



DEPARTMENT OF FINANCE

2018 ANNUAL REPORT



Maintaining
the Growth Momentum:
Ramping Up
the Reform Agenda

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Message from the Secretary

Congratulations to the men and women of the Department of Finance (DOF) for the good work you have put in this year.

The DOF pursues a wide range of critical tasks. These include: revenue generation, resource mobilization, fiscal management, debt management, and financial market development.

All of these critical tasks are central to the achievement of proper governance and rapid economic growth for our people. By every measure, the DOF has exceeded targets in

all its multifaceted areas of concern. For this, I am proud of the patriotic and competent staff of the Department.

We will not rest on our laurels, however. The coming period of strategic investment in the inclusive growth of our national economy requires even more dedicated work by the DOF.

I am confident we will continue to achieve the tough targets we have imposed on ourselves. That has been this Department's tradition and it has been fruitful for our people.



CARLOS G. DOMINGUEZ
Secretary





DOF Snapshot

1 Healthy revenue collections

The national government collected Php2.9 trillion of total revenues in 2018, 15.2 percent higher than the 2017 collection of Php2.5 trillion. The tax effort reached 14.7 percent in 2018, the highest in the past 20 years.

2 #TaxReformNow!

The Tax Reform for Acceleration and Inclusion (TRAIN) law was implemented on 01 January 2018, while the other packages under the Comprehensive Tax Reform Program (CTRP) have made good progress this year.

The first full year of TRAIN Law's implementation succeeded in accomplishing both its revenue and economic goals. The TRAIN Law achieved 108 percent of its revenue goal. Apart from this, it broadened the tax base and returned about Php111 billion - the equivalent of a 14th-month pay - to the pockets of 99 percent of our wageworkers. This reflected in a spike in consumer demand that helped boost the domestic economy.

3 Unprecedented dividend remittances

Dividends remitted by the 55 GOCCs and GFIs amounted to Php40.2 billion in 2018. This represents a 32 percent increase from Php30.5 billion in 2017 - the highest amount ever collected since the law requiring state firms to hand over 50 percent of their annual net earnings to the national government was enacted in 1994.

4 Debt Management

The debt-to-GDP ratio continued its downward trend to 41.9 percent in 2018 from 42.1 percent in the previous year due to prudent debt management and strong economic growth.

The BTr launched 2 new electronic platforms: the National Registry of Scriptless Securities (NRoSS) in August 2018 and the Bloomberg Fixed Income Quote (FIQ) Trading System in October 2018. The NRoSS modernizes the auction platform and registry of securities while the Bloomberg FIQ System, interlinked with NRoSS, will result to a more streamlined process between trading and settlement operations of government bonds.

5 Effective delivery of government services

The DOF anti-red tape team formulated measures designed to speed-up work-related processes in DOF and its attached agencies and GOCCs. The DOF also continued to spearhead programs on cutting red tape and improving the ease of doing business in 2018, with the government's online trading portal that automates licensing, permits and other trade procedures and successfully linking up with other regional economies through the ASEAN Single Window (ASW) System.

6 Privatization proceeds

The Privatization Management Office (PMO) of the Department of Finance (DOF) remitted Php1.8 billion to the National Treasury in 2018, outpacing its target of Php659 million for that year by a record Php1.144 billion or 173 percent.

7 Loan agreements signed in 2018 for infrastructure projects

DOF sealed concessional funding support in 2018 for big-ticket projects under the Duterte administration's Build, Build, Build program, including its most ambitious and biggest single infrastructure project yet - the first phase of the Metro Manila Subway, the country's first ever underground train that will stretch from north to south of the metropolis.

8 Bonds issued in 2018

The Philippines' successful bond issuances in the offshore bond markets in 2018 underscore the strong confidence of the international business community in the country's growth narrative on the Duterte watch.

9 Relentless run against tax evaders and smugglers

DOF continued to intensify its campaign against smuggling and tax evasion through the combined efforts of BOC and BIR in 2018. The BIR spearheaded several raids on warehouses storing counterfeit cigarette brands, while BOC intercepted undocumented shipments of rice, steel products, luxury cars and other assorted goods.

10 Funding for Marawi aid

DOF was able to raise a total of Php35.1 billion (about USD670 million) in pledges from the international community to aid in the ongoing rehabilitation and reconstruction efforts for the damaged Marawi City in Mindanao at the pledging session held on November 2018 in Davao City.



11 Stronger partnerships

Forged stronger partnerships with ASEAN member states for strengthened regional stability, deeper and stronger markets, financial integration, and greater trade and investment.

12 Higher locally-sourced income

Local Government Units (LGUs) reduced their IRA dependence by generating higher locally-sourced income amounting to Php226.8 billion, which is higher than last year's collection of Php206.8 billion.

13 New Personal Property Security Act (PPSA)

The Personal Property Security Act (Republic Act 11057) aimed at increasing access to credit of farmers, fisherfolks and MSMEs was signed into law by President Rodrigo Duterte on 17 August 2018.

14 Integrated system for human resource

The DOF Competency Based Human Resource System (CBHRS) which was launched in 22 December 2017 was completed and submitted to the Civil Service Commission in October 2018. The CBHRS will be integrated in the HR Systems starting 1st Quarter of 2019.

15 Enhanced Information Risk Management Processes

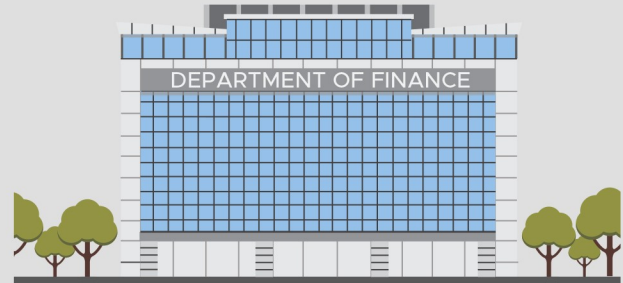
The DOF became the 1st National Government Agency that is ISO 27001:2013 certified.

16 Climate Change Adaptation and Mitigation, and Disaster Risk Reduction Management (CCAM-DRRM) Initiatives

The BTr created a National Asset Registry that bolsters an overall disaster management framework and decision making for better decision making in rehabilitation of assets damaged by natural calamities.

The DOF renewed parametric insurance coverage for 25 vulnerable provinces along Eastern seaboard and schools under DepEd for a maximum coverage of Php20.5 billion against typhoons and earthquakes.

Introduction



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

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

The fact that the birth of the DOF predated that of the Philippine Republic is testimony to the critical role it plays in nation-building. Founded on 24 April 1897 by the Philippine Revolutionary Government, the DOF has undergone various structural and functional overhauls, to not only preserve but to enhance its function as a key government department. At present, the critical tasks of revenue generation, resource mobilization, and fiscal management rest on the shoulders of the DOF.

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

In 2018, the DOF achieved exemplary performance in fiscal management and continues to steer the wheel of progress by pursuing structural reforms. The 2018 DOF achievements are presented in this report.



Vision

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

Mission

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

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



Mandate

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

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

Credo

I am a public servant in the Department of Finance.

I seize the initiative to improve a little each day:

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

I strive for excellence in everything I do:

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

I take the lead and serve:

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

I think and act to ensure:

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

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

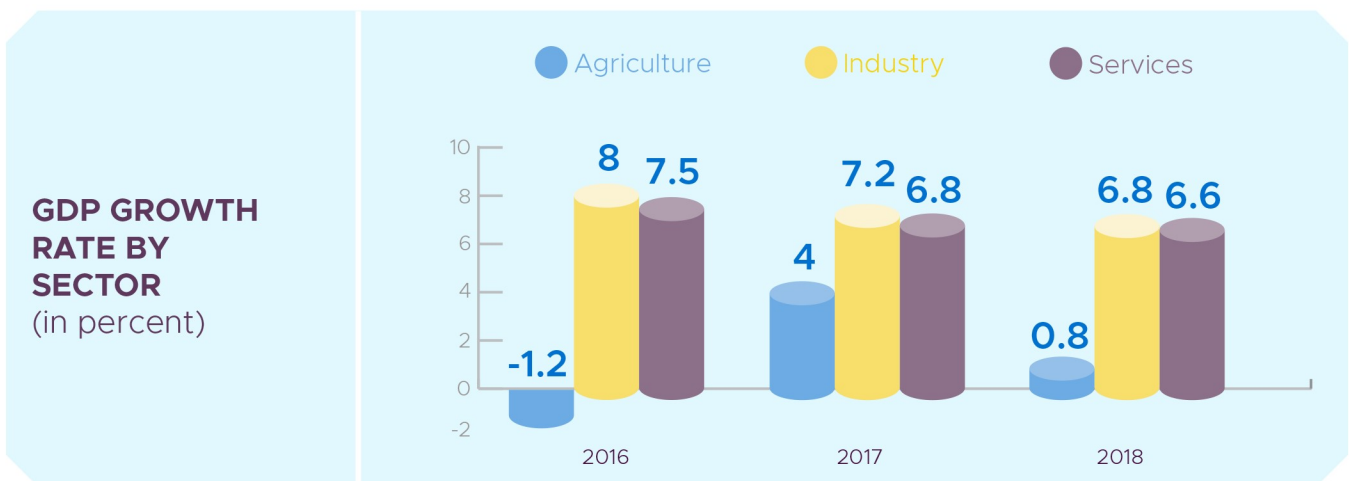
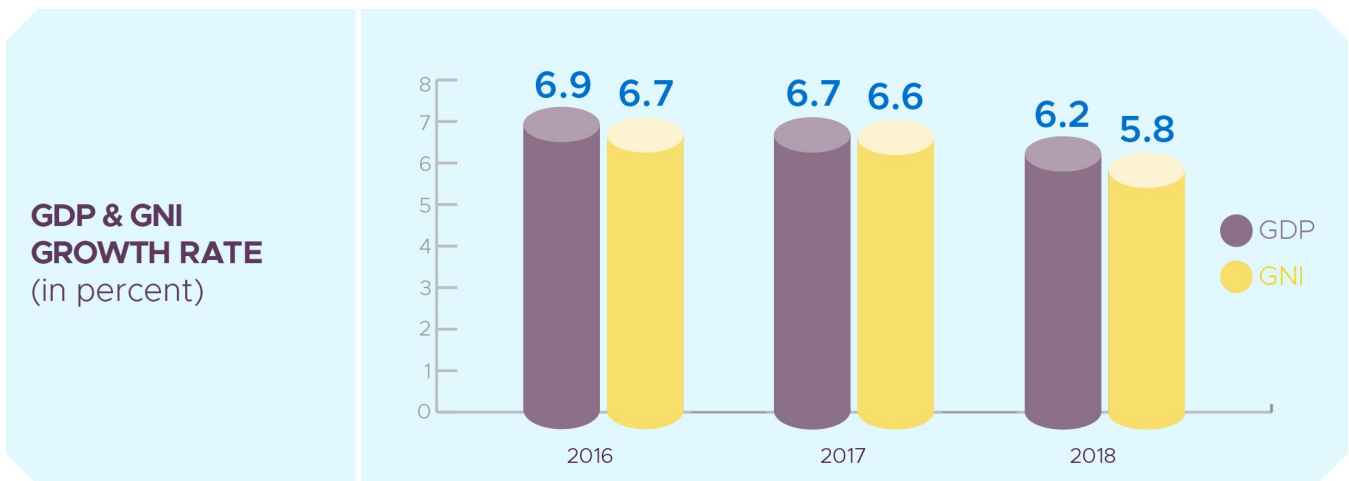


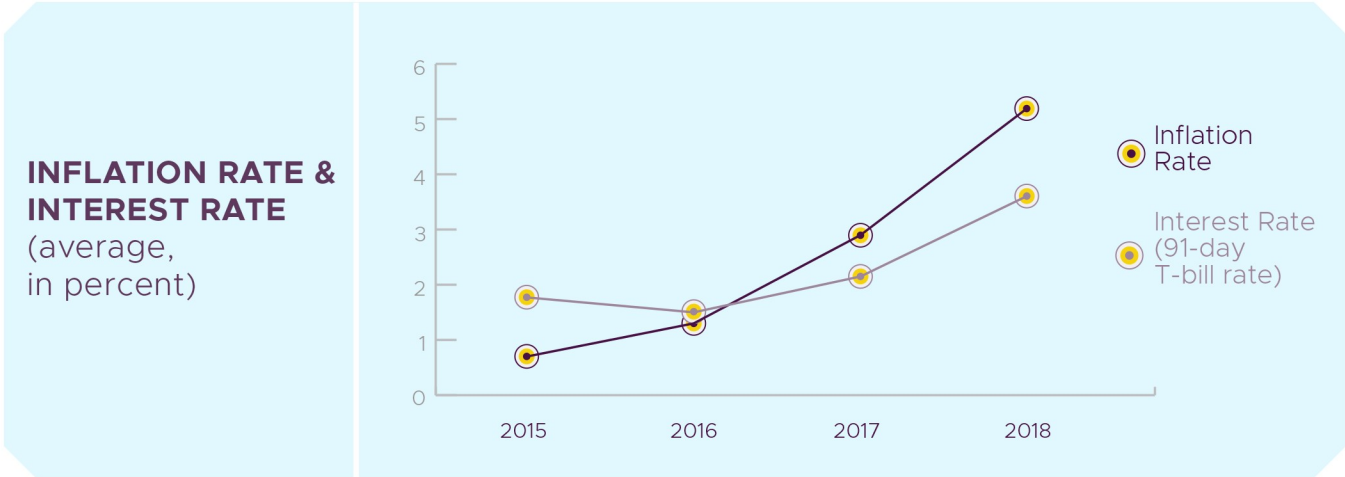
Economic Highlights

In 2018, the Philippine economy maintained its strong growth trajectory amidst external uncertainties. Rising oil prices, deepening trade tension between the United States (US) and China, slower growth in China and other developed countries, and US fiscal stimulus weighed down on growth prospects of developing economies including the Philippines.

The economy posted a 6.2 percent real GDP growth, slightly decelerating from 6.7 percent in 2017.

On the expenditure side, robust consumer demand and strong public investment propelled growth. Reflecting the aggressive infrastructure program of the government, government consumption expenditures and fixed capital investment gained 12.8 percent and 14.0 percent, respectively. Backed by the passage of the Tax Reform for Acceleration and Inclusion (TRAIN) that has produced significant government revenues, the “Build, Build, Build” program of the government gained momentum in 2018.





On the supply side, the industry and services sector fueled growth, expanding by 6.8 percent and 6.6 percent, respectively. On the other hand, growth of agriculture was a muted 0.8 percent due to onslaught of typhoons during the year.

A combination of higher aggregate demand, rising food prices, particularly rice, higher oil price in the world market, weather disturbances, adjustment in excise taxes, and weaker peso sparked headline inflation to accelerate to 6.4 percent in August 2018 year-on-year before decelerating to 5.1 percent in December 2018. The higher level of aggregate demand resulted from sustained remittances from Overseas Filipino Workers (OFWs), the rise in public spending of the government through its “Build, Build, Build” program, and the effect of lower personal income taxes due to passage of the TRAIN law.

Mirroring inflation, the bellwether 91-day rate on Treasury bills rose to 5.4 percent from 2.3 percent in January 2018. The Bangko Sentral ng Pilipinas (BSP) hiked the policy interest rates five times in 2018, or by 175 basis points, to temper inflationary pressures.

The Philippine peso continued to weaken against the US Dollar, depreciating by 4.3 percent. With rising prices and stronger US economy, local investors were not keen to hold on to peso investments, causing the local currency to depreciate. Furthermore, the stronger demand for capital goods due to the rise in infrastructure spending has also weighed on the depreciation of the peso against US Dollar.

The main share Philippine Stock Exchange Index (PSEI) lost a total of 1,092.4 points or 12.8 percent from the closing level of 8,558.4 in 2017, as foreign funds sought more lucrative investments outside of emerging markets and domestic uncertainties from the spike in inflation.



Revenue Performance

The National Government (NG) collected Php2.9 trillion of total revenues in 2018 surpassing the 2017 collection of Php2.5 trillion by 15.2 percent. As percent to GDP, revenue rose by 0.8 percentage point compared to the 2017 level.

Tax collection which made up 90 percent of total revenues posted a 14.0 percent growth. Tax effort reached 14.7 percent in 2018, the highest tax effort in the past 20 years.

Non-tax revenues contributed Php268.6 billion, increasing by 21.2 percent from Php221.6 billion in 2017. Revenues collected by the Bureau of Treasury (BTr) increased by 14.3 percent. Other non-tax revenues came from dividends from NG shares of stocks and PAGCOR income, and fees and charges.

Privatization proceeds soared from the low of Php800 million last year to Php15.7 billion.

Meanwhile, the fiscal deficit widened by 59.2 percent, or Php558.3 billion in 2018 as total expenditures outpaced revenue growth. Total expenditure rose by Php584.7 billion or 20.7 percent higher than the Php2.8 trillion spent in 2017. Expenditure effort in 2018 reached 19.6 percent, the highest in the past 28 years—was significantly better than the regional benchmark .

Deficit to GDP increased to 3.2 percent this year from 2.2 percent in 2017. The upsurge in deficit emphasizes the current administration's goal to beef up investments on infrastructure and human capital development.



Php2.9 trillion

Total revenue for 2018



Php2.6 trillion

Tax revenue



Php268.6 billion

Non-tax
revenue



Php15.7 billion

Privatization
proceeds



NATIONAL GOVERNMENT FISCAL PERFORMANCE

NG Fiscal Position (in billion pesos)	2017 Actual	2018 Actual	2018 Revised Program	% Variance ¹	Growth Actual %
Total Revenues	2,473.1	2,850.2	2,819.7	1.1	15.2
Tax Revenues	2,250.7	2,565.9	2,650.8	-3.2	14.0
<i>Tax Effort (%)²</i>	14.2%	14.7%	16.1%		
BIR	1,772.3	1,951.9	2,043.6	-4.5	10.1
BOC	458.2	593.1	584.9	1.4	29.4
Other Offices	20.2	20.9	22.4	-6.4	3.8
Non-Tax Revenues	221.6	268.6	166.8	61.0	21.2
Fees and Charges	40.8	52.7	47.1	12.0	29.3
Bureau of Treasury	99.9	114.2	55.8	104.7	14.3
Other Non-Tax Revenues	80.9	101.6	64.0	58.8	25.6
Foreign Grants	0.0	0.1	0.0	0.0	30.8
Privatization	0.8	15.7	2.0	682.8	1,786
Expenditure	2,823.8	3,408.4	3,346.5	1.9	20.7
Surplus/(Deficit)	-350.6	-558.3	-526.8	6.0	59.2

TAX REVENUES

For 2018, the two main collecting agencies, the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) have both exhibited improved collections. The BIR grew its collections by 10.1 percent to Php2.0 trillion in 2018.

On the other hand, BOC achieved a remarkably higher growth of 29.4 percent or Php593.1 billion in 2018, exceeding its target by 1.4 percent.

The agency's strong performance was a result of a combination of revenue enhancement measures, proper valuation and tariff classification of goods, increased excise tax on petroleum products, windfall from the peso depreciation as well as an extensive campaign against illegal trade.

Overall, the strong tax revenue growth rate of 14.0 percent in 2018 is a product of strict enforcement of the country's tax laws.

¹ The percentage variance was computed based on 2018 Actual versus 2018 Revised Program.

² Tax effort is calculated by dividing the Total Tax Revenues by the Nominal GDP.



BIR COLLECTION PERFORMANCE

Taxes Revenues (in billion pesos)	2017	2018	Growth Rate %	2018 % Distribution
Total Collection*	1,772.3	1,951.9	10.1	100.0
Income Taxes	1,028.6	1,035.4	0.7	53.0
Excise Taxes	209.5	290.6	38.7	14.9
Value-Added Tax	365.2	347.7	-4.8	17.8
Percentage Taxes	76.0	114.0	50.0	5.8
Other Taxes	100.8	164.2	62.9	8.4

*2018 BIR Collection are net of tax refunds amounting to Php10.8 billion

Source: Department of Finance

BOC COLLECTION PERFORMANCE

Taxes Revenues (in billion pesos)	2017	2018	Growth Rate %	2018 % Distribution
Total Collection*	458.2	593.1	29.4	100.0
o.w. Tax Expenditure Fund¹	1.4	7.7	447.1	1.3
Import Duties	64.4	89.3	38.7	15.1
Non-Oil	64.4	89.3	38.7	15.1
Oil	0.0	0.0	0.0	0.0
VAT	326.8	409.8	25.4	69.1
Non-Oil	269.8	323.4	19.9	54.5
Oil	57.0	86.4	51.6	14.6
Excise Tax	59.4	92.8	56.3	15.7
Others	7.5	1.2	-84.2	0.2

*2018 BOC Collection are net of tax refunds amounting to Php5.3 billion

Source: Department of Finance

¹Tax Expenditure Fund (TEF) consists of non-cash collections from import duties and taxes of various government agencies and state-owned enterprises. The tax subsidies for 2018 were extended to the following NGAs and GOCCs: National Food Authority (NFA), Department of Energy (DOE), Department of Health (DOH), Armed Forces of the Philippines (AFP), Department of Social Welfare and Development (DSWD), Department of Transportation (DOTr), National Commission on Indigenous People (NCIP), Government Arsenal (DND), Philippine Army, Air Force, National Police, among others.



CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION (CPSFP)

The country's CPSFP posted a deficit of Php179.9 billion in 2018. The overall deficit has been deeply influenced by the government's drive to stimulate spending mainly on public infrastructure backed by the "Build, Build, Build" program. The infrastructure program is complemented by tax reforms to prudently manage the government fiscal position and support sustainable growth.

The total Public Sector Borrowing Requirement (PSBR) reached a deficit of Php546.8 billion which accounts for 3.1 percent of GDP. The NG contained the bulk of the deficit amounting to Php558.3 billion while the monitored Government-Owned and Controlled Corporations (GOCCs) incurred a deficit of Php5.8 billion.

The NG deficit was offset by the surplus performance of the other public sectors which accounted for Php366.9 billion equivalent to 2.1 percent of GDP. The Social Security Institutions (SSIs) recorded a surplus of Php59.4 billion due to higher collection of members' contributions and investment earnings derived from the holdings of NG securities. The BSP and Government Financial Institutions (GFIs) have also counteracted the significant increase in government spending. The BSP and GFIs both registered a surplus of Php37.0 billion and Php19.4 billion, respectively. Furthermore, the strong performance of the Local Government Units (LGUs) has led to a surplus of Php251.1 billion which is heavily driven by higher Internal Revenue Allotment (IRA) from the NG and increased revenues from local taxes.

CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION 2018

Particulars (in billion pesos)	2017	2018	Growth Rate %
TOTAL SURPLUS+/-DEFICIT-	(4.0)	(179.9)	4,445.1
<i>Percent of GDP</i>	-0.03	-1.0	
TOTAL PUBLIC SECTOR BORROWING (PSBR)	(318.5)	(546.8)	71.7
<i>Percent of GDP</i>	-2.0	-3.1	
National Government	(350.6)	(558.3)	59.2
o.w. Privatization	0.8	15.7	1,786.1
CB Restructuring	0.0	0.000	0.0
Monitored GOCCs	36.0	5.8	-84.0
Adjustment of net lending and equity to GOCCs	(3.9)	5.7	246.5
Other adjustments			
OTHER PUBLIC SECTOR	314.6	366.9	16.6
<i>Percent of GDP</i>	2.0	2.1	
SSS/GSIS/PHIC	58.3	59.4	1.9
BSP	21.8	37.0	70.1
GFIs	17.2	19.4	12.8
LGUs	217.4	251.1	15.5
Timing adjustment of interest payments to BSP	0.0	0.0	0.0
Other adjustments	0.0	0.0	0.0



Comprehensive Tax Reform Program

The comprehensive tax reform program (CTRP) is envisioned to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient. This is the first time the Philippine

government embarked on tax reforms absent a compelling crisis. This allows for the phased introduction of reforms and careful study of the revenue measures.

WHY IS TAX REFORM NECESSARY?

The Philippines' tax system is characterized by decades of abuse and neglect. The middle class was taxed at rates meant for the rich, tax compliance was difficult, tax laws were complex, and products and services with adverse effects on health and the environment were taxed inadequately. The structural weakness of the tax system is mainly a result of:

TAX RATES OR TAX BASES THAT ARE NOT INDEXED TO INFLATION

Several tax rates or tax bases that are not indexed to inflation and have eroded the value of government collections.

EXCESSIVE TAX EXEMPTIONS AND SPECIAL TREATMENT

The government grants excessive exemptions and special treatment, many of which are without good basis.

HIGHLY RESTRICTIVE BANK SECRECY LAWS

Highly restrictive bank secrecy laws that prevent revenue agencies from fully auditing and enforcing tax laws due to lack of information. The Philippines is one of only two countries in the world with absolute bank secrecy laws for tax agencies. The other country is Lebanon.





A simpler, fairer, and more efficient tax system is needed to promote investment, create jobs, and reduce poverty. Not reforming the tax system will deprive the poor of the necessary social services and infrastructure that can lift them out of poverty and make them more productive contributors to society.”

CARLOS G. DOMINGUEZ
SECRETARY OF FINANCE
Makati City
February 2018

Through the CTRP, the administration envisions to spend big on infrastructure, human capital formation and social protection to sustain the growth momentum, attract investments and create jobs, achieve economic inclusion and transform the Philippines into a high middle-income country by 2022, by which time poverty incidence will have been reduced to 14 percent from 21.6 percent in 2015.

WHAT PROJECTS CAN BE FUNDED BY TRAIN?

TRAIN can fund our big-ticket infrastructure projects for a more robust economic growth.



Php704.2 billion
INFRASTRUCTURE



Php672.4 billion
EDUCATION



Salary Increase for the Armed Forces
Php62.8 billion



Php107.3 billion
HEALTH



Free tuition program in State Universities and Colleges (SUCs)
Php51.4 billion



Social Protection Programs
Php141.4 billion



Unconditional Cash Transfers (UCTs)
Php25.7 billion



TRAIN also includes mitigating measures that are designed to redistribute some of the gains to the poor.

SOCIAL PROTECTION PROGRAMS UNDER TRAIN

We strongly believe that TRAIN should be fully implemented given its strong positive benefits to the people and the economy. To protect the poor and vulnerable, we shall implement the social mitigating measures while ensuring that they are well prepared and targeted so that only intended beneficiaries enjoy them.



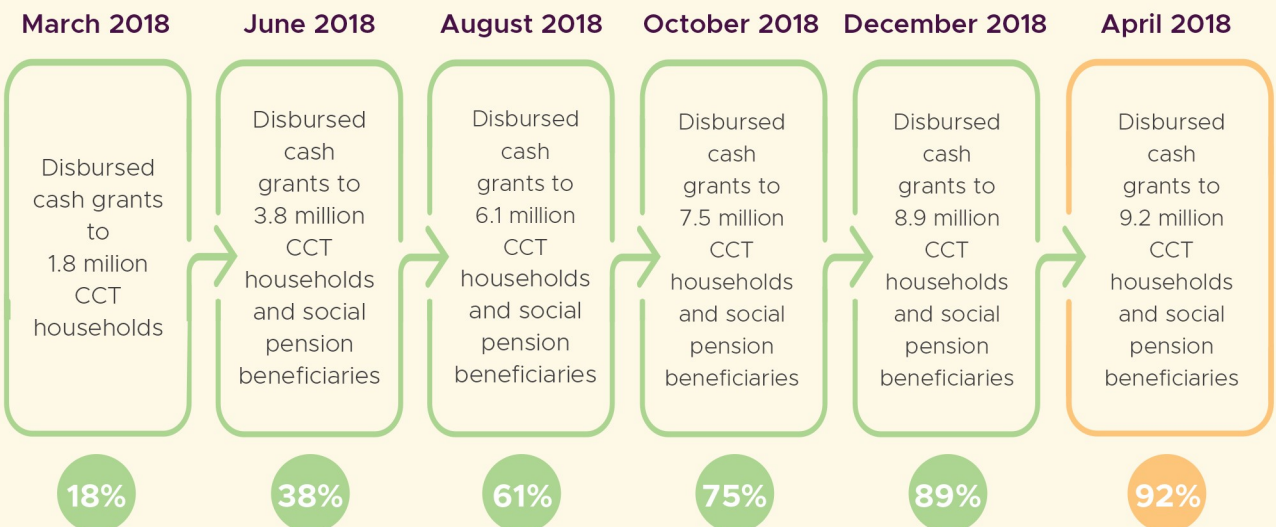
UNCONDITIONAL CASH TRANSFER

The Unconditional Cash Transfer (UCT) program was introduced as the subsidy component of the TRAIN law to alleviate the estimated impact of the tax reform on the poorest 10 million households and individuals identified using the National Household Targeting System for Poverty Reduction (NHTS-PR), Pantawid Pamilyang Pilipino Program (4Ps), and social pension program for DSWD.



IMPLEMENTED BY THE:
DEPARTMENT SOCIAL WELFARE
AND DEVELOPMENT

PROGRESS OF THE PROGRAM



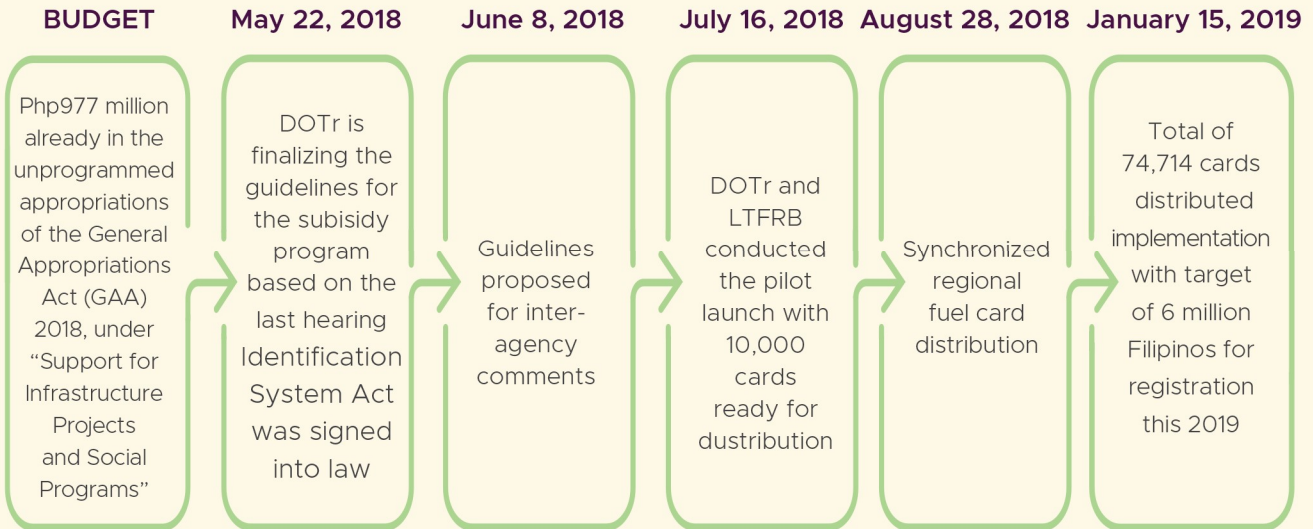
THE PANTAWID PASADA PROGRAM

The Pantawid Pasada Program will provide fuel vouchers for Public Utility Jeepneys (PUJs) for qualified franchise holders. This is to mitigate the impact of higher oil prices.



IMPLEMENTED BY THE:
DEPARTMENT OF TRANSPORTATION

PROGRESS OF THE PROGRAM



THE PHILIPPINE NATIONAL ID

The National ID System is a prioritized civil registry reform of the government that will ensure a faster and more efficient distribution of the Unconditional Cash Transfer (UCT) to beneficiaries as well as other social welfare services of the government.



IMPLEMENTED BY THE:
PHILIPPINE STATISTICS AUTHORITY

PROGRESS OF THE PROGRAM



In 2018, the Tax Reform for Acceleration and Inclusion (TRAIN), which is the first package of the CTRP has been implemented, while the rest of the packages have been submitted, and currently under deliberation, in both Houses of Congress.

TRAIN revenue performance in 2018

1. Preliminary data show that TRAIN revenues reached Php68.4 billion in 2018, compared to the full-year target of Php63.3 billion (108 percent of target).
 - a. Actual revenues are at 8.1 percent above target for the period.
 - b. The total excess is Php5.1 billion pesos.
 - c. The BIR exceeded target by Php10.6 billion, while the BOC was below target by Php5.5 billion.
2. The biggest gains are seen in the personal income tax, auto excise tax, tobacco excise tax, and the documentary stamp tax (Php51.5 billion more).
 - a. Losses from lower personal income taxes were originally projected at Php146.6 billion, but actual losses were lower at Php111.7 billion, or a gain of Php35 billion, due to better compliance, an increase in registered taxpayers, and an increase in jobs.
 - b. Auto excise tax is above target by Php6.2 billion, due to higher purchasing power for imported vehicle.
 - c. Tobacco excise is above target by Php5.6 billion, due to better compliance.
 - d. Documentary stamp tax is above target by Php4.7 billion given higher transactions value and better collection efficiency.
3. The biggest shortfalls are seen in the excise of sweetened beverages and VAT (Php43.4 billion less)
 - a. Sweetened beverage excise is short by Php11.9 billion as the industry claims that no high fructose corn syrup (HFCS) has been used since 01 January 2018. HFCS-sweetened beverages are taxed at Php12 per liter, instead of Php6 per liter. The BIR is conducting an audit to ascertain this claim. At the same time, the FDA is also in the process of verifying if firms did submit applications to reformulate from HFCS to regular sugar. This is required before firms can legally market a new formulation.
 - b. VAT is short by Php31.5 billion. The main reason cited by the BOC is that there are only eight industries (power transmission, jewelries, and government instrumentalities namely the Philippine Sports Commission, Armed Forces of the Philippines, People's Television Network, the University of the Philippines, the National Museum, and the Central Bank) that reported importation, which is now VATable. On the other hand, the BIR reported that bulk of the VAT incremental revenue is attributed to the VAT on interest liabilities of the Philippine Deposit Insurance Corporation.
 - c. However, accounting for the estimated second round consumption effects from the additional take-home pay, an additional Php24.6 billion, of which Php19.9 billion are VAT revenues, was collected in 2018. With the second round VAT revenues, the TRAIN VAT shortfall is reduced to just Php11.6 billion.
 - d. The shortfall in VAT is also evident in overall BIR VAT revenues, which declined by 2.0 percent and are short by Php68 billion in 2018, compared to target. One reason for this is the surge in imports that adds to input VAT claims in BIR, hence lower VAT revenues. DOF-Revenue Operations Group and BIR are looking into the reasons for this overall low performance.
 - e. Overall, TRAIN revenues exceeded its targets, providing additional public resources for infrastructure and human capital development programs. The performance is expected to be sustained in the coming years.

SUMMARY TABLE OF 2018 TRAIN REVENUE

(in billion pesos)

Tax	Actual			Target			Actual to Target Ratio %		
	BIR	BOC	Total	BIR	BOC	Total	BIR	BOC	Total
Excise oil	26.7	33.9	60.7	33.3	26.9	60.2	80.3	126.0	100.7
Excise auto	2.6	18.0	20.6	3.0	11.4	14.4	85.0	157.8	142.7
Excise SSB	39.8	2.8	42.6	52.0	2.5	54.5	76.4	114.9	78.2
Excise tobacco	9.9	NA	9.9	4.3	NA	4.3	229.6	NA	229.6
Excise others	2.4	1.2	3.7	2.9	1.1	4.0	83.0	117.5	92.2
VAT	5.2	2.5	7.7	17.1	22.2	39.2	30.4	11.5	19.7
PIT	(111.7)	NA	(111.7)	(146.6)	NA	(146.6)	76.2	NA	76.2
CIT	1.2	NA	1.2	0.5	NA	0.5	248.7	NA	248.7
Financial taxes	5.3	NA	5.3	7.4	NA	7.4	70.8	NA	70.8
DST	33.8	NA	33.8	29.1	NA	29.1	116.2	NA	116.2
Estate tax	(2.8)	NA	(2.8)	(2.1)	NA	(2.1)	(132.0)	NA	(132.0)
Donor tax	(2.6)	NA	(2.6)	(1.7)	NA	(1.7)	(159.0)	NA	(159.0)
Total	9.9	58.5	68.4	(0.7)	64.0	63.3	1,398.4	91.4	108.1

Note: Excise products excluding mining include additional VAT collections. Totals may not add up due to rounding off.

DEVELOPMENTS IN THE VAT SYSTEM

1 VAT Refunds

- To meet the conditions of Sections 31 and 33 of the TRAIN law (RA 10963) which provides that an enhanced VAT refund system should be established, a special account in the General Fund or trust receipt to fund VAT refund claims should be set-up.
- DOF-DBM-BTr-BIR-BOC-COA Joint Circular No. 001-2018 was issued which prescribed for the procedures, guidelines, and responsibilities of related agencies necessary to implement the objectives of the enhanced VAT refund system.
- Effective 01 January 2019, processing and approval of VAT refund claims would now be 90 days only.

2 VAT exemption on medicines for diabetes, hypertension and high cholesterol

- Section 109 (AA) of the TRAIN law provides that sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension will be VAT-exempt beginning 1 January 2019.
- Implementation issuances were issued: DOF-DOH-BIR-FDA Joint Admin Order No. 2-2018; BIR Revenue Regulations No. 25-2018; and BIR Revenue Memorandum Circular No. 4-2019
- VAT exemption resulted to lower prices of medicines for diabetes, hypertension and high cholesterol.



TRAIN AND INFLATION

- Inflation exceeded the target range of 2 to 4 percent and became a hot topic in 2018. It climbed up to as high as 6.7 percent in September and October before it decelerated, and averaged at 5.2 percent for the year. An analysis of news reports revealed that there were 1,514 news articles in 2018 that mentioned inflation, compared to the 655 news articles that mentioned inflation in 2017. Among the 1,514 news articles on inflation, 28.3 percent of these, or 428 articles, mentioned the TRAIN law.
- Several factors contributed to the increase in inflation. Among the major reasons were the increase in world oil prices, sharp peso depreciation, and domestic rice and other raw food supply shortages. Meanwhile, TRAIN contributed 0.4 to 0.7 percentage points to total inflation. The following example illustrates TRAIN's contribution to inflation: In 2018, the average retail price of diesel went up by around Php10.5 per liter. Of the total increase, Php2.8, or 27 percent is due to TRAIN, while the 73.0 percent was brought about by external factors.
- To help address high rice prices, the DOF supported the Rice Tariffication Act lifting the Quantitative Restrictions (QR) previously imposed, and now allowing the importation of additional volumes of rice with a tariff rate instead. The law will enable the increase of the rice supply and in turn, lead to a longer term decrease in the price of rice. This is estimated to reduce inflation rate by 0.5 to 0.7 percent.

For 2018, the National Tax Research Center (NTRC) completed the following studies in support of the tax reform program:

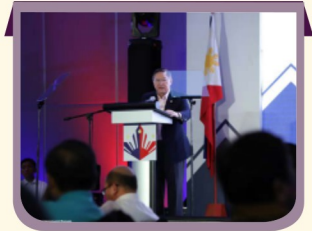
1. Comparative Investment Incentives in ASEAN Member-Countries;
2. Comparative Corporate Income Taxation in ASEAN Member-Countries;
3. A Review of Excise Tax of Sin Products;
4. A Review of Philippine Documentary Stamp Tax on Financial Products and Transactions;
5. A Review of the Taxation of the Philippine Debt Instruments;
6. A Review of the Taxation of Shares of Stock in the Philippines;
7. Comparative Matrix of Current Capital Income Taxation and the Proposed Amendments Under Package 4 of the CTRP;
8. Discussions on the Features of Various Tax Amnesty Proposals;
9. Status of the Tax Rules under the Local Government Code (LGC) of 1991: Issues and Problems;
10. Taxation of and the Grant of Fiscal Incentives to Gaming Activities in ASEAN member-countries.

These studies are publicly available in the NTRC website: www.ntrc.gov.ph.



WHAT IS SULONG PILIPINAS?

Sulong Pilipinas is an annual consultative conference between the Duterte Administration and the private sector. It aims to elicit and address private sector concerns such as improving peace and order, simplifying processes at the Bureau of Internal Revenue (BIR), streamlining local government processes, providing tax incentives to micro, small and medium enterprises (MSMEs), and reducing red tape, among others.



Four regional workshops were held last November 2018, providing a direct avenue for about 1,000 MSMEs to communicate their concerns and recommendations.

First held in Davao City in June 2016, Sulong Pilipinas acts as an incubator of future legislation and ascertains the alignment of the needs of the Filipino people and government initiatives.

To date, this consultative conference has given birth to the following:

Ease of Doing Business Law

Tax Reform for Acceleration and Inclusion (TRAIN) Law

PhilSys or the National ID Law

Build, Build, Build program

For 2018, the consultation produced the following recommendations (arranged by order of popularity, starting from the most popular):

1. Improve agricultural productivity and raise farmers' incomes through education and the use of new farm technologies
2. Build more physical infrastructure such as seaports, airports and mass-based transport systems
3. Simplify requirements for loans with reasonable interest rates for MSMEs and the rural sector
4. Improve access to education, especially for the poor
5. Implement stricter profiling of the Pantawid Pamilyang Pilipino Program (4Ps) recipients, monitor their expenses and provide them livelihood training
6. Speed up the processing and issuance by the Food and Drug Administration (FDA) of licenses and certificates of product registration
7. (A)⁴ Properly plan infrastructure projects to reduce disruptions in business operations
(B) Simplify processes at the Bureau of Internal Revenue (BIR)
(C) Improve peace and order by ensuring police and military visibility in rural areas, intensively monitor illegal trade activities in coastal areas, and continue the implementation of martial law in Mindanao
8. Improve health services in every part of the country by building more health centers and hospitals
9. Provide tax incentives to MSMEs
10. Streamline government processes and reduce red tape

⁴Three recommendations are tied for the 7th place.

Legislative Agenda

The DOF continued to push for reforms that would achieve greater efficiency and equity in the tax system. The following section presents updates on the tax reform packages.

WHAT IS THE COMPREHENSIVE TAX REFORM PROGRAM?

The Comprehensive Tax Program (CTRP) is needed to accelerate poverty reduction and sustainably address inequality to attain the President's promise of *tunay na pagbabago*. By making the tax system simpler, fairer, and more efficient, additional and a more sustainable stream of revenues need to be generated to make meaningful investments on our people and infrastructure to achieve our vision for the Philippines.



Package 1:
TRAIN



Package 1B:
Tax amnesty



Package 2:
TRABAHO



Package 2+:
Mining and sin taxes



Package 3:
Property valuation
and taxes



Package 4:
Capital income and
financial taxes



Tax reform package	Description	Status of the package
<p>Package 1: Tax Reform for Acceleration and Inclusion</p>	<p>The Tax Reform for Acceleration and Inclusion (TRAIN) Law (Republic Act No. 10963) corrects a longstanding inequity in the tax system by reducing taxes for 99 percent of individual income taxpayers, thereby giving them much needed relief after 20 years of non-adjustment. TRAIN also raises significant revenues from adjustments in consumption taxes to fund the President's priority social and infrastructure program.</p>	<p>TRAIN was enacted into law last 19 December 2017, and implemented on 01 January 2018.</p>
<p>Package 1B: Tax Amnesty</p>	<p>Package 1B or the Tax Amnesty Act of 2019 grants amnesty to people with tax delinquencies, which cover those who failed to pay correct taxes in 2017 and the years before. The law also grants an amnesty on estate taxes, which is expected will clear the way for the productive use of properties left idle because of estate tax liabilities. The President, however, vetoed the portion of the law covering the general amnesty because of the lack of provisions breaking the walls of bank secrecy, setting the framework for complying with international standards on exchange of information, and other safeguards against those who abuse by declaring untruthful assets or net worth. Thus, for Package 1B we are pushing for the remaining proposals under this package such as the Motor Vehicle User Charge (MVUC), the lifting of bank secrecy laws, and the automatic exchange of tax information.</p>	<p>The Tax Amnesty Law of 2019 (Republic Act No. 11213) was enacted into law on 14 February 2019</p>
<p>Package 1B: Adjustments of the Motor Vehicle User's Charge</p>	<p>The adjustment of the Motor Vehicle User's Charge (MVUC) follows the thrust of the CTRP towards a fairer and more progressive tax system. The MVUC adjustment will correct a system that has become regressive over the years, as rates have not been changed since 2004. The package will also simplify the MVUC system, streamlining it towards the government's ambitious road-building efforts.</p>	<p>House Bill 5804 has been pending in the house committee on ways and means since 05 February 2018.</p>
<p>Package 2: Tax Reform for Attracting Better and High-Quality Opportunities</p>	<p>The Tax Reform for Attracting Better and High-quality Opportunities (TRABAHO) or Package 2 of the CTRP seeks to lower the corporate income tax (CIT) rate gradually from 30 percent to 20 percent, reorient fiscal incentives toward the strategic growth industries of tomorrow, and make incentives available to investors who make net positive contributions to society.</p>	<p>The TRABAHO bill was approved on 3rd and final reading by the House of Representatives (HOR) last 10 September 2018. It has been pending before the Senate committee on ways and means.</p>
<p>Package 2+: Mining and sin taxes</p>	<p>Package 2+ includes proposed reforms on mining and sin taxes (i.e. alcohol and tobacco). Both proposals are to complement the enacted TRAIN law to generate additional revenues, make the tax system simpler, fairer, and more efficient, and align with President Duterte's priority programs on social and environmental protection.</p>	<p>The bills related to Package 2+ were all approved on 3rd and final reading in the House in 2018. These bills have been pending in the Senate committee on ways and means.</p>
<p>Package 3: Property valuation</p>	<p>Package 3 aims to introduce vital reforms to promote a just, equitable, and efficient real property valuation system. The reforms will broaden the tax base and will result in higher government revenues without increasing the existing tax rates or imposing new taxes on property.</p>	<p>House Bill 8453 was approved on 3rd and final reading in the lower house on 12 November 2018. Senate Bill 44 has been pending before the Senate committee on ways and means.</p>
<p>Package 4: Passive income and financial taxes</p>	<p>Package 4 of the CTRP aims to change the tax treatment imposed on income received from investments (interest, dividends, capital gains) made by individuals and corporations, lower transaction costs by reducing documentary stamp tax (DST), simplify the taxes imposed on financial intermediaries.</p>	<p>House Bill 8645 was approved on 3rd and final reading in the lower house last 03 December 2018. It has been pending before the Senate committee on ways and means.</p>

Government Corporate Sector

The Department remained committed to improving the fiscal soundness of the government corporate sector. The year 2018 was marked by an exceptional dividend remittance made by the Government Owned or Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs) since the implementation of RA No. 7656 or the Dividends Law of 1994, which requires government corporations to remit at least half of their annual net earnings to the National Government. The unprecedented dividend remittance

of Php40.2 billion, the highest amount ever collected since the Law's implementation, by the 55 GOCCs and GFIs represented a 32 percent increase from Php30.5 billion in 2017.

The steady increase in the dividends collected from the GOCCs and GFIs exemplify dedicated efforts of the government corporate sector to be efficient partners of the NG in the acceleration of development in the country.

RECORD HIGH GOCC DIVIDENDS REMITTANCE



Php40.2 billion
Total GOCC
Dividends Remittance

2018 TOP DIVIDEND CONTRIBUTORS



Philippine Deposit
Insurance Corp.
(PDIC)
Php8.8 billion



Civil Aviation Authority
of the Philippines
(CAAP)
Php6.2 billion



Bangko Sentral ng
Pilipinas
(BSP)
Php3.6 billion



Philippine Ports
Authority
(PPSA)
Php3.1 billion



Philippine Amusement and
Gaming Corp.
(PAGCOR)
Php2.6 billion



Philippine Charity
Sweepstakes Office
(PCSO)
Php2.5 billion



Manila International
Airport Authority
(MIAA)
Php2.3 billion



National Power
Corporation
(NAPOCOR)
Php1.4 billion



CONTRIBUTION TO CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION

(in billion pesos)

Particulars	2017 Actual	2018 Actual	Increase (Decrease)	Growth Rate %
14 MNFGCs	40.2	5.8	(34.4)	-86
GFIs (DBP, TIDCORP, LBP)	17.2	19.4	2.2	13
SSIs (GSIS, SSS, PHIC)	58.3	59.4	1.1	2

The financing operations of the 14 Major Financial Corporation (MNFGCs) resulted in a surplus of Php5.8 billion, albeit 86 percent lower than the surplus posted in 2017 as the GOCCs continue to increase their capital expenditures. The 2018 surplus was tapered down largely by National Housing Authority (NHA), National Food Authority (NFA), National Irrigation Administration (NIA), Power Sector Assets and Liabilities Management Corporation (PSALM), Philippine Ports Authority (PPA), and Home Guaranty Corporation (HGC).

NHA's deterioration of Php17.6 billion was mainly due to lower subsidy releases in 2018, as subsidy releases in previous years were used for permanent housing assistance and community facilities for victims of typhoon. The decline in NFA's surplus by Php7.9 billion was brought about by the higher volume and price of rice importation to augment NFA's stocks partly offset by higher operating subsidy and service fees received from the auction of the Minimum Access Volume (MAV) to private importers. The reduction in NIA's surplus by Php3.3 billion was brought about by higher Variable Water Delivery Fee paid for Casecan Project. The decrease in PPA's surplus by Php2.8 billion was due to increased tax payment and higher dividend payment resulting from higher taxable income. The decrease in PSALM's surplus by Php1.9 billion resulted mainly from lower collection of generation

payments from Independent Power Producer Administration (IPPA) following the termination of contracts of Mt. Apo I and II and Unified Leyte in 2017. The reduction in HGC's surplus by Php1.4 billion was due to increased tax payment arising from recognition of gain on sale of PNR rights and remittance of additional dividends from 2016 net earnings.

These decreases in financing surplus was partly offset by the improved financial performance of the Philippine Economic Zone Authority (PEZA) by Php1.0 billion and Philippine National Railways (PNR) by Php1.5 billion.

On the other hand, the Government Financial Institutions- Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), and the Trade and Investment Development Corporation of the Philippines (TIDCORP), also known as Philippine Export-Import Credit Agency (PhilEXIM), reported an aggregate cash surplus of Php19.4 billion in 2018. This was a 12.8 percent growth rate compared to the 2017 level of Php17.2 billion. This was primarily a result of DBP's growth in earnings on bonds and securities and interest from lending portfolio. The increase in collection interest from lending is due to increase in lending for portfolio for infrastructure, social and environmental financing program of DBP. This is in support of NG's thrust to accelerate infrastructure development to provide social services.



Meanwhile, the Social Security Institutions (SSIs) comprising of Government Service Insurance System (GSIS), Social Security System (SSS), and Philippine Health Insurance Corporation (PHIC), also known as PhilHealth, managed to post an aggregate cash surplus of Php59.4 billion in 2018, slightly higher by Php1.1 billion than the 2017 level of Php58.3 billion. This net increase was attributed to increase on PHIC's surplus by Php16.4 billion partly offset by drop in surplus of GSIS of Php12.1 billion.

PHIC's increase in surplus was mainly due to the following: (i) increase in members' contribution coming from the 8 percent growth in total number of covered members from Php49.6 million in 2017 to Php53.8 million in 2018; (ii) increase in premium rates from 2.5 percent to 2.75 percent; and (iii) increase in premium contribution on Senior Citizens from Php2,400 in 2017 to Php3,120 in 2018. These were partly offset by an increase in benefit payments due to implementation of expanded health benefit packages as Children with Visual Disabilities and Children with Hearing Impairment.

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CONTRIBUTION TO THE FISCAL CONSOLIDATION PROGRAM OF THE GOVERNMENT

Total contributions of the government corporate sector inclusive of dividends, guarantee fees, interest on advances, foreign exchange risk cover fee and NG shares on income received from Philippine Amusement and Gaming Corporation (PAGCOR and MIAA reached Php79.3 billion, more than double the total target collection of Php32.3 billion in 2018. This was mainly due to the higher dividend collection. Furthermore, the NG share from GOCC income other than dividend, comprising of 42 percent of total collections grew by 13 percent from 2017 level of Php29.6 billion to Php33.5 billion, mainly attributed to PAGCOR's income primarily from casino gaming operation.



COLLECTIONS FROM GOCCs

COLLECTIONS FROM GOCCs	2017 Actual	2018 Actual	2018 Program	%Variance 2018 Actual vs Program	Growth Rate %
A. Dividends	30.5	40.2	10	402	32
B. Guarantee Fee	1.9	2.5	2.3	108	28
C. Interest on Advances	0.2	0.7	0.1	527	175
D. FOREX Risk Cover Fee	1.7	1.5	1.5	97	-15
E. Airport Terminal Fee	1	1.0	0.6	171	6
F. NG Shares on Income Received	29.6	33.5	17.8	189	13
TOTAL COLLECTIONS	64.9	79.4	32.3	246	22

CORPORATE GOVERNMENT INITIATIVES AND ADVOCACY

The DOF, in pursuit of its mandate to monitor and evaluate the financial performance and operations of GOCCs and GFIs, while at the same time being cognizant of the government corporate sector's role in urban and countryside development, pursued the following:

1. Consultative meetings and deliberation of the Rice Tariffication Bill mainly on its impact to the operations of the National Food Authority (NFA).

Upon the passage of the Rice Tariffication Bill, major reforms will be undertaken for the NFA such as its restructuring, removal of import-related regulatory functions (e.g. import permits, licenses, and clearances) and limitation of its functions primarily in maintaining our country's emergency buffer stock sourced solely from local farmers which are essential and inseparable aspects of rice trade liberalization.

2. Approval by the Development Budget Coordinating Committee (DBCC) for the expansion of Consolidated Public Sector Financial Program (CPSFP) coverage of GOCCs from the existing 14 MNFGCs.

The additional GOCCs which would be included in the CPSFP starting CY 2019 are: Bases Conversion Development Authority (BCDA), Civil Aviation Authority of the Philippines (CAAP), and Manila International Airport Authority (MIAA). These GOCCs were considered based on their risk and infrastructure significance. It would better facilitate early detection of risk vulnerability in the government corporate sector and allow for early corrective measures.

3. Stringent policies to reduce NG Advance to GOCCs.

These policies include: rationalization of NG Guarantee; comprehensive review of financial position and operational efficiency of GOCCs before granting the extension of NG Advances; and exercise of caution in the review and evaluation of guarantee request and project structures ensuring the necessary safeguards are in place and that proposed loan and project to be guaranteed are within the priority agenda of the government.



Debt Management

NATIONAL GOVERNMENT FINANCING for the Period Indicated (in million pesos)

Particulars	2018 Program ^{2/}	Actual
NET FINANCING	854,236	783,277
External Borrowing (Net)	217,484	191,752
External Borrowing	331,750	303,077
Project Loans	21,229	33,957
Program Loans	84,199	80,422
Bonds and Other Inflows	226,323	188,698 ^{3/}
Less: Amortization	114,266	111,325 ^{4/}
Domestic Borrowing (Net) ^{5/}	636,752	591,525
Domestic Borrowings (Gross)	640,114	594,474
Treasury Bills	15,651	179,937
Treasury Bonds	624,463	414,537
Less: Net Amortization	3,362	2,949
Amortization	265,462	265,049
o/w Serviced by the BSF ^{6/}	262,100	262,100
GROSS FINANCING	971,864	897,551

Source: Bureau of the Treasury



NATIONAL GOVERNMENT FINANCING

To finance the budget shortfall and refinancing requirements, the National Government raised a total of Php897.6 billion in 2018 through the issuance of government securities and availment of loans from various multilateral lenders.

The Government borrowed mainly from onshore sources to support the development of the domestic capital market and to mitigate foreign exchange exposure. The financing mix stood at 66:34 in favor of domestic lenders.

^{1/}Based on BESF 2018 Table D.1

^{2/}Based on BESF 2019 Table D.1

^{3/}Includes proceeds used to prepay outstanding bonds in bond exchange transactions

^{4/}Includes prepayments made through bond exchange transactions

^{5/}Excludes bonds maturing and issued for CB restructuring.

^{6/}Actual redemption from Sinking Fund



Excluding the Php50.0 billion treasury bonds rolled over for the Central Bank Board of Liquidators, full-year gross domestic borrowings amounted to Php594.5 billion, below the target by 7 percent. The lower borrowing was possible due to the prefunding made through the issuance of the 20th tranche of Retail Treasury Bonds (RTBs) in December 2017.

Gross treasury bills floatation amounted to Php523.8 billion while redemptions amounted

to Php343.9 billion, leaving Php179.9 billion for financing. Meanwhile, the issuance of treasury bonds accounted for the remaining Php414.5 billion in domestic funding which includes Php121.8 billion in RTBs and Php55.6 billion floatation through the TAP facility in November 2018. However, total net treasury bond issuance registered 34 percent below the revised program due to rejection during regular auctions on account of higher interest rates.

PH BOND ISSUANCES IN THE OFFSHORE BOND MARKETS IN 2018

August 2018



Multi-tranche JPY 154.2 billion Samurai bonds

Yielded a weighted average spread of 34.7 basis points above benchmark. This marks the return of the Republic to the Samurai market after an 8-year break, and the first time in almost 20 years that it has issued Samurai bonds on a stand-alone basis.

March 2018



RMB 1.46 billion 3-year Panda bonds

Fetches a spread of only 35 basis points over the benchmark. China's Lianhe Credit Rating Company rated them triple A

January 2018



USD 2 billion 10-year global bonds

Received a tight spread of 37.8 basis points over the US Treasuries.



NATIONAL GOVERNMENT DEBT INDICATORS

In 2018, the National Government's outstanding debt grew 9.6 percent to P7,292.5 billion from P6,652.4 billion as of end-2017. Of the total stock, 34.5 percent were sourced externally while 65.5 percent were borrowed onshore. The debt-to-GDP ratio continued its downward trend at 41.9 percent from 42.1 percent in the previous year because of strong growth and prudent debt management.

The currency mix of NG obligations shows moderate exposure to foreign exchange volatility. Based on value, Peso-denominated obligations accounted for 66.9 percent of the total; followed by USD, JPY, EUR, and other currencies at 26.6 percent, 5.4 percent, 0.5 percent, and 0.5 percent, respectively.

The weighted average interest rate (WAIR) for total NG Debt settled at 5.1 percent, a tad higher than the 4.9 percent posted in 2017, reflecting continued adjustment for domestic refinancing costs. Over the same period, the WAIR for domestic debt inched up to 5.4 percent from 5.1 percent for the previous year. On the other hand, the WAIR for foreign borrowing went down year-on-year to 4.3 percent from 4.4 percent.

Of the total debt portfolio, only 8.9 percent is subject to resetting, minimizing the sensitivity of interest payments to volatile market conditions. Moreover, domestic and external debt have remaining maturities of 7.1 and 12.2 years, respectively, compared to the 7-10-year target range.



ASSET MANAGEMENT PROGRAM

NATIONAL ASSET REGISTRY

In support of the recommendation of the Inter-Agency Committee on Government Property Insurance (IAC-GPI) created through Administrative Order No. 4, signed by President Rodrigo R. Duterte, the Bureau of the Treasury (BTr) began to establish a National Asset Registry, an inventory of the non-financial properties of National Government Agencies (NGAs) and its instrumentalities.

To encourage productive participation of the regional staff in disseminating information with other agencies, the Bureau's Asset Registry Division (ARD) introduced this initiative to BTr Regional Offices. The program was consequently rolled out to the pilot agencies: Department of Public Works and Highways (DPWH), Department of Education (DepEd), National Irrigation Administration (NIA), Department of Health (DOH), and Department of Social Welfare and Development (DSWD), who are required to submit a comprehensive list of all their properties including strategically important assets such as land, buildings, roads, etc.

The creation of a comprehensive asset registry will help establish guidelines for assessing assets that must be prioritized for insurance coverage. Moreover, this initiative directs all agencies to create an overall disaster risk management framework and dashboard

for better decision-making in the rehabilitation of assets damaged by natural calamities. As part of this initiative, the Government, through the Bureau of the Treasury, secured a Parametric Insurance covering 25 vulnerable provinces along the Philippines' eastern seaboard, and the schools under the Department of Education, for a maximum coverage of Php20.5 billion against typhoons and earthquakes. The cover period for the insurance is from 19 December 2018 to 19 December 2019.

A Parametric Insurance is a type of insurance whose payouts have been pre-defined based on modeled losses. Once a triggering event happens, the cover will provide immediate liquidity to the insured without restriction on the use of proceeds. As such, the National Government will be able to use such proceeds for budgetary support.



CAPITAL MARKET INITIATIVES

FULL NRoSS IMPLEMENTATION

In August 2018, the Bureau of the Treasury modernized its existing auction and registry platforms by officially launching the National Registry of Scripless Securities (NRoSS). The NRoSS is capable of performing several functionalities central to the Bureau's operations, including the full management of primary market activities, the electronic registry centralization and settlement of government securities, the tax-tracking of secondary market trades, and the facilitation of securities transfers for trade and non-trade transactions.



ENHANCED TRADING AND BENCHMARKING PLATFORM

In October 2018, the Bloomberg Fixed Income Quote (FIQ) Trading System replaced the PDS X-stream Fixed Income Trading Platform as the new electronic trading system for government bonds traded in the secondary market as well as the surveillance system for the market using the regulatory oversight features of the Bloomberg platform. It is interlinked with the National Registry of Scripless Securities (NRoSS), allowing for a streamlined process between trading and settlement operations. This reform is seen to reduce friction costs among market participants and strengthen secondary market liquidity.

Governance Initiatives

Sustaining robust revenue collections needs not only policy reforms but also focused action against tax evasion and smuggling.

1. **REVENUE INTEGRITY PROTECTION SERVICE (RIPS)**

In 2018, 121 employees and officials from the DOF and its attached agencies were subjected to lifestyle checks and investigations. As a result, multiple criminal and administrative charges were filed before the Office of the Ombudsman and the Civil Service Commission against 22 of the said personalities.

RIPS received a total of 19 successful resolutions in lifestyle check cases involving employees of the DOF and its attached agencies, for which the errant officials and employees were meted with penalties ranging from reprimand, fine, suspension, and in 5 of said resolutions, the subject employees were dismissed from government service.

2. **RUN AFTER TAX EVADERS (RATE) PROGRAM**

The RATE program identifies and prosecutes high profile tax evaders through investigation of large-scale violations of tax laws. It also reviews all pending cases with the Court of Tax Appeals and the Department of Justice (DOJ), and strengthen the program by filing a minimum of one (1) significant case per semester, per Revenue District Office (RDO), to improve voluntary compliance (the “fear factor” approach).

In 2018, 197 RATE cases were filed with the DOJ with estimated tax liabilities of Php15.0 billion.

3. **BOC'S BUREAU'S ACTION TEAM AGAINST THE SMUGGLERS (BATAS)**

In 2018, a total of 69 criminal cases were filed before the DOJ against importers engaged in illicit trade, as well as customs brokers and even customs officials who were found to have violated customs laws, rules, and regulations.

The total seizures of the BOC in 2018 reached more than Php2.0 billion worth of smuggled goods and Php3.1 billion worth of illegal drugs.

4. **DOF HOTLINE 8888 CITIZEN COMPLAINT CENTER**

Hotline 8888 was institutionalized through Executive Order (EO) No. 06 signed on 14 October 2016. Through Hotline 8888, the public is encouraged to report poor and inefficient public service delivery and corrupt practices in all government agencies, government-owned and controlled corporations, government financial institutions and other instrumentalities of the Philippine government.

In 2018, a total of 101 complaints were received. Of these, 99 were closed while two remain pending. Majority of the complaints received were on slow processing of tax refund applications and concerns on claims of accounts under closed banks. The Revenue Operations Group (ROG) received the most number of complaints among the DOF offices while the Philippine Deposit Insurance Corporation (PDIC) among the attached agencies.



5. FINANCIAL ANALYTICS AND INTELLIGENCE (FAI)

Pursuant to EO No. 46, s. 2017, the Fiscal Intelligence Unit of the DOF was renamed to Financial Analytics and Intelligence (FAI) Unit. In 2018, the FAI accomplished the following:

- Reviewed ten Voluntary Disclosure Program (VDP) applications, of which five letter replies were sent to VDP applicants, three are with proposed recommendation and two applications have already been indorsed for appropriate action to the BOC.
- Reviewed and evaluated 37 applications of claims for refunds of duties and taxes, of which 25 applications are with proposed recommendation and 12 applications have already been indorsed for appropriate action to the BOC.
- Serves as the DOF Secretariat in the drafting, reviewing, and monitoring of the issuance of Customs Administrative Orders (CAOs) on various topics of the Customs Modernization and Tariff Act (RA 10863).

The CAO on Amended Rules on Consolidated Shipment of Balikbayan Boxes (CAO No. 01-2018) was approved and signed by the Secretary of Finance on 09 August 2018.




5. ANTI-RED TAPE ACT (ARTA)

With the enactment of R.A. No. 11032 or the “Ease on Doing Business and Effective Government Services Delivery Act of 2018” amending R.A. No. 9485 or the Anti-Red Tape Act, the DOF issued Department Order No. 38-2016, directing the DOF anti-red tape team to formulate measures designed to speed up work-related processes in DOF and its attached agencies and GOCCs.

FISCAL REPORTS AND INDUSTRY AND COMMODITY STUDIES PREPARED BY FAI IN 2018

- Profile of the Philippines’ Oil and Gas Industry
- Analysis of the Philippines’ Importation of Crude Petroleum Oil: CYs 2015-2017
- Analysis of the Philippines’ Importation of Petroleum Products: CYs 2015-2017
- Report on Pre- and Post-Mighty Corporation’s Acquisition by Japan Tobacco Inc.
- Briefer on the Philippines’ Tobacco Industry
- Profile of the Philippines’ Textile and Garments Industry
- Analysis of the BIR Revenue Collection Performance: CYs 2008-2017
- Status Report on the LGUs Schedule of Market Values and the BIR’s Schedule of Zonal Values
- Report on LGU Revenue Collections: FYs 2012-2016
- Comparative BOC Collection Performance: Q1-Q3 2017 and 2018
- Report on the BOC Collection Performance: CY 2017



Office and System	Previous Process	Process with ARTA
 <p>DOF-Revenue Office</p> <p>Digital tracking system through the Tax Exemption System (TES)</p>	<p>through Mabuhay Lane - two (2) days, 1 hour and 30 minutes</p> <p>through Express Lane - five (5) working days</p> <p>through Regular Lane - 10 working days</p>	<p>24 working hours</p> <p>three (3) working days</p> <p>seven (7) working days</p>
 <p>Bureau of Internal Revenue (BIR)</p> <ol style="list-style-type: none"> 1. New Business Registrants Counter (NBRC) 2. One-Time Transactions (ONETT) 	<p>12 days processing time; 6 client steps</p>	<p>1 hour and eight minutes; one (1) client step</p> <p>Reduction of processing time is mainly due to the reduction of documentary requirements by not requiring the registration of Books of Account during the business registration</p> <p>Established a fast lane which caters to individuals or corporations filing Capital Gains Tax or Donor's Tax Returns with only one Deed of Sale/Exchange/Donation involving one (1) to three (3) properties</p>
 <p>Securities and Exchange Commission</p> <ol style="list-style-type: none"> 1. Company Registration System (CRS) under the Lane for Express Processing (LEAP) – for registration of corporations (Stock and Non-Stock) 2. Capital Market Participants Registry System (CMPRS) - a web-enabled real time facility for online submission of applications for registration, issuance of licenses, payment of annual fees and monitoring of capital market participants 3. Microfinance NGOs Registration/Accreditation 	<p>13 client steps 3-14 documentary requirements</p>	<p>6 client steps 12-14 documentary requirements</p> <p>Opened CMPRS kiosks in the Company Registration and Monitoring Department</p> <p>SEC uploaded to its website the templates for Articles of Incorporation & By-Laws and Manual on Good Governance for Microfinance NGOs. The templates shall assist these NGOs to easily and more efficiently prepare their documentary requirements for registration/accreditation.</p>



Office and System	Previous Process	Process with ARTA
<p> Philippine Deposit Insurance Corporation (PDIC)</p> <ol style="list-style-type: none"> 1. Settlement of deposit insurance claims 2. Settlement of claims of closed bank creditors 3. Remittance of assessment deficiency 4. Remittances of assessment from member banks 5. Client assistance service 	<p>5 client steps</p> <p>6 hours</p> <p>5 modes</p> <p>5 days</p> <p>processing time of 10 days</p>	<p>3 client steps</p> <p>4 hours</p> <p>2 modes</p> <p>2 days</p> <p>within seven (7) working days upon receipt of the Queries/Requests/Complaints (QRC) for complex transactions in conformity with the requirement of R.A. No. 11032</p>
<p> Insurance Commission (IC)</p> <p>In compliance with R.A. No. 11032, all Functional Groups and Divisions of the Insurance Commission were directed to include their streamlined business and non-business transaction processes</p> <ol style="list-style-type: none"> 1. Technical Services Group 2. Legal Services Group 3. Financial Examination Group 4. Management Support Services Group 		<p>of the nine (9) submitted streamlined processes, six (6) are already compliant with the turnaround time (TAT) requirement per transaction type; two (2) still has to comply with the TAT while one still has to indicate its duration</p> <p>of the 19 submitted streamlined processes, 13 are compliant for the TAT per transaction type while 6 indicated “not applicable” and may require further review as these services are highly complicated and technical</p> <p>of the 6 submitted streamlined processes, 4 are compliant with the TAT per transaction type requirement while 2 indicated “not applicable” as the services only involve submission</p> <p>of the 11 submitted streamlined processes, 10 are already compliant with the TAT per transaction type requirements while 1 process indicated 2 to 15 working days for its duration</p>



Office and System	Previous Process	Process with ARTA
 <p>Central Board of Assessment Appeals (CBAA)</p> <p>Filing an appeal from the time the case was submitted for decision</p>	<p>90 days</p>	<p>75 days</p>
 <p>Bureau of Local Government Finance (BLGF)</p> <p>Issuance of Certificates of Net Debt Service Ceiling and Borrowing Capacity (CNDS/BC) to Local Government Units (LGUs)</p>	<p>about 38 days 12 documentary requirements</p>	<p>10 days, 5 hours and 15 minutes 4 documentary requirements</p>

6.  **TRANSPARENCY IN NATURAL RESOURCE GOVERNANCE**

Marking its fifth year of implementation, the Philippines Extractive Industries Transparency Initiative (PH-EITI) moved beyond reporting in 2018 and transformed transparency into a vital component of governance and reform in the extractive sector. The DOF-led Multi-stakeholder Group (MSG) made major strides in

expanding the coverage of the annual country report, enhancing public accessibility of extractive data, and reaching out to more stakeholders to increase public knowledge and capacities around natural resource management.

MORE DATA, BETTER ACCESS, GREATER PUBLIC UNDERSTANDING



100%
participation among targeted large-scale mines



54
interactive and open extractives datasets



PH-EITI conducted various outreach and capacity-building activities at the local, national, and international levels. These activities reinforced PH-EITI's existing network, established new linkages, and created a diverse constituency empowered to participate in extractives and natural resource governance in the country.

1 National Resource Governance Student Conference (April 2018) - co-organized with the Chamber of Mines of the Philippines and the Petroleum Association of the Philippines, which brought together university student leaders from extractives-relevant regions across the country to take part in a multidisciplinary discourse on extractives governance and the role of transparency and the youth therein.



2 Seminar workshop that aimed to mainstream EITI in the Provincial Mining Regulatory Board (PMRB), June 2018 – the seminar workshop was attended by MGB, LGU, and industry representatives from eight SSM provinces (Agusan del Sur, Benguet, Camarines Norte, Davao del Sur, Eastern Samar, Negros Occidental, Quezon, South Cotabato).



The Fifth PH-EITI Report (FY 2017) published on 31 December 2018 is the most comprehensive one to date. The Report covers 12 revenue streams, 7 reporting national government agencies, 95 LGUs, and 63 companies. It covers non-metallic mining sector from the top twenty producing plants, accounting for 91 percent of total output in the sector.

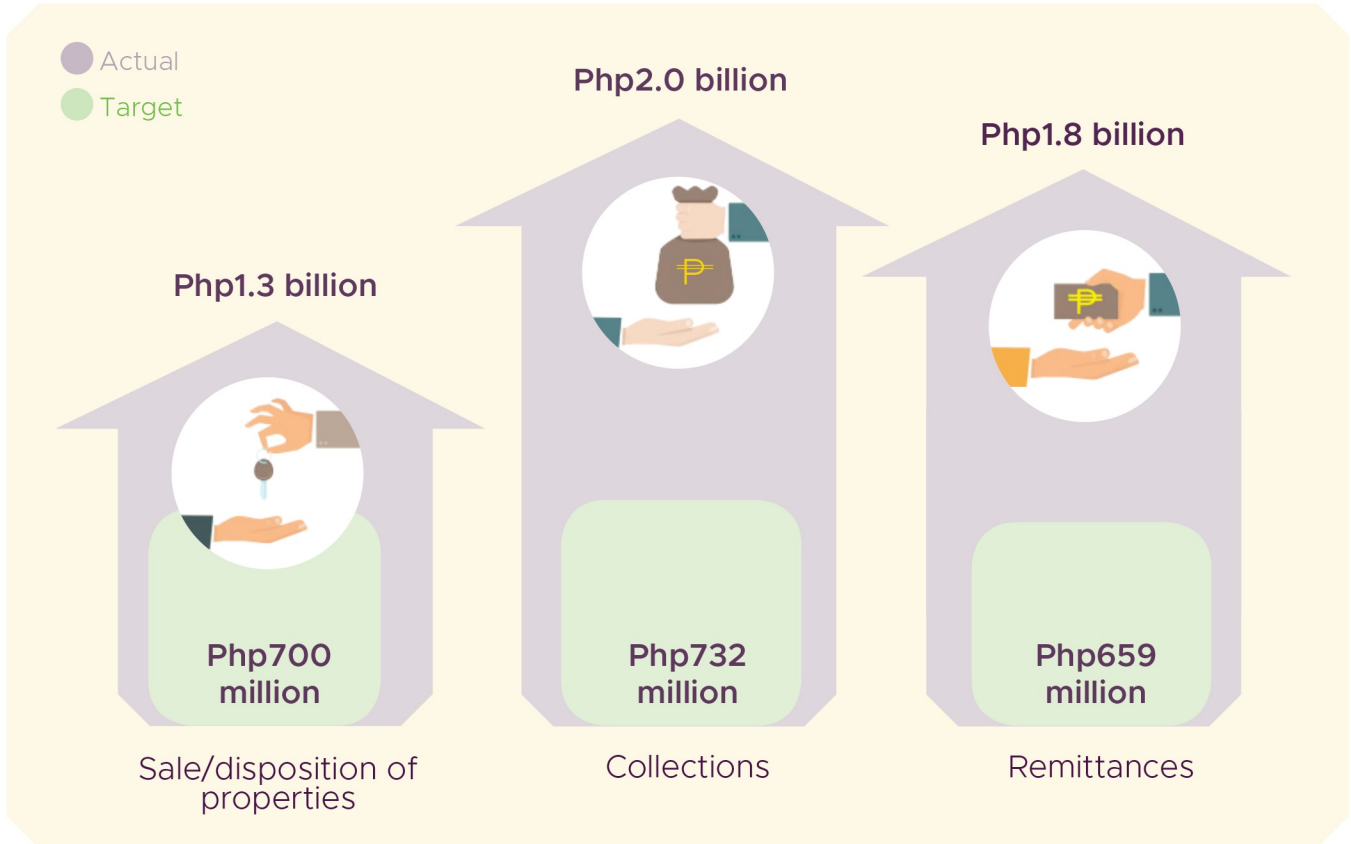
PH-EITI shared knowledge and experience in EITI implementation to delegates from Papua New Guinea EITI (March 2018) and Madagascar EITI (June 2018) that both conducted study visits in Manila.

PH-EITI has served as data/information source for the government's Comprehensive Tax Reform Program, since this includes the fiscal regime for extractives, and for the comprehensive mine audit conducted by the inter-agency Mining Industry Coordinating Council (MICC).



Privatization

TARGET VS. ACTUAL (in billion pesos)



In 2018, the NG earned disposition revenues of Php1.3 billion. The revenue was generated from the disposition of lots of the following assets: (1) National Power Corporation; (2) National Coal Authority; (3) Selectra Electronics, Inc.; (4) Delta Motor Corp.; (5) Development Bank of Rizal; and (6) Peninsula Development Bank.

A total of Php2.0 billion were collected in 2018, which includes the rent income from the management of Mile Long Complex Property, which PMO leased out 188 units/business spaces out of 308 that generated lease revenues amounting to Php100 million as of 31 December 2018.

A total of Php1.8 billion was remitted to the Bureau of the Treasury in 2018.



Mobilizing International Support for Priority Projects

DOF secured USD3.8 billion comprising concessional Official Development Assistance (ODA) loans and grants to finance projects in infrastructure, agriculture, and water services, among others.

The NG, through the DOF mobilized USD1.9 billion loans from China, Japan and Korea for seven projects, four of which are part of the 75 Flagship Projects of the Duterte administration. These include the Metro Manila

Subway Project Phase 1 (USD934.0 million) of the Department of Transportation (DOTr), New Cebu International Port Project (USD172.6 million) of the DOTr and Cebu Port Authority, New Centennial Water Source-Kaliwa Dam Project (USD211.2 million) of the Metropolitan Waterworks and Sewerage System (MWSS), and Chico River Pump Irrigation Project (USD62.1 million).

ASSISTANCE (in million US Dollars)



The DOF secured USD1.6 billion from development partners, five (5) from the Asian Development Bank (ADB) and one (1) from World Bank (WB). Program loans from the ADB comprised the loan availments, specifically: (1) USD380 million for the Improving Growth Corridors in Mindanao Road Sector Project; (2) USD300 million from Expanding Private Participation in Infrastructure Program, Subprogram 2 (EPIP2); (3) Inclusive Finance Development Program, Subprogram 1 (IFDP1); and (4) USD100 million from

Emergency Assistance Loan for Reconstruction and Recovery of Marawi (ERRM1)- Component 1: Quick Disbursing Loan. From the WB, the DOF tapped USD170 million for Emergency Assistance Loan for Reconstruction and Recovery of Marawi (ERRM)-Component 2: Project Loan.

The DOF also sourced foreign grants and donations totaling to USD335 million from China, France, Japan, Korea, Netherlands, United Nations, and the



United States a portion of which will partly fund the government's infrastructure projects. Others are purposely intended for project preparation such as for the conduct of feasibility studies on certain infrastructure projects, the provision of advisory services, and cooperation in agriculture and health.

Included in the 2018's transactions are grants that will finance the construction of two Infrastructure Flagship Projects (IFPs), i.e. Binondo-Intramuros Bridge and Estrella-Pantaleon Bridge, and support the project preparation needs for two IFPs of DPWH – Panay-Guimaras-Negros Island Bridge and Davao City Expressway Project, among others.

CLIMATE CHANGE ADAPTATION AND MITIGATION, AND DISASTER RISK REDUCTION MANAGEMENT (CCAM-DRRM) INITIATIVES

PARAMETRIC INSURANCE PROGRAM

The Special Provision of the National Disaster Risk Reduction and Management (DRRM) Fund Section of the 2018 General Appropriations Act (Republic Act 10924) earmarked Php2.0 billion for the insurance coverage of government facilities against natural calamities. Of this earmarked fund, Php1.0 billion is allocated for the renewal of the Pilot Parametric Program launched in 2017, which provides insurance coverage to national government agencies (except the Department of Education) and the 25 most vulnerable provinces in the country. Meanwhile, the other Php1.0 billion will be allocated for the premium payment of a parametric insurance policy for the DepEd.

The Joint Memorandum Circular (JMC) providing guidelines on the use of the Php2.0 billion parametric insurance was signed on 10 December 2018 by the Secretaries of DOF and DBM. Following this, the DBM issued the Special Allotment Release Order

(SARO) on 11 December 2018 to BTr, subsequently allowing them to pay the premium to GSIS. Hence, the Parametric Insurance Program is valid for one year from date of effectivity.

MARAWI PLEDGING SESSION

The DOF organized and held a Pledging Session for the Bangon Marawi Comprehensive Rehabilitation and Recovery Program (BMCRRP) in Davao City last 28 November 2018. The Government received a total of Php35.2 billion (about USD670 million) in pledges from the international community, consisting of Php32.7 billion in concessional financing and Php2.4 billion in grants. These will help ensure the implementation of BMCRRP and will complement the government's planned issuance of Marawi bonds to adequately cover the BMCRRP financing requirements.



The Department of Finance (DOF) sealed concessional funding support in 2018 for big-ticket projects under the Duterte administration's "Build, Build, Build" (BBB) program. With BBB projects gathering steam in 2018,

actual infrastructure disbursements in 2018 amounted to Php886.2 billion, equivalent to 5.1 percent of GDP. This is the first time in the Philippines' history that our infrastructure disbursements hit above 5 percent of GDP.

JAPAN

Signed	Amount of Loan	Description of the Project
28 February 2018	JPY9.399 billion loan (about P4.48 billion or \$84.42 million)	Third phase of the Arterial Road Bypass which involves the expansion of the existing 24.61-kilometer Plaridel Bypass from 2-lanes to 4-lanes that will link the North Luzon Expressway (NLEX) in Balagtas, Bulacan with the Philippine-Japan Friendship Highway, also called Maharlika Highway, in San Rafael, Bulacan.
16 March 2018	JPY104.53 billion loan (about P49.82 billion or \$939 million)	<p>First tranche of Japan's funding support for the first phase of the Philippines's first-ever underground rail system, the most ambitious and biggest single infrastructure project yet, the Metro Manila Subway.</p> <p>The Metro Manila Subway will stretch from Mindanao Avenue in Quezon City to the Food Terminal Inc. (FTI) area in Taguig City, and will continue to the Ninoy Aquino International Airport (NAIA). It will involve the construction of an underground railway spanning about 36 kilometers with 14-15 stations expected to be completed by 2025.</p>
8 October 2018	JPY4.376 billion supplemental loan (about P2.1 billion or \$39.3 million)	<p>Second phase of the Bohol Panglao International Airport Project. This supplemental loan will cover extension of the runway from 2,000 meters to 2,500 meters. This will enable the airport to accommodate large commercial aircraft. This also covers expansion of the passenger terminal building from 8,471 square meters to 13,337 square meters. This anticipates problems of congestion that may arise should tourism traffic to the area rise faster than anticipated.</p> <p>Using local funds, the Department of Transportation is planning to further enhance the capacity of the airport by extending the runway from 2,500 meters to 2,800 meters and constructing a cargo terminal building, parallel taxiway, and a fuel depot with fuel hydrant system.</p>
15 November 2018	JPY38.101 billion loan (about P18.16 billion or \$342.2 million)	Metro Rail Transit 3 (MRT) Rehabilitation project that will address the problems of the decrepit MRT-3 system in the "most comprehensive fashion" through the replacement of all worn-out tracks, upgrading of the train's obsolete signaling system, and general overhaul of the 72 light rail vehicles that are already 15 years old.



Outcome of the Philippines and Japan's 6th meeting of the Joint Committee on Infrastructure and Economic Cooperation held on 21 November 2018 in Manila

Target Period for Signing	Amount of Loan	Description of the Project
Expected to be signed in the first quarter of 2019	JPY37.905 billion loan (about P18.61 billion or \$340.46 million)	Pasig-Marikina River Channel Improvement Project Phase IV which covers the final phase of the project to mitigate the frequent massive flooding caused by the overflow of the Pasig-Marikina River. This project's final stage covers the river channel improvement works along the stretch of the Upper Marikina River, from the downstream of the Manggahan Floodway to the Marikina Bridge, and includes the construction of the Marikina Control Gate Structure.
	JPY167.199 billion loan (about P79.69 billion or \$1.501 billion)	First tranche of North-South Commuter Railway (NSCR) Extension Project

CHINA

Signed	Amount	Description
10 April 2018	USD62.09 million	To help fund the construction of Chico River Pump Irrigation Project, which broke ground in June 2018. Upon completion, the project will provide a stable supply of water to around 8,700 hectares of agricultural land, benefit 4,350 farmers and their families and serve 21 barangays in the provinces of Kalinga and Cagayan in Northern Luzon.
20 November 2018	USD211.2 million	New Centennial Water Source-Kaliwa Dam Project (NCWS-KDP) will provide Metro Manila a reliable and steady secondary water source even during dry spells.



International Commitments

In 2018, the National Government, through the DOF participated in the following international meetings and negotiations in its commitment to advance economic, financial and social development in the ASEAN Economic Community (AEC) amid a slowdown in the global economy and trade.

1. STRENGTHENING REGIONAL STABILITY BY ENHANCING MACROECONOMIC SURVEILLANCE CAPACITY AND THE REGIONAL FINANCIAL SAFETY-NET

On 04 April 2018, the ASEAN+3 Macroeconomic Research Office (AMRO) Agreement was ratified by the Philippine Senate. This Agreement establishes AMRO as an international organization and allows

AMRO to act as an independent regional surveillance organization that provides economic and financial diagnostics to ASEAN+3 economies and supports the decision-making process of the ASEAN+3's financial safety net—the Chiang Mai Initiative Multilateralisation (CMIM). AMRO's conversion from a company limited by guarantee to an international organization will allow AMRO to function effectively as an independent surveillance unit in the region.



21st ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3),
04 May 2018 at the ADB Headquarters, Manila.



2. FOSTERING GREATER FINANCIAL COOPERATION TOWARDS DEEPER AND MORE STABLE MARKETS IN THE EAST ASIAN REGION

Back-to-back with the 51st Asian Development Bank (ADB) Annual Meeting, the Philippines hosted the 21st ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) on 04 May 2018 at the ADB Headquarters, Manila.

The Ministers and Governors discussed the economic and financial developments in the region. They exchanged views on the region's opportunities

(resilient domestic demand, robust export growth, and stable inflation) as well as downside risks (rising trade protectionism, tightening in global financial conditions, and geopolitical tensions) and reaffirmed their commitment towards a strong, sustainable, and inclusive growth. The leaders agreed to deepen intra-regional trade and investment linkages, implement an appropriate mix of fiscal, monetary, and structural policies, accelerate infrastructure development, and secure the economic and financial stability in the region through macroeconomic surveillance (AMRO) and financial safety net (CMIM).



Asean Finance Ministers' and Central Bank Governors' Meeting
6 April 2018

Source: <https://asean.org/joint-statement-of-the-4th-asean-finance-ministers-and-central-bank-governors-meeting-afmgm/>

3. MAINTAINING THE PHILIPPINES' COMMITMENT FOR REGIONAL FINANCIAL INTEGRATION IN THE ASEAN ECONOMIC COMMUNITY

On 29-30 November 2018, the Working Committee on Financial Services Liberalisation (WC-FSL) announced

the conclusion of negotiations of the 8th Protocol of Financial Services under the ASEAN Framework Agreement on Services (AFAS). The Philippines' delivery of its offers for the 8th Protocol, allows for its compliance with the commitment to progressive liberalization, under the ASEAN Economic Community (AEC). Further, the signing and subsequent ratification



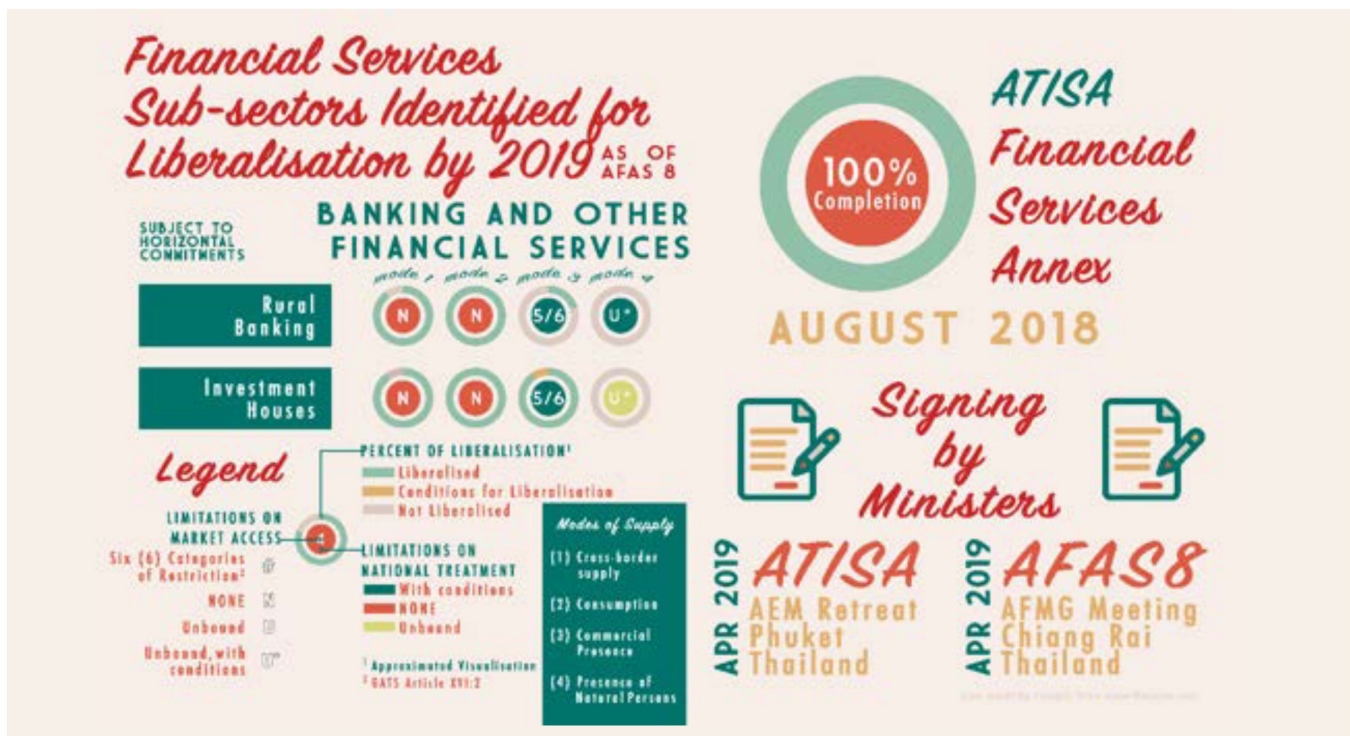
of the Protocol to implement the 8th Package is a step towards greater financial integration in the ASEAN region and promotes intra-ASEAN trade through the financial sector that supports a single market and production base under the AEC.

For the 8th round of negotiations on financial services (i.e. 8th Package), the Philippines has offered to liberalize its domestic market on both the capital markets and insurance sector. For capital markets, the Philippines has committed to increase the limit on the allowable foreign equity participation on investment houses to reflect the current regime, i.e. 100 percent foreign equity participation as provided for under R.A. No. 10881. For banking, the Philippines has committed to increase the limit on the allowable foreign

equity participation on rural banking equivalent to the current regime, i.e., 100 percent foreign equity participation, the maximum level allowed under R.A. No. 10641.

AMS stand to benefit from the signing of the Protocol in terms of facilitating cross-border trade, consumption abroad and commercial presence in the areas of insurance and insurance-related services, securities, as well as banking and other financial services.

The 8th Protocol is scheduled for signing at the sidelines of the ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM) and Related Meetings in April 2019.



4. PROGRESSING REGIONAL FINANCIAL INTEGRATION FOR GREATER TRADE AND INVESTMENT, AND IN SUPPORT OF THE ASEAN ECONOMIC COMMUNITY

During the 91st ASEAN Coordinating Committee on Services (CCS) and Related Meetings held last 8-9 November 2018, the Task Force on ASEAN Trade in Services Agreement (TF-ATISA) formally welcomed the conclusion of negotiations of the Financial Services Annex as conveyed in the letter of the Co-Chairs of the ASEAN Working Committee on Financial Services Liberalisation (WC-FSL).

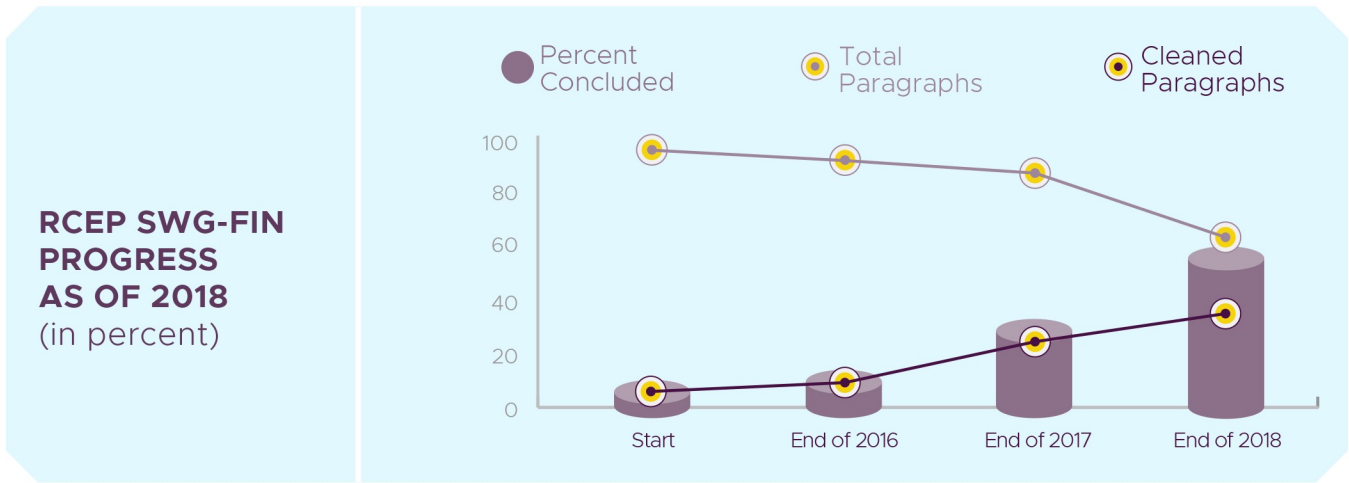


The ASEAN Trade in Services Agreement (ATISA) is an economic integration agreement amongst ASEAN Member States, which contains obligations to increase the role of the region in the value chain linkages and establish a cooperative framework between relevant governments on the conduct of services trade in the region.

The ATISA builds upon and enhances the ASEAN Framework Agreement on Services (AFAS) by further reducing “beyond-the-border” barriers for our services suppliers. This includes establishing commitments

around ASEAN Member States’ (AMS) services liberalisation commitments under the AFAS, which guarantees legally binding preferential services market access into ASEAN market reflect majority of AMS’ current regime. Such commitments include the reduction of discriminatory regulatory barriers, and creating a more transparent regime for ASEAN services suppliers.

The ATISA is scheduled for signing at the ASEAN Economic Ministers’ (AEM) Retreat in April 2019.



5. MAINTAINING THE PHILIPPINES’ COMMITMENT FOR REGIONAL FINANCIAL INTEGRATION THROUGH THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

With a mandate to make substantial progress discussions on ASEAN cooperation on financial services in the region in 2018, the Philippines hosted the 11th Meeting of the Sub-Working Group on Financial Services on 13-14 March 2018, at the Philippine

International Convention Center (PICC) to accelerate the process. The SWGFIN entered 2018 with a 29 percent completion rate and left the year with the text 56 percent concluded⁵.

Issues have lessened with every negotiation round, clarity has been shed on convergent views, and new innovative ideas to move negotiations along have been proposed. With the momentum built, the objective is to conclude discussion in the coming year.

⁵The RCEP Negotiations were launched by the 10 ASEAN member States (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and the six ASEAN FTA partners (Australia, People’s Republic of China, India, Japan, Republic of Korea, and New Zealand) during the 21st ASEAN Summit in Phnom Penh, Cambodia in November 2012 with the objective of achieving a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among the ASEAN Member States and ASEAN’s FTA Partners.

After laying down the foundations of the agreement, the Trade Negotiating Committee (TNC) of RCEP (in the case of the Philippines led by the Department of Trade and Industry) identified the need to have a dedicated Annex for Financial Services. The Sub-working Group on Financial Services (SWGFIN), led by the Department of Finance, was first convened in October 2015 at the 10th round of RCEP Negotiations. After a little over three (3) years and fifteen (15) rounds of discussions, the SWGFIN have made significant progress by i.) identifying key articles to include in the annex; ii.) finding language formulations that all countries could agree on; iii.) continuing to pursue substantial discussions on Articles that still need to be refined.





11th Meeting of the Sub-Working Group on Financial Services, 13-14 March 2018,
Philippine International Convention Center (PICC)

PHILIPPINE HOSTING OF MANILA 2018

The 51st Asian Development Bank Annual Meeting of the Board of Governors (“Manila 2018”) held on 3-6 May 2018 attracted 3,800 people from all over the world to link people and economies for inclusive development. Manila 2018 was an opportune time to promote the Philippines as an investment destination at a regional and global level, and to attract foreign aid mainly for the country’s big-ticket infrastructure projects and human capital formation. Moreover, the Annual Meeting served as an avenue for the country to enhance collaboration and strengthen partnership with 66 other member countries of ADB.

Bringing together distinguished speakers from fields of history, economics, and digital finance, Manila 2018 Host Country Event: Past, Present, and Future of the World Economy, also delved into the past using an unconventional lens to frame one of the biggest global economic shifts, re-examine governance structures in the current global economic order, and explore how governments and development institutions can adapt by harnessing new opportunities while addressing challenges presented by an increasingly digital future.



Local Economic Development

The DOF continuously supervises and manages the revenue performance of local government units (LGUs) through the Bureau of Local Government Finance (BLGF) and the Municipal Development Fund Office (MDFO). Through these agencies, the Department provides innovative schemes to raise local revenues and enable LGUs to invest in socioeconomic development projects as well as implement projects in a sustainable manner without depending heavily on the Internal Revenue Allotment (IRA).

BUREAU OF LOCAL GOVERNMENT FINANCE (BLGF)

BLGF's 2018 story is marked by upbeat fiscal performance of local governments, and reduced dependence on the Internal Revenue Allotment (IRA) as a component of annual regular income.

In 2018, local collections totalled Php226.8 billion with 10 percent increase from the previous year's collections of Php206.8 billion which was comprised mostly of tax revenues or the local taxes on real property and businesses at Php163.2 billion and non-tax revenues - fees and charges and receipts from economic enterprises at Php63.6 billion.

LOCAL GOVERNMENT FISCAL PERFORMANCE (in billion pesos)

Particulars	2017	2018 ¹	% Distribution (2018)	% Growth YoY
Local Sources	206.8	226.8	32	10
Tax Revenues	148.3	163.2	23	10
Non-Tax Revenue	58.5	63.6	9	9
External Sources	401.8	448.1	63	12
IRA	384.3	408.3	58	6
Other External Revenues	17.5	39.8	6	127
Non-Income Receipts	30.2	34.7	5	15
Total	638.7	709.5	100	11

Of the Php227.3 billion total locally-sourced revenue target for 2018, the LGUs were able to collect 98 percent surpassing the targets for business tax, fees and charges and receipts from economic enterprises, except for the real property tax.

The growth in local collections could be attributed to the programs of the Bureau in capacitating the LGUs in resource mobilization, revenue generation and related treasurer and assessment enhancement tools, and on the collection efforts of the local treasurers to be able to surpass their collection targets.

¹Based on the Statement of Receipts and Expenditures (SRE) reports submitted by the LGUs to the BLGF as of 03 April 2019. Data are preliminary pending the review and approval of the reports.



LOCAL GOVERNMENT COLLECTION EFFICIENCY

(in billion pesos)

Revenue Source	Target	Actual Collection	% Collection Efficiency
Real Property Tax ²	87.7	101.3	116
Business Tax	85.8	98.9	115
Fees and Charges	30.3	34.6	114
Receipts from Economic Enterprises	23.5	23.6	101
Total	227.3	258.5	114

In terms of expenditures, of the 423.8 billion 2018 total operating expenses, the LGUs spent 54 percent for general public services³ amounting to Php230.1 billion, 17 percent or Php72.5 billion for Economic Services, 13 percent or Php55.6 billion for Health, Nutrition, and Population Control, and the total of 15 percent was shared by the Education, Labor and Employment, Housing and Community Development,

and Social Services and Social Welfare sectors. The remaining 1 percent was spent for debt servicing.

Among the regions, only Regions III and IV-A, National Capital Region (NCR) and Cordillera Autonomous Region (CAR) spent at least 25 percent of their operating expenditures for social services.

OPERATING EXPENDITURE BY SECTOR

(in billion pesos)

Particulars	2017	2018	% Distribution (2018)	% Growth YoY
General Public Services	211.9	230.1	54.3	9
Department of Education	18.4	19.6	4.6	7
Health, Nutrition & Population Control	48.5	55.6	13.1	15
Labor & Employment	.4	.5	0.1	47
Housing & Community Development	9.5	10	2.4	6
Social Services & Social Welfare	28.6	31.1	7.4	9
Economic Services	67.8	72.5	17.1	7
Debt Service (Interest)	3.9	4.1	1.0	5
Total Current Operating Expenditures	388.9	423.8	100	9

Note: The figures may not add-up due to rounding.

²RPT gross collections inclusive of discounts, and shares of the provinces and barangays from the RPT collections of their respective cities and municipalities.

³GPS covers sector expenditures for services that are indispensable to the existence of an organized LGU. These include executive and legislative services; overall financial and fiscal services; the civil service; planning; conduct of foreign affairs; general research; public order and safety; and centralized services (i.e. Office of the Governor/Mayor, Business Permit and Licensing Office, Public Order & Safety Department, among others.)



As an oversight agency, the BLGF has successfully implemented programs to capacitate LGUs and ensure local fiscal sustainability.



Conducted 80 trainings nationwide covering 92% of local treasurers and assessors.



Processed 104 local treasury appointments signed by the Secretary of Finance.



Issued 1,703 designation orders of treasurers.



Issued borrowing certificates for 216 LGUs.



Launched and published the Philippine Valuation Standards 2nd Edition, a global standards setter on property valuation.



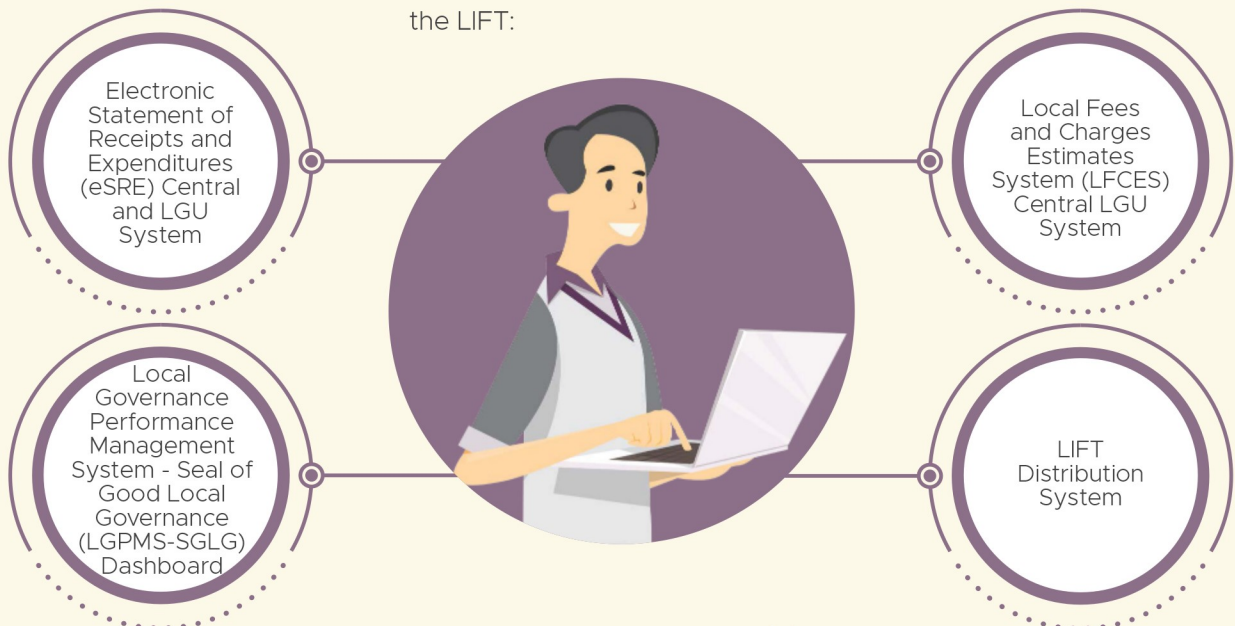
Officially released the results of the October 2018 Intermediate Competency on Local Treasury Examination (ICLTE), conducted by the Civil Service Commission, constituting 159 or 28.65% passing local treasury officials.



Rolled out the new LGU Integrated Financial Tools (LIFT) System to all provinces, cities and municipalities to improve their fiscal and financial monitoring.

WHAT IS LIFT?

LIFT is a web-based system that serves as a portal where LGU users can access all their applications. Users synchronized their passwords of the application systems integrated within LIFT system. For applications outside of LIFT, users can add links to these application systems. Four (4) LGU financial applications systems that were linked through the LIFT:

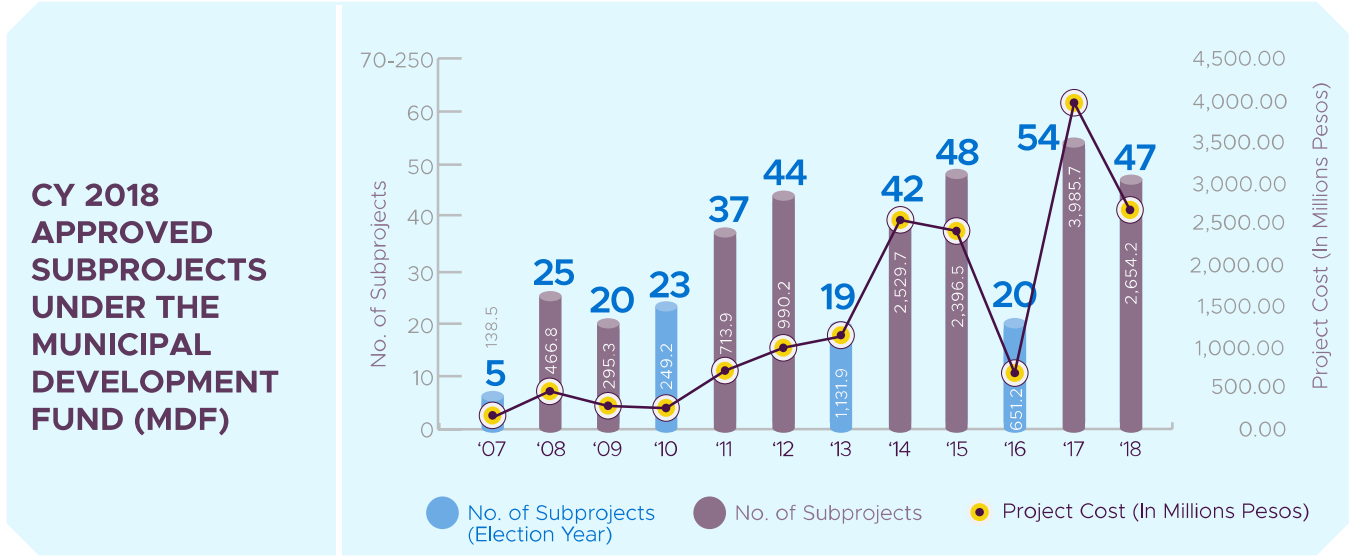


MUNICIPAL DEVELOPMENT FUND OFFICE (MDFO)

The DOF, through the MDFO, continues to provide and respond to the financial needs of local government units (LGUs) for project development.

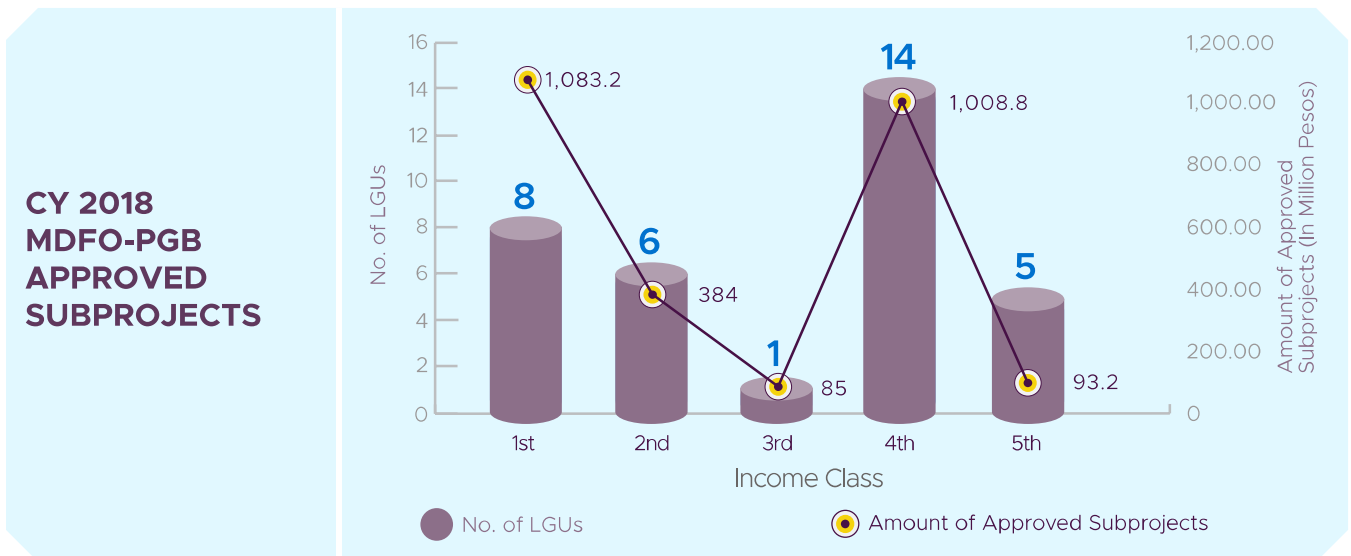
CY 2018 Approved Subprojects under the Municipal Development Fund (MDF)

In 2018, the MDFO- Policy Governing Board (PGB) approved financing of development projects amounting to Php2.7 billion which accounts to 14.1 percent of the total MDF-approved subprojects since MDF's inception.

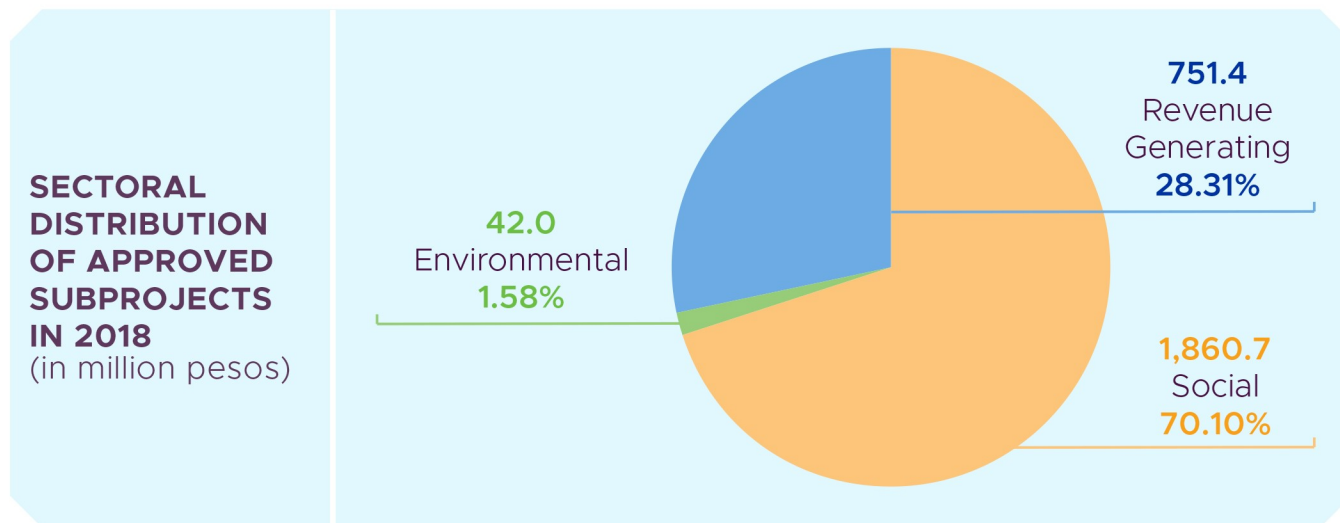


A total of 47 difference subprojects were applied for financing by thirty-four (34) LGUs. Of these LGUs, twenty (20) that accessed the MDF loan financing were 3rd to 5th income class LGUs. The remaining fourteen (14) are 1st to 2nd income class LGUs with bigger project costs and

which are able to subsidize the projects. In the pipeline for lending are, 17 subprojects of 16 LGUs amounting to Php 1,271.6 million, have been already reviewed and endorsed by the MDFO - Technical Review Committee (TRC) for approval of the MDFO-PGB.



See Annex for the List of MDFO-PGB Approved Subprojects



CY 2018 Ongoing and Completed Subprojects under MDF

A total of 140 subprojects (97 LGUs) were managed by MDFO in 2018. Of these, 12 were completed in 2018 (10 LGUs) with a total loan release of

Php418.0 million out of the Php425.0 million approved project cost. The completed subprojects include:

 Government Center 1	 Water Supply System Level III 3	 Ecotourism 2	 Procurement of Heavy Equipment for disaster management 8
--	--	--	---

See Annex for the MDFO Completed Subprojects

By the end of 2018, a total of Php9.9 billion has been released to finance development projects of LGUs, wherein Php1.6 billion has been released for the year.

This marks the highest amount disbursed in a year since the MDF's inception.



IMPLEMENTATION OF THE AGRARIAN REFORM COMMUNITIES PROJECT (ARCP) II - PERFORMANCE-BASED GRANT SYSTEM (PBGS) FOR LGUS

The ARCP II – PBGS, pioneered by the DOF, aims to drive institutional improvement in LGU performance on areas of planning, budget allocation, public finance management, and human resource development.

As of 31 December 2018, a total of 169 LGUs have applied for Capital Grant (CG), in which, a total of 70 have completed the cycle on Governance Conditions (GC) and Performance Measures Assessment (PMA).

In 2018, it is important to note that only five (5) LGUs have completed the GC and PMA as the Project is expected to close on December. 16 LGUs were approved for Capital Development Grant (CDG) financing in 2018. This marks the highest number of approved CGDs since the beginning of the project. The total fund release in 2018 amount to Php72.4 million for 21 LGUs or 12.77 percent of the total amount released for both CG and CDG.

STATUS OF THE ARCP II - PBGS (in million pesos)

Type of Grant	As of 31 December 2018		For the Year 2018	
	Amount Released	No. of LGUs	Amount Released	No. of LGUs
Capital Grant (CG)	552.0	169	67.2	16
Governance Conditions (GC) - 30%	223.0	99	5.5	4
Performance Measure Assessment (PM) - 70%	329.0	70	61.7	12
Capacity Development Grant (CDG)	14.7	16	5.2	5
Total Fund Release	566.7	185	72.4	21



Financial Inclusion

In 2018, the DOF- in collaboration with international partner organizations, other government agencies, and the private sector- continued to support and initiate policy programs that promote inclusive growth through the provision of an enabling policy and regulatory environment more specifically on credit for the poor and low income sector.

1. PASSAGE OF REPUBLIC ACT (R.A.) 11507 OTHERWISE KNOWN AS THE PERSONAL PROPERTY SECURITY ACT (PPSA)

R.A. 11507 amending the Chattel Mortgage Law of 1906 was signed into law by President Rodrigo Roa - Duterte last 17 August 2018. The Law which reforms the secured transactions in the Philippines is the culmination of several years of DOF led advocacy to overhaul the decades old system of collateral financing

to radically enhance the credit access opportunities for micro, small, and medium enterprises (MSMEs). RA 11507 is envisioned to promote the growth of MSMEs and agribusinesses by expanding the use of movable assets, or assets other than land, as collateral in securing financing. Movable assets include account receivables, warehouse receipts, machineries, equipment, future harvest, inventory, and intellectual property, among others. The initiative addresses MSMEs' problem of accessing credit through banks and other formal lending institutions which typically accept land and other hard assets as collateral for loans.

To ensure the participation of lending institutions, the PPSA provides for the establishment of a reliable and accessible internet-based registry for movable collaterals that will substantially reduce lenders' credit risks.

SUMMARY OF BENEFITS

A Benefits for Borrowers

- Access to legitimate options for lending and financing
- Proper, legal terms and conditions regarding their loan agreements
- Written assurances of exact procedures to be taken in case of default
- Ease of future transactions involving the same collateral
- Faster loan application processing
- Lower transaction costs

B Benefits for Lenders

- Lenders will have more confidence to lend based on movable assets as collateral
- Easier access to necessary data to facilitate faster and simpler due diligence on collateral
- Simplified and expedited means of foreclosure in case of default
- Clearer prioritization of rules in case of conflicting interests over the same collateral
- 24/7 online access to database, allowing for monitoring even without need to physically go to Registry of Deeds
- Lower transaction costs

C Benefits for the Country as a whole

- Increase Rural and SME financing – aligned with Country's 10-point socio economic agenda and priorities
- Increase Competitiveness in Doing Business



2018 PPSA MILESTONES

1st Personal Property Security Act Literacy Campaign

One hundred twenty one (121) participants representing rural and thrift banks, cooperatives, farmers and micro small and medium enterprises (MSMEs) from Region X gathered together in the 1st PPSA literacy campaign held in Marco Polo, Davao City on 26 October 2018.

The first roadshow discussed the key features of the PPSA, as follows:

- setting up of an online movable collateral registry which will simplify and facilitate the registration of movable properties that can be used as loan collaterals;
- protection mechanisms for property rights of participants in the registry;
- automatic transfer of old database of manually registered movable properties to the new online web-based registry; and
- processes and procedures on how to use the online registry.

ACCEPTABLE MOVABLE COLLATERALS



**Bank
Accounts**



**Accounts
Receivable**



**Inventory and
Raw Goods**



**Intellectual
Property
Rights**



**Industrial and
Agricultural
Equipment**



**Durable
Consumer Goods**



**Agricultural
Products
(crops, livestock,
fish)**



Vehicles

Representatives from the DOF, Bangko Sentral ng Pilipinas (BSP), Department of Trade and Industry (DTI), and private sector participated as resource

speakers in the event. The stakeholders from various provinces in the region have expressed full support to the implementation of PPSA.



Personal Property Security Act (PPSA) Literacy Campaign held in Marco Polo, Davao City on 26 October 2018



FINANCIAL INFRASTRUCTURE DEVELOPMENT NETWORK (FIDN)

The FIDN is a multi sectoral platform for promoting initiatives to make financial services in the region more accessible. The FIDN has been hosted annually by the DOF since 2015. The latest was held at the PICC on 19 November 2018.

The FIDN initiatives across the Asia-Pacific are geared toward four areas:

1. credit information systems
2. secured transactions frameworks
3. insolvency frameworks, and
4. factoring.

Initiatives include proposed legislation and regulations that will create an enabling environment that facilitate greater access to credit.

During the 2018 FIDN, the conference participants, borrower-entrepreneurs, lenders, and other stakeholders, agreed that:

1. They will participate actively in the next activities to operationalize the Personal Property Security Act and support the proposed amendment to the Warehouse Receipts Law of 1912. The Warehouse Receipts Bill, an offshoot of the PPSA is currently lodged in Congress.
2. They will also support activities to transform MSMEs and farmers into viable entities, including:



Undertaking capacity building and financial literacy



Establishing guarantee and insurance systems to reduce risks of MSMEs



Setting up a credit information system that is accessible and comprehensive

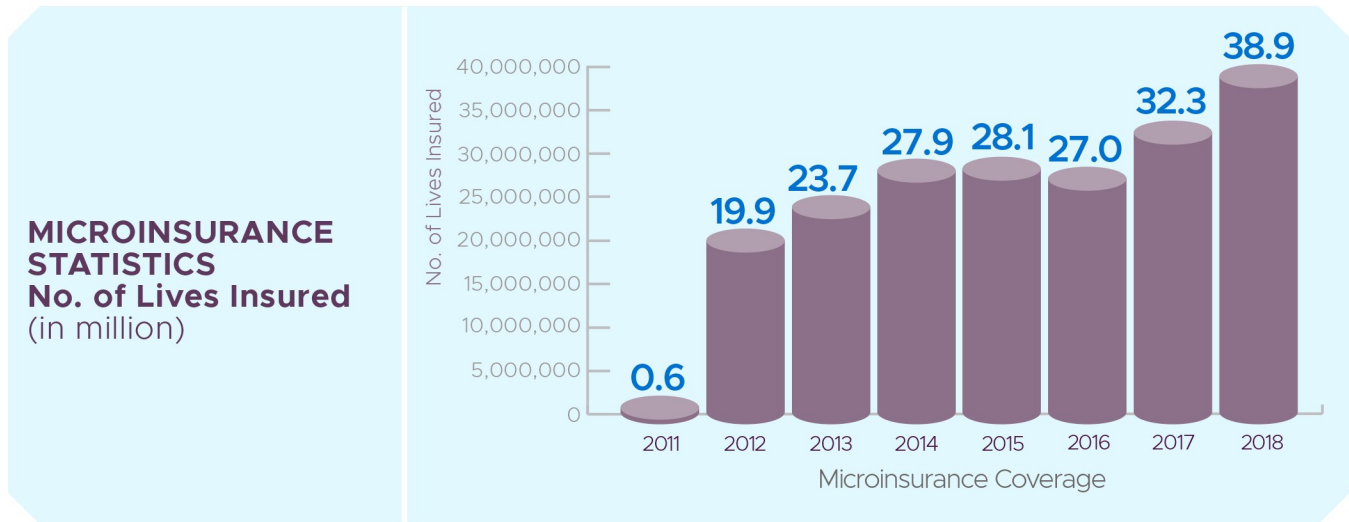


Supporting the government's build, build, build program to ensure continued competitiveness of MSMEs.



6th FIDN Conference held in PICC, Manila, Philippines on 19 November 2018





Source: Insurance Commission

2. SUPPORT TO MICROINSURANCE AND MICROFINANCE

Operationalization of Micro-Agri Framework

The government's microinsurance initiative is a holistic approach to risk management addressing the low income sector's insurance need with a policy focus on catastrophic risk.

In 2018, the DOF forged partnership with Insurance Commission (IC), Philippine Crop Insurance Corporation (PCIC), Department of Agriculture-Agricultural Training Institute (DA-ATI), Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAG-ASA), Climate Change Commission (CCC), and Philippine Statistical Authority (PSA) for the operationalization of Micro-Agri Framework. A Memorandum of Understanding was executed for the purpose.

The government through the Micro-Agri Framework aims to make agriculture insurance protection available to all farmers and fishers in the country. The approved Micro-Agri Framework promotes the provision of agriculture micro insurance products and services that are simple, affordable and accessible to the clear majority of the population who are dependent on agriculture through efficient and effective partnership arrangements between the public and private sectors.

Participation in the Microfinance Non-government Organization (NGO) Regulatory Council (MNRC)

The DOF continues its decades of advocacy for microfinance to include among others the DOF's important participation in the MNRC created under Republic Act (RA) 10693, otherwise known as the "Microfinance NGOs Act," an act strengthening NGOs engaged in microfinance operations.

The Law recognizes the indispensable role of NGOs in fostering local enterprise development and social entrepreneurship, including the provision of microfinance services to microenterprises. Its Implementing Rules and Regulations (IRR) was signed by Secretary Dominguez and other permanent members of the Board in 2016.

RA 10693 clearly defines who may be eligible for accreditation as microfinance (MF) NGOs, thus, under the Act, the MF NGOs are given a two (2) percent preferential tax rate in lieu of all other taxes to enable and motivate them to enhance, improve and expand their operations to be able to reach more Filipinos and change more lives.



The NGOs are regulated and supervised by the Securities and Exchange Commission (SEC), an attached agency of the DOF. The DOF Secretary occupies a permanent seat in the Board together with the Secretaries of the Department of Trade and

Industry (DTI), the Department of Social Welfare and Development (DSWD), and the Chairperson of the SEC.

In 2018, MNRC issued four (4) Memorandum Circulars for MF NGOs guidance on the following matters:



Likewise, in 2018, the MNRC prescribed the application and required documentation forms for submission by the MF NGOs and approved the following templates for:

- a. Certificate of Adoption of the Standard Chart of Accounts
- b. Articles of Incorporation and By Laws

It is important to note that the policies and principles for microfinance formulated by the DOF chaired National Credit Council in consultation with the microfinance sector, namely regulatory framework, standard chart of accounts and performance standard (item a), are currently the fundamental basis of supervision and regulations being imposed by the MNRC for the Microfinance NGOs.



Enhancing the Workforce Development

In 2018, the Department continued to strengthen its pool of public servants by embarking on diverse proactive career development programs.

<p>Philippine Tax Academy</p>	<p>The DOF established the Philippine Tax Academy to provide revenue and customs authorities a learning institution dedicated to their continuous education and training on improving tax collection competence and efficiency. This specialized post-graduate course is open to personnel of the DOF, Bureau of Internal Revenue (BIR), Bureau of Customs (BOC) and the Bureau of Local Government Finance (BLGF).</p>
<p>Awarding of Scholarships</p>	<p>Master in Development Economics scholarships at the University of the Philippines School of Economics were granted to Outstanding Employees of the DOF and Bureau of the Treasury.</p>
<p>DOF Competency Framework</p>	<p>The DOF Competency Based Human Resource System (CBHRS) which was launched on 22 December 2017 was completed and submitted to the Civil Service Commission in October 2018. The competency was divided into four clusters: Core, Organizational, Leadership and Technical. The CBHRS will be integrated in the HR Systems starting 1st Quarter of 2019.</p>
<p>DOF Professional Development Program</p>	<p>In 2018, the DOF Professional Development Program conducted in-house seminars and Friday Learning Sessions (FLS) to further enhance and strengthen the DOF workforce readiness, as follows:</p> <ul style="list-style-type: none"> ● Performance Management System. ● Customs and Tariff Laws- Batches 1 and 2. ● Effective Presentation Skills. ● Stress Management and Personal Finance. ● Records and Information - Batches 1 and 2. ● RA 9184 and its Implementing Rules and Regulations. ● Customer Service Excellence for Government Workers. ● Succession Planning and Management and Image and Communication Skills Enhancement and Social Graces - Batches 1 to 3. ● Orientation/Reorientation course for new employees.



Gender and Development (GAD Program)

In celebration of the 2018 National Women’s Month, the DOF under its Gender and Development (GAD) Program organized the following activities:

- Launching of the National Women’s Month Celebration on 05 March 2018;
- We Make Change: Women Inspiring Women Forum hosted by the Philippine Commission on 08 March 2018;
- Women Inspiring Women Forum and Women Empowerment on 26 March 2018;
- GAD Operations Planning cum Immersion Program/Field Review of GAD Local Learning Hub in Davao City on 29-31 May 2018;
- Landbank of the Philippines hosted GAD Orientation/Reorientation for DOF and its Attached Bureaus and Agencies GAD Focal Points on 25 June 2018;
- Gender Sensitivity Training for DOF and its Attached Bureaus and Agencies GAD Focal Points hosted by DOF on 26-27 July 2018;
- Bureau of Customs hosted Seminar on Gender Mainstreaming Reorientation for DOF and its Attached Bureaus and Agencies GAD Focal Points on 14-15 August 2018.



GAD Operations Planning cum Immersion Program/Field Review of GAD Local Learning Hub held in Davao City, 29-31 May 2018

COA CONGRATULATES DOF FOR BEING FIRST IN THE PHILIPPINES TO ADOPT GLOBAL INTERNAL AUDITING STANDARDS

The Commission on Audit (COA) extends its warmest congratulations to Finance Secretary Carlos Dominguez and the DOF for being the first Philippine government agency to formally and publicly adopt an Internal Audit Charter for its Internal Audit Service (IAS) that is compliant with global principles and standards in internal auditing under the Philippine Internal Auditing Framework for the Public Sector adopted in COA Resolution No. 2016-016 dated 30 September 2016.

“ The Commission hopes that the creation of DOF’s IAS Charter will encourage other Philippine government agencies to start institutionalizing IAS as mandated by RA 3456 or the Internal Auditing Act of 1962 and amended by RA 4177, and make them compliant with global principles and standards in internal auditing.

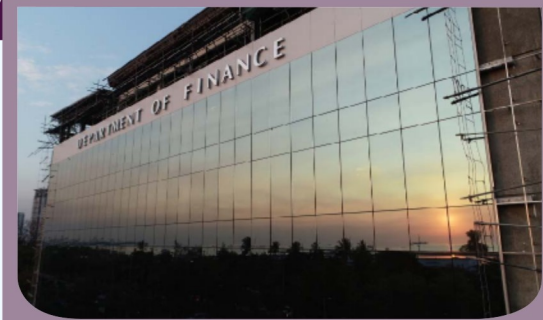
“ This will enhance the promotion of transparency and good governance to ensure better delivery of public services which will hopefully lead to a better life for every Filipino.

- **Chairperson Michael Aguinaldo**
Commission on Audit

New DOF office: A Green Building



Proposed DOF Building Design



DOF Building currently undergoing improvement

In 2018, the ongoing refurbishment of the six-story building that houses the Department of Finance (DOF) along Roxas Boulevard in Manila now includes a state-of-the-art sewage treatment facility. The DOF is among the few government agencies whose offices have their own sewage treatment plants (STP) utilizing the latest sewage treatment technologies.

The glass façade reflects an azure landscape designed to minimize pollution and reduce operation costs for the Department. The glass cladding cuts the noise entering the building and also reduces the heat, which makes it energy-efficient.

Finance Undersecretary Karl Kendrick T. Chua named as one of The Outstanding Young Men and Women (TOYM) of 2018



TOYM 2018 carried the theme, “Inspiring Lives Towards Nation Building.” From a pool of 108 nominees from various fields, Undersecretary Karl Kendrick T. Chua emerged as one of the 11 honorees. In his speech, Bienvenido V. Tantoco III,



president of TOYM Foundation, Inc., recognized Usec. Chua for leaving a “high, illustrious, and coveted career at the World Bank to join the government and work on the country’s tax reform program.”



Information and Technology

In 2018, the Department facilitated various projects to keep information and technology systems abreast with the changing times.



1. ENHANCING INFORMATION RISK MANAGEMENT PROCESSES

The DOF through its Central Management Information Office has adopted the ISO 27001:2013 Information Security Management System Standard in delivering ICT services to its clientele. The office has maintained its certification for three (3) consecutive years and compliance to the standard which paved the way for the DOF to be the 1st National Government Agency that is ISO 27001:2013 certified.

In November 2018, the DOF's Adoption of Information Security Management System in Managing various DOF ICT Services was nominated by the Development Academy of the Philippines' through its Government Best Practice Recognition 2018 Program. The DAP appreciated and saw the importance of establishing and adopting the information security management system as tool in raising the bar of excellence in government service.





2. DEPARTMENT OF FINANCE ENTERPRISE SYSTEMS DEVELOPMENT PROJECTS

In compliance with the directives of the Administration to “Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development,” the Central Management Information Office initiated the development of various electronic systems to improve the DOF’s service delivery. While there were multiple systems that were developed and implemented in 2018, one of the most notable projects was the development of the Tax Exemption System (TES) Lite which was developed by the CMIO’s highly-skilled, in-house programmers.

The TES Lite aims to develop an online system that provides fast, easy, accurate, valid and real-time data and information on tax exemptions for relevant decision-making and policy formulation. The TES Lite is a shift from the previous obsolete system, and offers a light weight, faster and user-friendly interface. The Revenue Operations Group has now started adapting and using the TESLite when transacting with the public requesting for tax exemptions.

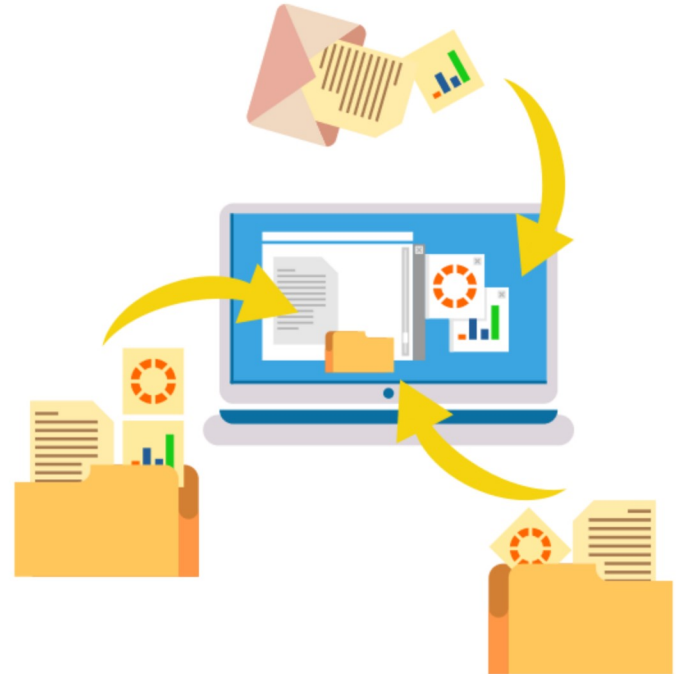
3. DEPARTMENT OF FINANCE DATA CENTER UPGRADE PROJECT

In 2018, the DOF upgraded its Datacenter in order to cope with the fast-paced technological evolution. Its design complies with the American Nation Standards Institute/ Telecommunications Industry Association-942 (ANSI/TIA – 942) Standard which presents all aspects of a well-architected Datacenter.



The upgrade includes transferring the Datacenter in a more secured and convenient location to prevent exposing the Datacenter to environmental hazards and man-made threats. The project also includes enhancements in infrastructures such as servers and other network paraphernalia to accommodate more ICT services and to serve as the Datacenter of attached agencies within the DOF vicinity. These changes proved to have optimized and

accelerated the performance of the Datacenter therefore improving the ICT experience of the DOF employees as well as its other clientele.

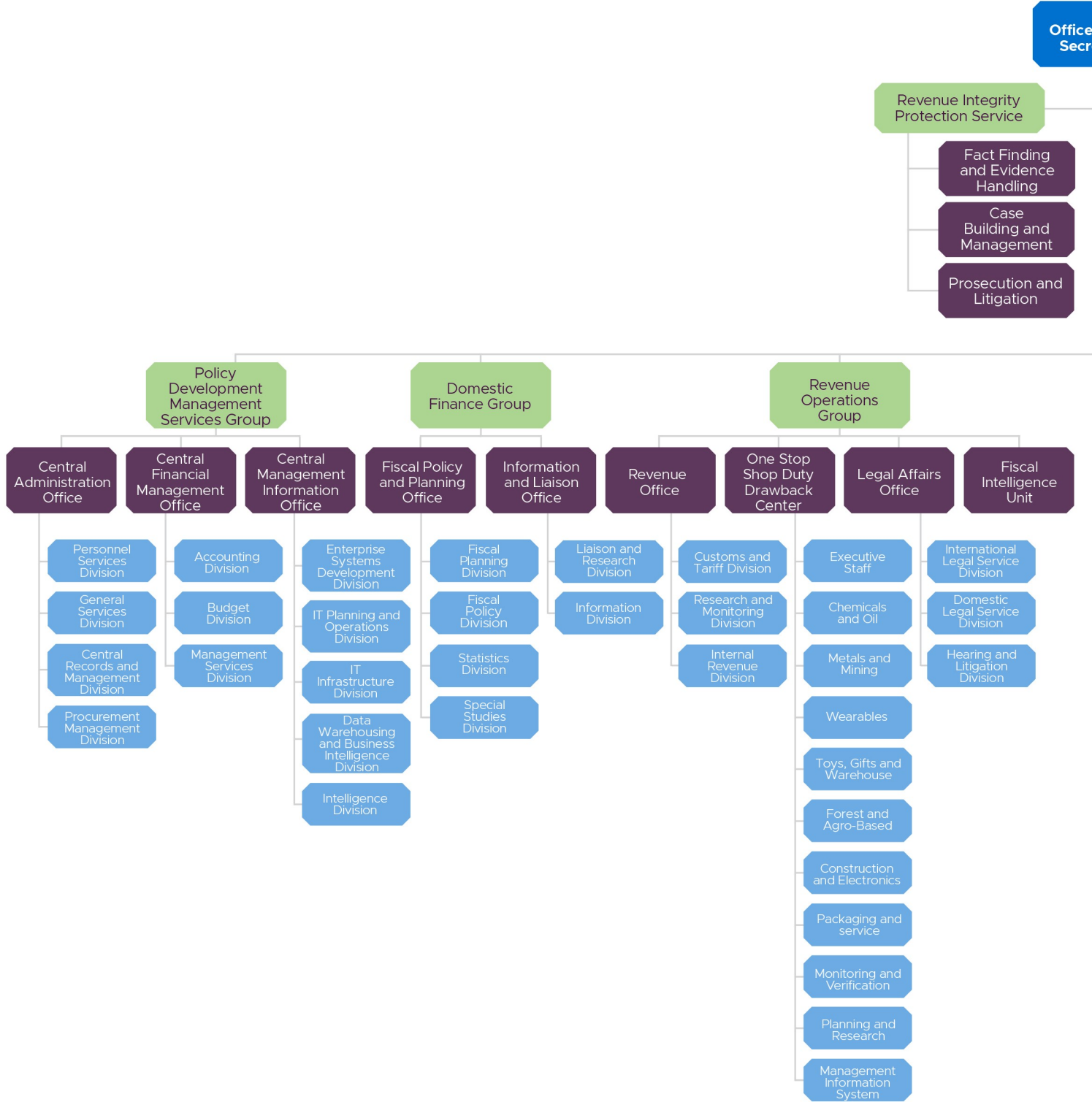


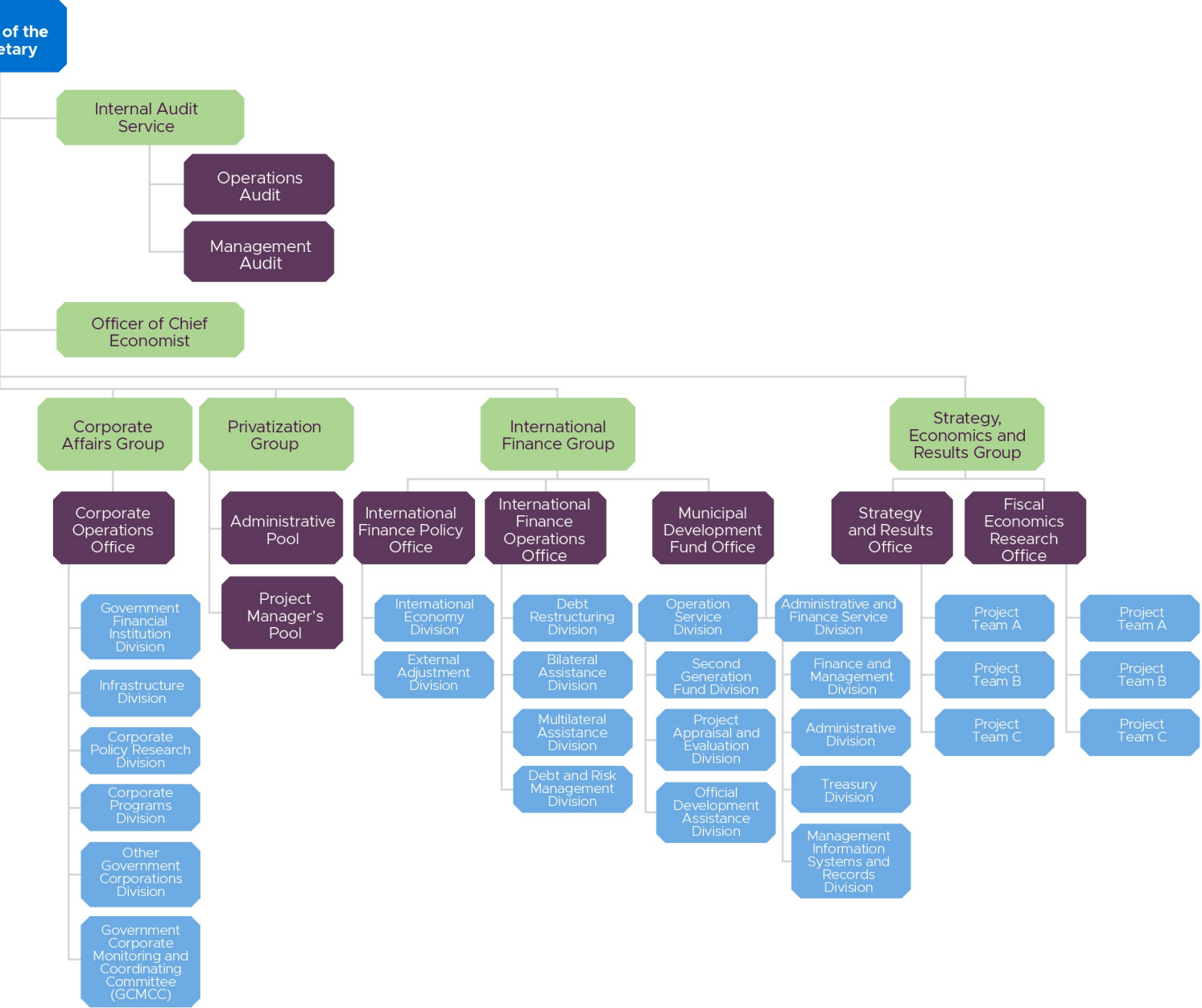
4. DIGITIZATION PROJECT TO DEPARTMENT OF FINANCE OFFICES

In 2018, the Central Management Information Office launched the Phase II of the Digitization Project. The Project aims to convert the physical documents to electronic records for the purpose of safeguarding and preserving the original records from wear-and-tear. The Digitization Project also helped reduce the operational cost of document warehousing as well as eases the accessibility to the documents and records through the Document Management Portal.



DOF Organizational Structure





DOF Officials

Office of the Secretary (OSEC)

Secretary Carlos G. Dominguez

Chief-of-Staff

Anita Linda R. Aquino

Revenue Integrity Protection Service (RIPS)

Undersecretary Bayani H. Agabin

Director Ray Gilberto J. Espinosa

Director Stanley C. Zambarrano

Internal Audit Service (IAS)

Director Ma. Luisa M. Notario

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 Alvin P. Diaz

Director Lilia R. Tan

Central Financial Management Office

Director Ma. Lourdes V. Dedal

Central Management Information Office

Director Angelica I. Sarmiento

Director Michaelangelo G. Aguinaldo

Domestic Finance Group (DFG)

Undersecretary Gil S. Beltran

Assistant Secretary Ma. Teresa S. Habitan

Fiscal Policy and Planning Office

Director Elsa P. Agustin

Director Rowena S. Sta. Clara

Research and Information Office

Director Juvy C. Danofrata

Revenue Operations Group (ROG)

Undersecretary Antonette C. Tionko

Director Eme I. Macabales

Legal Affairs Office

Director Jesus Nathaniel Martin B. Gonzales

Revenue Office

Director Sheila N. Castaloni

Director Eleazar C. Cesista

One-Stop Shop Center

Executive Director Ernesto Q. Hiansen

Deputy Executive Director Carmelo T. Casibang, Jr.

Fiscal Analytics Intelligence

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 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 Rommel S. Herrera

Director Neil Adrian S. Cabiles

International Finance Policy Office

Director Herminio C. Runas Jr.

Director Charissa P. Hipolito

Municipal Development Fund Office

Undersecretary Antonette C. Tionko

Executive Director Helena S. Habulan

Deputy Executive Director Clyde E. Padilla

Strategy, Economic, and Results Group (SERG)

Undersecretary Karl Kendrick T. Chua

Assistant Secretary Antonio Joselito G. Lambino II

(Spokesperson and Head of Communications, OSEC)

Director Arnelyn May A. Abdon

Director Mark David T. Ablang

Director Jamalliah D. Disomimba

Director Euvimil Nina R. Asuncion

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



DOF Directory

OFFICE	TELEPHONE NO.	OFFICE	TELEPHONE NO.
OFFICE OF THE SECRETARY (OSEC)		INTERNATIONAL FINANCE GROUP	
Chief of Staff	523-9215;523-6051;526-7336;523-9251;523-9219;526-8474 (Telefax)	Office of the Undersecretary	526-9990
Revenue Integrity Protection Service (RIPS)	404-1775	International Finance Operations Office	
POLICY DEVELOPMENT & MANAGEMENT SERVICES GROUP		Office of the Director	526-9990
Office of the Undersecretary	523-5671	Debt Structuring Division	526-9990
Central Administration Office		Multilateral Assistance Division	523-9912
Office of the Director	526-1265	Bilateral Assistance Division	523-9911
Personnel Services Division	525-0244	International Finance Policy Office	
Medical and Dental Division	526-6967	External Adjustment Division	400-7446;514-8981
Central Records and Management Division	526-8470	Municipal Development Fund Office	(Trunk line) 523-9936;523-9937
General Services Division	526-8475;524-4227	Office of the Director	(Direct Line) 523-9935
Property and Procurement Section	526-4786	Office of the Deputy Director	(DL) 525-9185
Cash Section	526-5573	Finance Division	(DL) 521-7192 local 204
Library Section	526-8410	Accounting Division	523-7192 local 210
Central Financial Management Office		CORPORATE AFFAIRS GROUP	
Office of Director	526-8166	Office of the Undersecretary	524-5221
Budget Division	526-8464;526-6941 (TeleFax)	Office of the Assistant Secretary	523-9938
Accounting Division	523-5624	Corporate Operations Office	
Management Services Division	526-6932	Office of the Director	527-3826
Central Management Information Office	526-8467;5254697	Corporate Policy Research Division	525-7309
REVENUE OPERATIONS GROUP		DOMESTIC FINANCE GROUP	
Office of the Undersecretary	523-4955	Office of the Undersecretary	523-5671
Office of Assistant Secretary	526-0531	Office of the Assistant Secretary	523-5678
Office of the Director	526-7490	Fiscal Policy and Planning Office	523-3825 (TeleFax)
Customs and Tariff Division	526-7311	Office of the Director	524-0607
International Revenue Division	526-8476	Fiscal Policy Division	524-0607
Research Monitoring Division	526-7311	Fiscal Planning Division	524-4332
Mabuhay Lane	526-8458	Statistics Division	525-4332
One-Stop-Shop (OSS) Tax Credit and Duty Drawback-Center		Special Studies Division	523-3825 (TeleFax)
Office of the Director	526-0076	National Credit Council	523-3825 (TeleFax)
OSS-Operations	526-0842	Information and Liason Office	
OSS-Policy	526-1787	Office of the Director	524-0618
OSS-MIS	526-8450	Liaison and Research Division	524-0618 (TeleFax)
OSS-BOC	526-0751	Information Division	524-0619
OSS-Admin	526-0076	PH-EITI	525-0487
Legal Affairs Office	526-8449		
Fiscal Analytics Intelligence	526-8849		
PRIVATIZATION GROUP			
Privatization Office	524-1633		
Office of the Director	524-1633		
Appraisal and Evaluation Division	524-1633		
Issues and Procedures Division	524-1633		



Annexes

DOF Financial Statements as of 31 December 2018



Department of Finance (OSEC)
Consolidated Statement of Financial Position
 As of December 31, 2018
 (with Comparative Figures for CY 2017)

All Funds
(Consolidated Regular Agency and Special Account Funds and Trust)

ASSETS	Note	<u>2018</u>	<u>2017</u>
Current Assets			
Cash and Cash Equivalent			
Cash - Collecting Officer	5.1	65,779.52	208,905.41
Petty Cash	5.2	759,206.67	639,206.67
Cash in Bank - Local Currency, Current Account	5.3	4,941,301.55	56,665,293.37
Cash in Bank - Foreign Currency, Savings Account	5.4	15,409,540.43	15,717,745.41
Total Cash		<u>21,175,828.17</u>	<u>73,231,150.86</u>
Receivables			
Accounts receivable		226.80	-
Due from National Government Agencies	6.1	73,743,275.52	67,140,082.70
Due from Government-Owned and/or Controlled Corporations	6.1	45,926,087.26	95,733,526.58
Receivables - Disallowances/Charges	6.2.1	2,246,213.22	2,246,213.22
Due from Officers and Employees	6.2.2	64,181.24	93,142.73
Other Receivables	6.2.3	285,331.87	286,553.89
Total Receivable		<u>122,265,315.91</u>	<u>165,499,519.12</u>
Inventories			
Office Supplies Inventory	7	8,019,799.88	6,434,832.55
Accountable Forms, Plates and Stickers Inventory	7	146,833.33	158,172.79
Drugs and Medicines Inventory	7	98,955.11	49,140.00
Medical, Dental and Laboratory Supplies Inventory	7	1,767.54	1,767.54
Fuel, Oil and Lubricants Inventory	7	14,235.00	14,235.00
Other Supplies and Materials Inventory	7	7,132,249.95	3,327,102.69
Semi-Expendable Information and Communications Technology Equipment	7	110,826.00	41,500.00
Semi-Expendable Other Machinery and Equipment	7	1,499.00	-
Semi-Expendable Books	7	80,479.60	103,573.60
Total Inventories		<u>15,606,645.41</u>	<u>10,130,324.17</u>
Other Current Assets			
Advances to Special Disbursing Officer	8.1	1,140,236.57	1,712,182.99
Advances to Officers and Employees	8.1	5,542,795.88	4,358,943.12
Advances to Contractors	8.2.1	20,995,570.17	21,178,367.42
Prepaid Rent		-	1,670,960.64
Prepaid Insurance	8.2.2	257,705.26	345,397.11
Other Prepayments	8.2.3	4,197,601.70	3,823,118.57
Deposit on Letter of Credit	8.2.3	4,715,034.27	-
Guaranty Deposits	8.2.4	739,480.32	739,480.32
Total Other Current Assets		<u>37,588,424.17</u>	<u>33,828,450.17</u>
Total Current Assets		<u>196,636,213.66</u>	<u>282,689,444.32</u>
Non-Current Assets			
Investments			
Investments in Stocks	9	3,500.00	3,500.00
Other Investments	9	279,244.40	279,244.40
Total Investments		<u>282,744.40</u>	<u>282,744.40</u>



	Note	2018	2017
Property Plant and Equipment			
Land	10.1	330,228,352.72	329,268,352.72
Other Land Improvements	10.2	2,265,821.50	2,265,821.50
Power Supply		98,490.84	98,490.84
Buildings	10.3	1,063,723,093.55	769,637,940.00
Other Structures	10.3	41,547,091.83	41,547,091.83
Office Equipment		7,137,021.11	7,137,021.11
Information and Communication Technology Equipment		292,868,543.33	272,098,014.15
Communication Equipment		3,747,866.05	3,510,602.05
Military, Police and Security Equipment		4,631,600.00	338,000.00
Medical Equipment		466,700.00	466,700.00
Sports Equipment		25,000.00	25,000.00
Other Machinery and Equipment		16,918,431.77	16,680,354.77
Motor Vehicles	10.4	52,256,999.37	45,680,073.37
Furniture and Fixtures		68,464,990.01	31,861,680.92
Books		1,635,784.05	1,635,784.05
Construction in Progress - Buildings and Other Structures	10.5	327,915,928.20	158,094,671.79
Other Property, Plant and Equipment		12,139,092.11	12,139,092.11
Total Property, Plant and Equipment		2,226,070,806.44	1,692,484,691.21
Less: Accumulated Depreciation		560,575,163.92	531,530,100.37
Accumulated Impairment Losses		1,500.00	1,500.00
Total Property, Plant and Equipment		1,665,494,142.52	1,160,953,090.84
Intangible Assets			
Computer Software	11.1	33,013,335.41	23,043,425.63
Less: Accumulated Amortization		22,510,233.13	20,714,930.89
Total Intangible Assets		10,503,102.28	2,328,494.74
Other Assets			
Other Assets	12.1	728,345.67	774,845.67
Total Other Assets		728,345.67	774,845.67
Total Non-Current Assets		1,677,008,334.87	1,164,339,175.65
TOTAL ASSETS		1,873,644,548.53	1,447,028,619.97
LIABILITIES			
Current Liabilities			
Accounts Payable	13	41,997,559.09	87,021,588.12
Due to Officers and Employees	13	2,102,029.89	5,623,340.88
Due to BIR		21,693,241.42	12,139,628.23
Due to GSIS		171,327.08	181,017.67
Due to Pag-IBIG		(11,640.27)	28,085.47
Due to PhilHealth		107,425.89	53,458.89
Due to NGAs		634,166.42	234,031.42
Due to GOCCs	14	1,762,801.82	1,746,249.60
Trust Liabilities		-	66,094.88
Guaranty/Security Deposits Payable	15	50,836,229.04	8,597,021.83
Other Deferred Credits		12,817.90	12,817.90
Other Payables		1,074,970.16	983,521.58
TOTAL LIABILITIES		120,380,928.44	116,686,856.47
TOTAL ASSETS less TOTAL LIABILITIES		1,753,263,620.09	1,330,341,763.50
EQUITY			
Government Equity			
Accumulated Surplus/(Deficit)		1,132,864,748.32	1,122,857,159.20
Add: Current Operation Surplus		646,229,446.45	221,653,036.38
Less: Cash-Treasury/Agency Deposit, Regular		(25,830,574.68)	(14,168,432.08)
TOTAL EQUITY		1,753,263,620.09	1,330,341,763.50

See accompanying Notes to Financial Statements





Department of Finance (OSEC) Consolidated Statement of Financial Performance

For the Year ended December 31, 2018
(with Comparative Figures for CY 2017)

All Funds (Consolidated Regular Agency and Special Account Funds and Trust)

	Note	<u>2018</u>	<u>2017</u>
Service and Business Income			
Clearance and Certification Fees	17.1	118,050.00	110,700.00
Processing Fees	17.1	3,883,249.31	5,443,231.50
Other Service Income	17.1	478,517.03	1,674,888.00
Rent/Lease Income	17.2	0.00	1,151,976.55
Interest Income	17.2	113,984.90	102,513.95
Gain from Sale of Unserviceable Property	17.2	1,699,376.00	0.00
Miscellaneous Income	17.2	17,059,317.18	0.00
Income from Grants and Donations in Kind	18	8,683,926.00	6,908,823.37
Total Income		32,036,420.42	15,392,133.37
EXPENSES			
Personnel Services			
Salaries and Wages - Regular	19.1	238,628,007.29	191,532,103.34
Salaries and Wages - Casual/Contractual	19.1	12,094,618.38	9,088,967.64
Personal Economic Relief Allowance (PERA)	19.2	10,154,190.65	9,255,192.96
Representation Allowance (RA)	19.2	7,732,375.00	6,890,625.00
Transportation Allowance (TA)	19.2	5,783,875.00	5,053,500.00
Clothing/Uniform Allowance	19.2	2,260,585.91	1,940,000.00
Subsistence Allowance	19.2	31,500.00	32,425.00
Laundry Allowance	19.2	4,315.78	4,540.81
Productivity Incentive Allowance	19.2	2,177,500.00	0.00
Honoraria	19.2	1,174,017.50	6,352,414.70
Hazard Pay	19.2	271,375.50	287,895.00
Overtime and Night Pay	19.2	490,770.25	472,903.03
Year End Bonus	19.2	19,909,124.80	16,230,267.10
Cash Gift	19.2	2,111,500.00	1,965,250.00
Other Bonuses and Allowances	19.2	36,559,743.54	36,095,395.99
Retirement and Life Insurance Premiums	19.3	28,424,709.70	23,028,210.07
Pag-IBIG Contributions	19.3	511,600.00	469,200.00
PhilHealth Contributions	19.3	2,241,690.97	1,465,637.50
Employees Compensation Insurance Premiums	19.3	512,100.00	468,100.00
Terminal Leave Benefits	19.4	1,952,680.99	4,114,541.95
Other Personnel Benefits	19.4	8,556,185.46	8,268,465.55
Total Personnel Services		381,582,466.72	323,015,655.64
Maintenance and Other Operating Expenses			
Traveling Expenses - Local	20.1	5,927,329.37	11,896,736.96
Traveling Expenses - Foreign	20.1	16,236,313.45	27,360,041.32
Training Expenses	20.1	13,002,981.90	23,988,653.65
Office Supplies Expenses	20.2	10,019,222.19	16,160,005.89
Accountable Forms Expenses	20.2	228,247.96	251,673.00
Drugs and Medicines Expenses	20.2	802,362.01	514,223.89
Medical, Dental and Laboratory Supplies Expenses	20.2	44,716.00	33,964.00
Fuel, Oil and Lubricants Expenses	20.2	1,791,951.81	1,076,447.24
Semi-Expendable Machinery and Equipment Expenses	20.2	4,633,449.50	6,348,404.32
Semi-Expendable Furnitures, Fixtures and Books Expenses	20.2	3,981,739.95	2,594,961.19
Other Supplies and Materials Expenses	20.2	12,013,824.88	11,560,128.36
Water Expenses	20.3	5,461,176.13	4,396,516.41
Electricity Expenses	20.3	26,896,475.97	22,311,061.74
Postage and Courier Services	20.4	446,420.79	400,887.43
Telephone Expenses	20.4	7,116,441.49	9,925,992.38
Internet Subscription Expenses	20.4	7,522,065.96	7,096,320.00



	Note	2018	2017
Prizes	20.5	0.00	10,000.00
Confidential Expenses	20.5	1,000,000.00	0.00
Extraordinary and Miscellaneous Expenses	20.5	3,553,799.34	3,188,716.13
Legal Services	20.6	36,000.00	47,530.00
Consultancy Services	20.6	57,065,140.49	67,652,128.40
Other Professional Services	20.6	73,706,853.17	55,272,315.98
Janitorial Services	20.7	14,126,076.12	9,622,053.49
Security Services	20.7	15,386,126.53	13,599,871.65
Repairs and Maintenance - Buildings and Other Structures	20.8	8,168,638.11	9,550,466.44
Repairs and Maintenance - Machinery and Equipment	20.8	55,480.00	730,517.00
Repairs and Maintenance - Transportation Equipment	20.8	1,405,463.73	1,210,222.71
Repairs and Maintenance - Furniture and Fixtures	20.8	180,000.00	21,000.00
Taxes, Duties and Licenses	20.9	1,495,049.28	223,842.74
Fidelity Bond Premiums	20.9	216,501.57	225,497.25
Insurance Expenses	20.9	4,411,487.08	3,137,468.22
Advertising Expenses	20.10	2,232,859.25	31,555,992.60
Printing and Publication Expenses	20.10	538,700.00	3,929,900.00
Representation Expenses	20.10	3,681,408.58	3,029,046.17
Transportation and Delivery Expenses	20.10	110,060.00	9,757.60
Rent/Lease Expenses	20.10	15,610,360.43	20,638,926.34
Membership Dues and Contributions to Organizations	20.10	15,000.00	100,000.00
Subscription Expenses	20.10	3,132,516.21	4,657,995.37
Donations	20.10	0.00	24,175.00
Other Maintenance and Operating Expenses	20.10	44,676,778.78	33,457,642.08
Total Maintenance and Other Operating Expenses		366,929,018.03	407,811,082.95
Financial Expenses			
Bank Charges	21	82,106.03	11,618.38
Total Financial Charges		82,106.03	11,618.38
Non-Cash Expenses			
Depreciation - Land Improvements	22.1	91,049.16	91,049.16
Depreciation - Infrastructure Assets	22.1	0.00	9,206.72
Depreciation - Buildings and Other Structures	22.1	9,769,619.61	12,188,789.11
Depreciation - Machinery and Equipment	22.1	19,530,818.05	15,161,067.52
Depreciation - Transportation Equipment	22.1	4,638,340.62	3,990,918.00
Depreciation - Furniture, Fixtures and Books	22.1	3,018,234.35	602,390.67
Depreciation - Other Property, Plant and Equipment	22.1	0.00	0.00
Impairment Loss - Property, Plant and Equipment	22.1	0.00	1,500.00
Amortization - Intangible Assets	22.2	1,761,288.24	0.00
Total Non-Cash Expenses		38,609,350.03	32,044,921.18
Total Operating Expenses		787,402,940.81	762,883,278.15
Surplus/(Deficit) from Current Operations		-755,366,520.39	-747,491,144.78
Financial Assistance/Subsidy			
Subsidy from National Government	23	1,401,784,583.87	971,031,791.63
Gain on Foreign Exchange (FOREX)	24	2,339,558.35	1,079,439.20
Gain on Sale of Property, Plant and Equipment	24	40,727.80	-
Loss on Sale of Property, Plant and Equipment	25	(389,694.00)	-
Loss on Sale of Assets	25	(568,600.77)	-
Loss on Foreign Exchange (FOREX)	25	(1,526,945.56)	(690,327.16)
Loss of Assets	25	(75,574.94)	(2,276,722.51)
Other Losses	25	(8,087.91)	-
Financial Assistance/Subsidy		1,401,595,966.84	969,144,181.16
Surplus/(Deficit) for the period		646,229,446.45	221,653,036.38

See accompanying Notes to Financial Statements





DEPARTMENT OF FINANCE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2018
 (With Comparative Figures for CY 2017)
 (All Funds)

	2018	2017
Cash Flows from Operating Activities		
Cash Inflows		
Receipt of Notice of Cash Allocation	1,498,613,258.27	1,594,158,871.15
Constructive Receipt of Cash for Remittance thru TRA	92,251,241.14	84,600,302.49
Petty Cash	765,000.00	355,000.00
Fund Transfer to ICF Account for Special Purpose	-	42,587,994.50
Fund Transfer to LCCA-EITI from FSA-EITI	37,171,760.11	25,334,910.74
Collection of Income/Revenues	24,128,111.08	10,280,989.27
Collections of Receivables/Other Receipts	2,080,808.41	1,962,873.05
Collections as Trust	458,861.57	996,126.05
Receipt of Fund from Department of Energy	400,000.00	-
Interest on Local Currency/Foreign Savings Accounts	53,107.29	102,513.95
Gain on Foreign Exchange	2,339,558.35	1,079,439.20
Total Cash Inflows	1,658,261,706.22	1,761,459,020.40
Cash Outflows		
Reversal of Unutilized NCA on MDS accounts	189,078,434.97	705,371,105.76
Remittance of Collections from Mabuhay/OSS/BAC/others	25,810,655.48	11,138,204.12
Remittance to National Treasury of Unutilized ICF/MCC/DOF Special Projects acco	32,685,074.25	3,035,072.20
Remittance thru TRA	92,251,241.14	84,600,302.49
Payment of Expenses	604,923,588.48	518,311,637.84
Purchase of Inventories held for consumption	30,836,647.54	32,078,770.65
Grant of Cash Advances	17,035,838.20	23,868,370.00
Prepayments	44,119,551.01	37,118,467.09
Guaranty Deposit/Deposit on Letters of Credit	4,771,097.11	739,480.32
Refund of Deposit	9,237,660.02	2,148,896.21
Refund of Unutilized Due to NGAs (DOT) for Apec	-	35,722.16
Payment of Accounts Payable and Due to Officers and Employees	58,946,653.25	29,662,916.51
Remittance of Personnel Benefits Contributions and Mandatory Deductions	95,425,552.71	79,526,717.36
Release of Inter-Agency Fund Transfer	43,414,985.43	59,111,095.91
Release of Fund Transfer to ICF Account for Special Purpose	-	42,587,994.50
Release of Fund Transfer to LCCA-EITI	37,171,760.11	25,334,910.74
Release of Petty Cash	765,000.00	355,000.00
Honoraria for BAC Committee	668,716.16	514,048.34
Payment of Trust Liabilities	524,930.45	930,057.17
Loss on Forex	1,481,213.33	681,458.77
Total Cash Outflows	1,289,148,599.64	1,657,150,228.14
Net Cash Provided by (Used in) Operating Activities	369,113,106.58	104,308,792.26
Cash Flows from Investing Activities		
Cash Inflows	-	-
Cash Outflows		
Purchase of PPE including Payment of Construction in Progress	(421,168,429.27)	(73,439,465.38)
Total Cash Outflows	(421,168,429.27)	(73,439,465.38)
Net Cash Provided by (Used in) Investing Activities	(421,168,429.27)	(73,439,465.38)
Cash Flows from Financing Activities	-	-
Total Cash Provided by Operating, Investing, Financing Activities	(52,055,322.69)	30,869,326.88
Add: Cash and Cash Equivalents, January 1	73,231,150.86	42,361,823.98
Cash and Cash Equivalent, December 31	21,175,828.17	73,231,150.86





Department of Finance (OSEC)
Consolidated Statement of Changes in Net Assets/Equity
As of December 31, 2018
(with Comparative Figures for CY 2017)

All Funds
(Consolidated Regular Agency, Special Account-Foreign Grants, Trust)

	<u>2018</u>	<u>2017</u>
Beginning Balance, January 1	1,330,341,763.50	1,186,130,063.30
Changes in Accounting Policy	-	(147,259.59)
Prior Period Adjustments/Unrecorded Income and Expenses/Adjustments	(103,781,995.33)	(55,402,893.10)
Liquidation on Prior Year's Advances/Fund Transfer	(53,366,699.75)	(5,133,478.52)
Sale of Unserviceable Property, Plant and Equipment/Assets	(379,530.77)	-
Remittance to BTR of Dormant KFW-IDF Account	(32,630,657.64)	-
Adjustment in Funding Source/Others	(7,318,131.69)	(2,589,272.89)
Restated Balance	1,132,864,748.32	1,122,857,159.20
Changes in Net Assets/Equity		
Current Operations Surplus	646,229,446.45	221,653,036.38
Cash-Treasury/Agency Deposit, Regular	(25,830,574.68)	(14,168,432.08)
Total Recognized Revenue and Expenses for the Period	620,398,871.77	207,484,604.30
Ending Balance, December 31	<u>1,753,263,620.09</u>	<u>1,330,341,763.50</u>



List of MDFO-PGB Approved Subprojects

LGU	NO.OF SPs	PROPOSED SUBPROJECTS	APPROVED COST	DATE APPROVED
Equipment Acquisition Fund (EAF)				
Bago City, Negros Occidental	1	Acquisition of Heavy Equipment	62,500,000.00	27-Mar-18
Clarin, Bohol	2	Acquisition of Heavy Equipment	15,000,000.00	27-Mar-18
Don Salvador Benedicto, Negros Occidental	3	Acquisition of Heavy Equipment	9,000,000.00	27-Mar-18
Kapatagan, Lanao del Norte	4	Acquisition of Heavy Equipment	27,500,000.00	27-Mar-18
Kapatagan, Lanao del Sur	5	Acquisition of Heavy Equipment	38,900,000.00	07-Sep-18
Province of Zamboanga del Norte	6	Acquisition of Heavy Equipment	209,400,000.00	07-Sep-18
	6	SUB-TOTAL	362,300,000.00	
Disaster Management Assistance Fund (DMAF)				
Don Salvador Benedicto, Negros Occidental	1	Concreting of Farm to Market Roads	40,420,000.00	16-Jan-18
Los Baños, Laguna	2	Construction of Evacuation/Multi-Purpose Center	50,000,000.00	16-Jan-18
Poro, Cebu	3	Concreting of Farm to Market Road	45,000,000.00	07-Sep-18
Salay, Misamis Oriental	4	Construction of Seawall with Carriageway and Ecotourism Facilities	42,043,000.00	16-Jan-18
	4	SUB-TOTAL	177,463,000.00	
Municipal Development Fund Project (MDFP)				
Alegria, Surigao del Norte	1	Construction of Public Market	20,000,000.00	16-Jan-18
Bago City, Negros Occidental	2	Expansion of Poblacion Public Market	20,000,000.00	16-Jan-18
Calbiga, Samar	3	Construction of Calbiga Eco-Memorial Park	44,600,000.00	07-Sep-18
Gamay, Northern Samar	4	Expansion of Integrated Land Transport Terminal	42,000,000.00	16-Jan-18
Gubat, Sorsogon	5	Construction of C-Shape Public Market Building Phase 2	49,000,000.00	16-Jan-18
	6	Construction of Slaughterhouse Facilities	15,000,000.00	16-Jan-18



LGU	NO.OF SPs	PROPOSED SUBPROJECTS	APPROVED COST	DATE APPROVED
Municipal Development Fund Project (MDFP)				
Hinigaran, Negros Occidental	7	Improvement and Rehabilitation of Water Supply System	30,000,000.00	07-Sep-18
Iguig, Cagayan	8	Construction of Multi-Purpose Gymnasium	55,000,000.00	07-Sep-18
Lagonoy, Camarines Sur	9	Construction of Public Market	80,000,000.00	16-Jan-18
Ligao City, Albay	10	Completion of New Ligao Government Center and City Hall Building	105,000,000.00	27-Mar-18
	11	Construction of Community College	100,000,000.00	07-Sep-18
Liliw, Laguna	12	Construction of Public Market	36,000,000.00	27-Mar-18
Looc, Romblon	13	Construction of Public Market	42,400,000.00	16-Jan-18
Mahaplag, Leyte	14	Construction of Water Supply System Level III	65,000,000.00	07-Sep-18
Makilala, Cotabato	15	Construction of Three Campus Buildings of MIST	362,000,000.00	07-Sep-18
Natonin, Mountain Province	16	Construction of Public Market	25,250,000.00	27-Mar-18
	17	Construction of Anastacia Rafael-Sagel Memorial Hospital	25,000,000.00	07-Sep-18
Province of Camarines Norte	18	Hospital Hazardous Waste Disposal Facility	60,000,000.00	16-Jan-18
Province of Negros Occidental	19	Construction of Ma-ao Public Market	88,000,000.00	16-Jan-18
	20	Construction of Candoni Public Market	50,000,000.00	16-Jan-18
	21	Upgrading of Calatrava District Hospital	40,000,000.00	16-Jan-18
	22	Construction of La Castellana Public Market	60,000,000.00	27-Mar-18
	23	Rehabilitation of Barangay Bavaria to Colonia Divina Farm to Market Road and Bridge	184,500,000.00	27-Mar-18
San Remigio, Cebu	24	Upgrading of Hagnaya Pier Terminal	25,000,000.00	16-Jan-18
	24	SUB-TOTAL	1,623,750,000.00	



LGU	NO.OF SPs	PROPOSED SUBPROJECTS	APPROVED COST	DATE APPROVED
Municipio Fund (MF)				
Gubat, Sorsogon	1	Construction of Multi-Purpose Building 1 and Acquisition of Office Equipment, Furnitures, and Fixtures	50,000,000.00	16-Jan-18
Kumalarang, Zamboanga del Sur	2	Additional Funding for Construction of Municipal Hall	2,370,000.00	07-Sep-18
Looc, Romblon	3	Construction of Executive-Legislative Building	28,200,000.00	16-Jan-18
Luna, Isabela	4	Construction of Legislative Building and Renovation of Municipal Hall	11,700,000.00	27-Mar-18
Natonin, Mountain Province	5	Construction of Municipal Hall	46,100,000.00	07-Sep-18
Oton, Iloilo	6	Construction/ Rehabilitation of Municipal hall	100,000,000.00	07-Sep-18
Padre Burgos, Southern Leyte	7	Construction of Municipal Hall Building	32,000,000.00	27-Mar-18
Pandami, Sulu	8	Construction of Municipal Building	32,000,000.00	16-Jan-18
Province of Negros Occidental	9	Construction of Toboso Government Center	30,000,000.00	27-Mar-18
San Nicolas, Pangasinan	10	Extension of Municipal Building	20,000,000.00	07-Sep-18
	10	SUB-TOTAL	352,370,000.00	
PRDP Equity				
Jose Panganiban, Camarines Norte	1	Equity Requirement for the Upgrading of Nakalaya-Sta. Elena-San Isidro-Sta. Cruz-San Jose-Dayhagan Farm to Market Road	20,000,000.00	08-Aug-18
Panaon, Misamis Occidental	2	Equity Requirement for the Rehabilitation and Concreting of 11.187 km Sumasap-Salimpono-Magsaysay-Bangko-San Juan Farm to Market Road	14,500,000.00	08-Aug-18
	2	SUB TOTAL	34,500,000.00	
Revenue Administration and Modernization Program (RAMP)				
Bacoor City, Cavite	1	Strengthening and Improvement of the LGU's Capacity in Fiscal Management, Revenue Administration and Resource Mobilization - Loan Component	103,770,000.00	27-Mar-18
		Strengthening and Improvement of the LGU's Capacity in Fiscal Management, Revenue Administration and Resource Mobilization - Grant Component	33,760,000.00	
	1	SUB-TOTAL	103,770,000.00	
	47	TOTAL	2,654,153,000.00	
		GRAND TOTAL	2,687,913,000.00	



MDFO Completed Subprojects in 2018



Subproject	Acquisition of Heavy Equipment (Wheel Loader)
LGU	Alegria, Surigao del Norte
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php11,500,000.00



Subproject	Acquisition of Heavy Equipment (Excavator)
LGU	Makilala, North Cotabato
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php55,550,453.50



Subproject	Acquisition of Heavy Equipment (Vibratory Roller)
LGU	Barira, Maguindanao
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php64,820,000.00



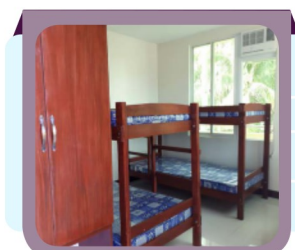
Subproject	Acquisition of Heavy Equipment (Wheel Loader)
LGU	Salay, Misamis Oriental
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php6,798,000.00



Subproject	Construction of Eco-Tourism and Guest Center (Civil Works) Façade of the Eco-Tourism Center
LGU	Burgos, Surigao del Norte
Financing Facility	Municipal Development Fund Project (MDFP)
Contract Cost	Php23,009,176.86



Subproject	Rehabilitation and Expansion of Water System (Pipe Bridge)
LGU	Sampaloc, Quezon
Financing Facility	Municipal Development Fund Project
Contract Cost	Php15,997,522.37



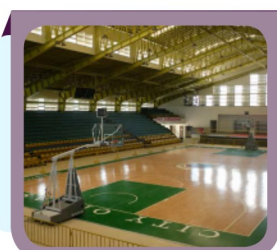
Subproject	Construction of Eco-Tourism and Guest Center (Goods) Double Deck Beds in the Guest Room
LGU	Burgos, Surigao del Norte
Financing Facility	Municipal Development Fund Project (MDFP)
Contract Cost	Php1,998,850.00



Subproject	Acquisition of Heavy Equipment (Transit Mixer)
LGU	Solano, Nueva Vizcaya
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php23,545,000.00



Subproject	Acquisition of Heavy Equipment (Motor Grader)
LGU	Del Gallego, Camarines Sur
Financing Facility	Disaster Management Assistance Fund (DMAF)
Contract Cost	Php14,970,000.00



Subproject	Construction of Government Complex – Gymnasium (Basketball Court)
LGU	Passi City, Iloilo
Financing Facility	Municipal Development Fund Project (MDFP)
Contract Cost	Php38,430,888.89



Annual Report Team

2018 DOF AR Committee

Ma. Teresa S. Habitan
 Johanna P. Hortinela
 Aurora Luz D. Villaviray
 Irene R. Sta. Ines
 Annabelle D. Magno
 Irene S.C. Salazar
 Maria Hanna Concepcion P. Jaber
 Jose Mari J. Lopez
 Meryll Joy A. Gregorio

International Finance Group

Aaron Ang
 Gabriel Mico Tiu
 Al Gerica Rillon
 Jae Adolfo

Municipal Development Finance Office

Joem Co
 Rachele Gladys Audar

Personnel Services Division

Rosemary Abelgas

PH-EITI

Marco Zaplan

Corporate Affairs Group

Marie Elaine Ahयोग
 Cyril Zausa

Anti-Red Tape Act

Jing Aldeguer

Bureau of Local Government Finance

Carlo Agovida

2018 DOF AR Contributors

Office of the Secretary
 Cherry Mae Gonzales

DOF Social Media Group

April Aurea
 Mary Rose Frago
 Louis Carla Mae Ayao
 Riva Guterrez

Fiscal Policy and Planning Office

Andrea Felice C. Quinial
 Gwendelyn M. Manongdo
 Eric Tiggos
 Febe Lim
 Neo Danica Jeniene Galera

Central Financial Management Office

Lolita Verdadero

Fiscal Analytics Intelligence

Jake E. Domanico
 Elizabeth B. Udaundo

Revenue Office

Jhay Sar M. Barnuevo
 Franzcer Marvi Rey

Revenue Integrity

Protection Service
 Atty. Nasreen Balajadia
 Atty. Roselle Jimeno

Central Management and Information Office

Michaelangelo Aguinaldo

Strategy, Economics, and Results Group

Grazielle Angela Lorena
 Aldrin Ray Advincula
 Jon Martin Bustos
 Keanu Peñaranda
 Ian Emmanuel Leuterio
 Monica Tricia Rivera
 Joseph Louie Limkin
 Josef Eleazar Lacson

Privatization and Management Office

Melissa Mei Lin Monteroso
 (alternate)

Bureau of the Treasury (BTr)

Dianne Orendain

National Tax Research Center

Rhea L. Caro





Republic of the Philippines
Department of Finance
DOF Building, BSP Complex, Roxas Blvd., 1004 Metro Manila, Philippines
(+632) 525 0244 helpdesk@dof.gov.ph