



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG-YAMAN
(BUREAU OF THE TREASURY)
Intramuros, Manila 1002

June 28, 2021

PRESIDENT RODRIGO ROA DUTERTE

Republic of the Philippines
Malacañang, Manila

Dear **Mr. President:**

It is my honor to present the Annual Report of the Bureau of the Treasury for the year 2020.

The report features the Bureau's significant contributions through various reforms and programs in exercising its mandate of prudently and proactively managing the Government's financial resources amidst the challenges brought about by the COVID-19 pandemic last year.

On behalf of the officials and employees of the Bureau, I would like to take this opportunity to thank the President for the support in our pursuit of fiscal management objectives. Rest assured that the Bureau will uphold its mandate of fiscal efficiency and sustainability, contributing towards recovery and resiliency.

Very truly yours,

ROSALIA V. DE LEON
Treasurer of the Philippines

2020 ANNUAL REPORT

BUREAU OF THE TREASURY



HIGHLIGHTS OF ACCOMPLISHMENTS

ACHIEVED RECORD FUNDRAISING

Raised a total of PHP 2.63 trillion in borrowings plus PHP 540 billion in short-term bridge financing from the BSP

PROVIDED IMMEDIATE FINANCING AT THE HEIGHT OF CRISIS

Initiated cash sweep totaling PHP 35.36 billion

ISSUED SECURITIES AT TIGHT SPREADS AND MANAGED THE DEBT PROFILE

Multiple retail and international issuances

FAST ADOPTION OF NEW NORMAL: SOCIAL DISTANCING-COMPLIANT RETAIL OFFERINGS

More channels to invest in retail bond offerings

EXCESS INCOME AMID A CHALLENGING ENVIRONMENT

Surpassed income targets by more than 166%

ASSET MANAGEMENT

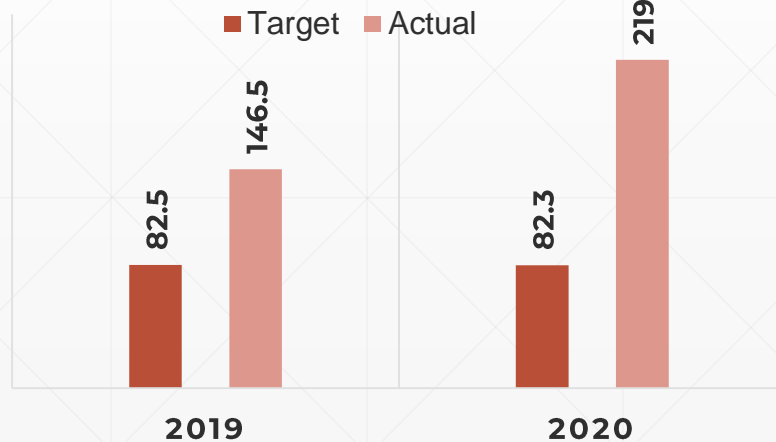
ENSURED ADEQUATE FUNDING

Cash management activities in 2020 focused on pooling resources to help fund the response and welfare programs to address the COVID-19 crisis. Under the *Bayanihan* Act, the Treasury received dividend collections from government-owned-and-controlled corporations, further shoring up government coffers.

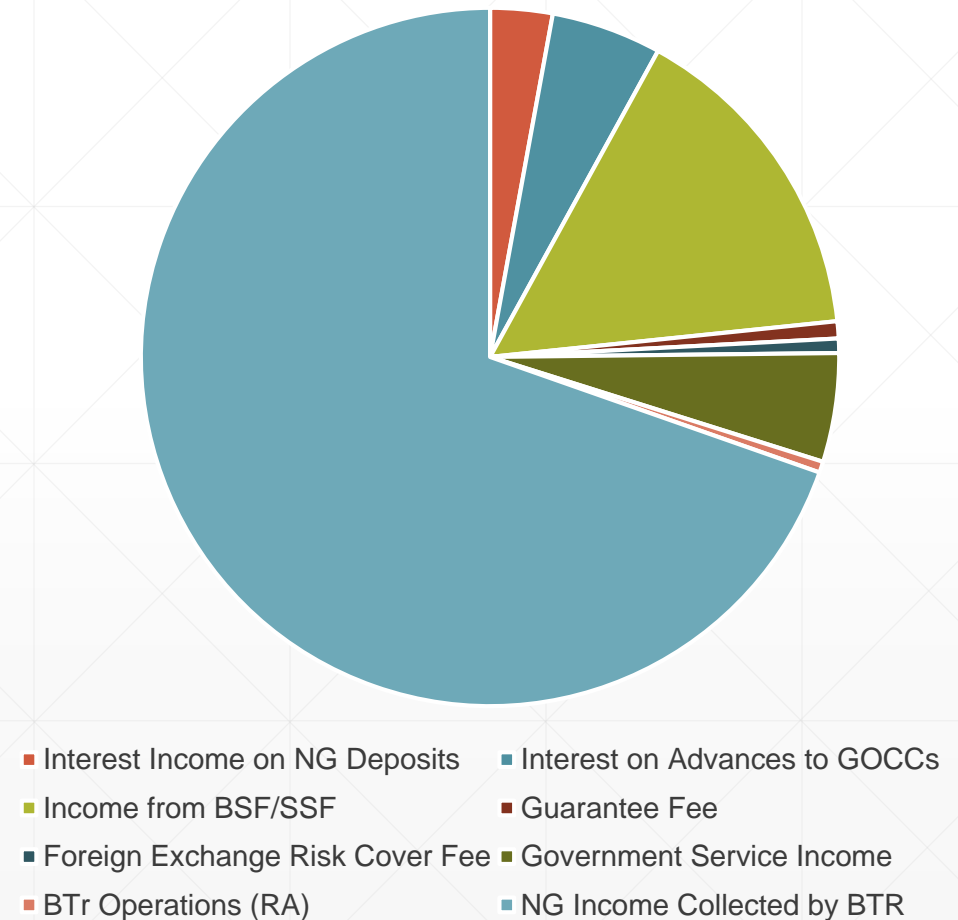
The Bureau of the Treasury also delivered on its mandate as it surpassed its income target after raising PHP 219.6 billion, better than the PHP 146.5 billion full-year income of the Treasury in 2019 and the PHP 82.3 billion programmed for 2020.

TOTAL BTR INCOME

(IN BILLION PESOS)



BREAKDOWN OF BTR INCOME



POOLED RESOURCES THROUGH CASH SWEEP AND REVERSION OF IDLE BALANCES

Beyond its mandate, the Bureau closely coordinated with other National Government Agencies (NGAs) and instrumentalities to implement and support the various programs under the COVID-19 response efforts of the government. Cash management activities in 2020 focused on pooling resources to help fund the response and welfare programs to address the COVID-19 crisis.

In accordance with Republic Act No. 11469 or the *Bayanihan to Heal as One Act*, the BTr provided an additional PHP 100 billion in funding including PHP 50 billion from the sweep of cash balances maintained by NGAs outside the Treasury Single Account (TSA). The full amount was used to finance the execution of the social amelioration program of the NG.

Further, BTr effected the reversion of almost PHP 2.0 billion idle cash by Authorized Government Depository Banks (AGDBs) to the National Treasury as mandated in E.O. 431, by streamlining the dormant account balance reversion procedure stipulated in DOF/ DBM/ COA Joint Circular (JC) No. 4-2012.

GENERATED ADDITIONAL FISCAL RESOURCES

BTr tapped short-term funding from the Bangko Sentral ng Pilipinas (BSP) at 0% rate, initially through a PHP 300 billion repurchase agreement in March 2020, followed by a PHP 540 billion direct provisional advances in October 2020. This bridge financing fortified the government's fiscal position for cash and debt management purposes while funding the response for the COVID-19 pandemic. The BTr was able to repay all the facilities extended by the BSP by the end of 2020.

The BTr, as part of its liability management efforts, also secured PHP 30 billion in interest payment savings and PHP 87.82 billion through debt exchange. An additional PHP 28 billion was also raised from alternative sources.

PHP 4.69 BILLION GENERATED FROM WIDESPREAD ADOPTION OF ELECTRONIC COLLECTIONS SYSTEM

165 National Government Agencies adopted electronic collections in 2020 from 37 in 2019. The increased efficiency associated with technological innovation promoted transparency, streamlined cash collections and ultimately addressed physical distancing requirements.

PROTECTING THE NATIONAL GOVERNMENT'S NON-FINANCIAL ASSETS

In 2020, significant progress was made on the National Indemnity Insurance Program to better incorporate international good practices on similar government asset protection programs.

Among the key milestones achieved by the program was the approval of the Government Policy Procurement Board last May 2020 for the **use of modified bidding documents**. The modified bidding documents preserves the governing principles of transparency, competitiveness, streamlined processing, accountability, and public monitoring championed by Republic Act 9184, while incorporating international standards for the procurement of large-scale insurance programs. Towards the end of 2020, **Joint Memorandum Circular (JMC) 2020-004** was issued by the Secretary of Finance, Secretary of Budget and Management, and the President and General Manager of the Government Service Insurance System. The JMC provides the guidelines for the implementation and monitoring of the National Indemnity Insurance Program for government's strategically important assets such as schools.

As the Bureau moves forward with the program's implementation and to ensure up-to-date information on the assets to be insured, the pilot agencies were requested to revalidate their assets to ensure all assets for the program are in insurable condition and have the necessary data for the program.

In 2020, a total of 533,925 properties of key agencies, with an estimated value of PHP 1.6 trillion, were recorded in the **National Asset Registry System (NARS) database**. The database provides key data on non-financial strategically important government assets, enabling more efficient financial risk management, enhanced service delivery, and improved risk reduction for sustainable asset management in the long term.

LIABILITY MANAGEMENT

ACHIEVED FINANCING IN SUPPORT OF GOVERNMENT INITIATIVES

The Treasury carried out its financing program to meet the funding requirements of the National Government which was heightened by the Pandemic response and recovery measures. For 2020, the NG raised a total of PHP 2.7 trillion in borrowings plus PHP 540.0 billion in short-term bridge financing from the Bangko Sentral ng Pilipinas. Of the total, 73% or PHP 1.99 trillion came from domestic sources while 27% or PHP 742 billion was sourced from international markets.

NG Financing 2016-2020 In million PHP

	2016	2017	2018	2019	2020
<u>Gross Financing</u>	507,020	901,672	897,551	1,015,790	2,651,680
Domestic	357,497	733,569	594,474	693,843	1,909,268
External	149,523	168,103	303,077	321,947	742,412
Financing mix	71:29	81:19	66:34	68:32	72:28

Retail Treasury Bond Issuances

To pool funds and finance the government's plans and programs amidst the COVID-19, the Bureau of the Treasury issued PHP 310.8 billion worth of three-year Retail Treasury Bonds (RTB 23) at the rate of 4.375% per annum. The first RTB offering for 2020 was met with overwhelming demand from the investing public, with the issuance going 10x oversubscribed from the planned minimum issue size of PHP 30.0 billion.

This was also the first time an RTB offering was coupled with an exchange offer wherein bond holders of RTB 3-08 were allowed to swap their existing holdings for the said RTB offering. The bond exchange was well-received, with 38% of the outstanding amount of RTB 19 swapped for the RTB 23 bonds. Of the total proceeds, PHP 250 billion was raised through new money and PHP 60.8 billion was from the switch tender offer.

After just a few months, the BTr issued the 24th tranche of the Retail Treasury Bonds (RTB 24). The five-year RTBs, also known as the *Progreso Bonds*, fetched a coupon of 2.625% per annum. The total issue size of the *Progreso Bonds* consisted of PHP 488.5 billion in new subscriptions and PHP 27.8 billion from the bond exchange program. The offering was met with strong demand from the investing public, with the issuance being oversubscribed more than 17 times the planned minimum issue size of PHP 30.0 billion.



BUREAU OF THE TREASURY
1897

RTB24
AHON PILIPINAS
PROGRESO BONDS PARA SA BAYAN

**MAG-INVEST NA
SA PROGRESO BONDS
PARA SA PAG-AHON NG PILIPINAS!**

KEY FEATURES

- Affordable
- Convenient
- Low-Risk Investment
- Quarterly Interest Payments
- Higher Yielding than Time Deposits
- Negotiable & Transferrable

Sama-sama tayong mag-invest mula **July 16, 2020 hanggang August 7, 2020**. Sa minimum investment na **P5,000**, makatutulong ka na sa programang pangkalusugan ng Pilipinas at pagbibigay suporta sa ating mga OFWs at SMEs.

Para sa mga nag-invest sa **RTB 10-1, FXN 5-73, RTB 10-2 at FXTN 7-57** maari kayong mag-invest sa Progreso Bonds sa pamamagitan ng aming SWITCH program.

Para sa iba pang detalye, bisitahin ang www.treasury.gov.ph

BDO **DBP** **LANDBANK** **BPI** **Capital Corporation** **CHINABANK** **FIRST METRO** **PNB Capital** **ECDC Capital Corporation** **SB CAPITAL** **UnionBank**

DISCLAIMER: BTr reserves the right to shorten the offer period.

Premyo Bonds 2

The BTr capped 2020 with the successful return of the Premyo Bonds issuing PHP 6.56 billion worth of one-year Premyo Bonds (PB2) at the rate of 1.25% per annum. Premyo Bonds 2 was met with strong demand from the investing public, with the total issue size being more than twice oversubscribed than the initial planned issuance of PHP 3 billion. Aside from the quarterly interest payments, Premyo Bonds 2 offered more chances to win bigger cash and non-cash rewards and help Filipinos bounce back from the COVID-19 crisis.

The success of PB-2 was also anchored on the online ordering facility via the BTr's website, the Bonds.PH mobile application and the inclusion of the Overseas Filipino Bank's Mobile Banking Application (OF Bank MBA). These digital innovations proved truly effective in expanding the offering's reach to more Filipino investors both locally and abroad.

"We made available more ordering platforms that anyone with a mobile phone or laptop with internet can take advantage of, in any part of the world. With these innovative platforms, the typical Juan Dela Cruz need not leave the safety of his own house to invest in Premyo Bonds."

-- Rosalia V. De Leon



€1.2-billion Euro Bond Issue

The BTr raised €1.2 billion worth of three- and nine-year Euro-denominated bonds at €600 million for each tenor. The three-year instrument was priced at near zero coupon and fetched a yield of 0.10% while the nine-year debt paper had a coupon rate of 0.75%. This was ROP's lowest coupon ever for a nine-year euro bond deal and first ever zero coupon three-year Euro-denominated bond in the international capital markets. The offer was oversubscribed by more than 3x the initial offer with total bids coming in at €4.3 billion.

The offering garnered significant demand from high quality accounts which allowed the Bureau to price a record low EUR coupon for the Republic. The successful transaction minimized the government's funding costs to support productive spending for infrastructure and social services.

Of the €600 million borrowed via three-year euro bonds, 16% was allocated to Asia excluding the Philippines, 4% to the Philippines, 26% to the United Kingdom, 13% to Germany, 12% to France, 5% to Italy, 10% to other European investors, and 14% to the United States. In terms of investor type, 68% went to asset and fund managers, 22% to banks, 4% to central banks, pension funds and sovereign wealth funds, 3% to insurance firms, and the remaining 3% to private banks and other investors.

Of the €600 million worth of nine-year securities, 16% of the bonds were allocated to Asia excluding the Philippines, 6% to the Philippines, 31% to the United Kingdom, 15% to Germany, 6% to France, 13% to Italy, 8% to other European investors, and 5% to the US. By investor type, 54% went to asset and fund managers, 18% to banks, 3% to central banks, pension funds and sovereign wealth funds, 24% to insurance, and the remaining 1% to private banks and others.

UBS served as the sole global coordinator for the transaction. It was also joined by Citigroup, Standard Chartered Bank, and Credit Suisse as joint lead managers and joint bookrunners for the issue.

US\$2.35-billion Global Bond Issue

The Bureau successfully raised US\$2.35 billion from its double tranche global bond offering through the sale of 10-year and 25-year US dollar-bonds to help finance measures to mitigate the economic impact of the corona virus outbreak.

The new US\$ 1 billion 10-year global bonds was priced at US Treasury spread of T + 180bps after an initial pricing guidance of T + 220 bps area or a coupon of 2.457% while the US\$ 1.35 billion 25-year tranche was priced at 2.95% which is 42.5 bps tighter than the initial pricing guidance of 3.375% area. Total bids reached US\$ 10.5 billion for the two tenors, more than 7x the initial offer of a benchmark-size issue worth US\$ 500 million to US\$ 700 million per tenor.

The landmark transaction, the second for this year, made the Philippines a diamond in the sovereign issuance space and has achieved for the country the 'lowest ever coupon' for a 10- and 25- year benchmark issuance amid an "environment gripped by pandemic fear".

The US dollar-denominated notes received an investment-grade "BBB+" long-term foreign currency issue rating from S & P Global Ratings, a "Baa2" senior unsecured rating from Moody's Investors Service and "BBB" rating from Fitch Ratings. Citigroup, Credit Suisse, Goldman Sachs (Asia) L.L.C., Morgan Stanley, Standard Chartered Bank and UBS acted as joint bookrunners of the transaction.

US\$2.75-billion Global Bond Issue

The BTr raised US\$ 2.75 billion from its second dollar-denominated bond sale and the last offshore bond issuance for 2020. Of the total, US\$ 1.5 billion were in 25-year dollar-denominated global bonds while US\$ 1.25 billion had a tenor of 10.5 years. The 25-year notes were priced at 2.65%, 35 bps tighter than initial pricing guidance of 3% while the 10.5-year bonds fetched a coupon of 1.648% or at US Treasury spreads of T +70 bps. These were the lowest coupon rates secured for dollar debts.

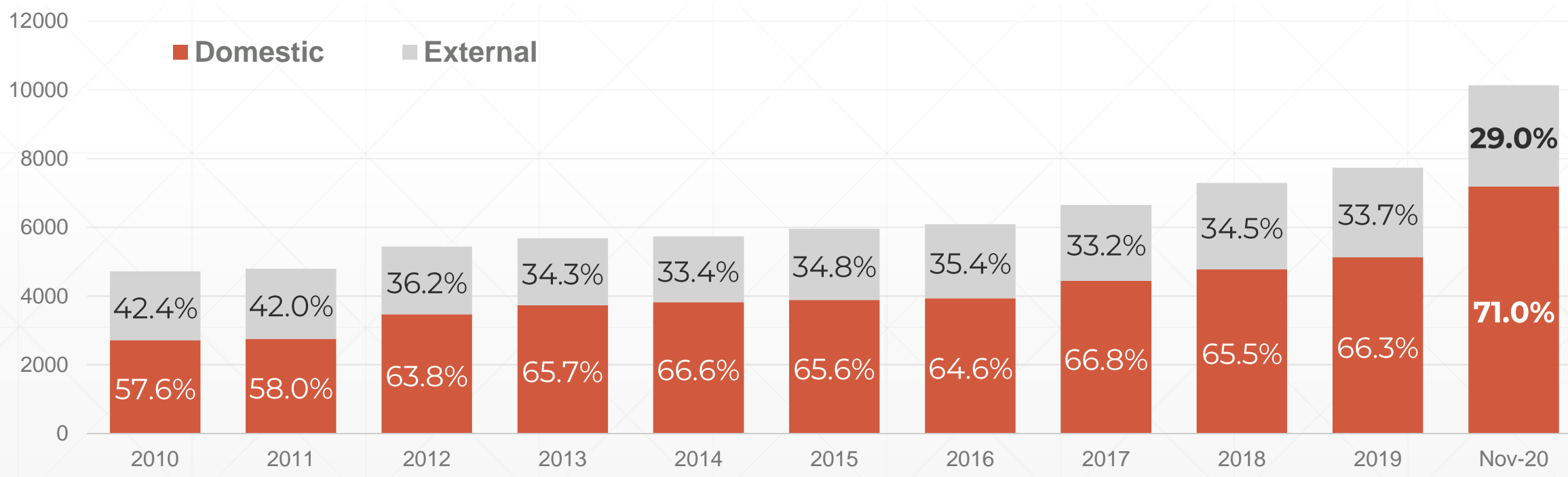
Total orders for both tranches peaked at US\$ 8 billion and the strong demand was attributed to favorable market conditions amid positive news on the development of vaccines against the COVID-19 virus.

The dollar-denominated senior unsecured notes received “BBB+” long-term foreign currency issue rating from S & P Global Ratings, while Fitch Ratings assigned it a “BBB” rating with a stable outlook. Credit Suisse, Daiwa Capital Markets, Deutsche Bank, Morgan Stanley, Standard Chartered Bank and UBS served as the joint bookrunners.

NG DEBT MANAGEMENT

Well-managed portfolio risk and affordability

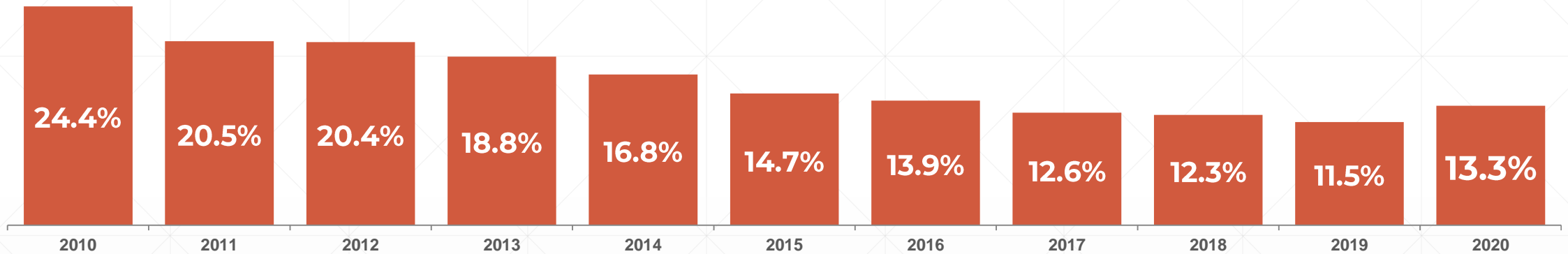
Consistent with the financing strategy, government debt remains mostly peso-denominated to mitigate foreign exchange risk exposure. Further, bias towards domestic borrowings aims to support local capital market liquidity and development.



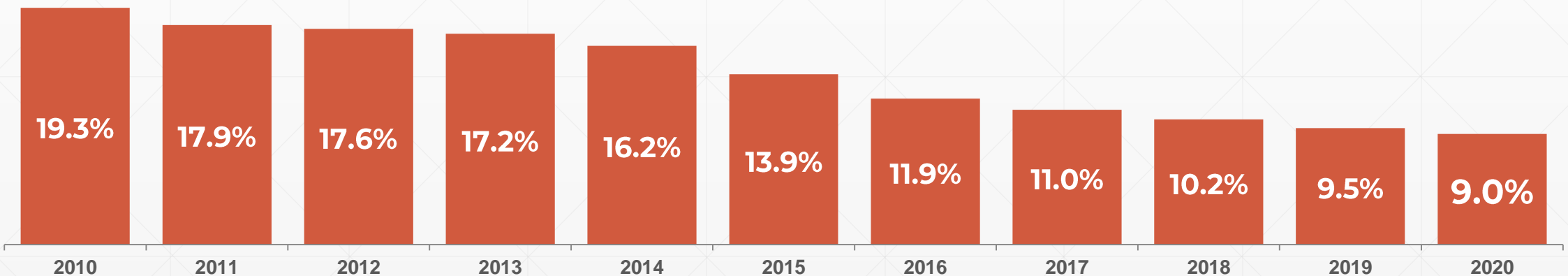
WELL-MANAGED PORTFOLIO RISK AND AFFORDABILITY

Moderate uptick in interest burden relative to revenue and expenditure indicates continued sustainability and affordability of the debt burden. This was attained through the proper execution of the borrowing program and supported by policy measures which provided stability in the pricing of government securities amidst the global pandemic.

Interest Payments in Proportion to Revenues



Interest Payments in Proportion to Expenditures

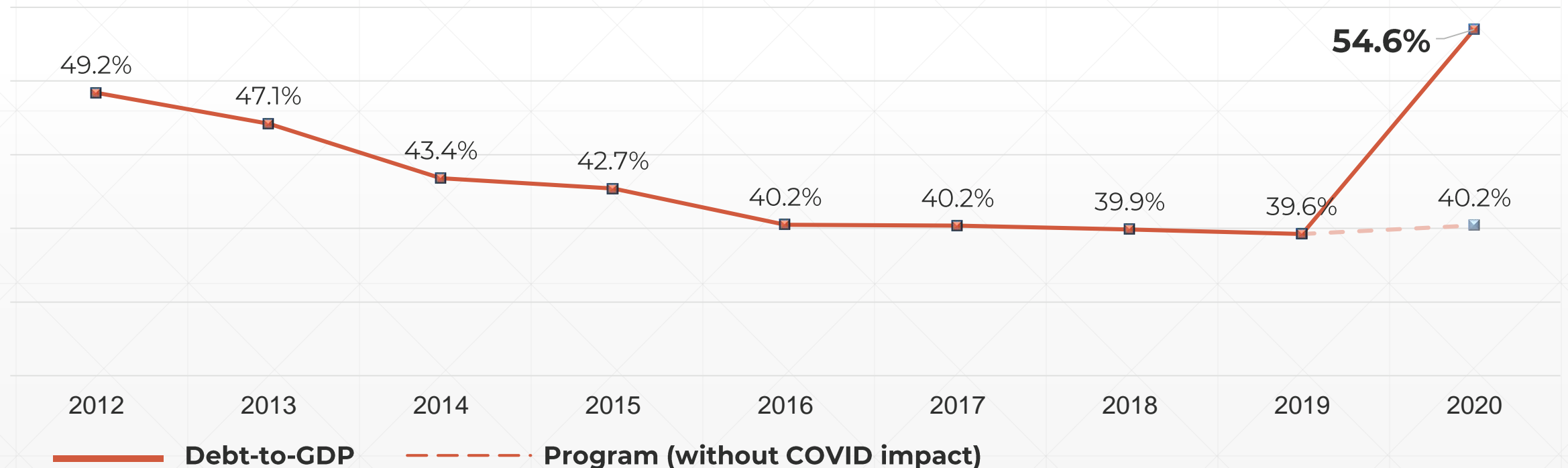


UPHOLDING COMMITMENT TO LONG-TERM DEBT SUSTAINABILITY

Debt metrics were maintained within prudent thresholds despite the inflection caused by the elevated financing requirement and economic contraction due to quarantine measures.

Higher borrowings for the COVID response coupled with a contraction in the GDP level has elevated the end-2020 indicator to 54.6%. This still aligns with the international threshold for sustainable debt levels among emerging market economies. Also, the repayment of PHP 540 billion BSP advances in December shaved 3.0% from the debt ratio.

The medium-term fiscal and financing program maintains the debt ratio within the current band even as financing requirements remain heightened – a testament to the sound macro-fundamentals of the economy.



CAPITAL MARKET DEVELOPMENT REFORMS AND INITIATIVES

MOA Signing for the Issuance of BSP Securities

The BSP and the BTr signed a Memorandum of Agreement for the linkage of the BSP's Monetary Operations System (MOS) and the Bureau's National Registry of Scripless Securities (NRoSS) on July 1, 2020. The MOS-NRoSS linkage facilitated the seamless process of the auction of BSP issued securities and the registry and recording of these securities to enable primary market issuance and secondary market trading of the said BSP debt paper.

The issuance of the BSP securities is an additional instrument in the implementation of monetary policy under the Interest Rate Corridor (IRC) framework. The use of the BSP securities for liquidity management likewise supports the BSP's initiative to shift to more market-based monetary operations and allows it to conduct its monetary operations in line with international central banking practice.

CAPITAL MARKET DEVELOPMENT REFORMS AND INITIATIVES

Awarded Top GSED Market-Markers

On its 123rd founding anniversary, the Bureau awarded the 4th set of GSED-Market Makers for 2021. Due to the threat of COVID-19 disease, the awarding was held virtually with key financial market officers representing their respective institutions in attendance. The following were the eleven (11) GSED-Market Makers for CY 2021:

BDO Unibank, Inc.,
Bank of the Philippine Islands
China Banking Corp.
Citibank N.A.
Development Bank of the Philippines
First Metro Investment Corporation

Land Bank of the Philippines
Metropolitan Bank and Trust Corp.
Philippine Bank of Communications,
Philippine National Bank
Security Bank Corp.

The said financial institutions were commended for their efforts in helping the NG meet its financing requirements and in supporting the initiatives of the Bureau to enhance access by Filipinos to government securities as an investment opportunity amidst the headwinds brought about by the COVID-19 pandemic.

CAPITAL MARKET DEVELOPMENT REFORMS AND INITIATIVES

NRoSS Enhancements

BTr implemented various enhancements in the existing functionalities of the NRoSS system to support the current requirements of the government securities (GS) market and to improve access by registry participants to the customized reports/data from the system. This also addressed the gridlock in securities settlement through the implementation of the First Available, First Out (FAFO) algorithm instead of First In, First Out (FIFO) system.

ACCOUNTING SERVICE

PROCESSED THE RELEASE OF FUNDS TO LGUS, GOCCs AND NGAs

In 2020, BTr facilitated the processing of PHP 804 billion worth of releases which enabled the various government units to finance and undertake necessary activities associated with the efficient provision of public goods and services, especially focusing on programs related to social welfare and health care to help the economy to recover from the negative economic and social effects caused by the COVID-19 pandemic.

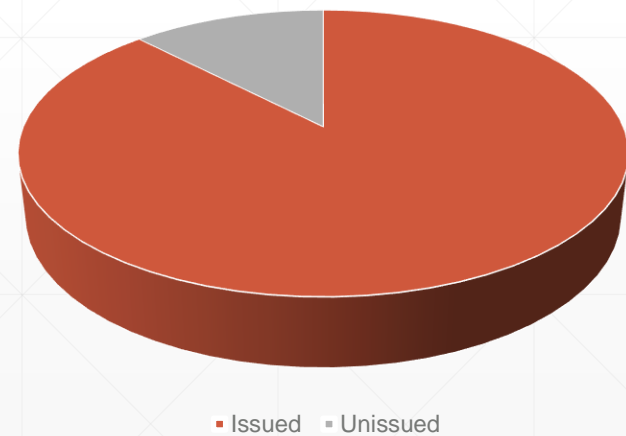
Of the total released amount in 2020, PHP 641 billion pertained to the Internal Revenue Allotment while PHP 41 billion were for Bayanihan grants and COVID financial assistance. These capacitated LGUs to finance expenditures necessary to be self-reliant communities during the strict quarantine lockdowns and more effective partners of the NG in the attainment of its national goals to strengthen the health care system, protect medical front liners, keep the economy afloat, and financially support the most vulnerable families from the ill-effects brought about by the pandemic through the provision of essential goods and services.

Similarly, GOCCs were granted transfers pertaining to budgetary support and subsidies that enabled them to conduct activities essential in their provision of public goods and services according to their charter. For 2020, the releases processed by the Accounting Service for GOCCs amounted to PHP 285 billion or 33% higher than the PHP 213 billion processed releases in 2019 which ensured that funds were available for GOCCs to carry out their services amidst the pandemic.

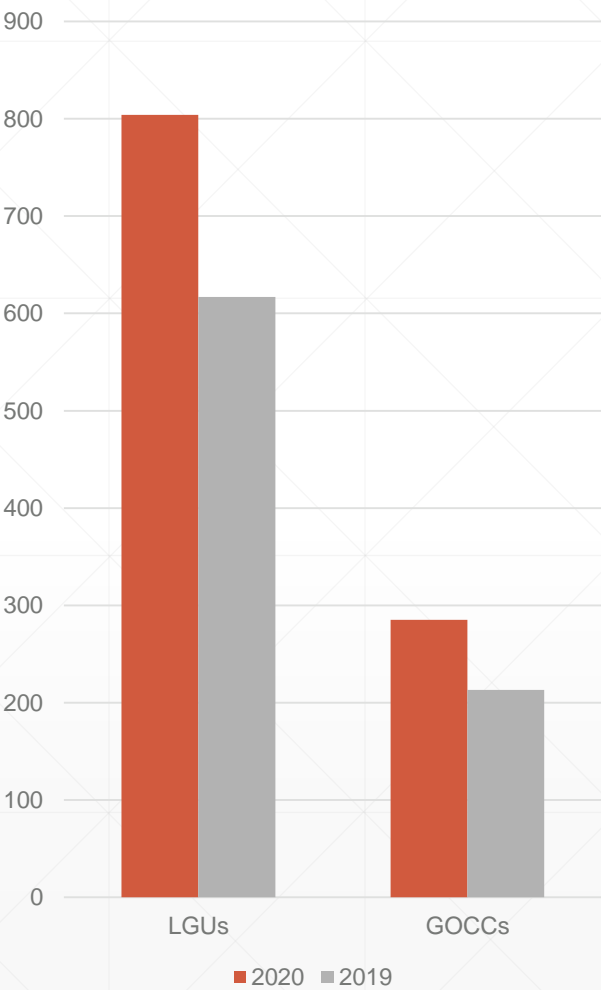
TIMELY RELEASE OF CERTIFICATIONS OF DEPOSITED NATIONAL COLLECTIONS TO NGAs

Despite limited operations, BTr was able to prepare and issue 87.75% or 2,128 of the 2,428 total requests for certifications of deposited national collections in 2020. The timely release of these certifications aided the NGAs in requesting the use of their earmarked collections to carry out activities and priority programs designed for nation building, development and sustainability.

Certifications of Deposited National Collections



Releases of Government Funds
(in billions)



REGIONAL OPERATIONS

FRONTLINE SERVICES: ADAPTING TO THE NEW NORMAL

Implemented reforms to cope with the pandemic situation

To minimize physical interactions, Regional Offices (ROs) released guidelines for online application of fidelity bonding and other frontline services. The documentary requirements to support the bonding applications were likewise streamlined. Stakeholders were given the option to apply for longer-term coverage of up to three years. The ROs also implemented a Drop Box system for walk-in applicants, for health and security considerations in lieu of over-the-counter transactions.

The adoption of these measures ensured the effective and efficient delivery of services by the field office personnel in compliance with the guidelines of the IATF on Emerging Infectious Diseases to mitigate the risk exposure to COVID-19 by the RO personnel and its stakeholders as well.

Relative to reform enhancements in the processing of Fidelity Bond applications, the Fidelity Bonding Module of the National Government Collections and Disbursements System was given priority attention. The Fidelity Bonding System developed by Incuventure Partners, Corp. is expected to go live by the 1st quarter of 2021. The bonding system provides access for applicants as well as an online payment facility to stakeholders through the LinkBiz portal of the Land Bank of the Philippines.

Timely Release of Internal Revenue Allotments and Other LGSF to LGUs

In response to the plight of Local Government Units brought about by the COVID-19 pandemic, the ROs ensured the immediate processing and release of Internal Revenue Allotment and other Local Government Support Funds (LGSF) to finance the various programs and initiatives of the LGUs.

The ROs exerted efforts to coordinate with the government banks to ensure that the funds due to LGUs were downloaded on the indicated value date, usually ahead of the standard posting date.

Reaching out to Stakeholders

In order to connect with stakeholders despite the strict quarantines measures, ROs posted advisories and guidelines on new online process and streamlined documentary requirements including video presentation through online and social media accounts. The ROs likewise established their own social media accounts as venues where the transacting public can post queries and concerns so the field personnel can immediately address them.

Finally, ROs played a vital role in facilitating financial literacy briefings on government securities in 2020 .These were primarily carried out through online investor briefings in lieu of the usual on site road shows.

Improved Facilities and Customer Service

In 2020, the Bureau continued to embark on providing a comfortable and respectable environment to its stakeholders and employees and achieve a distinctive image at par with most NGA offices.

Amidst the pandemic environment, eight Provincial Offices transferred to new strategic locations that are accessible and at a reasonable distance from authorized government banks and outside traffic-prone sites to uplift the working conditions of the Provincial Offices occupying ageing facilities.

Procurement of uniform furniture and fixtures for 63 Regional and District/Provincial Offices was initiated in line with improving the working environment of the field offices. The project for the procurement and installation of office signages for the 52 sites was also completed during the year.

Repairs and improvement of facilities of Regional Office buildings were also undertaken to maintain the conducive physical and working environment for the transacting public and the Bureau's employees.

SUPPORT OPERATIONS

PROTECTING OUR MOST IMPORTANT ASSET – OUR PEOPLE

During the imposition of Enhanced Community Quarantine (ECQ), the Bureau of the Treasury swiftly adjusted its operations not only to capacitate its employees to adjust to the new work environment but also to protect and promote their physical and mental well-being.

The Bureau adopted alternative work arrangements wherein a skeleton workforce managed the day to day operations on-site while a majority worked remotely to continuously provide the required services.

With the alternate working arrangements in place, BTr employees were provided options to bring home their office desktop PCs to enable secure remote access to work files and applications. The fast deployment and shipment of equipment including printers and scanners to Regional and Provincial Offices also eased the strain on Bureau operations.

HARNESSING THE POWER OF TECHNOLOGY

Through the help of technology, BTr developed and implemented the use of new IT programs in 2020, enabling employees to work safely and without disruptions amid the COVID-19 pandemic. Further, the Systems Development Division – Management Information Systems Service has also provided continuous BTr website content management, coordination and administration of online Treasury mail systems, office tools, and the connectivity to the BTr Regional and Provincial Offices, as well as other various technical support for the critical operations of the Bureau.



Contactless Biometrics

Enables zero contact to avoid the risk of infection by configuring the facial recognition device system to detect employees from a distance



Online Daily Time Record

Facilitates in monitoring of respective time records in real-time from workstations instead of physically queuing in-front of the biometrics devices



Online Contact Tracer

Digitally records and monitors daily interactions of BTr employees deployed on-premises.



Antivirus Licenses

Protects the Bureau from malware attacks



Microsoft Enterprise Agreement Licenses

Gives access to the latest software and technologies

Bureau of the Treasury

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