

2006 Annual Report



Building on the Momentum of Growth



Department of Finance

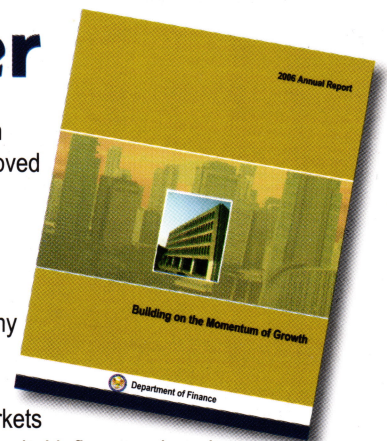
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Our Cover

Of all the news about the economy in 2006, the story about the much improved fiscal position of the government is, undoubtedly, the most significant. For one, fiscal programs yielded results more than expected, and this turnaround has benefited the economy to a great extent – economic growth has been sustained, interest rates have fallen significantly, financial markets have been reinvigorated with rising capital inflows and equity prices, and higher spending for priority expenditure has been ensured.

The dominant gold cover of our report signifies the optimism and bright prospects for a strong, sustainable economy in the years ahead. At the core of the strong growth performance is the DOF – symbolized by the solid picture of the DOF building at the center amid the watermarked panoramic picture of a booming business district – which helps businesses and the economy grow through the pursuit of a sound fiscal policy. The blue and white borders at the bottom symbolize the reassurances by the DOF of its unwavering thrust to provide the underpinning for a strong economy.





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. The DOF must steer fiscal program toward an investment-friendly environment, which is the catalyst for growth.

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.

Letter to the President

Her Excellency

Gloria Macapagal-Arroyo

President

Republic of the Philippines

Malacañang, Manila

Dear Madam President:

On behalf of the management and staff of the Department of Finance, I am respectfully submitting to Her Excellency this report of our accomplishments for the year 2006.

It has been a good year for the Department and its attached bureaus and agencies, as performance generally exceeded expectations. The budget deficit reached its lowest level in recent years, well below the program for the year. The consolidated public sector financial position is in surplus.

We attribute these, Her Excellency, to our constant quest for fiscal reforms, such as the Reformed Value Added Tax Law (RVAT) which has provided the much-needed boost to our fiscal position, as well as greater resources for infrastructure and social services. With these major achievements, the international community is looking upon our economy with much greater confidence and optimism.

The bellwether 91-day T-bill rate is at historic lows. Our pursuit of microfinance as a tool in our poverty alleviation strategy has reached greater progress following the implementation of Microfinance Development Program.

This report highlights in detail all the fruits of our labor. Indeed, it is heartwarming to see our fiscal consolidation efforts and tax reform program pay off. Through this report, we share the satisfaction of being able to fulfill our mandate with Her Excellency, whose full support to the DOF agenda has never wavered.

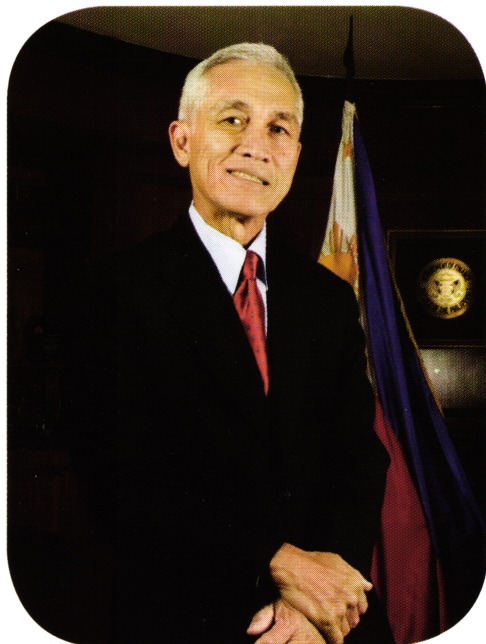
Our prospects are bright as we enter yet another year of service to our countrymen. Our accomplishments make us proud, yet they also make us more fervent in working towards deeper fiscal reforms that would create sustained economic growth and development. With Her Excellency's continued encouragement and the support of our partners from all sectors of society, we are confident that our goal of a STRONG REPUBLIC is within reach.

Very truly yours,



Margarito B. Teves
Secretary

Message from the Secretary



The government fiscal consolidation efforts have started to bear fruit. The deficit has been tamed to a much lower level compared with previous years and relative to programs, which put us on track with our balanced budget program. The stronger fiscal situation has likewise been the fundamental reason for the market's greater confidence in the economy, providing the linchpin for sustained economic growth of the country.

The consolidated public sector financial position reverted into a surplus in 2006, while interest rates were at the lowest levels in years.

The government achieved this impressive fiscal performance primarily due to the improved financial positions of the national government and the major government-owned corporations and the continued healthy financial position of the social security institutions. This is a testament to our resolve to improve the economy through more vigorous revenue mobilization and expenditure management.

The passage of the Reformed Value Added Tax Law or RA 9337 was a milestone, bringing in the much needed additional revenues to finance various programs and projects of the government. Indeed, the full implementation of RA 9337 is the centerpiece of the year's tax policy reform.

We worked to enhance the effectiveness and sustainability of the VAT through the effective implementation of tax administration programs. We expect to achieve more sound fiscal and financial policies in the coming years. Discussions with Congress will be pursued persistently with regard to further tax refinements, deeper reforms in spending and in other public sector entities.

The country's image in the international capital market has never been better, with the various bond issuances of the Republic reaping several international awards. We attribute this to the government's strong macroeconomic fundamentals and ever prudent debt management strategy. The National Government's total outstanding debt stood at P3.8 trillion as of December 2006, 1.0 percent lower than the same period in 2005.

We have been vigorous as well in strengthening the microfinance sector through the Microfinance Development Program entered into with the Asian Development Bank. The Program intends to increase the regulatory and supervisory capacities of oversight agencies, build viable microfinance institutions, remove remaining regulatory impediments and policy distortions, and increase financial literacy and protection for the poor. This is part of our efforts to strengthen the microfinance industry in response to the President's resolve to alleviate poverty through job creation and more access to lending facilities.

These feats would not have been possible without teamwork among us. Amidst the complexities of the fiscal sector, we have been able to steer it to a stronger and firmer position.

I commend the Department's officials and staff for their utmost dedication in fulfilling our mandate. Let us continue to deliver our best and continue to rally support from our friends and partners. Together let us build a better Philippines for everyone.

Margarito B. Teves
Secretary

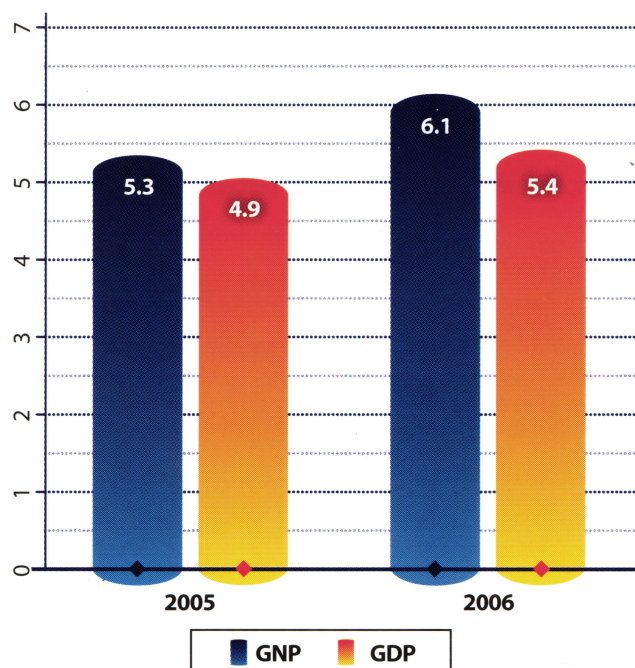
Under Executive Orders 127, 127-A and 292, the Department of Finance is responsible for the following:

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

Economic Highlights

In 2006, the Philippine economy sustained its growth momentum despite continuous threats from both internal and external fronts. The country's real gross domestic product (GDP) posted 5.4 percent growth in 2006, from 4.9 percent in 2005, while real gross national product (GNP) grew by 6.2 percent compared with 5.6 percent in the previous year.

Growth Rate (In Percent)



The improved economic scenario during the year was evident in a myriad of indicators – slowdown in inflation, strengthening of the exports sector, mounting reserves and increasing investment inflows, among others.

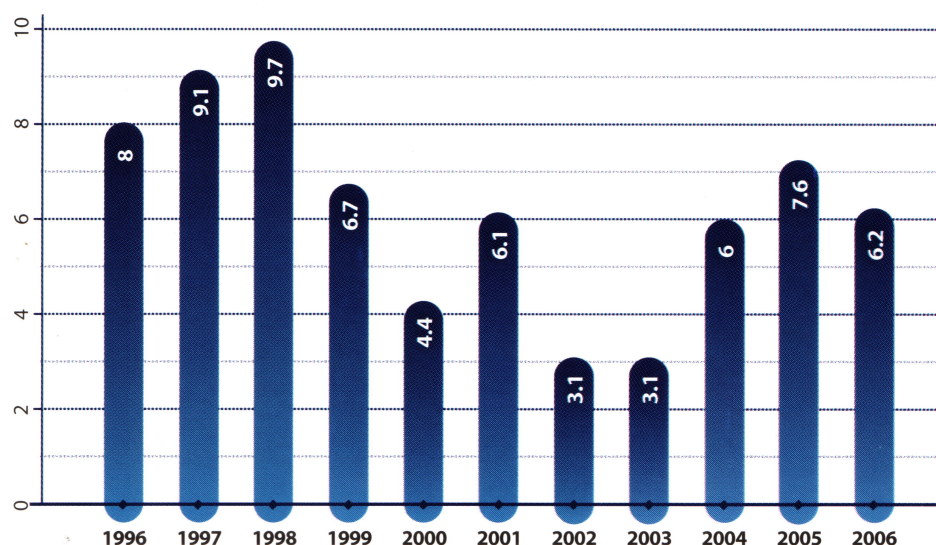
Inflation subsided as government effectively managed inflationary pressures. From an average of 7.6 percent in 2005, inflation trended down to an average of 6.2 percent in 2006. Interest rates tracked the downward slope of inflation as the reference 91-day T-Bill Rate declined to an average of 5.3 percent during the year compared with 6.2 percent in 2005.

The peso appreciated strongly against the US dollar which weakened across a broad band of currencies. The peso-dollar exchange rate stood at an average of P51.31 to the US\$, against P55.09 to the US\$ in 2005, or 6.8 percent appreciation – better than the Thai baht (5.8 percent) and the Indonesian rupiah (5.4 percent).

The stock market sustained its healthy performance; with the composite index went up 43.0 percent to 2,982.5 as of end-December 2006 from 2,096 in end-December 2005. In terms of capitalization, the local bourse registered P7.7 trillion in end-December 2006, 29.7 percent more than the 2005 amount of P5.9 trillion.

Those positive scenarios reflected improved investment climate in the country in line with strong fundamentals.

Average Inflation Rate (In Percent)



At a Glance

Highlights of 2006

- The National Government budget deficit tamed at P64.8 billion (equivalent to 1.0 percent of GDP) as against the program of P124.9 billion
- Improved revenue performance and lower than expected expenditures enabled government to be on track with its fiscal consolidation program
- Total revenues grew by 20.0 percent year-on-year compared with expenditures at 8.5 percent
- Tax effort improved to 14.2 percent of GDP from 13.0 percent of GDP
- BIR and BOC collections increased by 20.3 percent and 28.2 percent, respectively
- Bureau of the Treasury's actual income exceeded program by P22.6 billion
- Privatization receipts were up 139.3 percent
- RVAT Law contributed P76.9 billion in additional revenue collection, generating more funds for infrastructure and social services
- Consolidated public sector financial position (CPSFP) posted a surplus of P5.3 billion compared with the program of P128.1 billion deficit.
- The 14 Monitored Non-Financial Government Corporations (MNFGCs) posted a lower deficit of P2.0 billion, compared to the program of P47.8 billion and the 2005 actual deficit of P25.4 billion
- The National Government's total outstanding debt decreased by P36.7 billion. As of December 2006, the total outstanding debt stood at P3.9 trillion, 0.9 percent lower than the same period in 2005.

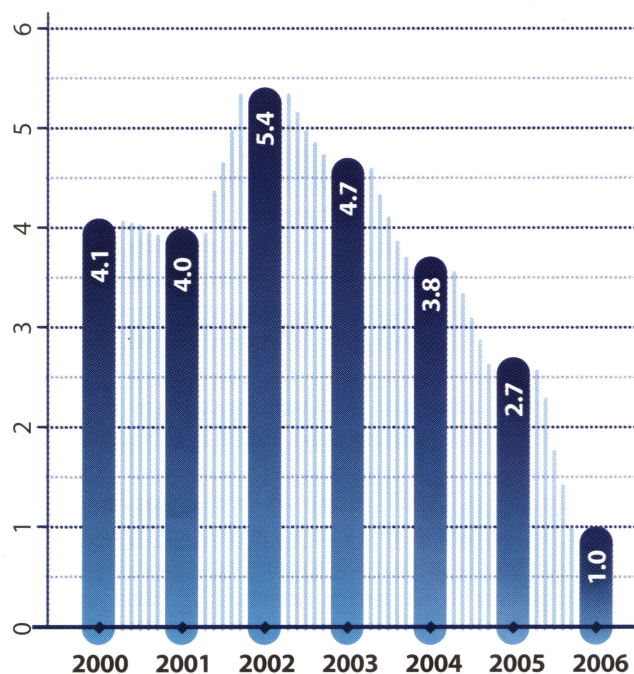
Fiscal Management

Overall Fiscal Performance

Budget deficit went down by 56 percent.

In 2006, the National Government achieved a budget deficit of P64.8 billion, or 1.0 percent of GDP, substantially lower than the programmed level of P124.9 billion for the year and the P146.8 billion registered in 2005. This was primarily due to a significant improvement in revenue collections and lower than programmed expenditures, partly because of savings in interest payments.

NG DEFICIT (Percent of GDP)



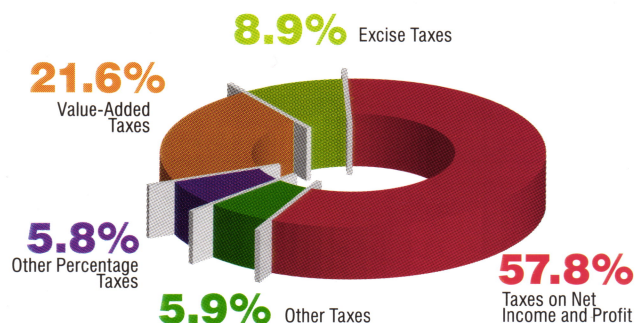
NG FISCAL PERFORMANCE

(In Billion Pesos)

	Jan-Dec 2005 Actual	Jan-Dec 2006 Program	Jan-Dec 2006 Actual	Variance Actual 2006 vs Program 2006	Growth Rate %
Revenues	816.2	974.1	979.6	5.5	20.0
Tax Revenues	705.6	879.8	859.9	(19.9)	21.9
BIR	542.7	675.4	652.7	(22.6)	20.3
BOC	154.6	196.0	198.2	2.2	28.2
Other Offices	8.4	8.5	9.0	0.5	7.2
Non-Tax Revenues	110.5	94.3	119.8	25.4	8.4
o.w. BTr	70.6	51.9	74.4	22.6	5.4
Expenditures	962.9	1,099.0	1,044.4	(54.6)	8.5
Surplus/ (Deficit)	(146.8)	(124.9)	(64.8)	60.1	(55.9)

The two main collecting agencies – the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) – posted improved collections on a year-on-year basis; their efficiency boosted by proceeds from the RVAT. The BIR collected a total of P652.7 billion for 2006 or 20.3 percent higher than the 2005 level. On the other hand, BOC's figures were pegged at P198.2 billion, 28.2 percent above the 2005 level. The Bureau of the Treasury exceeded its target by P22.6 billion, with income reaching P74.4 billion compared to the program of P51.9 billion.

Internal Revenue Collections FY 2006



Improved National Government fiscal position boosted the Consolidated Public Sector Financial Position in surplus after ten (10) years

The improved fiscal balance of the National Government also translated to a better consolidated public sector financial position (CPSFP) which posted a surplus of P5.3 billion in 2006 as against the programmed deficit of P128.1 billion for the period and an actual deficit of P100.5 billion in 2005.

Consolidated Public Sector Financial Position (In Billion Pesos)

	2005 Actual	2006 Program	2006 Prelim
Total Surplus/(Deficit)	(100.5)	(128.1)	5.3
% of GDP	-1.9%	-2.2%	0.1%
NG	(146.8)	(124.9)	(64.8)
CB Restructuring	(16.3)	(19.2)	(13.2)
14 MNFGCs	(25.4)	(47.8)	(1.9)
SSIs	48.9	36.7	57.2
BSP	3.6	1.0	(0.5)
GFIIs	6.6	8.1	8.0
LGUs	24.0	7.2	24.2
Timing Adjustment of Interest Payments to BSP	3.4	0	(0.7)
Other Adjustments	(0.1)	0	(3.9)

... and improved the revenue to GDP ratio

The government's revenue effort reached 16.3 percent compared to 15.1 percent for 2005, while tax effort improved to 14.3 percent compared to 13 percent in 2005. BIR tax effort has likewise improved to 10.9 percent from 10 percent in 2005, while that of BOC climbed to 3.3 percent from 2.9 percent in 2005.

The fiscal gains achieved in 2006 were supported by a committed pursuit of administrative and legislative reforms by both BIR and BOC.

Implementation of RA 9337 (Reformed Value-Added Tax) or RVAT brought net revenues of P76.9 billion, against a program of P75.8 billion. Of the total, collections from the increase in the VAT rate from 10 percent to 12 percent netted P27.7 billion, while the imposition of VAT on previously exempted commodities like power and petroleum contributed P62.3 billion.

Other VAT reforms such as the spreading out of creditable input VAT on capital equipment, the 70 percent cap on input VAT crediting and the final withholding of government purchases of goods and services boosted revenues by P9.7 billion.

Privatization

For the year ending December 31, 2006, total privatization remittances to NG almost tripled, reaching P5.8 billion from P2.4 billion in 2005.

The bulk of remittances came from the following:

- Sale of 40.0 percent of the Philippine National Oil Corporation-Energy Development Corporation's (PNOC-EDC) outstanding capital stock. Out of the proceeds of P19.0 billion from the sale, the National Government received a total share of P4.5 billion
- Sale of P650.2 million worth of Kobe Development Property Fund by the Philippine Consulate General in Japan
- Sale of the International School (IS) amounting to P1.9 billion, of which the Privatization Management Office (PMO) remitted P520 million to the National Government
- Other modes of disposition (leases, dividends, interests and other sources) worth P294 million

The privatization of the rights of the Metropolitan Waterworks and Sewerage System (MWSS) to subscribe to 89.97 percent equity in Maynilad Water Services, Inc. was successfully bidded out in November 2006. Although there was no direct remittance to the National Government, the bid which amounted to P25 billion resulted in an improved outlook for the fiscal sector. The proceeds are to be used to partially settle Maynilad's unpaid concession fees to MWSS and outstanding obligations/loans to other creditors and unpaid concession fees to MWSS. A huge chunk of the bid price shall be utilized to improve the west service concession area through facilities development and upgrading of water distribution.

Cash Receipts from Privatization

January 1-December 31, 2006

(In Million Pesos)

Source	Total
Privatization Management Office	519.51
Sales	488.98
Alfa Integrated Textile Mills, Inc.	241.22
Atlas Development Corp.	17.31
Basay Mining Corp.	0.01
Cellophil Resources Corp.	5.00
Dupax Corp.	0.01
International School	194.54
Laminex Corp.	0.01
McAdore International Palace	9.00
Peninsula Development Bank	1.82
Pioneer Glass Manufacturing Corp.	0.04
Privatization Management Office Vehicles	0.87
Prime White Cement	7.37
Unisol Industries, Inc.	11.78
Lease Rental	20.31
Interest Income	0.36
Others	9.86
Philippine Commission on Good Government	48.01
Directors fees for 5 nominated directors of San Miguel Corp. remitted for Comprehensive Agrarian Reform Program	25.57
Proceeds of the partial redemption of Land Bank of the Philippines bonds	2.44
Remittance for CARP	20.00
Philippine Consulate General	650.17
Kobe Development Property Fund	
Philippine National Oil Company	4,597.00
National Government share from the Initial Public Offering of Philippine National Oil Corp. - Energy Development Corp.	
Total	5,814.69

Government Corporate Sector

The government corporate sector registered a more favorable financial performance in 2006 on the back of the large surplus posted by social security institutions (SSIs) and government financial institutions (GFIs) and significant reduction of the deficit of the fourteen (14) monitored GOCCs.

The SSIs, composed of Government Service Insurance System (GSIS), Social Security System (SSS), and Philippine Health Insurance Corporation (PHIC), registered a combined surplus of P57.2 billion compared with P48.9 billion in 2005 and the program of P36.7 billion.

On the other hand, the GFIs – LBP, DBP and TIDCORP – posted an aggregate surplus of P8.0 billion, slightly lower than the programmed P8.1 billion but higher than the 2005 level of P6.6 billion. The higher-than-program surplus of the SSIs was attributed largely to the following: (a) GSIS collection from DBM partly offset by higher payment of dividends and (b) increase in PHIC members' contribution, as well as NG subsidy contribution and lower benefit payment at the regional level.

GFIs' improved financial position was mainly due to higher income from loans and investments posted by Land Bank of the Philippines (LBP) and higher gains from foreign exchange trading and investments, as well as income from the sale of acquired assets made by Development Bank of the Philippines (DBP).

The combined deficit of the fourteen (14) monitored GOCCs posted significant reduction from P25.4 billion in 2005 to P1.9 billion in 2006. This can be accounted for by the following:

- Improved financial position of National Power Corporation (NPC) arising from higher sales due to increase in tariff and lower operating expenses and interest payments;
- Higher surplus posted by Transmission Company (TRANSCO) due to the implementation of a tariff based on Maximum Allowable Revenue in April 2006;
- Higher PNOC surplus arising from the Initial Public Offering (IPO) of 40.0 percent of PNOC-EDC's shares of stocks

14 Monitored Non Financial Government Corporations Statement of Financial Operations (In Billion Pesos)

	2005	2006
Total Receipts	272.0	285.4
Current Expenditures	263.2	263.8
Capital Expenditures	31.8	23.5
Financial Deficit (-) Surplus	(23.0)	(2.0)



Reform Agenda

Reformed Value Added Tax: A boon to the economy

The RVAT generated P76.9 billion (equivalent to 1.3 percent of GDP) in net revenues in 2006, exceeding the target of P75.8 billion. The positive net revenue impact is a result of the widening of the VAT base as well as increasing the rate from 10 percent to 12 percent. The following goods and services are now subject to VAT:

- Petroleum products and other indigenous fuels
- Power and electric cooperatives
- Services rendered by doctors
- Services rendered by lawyers
- Domestic carriage of passengers by air and sea
- Non-food agricultural products
- Works of art, literary works, musical compositions

2006 VAT Collections (In Billion Pesos)

	Increase / Decrease from Program Level	Program	Actual
Net Revenue Impact	1.1	75.8	76.9
VAT Reforms	(16.7)	115.5	98.8
VAT Rate Increase	(2.6)	30.4	27.8
Lifting of Exemptions	(1.4)	62.6	61.2
Other VAT Reforms	(12.7)	22.4	9.7
Mitigating Measures	7.3	(21.5)	(14.3)
Input Claims of VATable Entities	(21.0)	24.1	15.9
Non-VAT reforms	2.3	6.0	8.3

RVAT pushed total VAT collections to P268.7 billion in 2006, a 71.5 percent increase from P156.7 billion in 2005. Of the total, BIR collected P139.9 billion while BOC collected P128.8 billion. The passage of the RVAT has enabled the government to spend more for infrastructure and social services.

Tax Administration

- Revenue Integrity Protection Service (RIPS)

Status of cases filed

As of end-December 2006, a total of 68 cases have been filed under the RIPS Program involving 44 personnel from BIR, BOC and BLGF.

Bureau	No. of Cases	No. of Personnel involved	Cases pending with the Office of the Ombudsman
BIR	32	18	32
BOC	28	22	26
BLGF	8	4	8

- Run After Tax Evaders(RATE) Program

This involves sustaining the filing of cases to deter commission of tax evasion and coming up with standardized procedures in the development of RATE cases.

As of end – December 2006, seventy-seven (77) tax evasion and estafa cases were filed with the Department of Justice (DOJ) against companies and high profile individuals.

- Run After the Smugglers (RATS) Program

After barely a year, the Run After the Smugglers (RATS) Program has become a flagship anti-smuggling program of the Bureau of Customs. The RATS Group has filed a total of 28 criminal cases involving 147 respondents. The cases are estimated to have a dutiable value of P218.4 million.

Legislative Agenda

Rationalization of Fiscal Incentives

- Harmonizes and rationalizes the investment incentive laws, making all promoted activities draw their incentives under only one law;
- Identifies the Investment Promotion Agencies (IPA) which will administer the tax and non-tax incentives granted by the proposed law; and
- Repeals special incentive laws that are inefficient and duplicative, result in huge revenue drain to the government, and can be replaced with more transparent budgetary appropriations or direct subsidies.

Broadening the Coverage of Non-Essentials Subject to Excise Tax

- Provides greater progressivity to the tax system as it expands the coverage of non-essentials or goods considered luxurious that are subject to the 20 percent excise tax under Sec. 150 of the National Internal Revenue Code (NIRC);
- Proposed for inclusion are items such as antiques and non-essential services like elective cosmetic surgeries.

Fiscal Responsibility Bill

- Institutionalizes a policy framework and a mechanism to ensure that medium-term goals to put the fiscal sector in order are accomplished and sustained in the long-run;
- Proposes measures to instill discipline and enhance accountability in the government corporate sector;
- Abolishes the provisions on automatic guarantee by the National Government found in existing legislations; and
- Aims to legislate monitoring and risk management of the country's debts.

Amendments to the Cooperative Code

- Provides for adequate systems and procedures for the viability and growth of cooperatives; and
- Proposes a special provision on savings and credit cooperatives.

Debt Management

National Government outstanding debt declined to 64.2 percent of GDP from 71.8 percent in 2005, with rate of growth of debt tapering down, resulting in interest payment savings

Cognizant of the impact on the financial market of the government's financing activities, the Department continued to pursue prudent debt management and an optimum mix of financing strategies.

NG outstanding debt (net of relent, guaranteed and contingent debt) decreased by P36.7 billion or 0.9 percent to P3.85 trillion as of end-December 2006 from P3.89 trillion registered over the same period during the previous year. As a percentage of GDP, the debt has been reduced to 64.2 percent from 71.8 percent in end-December 2005. This scenario resulted from NG's stronger fiscal position, as well as the appreciation of the peso against the dollar.

National Government Outstanding Debt (In Billion Pesos)

Particulars	2005	2006
Total	3,888.2	3,851.5
Domestic	2,164.3	2,154.1
Foreign	1,723.9	1,697.4
% of GDP	71.5	63.8

For January to December 2006, total net financing amounted to P110.1 billion, 53.3 percent lower than the 2005 level of P236 billion due to higher amortization payments.

The actual financing mix for the year was 60 percent domestic while 40 percent were externally sourced.

Gross domestic borrowings reached P370.3 billion, 6.7 percent lower than the gross domestic borrowings of P396.8 billion in 2005.

The bulk of the foreign debt portfolio continued to have medium to long term maturities (with average maturity of 17.9 years) with the latter accounted for 96.6 percent.

The Department continued to optimize borrowing through official development assistance (ODAs). External debt from multilateral and bilateral sources registered at 37.9 percent, slightly lower than the previous year's level of 39.0 percent.

Program and Project Loans

The Department signed five (5) program loans totaling US\$980 million in 2006:

- ADB US\$450 million Power Sector Development Program
- ADB US\$200 million Financial Market Regulation and Intermediation Program
- WB US\$200 million National Program Support for Basic Education
- WB US\$110 million National Sector Support for Health Sector
- United States Government's US\$20 million loan under its FY2006 U.S. Public Law 480 -Title I Program.



Finance Secretary Gary Teves with U.S. Ambassador to the Philippines Kristie Kenney and U.S. Acting Agricultural Chancellor Dennis B. Vobaril during the signing of PL 480-Title Program in U.P. Los Baños, Laguna on July 14, 2006.

For 2006, about US\$483 million worth of project loans were signed and/or guaranteed by the Department to finance priority development projects under President Arroyo's Ten-Point Agenda. Significantly, among these project loans is the Bureau of Custom's US\$50 million Non-Intrusive Container Inspection System Project, Phase I of which was financed by the Export-Import Bank of China. The Project intends to modernize BOC's operations to prevent tariff evasion and intensify checks against anti-social goods like weapons, drugs and other contraband.

Commercial Borrowings

Gaining more confidence from 2005 performance in the international market, the government, through the Department, continued to impress investors, reaping several international awards as sovereign borrower from prestigious financial organizations and publications. The awards were chiefly in recognition of the government's strong macroeconomic fundamentals particularly its improved fiscal position, which resulted in better yield for its bond offerings.

For 2006, total commercial borrowings amounted to \$2.85 billion.

Republic of the Philippines US\$1.5 billion 7.75 percent Global bonds due 2031 and €500 million Euro-denominated 6.25 percent Global Bonds due 2016

The National Government first tapped the offshore bond market in early January 2006 with the dual-tranche offering of Global Bonds amounting to US\$1.5 billion due 2031 and €500 million Euro-denominated (equivalent to around US\$600 million) due 2016, respectively. The deal represented the first international bonds from Asia in 2006.

With this transaction, the National Government has redefined both its US dollar and euro yield curves. The US dollar tranche was priced at a yield of 7.875 percent, well inside the 8.25 percent for the 2016 (10-year) bonds in September 2005. The 10-year Euro was priced at a coupon of 6.25 percent, achieving a lower coupon than the outstanding 9.125 percent 2010 bonds. This was the first 10-year euro offering from the ROP and its lowest coupon ever at this maturity. ROP was also able to further diversify its investor base with the dual-tranche offering.

Republic of the Philippines' Reopening of Global Bonds US\$300 million 8.000 percent due 2016 and US\$450 million 7.75 percent due 2031.

The National Government continued to enhance its borrowing credentials with another highly successful offering in late July 2006.

The sovereign sold US\$750 million worth of Global Bonds in the two-tranche tap to help finance its budget deficit as it fulfilled its funding requirements for 2006. It raised US\$300 million out of its 2016 bonds, pricing the deal at 103.125 percent with the coupon of 8 percent to offer yield of 7.531 percent, or a spread of 246.4 basis points over US Treasuries. The Republic also sold an additional US\$450 million out of its 2031 bonds at 99.25 percent with a coupon of 7.75 percent to offer a yield of 7.819 percent or a spread of 262.4 basis points over US Treasuries. This is the tightest end of the price guidance between 7.819 percent and 7.842 percent.

ROP Transactions reaped International Awards

The Government of the Republic of the Philippines was hailed by international investors and financial publications for the successful completion of transactions in 2006 as follows:

- a) Asia's Best Sovereign Borrower for 2006 - EuroMoney
- b) Deal of the Year for 2006 - Emerging Markets (Newspaper)
- c) Best Bond Deal for 2006, The Asset Triple A Country Awards 2006 - The Asset
- d) Best Sovereign Bond Deal for 2006 - Finance Asia
- e) Best Issuer, The Asset Triple A House and Deal Awards 2006 - The Asset
- f) Best Bond, The Asset Triple A House and Deal Awards 2006 - The Asset
- g) Best Sovereign Bond, The Asset Triple A House and Deal Awards 2006 - The Asset
- h) Best Liability Management, The Asset Triple A House and Deal Awards 2006 - The Asset
- i) Emerging Market Bond of the Year, IFR Awards 2006 - International Finance Review Magazine
- j) Emerging Asia Bond of the Year, IFR Awards 2006 - International Finance Review Magazine
- k) Most Impressive Asian Borrower, Euroweek Asia Awards - EuroWeek
- l) Best Asian Bond, Euroweek Asia Awards - EuroWeek
- m) Best Asian Sovereign or Quasi-Sovereign Bond, Euroweek Asia Awards- EuroWeek

The issuance of US SEC-registered bonds was a glowing success as it attracted total demand of more than US\$12 billion for both tranches. The transaction also saw the tightest spreads and the lowest yields ever for the Philippines' 10-year and 25-year bonds.

Republic of the Philippines Global Bond Due 2031 and Amortizing Global Bonds Due 2024 in Exchange for Several Series of Existing ROP Global Bonds.

The National Government retired about US\$1.0 billion worth of mainly short-to-medium term old bonds and issued around US\$1.2 billion of new longer dated global bonds designed to extend its debt maturity and lower its financing cost under the Global Bond Exchange exercise in September 2006.

Bond Exchange Program

The National Government, through a modified Dutch auction, has accepted US\$354 million of bonds in exchange for new reopened ROP 7.75 percent Global Bonds due 2031, of which US\$445 million were issued. This includes US\$435 for the swap and US\$10 million for cash offering.

Another US\$663 million worth of old bonds with maturities ranging from 2007 to 2019 were accepted in exchange for new ROP 7.50 percent amortizing bonds due 2024 amounting to US\$764 million.

The Bond Exchange transaction forms part of the government's broader program to manage its external liabilities. The government believes this exchange offer will help further consolidate and rationalize National Government's portfolio of outstanding foreign currency liabilities, concentrating them among higher liquidity benchmark bonds, steps the government believes will reduce the cost of ROP's US dollar-denominated borrowings in the long run.

BTR's Foreign and Domestic Bond Exchange Program

The Department executed three bond exchanges in 2006 as part of the government's debt consolidation program, two of which were domestic transactions. The exchange transactions lengthened the maturity of the country's debt and revitalized the domestic bond market to attract both foreign and local investors.

The first phase of the domestic bond exchange (DEX 1) was executed during the first quarter of the year. It resulted in P111 billion worth of eligible bonds swapped into three-five- and seven-year benchmark bonds worth P122 billion.

The second phase (DEX 2) was launched towards the end of the third quarter wherein P54 billion worth of government securities were swapped with the new 10-year benchmark bonds valued at P58 billion. The exchanges were considered challenging transactions because a ten year maturity was outside the normal investment parameters of most of the existing bondholders. The success of the domestic bond exchange showed how the government and the private sector can work together to develop the Philippine capital market.

DEX 1 and DEX 2 transactions garnered the Asset Asian Awards for Best Liability Management for 2006.

During the year, the Treasury also swapped a total of P165 billion worth of eligible bonds into new three-five-seven- and ten-year benchmark bonds worth about P180 billion.

Likewise, the government through the Treasury executed foreign bond exchange during the year for a total of P60.3 billion, consisting of US\$764.2 million in 18-year bonds due 2024 and US\$434.5 million in 25-year bonds due 2031.

Prepayment of Brady Bonds

As part of its debt management strategy to reduce dependence on foreign borrowings and the cost of external debt service, the National Government has exercised its call option to retire several series of its outstanding Brady Bonds in May and November 2006. The government's ample liquidity position provided the resources to finance the prepayment.

Brady Bonds were originally issued as part of ROP's 1992 restructuring process. Previously, the National Government has executed 3 Bond Exchanges to retire an estimated US\$1.6 billion out of the Brady Bonds total original issue size of US\$3.4 billion.

- Prepayment of Series B Principal Collateralized Interest Reduction Bonds (May 2006)

The government has retired in full its Series B Principal Collateralized Interest Reduction Bonds amounting to US\$410,964,000.00, which represents 53 percent of all outstanding Brady bonds of US\$774,353,826.00. This exercise has lead to the following benefits:

- External public debt was reduced by US\$410,964,000.
- Significant net savings of around US\$32 million was generated as suggested by the Philippine yield curve
- Release of the Collateral underlying this series of bonds amounting to approximately US\$256 million

The original expiration date for Series B Principal Collateralized Interest Reduction Bonds was December 2017.

- Prepayment of Series A and B Floating Rate Bonds, and Series A and B Debt Conversion Bonds

The National Government has exercised its option to call on its Brady Bonds for the second time in November 2006, retiring Series A and B for each of Floating Rate Bonds and Debt Conversion Bonds in an aggregate principal amount of US\$165.3 million. This represents 57 percent of the US\$291.3 million Brady Bonds that will be outstanding as of December 1, 2006. This transaction has led to the following benefits:

- External public debt was reduced by US\$165.3 million;
- Significant net savings generated. The yield curve of the Philippines suggests that the government will generate an estimated savings of about 73 basis points of the amount being retired under this prepayment.

The original expiration dates for each series of bonds are as follows:

- Series A Floating Rate Bonds—June 1, 2010
- Series B Floating Rate Bonds—December 1, 2009
- Series A Interest Reduction Bonds—December 1, 2007
- Series B Interest Reduction Bonds—June 5, 2008

Capital Market Development

The Department of Finance endorsed the adoption of the Capital Market Development Plan by all stakeholders

The various objectives outlined in the Plan are monitored by the Department, through the Securities and Exchange Commission (SEC), to ensure implementation and compliance by concerned entities.

As of end-2006, the major accomplishments relative to the implementation of the Plan are as follows:

- **Creation of a Blueprint Monitoring Committee on 27 September 2006.** The Committee is responsible for (a) periodically submitting to the Secretary of Finance progress reports on the implementation of the Plan; (b) keeping the public informed by issuing press releases on the achievements and progress reports submitted to the DOF; and (c) undertaking consultations with agencies concerned to identify challenges and impediments in the implementation of the Plan.
- **Bolstering growth of the equities market.** In 2006, stock market capitalization rose 29.7 percent to P7.7 trillion from P5.9 trillion in 2005.
- **Registration of Philippine Dealing and Exchange Corporation (PDEX) as Self-Regulatory Organization (SRO).** PDEX's application was approved by SEC on 06 July 2006. The registration of PDEX as an SRO is part of the initiative to develop a more transparent market

system for price discovery and efficient execution of orders for investors wishing to buy and sell government and corporate bonds.

- **Establishment of rules on securities borrowing and lending (SEC Memorandum Circular No. 7, s. 2006) on 09 June 2006.** The rule, which was intended to protect both the investor and the intermediary, prescribe, among others, (a) the requirements for the conduct of SBL transactions by brokers, dealers, banks, insurance companies and other persons or entities which may be engaged or involved in SBL transactions; and (b) the penalties for the violation of any provisions of said Rules.
- **Adoption of International Accounting Standards (IAS) and International Standards for Auditing (ISA) in SEC Rules and Regulations.** These standards have been embodied in the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).
- **Adoption and implementation of Risk-based Capital Adequacy (RBCA) framework for providers of financial services and products under SEC regulation and supervision.** In 2005, SEC implemented the shift to the RBCA regime for securities brokers and dealers, with the full implementation of the submission of RBCA reports commencing in January 2006.



Microfinance Initiatives

The DOF-National Credit Council (NCC) remained at the forefront of formulating & pursuing credit policies that provide an enabling environment to ensure viable & sustainable delivery of microfinance services to the basic sectors.

Highlights of NCC's major initiatives in 2006 include:

Implementation of the Microfinance Development Program (ADB Loan No. PHI4693)

The Microfinance Development Program (MDP) is a US\$ 150 million loan program. The objective of the program is to ensure access by the poor households and microenterprises to sustainable institutional financial services by creating viable and effective microfinance institutions through the following:

- capacity-building and effective policies and regulations;
- strengthening regulatory capacities of regulatory bodies; and
- increasing financial literacy and consumer protection for the poor.

As the implementing agency of the MDP, the DOF-NCC facilitated the release of the first tranche of the loan in the amount of US\$75 million. Also, in coordination with other agencies, it has been pursuing activities to ensure that the conditionalities for the release of the 2nd tranche of the loan will be met. These include:

- Issuance of BSP rules and regulations providing greater flexibility in bank branching for banks catering to the micro, small and medium enterprises;
- Issuance of CDA guidelines for truth-in-lending in line with BSP truth-in-lending guidelines;
- Issuance by NAPC of industry advisory on Truth-in-Lending Law to the microfinance sector and posting of the same on NAPC's free public access website;
- Issuance of SEC Administrative Order/Regulation under the Borrower's Corporation Code requiring NGOs which provide microfinance and other related financial services to disclose this information to SEC;
- Development of NAPC database of all institutions conducting microfinance and publishing this on NAPC's free public access website and in NAPC's Annual Reports;
- Establishment of a database on savings and credit cooperatives for public and internal access, and installation of advanced registration and management information systems for savings and credit cooperatives;
- Issuance of BIR Revenue Regulations clarifying the tax regime for microfinance institutions and specifying definitions of a party engaged in microfinance operations and a microfinance

transaction, the tax treatment of microfinance transactions, and the tax status of NGOs engaged in microfinance operations;

- Issuance of BSP rules and regulations for e-banking transactions;
- Conduct of public consultations that will lead to the issuance of CDA regulations on minimum qualifications and fit and proper standards including training requirements for savings and credit cooperative's board of directors and key management;
- Conduct of study on privatization options for the Philippine Postal Savings Bank (PPSB);
- Conduct of public consultations that will lead to the issuance of a manual of prudential rules and regulations for savings and credit cooperatives;
- Conduct by BSP of a risk-based supervision for microfinance operations and a capacity building program on effective risk-based supervision for BSP staff;
- Implementation by NAPC of a sustainable national program for financial literacy;
- Issuance by NAPC of a guidebook on consumer protection for the poor and users of microfinance services;
- Ensuring operations of NAPC's website support consumer protection and complaints on truth-in-lending disclosure requirements, non-compliance with Insurance Law and other related areas;
- Ensuring that NAPC is submitting complaints of the borrowers to relevant authorities and publishing the number of complaints received in NAPC's Annual Report;
- Ensuring that NAPC's industry advisory on Insurance Law and requirements for offering insurance products (i) is being received by microfinance sector stakeholders and (ii) is posted on NAPC's free access website, made available for distribution to industry associations, consumer and basic sector groups and sent by direct mailing to MFIs.

Implementation of the Developing Financial Cooperatives Project Financed by the Japan Fund for Poverty Reduction (JFPR)

As implementing agency, the DOF-NCC has laid down various activities to develop the operations of financial cooperatives and to strengthen the regulatory capacity of the CDA. These activities include the following: (a) finalization of the Draft Manual of Rules and Regulations for Savings and Credit Cooperatives and revisions of Standard Chart of Accounts, (b) drafting of MOA among NCC, BSP and PDIC regarding the provision of Technical Assistance to CDA for regulation and supervision, (c) formulation of the Supervision and Examination Manual for Financial Cooperatives

for use by CDA and deputized federations, and (d) development of appropriate software for supervision and examination by the CDA.

Pursuit of significant legislative bills that include Amendments to the Cooperative Code and the Establishment of Credit Information System.

The DOF-NCC successfully lobbied for the inclusion of special provisions on savings and credit cooperatives under HB 4602 which has been passed on third reading by the House of Representatives. It is likewise pursuing inclusion of the same special provisions in the bills filed in Senate, specifically SB 1299. The DOF-NCC is an active part of the TWG doing refinements on SB 1299.

On the other hand, the present version of the Credit Information Systems Bill is significantly a result of technical assistance provided by the DOF-NCC through its Credit Policy Improvement Program. The bill is geared towards, reducing financial system risks, lowering lending rates, encouraging competition, bridging the information gap between lender and borrower, and promoting greater access to financial services by the poor households.

Finalization of the Draft Manual of Rules and Regulations (MORR) for Savings and Credit Cooperatives.

The Technical Working Group (TWG) headed by the DOF-NCC finalized the draft MORR after a series of TWG meetings and regional consultations with stakeholders primarily the cooperatives with savings and credit services. The MORR is aimed at developing and strengthening cooperatives to transform them into viable and sustainable financial institutions. It sets forth prudential rules and regulations to govern the conduct of operations of savings and credit cooperatives covering the following major areas:

- Management
- Governance
- Capitalization
- Deposit and Borrowing Operations
- Loans and Investment
- Internal Control
- Performance Standards



DOF strongly supports the strengthening of the cooperative sector

Local Government Finance

The Department, through the Municipal Development Fund Office (MDFO), remained steadfast in supporting Local Government Units (LGUs) undertake devolved and capacity building activities, improve their financial position, and strengthen their capacities to build up financial resources through the following major programs:

- Local Government Finance & Development (LOGOFIND) Project (with US \$60M fund); and
- Community Based Resource and Management Program (CBRMP) (with US \$38M fund).

In 2006, the LOGOFIND - designed to facilitate LGU infrastructure and strengthen LGU capacities in developing, implementing and managing social, environmental and revenue generating subprojects – approved 39 new subprojects in 38 LGUs worth P849.6 million compared with 30 projects costing P754.9 million in 2005. These projects consist of schoolbuildings, health centers, public market, water supply, slaughterhouse, seawall, river protection and eco park.

Approved LOGOFIND Subprojects By Sector and Type

Sector	Type of Subproject	No. of LGUs	No. of Subprojects	Total (PMillion)
Education	School Buildings/	12	12	176.9
	Goods			
Health	Health center/	3	3	61.4
	Equipment			
Revenue	Hospital/	3	2	104.1
	Equipment			
Environment	Public market	3	2	24.9
	Water supply			
	Slaughterhouse			
Environment	Seawall	8	8	228.6
	River			
	protection			
Environment	Eco park	7	7	183.9
Environment		1	1	10.0
TOTAL		38	39	849.6

On the other hand, the CBRMP, which aims to enhance LGU capacity in undertaking natural resources and environmental related projects, identified two (2) subprojects in 5 LGUs worth P23.3 million.



The Secretary addressing regional conference of local officials, treasurers and assessors, and officers of League of Municipalities in Tacloban City



Construction of Provincial Hospital and procurement of medical equipment in the Province of Aklan, worth Php 119.4 million under LOGOFIND Project.

Approved CBRMP Project

Municipality	Loan P(Million)	Grant P(Million)	Total P(Million)
Bula, Camarines Sur	0.875	0.525	1.400
Trento, Surigao del Sur	1.991	1.195	3.187
Bato, Camarines Sur	2.170	0.963	3.123
Gen. Mc. Arthur, Eastern Samar	6.380	7.660	14.040
Catigbian, Bohol	0.680	0.850	1.530
Total	12.096	11.193	23.280

As of end of 2006, fund utilization rates under LOGOFIND and CBRMP reached 53 percent and 93 percent, respectively.

New financing facilities for LGUs approved

Using the MDFO Second Generation Fund (SGF) for LGU borrowings loan scheme at shorter terms and affordable interest rates, the MDFO Policy Governing Board (PGB) approved the implementation of three financing windows for LGUs, namely, (1) Program Lending (PROLEND), (2) Millennium Development Goal Fund (MDG-Fund), and (3) Mindanao Basic Urban Services Sector Project (MBUSSP).

Prolend

With P2.0 billion fund, the facility assists provinces to embark on economic development projects and interventions, with the proviso of meeting policy objectives in the areas of (i) fiscal administration, (ii) revenue collection and resource generation, (iii) budgetary planning, (iv) expenditure management, and (v) over-all governance.

The loan has a 10-year repayment period and a fixed interest rate based on the 90-day T-Bill rate on the day of loan approval or 9.0

percent, whichever is lower. PROLEND has already benefited the Province of Negros Occidental, with the granting of a P120 million loan facility to the province, for its economic development projects (e.g. roads, hospitals) and reforms in its procurement system.

MDG-Fund

In collaboration with the Department of Interior and Local Government (DILG), the MDFO-PGB allotted P500 million in financial and technical assistance to 4th to 6th income class LGUs to assist them in pursuing Millennium Development Goal (MDG) - related activities. Qualified for the assistance are the following endeavors: (i) poverty alleviation programs, (ii) nutritional and feeding projects, (iii) maternal and child care facilities, and (iv) education, health and environmental projects.

The assistance, which is in the form of a soft loan, carries a 7.5 percent interest rate, payable in 6 years with 1 year grace period on the principal, while hard/long gestating projects have 8.5 percent interest rate payable in 10 years with 2 years of grace period on principal payments.

Formal launching for the initial batch of proponent LGUs will commence by early 2007.

MBUSSP

Also in partnership with the DILG, the MDFO-PGB initially committed P400 million for the institutional capacity building and investment support programs for essential urban infrastructures for LGUs in Mindanao, such as public market, water supply system, terminal complex, and commercial complex.

In 2006, the MDFO-PGB approved the rehabilitation and construction of Level 3 water supply systems for the Municipality of Mahayag in the Province of Zamboanga del Sur and the Municipality of Upi in the Province of Maguindanao amounting to P24.5 million and P30.0 million, respectively. The loan carries a 10-year repayment period inclusive of two years grace period on principal for heavy equipment, and 15 years inclusive of three years grace period on principal for infrastructure subprojects, at 11.0 percent interest rate fixed for the entire duration of the loan.

LOGOFIND Projects



Health center - San Julian, Eastern Samar



Public Market - Guinayang, Quezon



School Building - Ilog, Negros Occidental



Coastrockway - Tukuran, Zamboanga del Sur

One-Stop Shop Tax Credit and Duty Drawback Center

✓ Pursuant to Administrative Order No.266, the OSS-Center processed and issued a total of 1,090 TCCs worth P 3.9 billion in 2006 under the following incentive laws:

Incentive Law	No. of TCC	Amount (P million)
Article 39 (j) of Executive Order No. 226 (as amended) and other related laws	428	P 926.9
Sec. 106 of the Tariff and Customs Code of the Philippines (TCCP)	471	P 2,359.7
Sec. 112 of the National Internal Revenue Code (NIRC)	191	P 580.4
TOTAL	1,090	P 3,867.1

The total issuance was 74.0 percent higher compared with the previous year's total issuance. This is attributed to the cleaning up of TCC claims backlog which grew by as much as 395.0 percent.

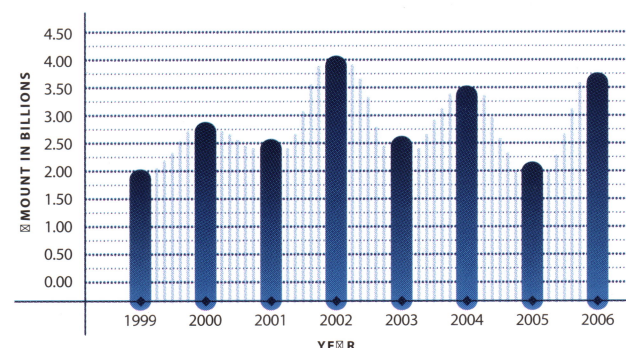
On the other hand, TCC issuance under E.O. 226 dropped by 29.0 percent. This is due to the reduced number of companies availing incentives particularly the textile sector which experienced weak export performance.

The historical trend (shown below) shows that TCC claims issuance has fluctuated seasonally from 1999 to 2006. This fluctuating pattern may be explained by:

1. The OSS-Center's strict implementation of improved standards and procedures in processing claims (upward impact)
2. Shift of companies to bonded warehouse or PEZA (downward impact)
3. Closure of companies (downward impact)
4. Expiration of the firm's entitlements to incentives (downward impact)
5. Clearing of backlog of claims (upward impact)
6. Resolution of policy issues which forestalled the regular processing of claims (upward impact)

Special Revalidation of Tax Credit Certificates implemented pursuant to Department Order No. 20 – 06 to prevent misuse of TCCs

Historical Trend in the Amount of TCC Issuance (1999-2006)



The special revalidation involved the surrender of TCCs issued prior to August 1, 2006 to the issuing government agency and replacement thereof with new forms bearing enhanced security features. This move was meant to prevent the use of expired, stolen, fake, tampered, and recycled TCCs that may still be floating in the market.

Under the 2006 special revalidation program, the OSS-Center received from 355 companies a total of 439 applications involving 2,253 TCCs with an aggregate value of P1.9 billion.

The TCCs under the special revalidation exercise covered the following:

- Jointly issued by the DOF-Center and the Bureau of Customs (BOC) under Section 106(c) of the Tariff and Customs Code of the Philippines processed by the DOF-Center's Duty Drawback Group (DDG);
- Jointly issued by the DOF-Center and the Bureau of Internal Revenue (BIR) under Section 112 of the National Internal Revenue Code: *Refunds or Tax Credits of Input Tax*, as well as TCCs transferred as provided by Revenue Regulations No. 5-2000 processed by the DOF-Center's Tax Revenue Group (TRG);
- Issued solely by the DOF-Center and processed by the DOF-Center's Investment Incentives Group (IIG) under Executive Order No. 226 and other laws;

The Mabuhay Lane

The Department provides tax exemptions to selected importers through the Mabuhay Lane, one of its frontline offices. The Mabuhay Lane attends to tax exemption claims of importers of books, periodicals and similar items; importers of personal effects and household goods; importers of capital equipment, as provided for under Executive Order No. 226; importers identified under Section 105 of the Tariff and Customs Code and contractors for the Department of Energy. The Mabuhay Lane also processes claims of the Asian Development Bank and non-profit, non-stock educational institutions.

For the year 2006, the total amount of taxes and duties waived in all sectors increased to P1.9 billion, compared to the CY 2005 record of P1.8 billion. The bulk of exemptions, about 40.0 percent of the total amount, were granted to importers in the energy sector.

Duties and Taxes Waived by the Mabuhay Lane in 2006

General Description	Value of Importation (In P Million)	Total Duties and Taxes Waived (In P Million)
Importation of the energy sector	4,981.5	756.5
Importation of books and magazines	2,969.6	447.6
Importation of capital equipment	5,361.1	430.4
Importation by non-stock, non-profit educational institutions	637.7	97.6
Importations under Section 105 of the Tariff and Customs Code	563.1	85.9
Importation of the ADB	533.1	81.0
TOTAL	15,046.1	1,899.0

Global Cooperation

The Department continued to advocate global cooperation by entering into commitments under the auspices of regional and multilateral organizations.

"The threats posed by global imbalances highlight the importance of regional economic cooperation and integration to strengthen policy coordination among countries, deepen the region's financial markets and network, and set up financing arrangements to assist affected economies in facing foreign exchange liquidity problems.

ADB plays a significant role in providing policy advice and special knowledge to members in efforts to reinforce their economies against external shocks emanating from global imbalances through, among others, the formation of regional economic partnerships and financial links among member countries. We urge ADB to continue to provide technical expertise and services to prepare member countries and the region as a whole to effectively address the serious threats that now hover over the horizon of the global economy.

DMCs such as the Philippines have to be steadfast in their fiscal consolidation program to create the "fiscal space" to expand expenditures for infrastructure and reduce the debt load to encourage capital inflows and long-term investment. Direct budgetary expenditures by the Government, however, will not be enough to generate the infrastructure investment requirement of many DMCs. Thus, improving the regulatory environment, including the setting up of political and regulatory risk-mitigating measures in economic infrastructure sectors is needed to attract private capital to infrastructure projects, including those under public-private partnerships.

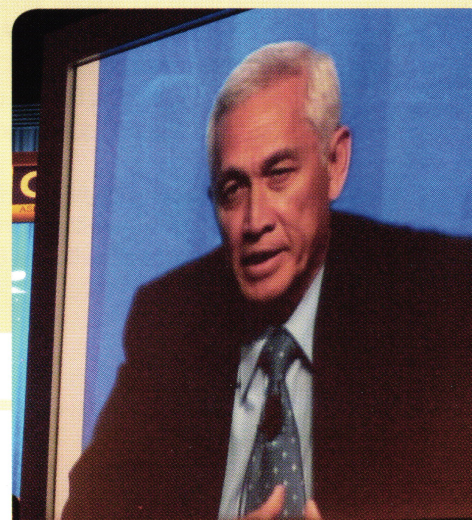
The Philippines appreciates ADB's contribution to the task of mobilizing resources for infrastructure of DMCs, and we encourage it to step up its assistance in this regard. ADB's provision of credit and credit enhancement for projects has not only generated funds for DMCs to pursue their infrastructure priorities but, in many cases, has catalyzed financing from other investors, particularly from the private sector. ADB has also been useful in providing policy advice to improve the investment environment in DMCs. We welcome the Bank's evolution into a knowledge bank, a repository of best practices and successful experiences in these specialized areas, which will enhance policy and regulatory formulation in DMCs.

While new global and development realities have called on ADB to expand coverage of its development work, the primary mandate of the Bank in the fight against poverty should not be forgotten. While the Bank has accomplished much in helping developing member countries in the battle to eradicate poverty, the task ahead remains daunting. ADB must continue broadening its skills, providing its services more efficiently and effectively and actively engaging member countries in this most challenging development crusade.

While the growth performance in the region has lifted hundreds of millions from poverty, hundreds of millions more remain impoverished and live under inhuman conditions. This is not acceptable and we need to muster all our resources toward the achievement of ADB's ultimate goal. The benefits of strong economic performance must be pervasive and inclusive. They should uplift the lives of the widest segment of the impoverished population and narrow the gap in income and living conditions between the rich and the poor. The approaches, strategies, programs, and practices in pursuit of this mission for ADB continue to evolve, but only because we need to be responsive to emerging realities and more effective in our struggle to eradicate poverty in Asia.

We have reviewed the ADB's second medium term strategy and find it relevant to the role demanded of ADB in these challenging times. We support the proposed strategy. In closing, I would like to reiterate the Philippines' commitment to pursue responsible reforms to strengthen our capacity to sustain economic growth and accomplish our development priorities. We are committed to meet the Millennium Development Goals (MDGs) by 2015 and will continue instituting responsible reforms that will strengthen our war chest against poverty. By steadfastly pursuing our reform program, we hope to create a virtuous cycle of fiscal responsibility, more MDG investments, and broadbased growth."

– Secretary Gary B. Teves
39th Annual Meeting of the ADB
Board of Governors Hyderabad,
India 4-6 May 2006



"Developing countries still lack the proper voice, representation and participation in the decision making processes of the IMF and the World Bank. It is therefore imperative for the credibility, relevance and legitimacy of these institutions that the distribution of power reflects the realities of the 21st century— not of the last century. The recent ad hoc quota increases in the IMF for China, Korea, Mexico and Turkey is a welcome step in the right direction and we encourage everyone involved not to lose momentum.

Fellow Governors, I welcome and support the Bank's comprehensive strategy on governance and anticorruption as a means to advance the Bank's core mission of poverty alleviation and the attainment of the Millennium Development Goals (MDGs). Efforts to strengthen governance and anti-corruption activities should therefore be viewed from a developmental perspective. Fighting corruption is just one aspect of the governance agenda.

In implementing this strategy, the Bank should continue to respect the fundamental importance of country ownership and work closely with government authorities. This not only ensures sustainable outcomes but also strengthens accountability.

The experience of the Philippines in the area of procurement reform illustrates the need for the Bank to work closely with reformers within government. Prior to the reform initiatives, the procurement system in our country was shackled by outdated legislation and inefficient practices. Losses due to corruption in the procurement system were estimated to be about \$400 million a year. Reform-minded leaders within government took the lead in initiating changes in the procurement system for greater transparency and efficiency. They carefully planned their strategy, building on diagnostic work from the Bank, recognizing fully well that streamlining the procurement system is a complex and politically charged issue. A strong communications strategy was also implemented while bi-partisan leadership and ownership of the procurement bill was secured from the legislature. The bill was passed into law in January 2003, more than three years after the whole effort began.

Governance reforms are helping the Philippines to improve tax collection. We have instituted bold programs to address tax evasion, smuggling and corrupt tax officials. The improving fiscal position of the Philippines is starting to engender a virtuous cycle of increased tax collections, more expenditures for social services and infrastructure, and reduced borrowing costs. We are deeply appreciative of the IMF and the Bank for extending technical assistance to enhance our tax collection capabilities.



The Secretary in an interview during his visit to Singapore on 19-20 September 2006 to attend the Joint International Monetary Fund -World Bank Board of Governors' Annual Meeting.

Another area where I think progress has been made is the Bank's articulation of its enhanced strategy for assisting its client partner countries. During my remarks at the Annual Meetings last year, I talked about the need for the Bank to deepen its engagement with Middle Income Countries (MICs). I stressed that the Bank must offer innovative and flexible financial instruments; that creative ways must be established to provide infrastructure for MIC and that listening more closely to MICs entails adopting a more tailored approach to development.

I am happy to note that these three points are reflected in the Bank's strategy. The strategy now provides a clear description of the value proposition the Bank can offer to MICs. The strategy also reaffirms that continued close engagement with these countries is central to the Bank's development mandate, its financial health and its sustained role as a knowledge bank. To be successful, any enhanced strategy for MICs should be flexible, multi-pronged, and comprehensive, in order to be responsive to differentiated and evolving demands across these countries. Greater use of country systems should be promoted given its importance in reducing the non-financial cost of doing business with the Bank and in strengthening the countries' institutional capacities. The challenge moving forward is how to ensure that the articulated strategy is implemented expeditiously.

The Philippines has benefited from the Bank's role as knowledge bank in the area of judicial reform. Through the Bank, the Philippines learned about Guatemala's mobile courts and therefore launched its own version of "Justice on Wheels". It also learned about the case management system in Venezuela. Conversely, Russia is interested in the Philippine experience on judicial reform while Pakistan on judicial education. Clearly, the Bank is helping facilitate knowledge sharing among MICs.

Fellow Governors, we share the concern that official development assistance to low-income countries has not increased, despite the renewed pledge by the international community at the UN Millennium Review Summit in 2005 to help accelerate the progress toward achieving the MDGs. We cannot emphasize enough that success will require a significant scaling up of efforts on the part of both donors and aid recipients, in terms of increased resources, better policies, improved governance, and enhanced aid effectiveness. The Bank and the IMF have central roles in helping realize these efforts.

I would like to stress that an open and vibrant trade system is critical for sustained growth and prosperity. Many of us in the developing world have pinned our hopes on the Doha Round of trade negotiations. The recent suspension of the negotiations was a major disappointment. It is therefore imperative that negotiations resume as soon as possible. The World Bank and the IMF should support this effort, especially by highlighting its potential benefits and the costs of trade distortions and barriers, particularly from agricultural subsidies and tariff escalation schemes in advance economies."

– Secretary Gary B. Teves
at the Joint WB-IMF Annual Meeting
September 19-20, 2006, Singapore

ASEAN Finance Ministers Meeting (AFMM)

► Roadmap for Monetary and Financial Integration

Liberalization of Trade in Financial Services. The Philippines, through the Department, chaired the meeting of the working group for the ASEAN Framework Agreement on Services' (AFAS) fourth round of Negotiations, which was held in Cebu on Oct 26-27, 2006. Among other issues, the working group approved the proposal of the Philippines to expand the group's mandate to include, among others, the facilitation of trade in financial services with ASEAN's Dialogue Partners to reflect the need to address the ongoing Free Trade Negotiations (FTA) in the area of financial services with ASEAN's Dialogue Partners.

Cooperation in ASEAN Customs

Under the Strategic Plan for e-Customs Development (SPCD) for ASEAN Customs Integration, the major achievements for 2006 include the establishment of ASEAN e- Customs and ASEAN Single Window (ASW), the signing of the Protocol to establish and implement the ASW by ASEAN Finance Ministers in December 2006, and the conduct of ASW pilot project between the Philippines Bureau of Customs and the Royal Customs Department of Thailand.

Philippines National Surveillance Unit

The DOF Surveillance Unit, in continuing its mandate for early warning of economic vulnerabilities, has started efforts to come up with quarterly reports on important economic developments and monitored indicators on financial, corporate, real and banking sectors.

ASEAN Finance Ministers Meeting (AFMM)+ 3

Asian Bond Market Initiative

The Philippines, as Chair of the Technical Assistance Coordination of the ABMI, has facilitated technical coordination on regional bond market development. Among these activities include the Technical Assistance Program with the Daiwa Institute of Research which covers the following: securitization of future cash flows, development of bond index, credit information system and collective information schemes.

Chiang Mai Initiative (CMI)

The network of Bilateral Swap Arrangements (BSAs) doubled to US\$75 billion. On May 6, 2006, the Philippines and Japan concluded the second stage of their BSA amounting to US\$6.5 billion.

Bilateral Swap Arrangement (BSA) is a supplementary facility among ASEAN countries, China, Japan and Republic of Korea. It aims to provide temporary financing for members which may be in balance of payments difficulties. The BSA augments the ASEAN Swap Arrangement and envisioned to strengthen regional capacity to counter future financial crisis.

Tariff and Related Matters (TRM)

The Department, as a member of the TRM, provided inputs for Executive Order No. 526 (signed May 12, 2006) modifying the rates of duty on certain imported articles in order to implement the preferential tariff on certain products under the ASEAN Industrial Cooperation Scheme.

Intergovernmental Group of Twenty-Four (G-24)

The Philippines chaired the G-24 Meeting held on September 16, 2006. Under the Philippines stewardship, the Group discussed issues on the Bretton Woods Institutions and recommended the following:

- Voice and Representation – to come up with a new formula on developing country quotas in the IMF and World Bank that would adequately reflect GDP based on purchasing power, parity and the countries' vulnerability to external shocks
- Trade – to support the resumption of the Doha Round of Negotiations by putting emphasis on the political commitment of developed and developing countries.
- Millennium Development Goals – to stress greater effort for the developed countries to implement the vision of global action and mutual accountability in the Monterrey Consensus requiring the developed countries to significantly increase the level of aid and financing.

Bilateral Trade Negotiations on Double Taxation

The DOF led the Philippine government panel in negotiating double taxation treaties with Japan and Iran. President Gloria Macapagal-Arroyo and Japanese Prime Minister Shinzo Abe signed the Philippines-Japan agreement (Protocol Amending the Agreement on the Avoidance of Double Taxation and Prevention of Income Tax Evasion) on December 9, 2006 in Malacañang Palace.

The negotiations with Iran also took off with preliminary talks held last December 20-22, 2006.



Human Resource Development

Staff Training and Development

One of the most important resources of an organization is its people. A well-trained and productive workforce allows the Department to maintain its efficiency in service provision and uphold excellent organizational performance.

For the year 2006, a total of 231 personnel availed of various training courses and scholarships conducted locally and abroad. One hundred seventy eight (178) employees attended trainings conducted by local training providers; two (2) completed an online course and one (1) availed of study leave on official time to review for a comprehensive examination. These local trainings covered topics and issues in economics, finance, taxation, trade, governance and leadership, information technology, accounting, budgeting and procurement, human resources and gender and development.

Forty five (45) employees participated in various international training courses; sixteen (16) attended ministerial seminars/ meetings and five (5) became beneficiaries of international post-graduate scholarships. These scholarships were granted through the sponsorship of multilateral agencies and country donors like the Joint Japan/World Bank Graduate School Program, Japan International Cooperation Agency, New Zealand Development Scholarship and the International Monetary Fund Scholarship Program, to name a few.

The Department also organized and conducted in-house trainings and seminars relevant to the current needs of the staff. A number of employees attended seminars on public accountability, budget formulation, values orientation and health and lifestyle, among others.

The tables below provide more details about staff training activities during the year:

Local and Online Courses

Course / Topic	Number of Recipients
Accounting/Auditing/Budgeting/Cash Management/Taxation	41
Information Technology/Computer-related/Communications	10
Economics/Finance/Fiscal/Loan & Grants/Trade	10
Environment/Natural Resources/Agriculture	6
Health Awareness/Medical & Dental Conferences	4
Governance/Leadership/Project Implementation/Planning & Development/Capacity Building	38
HRM and Development/Values Enhancement	12
Poverty Alleviation	2
Procurement and Services	12
Records Management	11
Services/Utilities/Energy/Infrastructure/Housing	4
Legal/Law Enforcement/Intelligence & Investigation/Negotiation	15
Supervisory Development/Executive Service Workshops	2
Gender and Development	11
Philippine Global Trade e-Learning Program	2
Total Number of Recipients	180

International Courses / Seminars / Conferences

Course/ Seminar/ Conference	Host Country	Sponsor/s
Course on Financial Market Analysis	Singapore	IMF-STI
UNCTAD Regional Workshop on Debt Sustainability and Development Strategies	Jakarta, Indonesia	UNCTAD
A Knowledge-Sharing Conference on East Asia's Early Warning System Experiences	Seoul, Korea	KCIF
Workshop on Economic and Financial Monitoring in East Asia: The Way Ahead	Siem Reap, Cambodia	ADB
2 nd Hitotsubashi Executive Program for Macroeconomic Policymakers	Tokyo, Japan	IMF
Training on Complex Financial Crimes Investigations	Bangkok, Thailand	ILEA
Asia Microfinance Forum on Partnerships & Innovations	Beijing, China	Citigroup Foundation
15 th Annual Seminar on Economic Policies	Tokyo, Japan	MOF
GTC: Computer [Web Application Specialist (Open Course) for E-Government Promotion (A)]	Okinawa, Japan	JICA
International Course on Corporate Responsibility and Sustainable Economic Development	The Netherlands	NFP
First STI Meeting on Training	Singapore	STI
Course on Macroeconomics Diagnostics in English	Washington DC, USA	IMF Institute
WSP-EAP's 2007 Regional Business-Planning Workshop	Luang Prabang, Lao PDR	WSP
Study Tour on Local and Regional Finance for Urban Development	Berlin, Germany; Long, U.K.	World Bank
Asia-Pacific Rural and Agricultural Credit Association (APRACA) Field Visit Programme on Micro & Small Enterprises	Bangkok, Ayutthaya & Chonburi, Thailand	APRACA
GTC: Seminar for JBIC's Official Financial Cooperation	Tokyo, Japan	JICA
Tax Analysis and Revenue Forecasting (TARF) Executive Program	North Carolina, USA	World Bank

Course/ Seminar/ Conference	Host Country	Sponsor/s
Seminar on Nordic Investment Bank's Competitiveness in the Baltic Sea Region	Helsinki, Finland	NIB
Course on Macroeconomic Management and Fiscal Issues	Singapore	IMF-STI
Inaugural 1-Month Seminar on Development of Financial System in ASEAN and Korea	Seoul, Korea	Korean Govt.
Seminar on Macroeconomic Management for Senior Officials	Singapore	IMF-STI
3 rd International Conference on Conditional Cash Transfer	Istanbul, Turkey	World Bank
Macroeconomic Management and Financial Sector Issues	Singapore	IMF-STI
Study Tour on Local and Regional Finance	Amsterdam, Netherlands; Orebro, Sweden	World Bank
ASEM-Asian Financial Crisis Response Trust Fund (TF) Annual Review Meeting	Brussels, Belgium	World Bank & European Commission
ILEA Supervisory Criminal Investigation Course	Bangkok, Thailand	ILEA
Seminar on Financial Taxation	Singapore	IMF-STI
Seminar on Improving Governance of Public Sector Enterprise	Tokyo, Japan	ADB
10 th Economic Development Cooperation Fund Workshop	Seoul, Korea	EDCF
2006 Seminar on Preferential Loan Administration for Developing Countries	Beijing, P.R. China	MOFCOM
Course on Macroeconomic Impact of the Budget	Singapore	IMF-STI
APRACA Research Director's Workshop-Setting the Agenda and Action Plan for Research	Tashkent, Uzbekistan & Moscow	APRACA CENTRAB
Watershed Co-management Visit	Australia	
Homecoming Seminar	R.O.K.	KTC
PG Certificate in Corruption Studies	Hong Kong	ROLE/USAID
Hitotsubashi Executive Program for Macroeconomic Policymakers	Tokyo, Japan	Hitotsubashi University

Course/ Seminar/ Conference	Host Country	Sponsor/s
Training Course on Fiscal and Financial Enhancement Program for the Philippines	Seoul, South Korea	KOICA
Study Tour on Resource Mobilization, Creditworthiness and Enterprise Management	Italy, Germany & USA	LOGOFIND Funds
International Conference on Coastal and Ocean Governance, East Asian Seas Congress 2006	Hainan Province, PR China	PEMSEA

In-House Training Courses

Topic	Date
Seminar on Balanced Life Formation Program	09-10 February 2006
Briefing on the Selection of Third Level Champions of DOF	03 March 2006
Workshop on the Formulation of the 2007 OPIF Budget	28 March 2006
Balanced Life Formation Program Follow-Through Workshop	Various dates, April to May 2006
Flower Making and Arrangement	Various dates, April to May 2006
Aerobics	Various dates, April to May 2006
Storytelling Sessions I & II	Various dates, April to May 2006
Lecture on Microfinance Policy Initiatives	Various dates, April to May 2006
DOF Extra Challenge	Various dates, April to May 2006
Team Building and Values Orientation Workshop for OSS-CENTER Employees	19-20 May 2006
Orientation/Workshop on the Accomplishment of the Agency Job Classification Plan	30 May 2006
Public Accountability Seminar and EHEM! AHA!	20-23 June 2006
Briefing on Charter Change	21 July 2006
Forum on Energy Statistics	30 October 2006

Staff Recognition

In 2006, under the Program on Awards and Incentives for Service Excellence (PRAISE), one hundred (100) employees who have rendered at least three years of continued service in the same position were conferred the Length of Service Incentive or Longevity. Fifty six (56) employees received the Loyalty Award for continuous, satisfactory service for at least ten years. Three (3) employees, retired and were conferred Service Awards for their years of dedicated public service.

Community Services

The DOF family took every opportunity to give back to the needy and vulnerable sectors of society. Volunteers participated in the Blood Donation Program of the Philippine Children's Medical Center, the Outreach Program for the elderly at Mother Teresa's Missionaries of Charity and the Gift-giving for the Children's Joy Foundation. The Department also sent representation to various national festivities like Philippine Independence Day, National Peace Consciousness Month, Elderly Filipino Week and Consumers Welfare Month.

Gender and Development

The DOF is an active supporter of Republic act No. 7192, an Act Promoting the Integration of Women as Full and Equal Partners of Men in Development and Nation Building. R.A. 7192 directs government agencies to mainstream and integrate gender – responsive goals in their directions, policies, budget, projects, programs and services. True to this commitment, the DOF participated in and implemented various gender and development activities during the year.

The DOF is a regular participant in the International Women's Day celebration held in March and in discussions on gender mainstreaming. Special attention was given to mainstreaming GAD concerns in the activities of the Municipal Development Fund Office and the Bureau of the Local Government Finance, and in reflecting these concerns in the GAD budget. The DOF supports the proposal of the National Commission on the Role of Filipino Women for the use of the Harmonized GAD Guidelines for reviewing funding proposals from LGUs.

Being in the forefront of mobilizing resources, the DOF takes a pro-active position in improving women's access to credit starting with its own women employees. The Women Movement for an

Empowered Nation, Inc. (WOMEN Inc.) -- an association of women employees in DOF, its bureaus and attached agencies registered in April 2004 -- started extending credit to its members. The credit extension intends to help WOMEN Inc. members cope with family expenditures such as tuition fees, emergency medical expenses, and even MERALCO and telephone bills. An additional facility to help members generate income from entrepreneurial activities is in the pipeline.

GAD and WOMEN Inc. activities also include continuing capacity-building lectures and workshops primarily aimed at helping GAD focal points to be trainers in their respective milieu.

WOMEN Inc., also a registered social welfare agency, sought to empower not only its members but other communities as well. It conducts a continuing campaign for donations from the DOF community. These donations are given as direct interventions in communities with very high incidence of poverty. Recipients include the typhoon victims of Guinobatan, Albay; poor residents of Bulacan; and those in the highlands of Mt. Diwalwal, Davao.



The first batch of participants (from DOF and attached agencies) to the Training Course on Fiscal and Financial Enhancement Program for the Philippines, sponsored by the Korean Organization for International Cooperation Agency (KOICA), held in Seoul, South Korea from November 16 - December 2, 2006.

DOF Officials



Margarito B. Teves
SECRETARY

Secretary Teves is an economist and a constitutionalist. He has been a congressman, a businessman, and a banker. Educated in London, Spain and the United States, this native of Dipolog, Zamboanga del Norte and Dumaguete, Negros Oriental earned the equivalent of a bachelor's degree in Business Economics from the City of London College in England and a Master's degree in Development Economics from Williams College in Massachusetts, USA.

Upon his return to the Philippines, he joined the Bank of Asia and subsequently, the Presidential Economic Staff, the predecessor of the National Economic and Development Authority (NEDA). He was then elected as a delegate to the 1971-72 Constitutional Convention. His stints in the private sector – for organizations such as the Ayala Corporation, the Ayala Foundation, Metrobank and the Philippine Stock Exchange – further honed his expertise in the fields of economics and finance.

He represented the 3rd district of Negros Oriental in Congress for three consecutive terms, from 1987 to 1998, authoring important legislations on trade, investment, fiscal and financial reform, most notably laws that liberalized the banking system to allow the entry of foreign banks.

From 1988-2000, he was Chairman and Chief Executive Officer of Think Tank, Inc. – an organization involved in political, economic and financial environment scanning, as well as policy advocacy.

In September 2000, he was appointed President and CEO of LANDBANK. Under his leadership of nearly five years, the bank's financial performance showed significant improvement, becoming the country's third largest bank in terms of assets, deposits and loans. He is also credited for successfully steering the Bank back to its original mandate of spurring development and alleviating poverty in the countryside.

In July 2005, he assumed his present and most challenging position to date as the Secretary of Finance.

The Undersecretaries



ROBERTO B. TAN
International Finance Group

Undersecretary Tan has been with the Department for almost twenty years. He first served as Director of International Finance Group in 1988. After a three-year secondment as Advisor to the Board Executive Director of the Asian Development Bank from 1995 to 1998, he was promoted to the rank of Assistant Secretary in 1999. In April 2005, he was appointed to his current position of Undersecretary for International Finance Group.

Prior to working for the Department, Undersecretary Tan worked as Consultant for Carlos J. Valdes and Co., as Finance and Treasury Manager for PCI Bank's credit card subsidiary Bankard, and as Senior Financial and Marketing Analyst for Newark Redevelopment and Housing Authority in New Jersey.

Undersecretary Tan obtained a Bachelor's degree in Economics from Ateneo de Manila University. He finished his Masteral and Doctoral studies in Economics at Fordham University in New York. He also holds a Masters in Business Administration degree from Ateneo de Manila University.

GAUDENCIO A. MENDOZA, JR.
Legal & Revenue Operations Group

Undersecretary Mendoza earned his Master of Laws (LLM) at Harvard Law School. He also attended the Certificate Courses on International Taxation Program (ITP) and Program of Instruction for Lawyers (PIL), both at Harvard Law School. Prior to these, he earned his Bachelor of Science (History and Government) and Bachelor of Laws at the Ateneo de Manila University. He also completed the academic requirements for the MBA Senior Executive Program at the Ateneo de Manila Graduate School of Business Administration.

His past experiences in the government includes stints as Deputy Secretary General for Legal Affairs in the House of Representatives; Assistant/Deputy Executive Secretary for Legal Affairs, Office of the President of the Philippines; Legal Consultant to the Commissioner of Internal Revenue and to the Deputy Commissioner of Customs; among others.

He also worked in the private sector as a college instructor at the Philippine Women's University and became a partner of different law offices, such as De Grano Mendoza Sarmiento Law Office, and Zamora Trinidad Reverente Ferrer & Carpio Law Office, among others.

He joined the Department in January 2006 as Undersecretary for Legal and Revenue Operations Group and concurrently Officer-in-Charge for the Revenue Integrity Protection Service (RIPS).

JOHN PHILLIP P. SEVILLA
Privatization

Undersecretary Sevilla earned his Bachelor's degree in Government and Economics from Cornell University and Master of Public Affairs from Woodrow Wilson School of Public and International Affairs, Princeton University. He is fluent in English, Tagalog and Spanish, and proficient in Mandarin.

He was Executive Director at Goldman Sachs (Asia) LLC Hong Kong from May 2000 - March 2004. He also became Vice President at Solomon Brothers Hong Kong Ltd. from January 1998 to April 2000 and Assistant Director at the Hong Kong and Jakarta offices of Peregrine Fixed Income Ltd. from October 1996 to January 1998.

From July 1993 to October 1996, he was Associate Director at Standard & Poors Rating Group in New York. Prior to this, he was an intern at CARE International in Dhaka, Bangladesh.

Before his exposures abroad, Undersecretary Sevilla became a Project Officer at the Department of Agrarian Reform in Manila. He assumed his position as Undersecretary for Privatization on September 4, 2006.

GIL S. BELTRAN
Domestic Finance Group

Undersecretary Beltran earned his bachelor's degree in Economics (Cum Laude) from the University of the Philippines and Master of Arts in Development Economics (Class Valedictorian) from Williams College in Massachusetts, U.S.A.

He joined the Department as Economic Researcher in 1978. He was promoted to Senior Economist in 1980, Assistant Planning Officer in 1984 and Division Chief in 1987. He moved up the ladder without a halt and became Director III in 1989 and Director IV in 1992. In 1995, he became Assistant Secretary of the Department.

In 1990 and 1995, he was sent to the World Bank as Advisor to the Executive Director. He also served as Alternate to the Executive Director from January 2003 to January 2005.

He was appointed as Undersecretary for Domestic Finance Group on October 28, 2005.

The Assistant Secretaries



ROBERTO D. GEOTINA
Revenue Operations Group

MA. ELEANOR F. DELA CRUZ
Special Concerns

JEREMIAS N. PAUL, JR.
International Finance Group

The Directors



JOSELITO S. ALMARIO
Fiscal Policy & Planning Office

FIDEL G. CONDRADA
Legal Affairs Office

HELENA B. HABULAN
Municipal Development
Fund Office

SOLEDAD EMILIA J. CRUZ
Corporate Operations Office

MA. TERESA S. HABITAN
Fiscal Policy & Planning Office

MA. LOURDES V. DEDAL
Central Financial
Management Office

The Directors



ERNESTO Q. HIANSEN
One-Stop Shop Tax Credit &
Duty Drawback Center

THELMA A. MARIANO
Legal Affairs Office

LOURDES Z. SANTIAGO
Central Administration Office

GILDA VICTORIA G. MENDOZA
International Finance
Policy Office

MA. LOURDES B. RECENTE
Research and Information Office

MA. EDITA Z. TAN
International Finance
Operations Office

The Heads of Attached Bureaus



JOSE MARIO C. BUÑAG
Commissioner
Bureau of Internal Revenue

MA. PRESENTACION R. MONTESA
Executive Director
Bureau of Local Government Finance

OMAR T. CRUZ
Treasurer of the Philippines
Bureau of Treasury

Not in picture:
NAPOLEON L. MORALES
Commissioner
Bureau of Customs

The Heads of Attached Agencies



CESAR S. GUTIERREZ
Chairman
Central Board of Assessment Appeals

FE B. BARIN
Chairman
Securities & Exchange Commission

EVANGELINE C. ESCOBILLO
Commissioner
Insurance Commission

LECIRA V. JUAREZ
Chairman
Cooperative Development Authority

LINA D. ISORENA
Executive Director
National Tax Research Center

MR. JOSE AR. BENGZON III
Chief Privatization Officer
Privatization Management Office

The Heads of Attached Corporations



VIRGILIO R. ANGELO
President
Philippine Export-Import Credit Agency

RICARDO M. TAN
President and CEO
Philippine Deposit Insurance Corporation

Directory of DOF Offices

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
OFFICE OF THE SECRETARY	6 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	523-6051; 526-7336; 523-9251; 523-9219 (Fax) 526-8474; 521-9495
Chief of Staff		525-0260
Deputy Chief of Staff		525-4194
PERSONNEL DEVELOPMENT & MANAGEMENT SERVICES GROUP	5 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary	4 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	523-5678
Office of the Assistant Secretary	7 th Floor, EDPC Building, BSP Complex, Roxas Boulevard, Manila 1004	526-8459
Central Administration Office	7 th Floor, EDPC Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Director		526-1265
Personnel Services Division		525-0244
Central Records Mgt. Division		526-8470; 526-5573
General Services Division		526-8475; 525-4227
Property & Procurement Section		526-4786
Library Section		526-8410
Central Financial Management Office	7 th Floor, EDPC Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Director		526-8166
Budget Division		526-8464
Accounting Division		523-5624
Management Services Division		526-6932
Management Information System	4 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	525-4451; 526-8467; 525-4697
CORPORATE AFFAIRS GROUP	5 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		400-6882; 523-9222
Corporate Operations Office		
Office of the Director		525-7427; 525-1313 (Telefax)
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
GFI		525-7309; 523-7172
PRIVATIZATION GROUP	5 th Floor, DOF Building BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		523-5727; 525-1321; (Fax) 523-5143
Privatization Office		
Appraisal and Evaluation Division		524-1663
Issues and Procedures Division		524-1663
COP Secretariat		524-1663
DOMESTIC FINANCE GROUP	4 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	
Office of the Undersecretary		523-5671; (Fax) 524-0607, 523-3825
Office of the Assistant Secretary		
Fiscal Policy and Planning Office		
Office of the Director		523-5678; (Telefax) 523-3825
Fiscal Policy Division		(Telefax) 524-0607
Fiscal Planning Division		523-5678; (Telefax) 523-3825
Statistics Division		523-5678
Special Studies Division		(Telefax) 523-3825
National Credit Council		523-5678; (Telefax) 523-3825
Japan Fund for Poverty Reduction (JFPR) Project		525-0487; (Telefax) 525-0497; 525-4332

OFFICE/GROUP	ADDRESS	TELEPHONE NUMBER/S
Research and Information Office		
Office of the Director	4 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	523-6968
Research and Liaison Division		524-0618
Information Division		524-0619
INTERNATIONAL FINANCE GROUP		
Office of the Undersecretary		523-9221; (TL) 523-9911 to 14 loc 101
Office of the Assistant Secretary		(TL) 523-9911 to 14 loc 126
International Finance Operations Office		
Office of the Director	5 th Floor DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	526-9990; (TL) 523-9911 to 14 local 125
Debt Restructuring Div. & ADB		521-8791; (TL) 523-9911 to 14 local 106
Multilateral Assistance Division		521-8792
Bilateral Assistance Division		(TL) 523-9911 to 14 loc 104; 523-9223;
International Finance Policy Office		
Office of the Director		400-7446; (TL) 523-9911 to 14 loc 115
International Economy Division		400-7446; (TL) 523-9911 to 14 loc 127
External Adjustment Division		400-7446; (TL) 523-9911 to 14 loc 111
REVENUE OPERATIONS GROUP		
Office of the Director		526-8457; 526-8458
Customs and Tariff Division	Podium, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	526-8458
Internal Revenue Division		526-8476
Research Monitoring Division		526-7311
Mabuhay Lane		526-8458
Legal Affairs Office		
Office of the Director	4 th Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	526-7490; 526-8449
International Legal Services Division		526-8449
Domestic Legal Services Division		526-8449
Hearing and Litigation Division		526-8449
One-Stop-Shop Duty Drawback Center		
Office of the Executive Director		526-8178
OSS Operations	3 rd Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	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		256-0751
OSS-BIR		526-8849
OSS-Post Audit		526-4822
Municipal Development Office		
Office of the Executive Director		523-9935
Office of the Deputy Director		523-9935; 525-9185
Finance and Administrative Director	Podium, DOF Building, BSP Complex, Roxas Boulevard, Manila 1004	525-9188
Accounting Division		523-9937
CBRM Project		521-7195
LOGOFIND Project		525-9186; 525-9187

Directory of Attached Bureaus, Agencies & Corporations

AGENCY NAME/OFFICE	ADDRESS	WEBSITE	TELEPHONE NUMBER/S COMMISSIONER'S/ CHAIRMAN'S OFFICE
Bureau of Customs (BOC)	BOC Building, Port Area, Manila	http://www.customs.gov.ph	526-6355; 527-4511
Bureau of Internal Revenue (BIR)	Agham Road, Diliman, Quezon City	http://www.bir.gov.ph	921-0430; 922-3293
Bureau of Local Government Finance (BLGF)	8 th Floor, EDPC Building, BSP Complex, Roxas Boulevard, Manila	http://www.blgf.gov.ph	527-2780; 522-8773
Bureau of Treasury (BTr)	Palacio del Gobernador, Intramuros, Manila	http://www.treasury.gov.ph Email: webmaster@treasury.gov.ph	527-3184; 527-3178 (TL) 522-8122
Central Board of Assessment Appeals (CBAA)	7 th Floor EDPC Building, BSP Complex, Roxas Boulevard, Manila	http://www.cbaa.gov.com Email: cbaa@compass.com.ph	525-1411; 525-1410 526-7485
Cooperative Development Authority (CDA)	5 th Floor Ben-Lor Building, 1184 Quezon City	http://www.cda.gov.ph Email: webmaster@cda.gov.ph	371-2077; 373-6906
Fiscal Incentive Review Board (FIRB)	23 rd Street corner A.C Delgado Street, Port Area, Manila	http://www.ntrc.gov.ph/firbmenu.html	527-2071; 527-2062
Insurance Commission (IC)	IC Building, 1071 U.N Avenue, Manila	http://www.insurance.gov.ph Email: oic@i-manila.com.ph	525-2015; 523-8461/70
National Tax Research Center (NTRC)	23 rd Street corner A.C Delgado Street, Port Area, Manila	http://www.ntrc.gov.ph Email: ntrc@eastern.com.ph	527-2050; 527-2064
Philippine Deposit Insurance Corporation (PDIC)	PDIC Building, Pasong Tamo Extension, Makati City	http://www.pdic.gov.ph Email: info@pdic.gov.ph	818-6906; 817-1445
Philippine Export-Import Credit Agency (PhilExim)	17 th Floor, Citibank Plaza, 8741 Paseo de Roxas, Makati City	http://www.philexim.gov.ph Email: info@philexim.gov.ph	893-4632; 893-4809 (TL) 848-1900
Privatization and Management Office (PMO)	104 Gamboa Street, Leagspi Village, Makati City	http://www.pmo.gov.ph	893-2383; 893-1209
Securities and Exchange Commission (SEC)	SEC Building, EDSA Greenhills, Mandaluyong City	http://www.sec.gov.ph Email: mis@sec.gov.ph	727-4543; 724-4757

2006 DOF Annual Report Working Committee



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Febe

Gil

Teh

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Irene

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