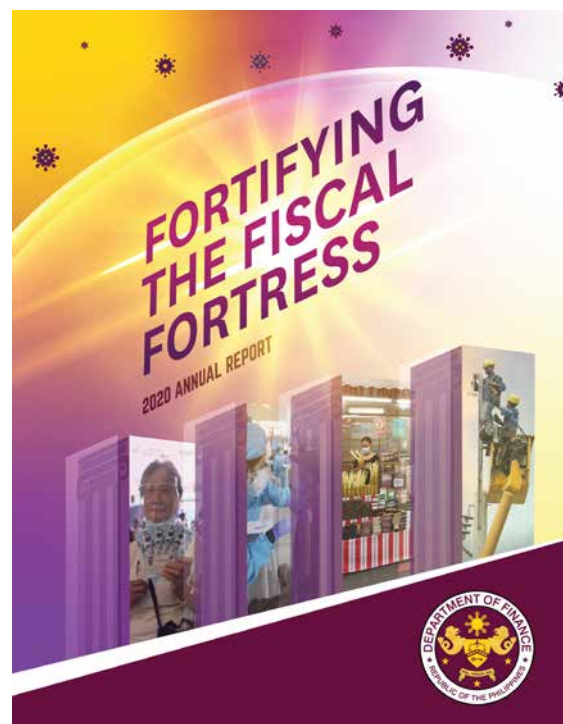


FORTIFYING THE FISCAL FORTRESS

2020 ANNUAL REPORT



ABOUT THE THEME



2020 was an exceptionally challenging year as it was punctuated by tumultuous events: the Taal volcano eruption, devastating typhoons, and the onset of the COVID-19 global pandemic. The battered economy suffered its worst annual contraction since 1998. Against these odds, the DOF played a critical role in ensuring the availability of and mobilizing resources to combat the pandemic. Nursing the economy back to recovery and carefully pursuing prudent fiscal policy, it is fortifying the fiscal fortress to further shield the economy from external shocks.

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THE DEPARTMENT OF FINANCE

The Department of Finance (DOF) is the steward of sound fiscal policy of the government of the Republic of the Philippines. It formulates revenue policies to ensure funding of critical government programs that promote the welfare of the Filipino people and accelerate economic growth and stability.



By effectively and efficiently performing its critical tasks, the DOF provides the solid foundation for the Philippine economy.

Since founded by the Philippine Revolutionary Government on April 24, 1897, even predating that of the Philippine Republic, the DOF has undergone various structural and functional changes but has remained a key department of the government.

At present, the DOF performs the critical tasks of revenue generation, resource mobilization, and fiscal management. By ensuring the availability of funds, the DOF enables the government to fulfill its basic mandate to its citizenry: to provide infrastructure, education, health, and other basic services. The DOF must also steer fiscal programs toward an investment-friendly environment, which is the catalyst for growth.

VISION

- A strong economy with stable prices and strong growth;
- A stable fiscal situation with adequate resources for government projects, infrastructure, education, health, and other basic services;
- A borrowing program that is able to avoid the crowding-out effect on the private sector and minimizes costs;
- A public sector debt profile with long maturities and an optimum mix of currencies that minimizes the impact of currency movements; and
- A strong economic growth with equity and productivity.

MISSION

Our economy must be one of the most dynamic and active in the world, globally competitive, and onward looking. The DOF shall take the lead in providing a solid foundation for the achievement of these objectives 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 DOF is responsible for the following:

- Formulation, institutionalization, and administration of fiscal policies in coordination with other concerned subdivisions, agencies, and instrumentalities of the government;
- Generation and management of the financial resources of government;
- Supervision of the revenue operations of all local government units;
- Review, approval, and management of all public sector debt, domestic or foreign; and

- Rationalization, privatization, and public accountability of corporations and assets owned, controlled or acquired by the government.

POWERS AND FUNCTIONS

- Formulate goals, action plans and strategies for the government's resource mobilization effort;
- Formulate, institutionalize, and administer fiscal and tax policies;
- Supervise, direct, and control the collection of government revenues;
- Act as custodian of, and manage all financial resources of the government;
- Manage public debt;
- Review and coordinate policies, plans, and programs of government-owned and -controlled corporations (GOCCs);
- Monitor and support the implementation of policies and measures on local revenue administration;
- Coordinate with other government agencies on matters concerning fiscal, monetary, trade, and other economic policies; and

- Investigate and arrest illegal activities such as smuggling, dumping, and illegal logging, that affect national economic interest.

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; and
- in the way I work.

I strive for excellence in everything I do:

- by the pursuit of competence;
- by the constant search for professionalism; and
- by the observance of teamwork.

I take the lead and serve:

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

I think and act to ensure:

- integrity in the life I live;
- the efficiency of the work I do; and
- 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

2020 was a tough year. It is the year a pandemic swept the world, overturned economic plans, and threw countries into disarray.

In this hectic and terrifying period, the Department of Finance (DOF) did not waver in its commitment to ensure that our macroeconomic fundamentals remain strong and that we will not run out of resources in this protracted battle against the contagion. We demonstrated our firm resolve to maintain fiscal prudence while trying to stimulate the economy.

In 2020, we worked closely with Congress in crafting fiscally responsible economic stimulus packages. We spearheaded the Small Business Wage Subsidy program and advocated additional capital for our financial institutions to broaden lending to pandemic-hit enterprises. We worked hard to raise revenues for the national effort to defeat the pandemic and to continue our economic investments. We moved quickly to seek international funding to reinforce our healthcare system, purchase the needed medical equipment and vaccines, as well as fund our economic recovery program.

The essential role we played benefitted from the fiscal discipline we maintained, and the tax reform measures we adopted over the last five years of the Duterte administration. Even with the ongoing crisis, we managed to stick to our goal of reforming the tax system. We relentlessly pursued the passage of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE).

This annual report brings together all the diverse activities of a department on the frontlines of dealing with a global health emergency. More importantly, it indicates the policy directions taken to contain the hardships brought about by the severe contraction of the domestic economy and bring the country back to the path of growth.

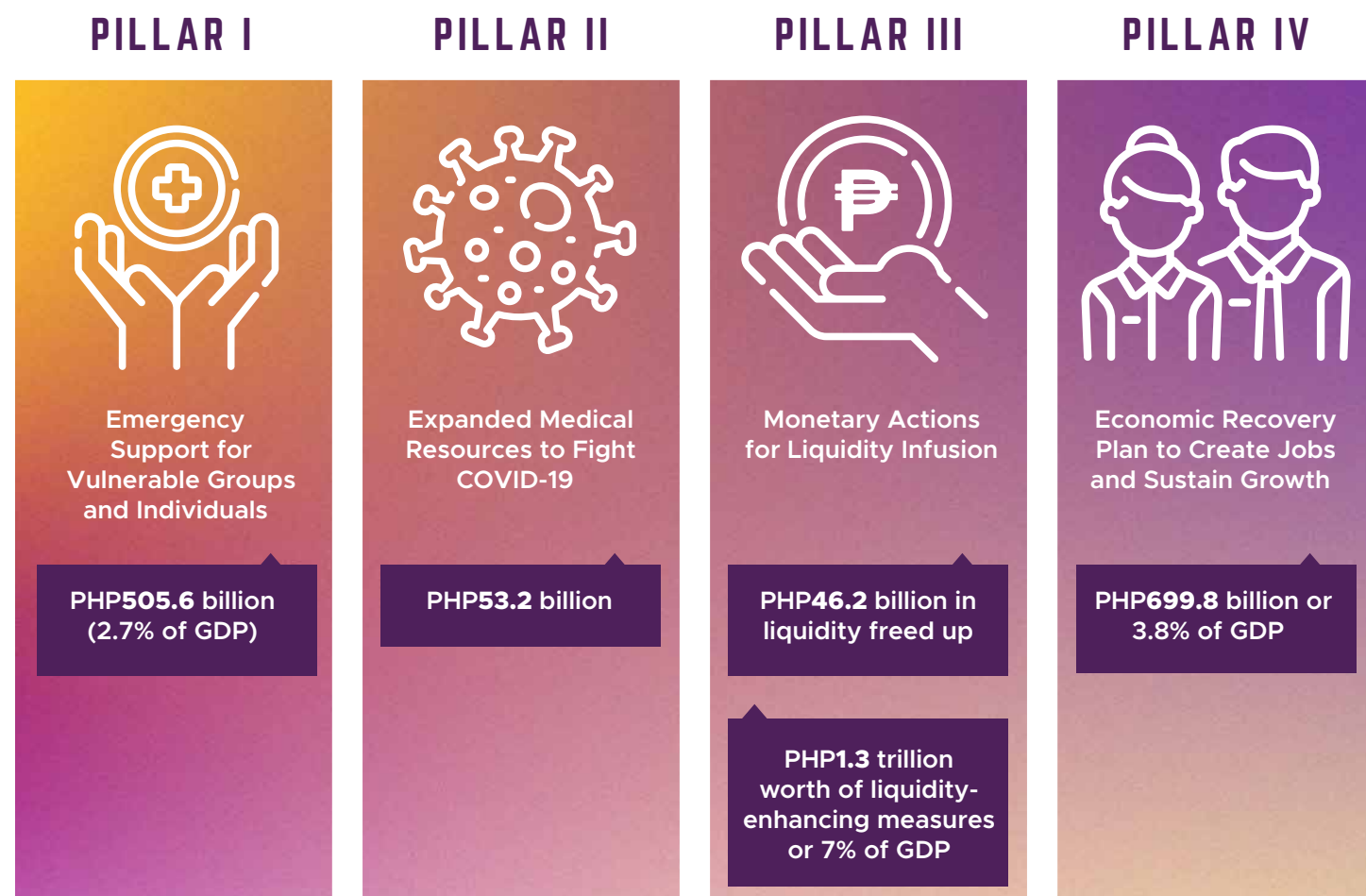
I am honored to have served the Department during this challenging period. I am confident the work of the extraordinary corps of professionals who compose the DOF will be judged well in the future.

CARLOS G. DOMINGUEZ
Secretary of Finance



THIS ANNUAL REPORT BRINGS TOGETHER ALL THE DIVERSE ACTIVITIES OF A DEPARTMENT ON THE FRONTLINES OF DEALING WITH A GLOBAL HEALTH EMERGENCY. MORE IMPORTANTLY, IT INDICATES THE POLICY DIRECTIONS TAKEN TO CONTAIN THE HARDSHIPS BROUGHT ABOUT BY THE SEVERE CONTRACTION OF THE DOMESTIC ECONOMY AND BRING THE COUNTRY BACK TO THE PATH OF GROWTH.

HIGHLIGHTS OF THE FOUR-PILLAR SOCIOECONOMIC STRATEGY



2020 GLOBAL PANDEMIC

Global Developments

In December 2019, a cluster of cases of pneumonia-like disease was reported in Wuhan, Hubei Province in China. On March 11, 2020, the World Health Organization (WHO) officially declared the COVID-19 virus as a pandemic, the highest level of health emergency, killing more than 4,000 people and spreading to 114 countries.¹

By March 2020, the epicenter of the pandemic shifted from China to Europe, particularly in Italy, then to the United States by April 2020. The pandemic has since turned the world upside down. By the end of December 2020, COVID-19 has sickened 83.5 million people globally, with 1.8 million fatalities.

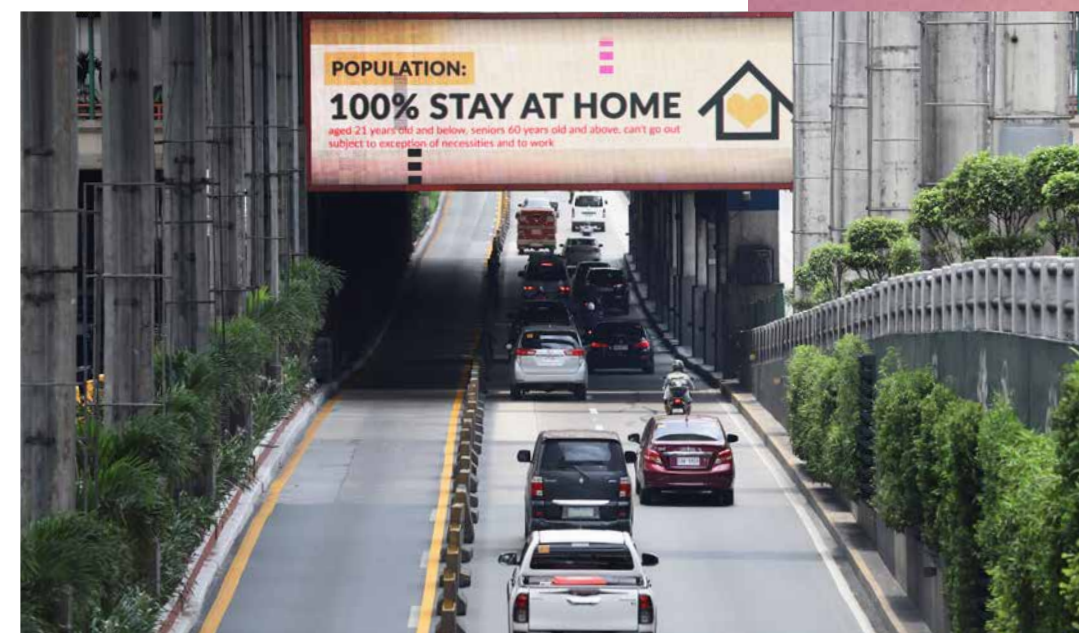
The alarming speed of human-to-human transmission of COVID-19

has infected millions of people and brought economic activity globally to a near standstill. Most, if not all, countries imposed tight restrictions on movement to halt the spread of the virus. These include community lockdowns, suspension of domestic and international travels, curfews, temporary closure of business establishments, and prohibitions on mass gathering events.

¹ "Coronavirus: COVID-19 is Now a Pandemic, WHO says". <https://www.npr.org/sections/goatsandsoda/2020/03/11/814474930/coronavirus-covid-19-is-now-officially-a-pandemic-who-says>



THE PANDEMIC RESULTED IN THE CONTRACTION OF THE GLOBAL OUTPUT BY AN AVERAGE OF 3.5% IN 2020². THE WORLD BANK (WB) ESTIMATES THAT THE REBOUND WILL BE UNEVEN IN THE COMING YEARS, WITH RECOVERY MORE PRONOUNCED IN ADVANCED ECONOMIES



LOCKDOWN. A large billboard shows a health reminder to motorists driving along Edsa to comply with health and safety protocols to limit the spread of COVID-19. (PNA photo by Robert Oswald P. Alfiler)

Impact to Output

The pandemic resulted in the contraction of the global output by an average of 3.5% in 2020.² The World Bank (WB) estimates that the rebound will be uneven in the coming years, with recovery more pronounced in advanced economies.

The WB expects aggregate emerging market and developing economies (EMDEs) to post a 6.0% growth in 2021 due to higher

external demand and higher commodity prices. However, the recovery of many countries, especially low-income countries (LICs), will be constrained by obstacles in vaccine procurement and limited fiscal and monetary support.³

Moreover, the COVID-19 pandemic will likely result in higher inequality, lower per capita income, and higher sovereign and private debt levels among EMDEs relative to their pre-pandemic levels.⁴

² *Global Economic Prospects, World Bank Flagship Report, June 2021.*

³ *Ibid.*

⁴ *G-20 Surveillance Note, G-20 Leaders' Summit, Riyadh Summit Virtual Meeting, November 21–22, 2020* ² *Global Economic Prospects, World Bank Flagship Report, June 2021.*

TABLE 1: REAL GDP

(% change from previous year)

	2018	2019	2020 ^e	2021 ^f	2022 ^f	2023 ^f
World	3.2	2.5	-3.5	5.6	4.3	3.1
Advanced economies	2.3	1.6	-4.7	5.4	4.0	2.2
Emerging market and developing economies	4.6	3.8	-1.7	6.0	4.7	4.4
East Asia and Pacific	6.5	5.8	1.2	7.7	5.3	5.2
Europe and Central Asia	3.5	2.7	-2.1	3.9	3.9	3.5
Latin America and the Caribbean	1.8	0.9	-6.5	5.2	2.9	2.5
Middle East and North Africa	0.6	0.6	-3.9	2.4	3.5	3.2
South Asia	6.4	4.4	-5.4	6.8	6.8	5.2
Sub-Saharan Africa	2.7	2.5	-2.4	2.8	3.3	3.8
Memorandum items:						
Real GDP						
High-income countries	2.3	1.6	-4.7	5.3	4.0	2.2
Developing countries	4.7	3.9	-1.4	6.3	4.8	4.5
EMDEs excluding China	3.2	2.4	-4.3	4.4	4.2	3.7
Low-income countries	4.7	4.3	0.7	2.9	4.7	5.6
World trade volume	4.2	1.2	-8.3	8.3	6.3	4.4

Source: Global Economic Prospects, World Bank Flagship Report, June 2021

Impact on Workers

The pandemic caused an unprecedented impact in the global labor market. The International Labour Organization (ILO) reported that about 8.8%⁵ of global working hours were lost in 2020, relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs.

It also estimated that the impact of the pandemic on the average daily working hours lost is about four times that of the effect of the global financial crisis (GFC). The 2008 GFC was estimated to have caused a decline of a mere 0.6 hour worked per person of working age (15 to 64 years old) per week compared to an average of 2.5 working hours lost caused by the pandemic.

In terms of income group, ILO reported that developing countries experienced the sharpest decline in working hour losses. In 2020, lower-middle income countries posted the highest number of working hours lost, declining by 11.3% compared to the world average of 8.8%.



The imposition of travel bans due to the global pandemic affected millions of workers, including Filipinos working or seeking employment overseas.

TABLE 2: WORKING HOUR LOSSES, WORLD AND INCOME GROUPS, 2020 TOTAL AND QUARTERLY ESTIMATES

	2020	2020 Q1	2020 Q2	2020 Q3	2020 Q4
World	8.8	5.2	18.2	7.2	4.6
Low-income countries	6.7	2.5	13.4	7.6	3.3
Lower-middle-income countries	11.3	2.5	29.0	9.3	4.5
Upper-middle-income countries	7.4	8.4	11.5	5.6	3.9
High-income countries	8.3	3.0	15.8	7.3	7.0

Source: ILO Monitor: COVID-19 and the World of Work, International Labor Organization, 2021

⁵ ILO Monitor: COVID-19 and the World of Work, Seventh Edition. Updated estimates and analysis, 25 January 2021 ² Global Economic Prospects, World Bank Flagship Report, June 2021.

Impact on Financial Markets

Since the COVID-19 outbreak, the volatility of risk assets increased and caused a dramatic impact on the financial system. As the outbreak further intensified, extended restrictions on movement and disruptions to economic activity made the impact even worse as it affected the global financial markets.

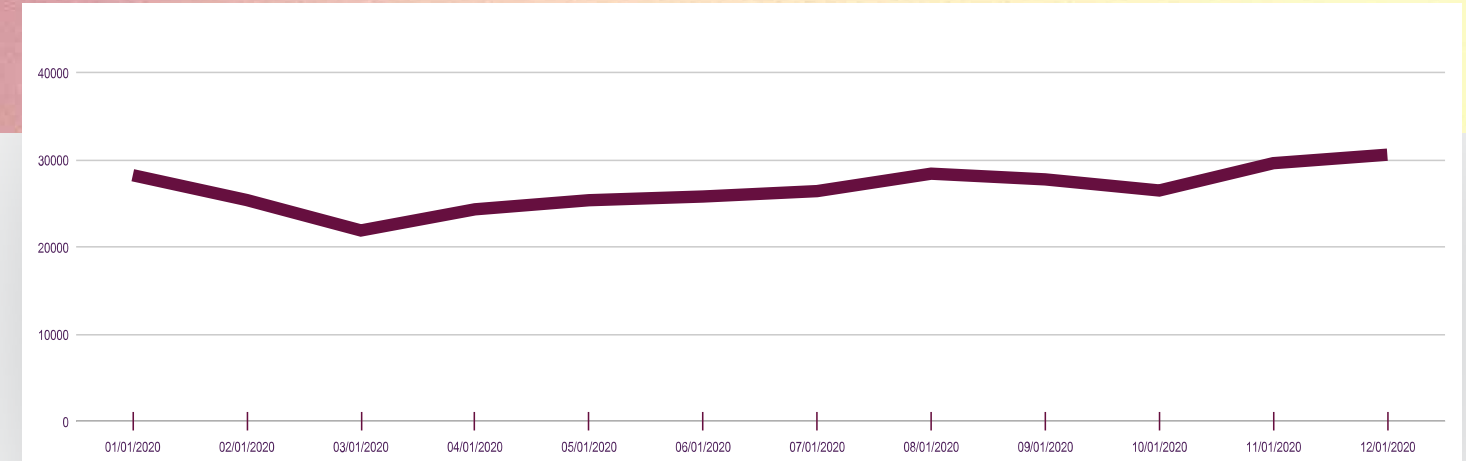
While many governments implemented various measures to contain the pandemic, the presence of risk and uncertainty over the duration of the crisis caused destabilizing effects to the world economy, particularly to the

private sector. The continued rise in the number of infections dampened the confidence of investors and traders. Fearing that the economic damage from the virus will be deep, a sharp shift in investors' and traders' sentiment led to the sell-off of shares and deterred them from buying stocks, leading to significant losses in the financial markets. These led to an over 30% decline in the stock market from January to March 2020. Implied volatilities of equities and oil spiked to crisis level.

The impact of COVID-19 also created historic records such as the single-day gains and losses of the Dow Jones

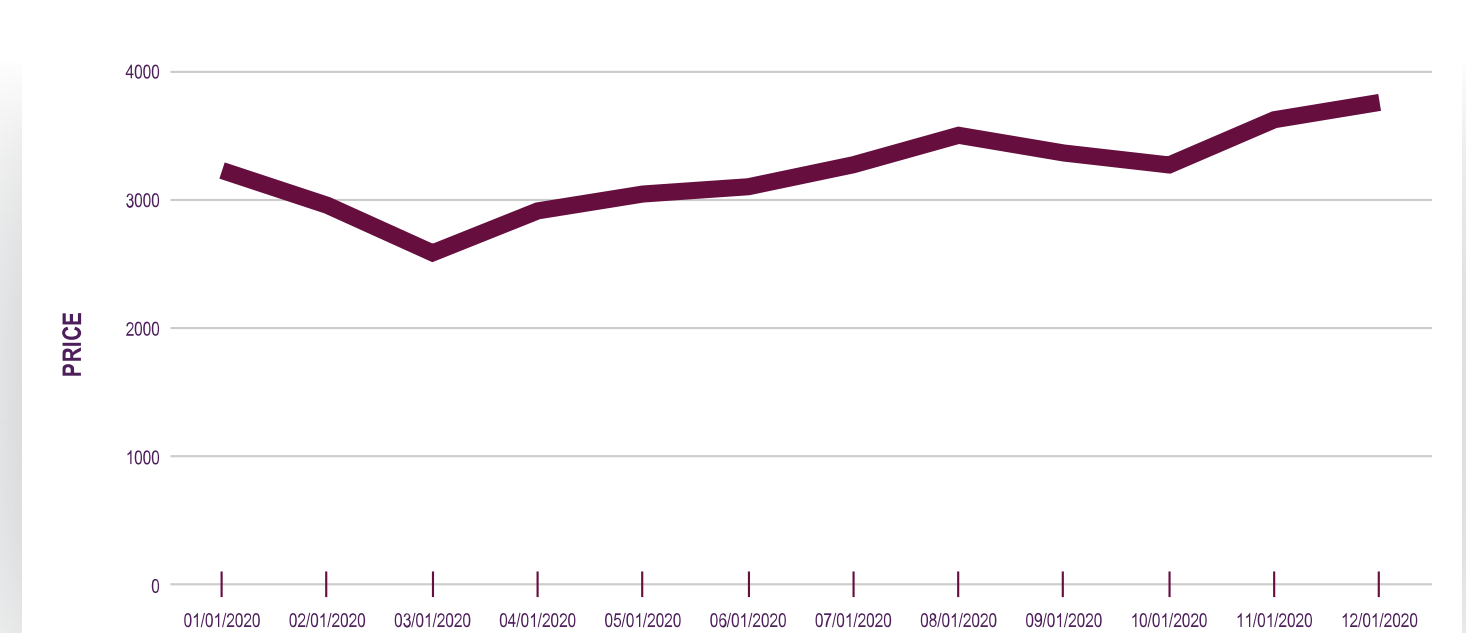
Industrial Average Index (DJIA) and the S&P 500, reflecting the highly volatile behavior of the markets. A record-breaking 13.74% and 12.51% drop, respectively, between February 1, 2020 and March 1, 2020, were also accompanied by massive declines in other major stock markets in the world. This was quickly followed by record GDP declines in the second quarter of 2020 in the United States and in many European countries. In addition, the crisis period extended up to the final trades of December 2020.

FIGURE 1: DOW JONES INDUSTRIAL AVERAGE INDEX (2020 PERFORMANCE)



Source: CEIC Database

FIGURE 2: STANDARD & POORS 500 INDEX (2020 PERFORMANCE)



Source: CEIC Database



“WHILE MANY GOVERNMENTS IMPLEMENTED VARIOUS MEASURES TO CONTAIN THE PANDEMIC, THE PRESENCE OF RISK AND UNCERTAINTY OVER THE DURATION OF THE CRISIS CAUSED DESTABILIZING EFFECTS TO THE WORLD ECONOMY, PARTICULARLY TO COMPANIES.”

EVOLUTION OF THE COVID-19 PANDEMIC IN THE PHILIPPINES

The spread of COVID-19 in the country was slow at the onset when the Department of Health (DOH) reported the first case on 30 January 2020. After two days, the country reported the first death from the virus outside China.

Below is the timeline of the National Government's health policy responses to contain the pandemic:

January 2020

- DOH confirms the first COVID-19 case on January 30.
- DOH convenes the first Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases.
- The Philippines acquires confirmatory test kits for the novel coronavirus.

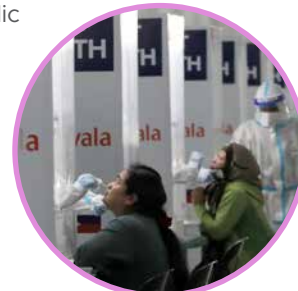
February 2020

- The country bans travelers from the entire mainland China, Hong Kong, and Macau. It later expanded the travel ban to include Taiwan and South Korea (eventually lifted due to the country's successful containment measures). Festivities were allowed but with precautionary health measures.
- Mall sales were postponed.



March 2020

- The DOH reports the first two local COVID-19 infections.
- The government raises the COVID-19 Code Alert System to Red Sublevel 2 (hoisted when there is evidence of community transmission and prevalence of cases beyond what the government can address).
- IATF enforces class suspensions and work-from-home policies.
- The government declares a State of Public Health Emergency.
- The government sanctions citizens refusing to follow measures against COVID-19.
- IATF allows the use of coronavirus test kits developed by UP scientists.
- The DOH announces the first COVID-related death of a Filipino.

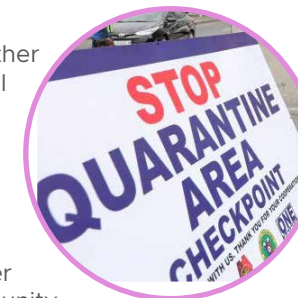


- The DOH announces free testing for the coronavirus disease.
- The government announces the implementation of the first community quarantine in Metro Manila until April 14, 2020.
- The DOH announces the first recovery of a Filipino from COVID-19.
- The government places Luzon under Enhanced Community Quarantine (ECQ).
- The government suspends visa issuance as COVID-19 cases soared.



April 2020

- Mass testing for suspected COVID-19 cases and high-risk patients start.
- Lockdown in Luzon and other provinces is extended until the end of April.



May 2020

- Metro Manila, Laguna, and Cebu are placed under Modified Enhanced Community Quarantine (MGCQ).

June 2020

- Metro Manila eases to General Community Quarantine (GCQ).
- Vacation and leisure facilities are allowed to operate with limited capacity in areas under MGCQ.
- Testing of asymptomatic patients starts.
- The number of jobless Filipinos hits 7.3 million.



July 2020

- The government requires the use of motorcycle barriers for back riding.
- New restrictions for home quarantine are enforced.

- Restaurants are allowed to increase their dine-in capacity.

August 2020

- More businesses (e.g., gyms, internet cafes, and personal grooming services) are allowed to operate under GCQ.
- Opening of classes is moved to October 2020.
- Unified curfew in Metro Manila is implemented.



September 2020

- The IATF allows college athletes to resume training.
- Physical distancing policy in public transportation is eased.



October 2020

- Boracay Island and Baguio City are reopened for tourists.
- The government adopts mass hiring of contact tracers.
- School year starts.
- Capacity in churches is increased.



November 2020

- The stock market breaches the 7,000 level over COVID-19 vaccine optimism.



December 2020

- Limited workshops and trade shows are allowed in GCQ areas.
- The IATF allows athletes to resume training for the Tokyo 2020 Olympics.
- A travel ban on travelers from countries with the new COVID-19 variant is imposed.

2020 GLOBAL PANDEMIC



LIVING IN DANGER. Despite repeated warnings from the government of mandatory evacuation, some residents continue to live on the Taal Volcano Island as seen in the photo during the Philippine Air Force (PAF) and Joint Task Force-Taal aerial reconnaissance of the volcano in January 2020. (PNA photo by Joey O. Razon)

Impact on Economic Activity

From 2016 to 2020, the Duterte administration strived to deliver on its zero-to-10-point socioeconomic programs to strengthen the country's fiscal and economic stamina necessary to fight economic shocks such as the COVID-19 pandemic.

These programs emphasized the continuation of pro-market macroeconomic policies: a progressive tax reform program, improvement in the ease of doing business, a more transparent and responsive government, increased investments in infrastructure and human capital development, and enhancement of the peace and order situation.

The economic consequences of the pandemic-induced quarantines, the Taal Volcano eruption in the first quarter, the devastating typhoons during the fourth quarter of 2020, and the lingering African Swine Flu (ASF) all

caused the country to lose momentum from an otherwise robust growth trajectory.

The Taal Volcano eruption disrupted activities in the immediate areas, Regions IV-A, Central Luzon, and National Capital Region (NCR), source of 58% of the country's economic output. The ASF and the series of natural calamities in the final quarter particularly hit agricultural production. These unfortunate events were exacerbated by the strict Luzon-wide quarantines from March 2020 to the end of the year. As a result, the Philippine economy contracted by 9.6% in 2020, breaking a 20-year growth path since 1999. The last time the economy contracted was in 1998.

On the demand side, household spending, the key driver of economic growth, contracted by 7.9% in 2020, reversing the 5.9% increase in 2019. Double-digit contractions were recorded in non-essential

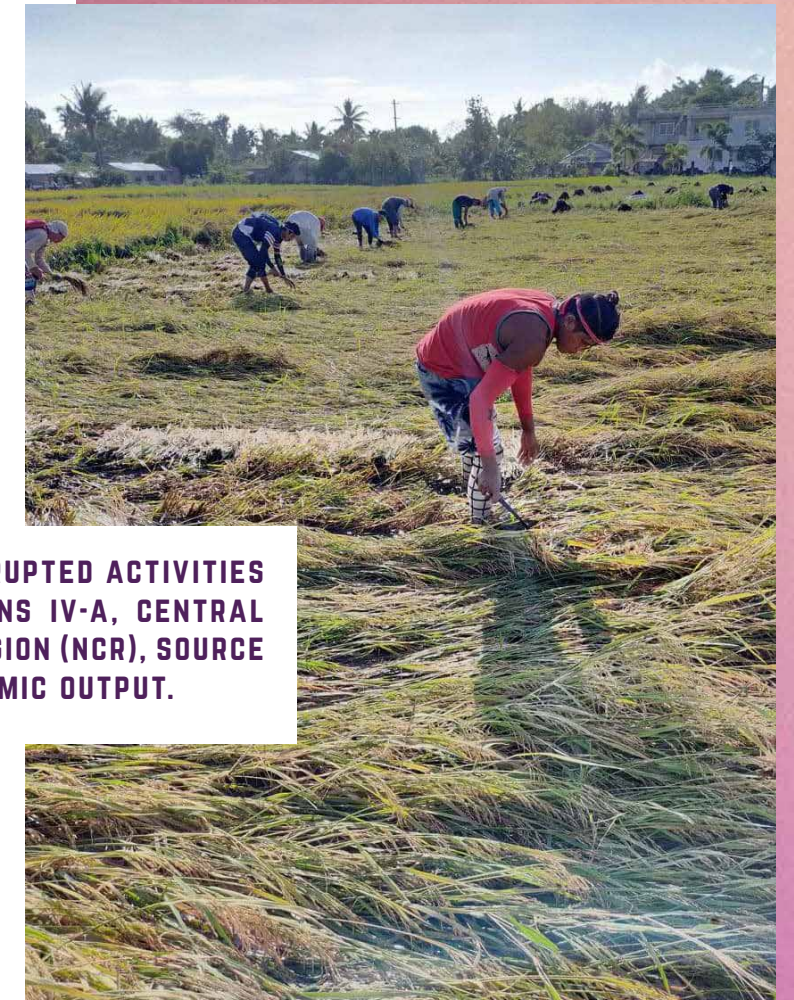
food items, i.e., alcoholic beverages and tobacco (-25.9%), clothing and footwear (-15.6%), recreation and culture (-44.2%), restaurant and hotels (-42.9%), and education (-11.9%). Transportation spending also declined by 33.3% due to the imposition of quarantines. Investment spending plunged by 35.8% from a 2.5% growth in 2019. Construction investments declined by 29.7%, along with durable equipment at 31.3%. Exports and imports shrank by 21.9% and 9.5%, respectively.

On the supply side, the industry sector was the most affected, dropping by 13.1% compared to its pre-pandemic level, as consumption remained constrained by high unemployment and investments were held back due to poor sentiment. The agriculture, forestry, and fishing sector declined by 0.2% due to the ASF and typhoons that hit the country in 2020.



'ULYSSES' AFTERMATH. Typhoon Ulysses severely affected areas in Cagayan Valley and Bicol Region in November 2020. (Malacañang photo by Ace Morandante)

The agriculture sector suffered from the devastating typhoons that visited the country in 2020.



“THE TAAL VOLCANO ERUPTION DISRUPTED ACTIVITIES IN THE IMMEDIATE AREAS, REGIONS IV-A, CENTRAL LUZON, AND NATIONAL CAPITAL REGION (NCR), SOURCE OF 58% OF THE COUNTRY'S ECONOMIC OUTPUT.

TABLE 3: GDP GROWTH RATES*, 2010-2020

Year	GDP Growth Rate
2010	7.3
2011	3.9
2012	6.9
2013	6.8
2014	6.3
2015	6.3
2016	7.1
2017	6.9
2018	6.3
2019	6.1
2020	-9.6

*At constant 2018 prices

Source: Philippine Statistics Authority (PSA)

TABLE 4: GROWTH RATES BY EXPENDITURE SHARES, 2019-2020

	2019	2020
Household Consumption	5.9	-7.9
Government Consumption	9.6	10.4
Investment	2.5	-35.8
Fixed Capital	3.9	-27.5
Construction	8.9	-29.7
Durable Equipment	-7.0	-31.3
Breeding Stock and Orchard Development	1.5	-2.9
Intellectual Property Production	26.7	-9.6
Exports	2.4	-16.7
Imports	1.8	-21.9
GDP	6.0	-9.5

Source: Philippine Statistics Authority (PSA)

TABLE 5: GROWTH RATES BY INDUSTRIAL ORIGIN, 2019-2020

	2019	2020
Agri., Forestry and Fishing	1.2	-0.2
Industry	4.7	-13.1
Services	7.5	-9.1

Source: Philippine Statistics Authority (PSA)



The pandemic underscored the need for digital transformation, automation, and the Fourth Industrial Revolution.

Impact on Labor Market

As a result of the pandemic, unemployment rose to 17.6% in July 2020, equivalent to 7.3 million unemployed Filipinos. This was the most severe unemployment rate on record as businesses closed or downsized amidst the COVID-19 crisis.⁶

The International Labour Organization (ILO) estimated that about 25% or 10.9 million Filipino workers likely will face job disruption in terms of decreased earnings or working hours, or complete job loss.

Based on its sectoral analyses, ILO reported a sharp decline in employment levels in services and industry subsectors. High-risk sectors facing disruption are the following: manufacturing, transportation, and storage; accommodation and food service activities; arts, entertainment and recreation; and tourism.⁷

The pandemic also underscored the need for digital transformation, automation, and the Fourth Industrial Revolution. ILO estimated that about 7.2 million or 66% of the 10.9 million workers face a double whammy due to the pandemic and the increased digital disruption.⁸

⁶ Employment Situation, April 2020. Accessed at <https://psa.gov.ph/content/employment-situation-april-2020>

⁷ COVID-19 Labor Market Impact in the Philippines: Assessment and National Policy Responses. ILO Country Office, 2020

⁸ Ibid

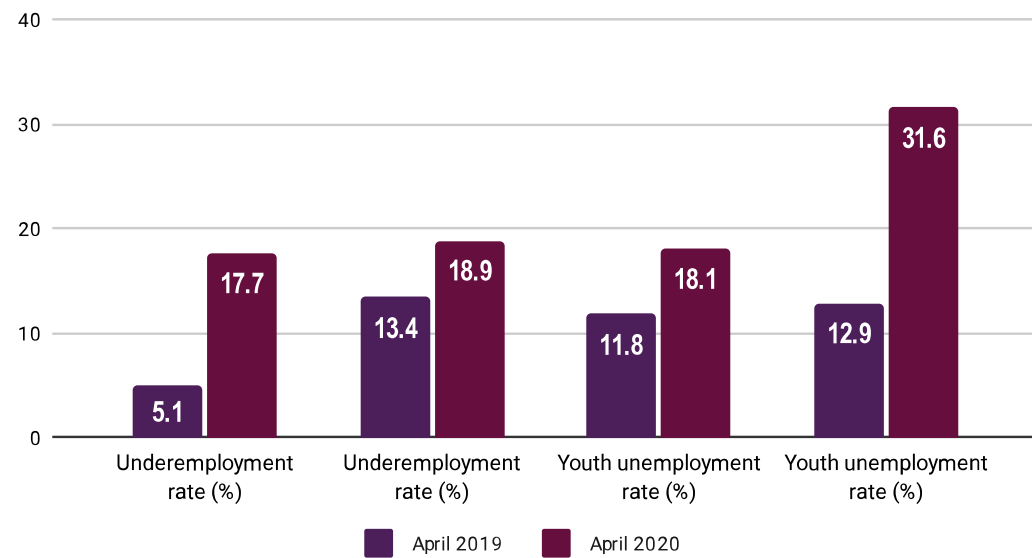


The country recorded its most severe unemployment rate on record as businesses closed or downsized amidst the COVID-19 crisis.



THE INTERNATIONAL LABOUR ORGANIZATION (ILO) ESTIMATED THAT ABOUT 25% OR 10.9 MILLION FILIPINO WORKERS LIKELY WILL FACE JOB DISRUPTION IN TERMS OF DECREASED EARNINGS OR WORKING HOURS, OR COMPLETE JOB LOSS.

FIGURE 3: KEY EMPLOYMENT INDICATORS, PHILIPPINES



Source: PSA

TABLE 6: MEDIUM- AND HIGH-RISK SECTORS DUE TO COVID-19 IMPACT

Medium-risk sectors due to COVID-19 disruption	Collapsing+machine terrain	Collapsing
Wholesale and retail trade; repair of motor vehicles and motorcycles	1374.0	2820.0
Construction	1254.3	1393.2
Other service activities	540.4	798.8
Administrative and support service activities	480.2	547.0
Financial and insurance activities	146.0	211.5
Information and communication	53.7	139.8
Professional, scientific and technical activities	50.5	100.7
Real estate activities	52.7	76.9
Electricity, gas, steam and air conditioning supply	14.7	27.5
Water supply; sewerage, waste management and remediation activities	13.7	18.5
High-risk sectors due to COVID-19 disruption	Collapsing+machine terrain	Collapsing
Transportation and storage	1424.9	2310.5
Accommodation and food service activities	1057.6	1319.4
Manufacturing	622.6	898.9
Arts, entertainment and recreation	158.2	225.5
Total	7244.1	10899.0

Note: Collapsing and machine terrain occupations refer to occupations facing high-risk for destructive digitalization. The second column ("Collapsing+machine terrain occupations") pertains to job at risk of both COVID-19 induced disruption and destructive digitalization. The third column ("Total") presents a breakdown of all jobs estimated to be at risk of COVID-19 induced disruption by sector (medium- and high risk), regardless of their susceptibility to the impact of digitalization.

Source: COVID-19 Labor Market Impact in the Philippines, ILO, 2020

THE FOUR-PILLAR SOCIOECONOMIC STRATEGY

Along with prudent fiscal management measures, the Economic team of the government, led by the DOF, crafted a Four-Pillar Socioeconomic Strategy to shield the Filipino people against the most adverse impact of the pandemic. The strategy has a combined value of at least PHP2.57 trillion or 13.8% of GDP as of December 31, 2020.

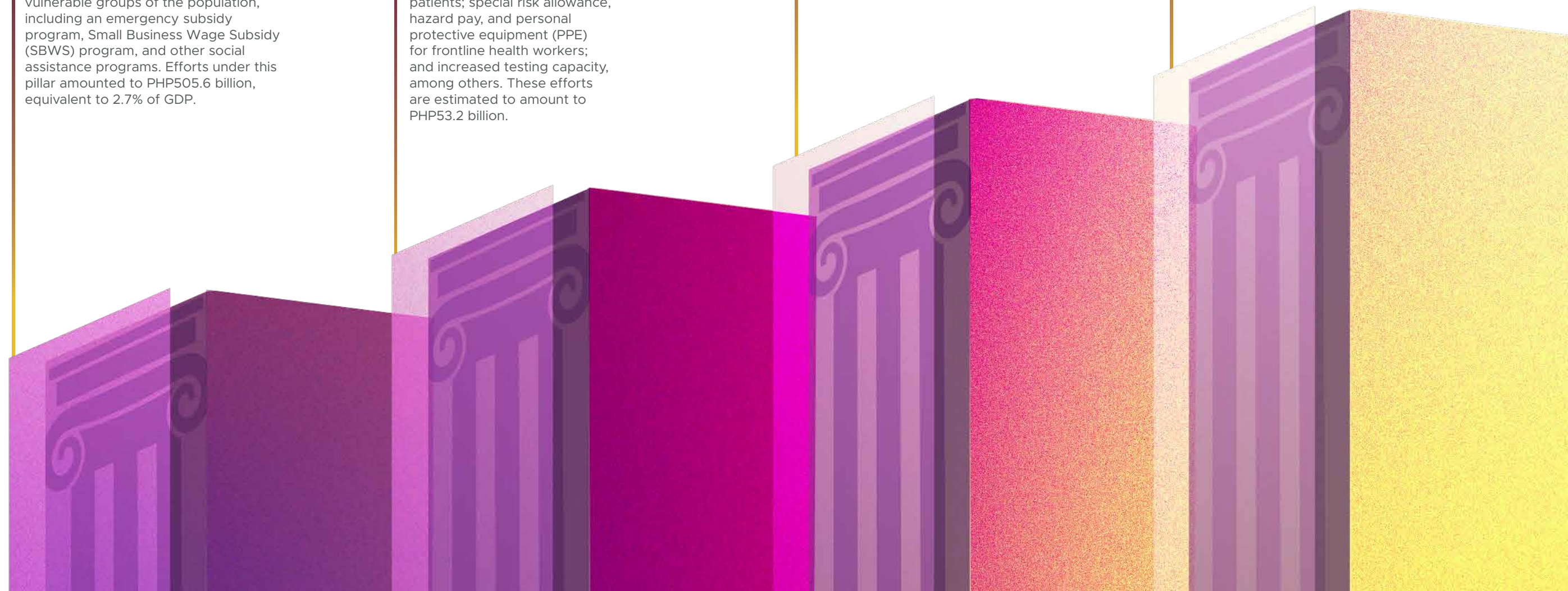
This Four-Pillar Socioeconomic Strategy involved:

PILLAR 1 - Emergency Support for Vulnerable Groups and Individuals: Under this pillar, emergency support or lifeline assistance was provided to vulnerable groups of the population, including an emergency subsidy program, Small Business Wage Subsidy (SBWS) program, and other social assistance programs. Efforts under this pillar amounted to PHP505.6 billion, equivalent to 2.7% of GDP.

PILLAR 2 - Marshalling Resources to Fight COVID-19: This covers health insurance coverage for all COVID-19 patients; special risk allowance, hazard pay, and personal protective equipment (PPE) for frontline health workers; and increased testing capacity, among others. These efforts are estimated to amount to PHP53.2 billion.

PILLAR 3 - Monetary Actions to Keep the Economy Afloat and Other Financing Support for Recovery Initiatives: This includes the PHP1.3-trillion liquidity infusion into the economy from the timely and anticipatory responses of the Bangko Sentral ng Pilipinas (BSP). In addition was the financing support for emergency response and recovery initiatives sourced from multilateral and bilateral agreements, grants, sale of bonds, provisional advances from the BSP, and remittances from government-owned or -controlled corporations (GOCCs). These efforts are estimated to amount to PHP1.4 trillion or 7.8% of GDP.

PILLAR 4 - An Economic Recovery Plan to Create Jobs and Sustain Growth: This is comprised of programs and initiatives under the country's economic recovery program, including provisions under the Bayanihan to Recover as One Act (Bayanihan II) and the Corporate Recovery and Tax Incentives for Enterprises (CREATE). These efforts amounted to PHP699.8 billion or 3.8% of GDP.



PILLAR 1: EMERGENCY SUPPORT FOR VULNERABLE GROUPS AND INDIVIDUALS *(In PHP)*

206.7 billion	Emergency subsidy program for 18 million low-income families in the informal sector (Department of Social Welfare and Development, Department of the Interior and Local Government, Armed Forces of the Philippines, and Philippine National Police)
120 billion	Credit guarantee program for small businesses
46 billion	Small Business Wage Subsidy (SBWS) Program for employees of small businesses (DOF, Bureau of Internal Revenue, Social Security System)
37 billion	Additional resources for Local Government Units (LGUs) to support vulnerable sectors
10 billion	Land Bank of the Philippines (LANDBANK) loan program for LGUs to increase their emergency funding
10 billion	LANDBANK loan program for SMEs, microfinance institutions, and cooperatives
2 billion	Department of Trade and Industry (DTI) loan program to support micro and small businesses affected by the economic impact of COVID-19
203 million	DTI livelihood program to provide livelihood kits, business advisory assistance, and other services to MSMEs
1.2 billion	Social Security System (SSS) unemployment benefits
31 billion	Department of Agriculture (DA) programs to ensure food security and agri-fishery support
3 billion	DA cash assistance program for rice farmers
2.6 billion	DA-Agricultural Credit Policy Council loan assistance for marginalized farmers and fisherfolk, and MSMEs engaged in agriculture and fisheries production
300 million	DAR aid program to provide immediate and essential support services to agrarian reform beneficiaries
10.9 billion	Department of Education (DepEd) basic education learning continuity plan
3 billion	LANDBANK loan program for private academic institutions to allow them to implement a Study Now, Pay Later scheme for students
4.9 billion	DSWD programs and protective services for individuals and families in crisis situations
43.6 billion	DSWD comprehensive and integrated delivery of social services program
3.8 billion	Department of Labor and Employment (DOLE) program creating minimum-wage jobs for displaced informal sector workers
2.6 billion	DOLE cash assistance program to support affected formal sector workers

PILLAR 2: MARSHALLING RESOURCES TO FIGHT COVID-19 *(In PHP)*

23.5 billion	Emergency subsidy for the procurement of case management-related supplies, such as personal protective equipment and medication by the Department of Health (DOH)
15.7 billion	Procurement of test kits and laboratory supplies
23.5 billion	Emergency subsidy for the procurement of case management-related supplies, such as personal protective equipment and medication by the DOH
3.1 billion	Equipment and infrastructure under the DOH programs
636 million	Additional budget for Human Resources for Health (HRH) of the DOH under the Bayanihan to Heal as One Act (Bayanihan I)
2.2 billion	Additional budget to augment operating expenses for hospitals and other health facilities in the country for COVID-19 patient management under Bayanihan I
2.2 billion	Additional budget to augment operating expenses for hospitals and other health facilities in the country for COVID-19 patient management under Bayanihan I
200.9 million	Estimated special risk allowance for healthcare workers
3.6 billion	Philippine Health Insurance Corporation (PhilHealth) in-patient claims, COVID-19 testing center claims, and community isolation benefit packages
3.1 billion	Equipment and infrastructure under the DOH programs
18.5 million	PhilHealth's internal COVID-19 related expenses
451.2 million	Philippine Charity Sweepstakes Office (PCSO) financial assistance to government hospitals for test kits, PPE, reagents, medical/diagnostic equipment, confinement, medicines, and laboratory/diagnostic procedures
420 million	PCSO fund turnover to PhilHealth to help shoulder the cost of hospitalization of COVID-19 patients
400 million	Augment the operational budget of the Philippine General Hospital (PGH)
150 million	Additional funding for the Veterans Memorial Medical Center (VMMC) for its COVID-19 response
53.2 million	Production of COVID-19 test kits under the Department of Science and Technology (DOST)
1.7 million	Rollout of telehealth devices under the DOST for various rural health centers in the country
2.7 billion	Estimated foregone revenue to expedite clearance and exempt imports of PPE and medical goods from taxes and duties
5.1 million	Donation from the Department of Foreign Affairs (DFA) to the Philippine Red Cross for its COVID-19 response
	Suspension of export requirements to ensure that export-oriented manufacturers of medical equipment and supplies can provide 80% of their daily production to government institutions and hospitals
	Tax benefits, such as exemptions and full deductibility of donations of cash, medical supplies, critical healthcare equipment, and the use of property for the purpose of fighting COVID-19

PILLAR 3: MONETARY ACTIONS TO KEEP THE ECONOMY AFLOAT AND OTHER FINANCING SUPPORT FOR EMERGENCY RESPONSE AND RECOVERY INITIATIVES *(In PHP)*

46.2 billion	Expansion in liquidity in the next 12 months after a cumulative reduction of 175 basis points in the policy rate by the Bangko Sentral ng Pilipinas (BSP)
1.3 trillion*	Other liquidity-enhancing measures from the BSP, including the following: <ul style="list-style-type: none"> • Purchase of government securities from the secondary market; • 200-basis point decrease in the reserve requirement (RR) ratios of universal and commercial banks, and non-bank financial institutions with quasi-banking functions, as well as a 100-basis point RR cut for thrift banks and rural banks; and • Approval of a policy allowing newly granted loans to MSMEs and large enterprises as alternative compliance to the RR
430.6 billion	Official development assistance (ODA) loans (signed and in the pipeline) from multilateral and bilateral sources
157.6 billion	Remittances from government-owned or -controlled corporations (GOCCs) to the Bureau of the Treasury (BTr) to fund COVID-19 response measures (as of October 23, 2020)
117.7 billion	10- and 25-year global bonds sold by the BTr to sustain COVID-19 response measures
250.4 million	Asian Development Bank (ADB) rapid emergency supplies grant
150 million	ADB grant to support health measures against COVID-19
5 billion	World Bank quick disbursing loan mechanism under the Fast-Track COVID-19 Facility for purchase of medical supplies and test kits
20 billion	BSP advanced dividends to support the COVID-19 response programs of the national government
540 billion	Short-term provisional advance from BSP to the national government authorized under the BSP Charter

* Not included in grand total of the Four-Pillar Socioeconomic Strategy so as not to double count

PILLAR 4: AN ECONOMIC RECOVERY PROGRAM TO CREATE JOBS AND SUSTAIN GROWTH

(In PHP)

165.5 billion	Programs to strengthen the health sector and pandemic response, and to provide assistance to households, businesses, local governments, MSMEs, and critically affected sectors impacted by COVID-19 under the Bayanihan to Recover as One Act (Bayanihan II)
16.3 billion	Estimated foregone revenue from the extended net operating loss carryover (NOLCO) under Bayanihan II to help businesses cope with losses in 2020 and 2021
6.9 billion	Estimated foregone revenue from tax exemptions for compensation and hazard pay for frontline healthcare workers under Bayanihan II
1.16 billion	Foregone revenue from the repeal of taxes on the sale or exchange of shares of stocks listed and traded through Initial Public Offerings under Bayanihan II to reinvigorate the stock market amid the pandemic
14 billion	Financial relief to agrarian reform beneficiaries from the payment of interests, penalties, and surcharges of loans from government agencies and GOCCs, including LANDBANK, under Bayanihan II
459 billion	Estimated incremental loans to MSMEs due to the P45-billion capital infusion to the Philippine Guarantee Corporation (PhilGuarantee), LANDBANK, and Development Bank of the Philippines (DBP) for loans and loan guarantees under Bayanihan II
37 billion	Estimated foregone revenue in 2020 from the reduction of the corporate income tax rate from 30% to 25% under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law. CREATE aims to help businesses sustain operations and retain jobs.

Source: The Duterte Administration's 4-Pillar Socioeconomic Strategy Against COVID-19. Accessed at <https://www.dof.gov.ph/wp-content/uploads/2020/11/We-Will-Rise-As-One-brochure-as-of-Oct-30.pdf>

Other Measures Under the Economic Recovery Program:

- Conducted a nationwide survey (with more than 44,000 respondents) in April 2020 to assess the initial damage of COVID-19 to businesses, especially MSMEs. The survey results were used as a guide in crafting a bounce-back program with differentiated interventions for various groups (MSMEs vs. large businesses, manufacturing, hospitality, etc.);
- Conducted a follow-up nationwide survey (with more than 74,000 respondents) in July 2020 to measure the impact of the pandemic on businesses, with a focus on MSMEs. Results from the survey include the MSMEs' most needed forms of government support; and
- Continued investment in social and infrastructure programs to help revive and sustain economic growth.



The Small Business Wage Subsidy (SBWS) program aims to mitigate the impact of the quarantine measures on affected employees of small businesses

On April 16, 2020, the DOF and its attached agencies launched the Small Business Wage Subsidy (SBWS) program to mitigate the impact of the quarantine measures across various local government units. The program costs PHP46 billion and provided two tranches of subsidy to more than three million affected employees of small businesses.

The SBWS program is largely automated and digital, with manual processing kept to a minimum. Employers submitted applications electronically on behalf of their employees from April 16 to May 8, 2020 through one of three digital application methods. Aid distribution was also automated. This allowed the payouts to begin on April 30, 2020, a day before the announced schedule. Payouts for both tranches reached 99% completion within six weeks of the end of the application period.

The SBWS complemented the social amelioration programs in the “Bayanihan to Heal as One” Act by providing support to formal sector employees who comprise the middle class.

The SBWS sought to improve the effectiveness and efficiency of providing salary subsidies by creating a mechanism to deliver salary subsidies for current and future crises.

The program provided wage subsidies for two months to more than three million employees of small businesses affected by the enhanced community quarantine (ECQ) and similar measures imposed across the country.

Each eligible employee beneficiary received two tranches (PHP5,000 to PHP8,000) of the subsidy, depending on the regional minimum wage of their place of employment.

The SBWS sought to improve upon other social amelioration programs by integrating the following key principles:

- Digitalization of subsidy applications and payouts
- Direct distribution of aid to the bank or e-wallet accounts of intended beneficiaries
- Close administrative oversight of critical steps of the program

By using the SSS and BIR systems, the SBWS accurately targeted affected small businesses and their employees. The SBWS also sought to incentivize better compliance so that future salary subsidies can be more easily delivered, similar to other countries with established wage subsidies or unemployment benefit measures.



The PHP140-billion fiscal stimulus package helped the government provide cash-for-work programs and other support to vulnerable sectors.

THE DOF AND BAYANIHAN LAWS

Bayanihan to Heal as One Act (Bayanihan I)

The law, enacted on March 23, 2020 and expired in June 2020, served as the government’s emergency health and economic response to the COVID-19 pandemic. It gave the flexibility to implement programs to tide affected families, businesses, and employees in preparation for the gradual reopening of businesses under the new normal.

The DOF led efforts to provide fiscal analysis and financing support to programs and projects under Bayanihan I. Projects under the measure include the PHP205-billion Emergency Subsidy Program for at least 18 million low-income Filipino families in the informal sector under the Social Amelioration Program (SAP), the largest social protection program in Philippine history. Another measure enabled by the law is the SBWS Program for employees of small businesses affected by the enhanced community quarantine.

Bayanihan to Recover as One (Bayanihan II)

Enacted on September 11, 2020, Bayanihan II enabled the DOF to respond to the pandemic with more interventions. The PHP140-billion fiscal stimulus package helped the government strengthen the health sector, provide cash-for-work programs, and continue to support vulnerable sectors, while infusing capital in government financial institutions (GFIs) to enable them to lend to productive sectors of the economy and keep them afloat. The Bayanihan II also included a PHP25.53-billion standby fund for COVID-19 testing and procurement of medicines and vaccines, and capital infusion for government banks- PHP9.0 billion for the Landbank of the Philippines (LBP) and PHP6.53 billion for the Development Bank of the Philippines (DBP).

Under Bayanihan II, the Securities and Exchange Commission (SEC) was also able to immediately grant regulatory relief to its regulated entities by extending the period for filing reportorial requirements, providing alternative modes of filing, and suspending the imposition of certain penalties.



Bayanihan I and II laws provided relief to sectors hardest hit by the economic shock triggered by the COVID-19 pandemic.

In addition, Bayanihan II enabled PHILGUARANTEE to expand its credit guarantee coverage and perform the following:

- Further widen its guarantee headroom of economic activities and extend more assistance to viable but severely affected MSMEs, which accounted for PHP2 billion of the PHP5 billion appropriated for PHILGUARANTEE to aid pandemic-hit enterprises.
- Defer statutory deadlines and timelines for payments and other charges by waiving all housing program-related penalties covering the period from March 16 to May 31, 2020.
- Provide socialized and low-cost housing guarantee programs and restructured housing loans with the PHP2 billion allocated for the sector under Bayanihan II.

The DOF also implemented several regulations related to the Bayanihan I and II laws to provide relief to sectors hardest hit by the economic shock triggered by the COVID-19 pandemic. These were:

- Extended the deadlines and timelines for the filing and submission of various tax returns and/or documents;
- Extended the deadlines for the payment of taxes, fees and charges imposed and collected by local government units (LGUs);
- Issued the rules and regulations for the implementation of grace periods for the payment of all loans without slapping interest or any additional charges and fees on the borrowers for certain duration;
- Granted exemptions from several taxes for the importation of healthcare equipment and medical

supplies, among others, for a certain period;

- Established the rules and regulations on the tax and duty-free importation of medical supplies and equipment critical to the government's efforts to boost the country's healthcare system;
- Granted tax incentives on donations or gifts for the sole and exclusive purpose of combating the pandemic during the state of national emergency;
- Granted tax incentives on all donations of personal computers, laptops, tablets or similar equipment for use in public schools for the blended learning system for a certain period;
- Allowed businesses or enterprises that incurred a net operating loss for taxable years 2020 and 2021 to carry that net operating loss as a deduction from its gross income for

“ THE DOF ALSO IMPLEMENTED SEVERAL REGULATIONS RELATED TO THE BAYANIHAN I AND II LAWS TO PROVIDE RELIEF TO SECTORS HARDEST HIT BY THE ECONOMIC SHOCK TRIGGERED BY THE COVID-19 PANDEMIC.



The Philippine National Police (PNP) turned over cash donations of PHP228,445,207.00 to the DOF under its PNP Bayanihan Fund Challenge to assist in the National Government's Bayanihan I implementation.

the next five consecutive taxable years immediately following the year of such loss;

- Ruled that every sale, barter, exchange or other disposition of shares of stock through initial public offerings of closely held corporations shall no longer be subject to tax imposed under Section 127(B) of the National Internal Revenue Code (NIRC), as amended, upon the effectivity of Bayanihan II;

- Suspended the filing and 90-day processing of VAT refund claims under Sec. 112 of Tax Code of 1997, as amended, whose prescription fall during the effectivity of Bayanihan II;
- Granted tax exemption on certain income payments;
- Prescribed the rules and regulations on implementing Section 11(f) and (g) of Bayanihan II on the taxes derived from gaming and non-gaming operations as other sources of funding for

the subsidy, stimulus measures, and other efforts to address the pandemic; and

- In line with Section 4 (nnn) of Bayanihan II, the DOF, Department of Trade and Industry (DTI), and the Department of Environment and Natural Resources (DENR) jointly issued the Implementing Rules and Regulations on the grant of regulatory relief to private projects determined to be nationally significant, with high economic returns, or high employment potential.

ENACTMENT AND IMPLEMENTATION OF GAME-CHANGING SOCIOECONOMIC REFORMS

The DOF worked with Congress in crafting these measures to help the private sector continue operating and retain jobs, and help revive domestic markets without the government taking on more public debt than necessary:

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Passed into law on November 26, 2020.

The CREATE law (Republic Act 11534) is the largest fiscal stimulus program for enterprises in the country's history, providing PHP1 trillion worth of tax relief over the next 10 years

CREATE was the recalibrated version of the Corporate Income Tax and Incentives Reform Act (CITIRA) to make it more relevant and responsive to the needs of businesses negatively affected by the COVID-19 pandemic. The outright reduction of the corporate income tax rate from 30% to 25% for large corporations and 20% for MSMEs aimed to lessen the financial burden brought by the pandemic. CREATE also included the following tax relief measures for business enterprises:

- a) Reduction of the minimum corporate income tax to 1% from 2% from July 1, 2020 to June 30, 2023;
- b) 1% special corporate income tax rate for proprietary educational institutions and hospitals until June 30, 2023;
- c) VAT exemption on COVID-19 medicines and medical supplies;
- d) VAT exemption beginning January 1, 2021 on medicines for cancer, mental illness, tuberculosis, HIV-AIDS, and kidney diseases;
- e) Higher VAT exemption threshold for sale of real property;

- f) VAT exemption threshold for socialized and low-cost housing raised to PHP2.5 million, VAT exemption for house and lot raised to PHP4.2 million; and

- g) Reduction of percentage tax from 3% to 1% from July 1, 2020 to June 30, 2023

Despite the revisions, the CREATE measure continued to be consistent with the basic principles of a performance-based, targeted, time-bound, and transparent tax system. Registered business enterprises could enjoy up to 17 years of tax incentives, with 4 to 7 years of income tax holiday (ITH) and 10 years of special corporate income tax (SCIT).

CREATE also included performance-based enhanced deductions, such as additional depreciation allowance, 50% additional deduction on labor expenses, and 100% additional deduction on research and development. These provisions are meant to encourage job creations, value added, research and development, training and the use of local materials.

The law expanded the Fiscal Incentives Review Board's (FIRB) mandate to ensure the improvement of governance in granting tax incentives. The FIRB would serve as the oversight body for Investment Promotion Agencies (IPAs) and would have the power to grant tax incentives to projects or activities with investment capital above PHP1 billion.

In addition, the DOF also supported and pushed for the congressional passage of the following key economic recovery measures:

a) The Financial Institutions Strategic Transfer (FIST) Act, enacted as Republic Act No. 11523, aims to enable banks to offload souring loans and assets and extend more credit to sectors in need. This is an improved version of the Special Purpose Vehicles that we enacted in the early 2000s. FIST will help banks move proactively than they did during the 1997 Asian financial crisis.

- b) The proposed **Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)** Act aims to allow government banks to set up a holding company to infuse equity, with strict conditions, into strategically important enterprises experiencing temporary solvency issues. As of March 2021, the bill has been approved in the House of Representatives.



Top Cabinet officials led by Finance Sec. Carlos P. Dominguez III and the sponsors of the CREATE law from the Senate answer questions from the media.

Solons at the House of Representatives ratify the bicameral report on the FIST Act



TABLE 7: ENACTED COMPREHENSIVE TAX REFORM PROGRAM (CTRP) PACKAGES

CTRP Package	Enacted as
Package 1: Tax Reform for Acceleration and Inclusion (TRAIN)	Republic Act No. 10963 (signed into law on December 19, 2017)
Package 1B: Tax Amnesty	Republic Act No. 11213 (signed into law on February 14, 2019)
Package 2: Corporate Income Tax and Incentives Reform Act (CITIRA), recalibrated as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act	Republic Act No. 11534 (passed into law on November 26, 2020)
Package 2+: Sin Taxes for Universal Healthcare	Tobacco: Republic Act No. 11346 (signed into law on July 25, 2019) Alcohol and e-Cigarettes: Republic Act No. 11467 (signed into law on January 22, 2020)

Package 3: Real Property Valuation and Assessment Reform

The Real Property Valuation and Assessment Reform Bill aims to adopt internationally accepted valuation standards and professionalize real property valuation and promote investor confidence.

The reform will broaden the tax base used for property-related taxes of national and local governments, increasing government revenue potential without increasing the existing tax rates or devising new tax impositions. Likewise, the proposal will provide more predictability and stability in property values and promote investor confidence. It also aims to expedite the completion of infrastructure programs critical to economic recovery by rationalizing

real property valuation by government agencies, which, in turn, will expedite the resolution of right-of-way acquisition cases.

Package 4: Passive Income and Financial Intermediaries Taxation

Passive income and financial intermediaries' taxation (PIFITA) will simplify and harmonize the taxation of passive income, financial services, and transactions. This is necessary for the country to be more competitive in attracting capital and investments urgently needed to finance large-scale infrastructure, create more and better jobs, and boost economic growth.

The reform will:

- Simplify the taxation of passive income, financial services, and transactions;

- Reduce the number of possible tax rates from 77 to 36;
- Harmonize the tax rates on interest, dividends, and capital gains, and the business taxes imposed on financial intermediaries; and
- Remove the documentary stamp tax imposed on non-monetary transactions.

Package 4 also complements the newly released set of amended rules and regulations for companies enticing Filipinos to invest in the real estate sector via the Real Estate Investment Trust (REIT) Law. The issuance in January 2020 of the revised regulations will enable Filipinos to participate more broadly in real estate and infrastructure investments and allow the property industry to raise more capital for their projects.

TABLE 8: LEGISLATIVE PRIORITIES OF DOF

As of December 31, 2020

No.	Subject/Title of the Bill	House	Senate
1	Package 3 of CTRP or the Valuation Reform	Approved on 3rd reading; Transmitted to the Senate on Nov. 26, 2019	Pending in the Committee on Ways and Means, Local Government and Finance
2	Package 4 of CTRP or the Passive Income Tax and Financial Tax Reform (PIFITA)	Approved on 3rd reading; Transmitted to the Senate on Sept. 10, 2019	Pending in the Committee on Ways and Means
3	Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE)	HB 7749 – Approved on 3rd reading, transmitted to the Senate and referred to the Committee on Rules	Pending in the Committee on Rules
4	House Bill 7425 Digital Transactions Value Added Tax	Pending 2nd Reading – Period of Interpellation on Sept. 23, 2020	No filed bill in the Senate
5	Bureau of Fire Protection (BFP) Modernization Program	Approved on 3rd Reading; Transmitted to the Senate on Nov. 24, 2020	
6	Military and Uniformed Personnel (MUP) Services Separation, Retirement, and Pension Act	Pending in the Committee on National Defense and Security	Pending in the Committee on National Defense and Security, Peace and Unification and Reconciliation, Government Corporations and Public Enterprises, Finance and Ways and Means
7	Armed Forces of the Philippines (AFP) Modernization	Pending in the Committee on National Defense and Security	Pending in the Committees on Finance and National Defense and Security, Peace, Unification and Reconciliation
8	Coconut Farmers Trust Fund Bill	Passed by both houses on Dec. 16, 2020; Draft enrolled bill for review at the House Bills and Index	
9	Converting the Insurance Commission into a Collegial Body, Amending Republic Act No. 10607, Otherwise Known as "the Insurance Code"	Approved on 3rd Reading; Transmitted to the Senate on June 3, 2020	Pending in the Committee on Banks, Financial Institutions and Currencies
10	Consumer Protection Bill	Approved on 3rd Reading; Transmitted to the Senate on June 3, 2020	Pending in the Committee on Banks, Financial Institutions and Currencies
11	Department of Water Resources and Water Regulatory Commission	Substitute bill approved by the Committees on Government Reorganization, Public Works, Ways and Means and Appropriations	Pending in the Committee on Public Services – For TWG Discussion
12	Creating a National Disease Prevention and Management Authority	Pending in the Committee on Health – 1 TWG Discussion	Pending in the Committee on Health and Demography

No.	Subject/Title of the Bill	House	Senate
13	National Land Use Bill	Pending in the Committee on Land Use – 1 TWG Discussion	Pending in the Committee on Environment, Natural Resources and Climate Change
14	Motor Vehicles Users Tax	Approved on 3rd Reading; Transmitted to the Senate on March 11, 2020	No filed bill in the Senate
15	Fiscal Mining Regime	Committee Report No. 211, for Plenary	Pending in the Committee on Ways and Means
16	Warehouse Receipts Bill	Substitute bill approved by the Committees on Trade and Industry and Appropriations	

MANAGING REVENUE COLLECTIONS AMIDST THE COVID-19 PANDEMIC

NG Revenue Performance for Fiscal Year 2020

Despite the challenging circumstances, the National Government (NG) collected total revenues of PHP2.9 trillion in 2020, 9.0% lower than PHP3.1 trillion in 2019.

Tax collections amounted to PHP2.5 trillion, down 11.4% than the previous year's collection, due to the economy's contraction in 2020. The drastic reduction of economic activity resulting from the widespread community quarantine, and a series of natural disasters in 2020 reduced the revenue base of tax-collecting agencies.

The Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) I collected PHP1.95 trillion and PHP537.7 billion, respectively. Compared to 2019, these were lower by 10.3% for the BIR

and by 14.7% for the BOC. Other offices added PHP15.7 billion to total tax revenues, 28.7% lower than their 2019 collection of PHP22.0 billion.

Partially compensating for the lower tax revenues, collections from non-tax revenues amounted to PHP350.8 billion, 13.7% higher than its 2019 level. The Bureau of the Treasury (BTr) collection increased by 49.9% due to higher dividends, other government service income, and interest on advances from GOCCs. Collections from fees and charges decreased by 58.3% while other non-tax revenues grew slightly by 1.4%. Proceeds from privatization and grants amounted to PHP716.0 million or lower by 37.3% compared with 2019's level of PHP1.1 billion.

Emergency spending requirements to mitigate the pandemic raised

government disbursements in 2020 to PHP4.2 trillion, higher by 11.3% or PHP429.7 billion than the previous year's PHP3.8 trillion. The increase in expenditures was due to the implementation of various COVID-19 mitigation and recovery measures. However, this was still lower by 2.49% or PHP107.8 billion against the revised full-year program of PHP4.34 trillion, as some of the economic relief under Republic Act No. 11494 (Bayanihan to Recover as One Act) were fully implemented only by year end.

Spending in 2020 far outpaced revenue growth, resulting in an NG fiscal deficit of PHP1.4 trillion. This was 107.7% higher than the 2019 level of PHP660.2 billion due to the emergency fiscal response of the government to manage the pandemic.

TABLE 9: NG FISCAL PERFORMANCE

In billion PHP

	2019 Actual	2020			YoY Growth (in %)
		Actual	Program	Program Variance (in %)	
Total Revenues	3,137.5	2,856.0	2,519.8	13.3	(9.0)
Tax Revenues	2,827.8	2,504.4	2,205.2	13.6	(11.4)
Tax Effort (%)*	14.5	13.9	11.7		
BIR	2,175.5	1,951.0	1,685.7	15.7	(10.3)
BOC	630.3	537.7	506.2	6.2	(14.7)
Other offices	22.0	15.7	13.3	18.0	(28.7)
Non-Tax Revenues	308.8	351.0	314.1	11.8	13.7
Fees and charges	55.4	23.1	38.1	(39.3)	(58.3)
Bureau of the Treasury	146.5	219.7	213.3	3.0	49.9
Other non-tax revenues	106.6	108.0	62.8	72.1	1.4
Foreign grants	0.3	0.2	-	-	(6.9)
Privatization	0.9	0.5	0.5	(5.0)	(46.1)
Expenditures	3,797.7	4,227.4	4,335.2	(2.5)	11.3
Surplus/(Deficit)	(660.2)	(1,371.4)	(1,815.4)	(24.5)	107.7

*Used 2018-based nominal GDP

Consolidated Public Sector Financial Position

Preliminary data shows that the country's consolidated public sector financial position (CPSFP) registered a total deficit of PHP981.5 billion in 2020, equivalent to 5.5% of GDP. The overall deficit grew by 405.1% from 2019 due to higher government spending to mitigate the impact of the COVID-19 pandemic.

The NG incurred the bulk of the deficit, amounting to PHP1.4 trillion or 107.7% higher than in 2019, as revenues fell while expenditures grew at a faster pace due to the COVID-19 pandemic. The NG fiscal gap, however, narrowed by 24.5% than the revised full-year program of PHP1.8 trillion.⁹ Tax collections picked up in the second half of 2020 as the economy started

opening up when the government eased strict quarantine restrictions.

The consolidated financial position of the monitored non-financial government corporations (MNFGCs) posted a deficit of PHP700 million, a turnaround from the PHP13.5-billion surplus in 2019. The net reduction in the combined cash balances of the MNFGCs were due to several factors such as a drop in revenues and universal levy collection, increase in capital expenditures, net increase in subsidy, and substantial dividend remittances amounting to PHP135.5 billion to NG as mandated under Bayanihan I to help fund COVID-19 response measures.

Surplus cash balances from other public sector entities offset the shortfalls of both the NG and MNFGCs. The

social security institutions (SSIs) and government financial institutions (GFIs) achieved a surplus of PHP85.7 billion and PHP21.4 billion, respectively. This positive outcome was primarily due to diversification strategies in investments, higher collection of members' contributions, and a significant increase in investment income derived from the holdings of NG securities.

The Bangko Sentral ng Pilipinas (BSP) posted a deficit of PHP5.1 billion on a modified cash basis primarily due to lower incomes as the foreign exchange rate fluctuates. Local government units (LGUs) posted a surplus of PHP265.8 billion, mainly from extraordinary receipts from the NG¹⁰ due to the pandemic.

⁹ July 2020 DBCC approved level.

¹⁰ Which includes grants, donations, and aids

TABLE 10: CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION, 2019^R TO 2020^P
In billion PHP

Particulars	2019 Actual	2020 Preliminary
Total Surplus/Deficit	(194.32)	(981.52)
% of GDP	-1.0	-5.5
Total Public Sector Borrowing Requirement	(624.24)	(1,349.43)
% of GDP	-3.2	-7.5
National Government	(660.24)	(1,371.45)
o.w. Privatization	0.88	0.46
Central Bank restructuring	0.00	0.00
16 monitored non-financial government corporations (MNFGCs)	13.46	(0.66)
Adjustment of net lending and equity to GOCCs	20.53	22.68
Other adjustments	0.00	0.00
Other Public Sector	431.93	367.91
% of GDP	2.2	2.1
Social security institutions (SSIs) – SSS /GSIS /PHIC	103.57	85.74
Bangko Sentral ng Pilipinas (BSP)	44.02	(5.05)
Government financial institutions (GFIs)	25.37	21.37
Local government units (LGUs)	258.97	265.85
Timing adjustment of interest payments to BSP	0.00	0.00
Other adjustments	0.00	0.00
Nominal GDP	19,517.86	17,938.58

Notes:
Totals may not add-up due to rounding off
Revised 2019 levels for MNFGCs, SSIs, and GFIs
Actual 2020 NG deficit
Revised actual 2020 nominal GDP as of April 2021
Preliminary figures for 16 MNFGCs, SSIs, and GFIs as of 18 June 2021
Sources:
BSP, BLGF, DOF – Corporate Affairs Group, and Philippine Statistics Authority
GOCCS' CONTRIBUTION TO THE FISCAL CONSOLIDATION PROGRAM AND TO THE COVID-19 RESPONSE

The National Government received PHP164.2 billion from the government corporate sector comprising dividends pursuant to the Dividend Law, fees due to the NG, returns of unutilized subsidies, NG share on revenues generated by the Philippine Amusement and Gaming Corporation (PAGCOR) and the Manila International Airport Authority (MIAA), and other remittances.

GOCCs contributed total collections of PHP164.2 billion to the NG. This

comprised 46.7% of the total non-tax revenues¹¹ and 5.8% of the total revenues¹² for 2020. It was also PHP66.2 billion or 68% higher versus the PHP98.0 billion collected in 2019.

Dividend remittances from GOCCs and government financial institutions (GFIs) reached PHP135.1 billion in 2020, an unprecedented 157% increase from PHP52.6 billion in 2019. Collection of dividends in arrears was aggressively pursued in 2020, not only in line with the DOF's mandate to instill financial

discipline in GOCCs, but also to bolster the national coffers to fund COVID-19 responses. The substantial dividend significantly contributed to the unprogrammed revenues required to fund the various expenditures which were not programmed nor anticipated due to COVID-19. These included the initial releases for the Social Amelioration Program (SAP) and public health-related expenditures.

TABLE 11: TOP GOCC DIVIDEND CONTRIBUTORS

GOCCs	Dividends (in billion PHP)
Bangko Sentral ng Pilipinas (BSP)	40.5
Philippine Deposit Insurance Corporation (PDIC)	17.9
Philippine Amusement and Gaming Corporation (PAGCOR)	17.0
Tourism Infrastructure and Enterprise Zone Authority (TIEZA)	2.0
Civil Aviation Authority of the Philippines (CAAP)	6.0
Manila International Airport Authority (MIAA)	6.0
Philippine Ports Authority (PPA)	5.1
Philippine National Oil Company (PNOC)	5.0
Philippine Reclamation Authority (PRecA)	4.4
National Power Corporation (NPC)	4.0
PNOC-Exploration Corporation (PNOC-EC)	3.0
Philippine Charity Sweepstakes Office (PCSO)	2.3
Philippine Economic Zone Authority (PEZA)	2.0
Bases Conversion Development Authority (BCDA)	1.6
Clark Development Corporation (CDC)	1.1

¹¹ CY 2020 Non-Tax Revenue = PHP351.297 billion per BTr COR

¹² CY 2020 Total Revenue = PHP2.855 trillion per BTr COR

ENACTMENT AND IMPLEMENTATION OF GAME-CHANGING SOCIOECONOMIC REFORMS

Out of the PHP135.1-billion dividend remittances, PHP98.9 billion was remitted after the enactment of the Bayanihan Laws. These laws gave the President the authority to allocate cash, funds, investments including unutilized or unreleased subsidies and transfers

held by any GOCC in order to address the COVID-19 crisis.

GOCCs were enjoined to remit dividends out of their current net earnings at more than the minimum dividend rate of 50%, and out of their

accumulated retained earnings, as well as full settlement of dividend in arrears which were covered by payment plans. This is in pursuant to the authority given to the Secretary of Finance¹³, and due to the substantial cash and investment balances held by GOCCs.

TABLE 12: CONTRIBUTION TO THE FISCAL CONSOLIDATION PROGRAM OF THE GOVERNMENT

In billion PHP

COLLECTIONS FROM GOCCs	FY 2019 ACTUAL	FY 2020 ACTUAL	FY 2020 PROGRAM	% Variance 2020 Actual vs. Program	Growth Rate in %
A. Dividends	52.5*	135.1**	16.0	845	157
B. Guarantee Fee	2.9	1.7	1.9	89	-41
C. Interest on Advances	2.5	0.2	0.1	190	-91
D. FOREX Risk Cover Fee	1.6	1.5	1.4	105	-6
E. Airport Terminal Fee	1.2	0.4	0.9	44	-70
F. NG Shares on Income	37.3	17.0	36.2	47	-54
G. Other Remittances	-	8.3			
TOTAL COLLECTIONS	98.0	164.2	56.5	291	68

* Excluding dividend relief of Php16.6 billion

** Excluding dividend relief of Php21.9 billion

For 2020: Tax Revenue = Php2,504.4 billion

Non-Tax Revenue = Php351.3 billion

Source: BTr

TABLE 13: GOCCs' CONTRIBUTION TO THE CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION

In billion PHP

Particulars	FY 2019 ACTUAL	FY 2020 ACTUAL	Increase (Decrease)	Growth Rate in %
MNFGCs*	13.5	-0.7	(14.2)	(105.2)
GfIs (DBP, LBP, PGC)	25.4	21.4	(4.0)	(15.7)
SSIs (GSIS, SSS, PHIC)	103.6	85.7	(17.9)	(17.3)

*Includes: National Power Corporation (NPC), National Transmission Corporation (Transco), Power Sector Assets and Liabilities Management Corporation (PSALM), Philippine National Oil Company (PNOC), Metropolitan Waterworks Sewerage (MSS), National Irrigation Administration (NIA), National Development Company (NDC), Light Rail Transit Authority (LRTA), Local Water Utilities Administration (LWUA), National Electrification Administration (NEA), National Housing Authority (NHA), Philippine National Railways (PNR), Philippine Ports Authority (PPA), National Food Authority (NFA), Philippine Economic Zone Authority (PEZA), Bases Conversion Development Authority (BCDA), Civil Aviation Authority of the Philippines (CAAP) and Manila International Airport Authority (MIAA)

¹³ Through Memorandum from the Executive Secretary Salvador C. Medialdea dated March 28, 2020, and October 23, 2020

Major Non-Financial Government Corporations

The consolidated financial position of major non-financial government corporations (MNFGCs) in 2020 posted a deficit of PHP700 million, a turnaround from the PHP13.5 billion surplus in 2019, reflecting how the health pandemic also impacted operations of GOCCs. The lockdown of Philippine borders led to the PHP9.3 billion and PHP8.5 billion drop in revenues of the Manila International Airport Authority (MIAA) and Civil Aviation Authority of the Philippines (CAAP), respectively. The drop in revenues caused the deterioration in the financial operations of these corporations totaling PHP17.8 billion.

The strict quarantine conditions also caused a drop in power generation sales which meant a decrease in revenues of Power Sector Assets and Liability Management Corporation (PSALM) and the National Power Corporation (NPC). In particular, the decline in economic activity because of quarantine measures including closure of establishments and industries considered non-essential meant lower generation payments from independent power producer associations (IPPAs), and drop in sales from trading because of lower spot trading prices at the Wholesale Electricity Spot Market brought about by lower energy demand.

Higher mandated dividend contributions reduced the cash balances of some GOCCs. For example, the Philippine National Oil Company (PNOC) and its companies' PHP8-billion dividend remittances resulted in a deficit of PHP5.1 billion in 2020, reversing their PHP2.5-billion surplus in 2019.

On the other hand, the financial turnaround of the National Food Authority (NFA) — from PHP16.3 billion in deficit in 2019 to a surplus of

PHP25.8 billion in 2020, or an improvement of PHP42.1 billion —manifests the impact of the Rice Tariffication Law (RA 11203) in 2018. The law mandates the NFA to have a buffer stock for emergency situations and to sustain the government's disaster relief programs during calamities. It also requires the NFA to procure from local farmers in meeting its inventory stock requirement.

Government Financial Institutions and Social Security Institutions

Government financial institutions (GFIs) maintained positive contributions to the CPSFP even as their lending operations slowed, provisions for loan losses increased, and loan amortizations temporarily ceased, because of the pandemic. In 2020, GFIs had a consolidated surplus of PHP21.4 billion, down from PHP25.4 billion in 2019.

Despite the pandemic, social security institutions (SSIs) maintained their surplus position, posting PHP85.7 billion in 2020, albeit PHP17.8 billion lower than PHP103.5 billion in 2019. The surplus of the Social Security System (SSS) dropped to PHP3.9 billion in 2020 from PHP33.6 billion in 2019 due to reduced contributions and a substantial increase in lending, mainly for COVID-19 calamity loans totaling PHP30.4 billion. The increase in the Government Service Insurance System's (GSIS) surplus was primarily driven by an increase in members' contribution in view of the implementation of the first tranche of the Salary Standardization Law (SSL) 5, which took effect in 2020, coupled with the increase in the number of members from the Department of Education (DepED).

PRUDENT DEBT MANAGEMENT AND FINANCING

Increased spending to support both health and economic requirements during the pandemic led to higher government debt-to-GDP ratios in 2020 globally.

The Philippines, however, entered 2020 with a historic low-debt-to-GDP ratio of 39.6%. This means that the NG could better absorb additional borrowings than other countries whose debt ratios were already at 60% before the pandemic.

As none of the emergency spending for the health crisis was programmed, the NG needed to bridge its PHP1.4-trillion (equivalent to 7.6% of GDP) deficit spending for 2020 with additional borrowings. To finance the NG's budget deficit, the DOF prioritized domestic borrowings, followed by official development assistance (ODA) and the international capital markets. The DOF determined this plan to be the most prudent approach, as it would best ensure the sustainability of the NG's debt service.

Gross Borrowings

For 2020, the NG raised a total of PHP2.7 trillion in borrowings and PHP540.0 billion in short-term bridge financing from the BSP. Of the total, 72% or PHP1.9 trillion came from domestic sources while 28% or PHP742 billion was sourced from the international markets. The NG took advantage of favorable rates and built a comfortable cash buffer through international bond issuances and retail bond offerings while facing the challenges posed by the COVID-19 crisis. This provided the NG with sufficient cash resources to meet the spending requirement for its pandemic response effort while managing auction rates and avoiding higher interest rates.

Accordingly, the NG's outstanding debt grew by 26.7% to PHP9.8 trillion in 2020, rising to 54.6% of GDP from a historic low of 39.6% in the previous year, in line with the program to maintain debt at a sustainable level. The 15-percentage point increase in the NG's debt-to-GDP ratio is still within the prescribed bounds of fiscal viability and the experience of the country's rating peers globally. The NG's debt profile continued to exhibit resilience and stability against risks. Local currency debt increased its share to 68.3% in 2020 from 66.3% in 2019, as financing was mostly done onshore to mitigate foreign exchange risk and support local capital market development. The portfolio weighted average interest rate also improved to 4.17% from 5.00% in 2019 while the average residual maturity was maintained within the 7- to 10-year target at 7.57 years.

Signing of the Memorandum of Agreement for the issuance of BSP securities at the Assembly Hall of the Bangko Sentral ng Pilipinas on July 1, 2020



TABLE 14: SELECTED DEBT INDICATORS, 2019-2020

In billion PHP

Particulars	CY 2019	CY 2020
National Government Outstanding Debt*	7,731,290	9,795,006
Growth Rate (in %)	6.0	26.7
Domestic (million PHP)	5,127,600	6,694,687
Growth Rate (in %)	3.5	30.6
External (million PHP)	2,603,690	3,100,319
Growth Rate (in %)	3.5	19.1
(USD million)	51,252	64,562
% Distribution	100	100
Domestic	66.3	68.3
External	33.7	31.7
% of GDP		
Total NG Debt	39.6	54.6
Domestic	26.3	37.3
External	13.3	17.3
By Type of Instrument (million PHP)	7,731,290	9,795,006
Loans	980,479	1,312,836
Debt Securities	6,750,811	8,482,170
By Maturity (million PHP) **	7,731,290	9,795,006
Short-term	491,131	956,040
Medium-term	1,374,313	2,251,787
Long-term	5,865,846	6,587,179
% Distribution	100.0	100.0
Short-term	6.4	9.8
Medium-term	17.8	23.0
Long-term	75.9	67.3

* Excludes contingent liabilities payable upon demand

** Original Maturity

Source: BTr

PRUDENT DEBT MANAGEMENT AND FINANCING

SECURITIES ISSUED IN THE DOMESTIC AND INTERNATIONAL MARKETS

International Bond Issuances

Despite the uncertainties in the international capital markets, the government was able to issue government securities at tight spreads and manage the debt profile of the country.

- Euro Bonds (February 2020)

The government raised EUR1.2 billion worth of three- and nine-year Euro-denominated bonds. The short-dated paper was priced at near zero coupon and fetched a yield of 0.10% while the nine-year debt paper had a coupon rate of 0.75%. The issuance is the Philippine's lowest coupon ever for a nine-year Euro bond deal and first ever zero-coupon three-year Euro-denominated bond in the international capital markets. The offer was oversubscribed by more than thrice the initial offer with total bids reaching EUR4.3 billion.

- Multi-Tranche Global Bonds (May and December 2020)

In May 2020, the Republic of the Philippines issued USD2.3-billion double tranche 10-year and 25-year Global Bonds, the nation's lowest ever coupon for a 10- and 25-year benchmark issuance.

The USD1.0 billion 10-year Global Bonds was priced at U.S. Treasury

spread of T + 180 basis points (bps) after an initial pricing guidance of T + 220 bps area or a coupon of 2.457% while the USD1.35 billion 25-year tranche was priced at 2.95% which is 42.5 bps tighter than the initial pricing guidance of 3.375% area.

Total bids for the securities reached USD10.5 billion, more than seven times the initial offer of a benchmark-size issue worth USD500 million to USD700 million per tenor. The USD denominated notes received an investment-grade of "BBB+" long-term foreign currency issue rating from S&P Global Ratings, a "Baa2" senior unsecured rating from Moody's Investors Service, and "BBB" rating from Fitch Ratings.

The landmark transaction made the Philippines the first sovereign globally to price syndicated benchmark tranche with zero new issue premium at the height of the COVID-19 crisis.

In December 2020, the Philippines issued USD2.75 billion dual-tranche 10.5-year and 25-year Global Bonds – the lowest-yielding U.S. Dollar offerings and also the largest offshore offering since 2010. The new 10.5-year Global Bonds were priced at U.S. Treasury spreads of T+ 70 bps and a coupon of 1.648%, after an initial pricing guidance of

T+ 100 bps area, while the 25-year tranche was priced at 2.65%, 35 bps tighter than initial pricing guidance.

The total orders for both tranches peaked at USD8.0 billion and the strong demand was attributed to favorable market conditions amid positive news on the development of vaccines against the COVID-19 virus.

The dollar-denominated senior unsecured notes received "BBB+" long-term foreign currency issue rating from S & P Global Ratings, while Fitch Ratings assigned it a "BBB" rating with a stable outlook.

Domestic Bond Issuances

- Retail Treasury Bonds (February and August 2020)

To aid the country's efforts in mitigating the effects of COVID-19, the government issued PHP310.8 billion worth of three-year Retail Treasury Bonds (RTB 23) at 4.375% per annum. As this was the first RTB offering for 2020, it was met with overwhelming demand by the investing public, with the issuance 10x oversubscribed from the planned minimum issue size of PHP30.0 billion.



Premyo Bonds' 1st and 2nd Quarter Rewards Draw held at the Bureau of the Treasury on June 18, 2020

This was also the first time an RTB offering was coupled with an exchange offer where bond holders of RTB 3-08 were allowed to swap their existing holdings for the RTB 23 offering. The bond exchange was well received, with 38% of the outstanding amount of RTB 19 swapped for RTB 23 bonds. Of the total proceeds, PHP250.0 billion was raised through new money and PHP60.8 billion through a switch tender offer.

After just a few months, the government issued the 24th tranche of RTB 24. The five-year RTBs, also known as Progreso Bonds, fetched a coupon of 2.625% per annum. The total issue size of the Progreso Bonds consisted of PHP488.5 billion in new subscriptions and PHP27.8 billion from the bond exchange program. The offering was met with strong demand from the investing public, with the issuance being oversubscribed more than 17 times the planned minimum issue size of PHP30.0 billion.

The BTr conducted online roadshows for a nationwide audience, including cooperative and employees' associations. In partnership with the Department of Foreign Affairs (DFA), the BTr was able to reach out to overseas Filipinos in Japan, the USA, Singapore, and the Caribbean.

- Premyo Bonds 2 (December 2020)

In December 2020, the government issued PHP6.56 billion worth of one-year Premyo Bonds (PB2) at 1.25% per annum. The return of the Premyo Bonds was met with strong demand by the investing public, with the total issue size more than twice oversubscribed than the initial planned issuance of PHP3 billion. Aside from the quarterly interest payment, investors got more chances to win bigger cash and non-cash rewards with the second tranche of the Premyo Bonds.

2020 BUDGET SUPPORT FINANCING

To help bridge the fiscal deficit of P1.38 trillion or USD27.8 billion (7.6% of GDP) in 2020, the DOF availed of a total of USD13.98 billion in budget support financing from various bilateral and multilateral development partners, as well as commercial sources in the case of the bond issuances through the global capital markets. This includes an aggregate amount of USD11.01 billion for its COVID-19 response from

USD13.35 billion worth of COVID-19 financing contracted during the year. Of the USD13.98 billion, USD8.05 billion in loan commitments were sourced from the 17 program loan agreements concluded between the National Government and bilateral and multilateral sources.

The processing of these loans and grants was largely unprecedented, with

inter-government agency mechanisms streamlined and approval processes of development partners made swifter and more responsive to ensure the timely delivery of the commitments and disbursement, and mitigate the impacts of the pandemic to the government, the people, and the economy.

TABLE 15: 2020 EXTERNAL FINANCING PROGRAM (BUDGET SUPPORT FINANCING)

In USD million

Particulars	Amount	2020 Disbursement/Availed
Previously Contracted Financing*		
ADB Senior High School Support Program*	300.0	15.0
ADB Social Protection Support Project - Additional Financing*	400.0	100.0
ADB Emergency Assistance for Reconstruction and Recovery of Marawi*	300.0	207.0
ADB Secondary Education Support Project*	300.0	75.0
ADB Local Governance Reform Sector Development Program, Subprogram 1*	300.0	300.0
WB Social Welfare Development Reform Program II, Additional Financing**	300.0	300.0
ADB Facilitating Youth School-to-Work Transition Program, Subprogram 2*	400.0	400.0
WB Promoting Competitiveness and Enhancing Resilience to Natural Disasters Development Policy Loan (DPL)*	400.0	400.0
SUBTOTAL, Previously Contracted Financing	2,700.0	1,797.0
2020 Contracted Financing		
ROP EUR Bonds Due 2023 (0.000% coupon)*	684.54	684.54
ROP EUR Bonds Due 2029 (0.700% coupon)*	684.54	684.54
WB Third Disaster Risk Management DPL	500.00	500.00

Particulars	Amount	2020 Disbursement
ADB COVID-19 Active Response and Expenditure Support (CARES) Program ^[a]	1,500.00	1,500.00
ADB Social Protection Support Project - Second Additional Financing	200.00	200.00
ROP USD Bonds Due 2030 (2.457% coupon)	1,000.00	1,000.00
ROP USD Bonds Due 2045 (2.950% coupon)	1,350.00	1,350.00
WB Emergency COVID-19 Response DPL	500.00	500.00
ADB Support to Capital Market Generated Infrastructure Financing, Subprogram 1	400.00	400.00
AIIB CARES Program	750.00	750.00
AFD Expanding Private Participation in Infrastructure Program, Subprogram 2 ^[b]	171.13	171.13
AFD Inclusive Finance Development Program, Subprogram 1 ^[c]	114.09	114.09
ADB Expanded Social Assistance Program	500.00	215.40
JICA COVID-19 Crisis Response Emergency Support Loan ^[d]	468.39	468.39
ADB Competitive and Inclusive Agriculture Development Program, Subprogram 1	400.00	400.00
ADB Inclusive Finance Development Program, Subprogram 2	300.00	300.00
JICA Post Disaster Stand-by Loan (Phase 2) ^{[d] [e]}	468.39	93.68
ADB Disaster Resilience Improvement Program ^[e]	500.00	-
KEXIM-EDCF Program Loan for COVID-19 Emergency Response Program	100.00	100.00
WB Philippines Beneficiary FIRST Social Protection Project	580.00	-
ROP USD Bonds Due 2031 (1.648% coupon)	1,250.00	1,250.00
ROP USD Bonds Due 2045 (2.650% coupon)	1,500.00	1,500.00
WB Promoting Competitiveness and Enhancing Resilience to Natural Disasters Subprogram 2 DPL	600.00	-
SUBTOTAL, 2020 Contracted Financing	14,521.08	12,181.77
TOTAL	17,221.08	13,978.77

Of which, COVID-19 Financing	13,352.00	11,012.69
Of which, Program Loans (in 2020)	8,052.00	5,712.69
Of which, Global Issuances (in 2020)	6,469.08	6,469.08

* Availed prior to the effectiveness of Republic Act No. 11469 (Bayanihan to Heal as One Act) on March 25, 2020 (Not tagged as COVID-19 financing)

** USD200.00 million was availed for budget support purposes in light of COVID-19 response

[a] Consists of four loans amounting to a total of USD1.50 billion: (1) USD250.00 million; (2) EUR 231.63 million; (3) USD500.00 million; and (4) EUR463.26 million

[b] Amount in original currency: EUR150.00 million

[c] Amount in original currency: EUR100.00 million

[d] Amount in original currency: JPY50.00 billion

[e] Contingent credit line

2020 PROJECT FINANCING FOR COVID-19 RESPONSE

Grants and loans amounting to USD941.7 million were negotiated in support of COVID-19-related projects to be implemented over several years starting 2020.

TABLE 16: FINANCING FOR COVID-19 RESPONSE PROJECTS*

In USD million

Particulars	Amount
Grant Assistance	
ADB COVID-19 Emergency Response Project	3.0
ADB Rapid Emergency Supplies Provision	5.0
Government of Japan Non-Project Grant Aid for the Provision of Medical Equipment to DOH	18.7
SUBTOTAL, Grant Assistance	26.7
Loan Financing	
WB COVID-19 Emergency Response Project	100.0
WB Support to Parcelization of Lands for Individual Titling Project	370.0
ADB Health System Enhancement to Address and Limit COVID-19 Program	125.0
WB Philippines Beneficiary FIRST Social Protection Project	20.0
WB Additional Financing for the KALAHI-CIDSS National Community Driven Development Project	300.0
SUBTOTAL, Loan Financing	941.7

* Note that grants for advisory services for COVID-19 response, and those with portions reoriented for COVID-19 response are not included in this list (included in the list under Item 10) to avoid double counting.

LOANS AND GRANTS SECURED FOR THE BUILD, BUILD, BUILD PROGRAM AND OTHER PRIORITY PROJECTS

In addition to the direct financing for COVID-19 response, nine project loans with a commitment of USD1.9 billion were contracted to support key infrastructure projects and post-pandemic recovery. Among the project loans include the USD50-million project preparation facility to improve quality-at-entry of key government infrastructure projects under KEXIM-EDCF, particularly for the road projects of the Department of Public Works and Highways (DPWH) in Metro Manila, Davao, and Cebu Province; and the irrigation projects of the National Irrigation Administration (NIA).

Other Grants Processed in 2020

The DOF facilitated 30 requests, pursuant to the Office of the President (OP) Memorandum Circular 16, s. 2017, Republic Act No. 11465 (FY 2020 General Appropriations Act), and the DOF mandate, among other laws and policies. These requests enabled government agencies to obtain the proper authorization through the issuance of a Special Authority (SA) or OP Approval and support the acceptance of grants and technical assistance (TA) amounting to around USD634.50 million, of which USD354.78 million (14 grants and TA) were executed in 2020.



Ceremonial signing of the loan agreement on the Davao City Bypass Construction Project and Cebu Mactan Bridge 4th Bridge and Coastal Road Construction Project at the DOF on June 16, 2020

TABLE 17: OTHER LOANS IN 2020

In USD million

Particulars	Amount
KEXIM Philippines-Korea Project Preparation Facility ^[a]	50.0
JICA Metro Manila Priority Bridges Seismic Improvement Project II ^[b]	41.3
JICA Davao City Bypass Construction Project II ^[c]	326.3
JICA Cebu-Mactan Bridge (4th Bridge) and Coastal Road Construction Project ^[d]	1,116.9
ADB Local Governance Reform Project	26.5
ADB Angat Water Transmission Improvement Project - Additional Financing ^[e]	126.0
WB Philippines Customs Modernization Project	88.3
ADB EDSA Greenways Project	123.0
AIF EDSA Greenways Project	15.0
TOTAL	1,913.3

[a] To be disbursed in KRW, but commitment is USD locked

[b] Amount in original currency: JPY4.4 billion

[c] Amount in original currency: JPY34.8 billion

[d] Amount in original currency: JPY119.2 billion

[e] Guaranteed loan; Borrower: MWSS

In addition, the DOF prepared endorsements or no-objection letters in support of the implementation of 33 technical assistance (TA) mostly from multilateral sources amounting to USD198.29 million.

TABLE 18: 2020 SA AND OP APPROVAL REQUESTS FOR GRANTS AND TA

In USD million

Particulars	Amount
Signed Grants and TA	
EU Access to Sustainable Energy Programme Additional Financing ^[a]	6.845
EU ASEAN Regional Integration Support - Philippines Trade Related TA ^[b]	7.302
EU Support to Bangsamoro Transition ^[c]	28.522
EU Mindanao Peace and Development Program (MPDP) - Peace and Development in the BARMM ^[d]	27.952
EU MPDP - RISE Mindanao ^[e]	40.502
EU Governance in Justice ^[f]	21.677
British Embassy Manila Collaboration [with Bases Conversion and Development Authority] on the Prosperity Fund Global Future Cities Programme (2019-2022)	N/A
Embassy of Switzerland in the Philippines and Swisscontact Trade Capacity Building: Market Study – Philippines	N/A
GIZ Improving Smallholder Coffee Farming Systems in Southeast Asia ^[g]	2.829
JICA Project for Human Resource Development Scholarship ^[h]	3.157
KREI Establishment of Pork Carcass Grade Standards Using Yield and Quality Parameters	0.340
MAFRA-EPIS Establishment of Smart Greenhouse and Capacity Building in the Philippines	2.645
USAID Economic Growth and Democratic Governance with Equity	213.000
UNESCO eLearning Aquaponics Module	0.005
SUBTOTAL, Signed Grants and TA	354.776
Grants and TA in the Pipeline	
AFOCO Promotion of Vertical Integration in Wood Processing through People’s Organization in Community Based Forest Management Areas in the Philippines	0.930
JAIF Grant for Capability Building of ASEAN Biotechnology Researchers for Livestock Resiliency and Sustainability	0.156
KOICA Establishment of Integrated Water Resources Management System for Pampanga River Basin in the Philippines Phase II	5.800
KOICA Enhancing Local Capability to Design, Develop and Manufacture Agricultural Machineries to Accelerate the Mechanization of Philippine Agriculture	5.780
KCNU Joint Project among National Commissions for the United Nations Educational Scientific and Cultural Organization in East and Southeast Asia	0.003

Particulars	Amount
USAID Improved Basic Education Outcomes	150.000
USAID Enhanced Ecosystem Community Resilience	100.000
USTDA Bureau of Internal Revenue Information Communication Technology Modernization Strategy and Data Center TA Project	0.810
USDA Building Safe Agricultural Food Enterprise	8.850
UN FAO Paris Agreement in Action: Upscaling Forest and Landscape Restoration to Achieve Nationally Determined Contributions ^[i]	5.476
UN FAO Technical Support in Development Climate Resilient Coconut-based Farming System	0.250
UN FAO Technical Forest for a Sustainable Future: Educating Children	1.190
UN FAO Support to the Development of Geographical Indications in the Philippines as Instrument of Sustainable Rural	0.027
UN FAO Support to the Establishment of Rice Competitiveness Enhancement Fund	0.180
UNEP Upscaling Community Resilience through Ecosystem-based DRR	0.250
Ramsar Secretariat Establishing Knowledge on the International Importance of Sibugay Wetlands	0.018
SUBTOTAL, Grants and TA in the Pipeline	279.720
TOTAL	634.496

Uncommon Acronyms Used: AFOCO - Asian Forest Cooperation Organization; JAIF - Japan-ASEAN Integration Fund; KCNU - Korean National Commission for UNESCO; KREI - Korea Rural Economic Institute; MAFRA-EPIS - Ministry of Agriculture, Food and Rural Affairs - Education; USDA - United States Department of Agriculture; USTDA - United States Trade and Development Agency

[a] Amount in original currency: EUR6.00 million

[b] Amount in original currency: EUR6.40 million

[c] Amount in original currency: EUR25.00 million

[d] Amount in original currency: EUR24.50 million

[e] Amount in original currency: EUR35.50 million

[f] Amount in original currency: EUR19.00 million; PHP10.00 million is reoriented for COVID-19 response

[g] Amount in original currency: EUR2.48 million

[h] Amount in original currency: JPY337.00 million

[i] Amount in original currency: EUR4.80 million

*Note that the total amount is not fully earmarked for the Philippines.

TABLE 19: 2020 ENDORSEMENTS AND NO-OBJECTION LETTERS PREPARED FOR TA

In USD million

Particulars	Amount
ADB Knowledge Support and TA for the 2020 International Comparison Program for Asia and the Pacific	2.000
ADB TRTA Facility for Strengthening Project Readiness, Procurement and Financial Management in Southeast Asia	1.500
ADB Capacity-building, Project Preparation and Project Performance Support for the Operation and Maintenance of the North-South Commuter Railway Project	1.000
ADB Capacity-building, Project Preparation and Project Performance Support for the Operation and Maintenance of the Metro Manila Subway Project	1.000
ADB Southeast Asia Agriculture, Natural Resources and Rural Development Facility	0.400
ADB Southeast Asia Agriculture, Natural Resources and Rural Development Facility - Additional Financing	0.500
ADB Southeast Asia Agriculture, Natural Resources and Rural Development Facility - Phase II	1.850
ADB Strengthening Social Protection Reforms which will support the Graduation from Poverty Project - Additional Financing	1.100
ADB Enhance Asian Bonds Online as the Primary Bond Information Platform in ASEAN+3	2.000
ADB Strengthening the Transition of Vulnerable Communities Affected by the Malolos-Clark Railway Project	2.000
ADB Facilitating Knowledge for Innovation and Technology Cooperation to Accelerate Development	0.750
ADB Support to the ASEAN Community to support the Enterprise Led Learning Networks Project - Additional Financing	2.900
ADB Strengthening the Capacity for Environmental and Climate Change Laws in Asia and the Pacific	0.500
ADB Creating Ecosystems for Green Local Currency Bonds for Infrastructure Development in ASEAN+3	0.500
ADB Top-up on the Ongoing TA for Strengthening Tax and Fiscal Policy Capacity for Inclusive Growth	0.800
ADB Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases	48.000
ADB Policy Advice for COVID-19 Economic Recovery in Southeast Asia	5.000
ADB Enhancing Communication Skills and Capacity of Developing Member Countries in Asia and the Pacific	0.975
ADB Strengthening Financial Management in Asia and the Pacific, Phase 2	1.100
ADB Implementing a Rapid Emergency Supplies Provision Assistance	5.000
ADB Evidence-based and Strategic Country Knowledge Support	0.225
ADB Promoting an Interconnected, Inclusive, and Resilient ASEAN Capital Market	1.500
ADB Developing Insurance Markets for Sustainable and Resilient Societies in Asia and the Pacific	1.000

Particulars	Amount
ADB Capacity-related Assistance: Project Definition/ Pre-Feasibility Study Vaccine Self-Reliance Project – Philippines	0.412
ADB TA for Transformative Gender Equality Agenda in Asia and the Pacific	0.735
ADB Project Preparation Assistance for Solid Waste Management PPP, Cebu City	0.950
ADB Green and Resilient Development in Select Secondary Cities in the Philippines	0.245
ADB Regional Blue Loan for Circular Economy Project	100.000
ADB Investing in Climate Change Adaptation through Agroecological Landscape Restoration: A Nature-based Solution for Climate Resilience	2.000
WB Mindanao Trust Fund - Reconstruction and Development Project Phase III	3.000
WB Strengthening Resource Management Capability in the Bangsamoro Autonomous Region in Muslim Mindanao	0.550
WB Accelerating Climate Investments in the Philippines ASA Package	3.800
WB Growth Prosperity in the Philippines Trust Fund ASA Package ^[a]	5.000
TOTAL	198.292

[a] Includes USD1.25 million allocated for Support to COVID-19 Emergency Response

In support of the transparency and disclosure policies of the Administration, pursuant to EO Executive Order (EO) No. 2, series of 2016, the International Finance Group continued to publish the loan agreements in the DOF website www.dof.gov.ph/index.php/data/loan-agreements/. These loan agreements comprise the external financing that supports the Infrastructure Priority Projects and COVID-19 response.

Ceremonial Exchange of the Financing Agreements for Support to the Bangsamoro Transition (SUBATRA) and Mindanao Peace and Development Program on July 17, 2020



SCALING UP DIGITALIZATION EFFORTS

The DOF fast-tracked the digital transformation of the department and its offices amidst the pandemic to provide convenient, reliable, safe, and transparent services to taxpayers and other stakeholders.

DOF Initiatives

- a) The rollout of the Small Business Wage Subsidy Program took advantage of available technologies, cloud computing, and the electronic databases of the SSS and the BIR. The use of this digital platform enabled the government to accurately target intended beneficiaries and quickly distribute the cash subsidy to more than three million employees of small businesses, with no face-to-face contact between government employees and the program's beneficiaries, in keeping with social distancing protocols.
- b) Since the Philippines joined the ASEAN Single Window live operation on December 30, 2019, the country received via the TradeNet platform a total of 104,471 inbound Electronic Certificates of Origin (e-CO) from ASEAN Member States (AMS).
- c) To further strengthen its anti-graft campaign, the DOF recently launched a *Sumbong* page on its website, devoted to receiving information from the public about suspected corrupt practices. Informants may submit evidence through the Sumbong page, showing properties or lifestyle grossly disproportionate to the pay levels of employees of the DOF and its attached agencies

Bureau of Internal Revenue Initiatives

In 2019, the Bureau of Internal Revenue (BIR) formulated its DX Vision for 2030 to be a "Digitally transformed institution providing convenient, reliable and transparent service to Philippine taxpayers."

The path to this vision is prescribed in the BIR Digital Transformation (DX) Roadmap formalized in 2020. The roadmap consists of two phases: Phase I (2020 to 2023) - "Building the DX Foundation," and Phase II (2024 to 2030) - "Strengthening DX in the BIR Organization."

The following are BIR DX projects with significant accomplishments to date:

a) Additional payment channels:

On February 14, 2020, the BIR launched an additional electronic channel for the payment of taxes through the PayMaya mobile application. From January to December 31, 2020, PHP1.665 trillion or 85% of total BIR tax collections, were collected through electronic payment channels. Of this amount, PHP4.98 billion was collected from the additional electronic payment channels tapped by the current administration, such as GCash, LANDBANK, Linkbiz, DBP PayTax, Union Bank Online, PESONET, and PayMaya.

TABLE 20: BIR E-PAYMENT COLLECTIONS (2016 to 2020)

Period	E-Payment Collection (in trillion PHP)	% of E-Payment Collection Over Total Collection
2016	1.309	83
2017	1.275	72
2018	1.642	84
2019	1.831	84
2020	1.665	85

b) Internal Revenue Integrated System

The Internal Revenue Integrated System (IRIS) is a new web-based, core integrated tax system meant to be the BIR's central tool and repository to process taxpayers' information. IRIS was developed to replace the 26-year-old legacy system, the Integrated Tax System (ITS). The BIR started the pilot implementation of the Taxpayer Registration System of IRIS in the Large Taxpayers Service on April 21, 2020.

c) TIN Verifier Mobile Application

This was soft launched in December 2020 to enable the public to send inquiries and verify their Taxpayer Identification Number (TIN) through the mobile chat application. The mobile application is available for download.

d) Online Application for Tax Clearance for Bidding Purposes (TCBP) and Tax Compliance Verification Certificate (TCVC)

This project will allow taxpayers to file online applications for Tax Clearance for bidding purposes and Tax Compliance Verification Certificate. Using email, the applications will be forwarded to the concerned revenue office. Online application of TCBP/TCVC is available as an additional option for taxpayers nationwide.

e) ePera System

The ePera System aims to conveniently handle the issuance of Tax Credit Certificate (TCC) to PERA contributors and monitor its utilization. Phase 1 of the Digital PERA (ePERA System) was launched in September 2020. Under Phase 1, 27 TCC applications from PERA Administrators (BDO and BPI) were approved. Enhancement of the Tax Credit Certificate (TCC) application system is ongoing.

f) eAppointment

This online or digital medium is accessible at the BIR website for taxpayers to book or request for a meeting and conference with revenue officers and officials on taxation matters. The eAppointment facility can also be used to book in-person and virtual appointments for frontline services and/or Assessment Section services in six LTS offices and 25 Revenue District Offices.

g) Asset Information Management Program (AIMP) Phase 2

The project will enhance data sharing between the BIR and other government agencies. This includes an integrated data warehouse and analytics that would link information from various agencies with existing Tax Amnesty Returns and Statement of Assets, Liabilities and Networth (SALN).

h) E-invoicing system

The Invoicing System will be rolled out in 2021 with the assistance of the Korea International Cooperation Agency (KOICA). As of November 2020, the service provider had already completed the business process reengineering and information strategy for the project.

i) Nationwide BIR Payroll System

The Nationwide BIR Payroll System (NBPS) was launched on November 3, 2020 as a web-based payroll system designed to support human resources management and processes.

j) BIR's HACK-A-TAX Challenge

On June 22, 2020, the BIR concluded the HACK-A-TAX Challenge that brought together talented and skilled IT professionals, start-ups, and students across the country to develop innovative tech solutions for the BIR.



SCALING UP DIGITALIZATION EFFORTS



Customs Operations Center functions as command and control, and enhances the intelligence and enforcement operations of the Bureau of Customs' 17 Collection Districts nationwide.

Bureau of Customs Initiatives

The Bureau of Customs (BOC) continued to modernize its infrastructure and simplify its processes while ensuring border protection. Initiatives in 2020 were the following:

a) Customs Care Center

Launched on February 7, 2020, this serves as a centralized document receiving and releasing area, information kiosk, and payment booth. In 2020, Customs Care Centers were established in 16 collection districts.

b) Collection of Customs Fees and Duties through Digital Channels

This initiative was launched by the BOC on June 9, 2020, in partnership with PayMaya, the Bureau of the Treasury, and the Development Bank of the Philippines (DBP).

c) Various Information and Communication Technology (ICT) Projects

The BOC implemented these ICT projects geared towards achieving a streamlined, transparent, and simplified customs processes and operations: electronic-to-mobile stabilization system; Electronic Tracking of Containerized Cargo System; Electronic Value Reference Information System; integrated paperless IT systems; and the Customer Care Portal System.

d) Customs Operations Center

Launched on December 16, 2020, this is designed to house the different intelligence, enforcement, risk management and scanning systems of the Bureau. It functions as command and control, and enhances the intelligence and enforcement operations of the 17 Collection Districts nationwide.

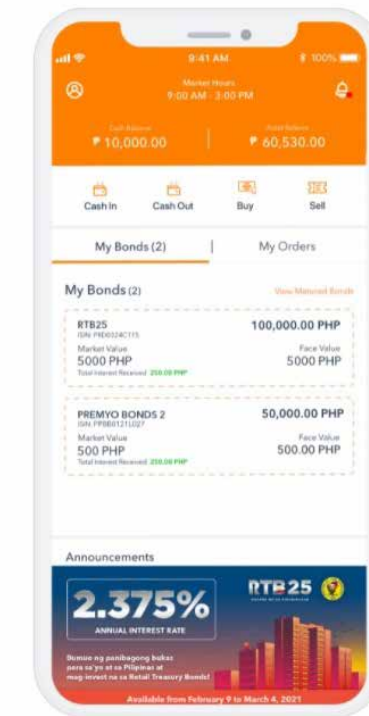


Bureau of the Treasury Initiatives

The Bureau of the Treasury (BTr) launched more ordering platforms accessible anytime, anywhere to mobile phone users or those with laptop and internet connection.

a) Bonds.PH mobile application

Retail issuances of government securities were offered to small investors via the Bonds.PH mobile app — the first Distributed Ledger Technology-powered platform for government bond distribution in Asia. On its maiden launch, the app generated nearly 3,000



transactions, yielding over PHP48 million in Retail Treasury Bond (RTB) sales. It was also utilized for the Premyo Bonds 2, generating more than double the transactions at 7,000 transactions for a higher volume of PHP61 million.

b) Overseas Filipino Bank mobile application

BTr also saw 3,517 transactions totaling PHP40.7 million from 64 countries around the world through the Overseas Filipino Bank mobile application, which was introduced as new investment platform during the Premyo Bonds 2 offering.

SCALING UP DIGITALIZATION EFFORTS

Securities and Exchange Commission Initiatives

The Securities and Exchange Commission (SEC) introduced new and innovative products and platforms in 2020 to further enhance digitalization and accelerate the shift to inclusive finance.

- a. The SEC approved in 2020 the use of Bonds.PH app and the PDAX DLT

Platform to distribute the Retail Treasury Bonds (RTB24) to ease access by small investors, including the unbanked.

- b. In September 2020, the CIBIApp was launched where consumers may get a copy of their credit report and credit score online, anytime, anywhere.

Social Security System Initiatives

The Social Security System (SSS) implemented website upgrades with My.SSS, featuring improvements and new services, such as: updating of members' contact information, benefit calculator, online submission of retirement claim, request of members' records, generation of employer's contribution statement of account (SOA); and UMID application.

This digitalization thrust was geared towards improving member service experience, and was affirmed when the SSS was recognized by the SEC as one of the "Ease of Doing Business Champions."

SSS' accelerated digitalization of its core process and mandatory filing of claims has also been successful as 75% of its various over-the-counter transactions has shifted to the online platform, as compared to 35% in the previous year.

TABLE 21: SSS TRANSACTIONS

Type of Transaction	Number of Transactions (in millions)					
	January to December					
	2019			2020		
	Manual	Electronic	Total	Manual	Electronic	Total
Registration	11.32	5.77	17.09	3.01	7.84	10.85
Contributions	0.48	25.00	25.48	0.12	17.10	17.22
Loan Repayments	0.78	8.31	9.09	0.20	4.34	4.54
Benefit Payments	6.68	0.34	7.02	3.05	1.05	4.10
Member Loans	2.31	1.35	3.66	0.46	4.19	4.65
Inquiries	92.5	19.57	112.07	25.99	61.49	87.48
Total	114.07	60.34	174.41	32.83	96.01	128.84
% to Total	65.40	34.60	100.00	25.50	74.50	100.00

Insurance Commission Initiatives

The Insurance Commission (IC) launched the following information system innovation and digitization initiatives in 2020:

a) IC Appointment Reservation (ICare) System

In 2020, the IC launched digitization initiatives as a response to the call of prioritizing health and safety when transacting or availing of the IC's services.

The ICare System is developed to minimize physical interactions between or among IC personnel and the general public. This ensures that the processes and transactions that require face-to-face interactions are managed accordingly.

b) IC-LBP Link.BizPortal

The IC, in partnership with the Land Bank of the Philippines (LBP), also developed the IC-LBP Link.BizPortal, an electronic payment facility that allows clients to pay for products and services via the internet and several gateway channels.

GSIS Initiatives

To provide more responsive service to its stakeholders, the GSIS implemented the mobile application, the GSIS Touch, in October 2020. The application may be accessed 24/7 by both active members and pensioners, providing information such as service member profile, record of paid and unpaid premiums, active loan balances and payments, and tentative computation of retirement claims.

GSIS also implemented the online filing of application for commencement of pension. On August 13, 2020, GSIS advised all pensioners on the suspension of the Annual Pensioners Information Revalidation (APIR) requirement for the commencement of pension until December 31, 2020.

PHILGUARANTEE Initiatives

The PHILGUARANTEE introduced website enhancements and updated information in the Integrated Corporate Reporting System web portal of the Governance Commission for GOCCs (GCG). A general inquiry portal was also set up to allow for

real-time interface of the public and clients with the various departments and offices of PHILGUARANTEE. As of April 2021, more than 238,000 visitors have been registered in the PHILGUARANTEE website.

INTENSIFIED CAMPAIGN AGAINST CORRUPTION, SMUGGLING, AND TAX EVASION

The pandemic notwithstanding, the DOF intensified its campaign against corruption, smuggling, and tax evasion through the combined efforts of the Revenue Integrity Protection Service (RIPS), BIR, and BOC.

War Against Corrupt Officials

In 2020, a total of 33 employees and officials from the DOF and its attached agencies were subjected to lifestyle checks and investigations. Nine employees faced criminal and administrative charges filed before the Office of the Ombudsman and the Civil Service Commission, two of whom were investigated for unexplained wealth.

RIPS received two successful resolutions in 2020: (1) An employee of the BOC was found guilty of Serious Dishonesty and Grave Misconduct and was imposed the penalty of dismissal from the service together with all the accessory penalties of cancellation of eligibility, perpetual disqualification from holding public office, bar from taking CSC examinations, and forfeiture of retirement benefits except terminal leave benefits and personal contributions to the GSIS. (2) One employee from the BIR was found guilty of violation of Sec. 8 of R.A. No. 6713 for failure to file Statements

of Assets, Liabilities and Net Worth in 2006 and was imposed the penalty of one month and one day suspension from the service, with accessory penalty of disqualification from promotion during the period of suspension.

BIR's Philippine Offshore Gaming Operators (POGO) Task Force

The POGO Task Force ensured that Philippine Offshore Gaming Operations (POGOs) pay the right amount of taxes due. Consequently, a total of PHP7.18 billion was collected from POGOs in 2020, marking an 11.7% increase from 2019 collections of PHP6.42 billion.

a) **BIR's Run After Tax Evaders (RATE) Program:** The RATE program aims to generate maximum deterrent effect on the taxpaying public by impressing the fact that tax evasion is a crime and violators will be caught and punished. It is also envisioned to enhance voluntary compliance among taxpayers, promote the confidence of

the public in the tax system, and help increase revenue collection, particularly focusing on delinquent accounts.

The BIR filed 157 RATE Cases with the Department of Justice (DOJ) with estimated tax liabilities of PHP7.45 billion. Of these, 24 cases were filed with the Court of Tax Appeals (CTA) with total estimated liabilities of PHP753.75 million.

- b) **BIR Strike Team:** The BIR Strike Team, under the Office of the Deputy Commissioner for Operations, pursued its mandate in curtailing the illicit cigarette manufacturing activities of manufacturers and distributors. In 2020, the BIR seized 55 units of cigarette-making machines; 4,890,124 packs of assorted cigarette products; and 22,389,022 counterfeit tax stamps valued at PHP1.23 billion.
- c) **Seized Smuggled Goods:** In 2020, the BOC had a total of 997 seizures with an estimated value of PHP10.629 billion.

TABLE 22: SUMMARY OF BOC SEIZURES IN 2020

Commodity	No. of Seizures	Estimated Value (PHP)
Illegal drugs	93	1,855,016,957.96
Agricultural products	252	284,622,815.01
General merchandise	113	406,377,091.64
Vehicles and accessories	30	356,532,950.00
Counterfeit goods	11	1,056,209,890.00
Used clothing	25	168,285,000.00
Steel products	16	11,820,262.31
Cigarettes/Tobacco	204	5,774,618,973.00
Other products	46	73,949,535.82
Electronics	65	95,174,233.64
Firearms	13	303,000.00
Alcoholic beverages	3	2,434,339.85
PPE, medical supplies, cosmetics	55	196,580,612.00
Jewelry	13	7,280,584.36
Food stuff	7	236,000,000.00
Chemicals	1	5,000,000.00
Wildlife & natural resources	39	66,433,150.00
Currency	11	32,585,750.00
TOTAL	997	10,629,225,145.59

- d) **BOC's Bureau Action Team Against Smugglers (BATAS):** Under the BOC Legal Service, BATAS logged significant results in filing appropriate criminal charges against unscrupulous importers and custom brokers. There were 126 cases filed, of which 74 were criminal cases before the Department of Justice (DOJ) and 52 administrative cases in the Professional Regulation

Commission (PRC). Involved in these cases are 268 importers and/or their representatives and custom brokers.

Fuel Marking Program: Under the Fuel Marking Program mandated under the TRAIN Law, the BOC marked a total of 17.6 billion liters of petroleum products with total duties and taxes collected amounting to PHP148 billion from September 2019 to December 2020.

TABLE 23: VOLUME AND VALUE OF MARKED PETROLEUM PRODUCTS

September 2019 to December 2020

Period	Volume (in billion liters)	Value (in billion PHP)
Sept.-Dec. 2019	1.87	38.66
2020	15.69	109.36
TOTAL	17.56	148.02

TABLE 24: DOF HOTLINE 8888 COMPLAINTS RESOLUTION

Description	2018	2019	2020
Complaints received	83	85	146
Resolved	82	82	141
Resolution rate (%)	98.80	96.47	96.58

- e) **DOF Hotline 8888:** In 2020, a total of 146 complaints were received from the following channels: 1) DOF Hotline 8888 portal; 2) Presidential Complaint Center (PCC); 3) Civil Service Commission – Contact Center ng Bayan; and 4) e-mails forwarded by DOF-Office of the Secretary. Of the total number of complaints, 141 were resolved or 96.58% resolution rate for 2020.

f) DOF's Fiscal Analytics and Intelligence Unit (FAI)

- On Recommendations and Endorsements on Claims for Tax Refund and Other Referrals:

The FAI reviewed and evaluated 14 applications for tax refund and other referrals elevated by the BOC in 2020. FAI prepared a recommendation for the denial or approval of the claim for nine applications, subject to the approval and conformity of the Secretary of Finance. These serve as the final disposition of the adverse claims of the importers at the administrative level. The rest were remanded to BOC for compliance of additional documents to support the claim.

- Customs Administrative Orders (CAOs) Implementing the Customs Modernization and Tariff Act (RA 10863):

For 2020, there were 12 CAOs approved and signed by the Secretary of Finance, as follows:

- CAO 01-2020 on Fines and Surcharges for Clerical Error, signed on January 14, 2020;
- CAO 02-2020 on Dispute Settlement and Protest, signed on January 14, 2020;
- CAO 03-2020 on Disposition of Seized Abandoned Goods, signed on January 8, 2020;
- CAO 06-2020 on Conditionally Tax Duty Exempt Importation, signed on March 30, 2020;
- CAO 08-2020 on Export Cargo Clearance Formalities and Issuance of Certificate of Origin and Proof of Origin, signed on April 16, 2020;

- CAO 09-2020 on Clearance Procedures for Goods Entered for Consumption under Formal Entry Process, signed on March 6, 2020;

- CAO 10-2020 on Seizure and Forfeiture Proceedings and Appeals Process, signed on June 5, 2020;

- CAO 11-2020 on Rules, Regulations and Procedures Governing the Establishment and Operation of Duty and Tax-Free Stores and Warehouses Operated by Duty Free Philippines Corporation, signed on April 28, 2020;

- CAO 13-2020 on Implied Abandonment, signed on October 21, 2020;

- CAO 14-2020 on Accreditation and Regulation of Bureau of Customs Value-Added Service Providers (VASP), signed on October 20, 2020; and

- CAO 15-2020 on Supervision and Control over Vessels and Aircrafts, signed on November 27, 2020.

- Tradenet: The DOF is working closely with the Department of Information and Communications Technology (DICT) and the Department of Trade and Industry (DTI) on the full rollout development of the government's online trading facilitation portal, TradeNet. The FAI is tasked to be the Secretariat of the DOF and prepared the following reports and comments:

- Agency Policy Background Reports on:

National Tobacco Administration
Biodiversity Management Bureau;

- Classification of Tariff Codes of products regulated by:

Philippine Drug Enforcement Agency
Biodiversity Management Bureau
National Tobacco Administration;

- Comments on National Single Window (NSW) Resolution 1-2020;

- Comments on the Draft Memorandum of Agreement of DOF and Department of Information and Communications Technology on NSW/Tradenet;

- Comments on the Proposed Amendments to Executive Order No. 482, s. 2005 Creating the National Single Window Task Force for Cargo Clearance;

- Comments on the Draft Service Level Agreements (SLA) on Tradenet;

- Memorandum/Updates on NSW/Tradenet and ASEAN Single Window;

- Comments on the Memorandum Circular on Guidelines and Procedures for Online Applications and Clearances of the National Tobacco Administration;

- Briefer on the Admission Temporary Admission (ATA) Carnet /National

- Issuing and Guaranteeing Association (NIGA); and

- Briefer on e-Payments and e-Receipts.

g) Philippine Extractive Industries Transparency Initiative (PH-EITI)



- Sixth PH-EITI Report

PH-EITI held its annual National Conference (NatCon) and launched the Sixth PH-EITI Report (6th Report) on November 26, 2020. With the theme, "Synergizing Transparency for Sustainability," the report covers fiscal year 2018, with data from 37 participating metallic mines, 20 non-metallic mines, five oil and gas companies, eight national agencies, and 57 local government units.

The report recorded a total of PHP64.3 billion in reconciled revenues from the mining, oil, and gas industries for 2018 — a 41% increase compared with the reconciled revenues reported in 2017. The overall variance after reconciliation went down to 0.09% from 3.0% in 2017. The report explains that the increase was a result of the implementation of the TRAIN Law and also to the overall improvement of the PH-EITI reporting process.

The 6th Report also features a chapter on beneficial ownership transparency, which is aimed at disclosing the real owners of the mining, and oil and gas companies.

Aside from the presentation of the key findings of the 6th Report in NatCon 2020, PH-EITI also presented the position paper on bills seeking to institutionalize extractive transparency.

NatCon 2020 was also a celebration of the seventh anniversary of the PH-EITI which was created through Executive Order No. 147 (2013). It also served as the culminating activity of the Online Learning on Extractives (On Learn), the virtual edition of the annual PH-EITI LGU Roadshow and the Transparency Awards.

- Extractives Transparency Week 2020, 23-26 November 2020



The Extractives Transparency Week (ETW) was a series of online learning sessions on various EITI-related topics such as gender, beneficial ownership transparency, and natural resource governance.

The week-long activity was part of the celebrations for the seventh anniversary of the PH-EITI with over 500 stakeholders nationwide joining the online discussions. ETW 2020 featured the following sessions: Women in Extractives and Launch of "Women and Large-scale Mining: A Scoping Study"; EITI 101; Revenue Collection and Allocations; The Real Owners; Systematic and Comprehensive Disclosures; Extractives Data Blitz; and Webinar on Extractives Governance and Community Development.

- Online Learning on Extractives, September to November 2020

Dubbed as the virtual edition of the LGU Roadshows, the series was divided into two phases with a total of 13 subnational clusters and over 450 participants from the mining, oil, and gas sectors across the country. The On Learn also addressed EITI's Requirement 7.1 on Public Debate, and served as a platform for stakeholder discussions on the key findings of the PH-EITI report.

- Revised DOF Commitment under the Philippine Open Government Partnership (PH-OGP) National Action Plan 2019-2022, June to August 2020

The PH-EITI participated in PH-OGP meetings and held its own co-creation consultations with civil society stakeholders. Through these consultations, PH-EITI gathered inputs for the updating of its OGP commitment which pertains to the institutionalization and mainstreaming of transparency and accountability in the Philippine extractives sector. On August 26, 2020, DOF Secretary Carlos Dominguez III signed the agency's revised OGP commitment form.

PRIVATIZATION

Proceeds of privatization contribute to social welfare and government priorities as remittances to the National Treasury are distributed to the special account of the Agrarian Reform Fund (60%) and General Fund (40%).

TABLE 25: PROCEEDS FROM PRIVATIZATION

COLLECTION PHP324 million	REMITTANCE PHP341 million
<p>Collection came from the:</p> <ul style="list-style-type: none"> • Sale (prior year) of Luzon Aggregates; • Leases from Mile Long Complex, National Housing Authority Property Special Economic Zone Complex Caloocan City, Cultural Center of Philippines, Central Bank-Board of Liquidators and Elorde Sports & Tourism Development Corp.; • Dividend from Semirara Mining Corp.; and • Others 	<p>Remittance includes the following:</p> <ul style="list-style-type: none"> • Sale (prior years) of the properties of Al Amanah Islamic Investment Bank, Interland Chemicals, Luzon Aggregates, Peninsula Development Bank and VMC Rural Electric Corp.; • Leases; • Dividends from Semirara Mining Corp.; and • Others

ASSETS FOR DISPOSITION

Progress on Major Programs Implemented



Victoria Wave Special Economic Zone, Victoria Avenue, Caloocan City



The two-hectare Mile Long Complex in Makati City

Other Programs

Preparation of Mining Asset for Disposition

The Privatization Management Office (PMO) procured the services of a financial/technical advisor for mining assets assigned to PMO. The appraisal report will be finalized in the first quarter of 2021. Currently, the PMO is working with the Mines and Geoscience Bureau of the Department of Environment and Natural Resources to prepare a mining asset for disposition.

STRENGTHENING FISCAL SUSTAINABILITY OF LOCAL GOVERNMENT UNITS

Municipal Development Fund Office (MDFO)

Section 4 (ttt) of Republic Act No. 11494, or the Bayanihan to Recover as One Act (Bayanihan II) provides that all unutilized or unreleased balances in the Municipal Development Fund (MDF) are considered to have their purpose abandoned and directed the following transfers:

- PHP10 billion in proceeds of the Municipal Development Fund Office (MDFO) investments in government securities to be transferred to the BTr for such measures to address the COVID-19 situation and accomplish the declared national policy herein; and
- The remainder of all investments, loans, credits, grants, or other credit accommodations existing at the time of effectivity of the Act shall be assigned to Government Financial Institutions (GFIs) for Local Government Unit (LGU) loans and borrowings from GFIs.

Under the Memorandum from the Executive Secretary dated October 23, 2020, the Office of the President adopted the Implementing Guidelines of Republic Act No. 11494, which provides, among others, that unless otherwise instructed by the Secretary of Finance, the balances in the MDF and all existing loan agreements between MDFO and LGUs shall be assigned to LANDBANK.

The same Memorandum further authorized the Secretary of Finance to issue rules and regulations on the implementation of Section 4 (ttt) of Bayanihan II. Accordingly, the Secretary of Finance issued Department Circular No. 006-2020 on December 4, 2020.

In compliance with the law, MDFO-held government securities with the total market value of PHP10.45 billion were transferred to the BTr on October 6, 2020 for use in COVID-19 measures.

MDFO and LANDBANK executed Deeds of Assignment on October 30, 2020 and December 15, 2020, which assigned to LANDBANK all remaining balances in the MDF and all existing loan agreements between MDFO and LGUs. The balances transferred amount to PHP13.13 billion, consisting of cash balance of PHP1.71 billion and non-cash items (e.g., receivables from LGUs and remaining investments) amounting to PHP11.41 billion. The funds assigned to LANDBANK shall be used for lending to LGUs.

Local Finance Issuances

The DOF issued two policies on local finance and in relation to the Bayanihan Laws:

- Department Circular No. 002.2020 (April 23, 2020): Extension of Deadlines for the Payment of Taxes, Fees and Charges of LGUs, pursuant to Sec. 4 (z) of Republic Act 11469, otherwise known as the Bayanihan to Heal as One Act; disseminated through BLGF Memo Circular No. 010.2020 (April 30, 2020) to All BLGF Central and Regional Directors through Municipal Treasurers and Assessors, and others concerned; and
- Department Circular No. 003.2020 (October 23, 2020) re: Extension of Deadlines for the Payment of Taxes, Fees and Charges of LGUs, pursuant to Section 4 (TT) of Republic Act No. 11494, Otherwise known as the Bayanihan to Recover as One

Together with other government agencies such as the Department of Budget and Management (DBM) and the Department of Interior and Local Government (DILG), the DOF has issued two Joint Memorandum Circulars:

- DBM-DOF-DILG Joint Memorandum Circular (JMC) No. 01, s. 2020 (November 4, 2020): Revised Guidelines on the Appropriation and Utilization of the 20% of the Annual Internal Revenue Allotment (IRA) for Development Projects; and Implementation of Certain Provisions of Republic Act (RA) No. 11494, otherwise known as the Bayanihan to Recover As One Act, Pertaining to Local Government Units (LGUs)
- DBM-DOF-DILG JMC No. 2 (December 4, 2020): Implementation of Certain Provisions of Republic Act (RA) No. 11494 Pertaining to LGUs

Online LGU Financial Reporting System on COVID-19 Response

With reference to the Bayanihan I which authorizes the realignment of funds and provision of emergency response mechanisms to combat the COVID-19 pandemic, the Bureau of Local Government Finance (BLGF) developed an interim electronic and online reporting system which tracks and monitors receipts and expenditures related to COVID-19 programs, projects and activities in line with BLGF Memorandum Circular No. 009.2020, dated April 27, 2020.

As of June 30, 2020, the Bayanihan Grant (BG) provided to LGUs amounted to PHP37.02 billion, with municipalities receiving almost half of the amount for the provision of emergency response mechanisms to combat the COVID-19 pandemic. In terms of the utilization of the grant, PHP27.63 billion or 75% was already utilized, with municipalities having an 85% utilization of the BG amount allotted to them.

TABLE 26: UTILIZATION OF BG PER LGU TYPE

in million PHP

LGU Type	Bayanihan Grant	Amount of Utilization	Utilization Rate In %	Rank
Municipality	18,386.10	15,699.34	85.39	1
City	12,437.66	9,147.77	73.55	2
Province	6,197.29	2,778.98	44.84	3
Total	37,021.05	27,626.10	74.62	

Relative to the COVID-19 programs in which an LGU's own fund was used, municipalities have the highest number of projects provided to constituents at 541 or 82% of the total projects provided. The total LGU-funded programs reached P50.06 billion, with 73% used for Maintenance and Other Operating Expenses (MOOE). Financial assistance was also provided to students, drivers, senior citizens, among others, amounting to P12.64 billion that LGUs disbursed, of which PHP8.72 billion were from the cities.

TABLE 27: NUMBER OF LGU FUNDED COVID-19 PROGRAMS PER LGU TYPE

LGU Type	No. of Projects	Percentage	Rank
Municipality	541	82.22	1
City	77	11.70	2
Province	40	6.08	3
Total	658	100.00	

NEDA Approval of the Local Government Sector Reform Development Project

In 2020, the DOF facilitated the NEDA Board approval of the Local Government Sector Reform Development Project (LGSRD) loan amounting to PHP1.56 billion from the Asian Development Bank (ADB). The project is expected to strengthen the policy and administrative environment for enhancing local source revenues from real property tax by instituting reforms in real property valuation and assessment.

The Asia Pacific Economic Cooperation (APEC) Implementation of the Cebu Action Plan (CAP)

- Continuing financial cooperation in financial inclusion, resiliency, transparency, and infrastructure financing in the Asia-Pacific Region

The Cebu Action Plan (CAP) was adopted on September 11, 2015 in Mactan, Cebu as a voluntary and non-binding 10-year roadmap for the Finance Ministers' Process, with the goal of building an APEC community that is more financially integrated, transparent, resilient and connected. In 2016, the Peruvian Chairmanship introduced the "Strategy for Implementation of the Cebu Action Plan" to move forward with the implementation. Under this, APEC Economies were invited to select CAP initiatives to pursue in two packages. As of November 2020, 19 economies have submitted initiatives for Package 1, and 13 economies have submitted initiatives for Package 2.

The Asia Pacific Economic Cooperation (APEC) Disaster Risk Finance and Insurance Efforts

- Deepening cooperation in DRFI in the Asia-Pacific Region

The Philippines and Japan are co-chairing the APEC Working Group on Disaster Risk Financing Solutions, which aims to advance policies and

implement solutions to strengthen the financial resilience of the APEC economies to natural disasters. Co-chairs organized with APEC Business Advisory Council (ABAC) a two-day event on September 23-24, 2020 entitled "APEC Catastrophe Bond Virtual Workshop", which gathered experts from various sectors and countries and shared their knowledge and understanding on the basics of Catastrophe Bonds, the CAT Bond Market trend and demand, as well as practical aspects of catastrophe risk modelling, among others. Country experience from Mexico's FONDEN Case study and various perspectives from APEC members on actual and potential benefits of CAT Bonds were also shared.

The following studies/activities were generated by the DRFI WG in 2020:

- OECD/ADB report on leveraging technology and innovation for disaster risk and management and financing: Publication of Final Report;
- The World Bank Report on Financial Protection of Critical Infrastructure Services;
- The Virtual Workshop on Catastrophe Bonds on September 23-24, 2020, jointly organized by ABAC, the Asia-Pacific Financial Forum (APFF) and the World Bank under the APEC Regional DRFI Solutions Working Group

ASEAN + 3 Amendments in the Chiang Mai Initiative Multilateralization (CMIM) Agreement

- Improving the regional financial safety for a more streamlined and responsive stability mechanism

Given the "Package Agreement" at the ASEAN+3 Finance and Central Deputies Meeting (AFCDM+3) in Xiamen, China on December 2019¹⁴, the ASEAN+3 TF Co-chairs have come up with an Agreement to Amend the CMIM Agreement, which is intended to secure the Package Agreement (while the CMIM Agreement is being amended to reflect the same). The document is also meant to outline additional necessary changes to the CMIM Agreement to adapt to recent developments such as the LIBOR Reform.

The changes to be covered by the Agreement to Amend the CMIM Agreement are as follows:

- Incorporating the items under the Package Agreement (i.e., local currency contribution and increase of the IMF De-linked Portion);
- Delegate the issues regarding the reference rate to be used in the calculation of the interest (as well as sources of foreign exchange rates) to the Operational Guidelines (Note: This is meant to do away with the mention of the LIBOR in the CMIM Agreement given the ongoing LIBOR Reform);

- Clarification on timelines in recognition of public holidays; and
- Provision allowing the Management Level Decision Making Body to hold meetings electronically or via written communication (in consideration of the limitations in holding face-to-face meetings)

At the 23rd ASEAN+3 Finance Ministers' (FM) and Central Bank Governors' (CBG) Meeting (AFMGM+3), the FMs and CBGs recognized the conclusion of the Package Agreement by the Deputies. As of December 30, 2020, 18 authorities out of 27 have signed the amendment and shared their signature pages. The target completion of signing and entry into force of the Agreement is by the end of 2021 at the latest, when the LIBOR reform is expected to be completed. The Deputies have been tasked to update the Operational Guidelines, to reflect the revised Agreement. The Philippines submitted its approval/signature on November 3, 2020 (DOF) and October 28, 2020 (BSP).

Philippines' Ratification of the Protocol to Implement the Eighth Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (8th Protocol) to the ASEAN Secretariat

- Upholding the Philippines' commitment for regional financial integration in the ASEAN Economic Community

In cooperation with the Permanent Mission to ASEAN, the Philippines was able to formally deposit the 8th Protocol on January 3, 2020. The rights and

obligations of the Philippines under Protocol 8 shall, pursuant to Paragraph 9 (1), commence on the first day following the date on which the Philippines deposited its Instrument of Ratification with the Secretary-General of ASEAN. The Philippines' delivery of its offers for the 8th Package, allows for its compliance with the commitment to progressive liberalization under the ASEAN Economic Community (AEC).

Offers under the 8th Protocol on Financial Services: As previously endorsed by the Secretary and cleared by the Office of the President, the commitments under the 8th Protocol consist of the following:

Sector	Sub-sector	Offers
Capital Markets	Investment Houses	Increase the limit on the allowable foreign equity participation on investment houses to reflect the current regime: an increase to 100% from 60%
Banking	Rural Banking	Increase the limit on the allowable foreign equity participation on rural banking to reflect the current regime: an increase to 100% from 60%

¹⁴ The "Package Agreement" includes: 1. The increase in the IMF De-linked Portion (DLP) from 30%-40% of the drawable amount; 2. Voluntarily use/contribution in local currency to the CMM; and 3. No imposition of conditionalities on the first drawing from the CMIM IDLP (the Arrangement Requesting Party will instead adopt self-imposed targets).

FOSTERING INTERNATIONAL COOPERATION

Signing of the ASEAN Trade in Services Agreement (which includes the Financial Services Annex)

- Progressing regional financial integration for greater trade and investment, and in support of the ASEAN Economic Community
- The ASEAN Economic Ministers signed the ASEAN Trade in Services Agreement (ATISA) on October 7, 2020. The Agreement affirms ASEAN's commitment to free and open trade and regional economic integration against the present multifaceted challenges of trade tensions, global pandemic, and economic uncertainties.

The agreement mandates AMS to transition its existing Schedules of Commitments under the AFAS based on a positive list approach into Schedules of Non-Conforming Measures based on a negative list approach within specific timelines. The negative listing approach under the ATISA provides greater transparency on the details of the current services regime in AMS, thus providing service-suppliers a higher level of confidence in the region's economy. ATISA will supersede AFAS, including all of its Implementing Protocols as signed by ASEAN Economic Ministers,

ASEAN Transport Ministers, and ASEAN Finance Ministers.

For financial services specifically, the ATISA will update the existing agreement by granting equal, if not more liberal, commitments than what has been granted in ASEAN Plus Free Trade Agreements (FTAs) and incorporating elements present in existing ASEAN Plus FTAs. Along with the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Comprehensive Investment Agreement (ACIA), the ATISA, when implemented, will stand as the third and final part of the troika of ASEAN agreements which will improve ASEAN's economic and sectoral integration.

Signing of the Regional Comprehensive Economic Partnership (RCEP) Agreement

- Augmenting ASEAN's engagement with the global economy mainly through reductions in non-tariff barriers on goods and services trade

The Regional Comprehensive Partnership (RCEP) Agreement was signed on the occasion of the virtually held 4th RCEP Summit on November 15, 2020. This

culminates an eight-year-long stretch of negotiations which commenced during the 21st ASEAN Summit in Phnom Penh, Cambodia on November 18, 2012.

The Regional Comprehensive Economic Partnership (RCEP) is an agreement to broaden and deepen ASEAN's engagement with Australia, China, Japan, Korea, and New Zealand. Together, these RCEP participating countries account for about 30% of the global GDP and 30% of the world population.





The objective of the RCEP Agreement is to establish a modern, comprehensive, high-quality, and mutually beneficial economic partnership that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development. Accordingly, it will bring about market and employment opportunities to businesses and people in the region. The RCEP Agreement will work alongside and support an open, inclusive, and rules-based multilateral trading system.

For financial services particularly, it will promote financial liberalization

in the region while providing a robust prudential safeguard that will allow financial regulators to apply measures to preserve the integrity and stability of the financial system. In addition to the obligations established in the Trade in Services Chapter, the Annex prescribes specific obligations on the supply of financial services, such as obligations

which commit parties to ensure transparency of financial regulations, encourage parties to permit the supply of new financial services, and commit parties to refrain from preventing transfers of information and processing of information necessary for the conduct of the ordinary business.

TABLE 28: INTERNATIONAL MEETINGS IN 2020

1st Quarter	6 meetings	
2nd Quarter	12 meetings (video conferences)	
3rd Quarter	16 meetings (video conferences)	
4th Quarter	24 meetings (video conferences)	

CONTINUOUS ACTIVE STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS



Sulong Pilipinas Consultative Workshops

In 2020, the Economic Team conducted five Sulong Pilipinas consultation workshops with the private sector and the youth. These consultations were crucial in building reform coalitions and public support around the key economic reform priorities of the President. Top recommendations from the workshops include: assistance to students and infrastructure for education; improvement of digital infrastructure; integration of the National ID system in data-driven and evidence-based programs; intensified testing, efficient contact tracing, and augmentation of healthcare capacity through infrastructure, and fair compensation to health workers; availability of public transportation and investment in alternative modes of transportation; comprehensive roadmap for recovery of tourism industry; technical and financial assistance for MSMEs; and provision of training, mentorship programs and modern technology to farmers.

Intensified Communications Against Fraudulent Investment Schemes

- In December 2020, the DOF launched a multimedia communication campaign on financial responsibility, Comprehensive Tax Reform Program (CTRP), and economic recovery program. The campaign aimed to:
 - 1) Build public support for the economic recovery program and Package 4 of the CTRP by linking individuals' practical interests with these policies' broader goals;
 - 2) Call the public's attention to the fraudulent investment schemes; and
 - 3) Educate the public on identifying legitimate and safe investments, such as the family's health and the children's education, safe bets such as Premyo Bonds while steering them away from get-rich-quick schemes.

- The SEC provided measures to ensure safe and easier facilitation of transactions even amid the COVID-19 pandemic through cybersecurity notices for digital transactions and a dedicated COVID-19 response webpage for businesses and corporations.
- SEC issued advisories cautioning the public to avoid or stop engaging with certain entities involved in fraudulent investment schemes. Advisories issued progressively increased from July 2016 to 2020.

SESSION 2: BREAKOUT GROUPS AND WORKSHOP

QUESTION #1:

What are the **key issues** that you want the government to focus on given the current situation?

TOPICS

- | | |
|--|-----------------------------|
| 1. Agriculture and food security | 6. Manufacturing |
| 2. Education and science and technology | 7. Peace and order |
| 3. Financial inclusion and digitalization | 8. Services (tourism, BPOs) |
| 4. Health (including emergency response) | 9. Social protection |
| 5. Infrastructure, transportation, and logistics | 10. Others |

"PH-PROGRESO" Philippine Program for Recovery with Equity and Solidarity

Turning the crisis into an opportunity
A proposed economic recovery program

Draft proposal for discussion purpose only as of 13 May 2020

Tax Studies

In 2020, the National Tax Research Commission (NTRC) conducted basic studies supportive of national goals and priorities, including the remaining packages under the CTRP, as follows:

1. The Role of Payment Systems in the Philippine Tax Administration;
2. Tax Implications of Republic Act Nos. 11346 and 11467;
3. Tax Implications of Republic Act No. 11213, as Implemented by the BIR's Revenue Regulations Nos. 4-2019 and 6-2019;
4. Comparative Matrix on Package 2 of the CTRP: Present vis-à-vis House Bill No. 4157 and Senate Bill No. 1357;
5. Fiscal Provisions of Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act and its Implementing Rules and Regulations;
6. Inventory of Stimulus Packages in the Philippines and in the ASEAN Region;
7. Tax Implications of Republic Act No. 11469 on Documentary Stamp Tax;
8. Administration and Disposition of the Road Tax Among ASEAN and Selected Countries; and
9. Profile and Taxation of Securities Brokers and Dealers in the Philippines

These studies were published in the NTRC Tax Research Journal and are publicly available in the NTRC website, www.ntrc.gov.ph. In addition, the Philippine Public Finance and Related Statistics are also accessible on the NTRC website.

RAMPING UP HUMAN RESOURCES MANAGEMENT

In 2020, the Human Resource Management and Development Division (HRMDD) of the DOF was given a Bronze Award (Level 2 Accreditation) under the Program to Institutionalize Meritocracy and Excellence in Human Resource Management (PRIME-HRM) of the Civil Service Commission.

PRIME-HRM is a mechanism that empowers government agencies by developing their human resource management competencies, systems, and practices toward HR excellence. The DOF developed and strengthened the processes of its four core HR areas: recruitment, selection and placement, learning and development, performance management; and rewards and recognition. This was to comply with the requirements of the program, including the DOF Competency Based Human Resource Management System.

DOF personnel conducted and attended the following activities as part of the DOF Professional Development Program for 2020:



In-House Seminars/Workshops/Trainings

- Potential Successor Selection and Evaluation Batch 1 and 2
- Coping with Stress and Uncertainty Batches 1 to 3
- Succession Planning Refresher Batch 1 and 2
- Monitor Successor Development Batch 1 and 2
- Path to Wellness Batches 1 to 3
- Transformational Leadership
- Legislative Advocacy



Friday Learning Sessions

- Strategic Performance Management System
- 2019-nCoV Challenges and Precautionary Measures
- Information Security Awareness Batch 1 and 2



Strategic Performance Management System held January 17, 2020 at the CFMO Conference Room, facilitated by Dir. Alvin P. Diaz



Disaster Risk Management Training

- Fire Safety/Prevention and Emergency Response



Health and Wellness Activities

- Blood Sugar Test
- Annual Medical Examination
- Flu Vaccination



National Events

- 34th Anniversary of the EDSA People Power Revolution
- National Women's Month Celebration

DOF personnel conducted and attended the following activities as part of the DOF Professional Development Program for 2020:

Completed

Master Degrees of 7 DOF Scholars in Japan sponsored by JICA

Ongoing

Master in Development Economics of 1 scholar from DOF and 1 scholar from BTr at the University of the Philippines' School of Economics

Masters Degree in Public Policy of 1 DOF scholar in Australia sponsored by Australian Awards Scholarship

Secondment was made available as experiential learning in the World Bank and IMF in 2020. Exposure to actual work situations in DOF offices were offered to deserving students from various universities under the DOF Internship Program.

RAMPING UP HUMAN RESOURCES MANAGEMENT



2019-nCoV Challenges and Precautionary Measures held February 24, 2020 at the CFMO Conference Room, facilitated by Dr. Allan Evangelista

To promote the initiatives of Gender and Development (GAD) in the DOF and strengthen staff capacity in leading the advocacy on gender equality, the following activities were held, with the participation of the DOF and its attached bureaus and agencies led by the DOF GAD Focal Points:

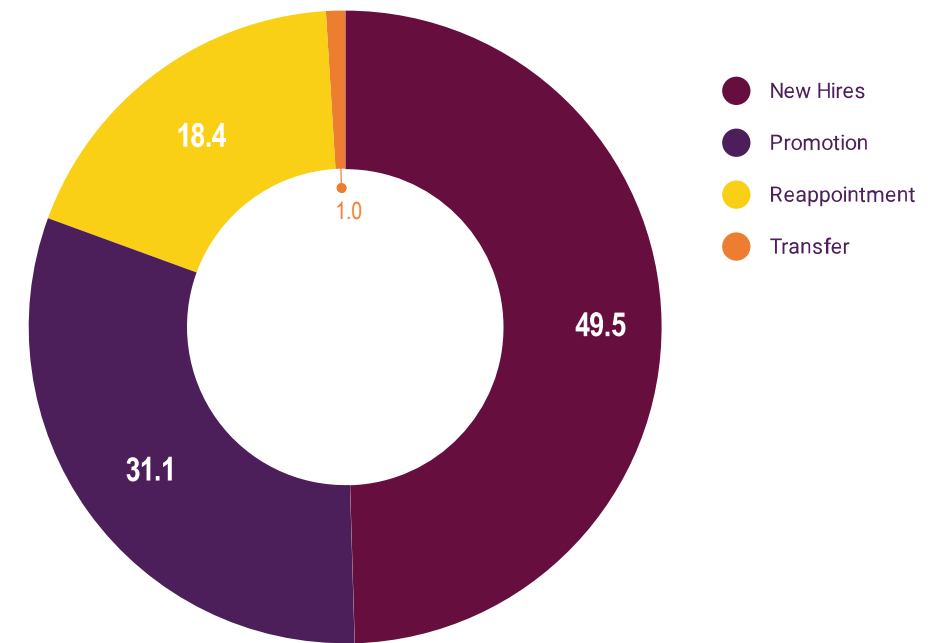
Attended by DOF GFPS	Attended by DOF Personnel
GAD-FPS Assembly	Anti-Sexual Harassment Batch 1
Exploratory Meeting and Planning Workshop in Baler	Launching of the National Women's Month Celebration 2020
National Women's Month Celebration Kick-off Activity	Gender Sensitivity Webinar in the context of the COVID-19 Pandemic
	Safe Spaces Act and its Implementing Rules



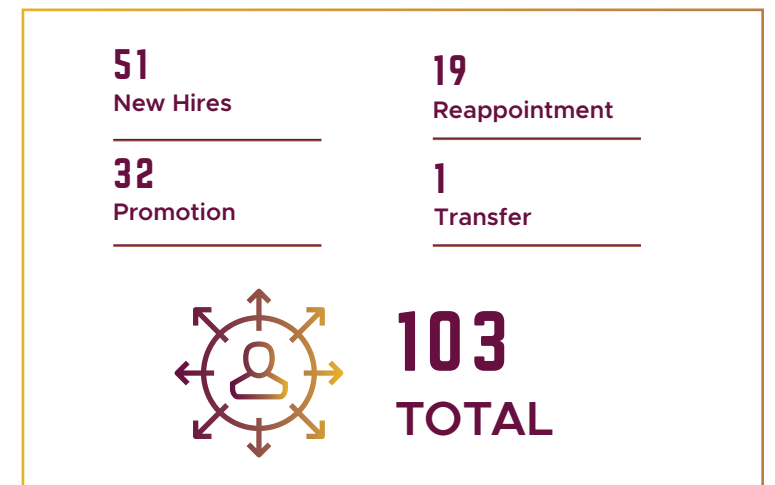
Information Security Awareness Batch 2 held February 28, 2020

FIGURE 4: APPOINTMENTS ISSUED

The chart illustrates the DOF appointment's percentage breakdown for 2020:



Out of 103 appointments, 51 employees (49.5%) were newly hired, 32 employees (31.1%) were promoted, 19 employees (18.4%) were reappointed, and the remaining employee (1.0%) transferred from another government agency.



RAMPING UP HUMAN RESOURCES MANAGEMENT



DOF National Women's Month Celebration Kick-Off Activity held March 7, 2020 at the Lapu-Lapu Monument Area in Luneta Park facilitated by the DOF Gender and Development Focal Point System

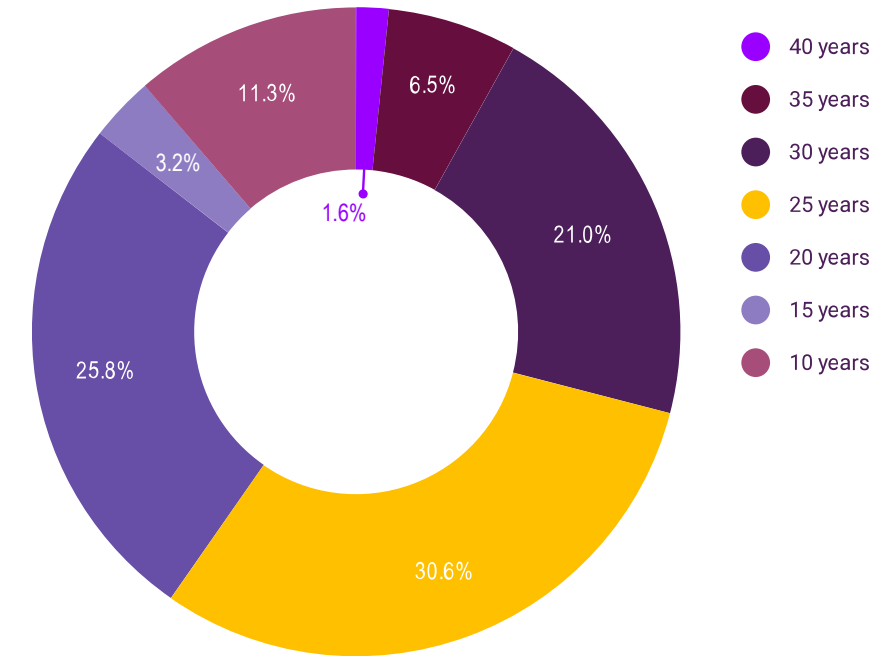


Seminar on Anti-Sexual Harassment Batch 1 held February 18, 2020 at the Podium Conference Room of the DOF, facilitated by Atty. Eric Paul Peralta



Webinar on Legislative Advocacy on December 17-18, 2020 via Google Meet, facilitated by Atty. Ryan Estevez

FIGURE 5: LOYALTY AWARDEES



Sixty-two DOF employees were awarded with loyalty awards in 2020. One of them served the DOF for 40 years, 4 for 35 years, 13 for 30 years, 19 for 25 years, 16 for 20 years, 2 for 15 years, and the remaining 7 for 10 years.



Office of the Secretary (OSEC)

Secretary Carlos G. Dominguez

Revenue Integrity Protection Service (RIPS)

Undersecretary Bayani H. Agabin
 Director IV Ray Gilberto J. Espinosa
 Director III Stanley C. Zambarrano

Internal Audit Service (IAS)

Director IV Ma. Lourdes V. Dedal (Officer-in-Charge)

Office of the Chief Economist (OCE)

Undersecretary Gil S. Beltran

Policy Development and Management Services Group (PDMSG)

Undersecretary Gil S. Beltran

Central Administration Office

Director IV Alvin P. Diaz
 Director III Lilia R. Tan

Central Financial Management Office

Director IV Ma. Lourdes V. Dedal

Central Management Information Office

Director IV Angelica I. Sarmiento
 Director III Michaelangelo G. Aguinaldo

Domestic Finance Group (DFG)

Undersecretary Gil S. Beltran
 Assistant Secretary Ma. Teresa S. Habitan

Fiscal Policy and Planning Office

Director IV Elsa P. Agustin
 (on Secondment to World Bank)
 Director III Rowena S. Sta. Clara

Policy, Research and Liaison Office

Director IV Juvy C. Danofrata
 Director IV Jamalliah D. Disomimba

Revenue Operations Group (ROG)

Undersecretary Antonette C. Tionko
 Assistant Secretary Dakila Elteen M. Napao

Legal Affairs Office

Director IV Jesus Nathaniel Martin B. Gonzales

Revenue Office

Executive Director III Eme I. Macabales
 Director III Eleazar C. Cesista

One-Stop Shop Center

Executive Director III Eme I. Macabales
 Deputy Executive Director III Jayson P. Lopez

Financial Analytics Intelligence Unit

Director IV Sheila N. Castaloni

Legal Services Group

Undersecretary Bayani H. Agabin
 Assistant Secretary Danielle Marie S. Rieza-Culangen

Corporate Affairs Group (CAG)

Undersecretary Antonette C. Tionko
 Assistant Secretary Soledad Emilia J. Cruz

Corporate Operations Office

Director III Joanna P. Castillo

Privatization Group

Undersecretary Grace Karen G. Singson (Special Concerns)
 Assistant Secretary Paola Sherina A. Alvarez

International Finance Group (IFG)

Undersecretary Mark Dennis Y.C. Joven
 Assistant Secretary Maria Edita Z. Tan
 Assistant Secretary Paola Sherina A. Alvarez (Special Projects)

International Finance Operations Office

Director IV Rommel S. Herrera
 Director IV Neil Adrian S. Cabiles
 Director III Ronald Ray K. San Juan

International Finance Policy Office

Executive Director III Helena S. Habulan
 (Officer-in-Charge)

Municipal Development Fund Office

Undersecretary Antonette C. Tionko
 Director IV Jesus Nathaniel Martin B. Gonzales
 (Officer-in-Charge, Executive Director III)
 Deputy Executive Director III Clyde E. Padilla

Strategy, Economic, and Results Group (SERG)

Assistant Secretary Ma. Teresa S. Habitan
 (Acting Head)
 Director IV Arnelyn May A. Abdon
 Director IV Valery Joy A. Brion
 Director III Euvimil Nina R. Asuncion
 Director III Joseph Louie C. Limkin

Anti-Red Tape Act (ARTA) Group

Undersecretary Gil S. Beltran

Philippine Extractive Industries Transparency Initiative (PH-EITI)

Undersecretary Antonette C. Tionko
 Assistant Secretary Ma. Teresa S. Habitan

Philippine Tax Academy

Director III Ma. Luisa M. Notario
 Executive Director III Helena S. Habulan



TRUNKLINE 5317-6363 + LOCAL #

OFFICE	LOCAL NUMBER
Office of the Secretary (OSEC)	1101 (OSEC EA)
Policy Development and Management Services Group (PDMSG)	1104
Central Administration Office (CAO)	
Office of the Director	2100; 2101; 2102; 2103 (DIR EA)
Human Resource Management and Development Division (HRMDD)	2110; 2111; 2112; 2113
General Services Division (GSD)	2142; 2143; IMPACT Hotline 467-228
Central Records and Management Division (CRMD)	2175
Medical and Dental Division	2131; 2133
Property and Procurement Section	2186; 2187; 2188; 2189
Library	2165
Central Financial Management Office (CFMO)	
Office of the Director	2201
Budget Division	2231; 2232
Accounting Division	2212; 2213
Management Services Division	2240; 2241; 2242
Central Management Information Office (CMIO)	2312; 2313; 2314; 2315
Revenue Operations Group (ROG)	
ROG Front Desk	3504
Office of the Director	3500; 3501

TRUNKLINE 5317-6363 + LOCAL #

OFFICE	LOCAL NUMBER
Corporate Affairs Group (CAG)	
Office of the Assistant Secretary	1307; 1308
Office of the Director	3701
Strategy, Economics, and Results Group (SERG)	
Office of the Undersecretary	1205 (USEC EA)
Office of the Assistant Secretary	1300; 1301 (ASEC EA)
SERG Staff	4501; 4502; 4503; 4504
Domestic Finance Group (DFG)	
Office of the Undersecretary	1217 (USEC EA)
Office of the Assistant Secretary	1304; 1305 (ASEC EA)
Office of the Director	3201; 3200; 3221 (DIR EA)
Fiscal Policy and Planning Office	3220; 3240
One-Stop-Shop (OSS) Tax Credit and Duty Drawback – Center	
Office of the Director	4310 (DIR EA)
OSS-Admin	4314
Legal Affairs Office	2420
Fiscal Analytics Intelligence	3601
Privatization Group (PG)	
Privatization Office	3800; 3810; 3811
International Finance Group (IFG)	
Office of the Director	3421; 3422; 3423 (DIR EA)
Policy, Research and Liaison Office (PRLO)	
Office of the Director	3200; 3111; 3101 (DIR EA)
PH-EITI	6655 Front Desk



 DOF Building, BSP Complex, Roxas
Boulevard, 1004 Metro Manila, Philippines

 (+632) 8525 0244
 www.dof.gov.ph

