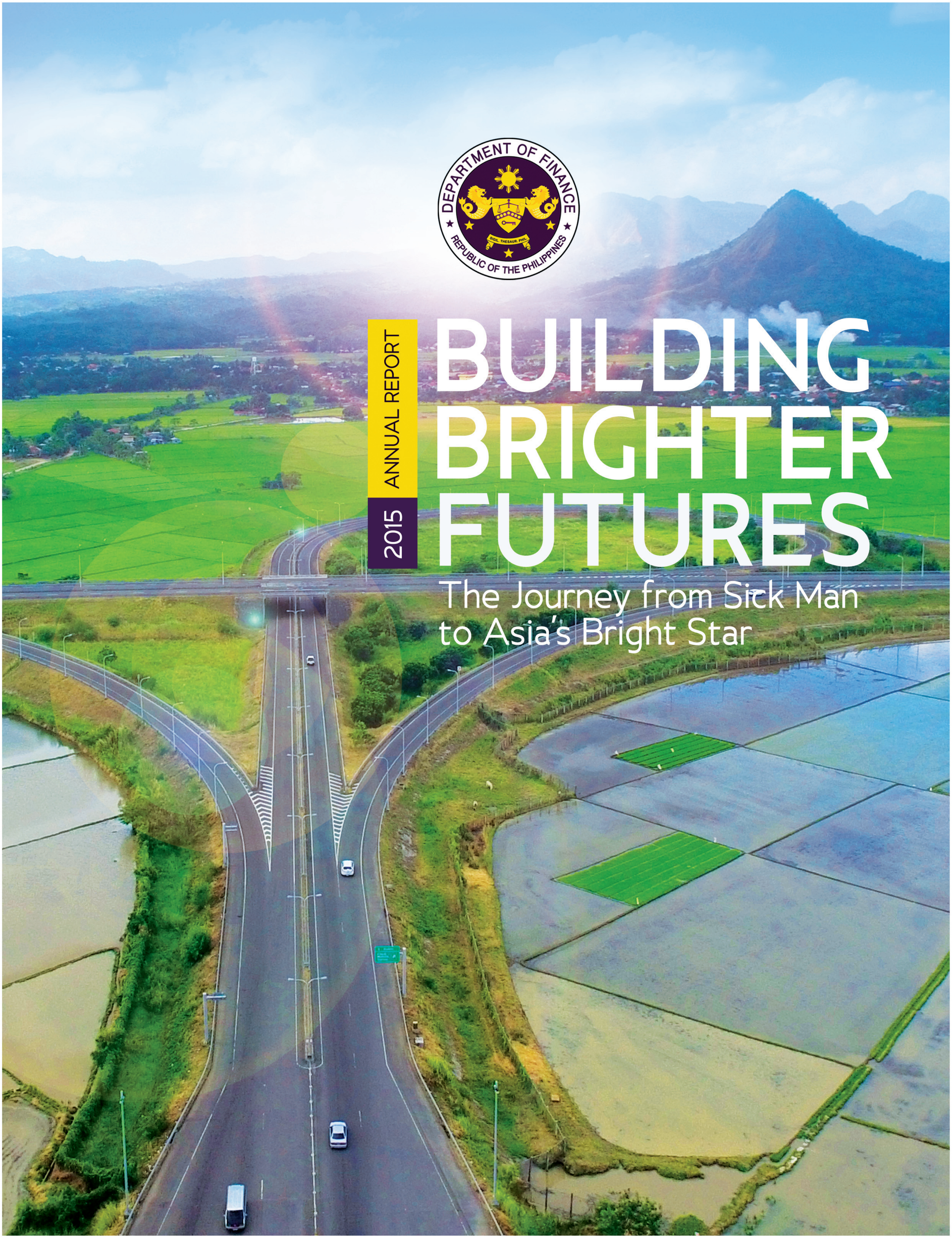

DEPARTMENT OF FINANCE
REPUBLIC OF THE PHILIPPINES

2015 ANNUAL REPORT

BUILDING BRIGHTER FUTURES

The Journey from Sick Man to Asia's Bright Star

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THE DEPARTMENT OF FINANCE

In mammoth organizations - corporations, conglomerates, multi-nationals, governments – the indispensability of a central finance office to manage and mobilize resources is a truism. Without logistics and financial support "when needed, where needed", operation would be paralyzed in no time.

That the birth of the Department of Finance (DOF) predated that of the Philippine Republic is a testimony to its importance. Founded on 24 April 1897 by the Philippine Revolutionary Government, the DOF has undergone various structural and functional overhauls, but has nonetheless remained a key department.

Today, the critical tasks of revenue generation, resource mobilization, financial market development, and fiscal management rest on the shoulder of the DOF. The Government must provide the citizenry with infrastructure, education, health and other basic services all geared towards spurring inclusive development.

The DOF is in the forefront of providing the funding requirements.

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.

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.

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

For the past 6 years, the Department of Finance, heading the Cabinet Economic Development Cluster, has led the Aquino administration's efforts in driving an economic transformation unseen in generations, spurring a virtuous cycle of confidence in the Philippines. The nation is currently running a 6.2 percent GDP growth average for the duration of the Aquino administration, its fastest streak in 40 years. Meanwhile, the Philippines now enjoying investment grade status has been the world's most upgraded sovereign, with 24 positive credit ratings actions in an unprecedented streak.

Strong Macroeconomic Fundamentals and Fiscal Position

In 6 years, the Philippines has achieved solid macroeconomic fundamentals, owing to a healthy fiscal position. Fiscal sustainability is reflected in a fiscal deficit minimized to 1.8 percent of GDP during the last 6 years. The maturity profile of government debt tended towards longer-dated securities, with nearly 90 percent of debt accounted for by long-term securities, minimizing re-financing risk. Furthermore, the country closed 2015 with a record debt-to-GDP ratio of 44.7 percent, its lowest since the earliest comparable period of 1998, with foreign debt reduced to only 34.8 percent of the total stock, making for a more resilient debt structure amid uncertainties in a volatile global economic environment.

The Bureau of the Treasury (BTr) has also demonstrated a proactive approach to prudent liability management, winning international awards for its innovative and perfectly-timed executions and becoming a touchstone for sovereign issuances in the region.

Robust Revenue Generation Widening Fiscal Space

The past 6 years also saw an unprecedented aggressive expansion of fiscal space as the Philippines sought to invest heavily in the Filipino people. The DOF reformed and strengthened its revenue generating agencies – improving collections efficiency, embracing technology, plugging loopholes, and taking on a law enforcement role against tax evaders and smugglers.

The DOF's flagship anti-corruption programs have been integral to the reform program. The Revenue Integrity Protection Service (RIPS) has focused on weeding out corrupt agents among the ranks of revenue generating agencies. Since inception in 2003 until end-2015, RIPS has charged a total of 271 personalities, 158 of which came from 2010-2015 alone. Successful resolutions of RIPS cases tallied up to 103, 78 of which came from 2010-2015 alone. Meanwhile, since 2010, the Run After Tax Evaders (RATE) campaign has filed 421 cases as of 31 December 2015, with total estimated tax liabilities of P74.7 billion. Run After the Smugglers (RATS) meanwhile, has filed 210 cases worth P57 billion in dutiable value as of 31 December 2015.

The passage of the Sin Tax Bill into law in 2012 and its implementation in 2013 generated additional revenues to finance a wider social services budget. Total incremental revenues from sin tax reform have reached P174.6 billion, pouring an unprecedented amount of resources to the government's universal healthcare program. Specifically, 80 percent of the incremental increase in sin tax revenue collections has been channelled to finance universal health care (UHC) which includes funding the enrolment to and premium payments of indigent individuals and senior citizens of the health insurance program. The rest have been allocated for medical assistance to indigents and for improvement of health facilities.

As a result, total tax revenues grew robustly per annum, reaching P1.8 trillion in 2015. In 2015, the tax effort has improved to 13.6 percent of GDP, up from the 12.1 percent recorded in 2010. In addition to this, interest payments as percentage to total expenditure declined from more than 19 percent in 2010 to less than 14 percent in 2015, freeing more resources up for more productive investments. For this reason, the government managed to double its education budget, double its infrastructure budget, triple its health budget, and increase its social welfare budget by at least six times.

Worth noting in particular is the surge of investment in infrastructure. The Public-Private Partnership (PPP) program of the Philippinesis in full swing, having awarded more PPP projects than all past administrations, with 12 awarded contracts worth around USD4.36 billion. Spending for infrastructure has widened significantly, leaping from a mere P165 billion in 2010 to what is now P760 billion in 2016, an investment translating to around 5 percent of our GDP a goal experts have set in order to at least be on par with regional peers. Infrastructure as a share of the national budget from the previous decade was at average, only 10.1 percent of the total. This 2016, it hit 25.5 percent, reflecting a growth of 245.4 percent since 2010.

It is now abundantly clear: the past 6 years has been unquestionably the most intensive period of investment the nation has enjoyed in decades, if not its entire history.

Good Governance in Public Corporations

The administration's campaign for improved governance also extended towards its government owned and controlled corporations, with the landmark enactment of RA 10149, or the GOCC Governance Act of 2011. This resulted in an improved financial position of the consolidated public sector, posting a surplus for two consecutive years (2013-2014), amounting to 0.4 percent and 0.7 percent of GDP, respectively, reversing the consolidated public sector deficits incurred during the 2010-2012 period.

Instituting good governance in our GOCCs has led to a reversal of the milking cow phenomenon. Whereas GOCCs used to milk state coffers, national government revenues are now being augmented by the government corporate sector, with remittances in 2015 amounting to P31.5 billion compared to P12 billion in 2010, bringing the total so far to P135.02 billion (from July 2010 to December 2015).

Financial Inclusion

Private resources have also been catalyzed to bring services to the grassroots level. In this regard, the DOF and concerned attached agencies such as the SEC and IC have worked to provide an enabling environment, such as regulatory framework and accompanying consumer protection mechanisms, for the promotion of microfinance and microinsurance. The former initiative aims to increase incomes of those at the lower rungs of the economic ladder while the latter offers them choices of affordable social safety net instruments.

A robust enabling policy and regulatory environment for the insurance and pre-need industries was made possible with the passage of landmark laws such as Republic Act No. 9829 or the Pre-Need Code of the Philippines, enacted in 2010 and Republic Act No. 10607, or the Amended Insurance Code, signed in 2013. To date, about 10 million individuals and 31.1 million individuals have benefited from microfinance and microinsurance, respectively. Further, the insurance sector's contribution to the national economy increased from 1.02 percent of GDP in 2011 to 1.75 percent in 2015, with the rate of individuals with life insurance coverage reaching a record 30.07 million, or 29.6 percent of the population in 2015.

In particular, the importance of social safety nets for the poor in the form of microinsurance was demonstrated in the aftermath of Typhoon Yolanda where more than P500 million was claimed within ten days by more than 100,000 microinsurance policy holders. Social safety nets, as provided by the public sector (through PhilHealth) and the private sector (through microinsurance) will continue to mitigate the adverse effects of untoward events.

International Fora

In the area of international cooperation, the DOF has championed the approval of the landmark Cebu Action Plan (CAP) during the APEC Finance Ministers' Meeting in Cebu last September 2015. The CAP has four pillars: (i) promoting financial integration; (ii) advancing fiscal reforms and transparency; (iii) enhancing financial resilience; and (iv) accelerating infrastructure development and financing. The CAP's initiatives are currently under implementation under the Peruvian chairmanship this 2016.

The DOF also assumed the chairmanship of the Vulnerable 20 Group of Finance Ministers calling for global action on climate change and advancing innovative financing measures to mitigate and adapt to global warming. Having chaired 2 ministerial meetings so far, the Philippine chairmanship led the group in insisting on an ambitious 1.5 degrees Celsius global temperature goal and pressing developing countries on their USD100 billion international climate finance commitment by 2020 and increased concessional financing for climate action. The Philippine chairmanship likewise advanced initiatives like carbon pricing, climate accounting, risk pooling mechanisms, and the creation of innovative financial instruments and taxation tools to address climate change.

Public Financial Reform

The DOF has been at the forefront of building a public value chain, pushing for more transparency and citizen engagement under an open government and open data framework. Websites like *Pera ng Bayan*, *Customs ng Bayan*, and *Iskor ng 'Yong Bayan* allow citizens to view, analyze, and use data to help protect revenue integrity and demand better standards for national and local government officials in finance. Weekly advertisements entitled Tax Watch 137 to date as of 12 May 2015 have highlighted interesting or questionable data points to incite public interest and encourage citizen engagement.

The BTr has implemented the Treasury Single Account (TSA) which allows for a more efficient cash management by the government. The TSA is an integral component of the Public Financial Management (PFM) Reform Program, an ongoing initiative to increase fiscal transparency and efficiency.

The Philippines is an active member of the global Extractive Industries Transparency Initiative (EITI), reflecting the government's strong commitment for good governance through greater transparency. This enables, among others, the disclosure of the actual share of local governments units (LGUs) in mining activities in their respective jurisdiction as industry-reported and government-reported revenues were reconciled. LGUs and general public actively participate and engage in dialogues to promote further policy reforms. In 2016, the Philippines was given the Chair's Award at the EITI Global Conference in Lima, Peru. PH-EITI was recognized for exceptional use of the country reports to spur real reforms on the ground.

Local Government Finance

Reforms are also being instituted in local government units (LGUs) The Bureau of Local Government Finance (BLGF) has been strengthening the capacity of LGUs for increasing locally sourced revenues and continues to foster good governance at the local level. The BLGF continues to monitor the compliance of LGUs with DOF-DILG joint memorandum Circular No. 10-001 (October 2010), enjoining LGUs to revise their Schedule of Market Values (SMV) and implement the revision of property assessments using the Philippine Valuation Standards and Mass Appraisal Guidebook, and DOF-DILG Circular No. 10-002 (October 2010) encouraging LGUs to impose idle land tax. The BLGF also continues to monitor the financial performance of LGUs, such as their creditworthiness, and has implemented the LGU Fiscal Sustainability Scorecard, the results of which are published in newspapers and made available online through the I*skor ng Bayan* website, an initiative that has brought in greater transparency in local government finances.

Conclusion

The foregoing accomplishments of the DOF and its attached agencies have contributed to meeting the sector outcomes of the Medium Term Philippine Development Plan (MTPDP) such as stable macroeconomy, financial system resilience and inclusiveness, effective and transparent governance, and improvement in human development status. Moving forward, resource mobilization efforts should be continued and sustained to be able to finance more socio-economic services. This includes maintaining and improving an environment conducive for private sector participation. The reforms undertaken by the PFM Reform Program should be further strengthened and its other components implemented. The implementation of reforms in the LGUs, the face of the national government at the grassroots level, should be continued and sustained to attain true fiscal devolution. Future tax reform measures should be holistic, equitable, and revenue-positive. In this regard, legislative measures should be geared towards broadening the tax base, compensating for revenue eroding measures, making the tax structure more progressive, and simplifying tax administration, compliance, and enforcement. Strong collaboration among line agencies and Congress is essential to ensuring fiscal sustainability.

Today, Filipinos live with more confidence and optimism buoyed by robust macroeconomic fundaments, conducive investment environment, and strengthened public institutions. Having shed its sick man moniker and recognized as Asia's bright spot, the country stands as a resilient harbor amid turbulence in the global economy.

The Philippines has journeyed far with good governance at the core of the government's economic management philosophy. The road stretches further ahead, but the virtuous cycle the past 6 years has spawned, puts the wind firmly on our backs as we forge ahead.

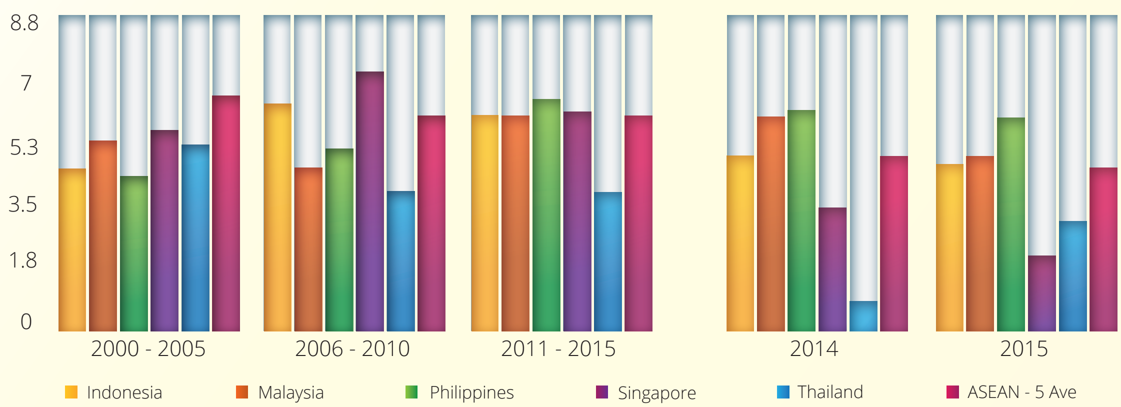
The momentum to move forward is now greater than the inertia pulling the country back; sustaining this for the next 6 years and beyond is key to lifting millions of Filipinos out of poverty and ensuring prosperity, quality of life, and economic freedom for all.

CESAR V. PURISIMA
Secretary of Finance
Republic of the Philippines

2015 Economic Highlights

The year 2015 was turbulent for the global economy and uncertainty was widespread. China's economic slowdown, the oil price crisis, and the tightening of US monetary policy, among other volatilities, tapered world GDP growth to 3.1 percent. Philippines, however, remained resilient despite these global headwinds, growing at 5.9 percent surpassing world GDP growth. Though slightly lagging behind its Asian peers, it exhibited fastest growth among the ASEAN-5. It is also the only country among ASEAN-5 able to have kept that upward momentum for the past 15 years.

ASEAN-5 Average GDP Growth Rates



Source: WEO April 2016

Growth in 2015 was internally driven. Household consumption and capital formation grew at 6.3 percent, and 15.1 percent respectively. The country's hosting of APEC bolstered government spending to grow at 7.8 percent. Inflation on the other hand is 1.4 percent - well below BSP's target of 2-4 percent. Monetary board kept policy rates unchanged at 4.0 percent for overnight borrowing or reserve repurchase (RRP) rate, and 6.0 percent for overnight lending or repurchase (RP) rate. Interest rates for RRP, RP and special deposit accounts, as well as the reserve requirement remain at status quo.

However, El Niño plagued the latter half of the year. Its impacts were most palpable in the agriculture sector where growth fell steeply to 0.1 percent. Despite this, food inflation remained low due to ample rice imports. The industry and service sectors remained robust, offsetting the downturn in agriculture. The industry sector grew 6.0 percent. Services on the other hand, grew by 6.8 percent. The surge in services is brought about by the still-expanding BPO industry which surpassed their target registering USD22 billion for this year alone.

Growth Rates and Contribution to GDP Growth by Source

	Growth (%)		Contribution to GDP Growth* (%)	
Source	2014	2015	2014	2015
DEMAND SIDE				
Household Consumption	5.5	6.3	3.8	4.4
Government Consumption	3.3	7.8	0.3	0.8
Capital Formation	5.2	15.1	1.2	3.3
Exports	11.7	9.0	5.2	4.2
Imports	9.3	14.0	4.4	6.8
SUPPLY SIDE				
Agriculture	1.7	0.1	0.2	0.0
Industry	7.8	6.0	2.5	2.0
Services	6.2	6.8	3.5	3.9
GDP	**6.2**	**5.9**		
GNI	**5.9**	**5.8**		

Source: PSA

As for trade, imports for 2015 reached a five-year high at USD66.7 billion. Total import value grew 14 percent despite decline in fuel prices. This growth is heavily attributed to capital demand rather than household consumption. Exports on the other hand dropped to 9.0 percent following the global economic slowdown as most trading partners experienced economic contraction as signified by their Purchasing Managers Index (PMI).

Foreign direct investments reached USD5.72 billion, and were concentrated into manufacturing and financial and insurance activities – a result of foreign bank liberalization and manufacturing resurgence.

Remittances continue to increase despite global volatility. Growing 4.6 percent from 2014, total annual remittance for 2015 was registered at USD25.7 billion. The Middle East contributed 2.2 percent to this growth despite the plunge in oil prices. Asia and the Americas contributed 1.5 percent. Faster remittances growth rates from smaller and developing nations signify a more dispersed OFW distribution.

Sustained economic growth is a product of good governance. The Philippine government, under the Aquino administration, has worked towards the establishment of strong macroeconomic fundamentals which led to buoyant average growth of 6.2 percent for the last 6 years. Improved revenue collection and prudent fiscal policy allowed for more fiscal space. The downward trend of interest payment freed up more funds allocated to infrastructure and social services. As a result, the poverty incidence among Filipinos during the 1st semester of 2015 went down to 26.3 percent compared to 27.9 percent during the same period in 2012. Moreover, unemployment rates dropped from 6.6 percent in 2014 to 5.5 percent in 2015.

National Government Fiscal Performance

In 2015, fiscal deficit stood at P121.7 billion, 66.5 percent higher than the deficit posted in 2014 as expenditure growth outpaced revenue collections. The deficit was 0.9 percent of GDP, 0.3 percent higher than the 0.6 percent registered in 2014.

Total revenues amounted to P2.1 trillion, 10.5 percent higher than the 2014 collection level of P1.9 trillion. Relative to the economy, total revenues in 2015 reached 15.8 percent of GDP, 0.7 percent higher than 2014. It includes the one-time transfer of the Coco Levy proceeds of P60.1 billion, which is about 0.5 percent of GDP, to the Special Account under the General Fund pursuant to Executive Order 180. The Bureau of Internal Revenue (BIR) improved its collection by 7.4 percent while the Bureau of Customs (BOC) collected less revenues compared to 2014. Total expenditures increased by 12.6 percent or P2.2 trillion from P2.0 trillion in 2014.

NG Fiscal Position (In Billion Pesos)	2014 Actual	2015 Actual	Growth Rate
Total Revenues	**1,908.5**	**2,109.0**	**10.5%**
% of GDP	15.1%	15.8%	
Tax Revenues	**1,719.0**	**1,815.5**	**5.6%**
% of GDP	13.6%	13.6%	
BIR	1,334.8	1,433.3*	7.4%
BOC	369.3	367.5	-0.5%
Other Offices	14.9	14.6	-2.1%
Non-Tax Revenues	**187.6**	**230.7**	**23.0%**
Fees and Charges	32.8	36.4	11.1%
Bureau of Treasury	93.4	110.0	17.8%
Other existing Non-tax revenues	61.1	84.1	37.5%
Foreign grants	0.2	0.2	-30.0%
Privatization	**1.9**	**62.8**	**3,126.3%**
Expenditure	**1,981.6**	**2,230.6**	**12.6%**
Surplus/(Deficit)	**(73.1)**	**(121.7)**	**66.5%**
% of GDP	-0.6%	-0.9%	

**Note: BIR Collection is net of Tax Refund amounting to P8.271 billion*

Tax Revenues

Tax revenues which accounted for 86.1 percent of total revenues reached P1,815.5 billion. This is 5.6 percent or P96.5 billion higher than tax revenues in 2014. Tax effort remained constant at 13.6 percent in 2014 and 2015.

Total tax collection from BIR improved by 7.4 percent compared to 2014. The growth in collection can be attributed largely to the continuing commitment of the Bureau to its mandate to strictly enforce the country's tax laws through the implementation of its priority projects/programs. These include the Run After Tax Evaders (RATE), *Oplan Kandado* programs and other enforcement activities, including the Tax Compliance Verification Drive (TCVD), stocktaking operations, post-evaluation of Cash Register Machines (CRM)/Point-of-Sales Machines (POS) increased collection from delinquent accounts, and the Bureau's intensified audit program.

Another major contributor to the collections of the Bureau is the higher-than-expected revenues from excise taxes, particularly on sin products, which were driven by the positive impact of the implementation of RA 10351 (the Sin Tax Reform Act). The implementation includes, among others, the affixture of internal revenue stamps on cigarettes and its monitoring using the Internal Revenue Stamps Integrated System (IRSIS).

BIR Collection Performance

(In Billion Pesos)	2014	2015	Percent Growth	2015 Percent Distribution
Total Collection	**1,334.8**	**1,441.6***	**8.0**	**100**
Income Taxes	784.8	846.2	7.8	59
Excise Taxes	135.3	158.3	17.0	11
Value-Added Tax	278.8	295.5	6.0	20
Percentage Taxes	56.5	59.0	4.4	4
Other Taxes	79.4	82.6	4.0	6

**Gross of Tax Refund amounting to P8.271 million*

On the other hand, BOC collections fell by 0.5 percent in 2015, reaching a total of P367.5 billion. Import taxes, comprising of VAT and excise tax, accounted for 83.4 percent of BOC's collections. VAT on non-oil goods brought in P225.7 billion for the year, 11.2 percent higher than in 2014. This increase, however, was not sufficient to cover the decline in VAT collection from oil products.

Compared against the 2014 level, BOC collection effort was adversely affected by the drop in the price of oil. Average crude price per barrel in 2015 is USD51.23, 47 percent lower than the USD96.66 average price in 2014.

The BOC is continuously strengthening the valuation reference information system to ensure proper customs valuation and tariff classification.

BOC Collection Performance

(In Billion Pesos)	2014	2015	Growth	2015 Percentage Distribution
TOTAL	**369.3**	**367.5**	**-0.5%**	**100%**
Import Duties	**56.3**	**57.1**	**1.5%**	**15.5%**
Non Oil	55.9	57.1	2.2%	15.5%
Oil	0.4	0.01	-97.2%	0.0%
VAT	**279.1**	**274.7**	**-1.6%**	**74.7%**
Non Oil	**203.0**	**225.7**	**11.2%**	**61.4%**
Oil	76.1	49.0	-35.6%	13.3%
Excise	**30.4**	**31.8**	**4.6%**	**8.7%**
Others	**3.5**	**3.9**	**12.2%**	**1.1%**

Sin Tax Reform Law (RA10351)

Three years after its historic passage in 2012, the Sin Tax Reform Law has been an unqualified success in its revenue objectives. Since the implementation of the law, the NG has collected P360.5 billion in total excise tax collections, of which P174.6 billion is the incremental revenue, breaching government's P127.4 billion target by 37.0 percent or P47.1 billion. Total incremental revenues from the Sin Tax Law increased from 0.4 percent of GDP in 2013 to 0.5 percent in 2015.

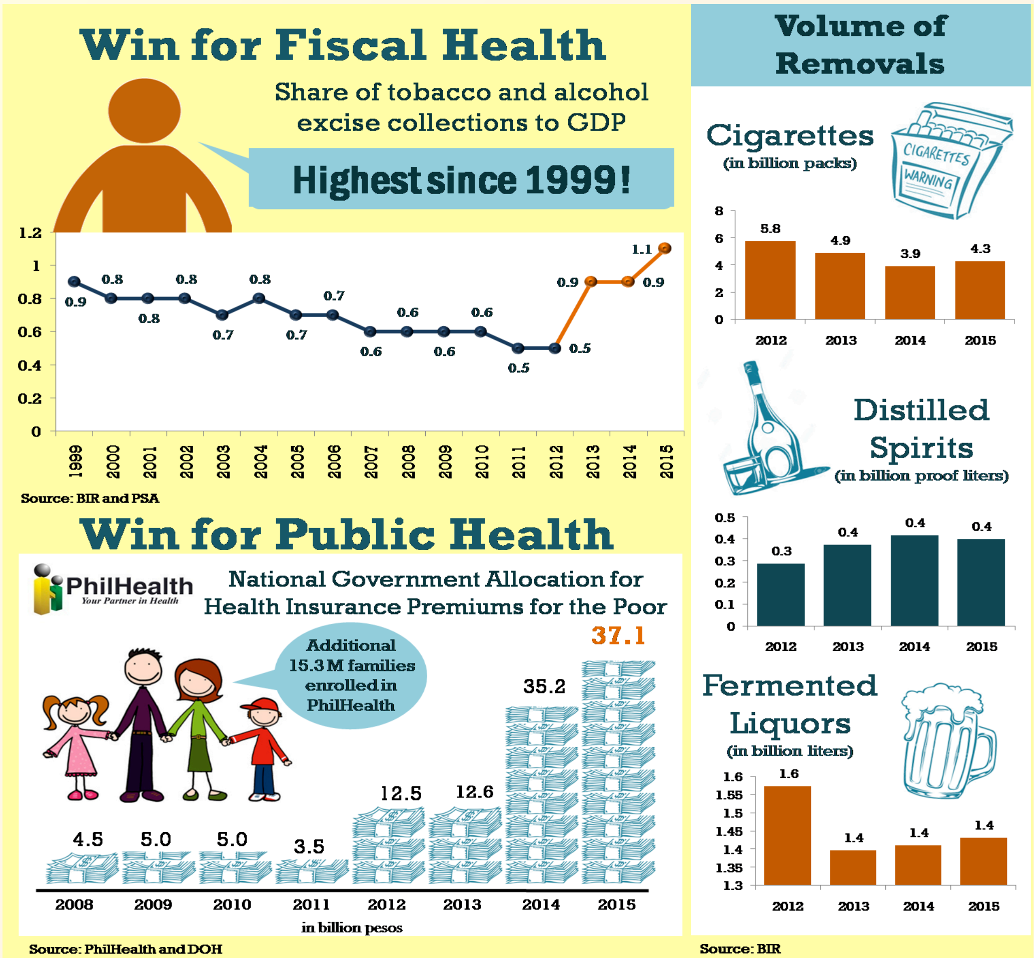
Tobacco products accounted for 78.5 percent or P137.0 billion of total incremental revenues, while alcohol products accounted for the remaining 21.5 percent or P37.5 billion from 2013 to 2015.

PERIOD	INCREMENTAL REVENUE (In Billion Pesos)				TOTAL EXCISE TAX COLLECTIONS (In Billion Pesos)	
	Projected	Actual	Excess (Shortfall)	Actual Percent of GDP	Actual	Actual Percent of GDP
1st Year – CY 2013						
Tobacco	23.4	41.8	18.4	0.4%	70.4	0.6%
Alcohol	10.6	9.3	-1.2	0.1%	33.0	0.3%
TOTAL	**34.0**	**51.2**	**17.2**	**0.4%**	**103.4**	**0.9%**
2nd Year – CY 2014						
Tobacco	29.6	39.4	9.8	0.3%	75.5	0.6%
Alcohol	13.3	10.8	-2.5	0.1%	38.5	0.3%
TOTAL	**42.9**	**50.2**	**7.4**	**0.4%**	**114.0**	**0.9%**
3rd Year – CY 2015						
Tobacco	33.5	55.7	22.2	0.4%	100.0	0.8%
Alcohol	17.1	17.4	0.3	0.1%	43.1	0.3%
TOTAL	**50.6**	**73.2**	**22.5**	**0.5%**	**143.1**	**1.1%**
GRAND TOTAL	**127.4**	**174.6**	**47.1**		**360.5**	

Source: BIR and BOC

The Sin Tax Reform Law allowed the NG to exceed the P100.0 billion mark in excise tax take from the sin products, with 2015 collections reaching a record high. Total excise taxes from alcohol and tobacco products in 2015 reached P143.1 billion, a 25.5 percent growth when compared with 2014's collections. Incremental revenues at P73.2 billion, accounted for 51.1 percent of the total sin tax revenues, was up by 45.6 percent over previous year's incremental revenues of P50.2 billion.

The share of tobacco and alcohol excise tax collections to GDP was at its highest in 2015 at 1.1 percent of GDP. The implementation of the Sin Tax Reform Law in 2013 reversed the declining trend of sin tax collections as percent of GDP.



The improved revenues from the Sin Tax Law likewise produced a clear win for public health, with funding for DOH increasing to P87.0 billion in 2015, an amount 63.4 percent higher than the DOH budget prior to the Sin Tax Law's implementation. Moreover, the law has won measurable gains for the poor and the universal health care program, with the allocation for health insurance premiums for the poor Filipino families increasing from P12.6 billion prior to reform to P37.1 billion in 2015.

Non-Tax Revenues

Non-tax revenues totaled P230.7 billion, higher than the 2014 level of P187.6 billion. Non-tax revenues include collections from fees and charges, income of the Bureau of Treasury (BTr), collections from Government-Owned and Controlled Corporations (GOCCs), and other non-tax revenues.

Fees and charges collections from various NG agencies totaled P36.4 billion or 15.8 percent of total non-tax revenues registering a growth of 11.1 percent.

Income from BTr operations representing 47.7 percent of total non-tax collections grew by 17.8 percent compared to 2014, generating full year collections of P110.0 billion.

Total dividend collections from GOCCs reached P31.5 billion, higher by P7.5 billion or 31.8 percent than the P23.9 billion collection in 2014.

Government Corporate Sector

Financing Surplus (Deficit) of Monitored GOCCs, GFIs and SSIs (*In Billion Pesos*)

Particulars	2014 Final Actual	2015 Prelim Actual	Increase (Decrease)
14 MNFGCs	19.8	3.0	(16.7)
GFIs (DBP, TIDCORP, LBP)	12.5	13.4	0.9
SSIs (GSIS, SSS, PHIC)	76.3	58.2	(18.1)

The 14 Major Non-Financial Government Corporations (MNFGCs) posted financing surplus of P3.0 billion in 2015. This is mainly due to the P8.7 billion surplus from the power corporations- Power Sector Assets and Liabilities Management Corporation (PSALM) and National Power Corporation (NPC) and National Transmission Corporation driven by: the increase in Independent Power Producer Administration (IPPA) contract payments to PSALM from new IPPAs executed during the fourth quarter of 2014; the approved increase in Universal Charge-Missionary Electrification (UC-ME) collection; and receipt of interest payments on concession fees from NGCP. Other GOCCs that had significant surplus contribution are National Development Company, Local Water Utilities Administration and Philippine Ports Authority.

The 2015 surplus level dropped by 85 percent from 2014 level as NFA and NHA increased its deficit level. In anticipation of lower local rice production due to the El Niño experienced by the country, NFA increased its rice importation for buffer stocking. On the other hand, NHA had higher capital expenditure as it continued to implement housing and resettlement programs.

The LBP and the DBP posted a combined financing surplus of P13.5 billion in 2015, mainly due to interest income from the increasing loan and investment portfolios. This was marginally offset by the P0.06 billion deficit of the Trade and Investment Development Corporation of the Philippines (TIDCORP). This deficit was driven by the decrease in investible funds, when it wound down some of its lending portfolio to settle corporate borrowings.

The three SSIs all posted financing surplus of P58.2 billion in 2015, although it is P18.1 billion (23.7 percent) lower than the P76.3 billion surplus in 2014. This was mainly due to the lower surplus posted by the Government Service Insurance System (GSIS) and Philippine Health Insurance Corporation (PHIC). There was also a significant increase in lending for GSIS in 2015 for the implementation of its Enhanced Conso-Loan Plus program. On the other hand, the lower surplus of PHIC was due to the increase in benefit payments for senior citizens and enhancement of benefit packages.

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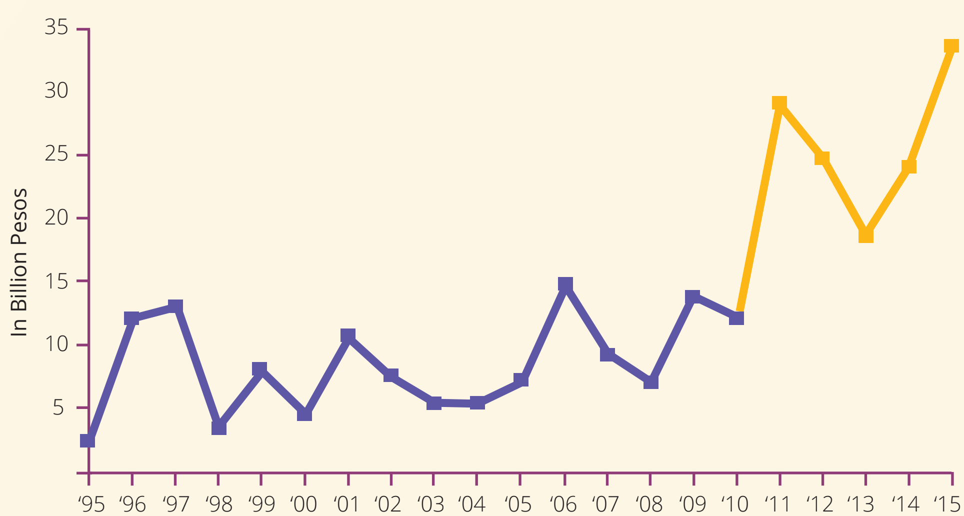
1 R.A. 7656 was passed into law in 1993, the IRR was issued in 1994 and took effect for 1994 net income (1995 dividend remittance).

Contribution to the Fiscal Consolidation Program of the Government
GOCC Dividend and Other Remittances *(In Billion Pesos)*

Particulars	2014	2015	Increase (Decrease)
Dividends	23.9	31.5	7.5
NG Share on Income Received (PAGCOR and MIAA)	15.1	20.9	5.8
Airport Terminal Fee	0.5	0.5	0.1
FOREX Risk Cover Fee	1.6	1.6	0
Guarantee Fee	3.1	4.1	1.0
Interest on NG Advances	0.1	0.5	0.4
Total	**44.3**	**59.2**	**14.9**

Dividend remittance from GOCCs totaled P31.5 billion in 2015, the highest dividend remittance since the passage of R.A. No.7656. This is 31.8 percent higher than the dividend remittance in 2014. Top dividend remitting GOCCs in 2015 included LBP, PAGCOR, Philippine National Oil Company (PNOC), Food Terminal Incorporated (FTI), DBP, PDIC, Philippine Ports Authority (PPA), Manila International Airport Authority (MIAA), and Philippine Reclamations Authority (PRA). Dividend remittances from these GOCCs accounted for 83 percent of dividend collections for 2015.

Annual Dividend Remittances of GOCCs



In addition, other remittances from GOCCs reached P27.7 billion for the year. These remittances represent NG share from income pursuant to a GOCC's charter, airport terminal fees, FOREX risk cover fee, guarantee fee and interest on NG advances.

Total collections from GOCCs amounted to P59.2 billion representing 20.2 percent of total non-tax revenues and privatization proceeds. These contributions of the government corporate sector to the fiscal consolidation programs of the government show the continuing adherence of the GOCCs to the fiscal discipline and good governance programs of the Administration.

Legislative Agenda

At the forefront of the country's fiscal sector, the Department of Finance continued to pursue legislative reforms to achieve the government's economic reform agenda. One of the priority measures, which was subsequently passed into law on 9 December 2015, is R.A. 10708 or the Tax Incentives Management and Transparency Act (TIMTA). TIMTA is envisioned to foster transparency and accountability in the grant of tax incentives, and to institutionalize a system of monitoring and reporting tax expenditures. R.A. 10708 is expected to help the government analyze and rationalize the fiscal costs, and to optimize the economic and social benefits of these incentives.

Other priority bills shepherded by the DOF in Congress were:

Status of Priority Bills as of End 2015

1. Fiscal Incentives Rationalization Act - HB Nos. 130, 302, 1788 and 2765 are pending with the Committee on Ways and Means ; SB Nos. 35, 987 and 2048 are pending with the Committees on Ways and Means

2. Customs Modernization and Tariff Act - HB No. 5288 was approved on 3rd Reading on 15 December 2015; SB Nos. 291, 415 and 1930 are pending with the Committee on Ways and Means, Local Government, and Finance

3. Valuation Reform Act - HB No. 5288 was approved on 3rd Reading on 15 December 2015; SB Nos. 291, 415 and 1930 are pending with the Committee on Ways and Means, Local Government, and Finance

4. Fiscal Regime and Revenue Sharing Arrangement for Large-Scale Metallic Mining Act - HB Nos. 3586, 5367 and 5843 are pending with the Committee on Ways and Means; SB Nos. 43, 2086, 2362 and 2374 are pending with the Committee on Ways and Means, Environment and Natural Resources, Cultural Communities, and Finance

5. Establishing the Income Classification of Provinces, Cities and Municipalities Act - HB Nos. 1549 and 5656 are pending with the Committee on Local Government.; SB No. 2664 is pending with the Committee of Local Government

6. Amendments to the BSP Charter - HB No. 5875 was approved on 3rd Reading on 9 October 2015; SB Nos. 618, 889, 1852, 1865 and 2109 are pending with the Committee on Banks

7. Amendments to the Charter of the PDIC - Pending Bicameral Conference: HB No. 6020 was approved on 3rd Reading on 21 September 2015; SB No. 2976 was approved on 3rd Reading on 14 December 2015

8. Amendments to the Corporation Code - HB No. 4407 is pending with the Committee on Trade and Industry; SB No. 2945 (CR 247) - Pending in 2nd Reading, awaiting interpellation.

9. Amendments to R.A. 7718 or the Build- Operate-Transfer Law - HB No. 6331 (CR 947) - Pending in 2nd Reading, awaiting sponsorship; SB No. 3035 Pending in 2nd Reading, Awaiting Interpellation; Certified by the President for its Immediate Enactment on 17 December 2015.

Financing and Debt Management

In 2015, the NG raised P609.6 billion through borrowing to fund the deficit and refinancing requirement of the government. Actual borrowing ended up 14 percent lower than the P710.8 billion revised program due to the lower deficit turnout.

National Government Financing (*In Billion Pesos)*

Particulars	2014 Actual	2015 Revised Program	2015 Actual	Variance Value	Variance %
Net Financing	**175.2**	**296.8**	**242.9**	**(175.1)**	**-59**
External (Net)	12.6	55.0	64.8	9.7	18
External (Gross)	141.9	178.1	189.5	11.4	6
Less: Amortization	129.4	123.1	124.8	1.6	1
Domestic (Net)	162.7	241.8	178.1	(184.8)	-76
Domestic (Gross)	387.8	532.7	420.1	(112.6)	-21
Less: Amortization	225.2	290.9	242.0	72.2	25
Gross Financing	**529.8**	**710.8**	**609.6**		
Financing Mix (% of total)					
External	**27%**	**25%**	**31%**		
Domestic	**73%**	**75%**	**69%**		

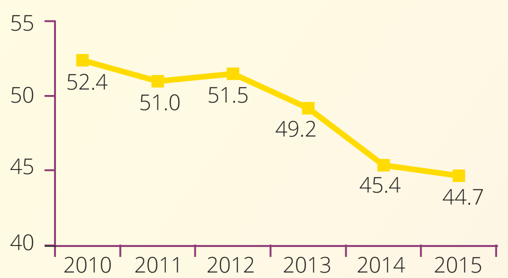
Of the total, domestic financing accounted for P420.1 billion or 69 percent of gross borrowing. The lower deficit turnout required less issuance of domestic securities to avoid unnecessary, and costly build up of cash balances. The sustained bias for domestic financing is in line with the long-term objective to moderate foreign exchange risk and to catalyze domestic capital market development. Furthermore, 40 percent of domestic issuances were of medium-term securities, helping maintain the average time-to-maturity of the debt portfolio at the comfortable level of 10 years.

National Government Outstanding Debt (*In Billion Pesos)*

	Dec 14 Amount	Dec 14 % to total	Dec 15 Amount	Dec 15 % to total
Domestic	**3,821**	**66.61%**	**3,885**	**65.24%**
External	**1,915**	**33.39%**	**2,070**	**34.76%**
Total	**5,736**	**100.00%**	**5,955**	**100.00%**
USD/PHP	**44.70**		**47.15**	

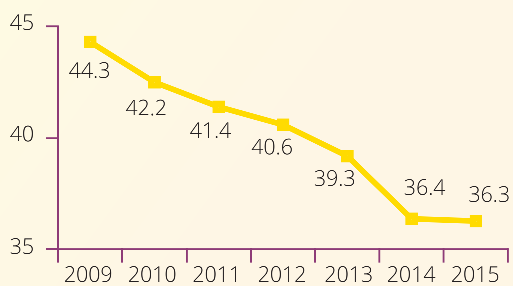
As of year-end 2015, NG total outstanding debt was recorded at P5,955 billion. In line with risk management objectives to mitigate against foreign currency fluctuations, 65 percent of outstanding debt or P3,885 billion is now domestic debt. Outstanding external obligations total P2,070 billion. Consistent with the borrowing program, outstanding domestic debt increased by 1.7 percent year-on-year, equivalent to P63.8 billion. Meanwhile, external obligation also increased by P155.5 billion or 8.1 percent from end-2014 figures.

Debt-to-GDP Ratio



The debt-to-GDP ratio has progressively improved in the last six years, narrowing considerably to 44.7 percent as of end-December 2015 compared to 52.4 percent in 2010. This is a product of liability management and improvement in economic growth.

General Government Debt as % of GDP



As of December 2015, the General Government (GG) debt amounted to P4.8 trillion, 4.9 percent or P225.4 billion higher than the end-2014 level of P4.6 trillion. The outstanding NG debt (net of the Bond Sinking Fund holdings) increased by P232.7 billion. Domestic borrowings accounted for P83.9 billion while foreign debt, which was affected by the peso depreciation, made up the remaining P148.8 billion.

Furthermore, Local Government debt grew by 9.9 percent to P75.3 billion compared to last year's level of P68.5 billion. The P6.8 billion difference is mainly due to the increase of the LGUs' outstanding loans for purposes of procurement and financing public services.

The SSIs raised their holdings of Government Securities by 2.1 percent or P10.1 billion from last year's level mitigating the combined increase in both the National and Local Government debt.

Year-on-year, the 36.3 percent GG Debt to GDP ratio is lower by 0.1 percentage point from last year's 36.4 percent.

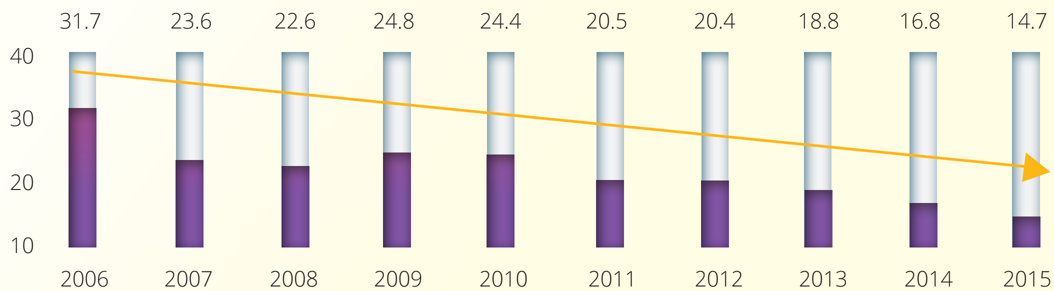
The GG debt consists of the outstanding debt of the NG, the Central Banks Board of Liquidators (CB-BOL), SSIs, and the Local Government Units less intra-sector debt holdings of government securities including those held by the BSF.

Despite the rising interest rate environment, the Weighted Average Interest Rate (WAIR) WAIR of the NG debt portfolio stayed on a downward trend. WAIR for NG domestic and external obligations is at 5.5 percent and 4.7 percent as of end-2015 from 5.7 percent and 4.9 percent as of end-2014, respectively. The contraction of borrowing costs result from a strategic issuance policy that takes advantage of favorable domestic interest rates to refinance maturing obligations, including those done through liability management transactions.

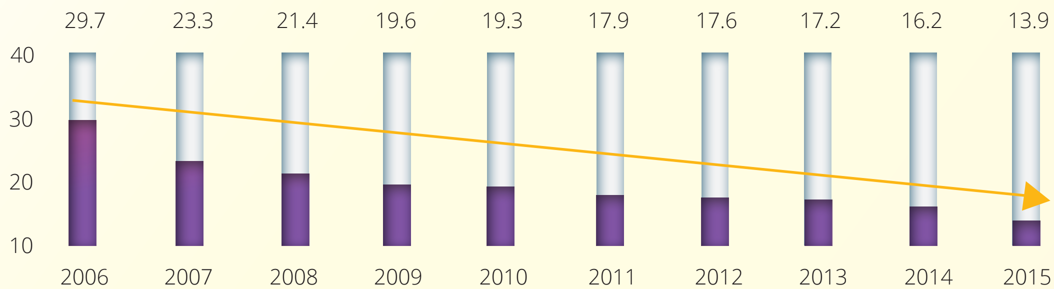
The average maturity of the debt portfolio has maintained a comfortable average of 10.04 years, residing on the upper bound of the country's medium-term debt target of 7 to 10 years. Approximately 89 percent of the country's total outstanding debt is at the longer-end, which diminishes the country's exposure to refinancing risks. Domestic and external debt have average maturities of 9.16 and 11.86 years, respectively.

Financing and Debt Management

Interest Payments/Revenues



Interest Payments/Expenditures



Debt service metrics have improved, with interest payments (IP) taking up a lower percentage of revenues and expenditures. IP reached P309.4 billion in 2015, as compared to P321.2 billion for 2014 and generated savings of P31.5 billion against the full-year program. IP relative to revenues declined to 14.7 percent from 16.8 percent the previous year, indicating improved NG capacity to service debt. Similarly, IP fell to 13.9 percent of expenditures from 16.2 percent in 2014, freeing fiscal space for more productive Government spending.

In 2015, ROP reaffirmed its growing stature in international markets as it successfully executed a USD1.5 billion liability management exercise as part of a USD2.0 billion issuance of 25-year Global Bonds to start the year. The transaction won the country Finance Asia's *Most Professional Sovereign Borrower in Asia* award for the second year in a row as well as T*op Philippine Borrower in International Debt Markets*. It also won the *Deal of the Year Award* given by The Asset. This award winning transaction is testament to the country's sophistication as an Issuer and its pro-active and effective approach to liability management.

Finally, as part of the government's program to manage its borrowing costs and extend the maturities of its domestic debt portfolio, BTr successfully conducted its 8th domestic bond exchange on 9 September 2015. The transaction was the biggest domestic liability management exercise executed by NG to date, swapping illiquid securities for a total of P264 billion in new benchmark bonds split between P121 billion in 10-year bonds and P143 billion in 25-year bonds. Aggregate tenders for both tenors reached P388 billion, nearly 4-times more than the P100 billion minimum set for the 2 tenors.

Official Development Assistance for Inclusive and Sustainable Growth

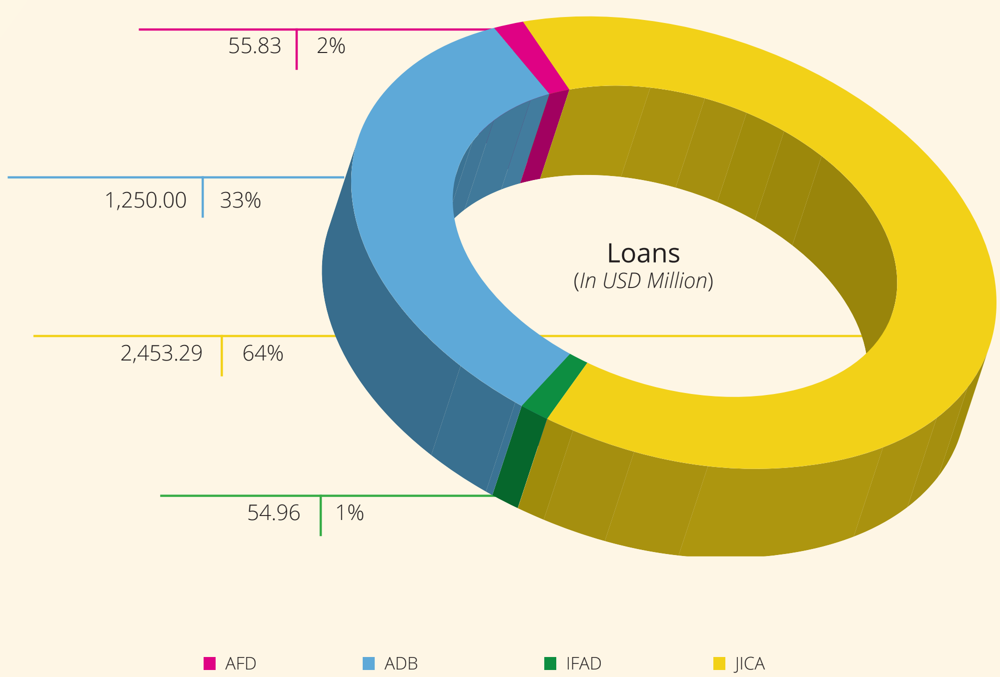
With the goal of maximizing concessional financing, effectively utilizing foreign technologies and expertise to support development priorities and prudent debt management strategy, the DOF secured about USD3,814.07 million of new, highly concessional Official Development Assistance (ODA) loans to finance 12 projects in the areas of infrastructure, agriculture and fisheries, social services, climate change, and energy.

Among the project financing mobilized in 2015 include the loan from Japan International Cooperation Agency (JICA) to finance the USD2 billion North-South Commuter Railway Project (Malolos-Tutuban) of the Department of Transportation and Communications (DOTC) and from the *Agence Francaise de Developpement* (French Development Agency) to co-finance the USD228.5 million Cebu Bus Rapid Transit (BRT) Project of the DOTC. The JICA financing for the railway project stands as the largest assistance ever extended to any country for a single project.

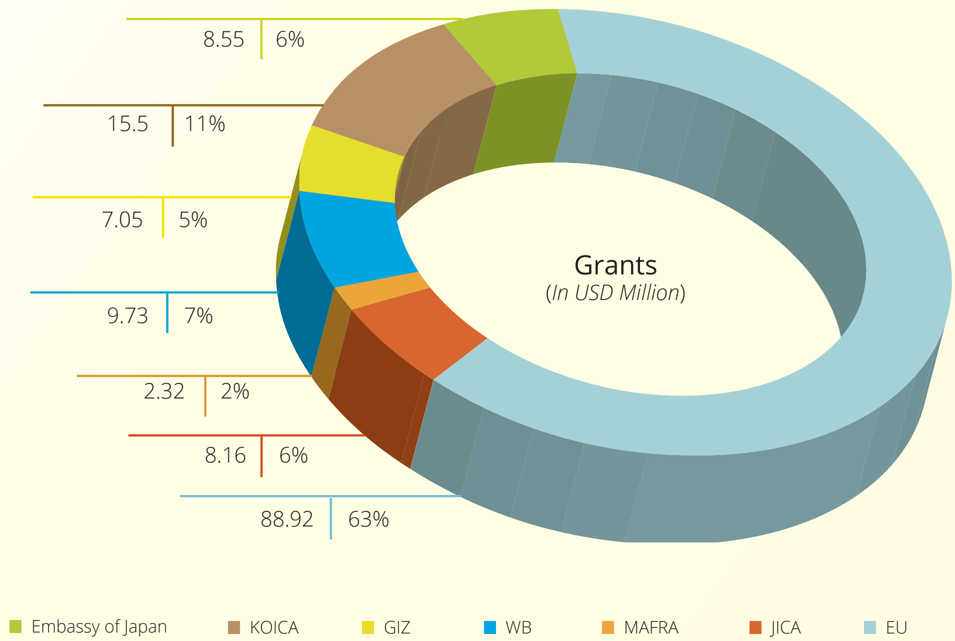
The optimal use of ODA resources also contributed to improved debt metrics at 44.7 percent debt-to-GDP.

In addition, the DOF mobilized approximately USD140.24 million of foreign grants from bilateral and multilateral partners to finance and support 16 projects for disaster risk reduction and post-disaster reconstruction, environmental protection, agricultural development, health service delivery improvement, infrastructure development, flood control, and energy access.

New Loan Commitments, FY2015



New Grant Commitments, FY2015



Spearheading Reforms on Foreign Financing

The DOF has also fully implemented the NEDA Investment Coordination Committee–Cabinet Committee (ICC-CC)'s Revised Financing Framework (RFF), which provides new procedures and parameters for project evaluation.

Under this Framework, proposed projects are evaluated solely on their own technical merits, separate from and regardless of proposed sources of foreign financing from development partners.

The RFF-Technical Working Group led by the DOF together with the National Economic and Development Authority and Department of Budget and Management, tasked with evaluating financing sources for National Government projects, has reviewed and facilitated recommendation for foreign financing of eight (8) projects, and five (5) feasibility studies in support of infrastructure development, disaster mitigation, and maritime monitoring. These projects total to an estimated USD2,663.72 million (about P125 billion).

Privatization and Public-Private Partnership (PPP)

The Privatization Group of the DOF serves as the Secretariat of the Privatization Council mandated under Executive Order 323 to approve the privatization of Government assets. It also contributes to the effective management of government assets to improve their utilization and economic benefits. Relative to the PPPs and revised BOT Law, the DOF was tasked to review the financial viability, fiscal impact and risk allocation of proposed PPP projects for the consideration of the ICC for eventual approval by the National Economic Development Authority (NEDA) Board. It was also mandated to provide opinion to all PPP projects prior to contract signing to ensure that the financial terms adequately protects the government from unnecessary contingent liabilities.

Privatization

2015 was a banner year for Government's privatization efforts to retrieve ill-gotten wealth. The Presidential Commission on Good Governance (PCGG) transferred P60.1 billion Coco Levy proceeds to the Special Account under the General Fund pursuant to Executive Order 180. Total Privatization proceeds amounted to P62.8 billion including remittances by the PMO of proceeds from property sales and leases.

PPP

In 2015, the DOF provided financial appraisals for the following PPP projects: LRT Line 4, LRT Line 6, Road Information Technology Infrastructure Project Phase II of DOTC and the LTFRB, Civil Registry System – IT Project Phase 2, NLEX-SLEX Connector Road, Batangas-Manila Natural Gas Pipeline, NAIA Development Project, Plaridel Bypass Road, Department of Tourism (DOT) Philippine Travel Center, Nayong Pilipino in Entertainment City. The first five projects were approved by both the V and the NEDA Board while the other five are pending approval by the NEDA Board as of end-2015.

The DOF provided opinions on the contract for the Integrated Transport System – South Terminal and Southwest Terminals, the Cavite-Laguna Expressway, and the Bulacan Bulk Water Project. All these projects have been successfully bid out.

The DOF was actively involved in the crafting and/or approval of PPP related polices such as appraisal of PPPs; identification, selection and prioritization of PPP projects; viability gap funding; termination payment; and monitoring framework and protocols; among others.

Rationalization of Government Assets

The largest transaction negotiated by the Privatization Group in 2015 was the consolidation of the Government's stake in Semirara Mining and Power Corporation.

The DOF is currently working with other agencies on the financial implication of the transfer of the Paco Station and the air rights of the PNR from Home Guarantee Corporation to the NG for eventual use for the North-South Railway Project, the NLEX-SLEX Connector Road, and the Metro Manila Skyway Stage 3 Project.

The 3Rs of Governance

The DOF stayed the course. Tax administrative and governance reforms continued to be implemented resulting in sustained growth in collections, enhanced transparency and more efficient and effective tax administration and governance.

1. **Run After the Smugglers (RATS)**
   To date, there are two hundred and ten (210) RATS cases filed under the current administration.

RATS CASES FILED UNDER THE AQUINO ADMINISTRATION As of 31 December 2015	
Total No. of Cases	**210**
Cases filed at the CTA/ RTC	**52**
Pending Preliminary Investigation	**136**
Dismissed	**22**
Conviction	**1**
Total Dutiable Value	**P56.7B**
Total Duties and Taxes	**P26.1B**

Successful Resolutions: 2004-2015	
Dismissed from the Service:	28
Benefits Forfeited:	3
Fined:	6
Suspended:	21
Reprimanded:	3
Criminally Fined:	4
Imprisoned:	1

2. **Revenue Integrity Protection Service (RIPS)** The anti-corruption arm of the DOF is tasked, among others, to conduct lifestyle check investigations against DOF officials and employees as well as officers and employees of agencies and offices under the supervision of the DOF.

3. **Reinvigorated Run After Tax Evaders (RATE) Program** This program identifies and prosecutes high profile tax evaders through investigation of large-scale violations of tax laws. It was re-invigorated under the Administration of President Benigno S. Aquino and Commissioner Kim S. Jacinto-Henares.

   For this year, ninety-four (94) RATE cases were filed with the Department of Justice of which the estimated tax liabilities amounted to P9,708.74 Billion.

Fiscal Intelligence Unit (FIU)

The FIU of the DOF is tasked to identify potential revenue sources and leakages, monitor the revenue performance of the revenue generating agencies, and to recommend to the Secretary of Finance improvements to achieve revenue targets. Under its watch, FIU had identified four (4) priority commodity groups, for post-entry audit. The top importers of each of the commodity groups, as well as a number of importers recommended by BOC, were subjected to audit for year 2015 to verify the existence of potential undervaluation, misclassification, and other compliance issues. Thirty-nine (39) Post-Entry Audit Findings PEAFs were released to various industry importers. A total of twenty-five (25) Final Audit Report and Recommendation (FARRs) were endorsed and released to the BOC in 2015 for appropriate action. The total estimated potential deficiency duties and taxes representing FARRs issued covered about 3,260 import entries amounting to P2.129 billion for the years 2011 to 2016.

BIR Reforms

Aside from the RATE Program, the BIR implemented the following major programs and initiatives which contributed significantly to the improved collection performance of the BIR:

1. **Oplan Kandado -** An initiative involving the strengthening of the Bureau's imposition of prescribed administrative sanctions for non-compliance with essential VAT requirements, pursuant to 115 of the Tax Code, as amended. Revenues generated in 2015 amounted to P0.3 billion.

2. **Internal Revenue Stamps Integrated System (IRSIS) for Alcohol Products (Distilled Spirits) -** A web-based application that will manage the ordering, production, distribution, affixing and tracking as well as provision of security features in the revenue stamps for alcohol products. Its primary objective is to ensure the collection of correct excise taxes on alcohol products. Revenues generated in 2015 amounted to P136.9 billion.

3. **VAT Audit Program -** The program aimed to increase revenue collection and enhance voluntary compliance by focusing on risk-based and issue-oriented audit of VAT liabilities and to broaden the tax base by identifying buyers and suppliers of goods and services subject to VAT. Revenues generated in 2015 amounted to P2.5 billion.

4. **Centralized Arrears Management and Forfeited Asset Management Project -** This pertains to the centralized management and handling of Accounts Receivable/Delinquent Accounts (AR/DAs) with streamlined processes focused on specialized skills and competence of Seizure Agents. Revenues generated in 2015 amounted to P3.1 billion.

5. **Electronic Letter of Authority Monitoring System (eLAMS) -** This is a web-based application built to enforce management and control of audit conduct as well as to monitor the workload of concerned case/revenue offices' audit. Revenues generated in 2015 amounted to P3.6 billion.

6. **Electronic Authority to Release Imported Goods (eATRIG) -** This is an on-line application system for the ATRIG, which automates the processing and issuance thereof. Revenues generated in 2015 amounted to P41.0 billion.

Customs Reforms

The BOC implemented several services and proposed projects that are already in the pipeline for implementation and execution. All of these are intended to institutionalize transparency, operational and regulatory efficiency, and most importantly, law enforcement effectiveness. These include, among others:

1. **BOC CARES.** The initial foundations for BOC CARES – the Bureau's call center unit – that aims to provide fast, easy and accessible assistance to the public and stakeholders.

2. **BOC, DHL Tie Up in Enhancing Anti – Smuggling Strategies and Techniques.** BOC and DHL sealed a Memorandum of Understanding to collaborate and work together in developing better strategies and techniques against smuggling.

3. **Customs declares Manila North Harbor Port, Inc. (MNHPI) as authorized Customs facility.** MNHPI now has the license to operate as an Authorized Customs Facility to operate within the parameters of an Authorized Economic Operator program established under

the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade and the World Trade Organization Trade Facilitation Agreement. The Agreement aims to ensure integrity and security of trade facilitation from supply source to customs clearance to final distribution.

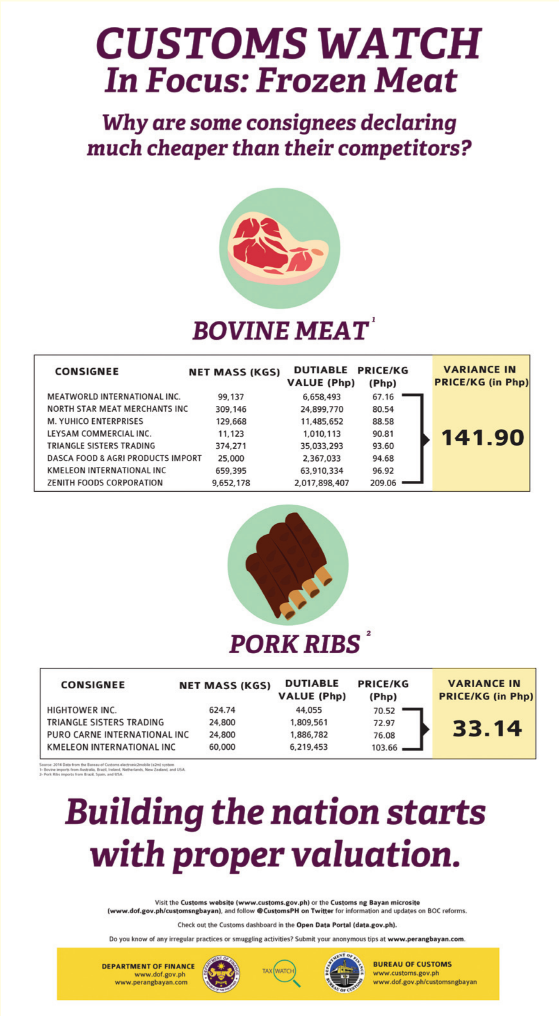
4. **Customs deputizes Sugar Regulatory Administration (SRA), Sugar Anti-Smuggling Office (SASO) to intensify efforts against sugar smuggling.** In a memorandum order signed by Customs Commissioner Alberto D. Lina, the BOC has formally deputized representatives from the SRA and SASO of the Sugar Alliance of the Philippines to intensify its efforts to curb sugar smuggling in the country.

5. **Customs ng Bayan Helpdesk.** On 09 September 2015, the BOC operationalized a feedback mechanism to cater to public queries and complaints related to Customs services, as well as erring Customs employees utilizing relevant social media network tools. Since its launch, the Citizens Charter has received nine hundred ninety three (993) concerns and inquiries thru Facebook, Twitter, phone calls and e-mails.

6. **Balikbayan Box Tax Calculator online app.** Anticipating the passage of the Customs Modernization and Tariff Act into law, the BOC has designed and developed the BALIKBAYAN BOX Duties and Tax Calculator app for easier access to information for our kababayans abroad designed to estimate the amount of customs duties and taxes on balikbayan boxes based on the declared value of commonly sent items following the Revised Tariff and Customs Code of the Philippines, applicable to Filipinos citizens, immigrants, and/or overseas workers that travel, reside and/or work in the Philippines and abroad.

Tax Watch

The Tax Watch Team comprising of staff from the OSEC, FIU, and BLGF publishes the Tax Watch ads in general circulation every week. The campaign aims to increase transparency in tax payments and encourage people to be conscientious in paying the right taxes. Various tax and revenue-related key findings on imported good, performance of LGUs in managing local funds as well as compliant LGUs to eSRE reporting, were released.



24 July 2015

CUSTOMS WATCH
In Focus: Trucks

Let's have a look at consignees importing used trucks under HS code 87042239000[1] that have declared values significantly lower than similar goods.

Is there a truck that costs only Php 83,000?

2004 FUSO DROPSIDE

CONSIGNEE	DUTIABLE VALUE AS DECLARED BY CONSIGNEE (PHP)	DUTIES / TAXES
Sambong Subic Corporation	253,088	87,373
Mateen Tokyo International Inc.	247,736	86,075
Subic Metro Lanka Intl Corp.	218,631	75,633
United Auctioneers Inc.	95,409	32,950

2004 ISUZU DROPSIDE

CONSIGNEE	DUTIABLE VALUE AS DECLARED BY CONSIGNEE (PHP)	DUTIES / TAXES
Subic Metro Lanka Intl Corp.	279,160	96,630
Vieva Sun Intl Trading & Devt Corp	261,659	90,598
Subicpro Commodities Corporation	233,036	80,756
Altis International Trading Inc.	166,609	57,577
United Auctioneers Inc.	91,815	31,754

2004 FUSO DUMP

CONSIGNEE	DUTIABLE VALUE AS DECLARED BY CONSIGNEE (PHP)	DUTIES / TAXES
Ichiban Import Export Corporation	268,547	92,752
Twins Trading International Subic B	264,790	91,676
Autoland Subic Motors Corporation	257,558	89,305
Murami Subic Trading Corporation	99,852	34,615
United Auctioneers Inc.	91,215	31,529

2004 FUSO WING VAN

CONSIGNEE	DUTIABLE VALUE AS DECLARED BY CONSIGNEE (PHP)	DUTIES / TAXES
Micro Kinetics Inc	297,587	102,941
AAW Subic Trading Corporation	248,492	86,057
Mateen Tokyo International Inc.	245,355	85,253
Altis International Trading Inc.	232,411	80,138
United Auctioneers Inc.	83,512	28,828

[1] - HS Code 87042239000 : Motor vehicles for the transport of goods: Goods vehicles, with diesel or semi-diesel engines, gvw 5-20 tonnes — Other
Note: There are 312 entries under HS Code 87042239000, 296 of which came through the Port of Subic.
281 of these came from Japan. The above consignees imported used trucks in the month of October 2015.

Building the nation starts with proper valuation.

Visit the **Customs website (www.customs.gov.ph)** or the **Customs ng Bayan microsite (www.dof.gov.ph/customsngbayan)**, and follow **@CustomsPH on Twitter** for information and updates on BOC reforms.

Check out the Customs dashboard in the **Open Data Portal (data.gov.ph).**

Do you know of any irregular practices or smuggling activities? Submit your anonymous tips at **www.perangbayan.com**.

DEPARTMENT OF FINANCE
www.dof.gov.ph
www.perangbayan.com

TAX WATCH

BUREAU OF CUSTOMS
www.customs.gov.ph
www.dof.gov.ph/customsngbayan

25 November 2015

Philippine Extractive Industries Transparency Initiative

(PH-EITI): 2015 MILESTONES

1. **Improvement of Government Systems.** PH-EITI recommended several reforms to different agencies to address the gaps in existing systems that were surfaced by the first report. The Mining Industry Coordinating Council MICC acted on these recommendations by tasking government agencies to come up with action plans to implement PH-EITI's recommendations.

2. **Publication of extractive contracts in open format and Disclosure of Supporting Documents.** The disclosure of contracts between the extractive companies and government was realized through the creation of www.contracts.pheiti.org.

3. **Stakeholder consultations.** PH-EITI conducted workshops and dialogues with local government units, companies in the extractive sector, and government agencies in the region to deepen awareness of the objectives of EITI and to foster cooperation and find solutions to issues around the extractive industries.

4. **Publication of 2nd EITI Report.** PH-EITI published and submitted its 2nd Country Report to the EITI International Board on 30 December 2015. The report contains information on revenue collectionsfrom 26 material companies and around 97 percent of revenue from the oil, gas and mining sector, and the disclosure of companies' environmental impact assessments and expenditures for social development projects.

Microinsurance (MI)

In 2015, the DOF concluded formulation of new financial inclusion initiatives broadening the breadth of microinsurance and enhancing the regulatory environment, while at the same time forging new areas for coverage. Much of the work on microinsurance[1] was done in collaboration with the Insurance Commission (IC). The following frameworks were approved in 2015:

1. **Enhanced Microinsurance Framework**

   The Enhanced Microinsurance Framework, was adopted through the issuance of IC Circular Letter (CL) No. 2015-54. It envisions to enhance the regulatory environment for microinsurance in order to broaden the scope and deepen the outreach of microinsurance providers without sacrificing their viability and sustainability, while protecting the consuming public.

2. **Agriculture Microinsurance Framework**

   Through the issuance of (IC) CL No. 2015-53 on 15 October 2015, the Agriculture Microinsurance Framework ("MicroAgri Framework") was adopted providing a clear-cut policy on agriculture insurance to encourage the private microinsurance providers to innovate and design products tailor-fitted to the needs of farmers and promotes public and private sector collaboration for its development.

3. **Micro Pre-Need Regulatory Framework**

   Micro pre-need is an IC initiative anchored on the microinsurance framework. The Micro Pre-Need Framework was adopted on 9 October 2015 through the issuance of (IC) CL No. 2015-5. It establishes a policy and regulatory environment that will foster, enrich, and aid the prudent and practicable provisions of Micro Pre-Need products and services.

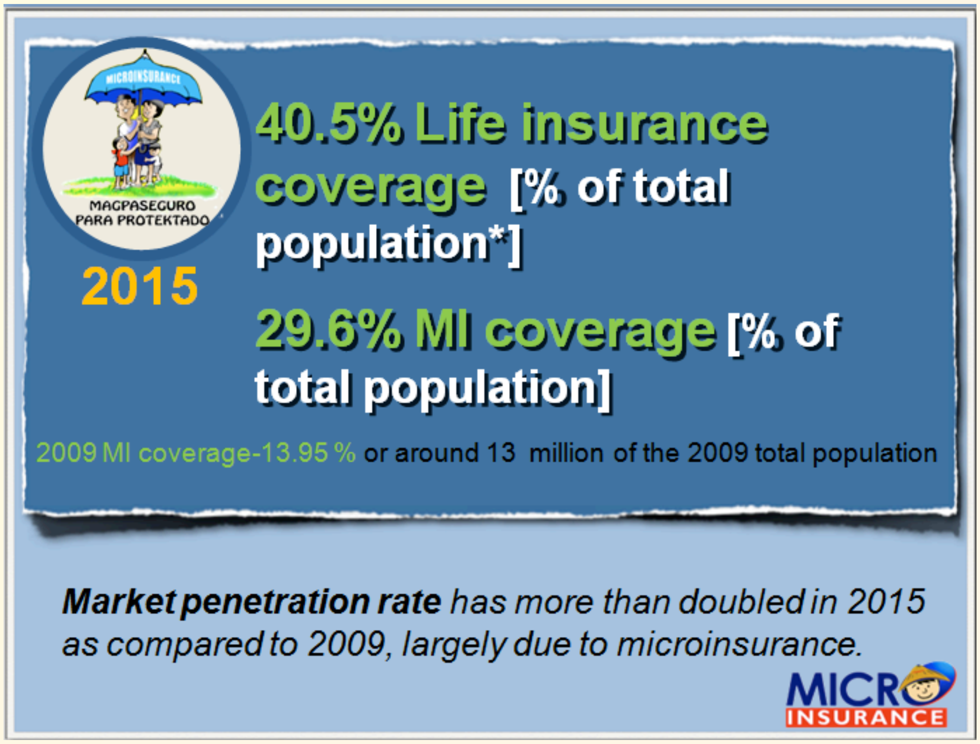
Insurance Consumption and Market Penetration

Insurance Penetration Rate starting 2011 at 1.2 percent of GDP until 2015 at 1.754 percent, showed upward trend except in 2014 when sales of a life insurance product that bears an investment component - single premium/single pay variable unit linked insurance policies declined due to fluctuations in the stock market in that period.

In 2015, market penetration rate[2] has more than doubled from its 2009 figure. It grew from 13.95 percent or around 13 million of the total population in 2009, to 29.6 percent or 30.07 million of the 101.6 million population[3] in 2015.

The increase in penetration rate is attributable to the rise in microinsurance coverage.

1 Microinsurance frameworks were done through the technical assistance on Capacity Building and Microinsurance Project (TA 8258) as provided by the Asian Development Bank to the Philippine government.
2 Defined as the number of people with life coverage divided by the population.
3 Source: Philippine Statistics Authority (As of December 31, 2015)



Reform on the Philippines' Secured Transactions[4]

The reform in the Philippines secured transactions system is another initiative of the DOF for inclusive growth by improving access to finance of small and medium enterprises. The objective of the program is to establish an enhanced chattel mortgage registry and the acceptance of movable assets as collateral in availing loans. The reform is envisioned to ease access to credit and to reduce transaction costs in lending to micro, small and medium enterprise (MSMEs).

Cooperatives as Channel of Inclusive Growth

The Cooperative Development Authority (CDA) is one of the agencies attached to DOF. The CDA is mandated to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development.

As of 31 December 2015, there are 25,611 registered cooperatives nationwide and around 14 million individual members. Data from the Cooperative Development Authority (CDA) also revealed that 69 percent of these cooperatives offer financial services to members which make cooperatives possible effective financial inclusion access points. Moreover, 72 percent or at least one cooperative with financial services, is present in 1,172 out of 1,634 cities and municipalities in the Philippines. Cooperatives generally provide microinsurance bundled with other products, usually with microcredit, to members.

4 The legal and institutional frameworks that enable access to credit by use of movable property and other instruments as collateral.

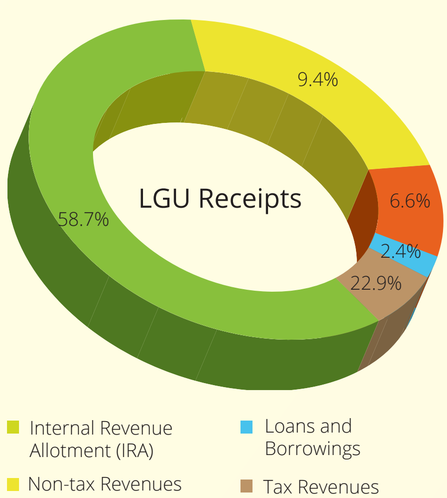
Bureau of Local Government Finance

To enhance the revenue operation of the LGUs, the DOF, through the BLGF and its Revenue Generation Program provides LGUs with technical assistance in implementing tax collection enforcement programs and strategies. These are aimed at improving their performances in generating locally sourced income which includes updating of Local Revenue Codes, Schedule of Market Values, credit financing schemes, and improved financial reporting system, among others.

LGU Receipts and Expenditures

In 2015, total receipts of the LGUs reached P533.2 billion of which P172.3 billion came from local sources (tax and non-tax revenues), P360.9 billion from external sources which consist of the Internal Revenue Allotment (IRA), loans and borrowings and other non-income receipts.

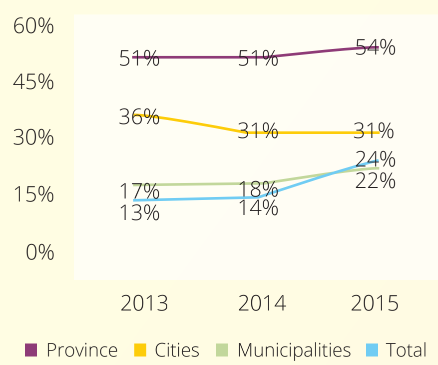
Tax revenues and non-tax revenues contributed 22.9 percent and 9.4 percent, respectively to the total LGU receipts while IRA accounted for 58.7 percent. The rest came from borrowings and other sources.



Source: BLGF

Historical data shows no increase in LGUs locally-sourced revenues (LSR)[5] as a ratio of the annual regular income (ARI[6]) at a 31 percent for 2015. Among the three LGU types, the Cities are most self-sufficient having the highest LSR dependence at 54 percent which translates that more than half of the ARI were contributed by the cities' own revenue source. On the other hand, for 2015 only 22 percent of the Municipalities' ARI and 24 percent of the Provinces' ARI was contributed by local revenue, the remaining were from central transfers.

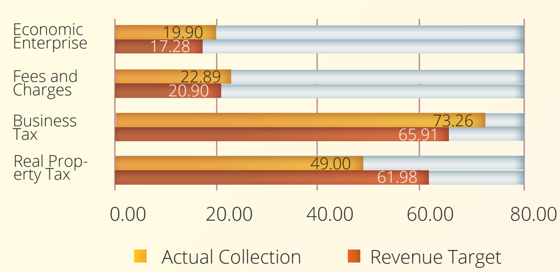
LGUs LSR Dependency
(FY 2013 - FY 2015)



Source: BLGF

For 2015, LGUs collected 99 percent of the revenue target set by BLGF for locally-sourced income. LGUs registered highest collection efficiency for Economic Enterprises at 115 percent.

Collection Efficiency for FY 2015
(*In Billion Pesos*)



Source: BLGF

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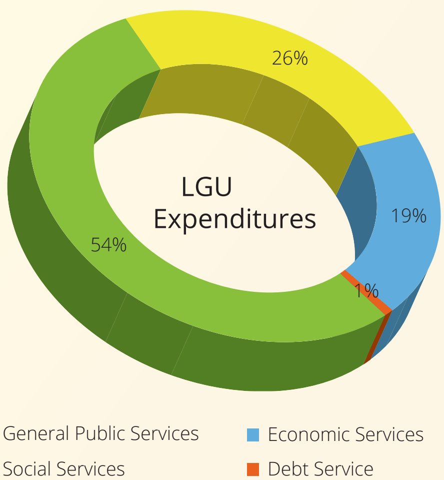
5 LSR = Real Property Tax (Basic) + Business Tax + Fees and Charges + Receipts from Economic Enterprises
6 ARI = LSR + IRA (CY) + Others Shares from National Tax Collection + Interest Income

On the current operating expenditures, large percentage of the LGUs expenses went to General Public Services (54 percent) or the sector expenditures for the services that are indispensable to the existence of an organized LGU. This was followed by Social Services (26 percent), Economic Services (19 percent) and the lowest was for debt service payments of 1 percent.



Source: BLGF

Support to LGU Finance Operations

In the spirit of continuous institutionalization of conducive fiscal environment to support LGU finance operations, the BLGF has issued and approved 229 rulings, opinions, and policies, covering the local treasury operations, local taxation, and real property appraisal and assessment.

Basic Competency for Local Treasury Examination (BCLTE) and Ethics-Oriented Personality Test (EOPT)

The BLGF, in coordination with the DOF and Civil Service Commission (CSC), launched two competency assessment examinations, the BCLTE and the EOPT, to professionalize and measure the competencies of local treasury officers to implement good fiscal governance and local public financial management.

The BCLTE was conducted on 06 December 2015, administered simultaneously nationwide in all Civil Service Commission (CSC) Regional Testing Centers. BCLTE was mandatory for all permanent and designated treasurers and assistant treasurers, and BLGF Central and Regional employees assigned with local treasury supervision functions. EOPT, on the other hand, was mandatory to all officials and employees of BLGF and was conducted on the same date.

Result of the examination was also used in identifying the focus of capacity building interventions to promote professional growth and development in local treasury service.

Municipal Development Finance Office

Created through EO 41 in November 1998, the MDFO of the DOF acts as the primary source of credit financing of the 4th to 6th class LGUs, or those with very minimal resources, to support their development initiatives.

As of end-2015, the Municipal Development Fund (MDF), a special revolving fund from proceeds of foreign loans assistance and grants made available for relending to LGUs, totaled almost P18.0 billion, out of which, 84.9 percent or P15.3 billion has been allocated to its various financing windows. The MDFO has currently 10 programs designed to respond to the financing need of its client LGUs.

Particulars	As of end 2014 (In Million Pesos)	As of end 2015 (In Million Pesos)	Percent Change
Municipal Development Fund			
Total MDF	16,864.71	17,985.07	6.6%
Allocated Funds for Financing Windows	11,635.96	15,261.46	31.2%
Approved Projects	7,606.65	9,636.00	26.3%
Number of Subprojects and LGUs financed by MDF			
Particulars	**As of December 2014 (Number)**	**As of December 2015 (Number)**	**% Change**
No. of Approved Subprojects[1]	334	370	10.8%
No. of LGUs[2]	288	319	10.8%

Note: [1] Includes withdrawn Subprojects; **Actual number of approved subprojects for 2015 = 46**

[2] With double count which means that "repeater" LGU clients were counted depending on the number of subproject/s availed.

Number of LGUs that availed financing in 2015 = 40 LGUs

Out of the 10 ongoing projects of MDFO, eight (8) projects are considered regular financing, while two (2) projects finances equity counterpart for ODA projects.

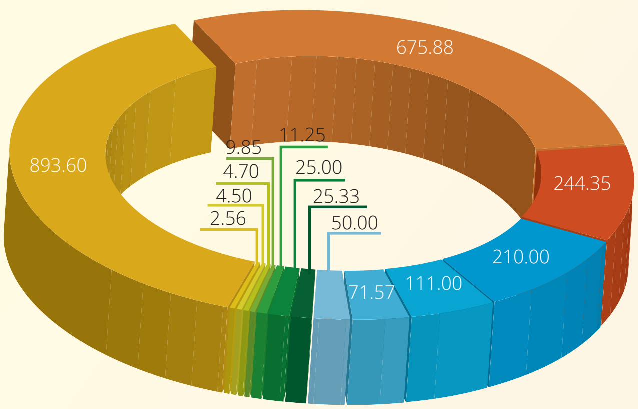
MDFO-PGB Approved Projects from the MDF

In 2015, the MDFO, through its PGB has approved a total of 46 subprojects for 40 LGUs, totaling P2.34 billion. The top 5 developmental subprojects availed by LGUs were the following:

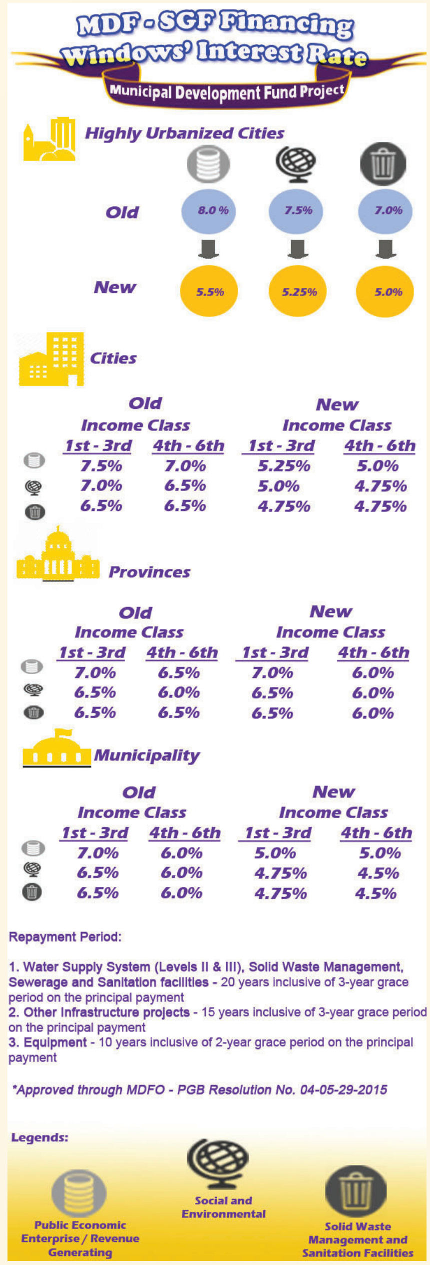
1. Level III Water Supply System (10 LGUs);
2. Heavy Equipment, which will be mainly used for disaster management, prevention and rehabilitation (13 LGUs);
3. Construction of Public Markets (4 LGUs);
4. Construction of Commercial Center (1 LGU); and
5. Construction and Rehabilitation of River Protection and Dikes (3 LGUs).

Other subproject types approved were construction of bridges, bus and Jeepney Terminal, Consultancy, Equity Financing for ODA Projects such as Agrarian Reform Communities Project II (ARCP II) and Philippine Rural Development Project (PRDP), Refinancing of LGU loans from other financial institutions specifically to those financially-challenged LGUs, and new Construction/Rehabilitation of Municipal Halls, Road Improvement and Construction of Sanitary Landfills.

MDF-PGB Approved Projects in 2015 by Subproject Type



- Water Supply Level III = P893.60
- Heavy Equipment = P675.88
- Public Market = P244.35
- Commercial Center = P210.00
- River Protection = P111.00
- Loan Refinancing = P71.57
- Road = P50.00
- Equity Financing = P25.33
- Bridges = P25.00
- Bridge Financing = P11.25
- Sanitary Landfill = P9.85
- Consultancy = P4.70
- Municipal Hall = P4.50
- Bus and Jeepney Terminal = P2.56



Major policies approved by the MDFO-PGB in 2015:

1. **Lower Interest Rates of MDFO Financing Facilities**

   On 29 May 2015, the MDFO-PGB approved to lower the interest rates of MDF-SGF financing facilities based on the prevailing market interest rates through MDFO-PGB Resolution No. 04-05-29-2015. The concessional rates aim at encouraging LGUs to apply for the different financing windows to fund their various developmental projects.

2. **Financing Window for the Construction, Rehabilitation and Relocation of Municipal Halls**

   In partnership with the League of Municipalities of the Philippines LMP, the MDFO-PGB approved the creation of the Municipio Fund on 29 May 2015 through MDFO-PGB Resolution No. 07-05-29-2015. This facility will provide financial assistance to LGUs for land acquisition, rehabilitation, improvement and construction of Municipal halls. The MDFO-PGB has also allocated an initial amount of P1 billion for the Fund,

Refinancing Facility

Current = PDST-F (of the remaining tenor of the LGU loan with the original lender)+ 2% Administrative Fee + 1% Risk Spread

Proposed = PDST-R2 (of the remaining tenor of the LGU loan with the original lender) + 1 % Administrative Fee

Retain the basis of tenor which is the remaining repayment period of the LGU from its originating bank/economic life of the project.

Disaster Management Assistance Fund (DMAF), PROLEND and PPP

Retain the existing rates for DMAF (0%-3%), PROLEND (based on T-Bond), PTACF (0%-1.5%), and PPP Fund financing facilities (5%-5.75%)

Equity Counterparts

For equity counterparts, interest rate is 5% for 1st to 3rd income class LGUs and 4.5% for 4th-th income class LGUs

MDF-SGF

Adoption of 1% administrative fee for all MDF-SGF financing facilities which is already inclusive to the interest rate except for PTACF and DMAF Category 2

**Approved through MDFO - PGB Resolution No. 04-05-29-2015*

with a financing term of 4.5 percent and 4 percent fixed interest rates for 1st to 3rd income class and 4th to 6th income class LGUs, respectively, and a repayment period of 15 years inclusive of 3 years grace period on the principal payment.

3. **Utilization of MDF to cover LGU equity requirements for the implementation of the PRDP Subprojects**

   The MDFO-PGB approved the utilization of Second Generation Fund SGF amounting to P500 million as equity counterpart of the Philippine Rural Development Project (PRDP) subprojects on 29 May 2015 (MDFO-PGB Resolution No. 08-05-29-2015). The interest rates have been adapted from the on-going implementation of ARCP II equity financing which is 5 percent per annum for 1st to 3rd income class LGUs, and 4.5 percent for 3rd to 6th income class with a repayment period of 15 years inclusive of 3 years grace period on the principal payment.

4. **Adjustment of Repayment - Project Technical Assistance And Contingency Fund PTACF**

   The MDFO-PGB has approved the amendment of the existing repayment period of PTACF from the term of the Local Chief Executive LCE to 3 years with no grace period on 27 October 2015 (MDFO-PGB Resolution No. 14-10-27-2015).

MDFO Projects Completed in 2015

LGU: Bacong, Negros Oriental
Project Name: Expansion of Integrate Water Supply System (Civil Works)
Completion Date: November 27, 2015
Location: Lawigan River at Barangay Tubod at juncture of Lawigan and Buntis rivers
Beneficiaries: 47 Barangays — Calangag, Western portion of Barangay Buntis, Lutao and Combado
Description:

- 2.4km transmission line layed from the impounding facility to the existing 180 cu. m. reservoir at Lutao Pumping Station, Barangay Lutao
- Source development and first stage filter
- Transmission Pipeline from Source to Lutao Pumping Station
- Automatic Micro fiber Polishing System

LGU: Dinalupihan, Bataan
Project Name: Construction and Rehabilitation of River Protection
Completion Date: November 22, 2015
Description:
- Barangay Sta. Isabel and Layac Leading to the Layac River Subproject: Construction/Improvement of tributaries
- Barangay Luacan Subproject: Repair/Rehabilitation of Dike
- Barangay Pagalanggang Subproject: Construction of Dike
- Barangay Sta. Isabel Subproject: Repair Rehabilitation of Dike
- Barangay Pita Subproject: Construction of Dike

LGU: Isulan, Sultan Kudarat
Project Name: Rehabilitation and Upgrading of Public Market cum "Mallengke"
Completion Date: August 29, 2015
Location: National Highway of the Poblacion Area
Description:
- Total area occupied by the whole market measuring more or less 1.8 hectares almost 40%
- 327 stalls
- 142 units: Rentable Spaces (GF) – 4m x 5m
- 40 units Rentable Spaces (Mezzanine) 4m x 5m
- 113 units Rentable Kiosks – 1.5m x 1.5m
- 32 units Rentable Stands – 2m x 2m
- All structures are reinforced concrete and steel framing
- Roll-up doors on every rentable spaces
- Sky lighted roofing on all hallways
- Roofing on all other spaces are thermoplastic type
- Underground drainage to prevent clogging
- Septic tank
- Interlocking flooring blocks to avoid slippery floors
- Storage area for all rentable spaces

LGU: Simunul, Tawi-Tawi
Project Name: Construction of New Municipal Complex
Completion Date: July 30, 2015
Location: Lo-ok, Barangay Tonggusong and Doh Tong

A. Components:
- Main Building
- Multi-Purpose Building
- Guest House

B. Other Components:
- Perimeter Fence
- Site Development

LGU: Flora, Apayao
Project Name: Construction of Level III Water Supply System
Completion Date: January 7, 2015
Description:
- 200 cubic meter elevated steel water tank
- Installed hydro-chlorinator and flowmeter
- Installed transmission and distribution of line
- Deep well with 35lps discharge
- Pumping station for the 35hp water pump
- Stand by 70kva generator set and 25kva transformer
- Distributions of pipeline with a length of 19.11 kilometer that includes 5 units of fire hydrants and 12 units of blow-off assemblies that are strategically distributed in the system
- Caters 1,570 households

APEC Finance Ministers Process (APEC FMP) 2015

After nearly two decades, the Asia Pacific Economic Cooperation (APEC) meetings returned to the Philippines in 2015. A founding member economy of APEC in 1989, the country was one of the earlier hosts of the APEC annual meetings. The Philippines first hosted APEC in 1996, following from the first three annual meetings held in the United States, Japan, and Indonesia.

For the Philippines' 2015 APEC host year, the DOF hosted and chaired the APEC-FMP meetings, which culminated in the APEC-Finance Ministers Meeting.

2015 APEC FMP

At the 2014 APEC FMM in Beijing, the Philippines, as next host, formally announced its plans for 2015 APEC FMP to propose a roadmap that will lead to a stronger financial future for the region – the Cebu Action Plan (CAP). The CAP was the roadmap proposed by the Philippines to ensure sound economic and financial foundation for the APEC economies.

The CAP has four pillars, namely: Pillar I - Promoting Financial Integration; Pillar II - Advancing Fiscal Reform and Transparency; Pillar III - Enhancing Financial Resiliency; and Pillar IV - Accelerating Infrastructure Development and Financing.

Fourteen (14) meetings in total made up the Philippine hosting of the 2015 APEC-FMP. The DOF hosted and chaired six (6) main APEC FMP meetings including three (3) Senior Finance Officials' Meetings, two (2) Finance and Central Bank Deputies' Meetings, and the Finance Ministers' Meeting; and around eight (8) APEC FMP-related events throughout the year.

Event	Dates	Venue
APEC Special Senior Finance Officials' Meeting	21-22 January 2015	Holiday Inn, Clark, Pampanga
Asia-Pacific Forum on Financial Inclusion	3-4 March 2015	Taal Vista Hotel, Tagaytay City, Cavite
APEC PPP Experts' Advisory Panel Meeting	4 March 2015	Taal Vista Hotel, Tagaytay City, Cavite
Asia Pacific Infrastructure Partnership Meeting	4 March 2015	Taal Vista Hotel, Tagaytay City, Cavite
APEC Finance and Central Bank Deputies' Meeting	5-6 March 2015	Taal Vista Hotel, Tagaytay City, Cavite
APEC Workshop/ Seminar on Disaster Risk Finance and Microinsurance	29-30 April 2015	SMX Convention Center Bacolod, Bacolod City, Negros Occidental
APEC Workshop on Fiscal Management through Transparency and Reforms	9-10 June 2015	Las Casas Filipinas de Acuzar Heritage Resort, Bagac, Bataan
APEC Senior Finance Officials' Meeting	11-12 June 2015	Las Casas Filipinas de Acuzar Heritage Resort, Bagac, Bataan
APEC Workshop on Infrastructure Financing and Capital Market Development	23-24 July 2015	The Royal Garden Hall Convention Center, Iloilo City
APEC Senior Finance Official's Meeting	9 September 2015	Mactan Shangri-La Hotel, Mactan, Cebu
APEC Finance and Central Bank Deputies' Meeting	10 September 2015	Mactan Shangri-La Hotel, Mactan, Cebu
Finance Sector Roundtable and Dialogue with APEC Finance Officials and Ministers on the Cebu Action Plan	10-11 September 2015	Mactan Shangri-La Hotel, Mactan, Cebu
APEC Finance Ministers' Meeting	10-11 September 2015	Mactan Shangri-La Hotel, Mactan, Cebu
APEC FMP Conference on Reforming the Asia-Pacific Financial Infrastructure	12 November 2015	Dusit Thani Manila Hotel, Makati City

APEC Finance and Central Bank Deputies discuss the four pillars of the CAP. The APEC FCBM in March 2015 at Tagaytay concluded with Deputies signing off on the four pillars.

Finance Secretary Cesar V. Purisima chaired the 22nd APEC FMM on 11 September 2015 in Mactan, Cebu. The 22nd APEC FMM featured the ongoing work of APEC Economies that stand as leaders or champions in the various initiatives of the CAP. The 22nd culminated with the approval and adoption of the CAP by APEC Finance Ministers.

APEC Finance Ministers unveil the monument commemorating the CAP at the beginning of the concluding Press Conference of the 22nd APEC FMM.

Bolstering Leadership Role on International Finance And Cooperation

The Department has also continued to strengthen its presence in the global community through its involvement in international and development finance discussions.

Photo credits: AIIB

In particular, the Group was involved in facilitating the membership of the Philippines as one of the 57 prospective founding members of the Asian Infrastructure Investment Bank (AIIB) in December 2015. It led for the first time the National Government's delegation to the Third International Conference on Financing for Development in Addis Ababa, Ethiopia in July 2015 that produced the Addis Ababa Action Agenda document.

Photo credits: DOF-IFG

...and Increasing Efforts to Lead Climate and Disaster Risk Financing

The DOF significantly took part in leading the international cooperation on climate finance by launching the Vulnerable Twenty Group of Finance Ministers (V20) as chaired by the Philippines until 2016. The V20 acts as a high-level policy dialogue and action Group pertaining to climate change and the promotion of climate-resilient and low-carbon development. It serves as a regular meeting of V20 member countries to enable sharing of best practices, provide a framework for the incubation of new and innovative financial and economic approaches, and add to our options for interfacing with international financial institutions and other structures of global economic governance as we strive to address the critical challenge of climate change more assertively.

Photo credits: V20

The work of the Group on climate and disaster risk financing and its ad-hoc secretariat work with the V20 supported the Philippine Government's participation in the Sendai World Disaster Risk Reduction Conference and the Twenty-first Conference of Parties (COP 21) under the United Nations Framework Convention on Climate Change which adopted the historic Paris Agreement.

Photo credits: DOF-IFG

Association of Southeast Asian Nations (ASEAN)

The DOF co-chaired with LAO PDR the Working Committee on Financial Services Liberalization (WC-FSL). The meetings resulted in the following: delivery of the 6th Package of Financial Service Commitment under the ASEAN Framework Agreement on Services (AFAS), substantial progress in the draft Financial Services Chapter of the ASEAN Trade in Services Agreement, which is set to replace the AFAS; and crafting of the Strategic Action Plan (SAP) for Post-2015 vision on ASEAN Financial Integration.

In pursuit of strengthening integration of the insurance sectors in the region, the WC- FSL, together with the ASEAN Insurance Regulators' Meeting has also been seeking the establishment of the ASEAN Insurance Forum. This will provide a platform for capacity building activities that will enhance the readiness of the ASEAN Member States (AMS) in opening their respective insurance sectors.

In 2015, the Department was also involved in the following negotiations of Free Trade Agreements (FTAS): European Free Trade Association (ROP-EFTA), ASEAN-Hongkong, ASEAN-China, and the Regional Comprehensive Economic Partnership (RCEP).

Through the ASEAN+3 Finance Ministers and Central Bank Governors' process, the Department has also been actively supporting the development of the Chiang Mai Initiative Multilateralization CMIM and the ASEAN +3 Macroeconomic Research Office (AMRO). The AMRO as an international organization will enter into force in the 1st Quarter of 2016. The DOF has also pushed for the enhancement of AMRO's Senior Management, through the addition of key senior positions to augment its manpower. Meanwhile, the Department is at the forefront of leading the enhancement of the CMIM, by advocating for its accommodative effort, through the process of increasing its IMF de-link portion from the current 30 percent to 40 percent.

Moreover, the SEC assumed the Chairmanship of the ACMF Working Group D during the inaugural ASEAN Corporate Governance Conference held on 14 November 2015. The ASEAN Capital Markets Forum (ACMF) Working Group D is responsible for the ASEAN corporate governance initiative, comprising the ASEAN Corporate Governance Scorecard (ACGS) and the ranking of ASEAN Publicly-Listed Companies (PLCs). Prior to assuming the Chairmanship, the SEC actively promoted the ACGS initiative to the Philippine PLCs. It conducted a series of Roundtable Discussions on the ACGS, believed to have contributed greatly to the increased scores of Philippine PLCs, leading to the inclusion of 11 corporations from the Philippines in the Top 50 ASEAN PLCs.

Data Warehouse Platform

In line with the continued efforts of the DOF develop policies that would strengthen the revenue collection and taxation through analysis of asset related transactions, the DOF acquired a Data Warehouse Platform that will complement the existing Business Intelligence Tools and ensure that the Asset Information Management Program (AIMP) project objectives are met.

The main component of the Data Warehouse Platform is a fully integrated and redundant system of software, servers, storage, and networking that delivers high-availability database services for a wide range of data warehousing applications that is designed and harmonized to work seamlessly. The application supports database redundancy, virtualization, storage expansion, and capacity on-demand.

DOF Joins Govnet Project

The iGovPhil[7] spearheaded a fiber optic cable connection to government agencies to effectively implement the integration of Information and Communications Technology ICT for the Philippine government as laid out in the E-Government Master Plan. The connectivity will support government interoperability, collaboration and shared services for a much faster, reliant, efficient, well coordinated and simplified public service. The DOF was chosen to be one of the Points of Presence or the node agency which will act as an access point to other government agencies within the vicinity of DOF. The Information and Communications Technology Office (ICTO) of the Department of Science and Technology (DOST) shall provide a backhaul of 10 Gbps fiber optic network bandwidth to be shared to select agencies in a specified geographic location. The node agency and its member agencies will have access to the internet and the iGovPhil network infrastructure.

ISO 27001:2013 - Information Security Management System Awareness Training

ISO 27001:2013 offers a comprehensive set of controls, based on best practice in information security, comprising of components such as confidentiality, integrity and availability.

ISO 27001:2013 gives both employees and its stakeholders the confidence to trust organization with the safe-keeping of their information; ensure organization keeps important information safe and secure; and demonstrate thorough compliance to regulatory and contractual requirements regarding data security, privacy and IT governance.

The 2-day training was conducted by Sagesoft, Inc. on September 2015 with participants from the DOF information technology group. The aim of the training is to understand the application of information security management in the DOF and gain an overview of ISO 27001:2013 implementation. Topics addressed by the security awareness training were focused on confidentiality, integrity and availability of information and best practices for safe handling of data, such as keeping sensitive information confidential, proper disposal of documents and protecting personal information.

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7 The Integrated Government Philippines (iGovPhil) Project is a joint undertaking of the Information Communication Technology Office (ICTO) and the Advanced Science and Technology Institute (ASTI) – both attached agencies of the Department of Science and Technology (DOST) – that aims to achieve transparency and efficiency in government through relevant mechanisms that will implement interactive, interconnected and interoperable applications and services.

In 2015, the DOF started the Competency Cascade Workshops as continuing deliverables of the ADB Small-Scale Capacity Development Technical Assistance SCDTA with the objective to strengthen results-based human resource development program in the DOF. A Core Competency Model for the whole Department and a Technical Competency Model for the International Finance Group and Domestic Finance Group were developed.

The Core Competency Model consists of ten (10) competencies that were grouped under three (3) clusters namely: (1) Intra and Interpersonal Impact Cluster; (2) Work Achievement Cluster; and (3) Strategic Focus Cluster.

Core Competency Model

- Courage of Convictions and Resilience
  Institutional Understanding and Collaborative Action
  Communication Effectiveness
- Driving for and Delivering Results
  Problem Solving and Decision Making
  Quality Orientation and Action Focus
  Technical and Functional Acumen
- Managing and Leading People
  Managing Change and Transitions
  Visioning and Strategic Innovative Thinking

Various Leadership Development Programs LDPs were facilitated by ADB Consultants as follow through of the DOF Professional Development Program based from the Competency Model. In-house seminars were also conducted in support of the Competency Model.

Quality Customer Service Back-to-Back with Gender and Customer Service, Facilitated by Philippine Trade Training Center and Ms. Reina P. Olivar (GAD Pool) on 22-23 October 2015

Friday Learning Sessions

The DOF conducted various learning activities to strengthen and enhance the capacity of its employees through the Friday Learning Sessions. The Friday Learning Sessions include topics on Enjoying Life in Public Service, Resilience in the Workplace, Gender Fair Language, Brown Bag Session on Public Financial Management Reforms, and Film Appreciation and Screening.

FLS on Enjoying Life in Public Service, Facilitated by Former Finance Minister Chien Shien Wang of Taiwan on 06 February 2015

FLS "Brown Bag Session on Public Financial Management Reforms", Facilitated by Public Financial Management Program on 28 August 2015

A total of five (5) scholars from the DOF and its attached agencies graduated from AIM with a degree on Executive Master in Development Management with concentration on Public Finance on 06 December 2015. The master's degree scholarship program begun in 2013 with twelve (12) scholars from DOF and twenty-six (26) from its attached agencies.

In addition to formal learning opportunities, experiential learning opportunities in the form of secondment is also available to employees. This year, four (4) DOF personnel were seconded to IC, IMF – BSP, World Bank, and ADB.

The DOF Internship Program is one of the avenues of the Department to participate in citizen-engagement by harnessing youth power in nation building. The Program has 3 cycles – 1st semester, 2nd semester, and summer session. Students from different universities are provided hands-on training and exposed to actual work situations in DOF offices. To further enrich the Program, it has been supplemented with observation tours to the BTr where the students are given the opportunity to know more of its mandates and operations, as well as appreciate the historic and aesthetic value of the institution.

National Events Attended by DOF

"Philhealth Ready, TseKap, Go!", Philhealth Fun Run

National Women's Day Program

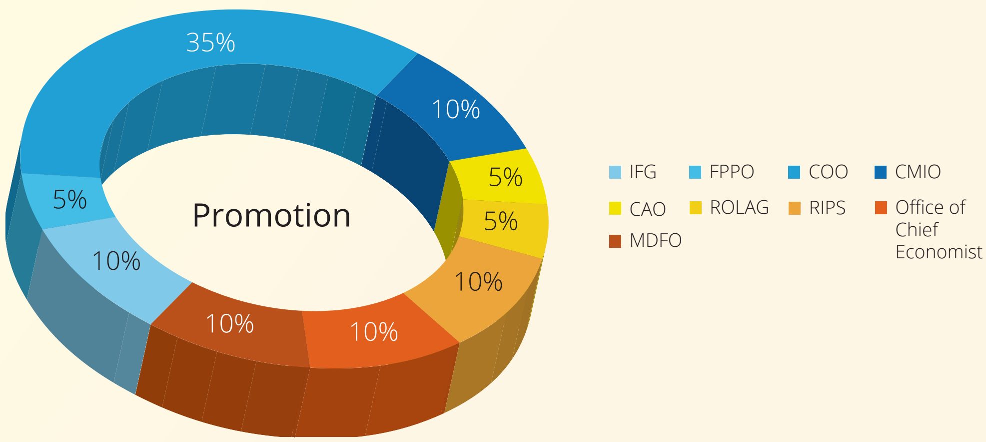
R.A.C.E to Serve V CSC Fun Run

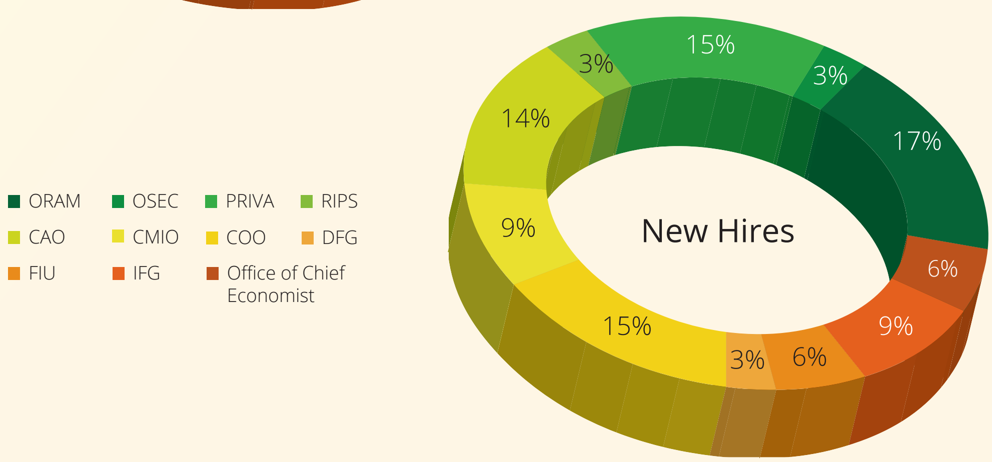
Takbo Tungo sa Kalusugan para sa Kalikasan 2 PDIC Fun Run

I Run for Integrity, I am part of the Solution Fun Run

Walk for Life

In an effort to continuously beef up its human resource, the DOF Selection Board has recommended a series of promotions and hiring of new employees in different DOF offices.





Gender and Development

Various GAD projects, activities, and programs (PAPs) are anchored on the Gender Audit Report and the Magna Carta of Women. The DOF-GAD Focal Point System (GFPS) developed modules for different beneficiaries such as gender and development concepts for DOF Interns, session on Anti-Sexual Harassment Laws for new DOF entrants, and Gender Sensitivity Training (GST) for the DOF employees.

The Women's Empowerment, Development and Gender Equality Plan (Women's EDGE Plan) 2013-2016 was reviewed, particularly on the training and scholarship guidelines. The data showed that out of 142 staff who availed of the various local and foreign trainings, 88 were female which is 62 percent, and 54 were male equivalent to 38 percent.

Management Team

From left to right: Undersecretary **Carlo A. Carag** • Undersecretary **Jeremias N. Paul, Jr.** • Secretary **Cesar V. Purisima**
Undersecretary **Rosalia V. De Leon** • Undersecretary **Gil S. Beltran**

Assistant Secretaries

From left to right: **Danielle Marie S. Rieza • Soledad Emilia J. Cruz • Ma. Edita Z. Tan Ma. Teresa S. Habitan • Ma. Lourdes B. Recente**

Directors

From left to right: Carmelo T. Casibang, Jr. • Eleazar C. Cesista • Juvy C. Danofrata • Jocelyn T. Pendon
Jesus Nathaniel Martin B. Gonzales • Shiela N. Castaloni • Maria Lourdes V. Dedal
Elsa P. Agustin • Jennifer J. Tan

From left to right: Herminio C. Runas, Jr. • Ma. Estela C. Laureano • Helena B. Habulan • Rommel S. Herrera
Charissa P. Hipolito • Rowena S. Sta. Clara • Angelica I. Sarmiento • Joanna P. Castillo

Revenue Cluster

From left to right: Undersecretary **Jeremias N. Paul, Jr.** • Undersecretary **Carlo A. Carag** • CDA Chairman **Orlando R. Ravanera**
BLGF Executive Director **Salvador M. Del Castillo** • BOC Commissioner **Alberto Lina**
CBAA Chairperson **Ret. Judge Manuel D.J. Siayngco** • NTRC Executive Director **Trinidad A. Rodriguez**
BIR Commissioner **Kim S. Jacinto-Henares**

Liability Management and Capital Markets Development Cluster

Privatization/ PPP/GOCC Cluster*

From left to right: Insurance Commissioner **Emmanuel F. Dooc** • BTr National Treasurer **Roberto B. Tan**
PhilEXIM President **Atty. Florencio P. Gabriel, Jr.** • PDIC President **Cristina Q. Orbeta**
PhilEXIM President **Ermilando D. Napa** • SEC Chairperson **Teresita J. Herbosa**
PMO Chief Privatization Officer **Atty. Toni Angeli V. Coo*** • Assistant Secretary **Ma. Teresa S. Habitan***

Directory of DOF Offices

OFFICE	CONTACT DETAILS
OFFICE OF THE SECRETARY	523-9215; 523-6051; 526-7336; 523-9251; 523-9219; 526-8474 (TeleFax)
Chief of Staff	523-9215
Revenue Integrity Protection Service (RIPS)	404-1775
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
Medical and Dental Division	526-6967
Central Records and Management Division	526-8470
General Services Division	526-8475; 524-4227
Property and Procurement Section	526-4786
Cash Section	526-5573
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 Division	526-6932
Central Management Information Office	526-8467; 525-4697
REVENUE OPERATIONS GROUP	
Office of the Undersecretary	523-4955
Office of Assistant Secretary	526-0531
Office of the Director	526-7490
Customs and Tariff Division	526-7311
International Revenue Division	526-8476
Research Monitoring Division	526-7311
Mabuhay Lane	526-8458
One-Stop-Shop Tax Credit and Duty Drawback-Center	
Office of the Director	526-0076
OSS-Operations	526-0842
OSS-Policy	526-1787
OSS-MIS	526-8450
OSS-BOC	526-0751
OSS-Admin	526-0076
Legal Affairs Office	526-8449

OFFICE	CONTACT DETAILS
PRIVATIZATION GROUP	
Privatization Office	524-1633
Office of the Director	524-1633
Appraisal and Evaluation Division	524-1633
Issues and Procedures Division	524-1633
INTERNATIONAL FINANCE GROUP	
Office of the Undersecretary	526-9990
International Finance Operations Office	
Office of the Director	526-9990
Debt Structuring Division	526-9990
Multilateral Assistance Division	523-9912
Bilateral Assistance Division	523-9911
International Finance Policy Office	
External Adjustment Division	400-7446; 514-8981
Municipal development Fund Office	523-9936; 523-9937 (Trunk line)
Office of the Director	523-9935 (Direct Line)
Office of the Deputy Director	525-9185 (Direct Line)
Finance Division	521-7192 local 204 (Direct Line)
Accounting Division	523-7192 local 210
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
Corporate Policy Research Division	525-7309
DOMESTIC FINANCE GROUP	
Office of the Undersecretary	524-5222
Office of the Assistant Secretary	523-9938
Fiscal Policy and Planning Office	523-3825 (TeleFax)
Office of the Director	524-0607
Fiscal Policy Division	524-0607
Fiscal Planning Division	524-4332
Statistics Division	525-4332
Special Studies Division	523-3825 (TeleFax)
National Credit Council	523-3825 (TeleFax)
Research and Information Office	
Office of the Director	526-6368
Research and Liaison Division	524-0618 (TeleFax)
Information Division	524-0619

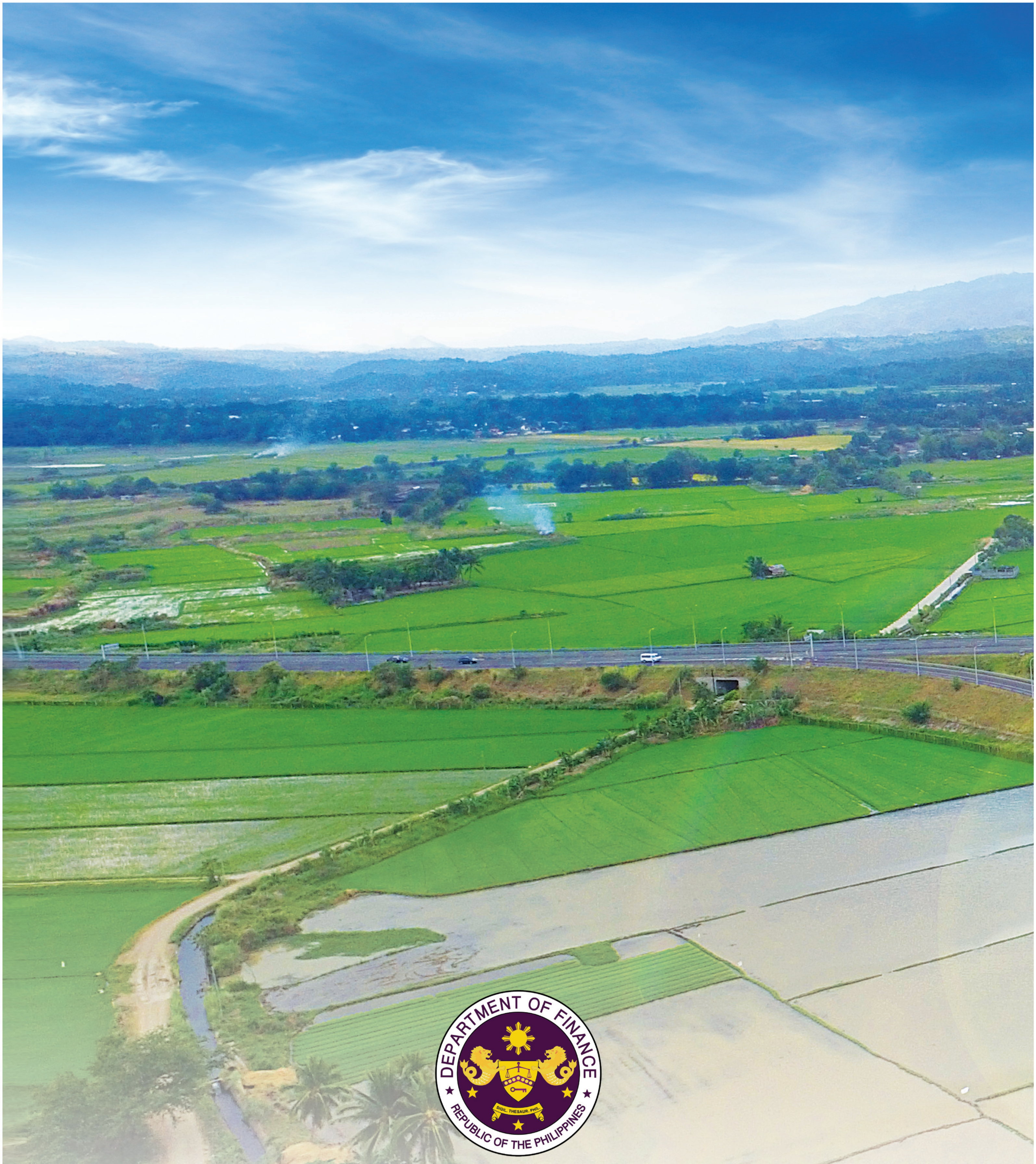
DOF Employees

Annual Report Committee

Usec. Jeremias N. Paul, Jr.
Asst. Sec. Soledad Emilia J. Cruz
Asst. Sec. Ma. Teresa S. Habitan
Dir. Elsa P. Agustin
Aurora Luz D. Villaviray

Eric C. Tipgos
Irene R. Sta. Ines
Ma. Jesusa A. Bato
Harvey Chua
Jose Lorenzo T. Flores

Ma. Paz A. Javier
Febe J. Lim
Annabelle D. Magno
Rommel A. Rojales
Irene S.C. Salazar



DOF Bldg., BSP Complex, Roxas Blvd., 1004 Metro Manila, Philippines
(+632) 525.0244 • helpdesk@dof.gov.ph