natural gas and petroleum products
- Sale and importation of raw materials for petroleum products
- Importation of passenger and/or cargo vessels of more than 5,000 tons
- Sale and importation of cooperatives, excluding lending activities of credit and multi-purpose cooperatives
- Sale, importation, printing and publication of books, newspapers and magazines
- Services rendered in the exercise of medical and legal profession

IV. Harmonization of BOI, Ecozones and Freeport Incentives

Harmonizes and rationalizes the fiscal incentives structure by withdrawing all special investment incentives laws that are inefficient, irrelevant and duplicative, and formulates only one fiscal incentive law from which all promotable industries shall draw their incentives.

V. Tax Amnesty and Mandatory Filing of Statement of Assets Liabilities and Net Worth (SALN)

Requires an annual filing of the SALN by all taxpayers (income earners/property owners);

Implements a one-time tax amnesty program

- Covering all unpaid national internal revenue taxes as of 2003 and prior years
- A tax amnesty rate of either 3 percent of net worth as declared in the SALN as of December 31,2003; or 3 percent of the increase in net worth, for taxpayers who filed their balance sheets/statement of assets and liabilities together with their 2003 income tax returns, and who desired to amend such statement
- With immunities and privileges granted to the amnesty taxpayer.

Strengthened Tax Administration

Tax administration reforms were implemented to improve tax collection and curb corruption within the BIR and the BOC. At the BIR, these include the:

- Implementation of operational systems (e.g. e-TIN, e-Registration, e-Submission, Tax Compliance Verification Drive);
- Early detection of leakages and recovery of revenue losses (e.g. Third Party Information using the Reconciliation of Listings for Enforcement (RELIEF) System, strict monitoring of withholding tax remittances by LGUs and NGAs);
- Strengthening and rationalization of audit process and other enforcement methods (e.g. filing of tax evasion cases, audit on industries, support from the academe's legal faculty and students in the prosecution of high profile cases);
- Linking with the private sector to help upgrade the capability of BIR and enhance social responsibility of taxpayers (e.g. e-Lounge, poster slogan making contest);
- Promoting personnel integrity program through the conduct of quality investigation of administrative cases involving erring revenue personnel.

At the BOC, curbing smuggling remained on top of the agenda. In 2004, a total of 385 apprehensions was made with an estimated value of P1.04 billion. The BOC also closed 16 Customs Bonded Warehouses (CBWs) that were found to be smuggling conduits.

The BOC embarked on automation and systems improvement by enhancing its so-called "Payment System" in coordination with the Bankers Association of the Philippines and the Philippine Clearing House. It also rolled-out the Automated Export Documentation to other Philippine Economic Zone Authority (PEZA) zones.

The P500 million funding for the BOC's Automated System for Custom Data (ASYCUDA) world (E-Customs) Project was approved by the National Economic and Development Authority (NEDA.) This project will cover enhancement of the various systems already on-line and operating under the Automated Cargo Operations System (ACOS).

Adhered to Continuous Privatization Program

Receipts from privatization relative to the total NG revenues have become less significant as its contribution dwindled over the years after the privatization of big-ticket items in early to mid nineties. Total privatization receipts for 2004 reached P420 million. The DOF's privatization policy remained geared towards reducing the fiscal deficit, attracting private investments and reducing the government's role in business that is patently private in nature. The next wave of privatization will be geared towards strategic leveraging of government-held assets.

CASH RECEIPT FROM PRIVATIZATION 2004
(In Million Pesos)

Particulars	Amount	Particulars	Amount
Privatization Management Office (PMO)	**303.60**	**Presidential Commission on Good Government (PCGG)**	**116.98**
Sales*	**247.74**	Cash dividend from San Miguel Corp. (SMC)	
Basay Mining Corp.	0.04	for the 1st quarter of 2004	9.66
Cagayan Lambunao Sugar Mill	5.58	PCGG remittance for Comprehensive Agrarian	
Calinog Lambunao Sugar Mills	15.25	Reform Program Fund	23.51
Dacongcogon Sugar Mills	12.90	Director's fees for the five PCGG-nominated	
Davao Timber Corp.	2.75	directors of SMC for CY 2003	40.28
Delta Motors Corp.	5.80	Cash Dividend from SMC	9.70
Hercules Mineral & Oil Inc.	2.34	Profit Sharing accruing to Board of Directors	
Interland Corp.	0.08	of PCGG in Cocochem	14.16
Luzon Aggregates	0.05	Partial redemption of LBP bonds issued by LBP	2.51
Menzi Dev't. Corp.	1.84	Interest on the cash component of the partial	
Mc Adore Int'l.	9.00	compensation paid by LBP to PCGG	0.39
North Cotabato Mining	137.00	Dividends from Independent Realty	
Pamintuan Dev't. Corp.	47.16	Corporation Group of Companies	15.00
Pioneer Glass Mfg.	1.52	Proceeds of the partial redemption of LBP	
Peninsula Dev't. Bank	0.43	bonds issued by LBP to PCGG as	
Prime White Cement	0.34	absolute owner of certain haciendas,	
Radio Phil. Network	0.24	40% ceded by R. Benedicto	1.77
Lease Rental	**45.37**	**Total Privatization Proceeds**	**420.58**
Others	**10.49**		

**Proceeds from Sales of Transferred Assets from Government Financial Institutions*

Debt **Management**

Pursued Prudent Debt Management

The DOF continued to pursue a prudent debt management strategy to raise the required funding to support the government's economic growth objectives while pursuing its fiscal consolidation objective. For 2004, the National Government relied less on foreign borrowing to reduce exposure to foreign exchange risk. The financing mix on a gross basis during the year was 72 percent domestic and 28 percent foreign.

Gross domestic borrowings amounted to P383.8 billion. This is 32.2 percent or P93.5 billion higher than the gross domestic borrowings of P290.3 billion in 2003 reflecting the shift to domestic financing.

The government maintained low and stable interest rates as the benchmark 91-day Treasury Bill rate averaged only 7.34 percent in 2004 compared with the assumed rate of 7.50 percent. The average interest rates for 182-day and 364 day T-bills were 8.32 percent and 9.22 percent, respectively.

The DOF continued to tap ODAs for program and project loans because they carry a grant element. ODA loan agreements signed in 2004 covered loans amounting to P39.5 billion. The DOF likewise took advantage of more favorable market conditions in the international capital market by issuing Global and Euro Bonds. In 2004, the DOF went to the global bond market nine (9) times and obtained commercial borrowings amounting to a total of US$2.9 billion.

The debt portfolio remains characterized by longer maturity structure to ensure that there would be no bunching of maturities. The government continued to rely more on medium and long-term foreign borrowings. Medium and long-term debt of the National Government accounted for 85 percent while short-term debt accounted for 15 percent. Public sector external debt has an average maturity of 19.5 years.

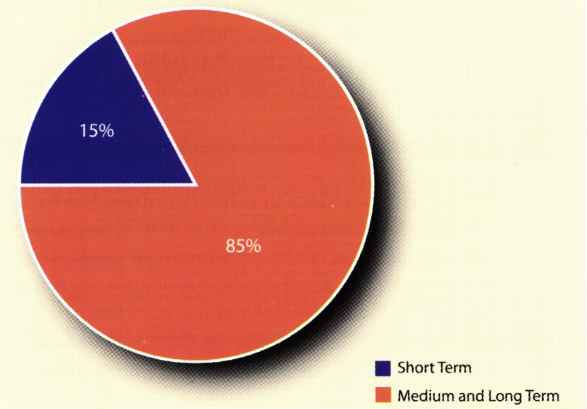
2004 COMMERCIAL BORROWINGS
(In Million US $)

Particulars	Amount
1. ROP Global Bonds due 2015 (With CSFB, HSBC and UBS) March 17, 2004	500
2. ROP Zero Treasury Coupon Bonds due 2005 (With HSBC) April 1,2004	200
3. ROP Global Bonds due 2011 (With Morgan Stanley and Deutsche) May 4,2004	200
4. ROP Global Bonds due 2014 (With Morgan Stanley and Deutsche) May 14,2004	200
5. ROP Global Bonds due 2017 put 2012 (With JP Morgan) July 7,2004	250
6. ROP Euro 350 Million Euro Bonds due 2010 (With Deutsche) August 3,2004	422.14
7. ROP Global Bonds due 2015 (With CSFB, JP Morgan and Deutsche) September 17, 2004	300
8. ROP Global Bonds due 2025 (With CSFB, JP Morgan and Deutsche) September 17, 2004	700
9. Bond Exchange (with JP Morgan, Citigroup and Deutsche) February 26, 2004	120
TOTAL	**2,892.14**

2004 OFFICIAL DEVELOPMENT ASSISTANCE
(In Million Pesos)

Particulars	Amount
Project Loan	**34,472**
ADB	1,512
IBRD (WB)	4,369
IFAD	140
JEXIM	799
OECF/JBIC	2,644
OFEC	21
Constructive Cash Receipts	24,987
Program Loan	**4,998**
Second Nonbank Financial Governance	4,202
US PL 480	796
TOTAL	**39,470**

Total NG Debt by Maturity *(As of end-December 2004)*



Under the Bond Exchange executed in February 2004, the Republic retired approximately US$1.2 billion original principal amounts of old bonds, including Brady Bonds in exchange for bonds with a 2011 maturity. The successful exchange resulted in (a) smoother near term maturity profile through the elimination of debt maturity spikes in 2006 by US$323 million, 2008 by US$252 million and 2009 by US$356 million; (b) a longer average debt maturity; (c) the release of collaterals attached to some Brady Bonds; and (d) the introduction of a new benchmark (ROP 2011) with collective action clauses (CACs). CACs are means by which government can renegotiate or reschedule its debts in case of default.

OUTSTANDING CONSOLIDATED PUBLIC SECTOR DEBT
(In Billion Pesos)

	2003	2004
1. Consolidated nonfinancial public sector debt	4,349.2	4,637.2
2. Financial public corporations (BSP, 3GFIs)	1,462.4	1,331.5
3. Minus: Intrasector-debt holdings	737.5	671.1
4. **Consolidated public sector debt**	**5,704.0**	**5,297.6**

The DOF adheres to IMF's GFS Methodology 2001

Following international standards, as recommended by the IMF's Government Finance Statistics Manual 2001, and with technical assistance from the IMF, the Government in 2004 made the following changes to the official debt data as part of an ongoing process to improve its statistics:

- Public sector debt data have been sectorized (disaggregated) into the general government, non-financial public corporations (GOCCs), and financial public corporations. General government is defined as the National Government, Social Security Institutions and local government units (LGUs). Based on this, the data series from 1998 to 2003 have been reestimated, with intra-sectoral debt holdings appropriately netted out to avoid double-counting.

- Intra-sectoral debt holdings have been eliminated to avoid double-counting when consolidating the debt of the various components of the non-financial public sector. Examples of such eliminations are the NG debt held by Bond Sinking Fund and NAPOCOR bonds held by the NG.

- The coverage of debt data has been expanded to include the debt of local government units (LGUs) because these units are part of the general government sector.

- Some debt data have been revised by the respective institutions (SSIs and GOCCs).

- In line with practices in other countries, the focus has shifted from the total public sector debt to the debt of the non-financial public sector. This is because the nature of financial public corporations' debt (liabilities) differs from that of the non-financial public sector. However, for transparency purposes, data on total public sector debt will also be made available. To this end, the DOF is currently working on the proper consolidation of the debt of the non-financial public sector and financial public corporations and will publish these data as soon as they become available. Until then, the gross debt of financial public corporations will be included as a memorandum item.

The Government **Corporate Sector**

Non-Financial Public Sector Deficit

The consolidated deficit of the non-financial public sector, which is the total financial position of the public sector excluding the Bangko Sentral ng Pilipinas and GFIs (DBP and LBP), improved to P224.5 billion or 4.8 percent of GDP compared with P233.5 billion or 5.4 percent of GDP in 2003. The more favorable fiscal position was primarily brought about by the improved positions of the national government, the 14-monitored government-owned and controlled corporations, the social security institutions and local government units.

The 14 GOCCs registered an aggregate deficit of P90.7 billion, lower than the projected deficit of P125.5 billion. The source of savings came largely from lower than program cost to acquire fixed assets for most government corporations.

STATEMENT OF FINANCIAL OPERATIONS OF THE 14 GOCCs
Calendar Year 2004
(In Million Pesos)

Particulars	Total
Total Receipts	194,892.0
Current Expenditures	267,965.5
Capital Expenditures	17,663.3
Financing Deficit (-)/Surplus (+)	(90,736.8)

Tightened Approval of NG Guarantees and Endorsement of GOCC Borrowings and Extension of Performance Undertakings

The DOF further tightened its criteria in stamping its approval of NG guarantees with the DOF's endorsement of GOCC borrowings limited only to undertakings that are financially viable and consistent with the President's 10-Point Agenda.

President Arroyo's 10-Pt. Agenda 2005-2010

1. Creation of 10 million jobs or 1.7 million jobs per year by tripling the loans for small business (from 1 million to 3 million micro, small, and medium enterprises) and developing 2 million hectares of agribusiness land to generate 1 job per hectare;
2. Education for all by constructing 3,000 classrooms every year, providing college/vocational/technical scholarship to qualified poor families, and providing books and computers in every school;
3. Balance the budget;
4. Decentralization of progress and development through the development of transportation networks/roll-on and roll-off ferries and digital infrastructure to connect the entire country;
5. Provision of clean water to all 45,000 barangays and electricity to 1,500 barangays every year;
6. Decongestion of Metro Manila by developing new centers of government, business, and housing in Luzon, Visayas and Mindanao;
7. Development of Subic and Clark as the best international service and logistics center in Asia;
8. Automation of the electoral process;
9. Just completion of the peace process; and
10. Just closure to the divisions resulting from EDSA 1, 2, and 3.

This is to better manage NG's contingent liabilities and to ensure that there is no guarantee call that will impact on the budget.

NG's Willingness to Guarantee, which is a requirement for seeking approval in principle by the Monetary Board of extending guarantees to GOCCs, was reduced to P108.4 billion in 2004 from P129.2 billion in 2003. Consequently, guaranteed loans were limited to P101.6 billion in 2004 as against P149.9 billion last year with the bulk extended to NAPOCOR (P36.6 billion).

NG GUARANTEED LOANS Calendar Year 2004 (In Million Pesos)		
GOCCs/GFIs	**Title of Loan**	**Amount**
HGC	Special Series Zero Coupon Bonds	2,998.5
LRTA	P500M Additional Omnibus Credit Line w/ LBP	500.0
MWSS	Bridge Financing	10,641.3
NFA	Bridge Financing	2,700.0
NPC	Bridge Financing	78,820.0
PNOC-EDC	US $75 Million Term Loan Facility Standard Chartered Bank	4,185.8
PNR	South Manila Commuter Rail Project - Phase I	2,773.1
TOTAL		**101,618.6**

Strictly Enforced Dividend Law and Implemented Prudent Lending Support

In line with the revenue generation effort of the NG, the DOF monitored and enforced collection of dividends that are due to the NG pursuant to Republic Act 7656 (Dividend Law). This resulted in total dividend collection of P5.1 billion, exceeding the program of P2.5 billion.

The actual net lending support or NG assistance to GOCCs for 2004 amounted to only P5.7 billion, which is way below the program of P8.9 billion.

Capital Market Development

The DOF supported the creation of an environment conducive to further deepening of the capital market. It spearheaded the passage of "Securitization Act of 2004" or Republic Act No. 9267. This law paved the way for an enabling environment for securitization which is essential in generating long-term funds for the housing finance sector, especially for the government's socialized and low-income housing program.

Through the Securities and Exchange Commission (SEC), the DOF strived to strengthen regulatory framework for capital market. The major achievements under this goal are the following:

- Establishment of a database link with the BIR (Electronic Exchange of Information) to facilitate the acquisition by newly organized companies of Taxpayer Identification Number (TIN) and to contribute in expanding the country's database of new taxpayers
- Promulgation of new rules, circulars and guidelines on:
  - Alternative Trading Systems (ATS). The ATS is an electronic facility that brings together buyers and sellers of innovative securities and securities of small enterprises. The ATS facility will give smaller firms access to capital, as well as provide investors with enhanced flexibility, security, transparency, and reduced trading costs
  - Adoption of Philippine Financial Reporting Standards
  - Regulation of the Philippine Stock Exchange
- Formulation of the policy blueprint for the long-term development of the Non-Bank Financial Sector (NBFS)
- Implementation of the Shift from the Net Capital Regime to the Risk-Based Capital Adequacy Requirement/Ratio (RBCA) for Securities Brokers and Dealers
- Active participation in the establishment of the Financial Sector Forum (FSF), which is composed of the BSP, IC, PDIC, and SEC. The FSF provides the institutional framework for coordinating the supervision, monitoring, and regulation of financial institutions
- Signing of Memorandum of Undertaking (MOU) with the BSP, defining SEC's and BSP's jurisdictional responsibilities
- Signing of MOU with Philippine Stock Exchange (PSE) on the Self Regulatory Organization functions of the PSE, which seeks to improve the PSE's SRO function and strengthen regulation of trading participants
- Establishment of database link with the Department of Trade and Industry (DTI) which reduces by one step the procedure for corporations in starting their business

Credit and **Microfinance Policies**

Promoted and Created an Enabling Policy and Regulatory Environment to Promote Microfinance in the Country

The National Credit Council, chaired by the DOF, remained at the forefront of creating an enabling policy and regulatory environment to promote microfinance in the country. This is in keeping with the President's program to create 10 million jobs over the medium-term by tripling the loans for micro, small, and medium enterprises.

The NCC: Working toward microfinance commercialization

The NCC's thrust to create a favorable policy and regulatory environment for microfinance has attracted a greater number of private financial institutions (PFIs) participating in the provision of financial services to microenterprises and small and medium enterprises. It has also paved the way for the eventual commercialization of microfinance through the application of market-based principles to microfinance. As of end-2004, 178 banks are engaged in microfinance. The People's Credit and Finance Corporation (PCFC), the primary institution for delivering microfinance services, continues to develop a network of rural and cooperative banks, cooperatives and non-government organizations (NGOs), to serve as conduits of wholesale funds. The Land Bank of the Philippines (LBP) has likewise decided to play a more active role in microfinance with its full microfinance program expected to be in full swing by January 2005. On the other hand, the Development Bank of the Philippines (DBP) and the Small Business Guarantee and Finance Corporation (SB Corp.) are in the process of developing their respective microfinance programs. With these developments, outreach has exceeded one million borrowers as of end 2004.

Through focused workshops, regional consultations and continuous advocacy work, the DOF successfully forged broad-based agreements with major stakeholders such as non-government organizations (NGOs), people's organizations (POs), cooperatives, and rural banks (RBs) in pushing for the following microfinance policy reforms:

- Formulation of the Performance Standards for All Types of Microfinance Institutions in the Philippines in coordination with concerned stakeholders. The standards, which will serve as the microfinance industry benchmarks to allow the comparison of financial performance of all institutions engaged in the delivery of microfinance services, was launched last November 18, 2004 in Malacanang as part of the celebration for the United Nations International Year of Microcredit. The DOF, in collaboration with the Bangko Sentral ng Pilipinas, has begun a series of regional consultations as part of its advocacy to promote the use and adoption of the Standards by all microfinance practitioners, including the regulatory authorities, wholesale financial institutions, private sector investors, donor agencies and microfinance institutions.

- Establishment of an effective credit bureau in collaboration with the Bangko Sentral ng Pilipinas and with the assistance of the USAID-funded Credit Policy Improvement Program (CPIP). A Senate bill has been drafted for the institutionalization of a functioning credit information system. The bureau will create an accurate and comprehensive database of credit information. This type of credit information would help financial institutions to accurately assess the creditworthiness of potential borrowers, facilitating access to credit, and fostering borrowers' credit discipline, thereby improving the overall credit climate. The existence of credit information would pave the way for further commercialization of microfinance in the country.

- Strengthening the Cooperative Development Authority (CDA) as a regulatory agency of credit cooperatives through the establishment of a regulatory framework for credit cooperatives. A technical working group is finalizing the framework, while a bill providing for the regulation of credit cooperatives is being pushed in Congress.

NCC Website

On November 18, 2004, the NCC launched its website *(www.ncc.dof.gov.ph)* to provide greater access to information about NCC and its activities. The website launch coincided with the Philippine launching of the International Year of Microcredit 2005 in Malacañang.

Local Government **Finance**

One of DOF's key roles is to improve the revenue performance and financial operations of LGUs in order to make them less income-dependent on the National Government. The DOF also prepares LGUs to obtain wider access to various financing sources to fund their developmental projects. These tasks are undertaken by the Bureau of Local Government Finance (BLGF) and the Municipal Development Fund Office (MDFO). The BLGF provides training programs for LGUs on non-traditional sources of financing projects such as resource mobilization, municipal bond flotation and build-operate-transfer schemes. Through MDFO, the DOF mobilizes foreign financial assistance to fund various projects of LGUs.

Revenue Performance of LGUs

Efforts to improve LGU resources focused on generating more revenues from locally-sourced income through the Revenue Generation Program. This Program, which initially revolved around improving collection of real estate taxes which is the most stable source of income of LGUs, has expanded to include business taxes, fees and charges, and receipts from the operation of economic enterprises. A more efficient system of revenue collections – the Statement of Income and Reporting System – was put in place by monitoring LGUs' actual performance against targets. Overall performance of the Program showed actual collections matching the target in 2004.

LGU COLLECTION EFFICIENCY (2004)

Income Source	Target (Pbillion)	Actual Collections (Pbillion)	Collection Efficiency (in percent)
Real Property Tax	30.1	26.9	89.4
Business Tax	19.2	21.1	109.9
Fees and Charges	7.2	7.0	97.2
Economic Enterprise	4.4	5.9	134.1
TOTAL	**60.9**	**60.9**	**100.0**

Financial Operations

The overall fiscal position of the LGUs showed a surplus of P15.4 billion in 2004 compared with the program of P1.2 billion. Total income reached P173.3 billion as against expenditures of P157.9 billion.

Tax revenue, which accounted for 24 percent of the LGUs' aggregate income, increased 6.5 percent to P42.2 billion compared with P55.1 billion in 2003 while non-tax revenue rose 25 percent to P16.4 billion from P13.1 billion in 2003. The tax revenues from business taxes grew by 5.0 percent against 2003 level. The major source of non-tax revenue came from receipts from economic enterprises with collections up by 3.4 percent to P6.1 billion from P5.9 billion in 2003. This was followed by income from regulatory fees (P5.2 billion) and other receipts (P5.1 billion).

Total expenditures went up by 1 percent to P157.9 billion in 2004 from P156.2 billion in 2003. General public services accounted for 40 percent of the total expenditures, rising 0.5 percent to P63.5 billion from P63.2 billion in 2003. This was followed by public welfare and internal safety (P35.5 billion) and economic services (P26.1 billion).

LOCAL GOVERNMENT UNITS
Consolidated Statement of Income and Expenditures
Calendar Year 2004
(In Million Pesos)

Particulars	Amount
TOTAL INCOME	**173,343**
Local Sources	58,666
Tax Revenue	42,219
Non-Tax Revenue	16,448
Allotment and shares	114,677
TOTAL EXPENDITURES	**157,890**
Current Expenditures	157,890
Capital Outlays	34,488
OVERALL SURPLUS (DEFICIT)	**15,453**

The installation of the new Statement of Income and Reporting System provided BLGF with a tool to efficiently monitor the financial performance of LGUs. The submission of the Statement of Income and Expenditures (SIE) by LGUs became more timely. LGUs submitted report more promptly, resulting in the provision of timely and accurate data to all stakeholders of LGU financial data.

Resource Mobilization through Municipal Development Fund Office

In 2004, the Municipal Development Fund Office (MDFO) provided P1.7 billion worth of loans and grants to 584 LGUs. P1.4 billion of the assistance were in the form of grants, while P326.9 million were provided as loans.

FINANCIAL ASSISTANCE TO LGUs
2004 vs 2003

Year	Cost in Pmillion		
	Loans	Grants	Total
2004	326.9	1,356.50	**1,683.40**
2003	301.5	1,524.70	**1,826.20**

The financing assistance covers a wide range of projects under MDFO that includes the following: local infrastructure (social, environmental and revenue-generating projects); development and improvement of local revenue collection and real property tax systems, and policy-based local reform.

New financing assistance, in the amount of P135.9 million, was provided under the Local Government Finance and Development (LOGOFIND) and the Laguna de Bay Institutional Strengthening and Community Participation (LISCOP) projects.

MDFO likewise offered an innovative financing window to finance Policy-Based Loans of LGUs. This has been made available at the provincial level to facilitate policy or reform objectives in fiscal administration, revenue collection and resource generation, budgetary planning, expenditures management and overall governance.

The MDFO initiated work on the development of a Multiple-LGU Borrowing Policy. This policy will define the parameters on the institutional, financial, and cooperative arrangements of financing a common project by a cluster of LGUs. This policy, which has a strong basis in the Local Government Code, would allow LGUs to cluster, share and maximize resources in jointly undertaking large or complex projects that would benefit a number of constituencies.

A major function of the MDFO is to provide capacity-building activities for LGUs in the area of municipal governance, investment planning, revenue generation, and project development and implementation. In 2004, MDFO organized various capacity building activities which 10,257 LGU executives and officers from 762 LGUs attended.

The MDFO transformed into the Municipal Finance Corporation (MFC), through Executive Order No. 252, which marked the second phase of the Municipal Development Fund (MDF) two-phase transition. The transformation was in accordance with the agreed plan between the DOF and the World Bank, to reorganize and strengthen the municipal development fund from a financing mechanism within DOF to be spun off into a separate financial institution. The two-phase transition of MDF (creation of MDFO and its transformation into MFC) falls under the fourth component of the LOGOFIND Project.

Completed Seawall of New Washington, Aklan under the LOGOFIND Project.

Actual construction of school buildings Package 1 of the City of Taguig under the LOGOFIND Project.

Governance **Reforms**

Continued Strengthening of the Revenue Integrity Protection Service (RIPS)

RIPS was created on December 17, 2003 by virtue of Executive Order No. 259 to investigate instances of corruption within the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).

The work of the RIPS strategically complements the work of the Office of the Ombudsman, by prioritizing corruption cases involving the BIR and the BOC. Its investigations in these agencies will form the bases of corruption charges to be filed at the Ombudsman.

By instituting the lifestyle checks on officials and employees of the BIR and the BOC, RIPS broke ground with the following results:

- Filed before the Ombudsman 14 cases involving 14 Revenue and Customs officials -- 11 from BIR and 3 from BOC.
- Of the 11 BIR officials charged, one Regional Director has already been dismissed for perjury and dishonesty
- Three BIR officials, one of whom is an Assistant Commissioner, were suspended for violations of various laws while the rest are under preliminary investigation for violations such as falsification of public documents, dishonesty and perjury.

Of the three (3) BOC officers charged, one (1) was meted suspension while the two (2) others are under preliminary investigation.

RIPS Goals

As the anti-corruption force in the Finance Department, the RIPS will pursue three major organizational goals, as follows:

1. Increase risks and costs of sanctions for corruption in the DOF and its attached agencies, particularly BIR and BOC;

2. Reduced scope and opportunities for corruption in the DOF and its attached agencies, particularly BIR and BOC;

3. Strong public support for the anti-corruption initiatives of the RIPs in the DOF.

RIPS Strategies

To achieve its goals, the RIPS will develop and execute the following strategies:

Strategy for Goal 1
- To increase the risks and costs of sanctions for corruption, the RIPS will engage in an efficient, effective, and systematic process of investigation and prosecution of corruption complaints and incidents.

Strategy for Goal 2
- To reduce the scope and opportunities for corruption, the RIPS will conduct reviews of selected systems, processes and procedures within the revenue-generating agencies and recommend policies and programs to address deficiencies.

Strategy for Goal 3
- To establish and maintain strong public support for DOF anti-corruption initiatives, the RIPS will implement programs to educate its stakeholders and the public about the effects of corruption and the benefits to be gained from fighting it.

Client **Service**

The Revenue Operations Group

The Revenue Operations Group oversees the frontline public services of the Department of Finance. The Revenue Office and the Mabuhay Lane processes all applications for exemption from payment of taxes and duties on importations. The One-Stop-Shop Inter-Agency Tax Credit and Duty Drawback Center processes all applications for tax credit incentives. The three offices continued to adopt caution in the processing of applications to ensure integrity and legitimacy of exemptions and tax credits given as well as minimize revenue losses to Government.

Revenue Office

A combined annual total of P5.6 billion in exemptions from payment of tax and duty was granted in 2004 compared with P4.7 billion in 2003. The higher amount of revenue waived was attributed to the rise in volume and value of importation of goods and articles brought to the Philippines.

REVENUE OFFICE
SUMMARY OF DUTIES AND TAXES WAIVED
(For the year ended December 31,2004)
in Pmillion

Office Division	Amount Waived		Total
	Duty	VAT	
Revenue Express Lane	1,640.1	277.9	1,918.0
Customs and Tariff Division	513.7	150.1	663.8
Internal Revenue Division	1,213.9	1,848.7	3,062.7
Total amount waived	**3,367.8**	**2,276.7**	**5,644.5**

The Internal Revenue Division, which processes applications for exemption of government entities, chartered institution, embassies and UN attached agencies granted a total of P3.1 billion in taxes and duties waived. Customs and Tariff Division and Revenue Express Lane, which processes applications for exemption pursuant to the Tariff and Customs Code of the Philippines and other charted entities granted a total of P663.8 million and P1.9 billion, respectively. The Research and Monitoring Division, with its monitoring and reviewing functions, provided significant insights and inputs in the processing of application for exemptions that require further study and actual verification. With the present systems and procedures of the Revenue Office, the amount of waived taxes and duties corresponds with the mandate of existing laws.

One strategy adopted for this purpose is the re-examination of the practice of granting exemption from taxes and duties based on the general provisions of law and the effective and rational implementation of tax exemption laws so as to minimize waiver of revenues of the government.

Mabuhay Lane

The Mabuhay Lane processes requests for tax and duty exemptions of the following sectors:

- BOI-registered enterprises
- Non-stock, non-profit educational institutions
- Importers of books, magazines and similar items
- Importers qualified under Section 105 (r) of the Tariff and Customs Code of the Philippines
- Asian Development Bank
- Importers of personal effects and household goods
- Contractors for the Department of Energy

The Mabuhay Lane granted a total of P1.8 billion in tax and duty exemptions in 2004, slightly higher than the 2003 level of P1.7 billion. This is due to slight increase in the value of importations made by exempt sectors from P9.7 billion in 2003 to P10.7 billion in 2004.

One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (CENTER)

The OSS-CENTER continued to provide critical support to the government's export and investment promotion program through adherence to a more enhanced and transparent administration of tax credit and duty drawback system, as well as timely processing of tax credits and duty drawbacks. In 2004, systems audit programs were done on a more regular basis to strengthen internal controls, promote greater transparency, streamline procedures, and prevent irregularities. The conduct of a regular audit proved to be an effective tool against potential tax credit scams. As such, a formal Internal Audit Division shall soon be established within the OSS-CENTER to institutionalize internal audit functions and in compliance with Administrative Order No. 70 which requires the creation of an internal audit office in all government agencies.

Improvements in systems and procedures are being complemented by the Organization Development Project (ODP) conducted by the Civil Service Commission-National Capital Region Office (CSC-NCR). Completed in November 2004, the Project provides for options and recommendations to address the infirmities and meet the mandate of the OSS-CENTER. The DOF, through the Office of the Secretary, shall consider the recommendations to be adopted, and, where necessary, to recommend to the Office of the President the issuance of appropriate orders to execute the same.

The Special Revalidation Program, which began in October 2003, ended in 2004. Implemented via Department Order No. 19-03, the Program was conducted in cooperation with the BIR and the BOC to determine the amount of outstanding OSS-BIR and OSS-BOC- issued Tax Credit Certificates (TCCs) in the market and consequently, to strengthen the government's monitoring system for the utilization of such TCCs.

Alongside these programs, the OSS-Center continues to process tax credit and duty drawback claims pursuant to Administrative Order No. 266. A total of 2,436 TCCs amounting to P3.6 billion was issued in 2004, broken down as follows:

- P1.1 billion from Executive Order (E0) No. 226 and related laws
- P610 million from Section 106 of the Tariff and Customs Code (TCC) of the Philippines
- P1.88 billion from Section 112 of the National Internal Revenue Code.

The aggregate issuance is 26 percent higher than the 2003 issuance of P2.6 billion and is attributed to the completion of the Zero-Backlog Program for issuances under Section 112 of the NIRC in the OSS'Tax and Revenue Group in December 2004.

International **Initiatives**

ASEAN

The Philippines' contributions in the Association of South East Asian Nations (ASEAN) have led to several endeavors resulting in a more cohesive, coordinated and integrated financial and monetary cooperation in the region. Among these are:

- The signing of the Protocol that established the ASEAN Harmonized Tariff Nomenclature (AHTN) that would enhance the flow of goods in the region;
- The adoption of sound international financial practices and standards that the Philippines has detailed in its initiative on the enhancement of Tax and Public Finance matters to promote macroeconomic and financial stability in the region; and
- The submission of the Roadmap on Financial and Monetary Integration that proposes the steps and timeframe of cooperation in the region in four areas – capital markets development, financial services liberalization (the Philippines have submitted its final commitments on financial services for the Third Round on December 4, 2004 to the ASEAN Secretariat under the Asean Framework Agreement on Services (AFAS), capital account liberalization and ASEAN currency cooperation.

Secretary Amatong Calls for More Responsive Multilateral Institutions During the Joint Annual Meetings of the World Bank and the International Monetary Fund

Secretary Amatong, during the Joint Annual Meetings of the World Bank and the International Monetary Fund held on October 3, 2004, called for a more enhanced role and relevance of multilateral institutions. First, she emphasizd the need for multilaterals to channel more of their resources to activities that enable countries to meet the Millennium Development Goals by 2015. Second, the Secretary batted for greater role of middle-income countries in the formulation of country assistance strategies and in the policymaking of multilateral institutions.

"To stay relevant to their middle-income clientele, the Bank must strengthen developing country voice in the formulation of country assistance strategies. The Bank and the Fund should engage in a new type of partnership with middle income countries --- one that is more efficient, flexible and one that is more responsive to middle-income countries' needs. In addition, we call for greater flexibility. Since a large number of middle-income countries are in dire fiscal straits, products should be tailored to avoid further fiscal deterioration. The Fund should pursue ways to redefine the public finance conditionality to avoid depriving developing countries of productive investments for future growth. We urge the fund to remove expenditures on productive infrastructure from the definition of "fiscal deficit", use "primary surplus" as criterion and/or exclude the operations of commercially-run public enterprises from the coverage of fiscal conditionality. Likewise, while the Fund and the Bank play an important role as knowledge disseminators, they have not played a more active role in assisting developing countries in coming up with policies steadfastly dedicated to growth and in ways that biases income gains towards the poor. The only way this can be done is for developing countries to be given more voice in the policymaking of these institutions. This will give true meaning to ownership in Bank and Fund operations".

Secretary Juanita D. Amatong
Joint Annual Meetings of WB and IMF
October 3, 2004
Washington, D.C.
U.S.A.

Human Resource **Development**

Continuous Staff Training

Investing in human resource development and hiring the best people have always been among the key priorities of the DOF. This is crucial in the light of the critical role of the DOF as the premier economic agency with the mission to provide solid foundation for a dynamic and strong economy through a strong fiscal sector.

To realize its mission, the DOF continues to strengthen its human resource development program to sustain its core of competent and efficient staff. Trainings, both at the technical and administrative levels, are provided.

In 2004, technical trainings focused on economic policies and economic development, fiscal policy, tax policies and tax administration, financial programming and policies, good governance, environment, infrastructure, information technology, microfinance, and financing instruments. On the administrative side, training courses covered financial accounting and budgeting, records management, human resource development, cash management and administration, and laws and rules on government expenditures.

Amid resource constraints and austerity measures, training opportunities abroad became possible by tapping mostly into training and scholarship programs supported by official development assistance (ODAs) of bilateral donors, courses by the International Monetary Fund and through direct invitations from donor agencies/countries. In 2004, a total of 42 officials and employees was sent abroad for training under this mode.

The year 2004 saw the completion by seven (7) employees of their graduate courses in various disciplines here and abroad. Three (3) employees availed of the Study Leave Grant on Official Time to review for the bar examinations or to finish the masteral thesis.

The conduct of quarterly lecture series on fiscal and other economic issues by the Fiscal Policy and Planning Office continued to be an excellent venue for fostering debate and discussions among DOF staff on the current fiscal and economic issues confronting the country. It also provided them with a broader understanding and greater appreciation of the issues affecting the DOF. Below is the summary of attendees and the title of the lectures conducted in 2004:

FPPO QUARTERLY LECTURE SERIES

Agency	LECTURE TITLE			
	Medium Term Phil. Dev't Plan (March 18, 2004)	Inflation Targeting (June 16, 2004)	The Macroeconomic Impact of Proposed Tax Legislative Measures (October 29, 2004)	Unemployment (December 10, 2004)
DOF	48	45	34	51
BIR	1	2	2	
BOC		2	2	2
BTr	2	2	2	2
BLGF		1	1	
NTRC	2	2	1	
IC	2		1	1
SEC		2	1	
PhilExim	2	2	1	
PDIC	3	2	1	1
Total	**60**	**60**	**46**	**57**

Middle level staff were sent to supervisory development courses to sharpen their management skills.

Staff Recognition

Aside from the staff training and development program, human resource development efforts also included the granting of incentives and awards based on the Program on Awards and Incentives for Service Excellence (PRAISE) of the DOF. The PRAISE is a program designed by the Civil Service Commission to encourage creativity, innovativeness, efficiency, integrity, and productivity in the public service by recognizing and rewarding officials and employees, individually or in groups for their accomplishments and efforts which contribute to the efficiency, economy, or other improvements in government operations, or for extraordinary acts or services in the public interest. The following awards were conferred in 2004:

- Service Awards for five (5) employees for their long years of dedicated service in the DOF
- Loyalty Award for fifty-three (53) employees who have rendered continuous and satisfactory service for at least 10 years
- Length of Service Incentive or Longevity for One Hundred Sixty-One (161) employees for having rendered at least three (3) years of continuous service in the same position
- Salary Adjustments for thirty-three (33) qualified employees and Productivity Incentive Benefit (PIB) for employees who have performed at least satisfactorily for two (2) semesters
- Promotions for twenty-five (25) qualified and deserving employees
- Recognition and compensatory day-off pursuant to Republic Act (RA) 6713 for twenty-two (22) employees who obtained perfect attendance during the Flag Raising Ceremonies for six consecutive months

Participation in National Events

The DOF actively participated in national events either through in-house seminars or other forms of activities. These events included the following:

- Environmental Exhibit and Lecture on the State of our Environment in celebration of the Earth Day Month in coordination with the Department of Environment and Natural Resources
- International Women's Day held at the Cuneta Astrodome
- Civic and Military Parade during the 106th Philippine Independence Day
- 104th Philippine Civil Service Anniversary (Mass Aerobics, Bida Ka Challenge, Word Power Quiz, Dialogue for Good Governance and celebration of the Holy Eucharist)

Gender and Development

The Gender and Development efforts in the DOF are in pursuance to Republic Act No. 7192, otherwise known as "Women in Development and Nation Building Act" which mandates all government agencies to make sure that women benefit equally and participate directly in the development programs and projects.

GAD-related activities included the following:

- UNIFEM-sponsored Workshop on Institutionalizing a Results-Oriented, Gender-Responsive Government Planning & Budgeting
- Workshop on Harmonized Gender and Development Guidelines. This is geared towards establishing a standardized evaluation criteria for ADB-assisted projects and activities for women
- World Bank-organized Planning Workshop for Community Based Resource Management Project staff which aimed to integrate gender considerations in all WB-assisted projects.
- Conduct of The Financial Literacy Lecture – Roadmap to Financial Independence. The objective is to help GAD focal points become more financially literate and therefore, better handle their personal finances towards financial independence.

The year also saw the incorporation of the DOF-Women Movement for an Empowered Nation, Inc. (WOMEN, INC.) an association of women employees of DOF and its attached agencies. Its objective is to promote the social, economic and cultural well-being of its members. The officers of WOMEN took their oath before Secretary Juanita D. Amatong on June 14, 2004.

Systems Improvement

The Payroll and Remittance System installed by the Central Management Information Office – IT Division became operational during the year. Three offices: Payroll and Transaction Sections of the Personnel Services Division and Accounting Division have been linked by the System. The Payroll Management System has resulted in a better and faster processing of employees' payroll as the Master List of employees can now be easily generated from the Personnel Management System. Likewise, employees' remittances to various government agencies have been facilitated by the System. Overall results have been satisfactory and minor refinements are underway for better and more accurate results.

DOF Officials

The Secretary

Juanita D. Amatong

The Undersecretaries

Nieves L. Osorio
Policy Development and Management Services Group
Corporate Affairs Group

Emmanuel P. Bonoan
Revenue Integrity Protection Service

Eric O. Recto
Privatization Office
International Finance Group

Ma. Gracia M. Pulido-Tan
Revenue Operations Group

Inocencio P. Ferrer, Jr.
Domestic Finance Group

Policy Development and Management Services Group

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

Ma. Eleanor F. Dela Cruz
Assistant Secretary

Lourdes Z. Santiago
Director IV
Central Administration Office

Not in photo:
Porfirio B. Villena, Jr.
Director IV

Corporate Affairs Group

Venus S. Cajucom
Officer-in-Charge
Privatization Office

Soledad Emilia J. Cruz
Director IV
Corporate Operations Office

Jeremias N. Paul, Jr.
Assistant Secretary

Domestic Finance Group

Joselito S. Almario
Director III
Fiscal Policy and Planning Office

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

Ma. Lourdes B. Recente
Director IV
Research and Information Office

Gil S. Beltran
Assistant Secretary

International Finance Group

Ma. Edita Z. Tan
Director III
International Finance Operations Office

James H. Roldan
Director IV
International Finance Policy Office

Gilda Victoria G. Mendoza
Director III
International Finance Policy Office

Roberto B. Tan
Assistant Secretary

Revenue Operations Group

Rogelio S. Casiguran, Jr.
Director III
Revenue Office

Fidel G. Condrada
Director III
Legal Affairs Office

Thelma A. Mariano
Director IV
Legal Affairs Office

Ernesto Q. Hiansen
Officer-in-Charge
One-Stop Shop Tax Credit and Duty Drawback Center

Municipal Development Fund Office

Helena B. Habulan
Executive Director

Lilanie O. Magdamo
Deputy Executive Director

Heads of Attached Bureaus

Ma. Presentacion R. Montesa
Executive Director
Bureau of Local Government Finance

Guillermo L. Parayno
Commissioner
Bureau of Internal Revenue

Mina C. Figueroa
National Treasurer
Bureau of the Treasury

George M. Jereos
Commissioner
Bureau of Customs

Heads of Attached Agencies

Cesar S. Gutierrez
Chairman
Central Board of Assessment Appeals

Ricardo S. Canlas
Chief Privatization Officer
Privatization Management Office

Benjamin S. Santos
Commissioner
Insurance Commission

Lina D. Isorena
Executive Director
National Tax Research Center

Fe B. Barin
Chairman
Securities and Exchange Commission

Heads of Attached Corporations

Ricardo M. Tan
President
Philippine Deposit Insurance Corporation

Eduardo Sergio G. Edeza
President
Philippine Export-Import Credit Agency

Directory of **DOF Offices**

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
OFFICE OF THE SECRETARY	6th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	523-6051; 526-7336; 523-9215; 523-9219 (Fax) 526-8474; 521-9495
Chief of Staff		525-0260
Deputy Chief of Staff		525-4194
PERSONNEL DEVELOPMENT & MANAGEMENT SERVICES GROUP		
Office of the Undersecretary	5th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	400-6882;524-5221
Office of the Assistant Secretary	7th Floor, EDPC Building	526-8459
Central Administration Office	7th Floor, EDPC Building	
Office of the Director		526-1265
Personnel Services Division		525-0244
Central Records Mgt. Division		526-8470; 526-5573
General Services Division		526-8474; 525-4227
Property & Procurement Section		526-4786
Cash Section		526-5573
Library Section		526-8410
Central Financial Management Office	7th Floor, EDPC Building	
Office of the Director		526-8166
Budget Division		526-8464
Accounting Division		523-5624
Management Services Division		526-6932
Management Information System	4th Floor, DOF Building	525-4451; 526-8467; 525-4697
CORPORATE AFFAIRS GROUP	5th Floor, DOF Building BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		400-6882; 524-5221
Corporate Operations Office		
Office of the Director		525-7427; (Telefax) 525-1313
Corporate Policy Research Division		525-7309; 523-7172
Corporate Programs Division		525-7309; 523-7172
GCMCC		525-7309; 523-7172
Infrastructure Division		525-7309; 523-7172
GFIs		525-7309; 523-7172

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
PRIVATIZATION GROUP	5th Floor, DOF Building BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		523-5727; 525-1321 (Fax) 523-5143
Privatization Office		524-1633
DOMESTIC FINANCE GROUP	4th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		(Telefax) 526-8462
Office of the Assistant Secretary		523-5671; (Telefax) 523-3825
Fiscal Policy and Planning Office		
Office of the Director		523-5678; (Telefax) 523-3825
Fiscal Policy Division		524-0607
Fiscal Planning Division		523-5678; (Telefax) 523-3825
Statistics Division		523-5678; (Telefax) 523-3825
Special Studies Division		523-5678; (Telefax) 523-3825
National Credit Council		523-5678; (Telefax) 523-3825
Credit Policy Improvement Program (CPIP)		525-0487;525-0497 (Telefax) 525-4332
Research and Information Office		
Office of the Director		526-6968
Research & Liaison Division		524-0618
Information Division		524-0619
INTERNATIONAL FINANCE GROUP	5th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		523-9221 (TL) 523-9911 to 14 loc 101
Office of the Assistant Secretary		523-9222 (TL) 523-9911 to 14 loc 126

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
International Finance Operations Office		526-9990
Office of the Director		(TL) 523-9911 to 14 loc 125
Debt Restructuring Div. & ADB		521-8791; loc 106
Multilateral Assistance Division		521-8792; loc 104
Bilateral Assistance Division		523-9223 loc 110
International Finance Policy Office		
Office of the Director		400-7446
		(TL) 523-9911 to 14 loc 115
International Economy Division		loc 127
External Adjustment Division		loc 111
REVENUE OPERATIONS GROUP	6th Floor, DOF Building, BSP Complex, Roxas Boulevard Manila 1004	
Revenue Integrity Protection Service		526-0531; 525-5166
Office of the Undersecretary		
RIPS Hotline		*404-1775*
Office of the Assistant Secretary		523-4955; 524-5137
Revenue Office	Podium, DOF Building	
Office of the Director		526-8457; 526-8458
Customs & Tariff Division		526-8458
Internal Revenue Division		526-8476
Research & Monitoring Division		526-7311
Mabuhay Lane		526-8458
Legal Affairs Office	4th Floor, DOF Building	526-7490; 526-8449
One-Stop-Shop Duty Drawback Center	3rd Floor, DOF Building	
Office of the Exec. Director		526-8178
OSS - Operations		523-9217
OSS - TCCIAD/TDM		526-8450
OSS - Receiving		526-1308
OSS - Policy		526-0842
OSS - MIS		526-1781
OSS - Admin		526-0076
OSS - BOC		526-0751
OSS - BIR		526-8849
OSS - Post Audit		526-4822

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
MUNICIPAL FINANCE CORPORATION	Podium, DOF Building BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Executive Director		523-9935
Office of the Deputy Executive Director		525-9185
Finance and Administrative Division		525-9188
Accounting Division		523-9937
CBRM Project		521-7195
LOGOFIND Project		525-9186; 525-9187

Directory of **DOF Bureaus, Attached Agencies & Corporations**

AGENCY NAME/OFFICE	ADDRESS	TELEPHONE NUMBER/S COMMISSIONER'S/ CHAIRMAN'S OFFICE
Bureau of Local Government Finance (BLGF)	8th Floor, EDPC Building, BSP Complex, Roxas Boulevard, Manila	527-2780; 522-8773
Bureau of Internal Revenue (BIR)	Agham Road, Diliman, Quezon City	921-0430; 922-3293
Bureau of the Treasury (BTr)	Palacio del Gobernador, Intramuros, Manila	527-3184; 527-3178 (TL) 522-8122
Bureau of Customs (BOC)	BOC Building, Port Area, Manila	526-6355; 527-4511
Central Board of Assessment Review Board (CBAA)	7th Floor EDPC Building, BSP Complex, Roxas Boulevard, Manila	525-1411; 525-1410 526-7485
Privatization and Management Office (PMO)	104 Gamboa Street, Legaspi Village, Makati City	893-2383; 893-1209
National Tax Research Center (NTRC)	23rd Street corner A.C.Delgado Street, Port Area, Manila	527-2050; 527-2064
Securities and Exchange Commission (SEC)	SEC Building, EDSA Greenhills, Mandaluyong City	727-4543; 724-4757
Philippine Deposit Insurance Corporation (PDIC)	PDIC Building, Pasong Tamo Extension, Makati City	818-6906; 817-1445
Philippine Export-Import Credit Agency (PhilExim)	17th Floor, Citibank Plaza, 8741 Paseo de Roxas, Makati City	893-4632; 893-4809 (TL) 848-1900

2004 DOF Annual Report **Working Committee**

Assistant Secretary Gil S. Beltran *(not in photo)*

Director Ma. Teresa S. Habitan

Assistant Director Joselito S. Almario

Napoleon P. Micu

Aurora Luz D. Villaviray

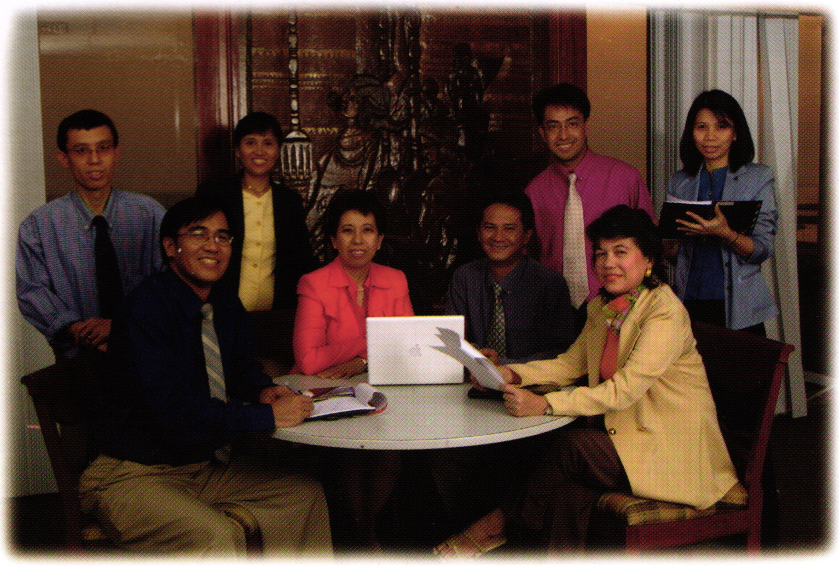
Febe J. Lim

Ricardo P. Toquero

Eric C. Tipgos

Rochelle D. Tomas *(not in photo)*

Irene R. Sta. Ines



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