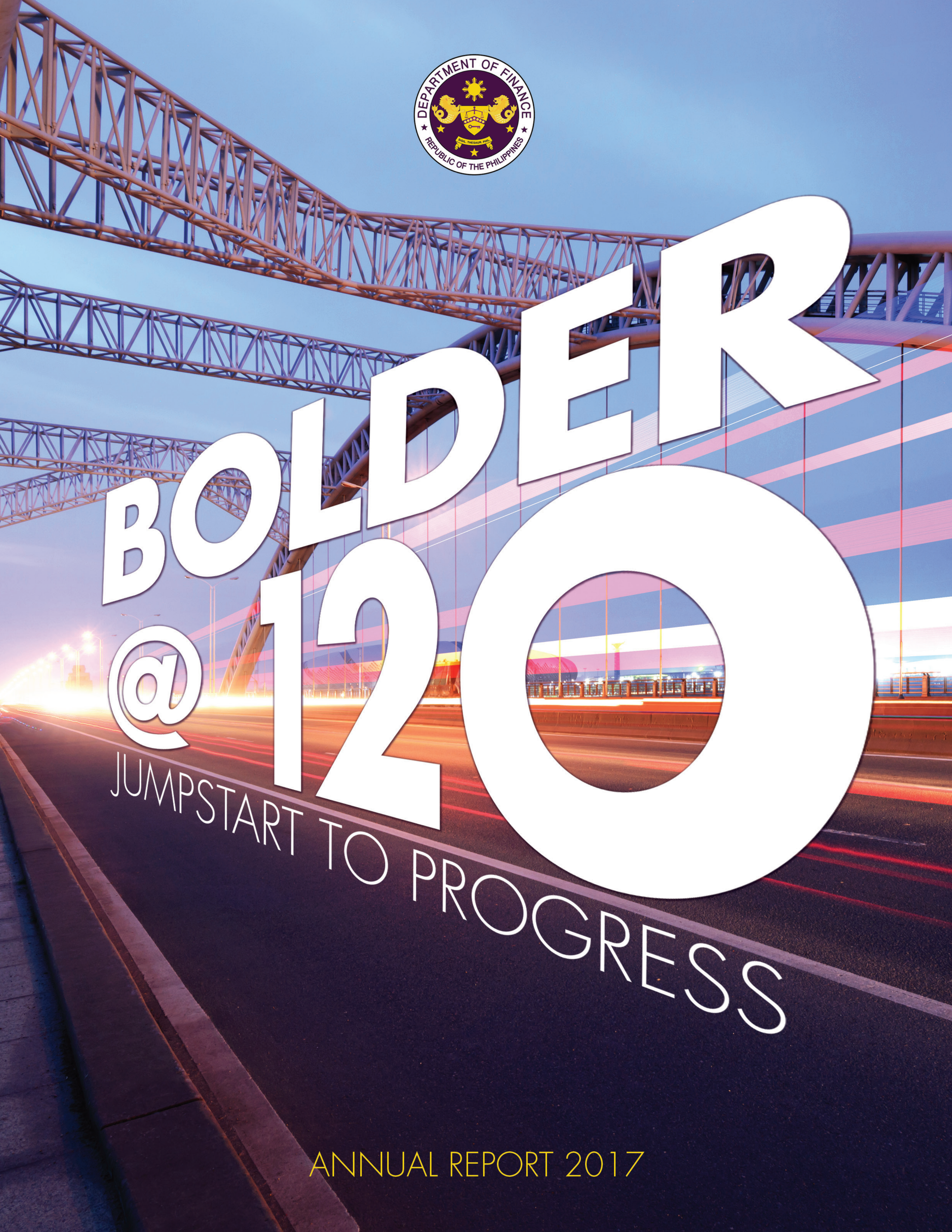


DEPARTMENT OF FINANCE
REPUBLIC OF THE PHILIPPINES

BOLDER @120

JUMPSTART TO PROGRESS

ANNUAL REPORT 2017

CONTENTS

LIST OF FIGURES

LIST OF TABLES


DEPARTMENT OF FINANCE

ABOUT THE DEPARTMENT OF FINANCE

The Department of Finance (DOF) is the government's steward of sound fiscal policy. It formulates revenue policies that will ensure funding of critical government programs that promote welfare among our people and accelerate economic growth and stability.

The DOF envisions that the effective and efficient pursuit of the critical tasks under its wings -- revenue generation, resource mobilization, debt management and financial market development-- shall provide the solid foundation for the Philippines to be one of the most active and dynamic economy in the world.

The fact that the birth of the DOF predated that of the Philippine Republic is 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 government department. At present, the critical tasks of revenue generation, resource mobilization and fiscal management rest on the shoulder of the Department of Finance.

The government must provide the citizenry with infrastructure, education, health and other basic services; and the DOF must be ready with the funds for them. Likewise, the DOF must steer fiscal programs toward an investment-friendly environment, which is the catalyst for growth.

VISION

- A strong economy with stable prices and strong growth;
- A stable fiscal situation with adequate resources for government projects, infrastructure, education, health and other basic services;
- 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; and
- A strong economic growth with equity and productivity.

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:

- Formulation, institutionalization and administration of sound fiscal policies;
- Improvement of tax collection efficiency and non-tax revenue efforts;
- Mobilization of adequate resources on most advantageous terms to meet budgetary requirements;
- Sound management of public sector debt; and
- Initiation and implementation of structural and policy reforms.

MANDATE

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

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

CREDO

I am a public servant in the Department of Finance.

I seize the initiative to improve a little each day:

- in the way that I am;
- in the way I care;
- in the way I work.

I strive for excellence in everything I do:

- by the pursuit of competence;
- by the constant search of professionalism;
- by the observance of team work.

I take the lead and serve:

- by putting country above self;
- by showing concern for others;
- by thinking of myself last.

I think and act to ensure:

- integrity in the life I live;
- the efficiency of the work I do;
- the effectiveness of the service I render.

I believe that God is my father who cares for and helps me always.

MESSAGE FROM THE SECRETARY

“TRAIN corrects an already oppressive system that burdened all wage earners. It puts in place a tax system that is simpler, fairer and more efficient”.

This has been a most productive year for the Department of Finance (DOF).

The DOF has been engaged in a broad range of reform efforts. Apart from modernizing our tax system and improving revenue flows, the Department has been involved in reducing red tape, broadening the base of our financial system, facilitating adoption of new technologies to modernize governance, eradicating corruption, and negotiating official development assistance (ODA) to support the infrastructure program of the Duterte administration.

The DOF, as this report bears out, achieved much during the year.

All our achievements are capped by the signing into law of Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and inclusion (TRAIN) on 19 December 2017. We have invested much effort in seeing this through the legislative mill. Those efforts were all worth it.

The passage of this first package of our comprehensive tax reform program bore fruit almost immediately. Collections by our two main revenue agencies improved substantially over the preceding year. Both the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) surpassed their collection targets.

TRAIN corrects an already oppressive system that burdened all wage earners. It puts in place a tax system that is simpler, fairer and more efficient. That would have strategic implications on the larger effort of building inclusive growth to benefit all our people.

I look forward to even more remarkable achievements by the DOF in the coming months. These achievements will be testimonies to the talent and patriotism of those who work here. This is an agency of truly committed women and men who work with pride and passion.

CARLOS G. DOMINGUEZ
Secretary

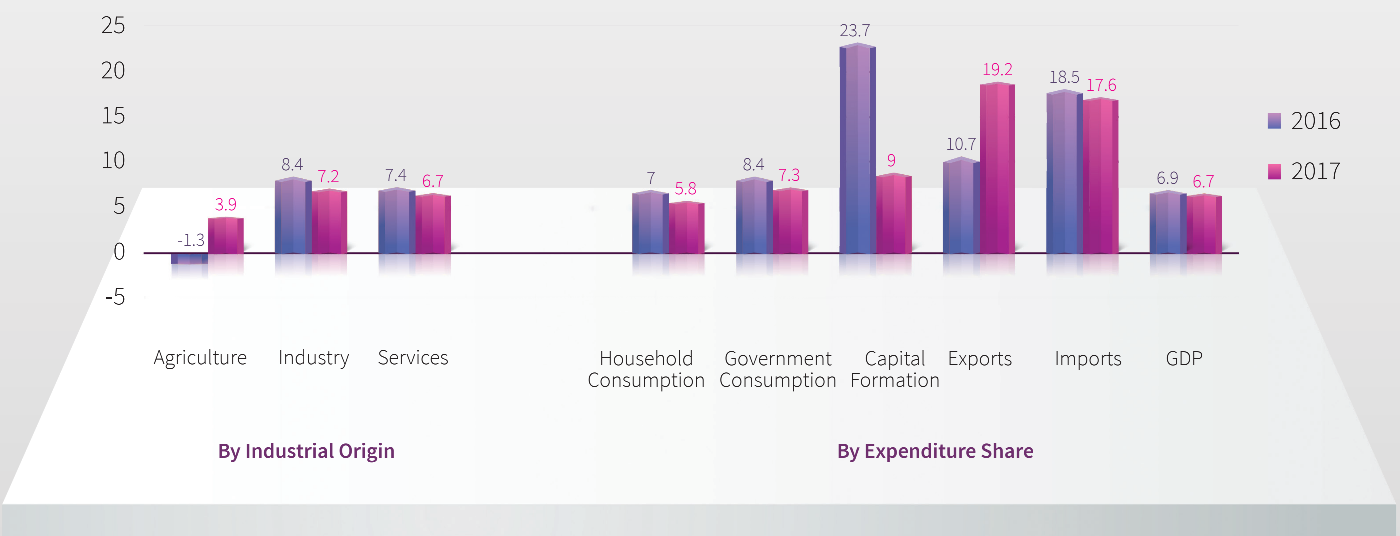
ECONOMIC HIGHLIGHTS

The Philippine real GDP marked its 6th straight year of growth above 6 percent in 2017, buoyed by favorable domestic and external demand, albeit slightly moderating to 6.7 percent from 6.9 percent in 2016. It also remained one of the best performing economies in Asia, placing third behind Vietnam (7.1 percent) and China (6.8 percent).

Private consumption growth remained robust at 5.8 percent, moderating slightly from 7 percent of the previous year. Public spending on goods and services picked up by 7.3 percent, with public construction reflected by the National Government's (NG) strong resolve to beef up investments in infrastructure through its "Build, Build, Build Program'"- up by 13.5 percent from the previous period. Meanwhile, gross domestic capital formation remained relatively subdued, posting a 9 percent growth from 23.7 percent in 2016, with durable equipment and private construction also slowing down year-on-year.

In 2017, global economy recovered and world trade rebounded. Philippine exports surged by 19.2 percent year-on-year, largely attributed to increase in global demand for electronic products. Mirroring favorable external demand, remittances sent by Overseas Filipino Workers (OFWs) remained resilient amid pockets of political uncertainties across the globe. Remittances went up by 4.3 percent year-on-year

FIGURE 1 -Growth Rates of Domestic Product (%), 2016 and 2017



Source: Philippine Statistics Authority to USD28.1 billion in 2016, which continued to fuel domestic demand. Likewise, imports climbed by 17.6 percent year-on-year on the back of strong demand for capital goods, widening the trade deficit to USD4.02 billion in December 2017.

On the supply side, all sectors sustained growth, with industry (7.2 percent) outperforming services (6.7 percent) and agriculture (3.1 percent). Manufacturing which mainly comprises the industry sector, remained strong at 8.6 percent expansion, contributing more to inclusive growth.

Annual headline inflation picked up to 3.2 percent from 1.8 percent in 2016, brought about by uptick in prices of food, alcoholic beverages and tobacco, utilities, and transportation costs. The relative weakening of the peso against the dollar also imported inflation, making foreign goods more expensive. Nonetheless, the average inflation rate remained manageable and within the Bangko Sentral ng Pilipinas' (BSP) 2-4 percent target for 2017.

The peso is one of the few currencies in Asia that depreciated against the dollar, closing at P49.90 per US Dollar in December from the previous year's P49.80. Such softening of the peso-dollar rate resulted from several factors, including the widening trade deficit, net capital outflows due to US Fed's interest rate hikes, and US' call for fiscal expansion. Nonetheless, the recent depreciation of the peso buoys up the country's export competitiveness as reflected by the healthy performance of exports.

The BSP kept the policy rates unchanged for the year. Overnight reverse repurchase rate (RRR) facility kept steady at 3 percent, as did the Overnight Lending Facility (OLF) and the Overnight Deposit Facility (ODF) rates at 3.5 percent and 2.5 percent, respectively, and bank reserve requirement ratios stayed untouched. Such decision of the BSP was backed by manageable levels of inflation and inflation outlook for 2018 and 2019, along with robust domestic economic growth.

In December 2017, Fitch Group, one of the major global credit watchers upgraded the Philippines' sovereign credit rating from BBB- to "BBB with stable outlook"- a notch higher than investment grade, based on the nation's sustained macroeconomic performance underpinned by sound monetary and fiscal policies. Such recognition of the strengthening credit profile of the country will further boost local and foreign investors' confidence and can lower public borrowing costs.

Meanwhile, 2017 was a banner year for the Philippines stock market. The stock market surged by 25.1 percent, a reversal from the two-year slump in 2015 and 2016. Total market capitalization was P17.6 trillion, up by 21.8 percent year to-date. Average daily market turnover went up by 3.2 percent year-to-date at P8.1 billion. Five of the six sectoral indices posted double- digit year- to dategains: financials 34.7 percent, property 29.2 percent, services 24.3 percent, and holding firms 23.2 percent.

FUNDING NATIONAL DEVELOPMENT

NATIONAL GOVERNMENT FISCAL PERFORMANCE

In keeping with the mandate of collecting revenues to finance the various programs of the Philippine government, the NG was able to collect P2.5 trillion of total revenues, 12.6 percent higher than the 2016 collection level of P2.2 trillion.

Tax revenues generated P2.3 trillion, representing 91 percent of the total revenues. This is due to the improved collections of the main collecting agencies, namely the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC).

Non-tax revenues grew by 3.1 percent from P215 billion to P222 billion. The Bureau of Treasury (BTr), though it fell short of P1.8 billion from last year's collections was still 70.5 percent higher than its revised program. Proceeds from privatization were higher by 26.3 percent from the previous year.

The NG posted a deficit of P350.6 billion in 2017, slightly lower by 0.8 percent than the previous year. Total deficit was equivalent to 2.2 percent of GDP, 0.2 percent lower than the 2.4 percent registered in 2016. The total expenditure in 2017 increased by P274.5 billion which is 10.8 percent higher compared to 2016.

TABLE 1 - NG Fiscal Performance

NG Fiscal Position (In Billion Pesos)	2016 Actual	2017 Actual	2017 Revised Program	% Variance[1]	Growth Rate
Total Revenues	**2,195.9**	**2,473.1**	**2,426.9**	**1.9%**	**12.6%**
Tax Revenues	**1,980.4**	**2,250.7**	**2,258.4**	**-0.3%**	**13.6%**
Tax Effort (%)[2]	***13.7%***	***14.2%***	***14.2%***		
BIR	1,567.2	1,772.3	1,782.8	-0.6%	13.1%
BOC	396.4	458.2	459.6	-0.3%	15.6%
Other Offices	16.8	20.2	15.9	27.1%	20.0%
Non-Tax Revenues	**214.9**	**221.6**	**166.5**	**33.1%**	**3.1%**
Fees and Charges	39.8	40.8	44.0	-7.3%	2.4%
Bureau of Treasury	101.7	99.9	58.6	70.5%	-1.8%
Other Non-tax revenues	73.2	80.9	64.0	26.5%	10.5%
Foreign grants	0.1	0.0	0.0	0.0%	-50.0%
Privatization	**0.7**	**0.8**	**2.0**	**-58.5%**	**26.3%**
Expenditure	**2,549.3**	**2,823.8**	**2,909.0**	**-2.9%**	**10.8%**
Surplus/(Deficit)	**-353.4**	**-350.6**	**-482.1**	**-27.3%**	**-0.8%**

Source: Bureau of the Treasury

[1]The percentage variance was computed based on 2017 Actual versus 2017 Revised Program.
[2]Tax effort is calculated by dividing the Total Tax Revenues by the Nominal GDP.

TAX REVENUES

Tax revenues of BIR and BOC both registered double-digit growth rates in 2017 of 13.1 percent and 15.6 percent, respectively.

The growth of BIR collections was attributed to the agency's strict enforcement of the country's tax laws and its priority programs, such as Run After Tax Evaders(RATE), Oplan Kandado and other enforcement activities. BIR collections were beefed up by delinquency payments from Mighty Corporation in the amount of P30 billion in taxes, inclusive of increments.

The BOC improved its revenue collections through the reforms instituted in compliance with the Customs Modernization and Tariff Act, including applying the correct valuation in assessing customs duties on each container van shipped into the country to eradicate the grease money "tara" system.

TABLE 2 - BIR Collection Performance

Taxes Revenues (In Billion Pesos)	2016	2017	% Growth	2017 % Distribution
Total Collection*	**1,567.2**	**1,772.3**	**13.1**	**100.0**
Income Taxes	**924.6**	**1,028.6**	**11.3**	**58.0**
Excise Taxes	163.5	209.5	28.1	11.8
Value-Added Tax	331.4	365.2	10.2	20.6
Percentage Taxes	**65.1**	**76.0**	**16.7**	**4.3**
Other Taxes	91.2	100.8	10.5	5.7

**2017 BIR Collection are Net of Tax Refunds amounting to P8.5 billion*

TABLE 3 - BOC Collection Performance

Taxes Revenues (In Billion Pesos)	2016	2017	% Growth	2017 % Distribution
Total Collection	**396.4**	**458.2**	**15.6**	**100.0**
o.w. Tax Expenditure Fund	**7.8**	**1.4**	**-82.1**	**0.3**
Import Duties	59.3	64.4	8.6	14.1
Non-Oil	59.3	64.4	8.6	14.1
Oil	0.1	0.0	-96.6	0.0
VAT	291.7	326.8	12.0	71.3
Non-Oil	251.1	269.8	7.4	58.9
Oil	40.7	57.0	40.0	12.4
Excise Tax	**41.5**	**59.4**	**43.1**	**13.0**
Others	**5.9**	**7.5**	**27.1**	**1.6**

**2017 BOC collections are Net of Tax Refunds amounting to P2.6 billion*

FUNDING NATIONAL DEVELOPMENT

Furthermore, the Sin Tax Reform Law continues to generate incremental revenues since its implementation in 2013. For 2017, it generated NG a total incremental excise tax revenues of P81.6 billion[3].

TABLE 4 - Total Excise Tax Collections from Alcohol and Tobacco Products

(In Billion Pesos)

Year	Total Excise Tax Collections
2013	103.38
2014	114.02
2015	143.11
2016	145.77
2017	167.77

Source: BIR and BOC

NON-TAX REVENUES

BTr delivered P99.9 billion, exceeding its target by P58.6 billion. Collections from other non-tax revenues contributed P80.9 billion, posting 10.5 percent growth. Proceeds from privatization totaled P0.8 billion, 26.3 percent higher from the previous year.

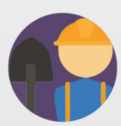
[3]*Based on Certification of Actual Incremental Revenues from Alcohol and Tobacco Products for 2017.*

TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)

The first package of reforms under TRAIN was signed into law as Republic Act No. 10963 on 19 December 2017.

The TRAIN law is an important milestone in our economic history, the first time that a tax reform was initiated not because of a financial crisis nor because it was imposed by creditors. It is the first time that the main purpose of the reform is to reduce poverty and inequality. TRAIN is the first step to improve the country's tax system to make it fairer, simpler, and more efficient.

SALIENT FEATURES



LOWERING OF PERSONAL INCOME TAX (PIT)

For personal income tax, the first P250,000 of annual taxable income, which is around P685 per day or around P21,000 per month, will be exempt from any income tax. In addition, the first P90,000 of the 13th month pay and other bonuses will be exempted as well from income tax. With this, 99 percent of taxpayers will pay less in income taxes. Only the top 1 percent, or those with taxable income above P8 million, will pay more because this the mandate of a progressive tax system.

Signing of the 2018 General Appropriations Act (GAA) and Tax Reform Acceleration and Inclusion (TRAIN) led by President Rodrigo Roa Duterte with lawmakers, 19 December 2017 in Malacañan Palace.

(Seated from left to right) Bohol Third District Rep. Arthur Yap, Parañaque City Second District Rep. Gustavo Tambunting, Sen. Juan Edgardo Angara, Sen. Loren Legarda, Exec. Sec. Salvador Medialdea, Senate President Aquilino Pimentel III, House Speaker Pantaleon Alvarez, House Majority Leader Rodolfo Fariñas, Davao City First District Rep. Karlo Nograles, Quirino Rep. Dakila Cua, Finance Secretary Carlos Dominguez III, and Budget Secretary Benjamin Diokno.

Photo courtesy of Presidential Communications Operations Office (PCOO).

SIMPLIFIED ESTATE AND DONOR'S TAX

In the current system, the tax rates can reach up to 20 percent of the net estate value and up to 15 percent on net donations. TRAIN seeks to simplify this. Estate and donor's tax will be lowered and harmonized so it does not matter if the person passed away, donated a property, or simply wants to transfer a property. This will result in loss revenues but the key here is to make the land market more efficient so that the land will go to its best use.

INCREASING THE EXCISE TAX OF PETROLEUM PRODUCTS

TRAIN increases excise tax on petroleum products[4], which has not been adjusted since 1997. The non-indexation of fuel excise tax to inflation has eroded the revenues collected by P140 billion per year in 2016 prices. Under TRAIN, rates will be adjusted gradually between 2018 and 2020.

[4]The scheduled increase in the Excise Tax on fuel as imposed in this section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for 3 months prior to the scheduled increase of the month reaches or exceeds eighty dollars (USD80) per barrel.

TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)

INCREASING EXCISE TAX OF AUTOMOBILES

TRAIN simplifies the excise tax on automobiles, but lower-priced cars continue to be taxed at lower rates while more expensive cars are taxed at higher rates. On the automobile excise tax, the cheapest vehicles will face a 4 percent rate, and the most expensive vehicles will face a 50 percent rate. The tax rates will continue to be based on net manufacturing or importer's price. Pick-up trucks and purely electric vehicles will be fully exempt from the excise while hybrid cars will also be taxed at 50 percent of the applicable excise tax rates for automobiles.

EXCISE TAX ON SWEETENED BEVERAGES (SBS)

Along with the Department of Health (DOH), DOF supports the excise tax on sweetened beverage as part of a comprehensive health measure aimed to curb the consumption of SBs and address the worsening number of diabetes and obesity cases in the country, while raising revenue for complementary health programs that address these problems. This is a measure that is meant to encourage consumption of healthier products, to raise public awareness of the harms of SBs, and to help incentivize the industry to develop healthier products and complements.

The law introduced a two-tiered excise tax for sugar-sweetened beverages: P6 per liter for drinks containing caloric or non-caloric sweetener, and P12 per liter for drinks containing high-fructose corn syrup.

SIMPLIFIED THE VAT BASE

Repeal of 54 out of the 61 special laws with non-essential VAT exemptions broadened the VAT base. Though some sectors remain exempt, like cooperatives, senior citizens, and persons with disabilities, future exemptions were also introduced. Starting 2018, condominium and association dues will also be exempted, while in 2019 medicines for diabetes, high cholesterol, and hypertension will not be subject to the 12 percent VAT as well. The current VAT exemption of the housing sector is retained; however, starting 2021, VAT exemption threshold for housing sector will be P2 million regardless of location.

EARMARKING OF TRAIN REVENUES

The TRAIN law provides the following earmarking provisions:

a. 70 percent of proceeds from the TRAIN law fund the President's priority infrastructure programs, in particular, the Build, Build, Build program.

TABLE 5- The TRAIN Law

Tax Classification	Current System	TRAIN Law
Income Tax	Those earning P10,000 and below are subject to 5% tax while those earning above P500,000 face a tax rate of 32%.	The first P250,000 of annual taxable income will be exempt from income tax. In addition, the first P90,000 of the 13th month pay and other bonuses will be exempted as well from income tax. Those earning above P 8 million annually will face a tax rate of 35%.
Estate tax	5% to 20% for an estate worth P200,000 and over.	Flat rate of 6%
Excise tax on Fuels	Diesel 1997-2017- P0.00/liter Gas 1997-2017- P4.35/ liter	Diesel P2.50 per liter in 2018 P4.50 per liter in 2019 P6per liter in 2020 onwards Gas P7per liter in 2018 P9 per liter in 2019 P10 per liter in 2020 onwards
Excise tax on Automobiles	2% for up to P600,000 P12,000+20% of excess over P600,000 P112,000+40% of excess over P2,100,000	4% for up to P600,000 10% for over P600,000 to P1,000,000 20% for over P1,000,000 to P4,000,000 50% for over P4,000,000
Excise Tax on Sweetened Beverages (SSBs)	None	P6/liter of volume for SSBs using purely caloric, and non-caloric, or mixture of both P12/liter of volume capacity for others using purely HFCs or in combination with other caloric/non-caloric sweetener
Tobacco excise tax	P30 per pack in 2017 P31.20 per pack in 2018	o P32.5 per pack between January to June 2018 o P35 per pack from July 2018 to December 2019 o P37.5per pack in 2020 and 2021 and, o P40 per pack in 2022 and 2023, followed by annual indexation of 4%
Mining excise tax	2% on all non-metallic materials and quarry resources, and all metallic materials including gold, copper and chromite 3% on indigenous petroleum	4% on all non-metallic materials and quarry resources, and all metallic materials including gold, copper and chromite 6% on indigenous petroleum
Excise tax on coal	P10 per Metric ton (MT)	P50/MT in the first year of implementation P100/MT during the second year P150/MT during the third and succeeding years
Excise tax on cosmetic procedures	None	5% of gross receipts for cosmetic procedures and surgeries solely for enhancing patient's appearance
Foreign currency deposit unit (FCDU)	7.5% final tax on interest income	15% final tax on interest income
Capital gains on non-traded stock	5-10%	15% final tax on net gains
Stock transaction tax	0.5% of transaction value	0.6% of transaction value

TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN)

b. 30 percent will finance social services programs, which include social protection and mitigation measures against inflationary impact of the law, amongst others:

- Unconditional cash transfers to the 10 million households in the amount of P200 per month in 2018, and P300 per month in 2019 and 2020; and
- A social benefits card, which will help the government identify qualified beneficiaries for other social mitigating measures such as the fuel vouchers for Public Utility Jeepneys (PUJs).

OTHER TAX REFORM PACKAGES

1. Package 2 - the second tax reform package aims to reduce corporate income tax (CIT) rate to 25 percent from 30 percent and modernize fiscal incentives to investors.
2. Package 3 - the third tax reform package aims to lower estate and donor's tax rates by around 6 percent. It will also rationalize valuation of properties by raising it closer to market prices.
3. Package 4 - the fourth and last package proposes to reduce tax levy on interest income from peso deposits to 10 percent, while harmonizing all capital income tax rates at 10 percent.

ENHANCING TAX ADMINISTRATION

Since 2016, the government has been prioritizing improvements in the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC)

Mandatory fuel marking to curb oil smuggling Provision for use of **electronic receipts**

Cash registers/ point of sale machines shall be connected to BIR systems for **real-time reporting of sales and purchase data**

The TRAIN law also introduced reforms on tax administration in BIR and BOC. These are considered crucial part of the tax reform. The approved TRAIN law will mandate fuel marking and metering of petroleum products, and introduces e-invoicing,e-sales reporting, and e-connectivity for large taxpayers.

GOVERNMENT CORPORATE SECTOR

TABLE 6 - Contribution to the Consolidated Public Sector Financial Position Financing Surplus/ (Deficit) of the 14 MNFGCs, GFIs and SSIs

(In Billion Pesos)

Particulars	2016 Final Actual	2017 Prelim Actual	Increase (Decrease)
14 MNFGCs	20.9	39.8	18.9
GFIs (DBP, TIDCORP, LBP)	15.5	15.7	0.2
SSIs (GSIS, PHIC, SSS)	72.1	57.9	(14.2)

RESILIENT BOTTOM LINE FOR 14 MNFGCS

The financial operations of the 14 Major Non-Financial Government Corporations (MNFGCs) resulted in a surplus of P39.8 billion, almost double of the surplus posted in 2016. The improvement primarily emanated from National Housing Authority (NHA), Power Sector Assets and Liabilities Management (PSALM), National Irrigation Authority (NIA), and National Food Authority (NFA).

NHA's improvement of P8.4 billion was due to the receipt of higher subsidy in 2017 for the housing program for calamity victims of typhoon and lower disbursement of capital expenditures. Meanwhile, the increase of P4.7 billion by PSALM was caused by increase in power sales, lower fuel related costs, and lower interest payments; NIA's improvement of P4.3 billion was brought about by higher subsidy for the implementation of various irrigation projects; and NFA's improvement of P3.4 billion due to lower local procurement and importation with more private sector participation in the rice trading.

Other Government-Owned and Controlled Corporations (GOCCs) that contributed to the positive impact were National Electrification Administration (NEA), Philippine Economic Zone Authority (PEZA), Philippine Ports Authority (PPA), Philippine National Oil Company (PNOC), Metropolitan Waterworks and Sewerage System (MWSS), and Home Guarantee Corporation (HGC).

GOVERNMENT CORPORATE SECTOR

SUSTAINED PROFITABILITY OF GFIs AND SSIs

The Government Financial Institutions (GFIs) maintained its positive contribution to the consolidated public sector financing position in 2017 with a surplus of P15.7 billion. This is almost same level of surplus in 2016 of P15.5 billion. The slight increase in surplus came from Land Bank of the Philippines (LBP) due to increase in loan portfolio and gain in investments.

Meanwhile, Social Security Institutions (SSIs) posted a lower surplus of P57.9 billion in 2017, a decline of 19.7 percent compared with the previous year's P72.1 billion. This is attributable mainly to the following: narrowing of Philippine Health Insurance Corporation (PHIC) financial position with the implementation of enhanced benefit packages and expanded the coverage of some serious illnesses/diseases and the growing number of members claiming health benefits; implementation by the Social Security System (SSS) of the P1,000 across the board increase in monthly pension; and increase in number of old age pensioners and policy lending with the implementation of Educational Assistance Loan Program by Government Service Insurance System (GSIS).

TABLE 7 - Contribution to the Fiscal Consolidation Program of the Government

(In Billion Pesos)

COLLECTIONS FROM GOCCs	2017 FY Program (Per BESF)	January - December			
		2016	2017	Inc (Dec)	% Inc (Dec)
Dividends	10.00	27.74	30.46	2.73	10%
Guarantee Fee	2.60	1.91	1.88	(0.03)	-1%
Interest on Advances	0.14	0.01	0.24	0.23	2318%
FOREX Risk Cover Fee	1.65	1.50	1.72	0.22	15%
Airport Terminal Fee	0.58	0.88	0.97	0.09	11%
NG Shares on Income Received (PAGCOR and MIAA)	16.91	26.60	29.58	2.98	11%
TOTAL COLLECTIONS	**31.87**	**58.63**	**64.86**	**6.23**	11%

Collections sustained fiscal consolidation program

Total contributions of the government corporate sector inclusive of dividends, guarantee fees, interest on advances, Foreign Exchange (FOREX) risk cover fee, airport terminal fee, and NG shares on income received from Philippine Amusement and Gaming Corporation (PAGCOR) and Manila International Airport Authority (MIAA) reached P64.9 billion. This was 6.2 percent higher than the 2016 level of P58.6 billion. Overall collection from the GOCCs for 2017 comprise 29.2 percent of total non-tax revenues collected for the same period.

PRESCRIBED REFORMS FOR GOCCs

In 2017, the DOF recommended reforms for several GOCCs, starting those which are major sources of fiscal risks, i.e. largely dependent on direct and indirect support from the NG, and those which are performing mandates that are either conflicting, in competition with the private sector, or overlapping with other government bodies. This is in line with efforts of the NG to transform the government corporate sector into an efficient and strategic partner in the promotion of growth and development.

PSALM and NFA are the biggest sources of fiscal risk to the NG. To mitigate if not totally eliminate these risks, PSALM needs to accelerate its privatization efforts, pursue collection of receivables from Independent Power Producer (IPP) Administrators thru resolution of outstanding contractual issues, among others. Rice tariffication and free market in the rice industry will reduce required fiscal resources to provide affordable rice. Major reforms need to be introduced in NFA which has been highly dependent on the NG to fund its operations, primarily through NG guarantees on their borrowings. The Executive Branch is in active discussion on how to assist the farmers and low income consumers, in an efficient and fiscally sustainable manner.

The DOF has recommended necessary dispositive actions on other GOCCs. These include the Partido Development Authority (PDA), Philippine Sugar Corporation (PHILSUCOR), and North Luzon Railways Corporation (Northrail).

- The water operation of the PDA is causing substantial drain on its resources resulting in its dependence on the NG. It is therefore important that PDA start disposal of its assets so that proceeds from this can be used to settle its liabilities, including NG advances.

- PHILSUCOR is performing roles that can be better done by GFIs. It still performs lending activities to sugar farmers and millers. The additional funding requirement of these farmers and millers can be served by LBP and Development Bank of the Philippines (DBP).

- The immediate deactivation of Northrail will abate its administrative cost.

In addition, the DOF facilitated the debt data reconciliation between the GOCCs and BTr particularly Light Railway Transit Administration (LRTA), MIAA, DBP, Local Water Utilities Administration (LWUA) and MWSS for proper recording of NG exposure and receivables from the guaranteed debt of GOCCs.

LIABILITY MANAGEMENT

STRATEGIC DEBT MANAGEMENT

For 2017, NG raised P901.7 billion in gross financing to cover the budget deficit of P350.6 billion, the refinancing requirement of P369.9 billion inclusive of P58.0 billion for debt exchange, as well as prefunding for 2018.

The prefunding was carried out through the issuance of Retail Treasury Bonds (RTBs) that took advantage of ample liquidity and favorable market rates, ahead of anticipated US Federal Reserve Bank's decision to raise interest rates in 2018. This resulted in a higher gross financing turnout compared to the full year program of P727.7 billion.

Issuance of domestic securities remained the preferred mode of financing. Of total net financing, 81 percent or P733.6 billion came from domestic lenders while P168.1 billion or 19 percent was raised externally through

TABLE 8 – NG Financing

(In Million Pesos)

Particulars	2017 Program [1/]	2017 Revised Program [2/]	2017 Actual	Actual vs Revised Program	%
NET FINANCING	**542,009**	**584,780**	**758,929**	**174,149**	**29.8%**
External Borrowing (Net)	42,777	43,170	27,569	(15,601)	(36.1%)
External Borrowing (Gross)	126,259	182,770	168,103	(14,667)	(8.0%)
Project Loans	34,080	30,300	33,424	3,124	10.3%
Program Loans	68,179	42,470	35,113	(7,357)	(17.3%)
Bonds and Other Inflows	24,000	110,000	99,566 [3/]	(10,434)	(9.5%)
Less: Amortization	83,482	139,600	140,534 [4/]	934	0.7%
Domestic Borrowing (Net)	499,232	541,610	731,360	189,750	35.0%
Domestic Borrowings (Gross)	505,035	544,969	733,569	188,600	34.6%
Treasury Bills	40,000	54,969	26,433	(28,536)	(51.9%)
Retail Treasury Bonds	0	0	437,103	437,103	
Treasury Bonds	465,035	490,000	270,033	(219,967)	(44.9%)
Less: Net Amortization	5,803	3,359	2,209	(1,150)	(34.2%)
Amortization	232,987	230,543	229,392	(1,151)	
o/w Serviced by the BSF [5/]	227,184	227,184	227,183	(1)	
GROSS FINANCING	**631,294**	**727,739**	**901,672**	**173,933**	**23.9%**
Financing Mix (% of Total)					
External	20%	25%	19%		
Domestic	80%	75%	81%		

1/ *Based on BESF 2017 Table D.1*
2/ *Based on BESF 2018 Table D.1*
3/ *Includes proceeds used to prepay outstanding bonds in bond exchange transactions*
4/ *Includes prepayments made through bond exchange transactions*
5/ *Actual redemption from Sinking Fund*

Source: Bureau of the Treasury

concessional loans from development partners and issuance of dollar bonds in the international capital markets.

Domestic borrowings were carried out through the auction of treasury bills and bonds amounting to P733.6 billion. Gross treasury bills floatation totaled P291.1billion while redemptions amounted to P264.6 billion, leaving P26.5 billion for financing. Meanwhile, the issuance of 3-, 5-, 7-, 10- and 20-year treasury bonds accounted for P707.1 billion in domestic funding. Lastly, more than half of the treasury bonds issued in 2017 came from RTBs which were issued in April (P181.0 billion) and December (P255.0 billion).

RELIED ON DOMESTIC BORROWINGS TO MINIMIZE RISK

As of end-2017, the NG's outstanding debt grew 9.25 percent to P6.652.4 billion from the P6,090.26 billion logged in the previous year. Of the total, 67 percent or P4,441.3 billion were from domestic sources while 33 percent or P2,211.2 billion were owed from external creditors.

Financing operations were carried out in line with cost and risk management parameters. The resulting structure and characteristics of NG's debt portfolio maintain prudent exposure to market risks consistent with debt sustainability objectives.

In 2017, NG Debt as a proportion of GDP stood at 42.1 percent against the initial target of 40.7 percent presented to the Development Budget Coordination Committee (DBCC) in June 2017 as the favorable domestic environment presented an opportunity to raise pre-funding for 2018 to hedge on costs.

The currency composition indicates moderate and improving exposure to foreign exchange risks. Based on value, peso-denominated obligations increased to 68.3 percent of the total from 66.3 percent in 2016; followed by USD, JPY and EUR at 26.1 percent (from 27.7 percent in 2016), 4.6 percent (4.9 percent in 2016), and 0.5 percent (0.54 percent in 2016), respectively.

The weighted average interest rate (WAIR) for total NG Debt has remained low and stable at 4.89 percent from 4.99 percent at the beginning of the year. Over the same period, the WAIR for domestic debt has gone down to 5.1 percent from 5.2 percent while that of external debt is at 4.4 percent from 4.5 percent.

Only 8.3 percent of the total debt portfolio is subject to resetting. This limits the sensitivity of interest payments to volatile market conditions.

Average maturity of 9.8 years lies at the upper bound of the 7-10-year strategic target. Domestic and external debt have remaining maturities of 7.8 and 12.1 years, respectively.

LIABILITY MANAGEMENT

CASH AND ASSET MANAGEMENT PROGRAMS

ESTABLISHMENT OF THE NATIONAL ASSET REGISTRY

Acknowledging the importance of having a reliable inventory of all government resources for optimum utilization and improved management of non-financial assets of the NG, BTr established the National Asset Registry (NAR). This is also in anticipation of the Budget Reform Bill and as support to Administrative Order (AO) No. 4 on Government Property Insurance. The NAR was introduced during the celebration of the 120th anniversary of the BTr in 2017.

GOVERNMENT PURCHASE CARD

The Government Purchase Card (GPC), an alternative mode of payment to settle transactions, is a landmark project which aims to reduce cash handling by limiting the frequency and amount of cash advances and shorten the time to liquidate obligations to suppliers. Implementation of the GPC will require the NG to develop a database of financial information from the transaction records of purchasing card activity that can be used to improve financial management. The BTr and the Department of Budget and Management (DBM) will be the pilot agencies to implement the GPC. The GPC will eventually be rolled out to other NG agencies.

CLUB OF 20

In 2017, the BTr added 10 agencies to the initial Club of Ten top spending departments instituted in 2015to improve the management of the NG's cash resources by properly anticipating funding requirements vis-à-vis receipts and the Government's cash position.

CAPITAL MARKET INITIATIVES

LOCAL CURRENCY DEBT MARKET DEVELOPMENT

As part of the peso debt market development roadmap aimed at establishing an integrated financial market in the country, the BTr and the Securities and Exchange Commission (SEC), jointly with the BSP, presented a package of coordinated initiatives to the Bankers Association of the Philippines (BAP), Money Market Association of the Philippines (MART) and other market participants and stakeholders via the conduct of a local currency debt market development workshop at BSP Complex on 25 August 2017.

The proposed reforms are designed to increase efficiency and reduce the cost of dealing in government bonds, provide market incentives to increase levels of participation, introduce new products including hedging tools based on global standards and reduce current levels of variability and uncertainty in the pricing of government bonds.

REPURCHASE AGREEMENT (REPO) PROGRAM

To further deepen market liquidity for Government Securities, the Repurchase (repo) Trade program was launched on 27 November 2017. The system is linked directly to the Philippine Depository and Trust Corp. platform, enabling a straight-through processing and surveillance of all repo trades, a first in Asia.

MOBILIZING INTERNATIONAL SUPPORT FOR PRIORITY PROJECTS

BILATERAL PARTNERSHIPS

The DOF facilitated a total of USD 304.2 million*worth of loan commitments from bilateral partners

1. Local Government Finance and Fiscal De centralization Reform Program amounting to USD 119.4 million from *Agence Française de Développement*;

2. Cavite Industrial Area Flood Risk Management Project of DPWH worth USD141.1 million from Japan International Cooperation Agency (JICA); and

3. Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneur ship Supportive of Peaceful Transformation of the LBP amounting to USD43.7 million[5] from JICA.

JAPAN

Three grant agreements with JICA estimated at USD23.54 million were also signed:

(i) Project for Improvement of Equipment for Power Distribution in Bangsamoro of the NEA amounting to USD 6.83 million;

(ii) Programme for Consolidated Rehabilitation of Illegal Drug Users (CARE) of the Department of Health (USD16.4 Million);and

(iii) Project for the Improvement of TV Programs of People's Television Network (USD0.3 million).

CHINA

DOF reviewed and processed grant financing from the Chinese government, estimated at USD151.7 million:

(i) USD101.30 million construction of two bridge projects – Binondo-Intramuros Bridge and Estrella-Pantaleon Bridge;

(ii) USD23.4 million construction of drug rehabilitation centers in Sarangani and Agusan del Sur;

(iii) USD3 million donation of 47 units of heavy equipment/machineries for Marawi recovery and rehabilitation;

(iv) USD1 million donation for earthquake victims in Surigao;

(v) USD22.9 million grant for recovery and rehabilitation of Marawi;

[5] *LBP as the borrower, guaranteed by the NG through DOF*

MOBILIZING INTERNATIONAL SUPPORT FOR PRIORITY PROJECTS

(vi) the conduct of feasibility study[6] for Panay-Guimaras- Negros Island Bridges Project of DPWH; and

(vii) the conduct of feasibility studies for the Davao City Expressway Project of DPWH.

In accordance with bilateral arrangements on Chinese ODA loan financing, the Philippines and China continued discussions for the financing of (i) Chico River Pump Irrigation Project of NIA; (ii) New Centennial Water Source – Kaliwa Dam Project of MWSS; and (iii) PNR South Long Haul Project of Department of Transportation (DOTr).

General Policy Reforms

The Finance Secretary assumed the chairmanship of the newly reconstituted Investment Coordination Committee (ICC) of the NEDA Board under Administrative Order no. 8, s. 2017. The Committee formulated various policy reforms that aim to fast-track and streamline the processing and implementation of projects:

1. **Approved the increase in the minimum project threshold**

   On 27 June 2017, the National Economic Development Authority (NEDA) Board approved the ICC-CC's recommendation to increase the minimum project cost threshold, for ICC review and approval of major capital projects from P1 billion to P2.5 billion and above.[7] This will enable the ICC to evaluate and exercise due diligence on a larger number of major capital projects while still providing greater accountability to line departments and de-clogging the pipeline of projects for ICC approval.

2. **Rationalized the composition of the NEDA Board, NEDA Board Executive Committee (ExCom) and the ICC**

   Following the issuance of AO No. 8 on 20 October 2017, President Rodrigo Duterte approved the new composition of the NEDA Board, NEDA ExCom, and the ICC to streamline their decision-making process for a more effective and speedy disposition of matters for their approval. Said policy reduced the NEDA Board members from 22 to 11; reactivated the NEDA Board ExCom,and reduced membership from nine to five; and limited the ICC membership to six members.

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[6] vi and vii feasibility studies have not been undertaken and amounts are still to be determined
[7] Except for (i) projects covered by RA 6957 as amended by RA 7718 (the Philippine BOT Law) and its IRR; (ii) projects which will require National Government borrowing or guarantee cover by RA 4860, as amended, otherwise known as the Foreign Borrowings Act, and RA 8182, as amended, otherwise known as the Official Development Assistance Act; (iii) projects which will require Presidential or NEDA Board approvals based on existing laws, rules, and regulations; and (iv) all proposed programs/projects for funding with the Chinese Government, regardless of amount, will undergo ICC review.

3. **Recommended to the NEDA Board the approval of the new 3-1 approval process.**

   On 11 August 2017, the Secretary recommended to the NEDA Board the 3-in-1 approval process, wherein the NEDA Board approval; Special Presidential Authority; and Forward Obligational Authority will be issued simultaneously during the NEDA Board Meeting. This proposal is to further streamline the processing of projects for ODA financing.

ENVIRONMENT, CLIMATE AND DISASTER RISK REDUCTION

To address climate change issues such as devastating cyclones, storm surge hazards, and frequent drought events, the DOF supports the administration and mobilization of resources through financing climate change adaptation and mitigation programs and projects to ensure the country's growth and development remain resilient and sustainable.

GLOBAL PREPAREDNESS PARTNERSHIP (GPP)

On 1 December 2017, the GPP Multi-Partner Trust Fund Steering Committee approved the Philippines' application, as facilitated by the DOF in cooperation with United Nations Development Programme (UNDP), to the GPP for possible financial/technical assistance support. The GPP, a partnership among the Vulnerable Twenty Group of Finance Ministers, donors, and multilateral organizations, was implemented to strengthen preparedness and arrangements for response and recovery in the most vulnerable, at-risk countries. It also aims to strengthen preparedness capacities of the member-countries via grant, technical assistance, and advisory to attain a minimum level of readiness by 2020 for future disaster risks mainly caused by climate change.

PEOPLE'S SURVIVAL FUND (PSF)

In the convened 9th and 10th PSF Board meetings on 7 July 2017 and 20 July 2017, respectively, the PSF Secretariat function was transferred to DOF from the Climate Change Office-Climate Change Commission (CCC), while certain functions relating to projects preparation, fund marketing, fund administration, and project monitoring will be outsourced to the DBP.

In addition, in October 2017, the DBM issued the P1 billion Special Allotment Release Order (SARO) for the PSF under the Continuing Appropriations Fiscal Year 2016 General Appropriations Act. This will be able to cover the funding of previously approved projects.

PRIVATIZATION AND PUBLIC-PRIVATE PARTNERSHIP (PPP)

PRIVATIZATION

In 2017, the NG, through the Privatization and Management Office (PMO), finally regained possession over the Mile Long Property in Makati after more than a decade of protracted litigation. The augmented privatization revenues are expected to catalyze an imminent potential privatization boom.

Total privatization proceeds for 2017 reached P831.9 million. This comprised proceeds from sales and leases, as well as dividends and interest income from assets held by PMO and the Presidential Commission on Good Governance (PCGG), as well as other privatization-related remittances to the BTr.

PPP

This year marked the roll out of the Clark International Airport Expansion Project, the first hybrid PPP under the "Build, Build, Build" Infrastructure Program of the Duterte administration. Under the hybrid model, the government will build the infrastructure using its own funds to ensure fast delivery of the project, while auctioning off operations and maintenance to the private sector.

The DOF has likewise provided support in appraising two unsolicited projects - the Manila Bay Integrated Flood Control, Coastal Defense and Expressway Project, and the East-West Rail Project. The East West Rail Project is slated for elevation to the ICC in 2018.

TAX ADMINISTRATION AND GOVERNANCE

Having an important role to play in maintaining integrity in revenue collection and in prosecuting high profile tax evaders, the Revenue Integrity Protection Service (RIPS), Run After Tax Evaders (RATE) program, and BOC's anti-smuggling efforts continue to serve as backbone of enhanced transparency, accountability, and efficient tax administration and governance.

1. **RIPS**

   For 2017, RIPS acquired several advanced surveillance equipment such as drones, dash cams, spy recorders, and smart phones to provide investigators with better surveillance tools.

   As of 31 December 2017, RIPS has investigated a total of 604 personalities, filed complaints against 306 individuals before the Office of the Ombudsman (OMB) and Civil Service Commission (CSC),and received 111 favorable decisions (i.e. 48 personnel dismissed from service; 48 personnel suspended from office, and 15 others meted with administrative penalties).

   RIPS likewise received seven (7) favorable decisions in criminal cases i.e. four (4) employees from BOC) were fined and; two (2) employees from BOC and one (1) from BIR were meted the penalty of imprisonment.

2. **RATE PROGRAM**

   For the period January to December 2017, 112 RATE cases were filed with the Department of Justice (DOJ with estimated tax liabilities of P40.95 billion.

3. **STRENGTHENED ANTI-SMUGGLING EFFORTS**

   The BOC apprehended more than P50 billion worth of smuggled goods through close monitoring of shipments of big-ticket commodities such as cigarettes, motor vehicles, minerals, oil, and other sensitive products for the required clearances and permits and correct valuation. More than P43 billion worth of smuggled items and P6.6 billion illegal drugs were seized from January to December 2017

   The Bureau's Action Team Against the Smugglers (BATAS) filed twelve (12) cases before the DOJ against importers, consignees and brokers of apprehended shipments with a total dutiable value of P6.5 billion.

TAX ADMINISTRATION AND GOVERNANCE

OTHER INITIATIVES OF BOC

a. BOC- Customer Assistance and Response Services (BOC- CARES) received a total of 73,189 complaints and inquiries in 2017 composed of 31,133 emails, 25,500 calls, and 16,566 social media messages/inquiries. These were all acted upon and resolved. A total of 691 customs officials and employees were relieved and reshuffled.

b. Installation of additional 19 x-ray units
   - 2 mobile x-ray machines installed in NAIA terminals 1,2 and 3
   - A total of 7 hand-carried baggage x-ray machines installed in Ninoy Aquino International Airport (NAIA) terminals (3 in Terminal 1; 2 in Terminal 2; and 2 in Terminal 3)
   - Eight fixed baggage x-ray machines installed in NAIA terminals
   - One unit of fixed baggage x-ray machines installed in Central Mail Exchange Center; and
   - One unit of fixed baggage x-ray installed in Davao International Airport.

c. Enhanced trade facilitation through the issuance of four (4) new approved Customs Administrative Orders for the effective implementation of the Customs Modernization and Tariff Act (CMTA).

OTHER INITIATIVES OF BIR

a. Oplan Kandado, an initiative involving the strengthening of the Bureau's imposition of prescribed administrative sanctions for non-compliance with essential requirements such as taxpayer's VAT registration, the issuance of sales invoices/receipts, filing of VAT returns, among others, has raised P296.9 million and closed 141 business establishments for the period January to December 2017.

b. Updating of Schedules of Zonal Value to reflect the current real property valuation, taking into account the most recent actual sales/transfers/exchanges of properties. To date, Zonal Valuation for the 23 Regional District Offices (RDOs) are already effective. While, the Zonal Valua tion of the 1 RDO is for publication, 1 RDO for signature of the Commissioner and 1 RDO are for the approval/signature of DOF Secretary.

c. Broadening of the Tax Base is a program that aims to broaden the tax base without increasing the tax rates by registering unregistered taxpayers businesses as a result of tax compliance verification drives (TCVD) and third party information (e.g. government-regulated agencies). From January to December 2017, the bureau collected P234.04 million and visited a total of 177,592 business establishments nationwide.

d. Implementation of Centralized Arrears Management in Regional Offices aims to implement the re-engineered processes of arrears management in Revenue Region (RR) 13-Cebu City, RR 16-Cagayan de Oro, and RR 19-Davao City. The program established the Arrears Management Section in fourteen (14) Revenue Regions. For the year 2017, total collections from tax arrears reached P6 Billion.

e. Additional Options Facilities for Payment of Taxes has provided tax payers with additional options or facilities to pay taxes using Credit Debit Prepaid Cards and Mobile payments. Since the launch of this program on October 2017, taxpayers with credit and debit card can pay taxes using online facility of the DBP and electronic Payment System (ePS) facility of the LBP. A total of 4,436 online transactions or P5.8 million were made.

f. Integrity Management Program (IMP) is a preventive anti-corruption measure of the government that aims to install a standardized but flexible approach at the agency and program level in ensuring that standard norms of conduct for public officials are consistently applied.

g. Use of eTIS- Case Management System (CMS) / Electronic Letter of Authority Monitoring System (eLAMS) is a web-based application designed to provide the BIR the means to automate the issuance and monitoring of electronic Letters of Authority Monitoring System, including control of workload, across all concerned BIR offices from the time of issuance until the termination/closure of cases.

PHILIPPINE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PH-EITI)

1. The Philippines became the first among 52 EITI- implementing countries to be assessed with "satisfactory progress" or compliant status under the 2016 EITI Standard.

2. The Philippines hosted the 38th EITI Board Meeting last 25 October 2017. The international gathering welcomed more than a hundred guests coming from 39 countries. The event served as a venue to officially announce the Validation Result for the Philippines.

PH-EITI National Conference, 11 May 2017

Back-to-back with Philippines' hosting of the 38th Board Meeting was the hosting of the Regional Training for EITI Implementing Countries in South-east Asia and the Pacific held on 25-27 October 2017. The said training was attended by government, civil society, and industry representatives from the region.

3. PH-EITI drew more than 500 participants from all over the country during its 2017 National Conference (NatCon). With the theme, Extracting Value in Transparency: Towards Sustained Disclosure and Dialogue for Development (3Ds), NatCon 2017 launched the Third Country Report, an annual publication intended as a useful material for the achievement of national development through open and accountable natural resource governance. During the Conference, PH-EITI held a constituencies' exhibit where government, industry, and civil society sectors had booths to feature their transparency initiatives and contributions to resource governance.

4. PH-EITI rolled out its yearly Roadshow from July to August 2017 in six key cities across the country namely: Baguio, Manila, Puerto Princesa, Cebu, Davao, and Butuan to communicate the findings of the Report to stakeholders at the local level. The roadshow attracted participation of 800 local stakeholders from 15 regions hosting large scale extractive operations.

5. PH-EITI, in partnership with the Philippine Press Institute held a nationwide seminar-workshop and media fellowship on covering the extractive industries. The first leg—for the Visayas regions—was held on 7-9 December 2017 in Cebu. PH-EITI Multi-Stakeholder (MSG) and Secretariat representatives served as resource persons during the activity. The Secretariat also conducted preparatory works for the Mindanao and Luzon-NCR legs of the media training set in January 2018.

6. PH-EITI completed and submitted the Fourth Country Report to the EITI International Secretariat on 31 December 2017. The latest publication entitled, Moving Beyond Transparency: 4th PH-EITI Country Report is by far the most comprehensive report which saw the inclusion of the non-metallic mining sector for the first time. The said report also covered two fiscal years closing the lag in reporting to one year. A downloadable copy of the report is available online at the official website of PH-EITI.

PHILIPPINE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE(PH-EITI)

FINANCIAL INCLUSION INITIATIVES

REFORM ON THE PHILIPPINES' SECURED TRANSACTIONS

A Secured transaction is an interest (security interest) in a debtor's movable assets ("collateral") to secure a loan or other obligation.

A Secured transactions system is composed of the legal and institutional frameworks that enable access to credit by use of movable property and other instruments as collateral.

In 2017, the Department of Finance continued to lead the advocacy for the passage of the bill that will amend the Chattel[8] Mortgage Act of 1906 and -other related laws. The key provision of the bill seeks to enhance access to loans by micro, small and medium enterprises (MSMEs), farmers and fishers by allowing wider forms of movable assets as collateral for credit through the creation of a modern centralized registry for personal properties, with the Land Registration Authority [9] (LRA) as implementing agency.

One feature of chattel mortgage which differs from consumer loan is that the bank or the mortgage company secures the loan using the 'chattel' or the item which the debtor plans to purchase with the loan.

Traditionally, the most important aspect to a mortgage company is that movable assets, which are kept as security, can be sold off quickly in case of default. Banks extend loans with movable tangible items as collateral or security on loans.

The proposed Personal Property Security Act (PPSA), however, expands access to loans by more MSMEs through the provision that allows both tangibles and intangibles (e.g. receivables, futures, patent/ intellectual property, etc.) as security for loan availment. The proposed PPSA also provides for specific rules that will govern the wide range of chattel mortgages.

[8]Chattel mortgage is a loan extended to an individual or a company on a movable property as collateral. The 'chattel' or the movable personal property which could be a car, boat, electronic items or appliances can be used as a security to extend the loan.
[9]Under P.D. 1459, the LRA is the agency mandated to register real and personal properties (movable assets), through its nationwide registries (Registry of Deeds)

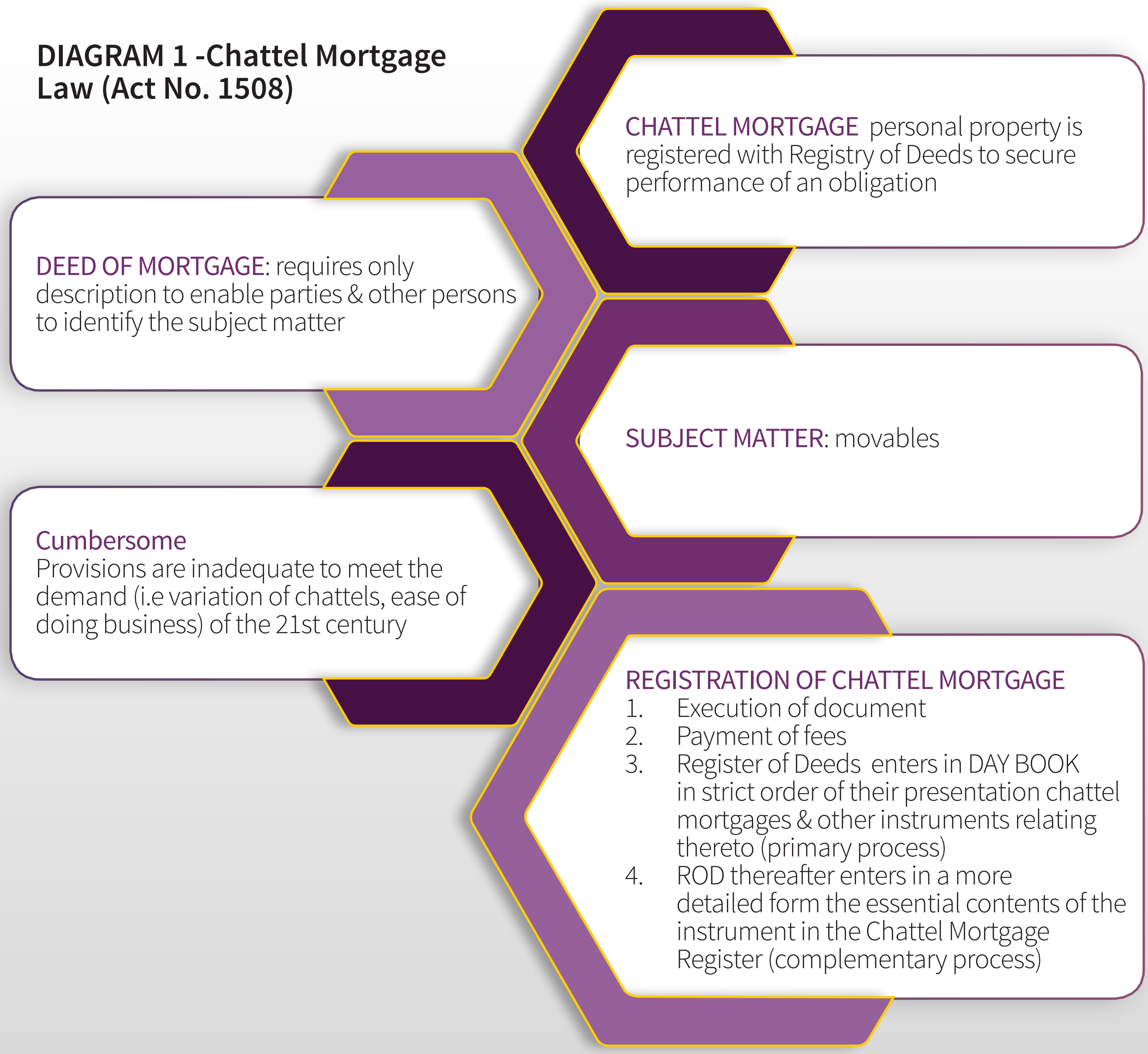
FINANCIAL INCLUSION INITIATIVES

The draft law also provides for the creation of a centralized collateral database registry, a provision which is not provided under the existing law enacted in July 1906.

The DOF initiated the passage of the bill with the following objectives:

- Increase access of poor/low-income borrowers to capital at lower rates
- Increase in new business start-ups and growth of MSMEs
- Increase in employment
- Lower risk / higher profits for lenders

DIAGRAM 1 -Chattel Mortgage Law (Act No. 1508)



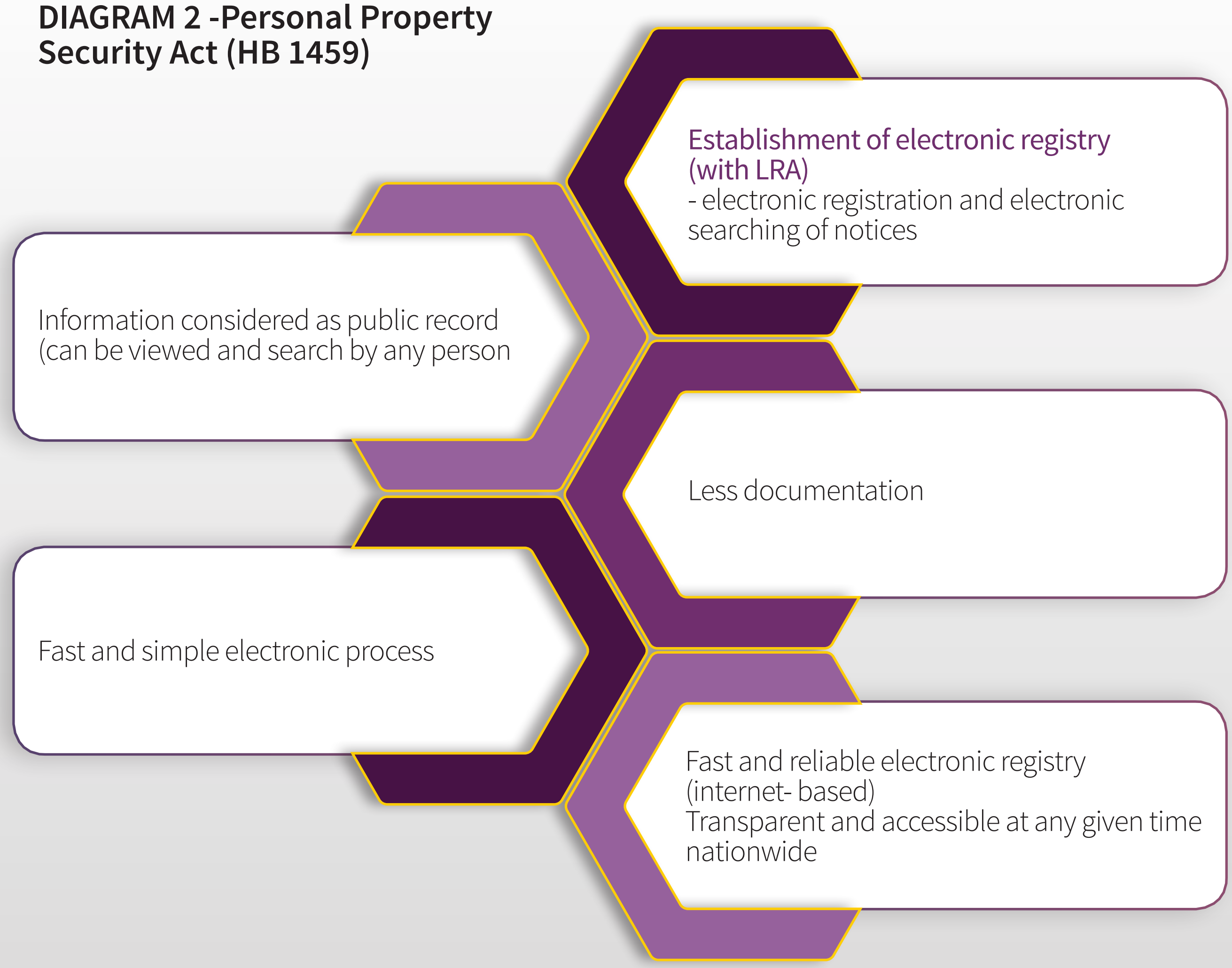
The following DOF supported bills were filed in 2017 for the reform:

- Senate Bill No. 1459: Personal Property Security Act (PPSA)
- House Bill No. 6907: Financial Inclusion Act (House version of the PPSA)

Main feature of the proposed bills is the acceptance of movable assets as collateral for loan.

The critical component is the transformation to a modern centralized registry.

DIAGRAM 2 -Personal Property Security Act (HB 1459)



FINANCIAL INCLUSION INITIATIVES

DIAGRAM 3 -Types of Interests Covered

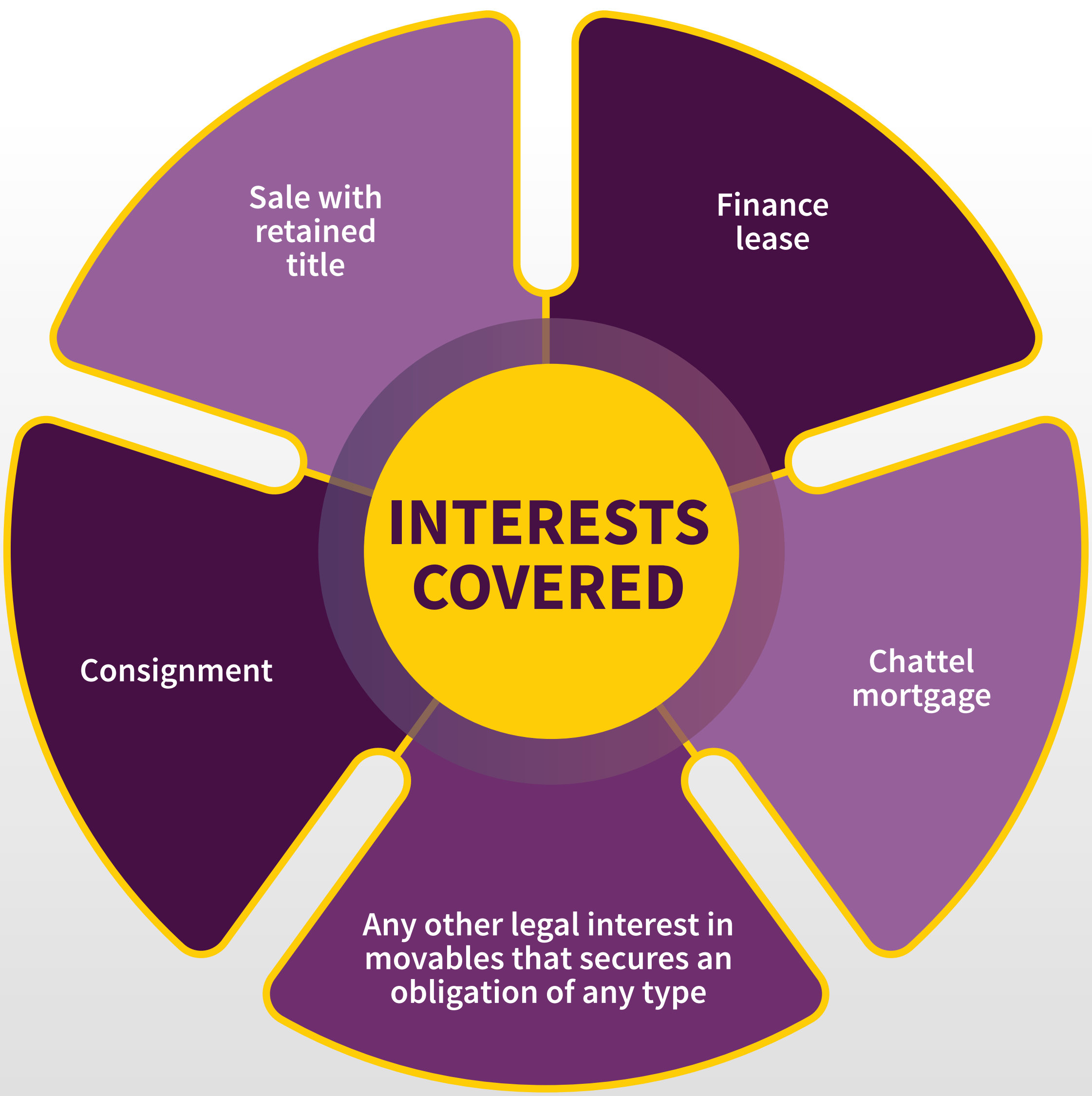
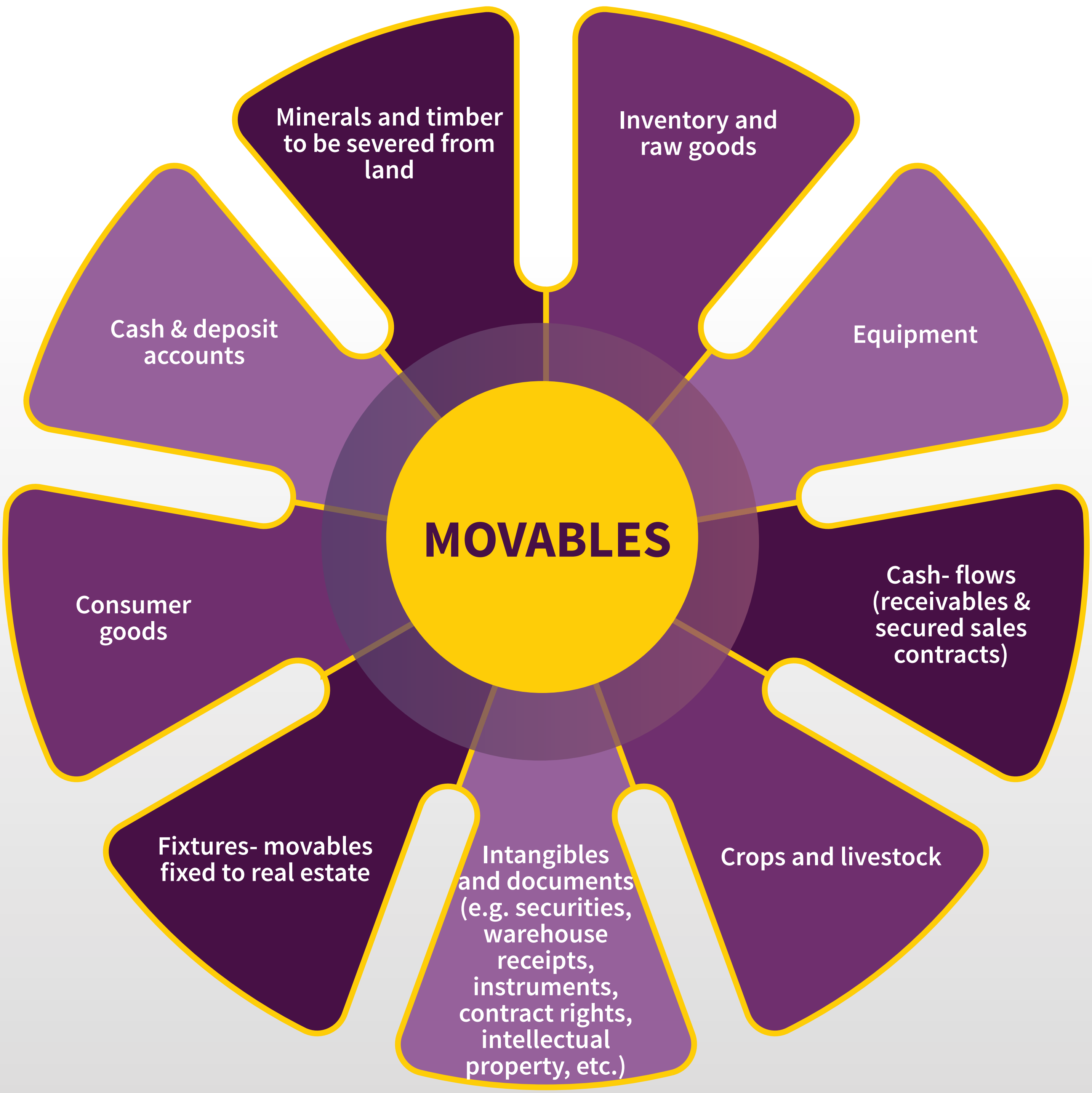


DIAGRAM 4 -Types of Movables



FINANCIAL INCLUSION INITIATIVES

INTERNATIONAL COLLABORATION

On 29 November 2017, the DOF hosted the 5th Conference of the Financial Inclusion Development Network, an APEC initiative to promote financial inclusion.

The highlights of the conference include:

1. Supported the passage in Congress of the DOF initiatives on reforming the secured transactions system to expand lending to MSMEs and farmers;

2. Noted the progress of financial infrastructure development in APEC and ASEAN. Seven (7) out of ten (10) economies in ASEAN and eleven (11) out of twenty (20) APEC economies have secured transaction laws; Five (5) ASEAN economies and Eleven (11) APEC economies have movable collateral registries; and Eight (8) APEC economies have credit information bureaus;

3. Noted that economies that adopted secured transaction system and set up movable collateral registries experienced 45 percent to 100 percent rise in MSME and agricultural lending and has identified the features that contributed to optimum impact on financial inclusion; and

4. Support policies and programs to enhance the viability of MSMEs and agriculture.

PERSONAL PROPERTY SECURITY ACT

S.B. NO. 1459 - AN ACT STRENGTHENING THE SECURED TRANSACTIONS LEGAL FRAMEWORK IN THE PHILIPPINES, WHICH SHALL PROVIDE FOR THE CREATION, PERFECTION, DETERMINATION OF PRIORITY, ESTABLISHMENT OF A CENTRALIZED NOTICE REGISTRY, AND ENFORCEMENT OF SECURITY INTERESTS IN PERSONAL PROPERTY, AND FOR OTHER PURPOSES

The Personal Property Security Act ["PPSA"] allows for the creation and perfection of security interests, a security interest being defined as a property right in collateral that secures the payment or other performance of an obligation. In order to create a security interest, all that is needed is for the parties to reach an agreement in writing. Once created, the security interest is binding on the parties. However, in order to bind third parties, the security interest must be perfected. Under Section 15 of the PPSA, there are three (3) modes of perfection. These are:

1. registration (with the Registry/LRA)
2. possession (may be actual or constructive)
3. control (specifically applies to investment property and deposit accounts)

Prioritization

According to Section 21 of the PPSA, the creditor who is able to perfect his security interest first will gain priority, regardless of the order in which the security interests were created. As such, and by way of example, if Creditor A was able to create a security interest in January and perfect the same in December, and Creditor B was able to create a security interest in October and perfect the same in November, Creditor B would be given priority because he was able to perfect his security interest first.

MICROINSURANCE

CULMINATION OF DONOR FUNDED CAPACITY BUILDING FOR MICROINSURANCE PROGRAM IN APRIL 2017

The Program spearheaded by the DOF was the successor project to the Developing Microinsurance Project — an ADB grant to the Philippine Government launched in 2008 - and to the Microinsurance Innovation Program for Social Security funded by the German federally owned international cooperation enterprise Gesellschaft für Technische Zusammenarbeit (GTZ) or German Technical Cooperation. The ADB Developing Microinsurance Project was instrumental in facilitating the development of the industry and establishing the policy and regulatory environment for the development of microinsurance industry. The MI programs were executed by the DOF, through the National Credit Council, in partnership with the Insurance Commission (IC) as implementing agency.

The Capacity Building for Microinsurance implemented from March 2014 to April 2017 was formulated to ensure further growth of microinsurance market by sustaining the interest of insurance providers and building trust and confidence in insurance among microinsurance consumers, thereby, increasing supply and demand of microinsurance products.

Ultimately, the project was aimed to provide more affordable risk protection among low-income households through the expansion of microinsurance market, in terms of market size and number of players. Towards this end, the following activities were conducted:

a) formulation and adoption of microinsurance regulations by various industry stake holders; and

b) improving capacity of regulators and various players involved in microinsurance provision.

The Program resulted in increased awareness and interest in microinsurance among key stakeholders.

In the 2017 International Conference on Microinsurance held in Peru from 7-9 November 2017, the impact of regulatory frameworks in developing microinsurance in the Philippines was assessed and presented in the study entitled Regulatory Impact Assessments: Microinsurance Regulations in Peru and the Philippines. Conducted by Access to Insurance Initiative in partnership with ***International Labor Organization and Impact Insurance.***

FINANCIAL INCLUSION INITIATIVES

- Introduction

"The Philippine Government provided a clear top-down strategy and political guidance on national development. The Philippine policy and regulatory framework for microinsurance was built on the foundation of the Philippine Development Plan 2011-2016, supported by significant dedicated financial and human resources. Under the auspices of the DOF-NCC, the IC collaborated with the BSP, CDA and SEC from conception to implementation. For over a decade, there was the constant, sometimes personal, public commitment and advocacy of the IC, the NCC and key high-level officers, coupled with comprehensive international support and dialogue. In the process, it has entrenched financial inclusion in the orientation of the private and public sector."

Synthesis of Two Country Approaches

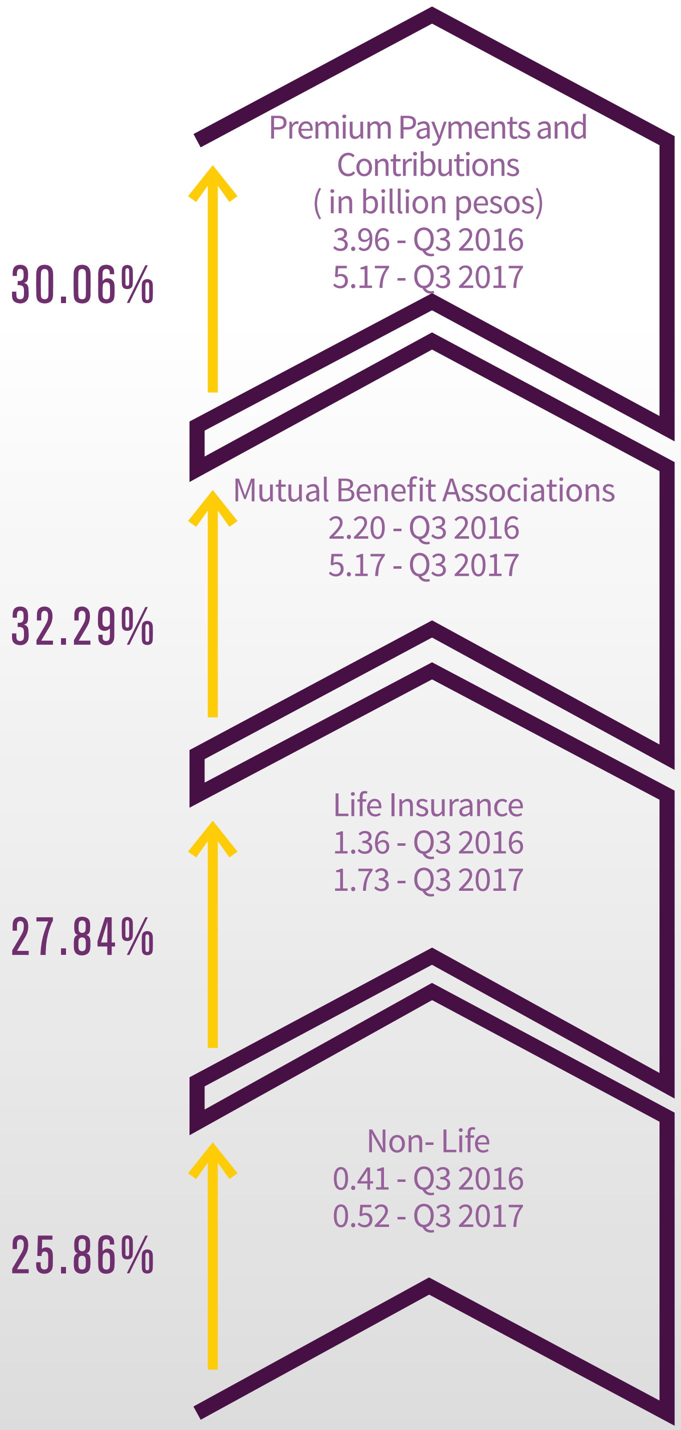
REGULATORY IMPACT ASSESSMENTS: MICROINSURANCE REGULATIONS IN PERU AND THE PHILIPPINES

Authors: Martina Wiedmaier- Pfister and Hui Lin Chiew

Study published by:- International Labor Organizations/ Impact Insurance/ Access to Insurance Initiative

October 2017

FIGURE 2 - MICROINSURANCE



Microinsurance Growth Rates and Outreach Continues to Increase as of 3rd Quarter of 2017

Insurance Commission

21.66% Microinsurance Outreach (number of individuals covered)

Commissioner Dennis Funa
Insurance Commission

FORGING GLOBAL ALLIANCES

Year 2017 marked the chairmanship by the Philippines, through the DOF, of the Association of Southeast Asian Nations (ASEAN) 2017 Finance Ministers' Track, the ASEAN+3 Financial Cooperation, the Asia-Pacific Economic Cooperation (APEC) Working Group on Disaster Risk Financing Solutions (WG-DRFS), and the Sub-Working Group on Financial Services (SWG-Fin) for the Regional Comprehensive Economic Partnership (RCEP).

STEERING FINANCIAL INTEGRATION IN THE ASEAN ECONOMIC COMMUNITY

In its Chairmanship of the ASEAN 2017 Finance Ministers' Track, the DOF saw the renewed commitment of ASEAN Members States (AMS) to financial services liberalization, capital account liberalization, and capital market development though the adoption of Strategic Action Plans (SAPs) by the relevant committees of the said initiatives. The SAPs, which include deliverables, timelines, and key performance indicators, serve as work plans for the AMS' financial integration activities through 2025.

On financial services liberalization, much progress was made with the ratification of the 6th and 7th Packages of Financial Services Commitments, and commencement of negotiations for the 8th Package. Further liberalization efforts can also be expected with the development of a Roadmap for the ASEAN Insurance Integration Framework (AIIF), which includes a commitment among AMS to substantially open their respective insurance sub sectors of catastrophe reinsurance and international Maritime, Aviation and Transit (MAT) insurance. The Philippines also moved forward towards a more integrated banking sector in the region. Negotiations between Malaysia and the Philippines under the ASEAN Banking Integration Framework (ABIF) have been completed, while negotiations between the Philippines and Indonesia commenced in June 2017.

The DOF's Chairmanship also facilitated support for greater trade in the ASEAN region by hosting the signing of Protocol 2 (Designation of Frontier Posts), under the ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT). Protocol 2 is seen to enhance intra- ASEAN trade by streamlining border procedures.

Recognizing the ASEAN's goal of being an economic bloc engaging the global economy, the DOF hosted the 12th ASEAN Finance Ministers' Investor Seminar (AFMIS). The AFMIS serves as a platform for AMS, through their Finance Ministers, to interact with global investors and market the ASEAN region as an investment destination. The 12th AFMIS held in Mactan, Cebu in April 2017 attracted over 300 participants from global financial institutions and multinational companies.

STRENGTHENING FINANCIAL RESILIENCE IN EAST ASIA

Together with counterparts from the Japan Ministry of Finance (JMOF), 2017 also saw the DOF Co-chairing the ASEAN+3 Financial Cooperation. The 2017 Co-chairs' efforts focused on building up the resilience of the ASEAN+3 region against volatilities in the global market. This includes boosting the capacity of the ASEAN+3 Macroeconomic Research Office (AMRO) as a macroeconomic surveillance institution, providing the ASEAN+3 economies with economic and financial market intelligence, and policy recommendations.

FORGING GLOBAL ALLIANCES

DIAGRAM 5 - ACTIONS ADOPTED TO STRENGTHEN THE AMRO

1. adopting policies for its performance evaluation and human resources development;

2. establishment of dedicated committees for specific functions of the AMRO; and

3. supporting the engagement of the AMRO with other international organizations, such as registering the AMRO as a permanent observer in the United Nations.

At the same time, the Co-chairs also sought to enhance the ASEAN+3's regional financial safety net, the Chiang Mai Initiative Multilateralization (CMIM).

The ASEAN+3 added new qualification indicators to the Economic Review and Policy Dialogue Matrix which is used as criteria in providing financing to ASEAN+3 Members via the CMIM. The new indicators provide more accurate assessment of the financing requirement of an ASEAN+3 member, in times of massive capital outflows or drop in financial market liquidity. The ASEAN+3 also reviewed the CMIM Operational Guidelines, which provides the entire process when a party seeks financing from the CMIM. This review is intended to assure a clear and seamless process when a party needs to tap the CMIM. In line with this, the ASEAN+3 also conducted the seventh edition of CMIM financing simulations. Further, the ASEAN+3 entered into a swap transaction with the Federal Reserve Bank of New York which provides the CMIM with an additional funding source and effectively boosts its financing capacity.

DIAGRAM 6 - INITIATIVES OF ASEAN+3'S ENHANCEMENT

1. improving the qualification indicators for ASEAN+3 members to tap the CMIM;
2. assuring a smooth process when members use the CMIM facility; and
3. expanding the CMIM's financing capacity.

FORGING GLOBAL ALLIANCES

ADDRESSING DISASTER RISK IN THE ASIA-PACIFIC REGION

In its participation in the APEC, the DOF took on the Co-chairmanship of the APEC Working Group- Disaster Risk Finance and Insurance (WG-DRFI), also together with the Japan's Ministry of Finance (JMOF). The WG-DRFI is envisioned to advance policies and implement solutions to strengthen the financial resilience of APEC economies to natural disasters. Due to geographical location, APEC economies have been found to be highly vulnerable to natural disasters, and have been recorded as taking the largest economic losses from the said calamities. A regional effort such as the WG-DRFI is then a welcome effort in addressing the said challenge. Under the Philippines and Japan Co-chairmanship, the WG-DRFI has already developed its terms of reference and its Work Plan for 2018.

FORGING TIES WITH MAJOR ECONOMIC PARTNERS

As ASEAN seeks to be a major player in the global market, the economic bloc seeks to strengthen trade and investment relations with its major partners particularly, Australia, China, India, Japan, New Zealand, and South Korea. This has led to the continuing development of the Regional Comprehensive Economic Partnership (RCEP) which, when created, will put in place one of the largest free-trade-areas, accounting for about 30 percent of world GDP. The DOF serves as the Chair for the Sub-Working Group on Financial Services (SWG-Fin). The SWG-Fin is tasked with the formulation of commitments in the financial services sector for the RCEP Agreement. Under the DOF's Chairmanship, the SWG-Fin has been pushing for the resolution of the RCEP Key Elements under Financial Services, which are specific agreements needed to be reached as indicators for the substantial progress in the development of the RCEP.

The DOF also facilitated the 8th and 9th ASEAN Forum on Taxation (AFT)- Working Group last March (in Manila) and October 2017 (in Bohol), respectively. The AFT was formed to provide the region a platform to support the dialogue on taxation issues in support of regional integration. The Philippines will once again serve as the AFT-WG Chair in the upcoming 10th AFT-WG which is expected to be held in April 2018.

LOCAL ECONOMIC DEVELOPMENT

FISCAL CAPACITY AND PERFORMANCE

For 2017, local governments' total revenues (operating income and non-income receipts) reached P625.7 billion, 8 percent higher compared to 2016. Of this amount, 32 percent were from local revenue sources, 64 percent from external sources (Internal Revenue Allotment, Shares from National Tax Collections, Inter-Local Transfers and Grants/Donations), and the remaining 4 percent from non-income receipts such as receipts from capital/investments and loans and borrowings.

TABLE 9 – Local Government Revenue, 2016-2017

(In Billion Pesos

Revenue Source	2016	2017	% Distribution (2017)	Growth Rate
Local Sources	181.6	198.5	32%	9%
Tax Revenues	128.3	142.1	23%	11%
Non-Tax Revenues	53.3	56.4	9%	6%
External Sources	369.2	397.7	64%	8%
Non-Income Receipts	29.0	29.5	4%	2%
Total Revenues	**579.8**	**625.7**	**100%**	**8%**

Collections from local revenue sources amounting to P198.5 billion is 9 percent higher compared to 2016's local collections. Of this amount, 72 percent or P142.1 billion were from tax revenues, and 28 percent or P56.4 billion from non-tax revenues.

In terms of expenditures, total operating expenditures amounted to P378.8 billion, 6 percent higher compared to 2016. Of this, 54 percent were spent on General Public Services, 27 percent for Social Services, 17 percent for Economic Services, and 1 percent for Debt Service.

LOCAL ECONOMIC DEVELOPMENT

Collectively, LGUs reached 94 percent of their annual local revenue targets for the year.

CY 2017 APPROVED SUBPROJECTS UNDER THE MUNICIPAL DEVELOPMENT FUND (MDF)

In 2017, the Municipal Development Fund Office – Policy Governing Board(MDFO-PGB) marked the highest approvals of financing development projects with a total amount of P3,986 billion or 25.6 percent of the total MDF approved subprojects since MDF's inception.

TABLE 10 - Revenue Collections, 2017

Revenue Sources	2017		
	Target	Collection	% Collection
Real Property Tax	75.8	59.8	79%
Business Tax	80.7	82.4	102%
Fees and Charges	27.6	28.6	104%
Receipts from Economic Enterprises	22.2	22.4	101%
Total	**206.3**	**193.2**	**94%**

Forty-one (41) LGUs accessed the MDF to finance 54 different subprojects, of which 31 LGUs came from the less-creditworthy or 3rd to 5th income class. The remaining 10 LGUs are 1st to 2nd income class LGUs with bigger project costs, since majority are provinces that subsidize the projects of their municipalities' delivery of services.

In addition, a total of 23 subprojects of 16 LGUs with project costs amounting to P973.1 million, were already reviewed and endorsed by the MDFO-Technical Review Committee for approval of the MDFO PGB.

Some MDFO Projects Completed in 2017

Subproject: Construction of Municipal Building
LGU: Municipality of Salvador, Lanao del Norte

Subproject: Construction of River Dikes
LGU: Municipality of Catanauan, Quezon

Subproject: Completion of the Construction of Kapatagan Provincial Hospital
LGU: Province of Lanao del Norte

Subproject: Construction of New Public Market
LGU: Municipality of San Manuel, Tarlac

UTILIZING TECHNOLOGY FOR BETTER DELIVERY OF SERVICES

In 2017, the Central Management and Information office (CMIO) implemented information technology (IT) governance management and information security management projects. CMIO pushed for the establishment of an enterprise resource management system which will integrate and connect administrative and financial information sources to centralize DOF's operation and management, thus improve and standardize reportorial requirements. In order to protect the information in the DOF website as well as the privacy and integrity of exchange data, CMIO used website encryption and authentication. CMIO is vigilant in raising awareness on and preventing cyber security threats.

ISO/ IEC 27001:2013 - INFORMATION SECURITY MANAGEMENT SYSTEM CERTIFICATION FOR DOF

PROVISION OF INFORMATION TECHNOLOGY SERVICES IN SUPPORT OF THE VARIOUS FUNCTIONS OF THE DOF

The certification provides the direction and technical expertise to ensure that the DOF's information is properly protected against threats and security breaches. The CMIO maintains and implements continuous improvement of the Information Security Management System through properly planned information security-led objectives and dedicated information security technical working group. The certification indicates that internal audit procedure of the CMIO is improving and that timely closure of mitigation plans from identified risks is ensured. The DOF has established and maintains an effective system to ensure compliance with its policy and objectives.

CERTIFICATION IS VALID UNTIL 01-11-2020

SECURED DOMAIN SITES FOR DOF

In an effort to become the standard of IT security in the government, the DOF uses security protocol known as Transport Layer Security[10]-secured web page to indicate that encryption is in place between the server and the user's browser. The DOF adopted the use of Hypertext Transfer Protocol Secure (HTTPS) to play a critical role in preventing cyber-attacks and protecting user's sensitive information.

ENTERPRISE RESOURCE PLAN – PHASE 1

The DOF Enterprise Resource Plan (ERP) Project's main objective is to have a centralized management system that will integrate different functions and business processes of DOF.

DIAGRAM 7 - PHASE 1 MODULES HIGHLIGHT THREE (3) MAIN FUNCTIONS OF DOF

1. **Human Resource Module – monitors and manages recruitment, employee leaves, trainings, and employees' individual performance rating.**
2. **Inventory Module – tracks and manages inventory cycle of an asset and equipment from the date of issuance to disposal.**
3. **Procurement Management- automates the preparation of purchase request with reference to Project Procurement Management Plan (PPMP) and appropriately determines the mode of procurement.**

[10] *The transport layer security are cryptographic protocols that provide communication security over computer network*

UTILIZING TECHNOLOGY FOR BETTER DELIVERY OF SERVICES

WORKSHOPS, TRAININGS, SEMINARS, MEETING WITH ATTACHED AGENCIES CY 2017

1. WebEx CISCO Collaboration Meeting Room (CMR) Video Conferencing System Training (6 April 2017)
   The purpose of the training is to be able to adapt the WebEx Video Conferencing System as the main web conference tool for meetingsand collaborative sessions of DOF and attached agencies. The adaptation of a web-based video conferencing CMR paves the way to a more efficient, effective, and cost-beneficial alternative communication link between DOF and attached agencies.

2. System Analysis of DOF Document Tracking for BTr Document Management System Meeting (23 June 2017)
   To establish standards and consistency on the proper handling and management of documents, DOF arranged a technical assessment and collaborative session with the BTr IT support and management team. The focus of the meeting was to formalize the adaptation by BTr of the appropriate procedure and workflow of Document Management System in line with policies and guidelines carried out by DOF.

3. Oracle Database 12c; Backup and Recovery Workshop Ed 2 (22-25 August 2017)

4. Oracle Database 12c; Performance Management and Tuning Training (29-31 August 2017 & 4 September 2017)
   CMIO invests heavily on capacity building and technical trainings to equip its staff with and enhance their knowledge and skills specifically on database management and data -driven performance tuning.

5. Vulnerability Assessment (VA) of DOF Information Systems (25 September 2017)
   CMIO conducts annual vulnerability assessment on information systems to determine and test the DOF network layers and validate the effectiveness of existing security infrastructure. CMIO shall use the gathered information to improve the control of security related incidents and carry out a more secured and strengthened network infrastructure.

Enterprise Resource Plan (ERP) – Phase 1 Workshop

BUILDING A BUREAUCRACY FOR THE FUTURE

The DOF Professional Development Program in 2017 includes the conduct of various in-house seminars and Friday Learning Sessions:

- Seminar on Business and Technical Writing;
- Seven (7) batches of seminar on Telephone Etiquette;
- Two (2) batches of seminar on Mentoring and Coaching for Leaders,
- Three (3) batches of seminar on Values and Attitudes for Professionalism in the Workplace;
- Six (6) batches of seminar on Speech and Oral Communication Power Talking Skills (Public Speaking);
- Two (2) batches of seminar on Basic Tax Administration;
- Orientation /reorientation course for new employees; and
- In- house trainings on disaster risk management such as Bomb Threat Management, Fire and Emergency Procedures, thirteen batches of Earthquake Awareness and Emergency Procedures and Emergency Preparedness during Typhoon and Storm Surge

FRIDAY LEARNING SESSIONS

- Sining Alamin Arts Appreciation Tour with Film Screening of Cinemalaya Film entitled "*Mga Mumunting Lihim*"
- Tax Reform for Acceleration and Inclusion (TRAIN)
- Dispute Resolution
- Microinsurance Policies and Initiatives in the Philippines
- Philippines' Push in to Infrastructure Investment Economic and Financial Policy Implications
- Earthquake Survival
- Poverty Incidence in the Philippines
- two batches of meeting and briefing on the Philippine Economy,
- Surveys on Governance and the Quality of Life
- *Korespondensiya Opisyal* (Official Correspondence)

BUILDING A BUREAUCRACY FOR THE FUTURE

DOF employees were also given vaccination on Anti-Flu and Pneumonia. Other activities conducted to improve health awareness are Blood Sugar Testing, Uric Acid Screening, Annual Physical Examination and Bone Screening.

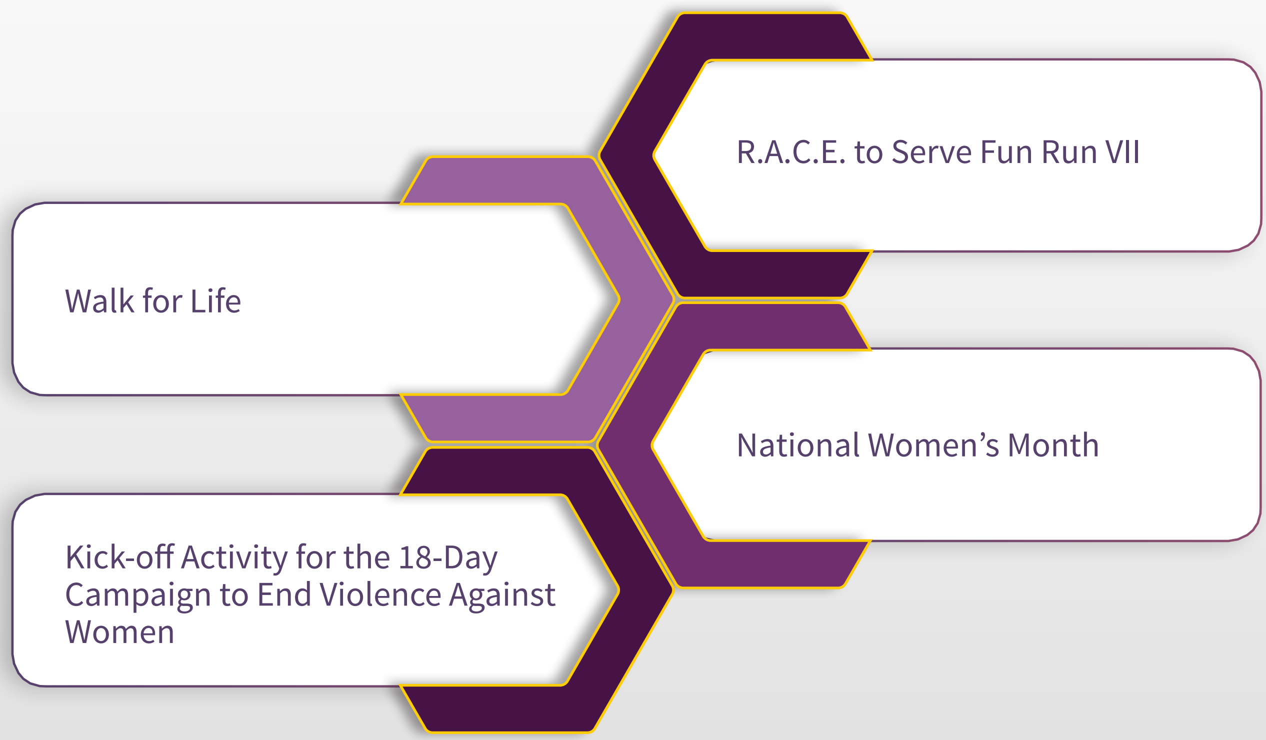
DIAGRAM 8 -Lectures on Health and Wellness

DOF staff were seconded to ADB, World Health Organization, World Bank, and IMF-BSP in 2017 to advance their professional development and undergo experiential learning.

The DOF Internship Program took in 149 students from different universities to allow them opportunities for hands-on training and exposure to actual work situations in DOF offices.

There were four workshops conducted for the development of DOF Competency-Based Human Resources Program for approval of the CSC and to be implemented in 2018. Competency-Based HR System is a system integrating all aspects of human resource management and development, wherein employees are selected, evaluated, developed, moved, and paid using a common measure/standard that supports organizational success.

DIAGRAM 9 -National Events Attended by DOF



1 Seminar on Telephone Etiquette Batch 2 facilitated by South East Asia Speakers and Trainers Bureau, Inc., 27 March 2017 at the Bureau of the Treasury

2 Orientation/Reorientation of new DOF employees facilitated by DOF, GSIS, Pag-IBIG Fund and Council for the Restoration of Filipino Values, 28-30 June 2017 at Summit Ridge Hotel, Tagaytay

3 Seminar on Basic Tax Administration Batch 2 facilitated by Bureau of Internal Revenue, 14-15 September 2017 at Hotel Jen, Manila

4 FLS: Philippines' Push into Infrastructure Investment Economic and Financial Policy Implications, Presented by Dr. Richard Kopcke and Mr. Jean Jacques Deschamps, 26 May 2017 at the BTr

5 FLS: The Poverty Incidence in the Philippines, Presented by Undersecretary Gil S. Beltran, 9 June 2017 at the BTr

6 FLS: Meeting and Briefing on Philippine Economy, Presented by Undersecretary Gil S. Beltran, 23 June 2017 at the BTr

HIGHLIGHTS ON GENDER AND DEVELOPMENT (GAD) FOR CY 2017

GAD accomplishments for 2017 include the following:

- Conduct of the Finalization Workshop on DOF- GAD National Framework and GAD Planning Workshop on 16-18 January 2017
- Film screening entitled "*Mga Mumunting Lihim*" on 24 February 2017
- Orientation with Gender and Development for DOF Internship Program on 11 July 2017
- Gender Sensitivity Training on 26-27 July 2017
- Gender Fair Language Training on 2-3 October 2017
- Seminar on Anti-Sexual Harassment on 6 December 2017

The Philippines is more progressive than both its Asian neighbors and a majority of Western countries in terms of gender diversity.

Dr Michael Daniels, Assistant Professor at the University of British Columbia, Canada, examines the business case for female participation in business, asking what we can learn from the Philippines, one of Asia's most forward-thinking countries when it comes to advancing women.

The Gender Gap: What Asia Can Learn From the Philippines

HIGHLIGHTS ON GENDER AND DEVELOPMENT (GAD) FOR CY 2017

DOF ACTIVITIES IN CELEBRATION OF THE NATIONAL WOMEN'S MONTH WITH THE THEME "WE MAKE CHANGE WORK FOR WOMEN"

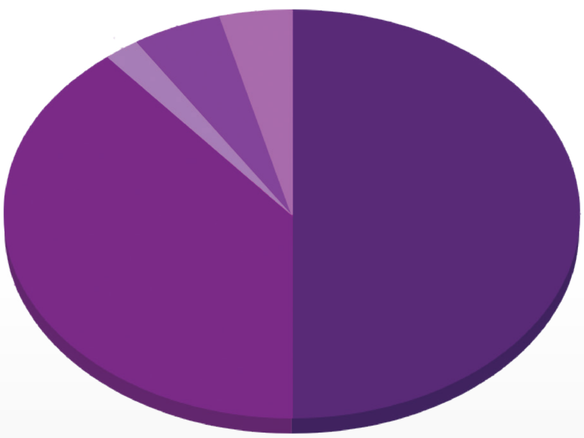
- In partnership with the Cultural Center of the Philippines Arthouse Cinema, film screenings on women's plight that showed the struggles and survival of women and how they inspire people was conducted on 9 March 2017.
- "Women Inspiring Women" forum was conducted on 21 March 2017 wherein women leaders of DOF, its bureaus and attached agencies, gathered to celebrate women's journey, shared inspiring stories of change as leaders in their chosen fields, and encouraged their fellow women to be empowered change agents. This event served as a venue for women to inspire and appreciate each other and create an environment supportive of each other.
- In addition to the National Women's Month Celebration, the DOF conducted "Arts Appreciation Talk by Women Artist" on 24 March 2017.

1 *Finalization write shop on DOF GAD Nationals Framework and GAD Planning Workshop, Facilitated by DOF GAD Focal Points 16-18January 2017 at DOF Baguio Cottage*

2 *Gender Sensitivity Training, Facilitated by Miriam Buergo 26-27July 2017 at Hotel Jen, Manila*

3 *Women Inspiring Women Forum, Facilitated by DOF GAD Focal Points 21March 2017 at Sala de Sessiones, BTr*

FIGURE 3 - DOF APPOINTMENTS PERCENTAGE BREAKDOWN FOR CY 2017

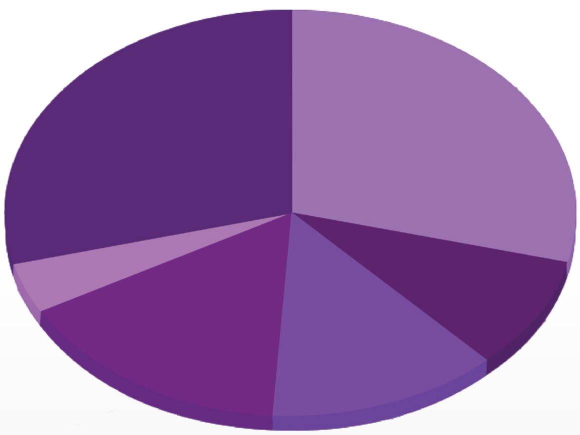


- 50%, New Hires = 55
- 39%, Promotion = 43
- 2%, Reappointment = 2
- 5%, Reemployment = 6
- 4%, Transfer = 5

The chart illustrates the DOF appointments' percentage breakdown for CY 2017.

Out of 111 issued appointments, 55 employees (50 percent) were newly hired; 43 employees (39 percent) were promoted; 2 employees (2 percent) were reappointed; 6 employees (5 percent) were reemployed; and 5 employees (4 percent) were transferred.

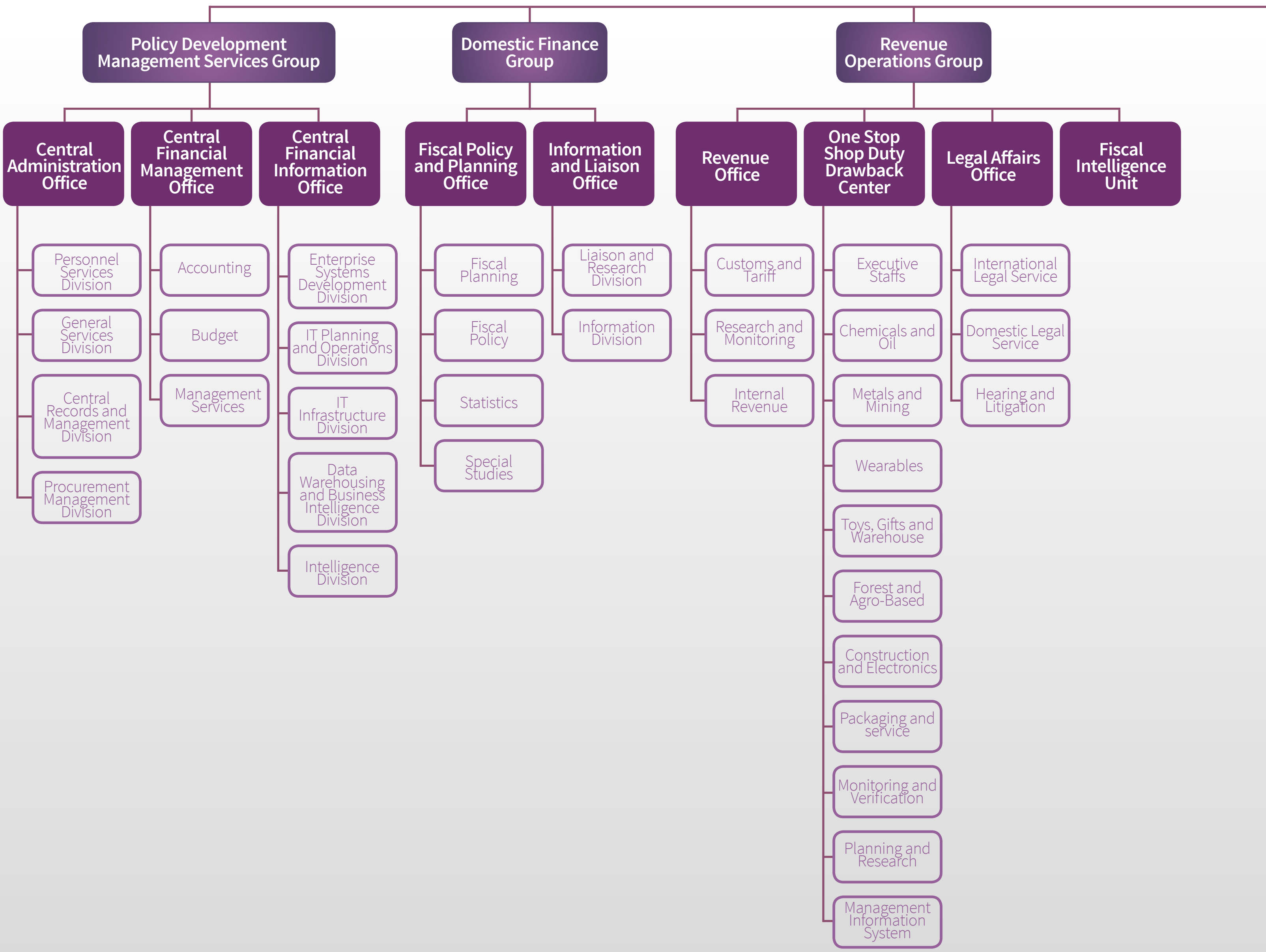
FIGURE 4 - LOYALTY AWARDEES FOR CY 2017

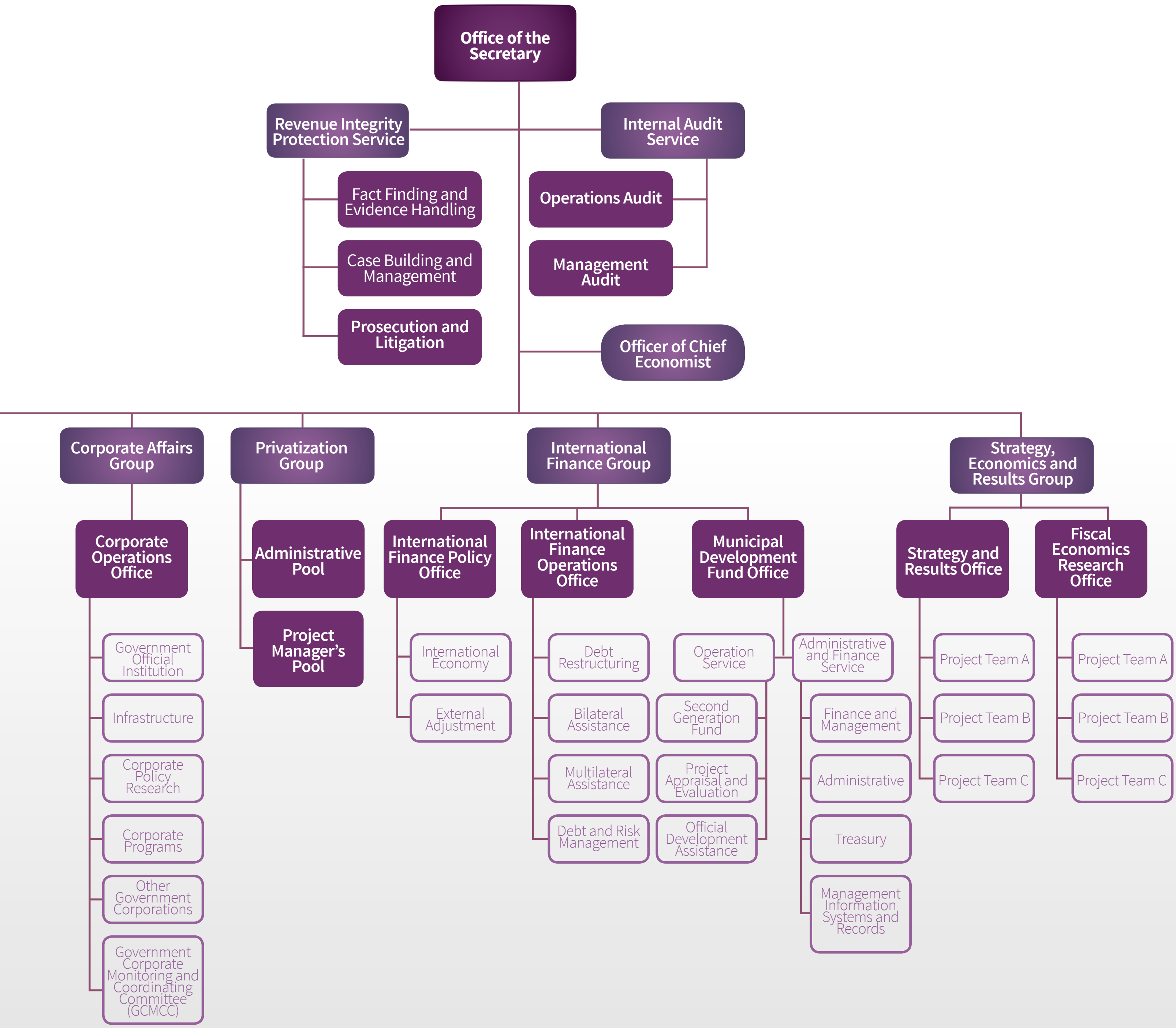


- 29%, 10 Years = 13
- 9%, 15 Years = 4
- 13%, 20 Years = 6
- 16%, 25 Years = 7
- 4%, 30 Years = 2
- 29%, 35 Years = 13

Forty five (45) DOF employees were awarded with loyalty awards in 2017; 13 of them have served the DOF for 35 years, 2 for 30 years, 7 for 25 years, 6 for 20 years, 4 for 15 years, and the remaining 13 for 10 years.

DOF ORGANIZATIONAL CHART




Office of the Secretary
Revenue Integrity Protection Service
Fact Finding and Evidence Handling
Case Building and Management
Prosecution and Litigation
Internal Audit Service
Operations Audit
Management Audit
Officer of Chief Economist
Corporate Affairs Group
Corporate Operations Office
Government Official Institution
Infrastructure
Corporate Policy Research
Corporate Programs
Other Government Corporations
Government Corporate Official Monitoring and Coordinating Committee (GCMCC)
Privatization Group
Administrative Pool
Project Manager's Pool
International Finance Group
International Finance Policy Office
International Economy
External Adjustment
International Finance Operations Office
Debt Restructuring
Bilateral Assistance
Multilateral Assistance
Debt and Risk Management
Municipal Development Fund Office
Operation Service
Second Generation Fund
Project Appraisal and Evaluation
Official Development Assistance
Administrative and Finance Service
Finance and Management
Administrative
Treasury
Management Information Systems and Records
Strategy, Economics and Results Group
Strategy and Results Office
Project Team A
Project Team B
Project Team C
Fiscal Economics Research Office
Project Team A
Project Team B
Project Team C

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CHIEF-OF-STAFF
Assistant Secretary Maria Edita Z. Tan

Spokesperson - Assistant Secretary
Paola Sherina A. Alvarez

ANTI-RED TAPE ACT
Undersecretary Gil S. Beltran

CORPORATE AFFAIRS GROUP
Undersecretary Antonette C. Tionko
Assistant Secretary Soledad Emilia J. Cruz
Assistant Secretary Mark Dennis Y.C. Joven

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(on Secondment to ADB)
Director Joanna P. Castillo

DOMESTIC FINANCE GROUP
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Assistant Secretary Ma. Teresa S. Habitan

FISCAL POLICY AND PLANNING OFFICE
Director Elsa P. Agustin
Director Rowena S. Sta. Clara

INFORMATION AND LIAISON OFFICE
Director Juvy C. Danofrata

INTERNAL AUDIT SERVICE
Director Ma. Luisa M. Notario

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Director Charissa P. Hipolito

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Undersecretary Gil S. Beltran

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Undersecretary Bayani H. Agabin
Assistant Secretary Ma. Teresa S. Habitan

POLICY DEVELOPMENT & MANAGEMENT SERVICES GROUP
Undersecretary Gil S. Beltran

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CENTRAL FINANCE MANAGEMENT OFFICE
Director Ma. Lourdes V. Dedal

CENTRAL MANAGEMENT INFORMATION OFFICE
Director Angelica I. Sarmiento
Director Michaelangelo G. Aguinaldo

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Assistant Secretary Mark Dennis Y.C. Joven

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Director Richard S.T. Uy

REVENUE OFFICE
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Director Eleazar C. Cesista

ONE STOP SHOP DUTY DRAWBACK OFFICE
Executive Director Ernesto Q. Hiansen
Deputy Executive Director Carmelo T. Casibang, Jr.

LEGAL AFFAIRS OFFICE
Director Jesus Nathaniel Martin B.Gonzales

FISCAL INTELLIGENCE UNIT

STRATEGY, ECONOMICS, AND RESULTS GROUP (SERG)
Undersecretary Karl Kendrick T. Chua

DOF ATTACHED AGENCIES

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Commissioner Caesar R. Dulay

BUREAU OF CUSTOMS
Commissioner Isidro S. Lapeña

BUREAU OF LOCAL GOVERNMENT FINANCE
OIC Executive Director Niño Raymond B. Alvina

BUREAU OF THE TREASURY
National Treasurer Rosalia V. De Leon

CENTRAL BOARD OF ASSESSMENT APPEALS
Chairperson Manuel D.J. Siayngco

INSURANCE COMMISSION
Commissioner Atty. Dennis B. Funa

NATIONAL TAX RESEARCH CENTER
Executive Director Trinidad A. Rodriguez

PHILIPPINE DEPOSIT INSURANCE CORPORATION
Officer-in-Charge Roberto B. Tan

PHILIPPINE EXPORT-IMPORT CREDIT AGENCY
President Florencio P. Gabriel, Jr.

PRIVATIZATION AND MANAGEMENT OFFICE (PMO)
Chief Privatization Officer
Atty. Gerard L. Chan

SECURITIES AND EXCHANGE COMMISSION
Chairperson Teresita J. Herbosa

DOF DIRECTORY

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Chief of Staff	523-9220
Revenue Integrity Protection Service (RIPS)	404-1775
Internal Audit Services (IAS)	524-1142
Office of the Chief Economist (OCE)	523-5671
Strategy, Economics, and Results Group (SERG)	526-6698; 523-9217
POLICY DEVELOPMENT & MANAGEMENT SERVICES GROUP	
Office of the Undersecretary	523-5671
Central Administration Office	
Office of the Director	526-1265
Personnel Services Division	525-0244
General Services Division	526-8475; 524-4227
Central Records and Management Division	526-8470
Medical and Dental Division	526-6967
Property and Procurement Section	526-4786
Library Section	526-8410
CENTRAL FINANCIAL MANAGEMENT OFFICE	
Office of Director	526-8166
Budget Division	526-8464; 526-6941 (TeleFax)
Accounting Division	523-5624
Management Services Division	526-6932
CENTRAL MANAGEMENT INFORMATION OFFICE	
Office of Director	525-4451
Information Systems Development and Operations	526-8467
Intelligence Division **DOMESTIC FINANCE GROUP**	526-8467
Office of the Undersecretary	523-5671
Office of the Assistant Secretary	523-5678
Fiscal Policy and Planning Office)	
Office of the Director	524-0607
Fiscal Policy Division	524-0607
Fiscal Planning Division	524-4332
Statistics Division	524-4332
Special Studies Division	523-3825 (TeleFax)
National Credit Council	523-3825 (TeleFax)
Research and Information Office	526-8462 (TeleFax)
Office of the Director	524-0618 (TeleFax)
Research and Liaison Division	524-0619
Information Division	526-1265
REVENUE OPERATIONS GROUP	525-0244
Office of the Undersecretary	523-9221
Office of Assistant Secretary	523-4955

OFFICE	TELEPHONE NO.
REVENUE OPERATIONS GROUP	
Revenue Office	
Office of the Director	526-8458; 526-7311
Customs and Tariff	526-7311
Research and Monitoring	526-7311
Internal Revenue Division	526-8476
Mabuhay Lane	526-8458
One Stop Shop Duty Drawback Center	
Office of the Director	526-0076; 526-0750; 526-7357
OSS-Operations	526-0842
OSS-Policy	526-1787
OSS-MIS	526-8450
OSS-BOC	526-0751
OSS-Admin	526-0076
Legal Affairs Office	
Office of the Undersecretary	523-9222
Office of the Director	526-8448 to 49
International Legal Service	526-8448 to 49
Domestic Legal Service	526-8448 to 49
Hearing and Litigation	526-8448 to 49
Fiscal Intelligence Unit	526-0531
CORPORATE AFFAIRS GROUP	
Office of the Undersecretary	524-5221
Office of the Assistant Secretary	523-9938
Corporate Operations Office	
Office of the Director	527-3826; 400-6882 (TeleFax)
Government Financial Institutions	525-7309
International Legal Service	525-7309
Infrastructure	525-7309
Corporate Policy Research	525-7309
Other Government Corporations	525-7309
Government Corporate Monitoring and Coordinating Committee	525-7309
PRIVATIZATION GROUP	
Privatization Office	524-1633; 523-5727; 525-1321; 523-5143 (Fax)
INTERNATIONAL FINANCE GROUP	
Office of the Undersecretary	526-9990
International Finance Policy Office	
International Economy	400-7446
External Adjustment	400-7446
International Finance Operations Office	
Office of the Director	526-9990
Debt Structuring Division	526-9990
Bilateral Assistance Division	523-9911; 525-4194
Multilateral Assistance Division	523-9223
Debt and Risk Management	523-9911
PH-EITI	525-0487

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