



*Funding the Republic*

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

**June 6, 2022**

**PRESIDENT RODRIGO ROA DUTERTE**

Republic of the Philippines  
Malacañang, Manila

Dear **Mr. President:**

It is my honor to present the accomplishments of the Bureau of the Treasury under the President's leadership.

The report features the substantial contributions of the Bureau amidst a challenging financial environment in support of the administration's goals towards inclusive economic development.

On behalf of the officials and employees of the Treasury, I would like to take this opportunity to thank the President for the support in our pursuit of fiscal management and objectives. Rest assured that the Bureau will uphold its role as the steward of the National Government's resources, contributing towards recovery and resiliency.

Very truly yours,

**ROSALIA V. DE LEON**

*Treasurer of the Philippines*

ISO 9001:2015 Quality Management System  
Certificate No. SCP000233Q



# **Bridging the Gap to a Brighter Tomorrow**



BUREAU OF THE TREASURY  
**2016-2021 Report**

# Mission

To efficiently and effectively manage the financial resources of the government by maximizing revenues from available funds and minimizing costs of financing whenever possible.

# Vision

To be a proactive manager of the public funds characterized by active duration management, minimization of interest rate risks and hedging of financial risks.



# The Treasurer's Message

Amidst the challenges brought about by the COVID-19 pandemic, the Bureau of the Treasury (BTr) was poised to carry out its role of stewarding the nation's coffers and funding the Republic.

Long before the crisis, the Bureau took advantage of favorable rates in implementing the borrowing program to improve the profile of outstanding obligations by tapping various sources while diversifying its investor base. The Treasury raised funds mainly from the domestic market to avoid risks associated with foreign exchange fluctuations and to support the development local capital market.

The Bureau also strengthened access to international capital markets through its issuance of US Dollar, Euro, Renminbi and Yen-denominated securities. The issuances gained overwhelming market support, underpinning the strong foreign investor confidence in the country's macroeconomic fundamentals.

In addition, the Treasury garnered robust support for its retail issuances including the Retail Treasury Bonds and the landmark issuance of the Premyo Bonds and the retail dollar bonds or RDBs. These retail issuances increased financial awareness among small investors, allowing them to grow their hard-earned money while taking part in nation-building.

# The Treasurer's Message

To make investing more accessible, the Treasury partnered with private and government financial institutions to make government securities (GS) available through online investment facilities. Aside from the online ordering facility of the BTr, GS investments may now be coursed through the mobile banking applications of the Land Bank of the Philippines, Overseas Filipino Bank, and Bonds.Ph.

Alongside prudent liability management, the Treasury maximized its cash resources through strengthened cash management. With the help of the top spending National Government Agencies (NGAs), the Bureau was able to program cash flows and adapt to the funding needs of the government. In doing so, the Bureau saw strong earnings from its investments of otherwise idle funds, supplementing other sources of funding for the government.

The Bureau also provided protection to the National Government's tangible assets through the Parametric Insurance Program which provided adequate and comprehensive insurance coverage to the identified strategically important government assets against natural disasters. This also led to the country's maiden issuance of the catastrophe-linked bonds that shore up disaster risk financing in the country.

We harnessed the power of technology to ensure business continuity and streamline our operations. In 2018, the Treasury launched the National Registry of Scripless Securities to update the repository of government securities holdings and to serve as the main point for Government Securities Eligible dealers in purchasing treasury bills and bonds.

# The Treasurer's Message

Amidst the pandemic, we introduced the Online Fidelity Bonding System and our first ever mobile application, the BTr app, to allow our stakeholders to conduct transactions with the Treasury right at their fingertips.

All these achievements would not have been possible without the support and dedication of our hardworking personnel who produced outstanding results in the face of adversities. Through collective effort, we were able to build a strong and resilient foundation in support of our mandate to fund the republic.

Knowing that the road to recovery will not be easy, the Bureau stands steadfast towards a bigger, better, and stronger Republic.



**ROSALIA V. DE LEON**

Treasurer of the Philippines



## Highlights of Accomplishments



documented  
**329,172**  
non-financial assets of the  
National Government



## Diversified investor base

through the issuance of  
innovative retail government  
securities

**73%**  
of funding  
from local sources



raised  
**P2.2 trillion**

to fund the National Government's  
funding requirements



**8**  
millionaires through  
the Premyo Bonds  
program

## Increased retail investor participation

as share of retail treasury bonds to  
overall debt went up to 35.1% from  
19.4%.



# PRUDENT AND INNOVATIVE FUNDING OPERATIONS



# Financed the National Budget

The current administration programmed the budget deficit at three percent of GDP to fund increased investments in infrastructure and social services, among other priorities. This, along with debt servicing and cash buffers, constitute the annual financing requirement of the National Government (NG).

The primary mandate of the Bureau of the Treasury is to ensure that the financing requirement of the government is met at the lowest possible cost, consistent with a prudent degree of risk.

For 2021, the government raised a total of PHP 2.4 trillion in borrowings. The elevated financing requirements were attained while ensuring the manageability of the resulting debt obligations of the National Government. This was accomplished through a responsive borrowing program that took advantage of strong market support while further diversifying the investor base for Government Securities.

# Debt Management Strategies



# Heavy Preference for Domestic Financing

From 2016 to 2021, domestic and foreign financing averaged 73 percent and 27 percent, respectively. The bias towards domestic financing is to attenuate the foreign currency risk exposure of the debt portfolio.

Domestic borrowing also facilitated the broadening of the local bond market and enabled the issuance of benchmark-sized (greater than PHP 70 billion) bonds at key tenor points (1Y, 3Y, 5Y, 7Y, 10Y, 20Y). This provided corporate borrowers with efficient pricing reference for their own financing operations.

## Diversified External Issuances

Maintaining our presence in multiple hard currency bond markets ensures uninterrupted access to funding in the event that one of the markets become inaccessible.

Global bonds have been issued in multiple hard currencies, particularly in the jurisdictions of top trading partners with stable foreign currency receipts and large savings pool such as the United States, Japan, China and the European Union.

# Diversified External Issuances

<b>Samurai Bonds</b>	<ul style="list-style-type: none"><li>• August 2018: JPY 154.2 billion (3, 5, and 10-year)</li><li>• August 2019: JPY 92 billion (3, 5, 7, and 10-year)</li><li>• March 2021: JPY 55 billion (3-year)</li></ul>	<ul style="list-style-type: none"><li>• In its August 2018 issuance, the ROP returned to the Samurai bond market after 8 years.</li><li>• In March 2021, the ROP launched the first-ever zero-coupon bond transaction issued in the Samurai bond market. The new 3-year Samurai tranche was priced at 21 bps above the benchmark, the tightest spread the Republic has achieved so far since its return to the market in 2018.</li></ul>
<b>Euro Bonds</b>	<ul style="list-style-type: none"><li>• May 2019: EUR 750 million (8-year)</li><li>• February 2020: EUR 1.2 billion (3- and 9-year)</li><li>• April 2021: EUR 2.1 billion (4-, 12-, and 20-year)</li></ul>	<ul style="list-style-type: none"><li>• The ROP returned to the European bond market after 13 years in May 2019, raising EUR 750 million.</li><li>• In February 2020, the ROP had its lowest coupon Euro-denominated issuance and first ever zero-coupon EUR issuance in the international capital markets.</li></ul>
<b>Panda Bonds</b>	<ul style="list-style-type: none"><li>• March 2018: RMB 1.46 billion (3-year)</li><li>• May 2019: RMB 2.5 billion (3-year)</li></ul>	<ul style="list-style-type: none"><li>• In March 2018, the ROP issued its inaugural RMB-denominated bonds or Panda bonds. The Philippines became the first ASEAN member to issue Panda bonds.</li></ul>

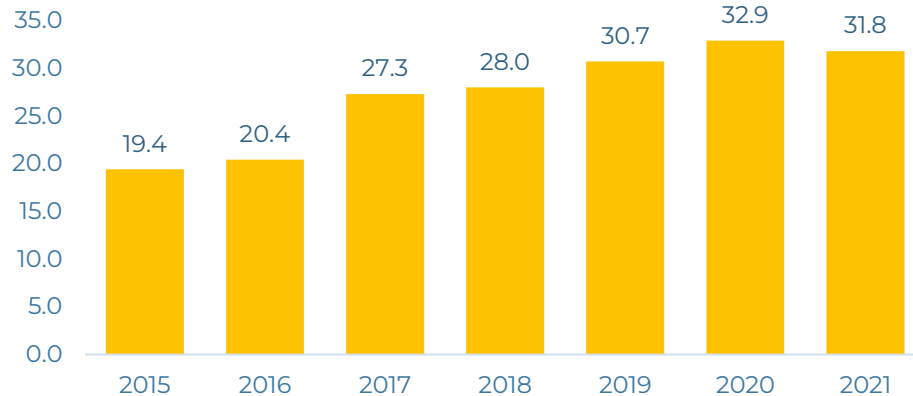
# Strong Domestic Retail Outreach in Support of Financial Literacy and Inclusion

The NG endeavored to shore-up the participation of small savers through the issuance of Retail Treasury Bonds (RTBs), Premyo Bonds, as well as the inaugural issuance of the Retail Onshore Dollar Bonds (RDBs). These were done alongside a financial literacy drive and the development of online selling platforms to support financial inclusion.

The retail bond program caters to small savers as the minimum investment to participate has been reduced to PHP 5,000 only. Moreover, offer periods of RTBs are accompanied by roadshows that target non-traditional investors in provinces (e.g., LGU, cooperatives, retirees), as well as offshore Filipino communities. The initial investment requirement was further reduced to PHP 500 for the Premyo Bonds which also offered cash and non-cash rewards during each of the quarterly draws. On the other hand, investors may place their minimum investments in RDBs at just USD 300, or around PHP 15,000. Access was broadened through the mobile banking application of the Land Bank of the Philippines, Overseas Filipino Bank, Bonds.Ph, and the Treasury's Online Ordering Facility.

Active individual participation has enlarged the share of retail bonds to more than 30% of total outstanding government securities from only 19% in 2015. This supports better financial inclusion while extending the benefits of higher returns and safety accorded by Government Securities to more Filipino small savers.

### Share of RTBs to Total Local Currency Debt (in %)



# Active Liability Management through Bond Exchanges

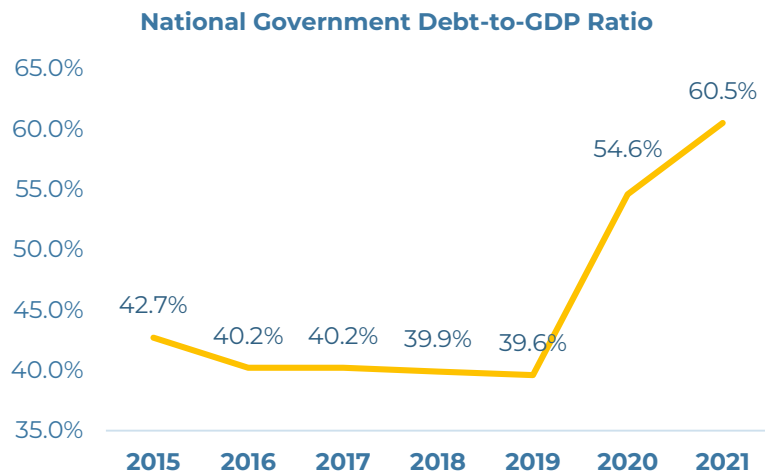
The NG also actively pursued liability management transactions such as bond exchanges to improve the debt profile whenever market conditions were conducive.

Bond exchange transactions were undertaken in both foreign and domestic bond markets, wherein existing bondholders were offered to exchange their near-maturing for new issuances to extend maturity. These transactions reduce the bunching up of principal repayments and lengthen the maturity profile, minimizing refinancing risk.

# Maintaining Debt Sustainability

## Strong growth spurred the initial continued improvement in debt sustainability

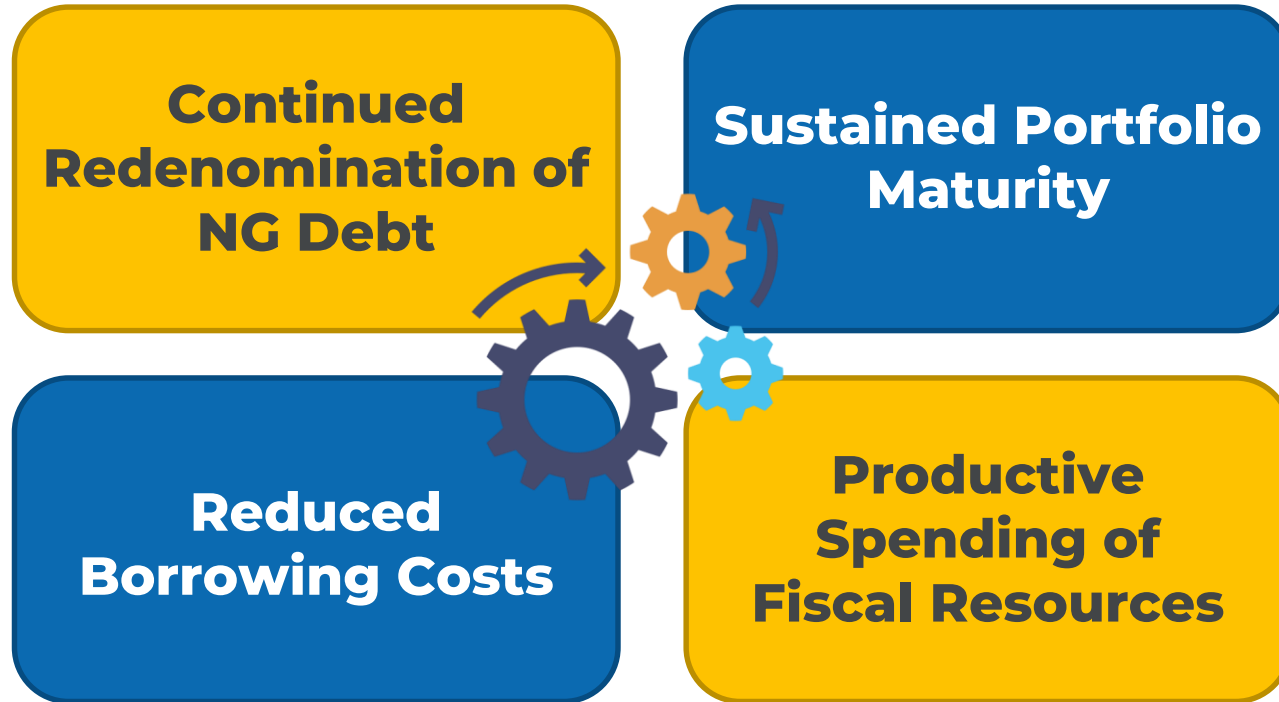
At the end of 2019, despite modest growth in outstanding debt, the Philippine government was able to bring its debt-to-GDP ratio, the usual measure of debt sustainability, to a historic low of 39.6% from 42.7% in 2015.



The higher spending for the COVID-19 response and the drop in revenues due to limited economic activity caused the debt-to-GDP ratio to rise to 54.5 percent in 2020 and subsequently to 60.5 percent in 2021 as economic recovery is just starting to take hold. Nonetheless, the end-2021 level is still in line with prudent bounds of fiscal viability and the experience of our rating peers.



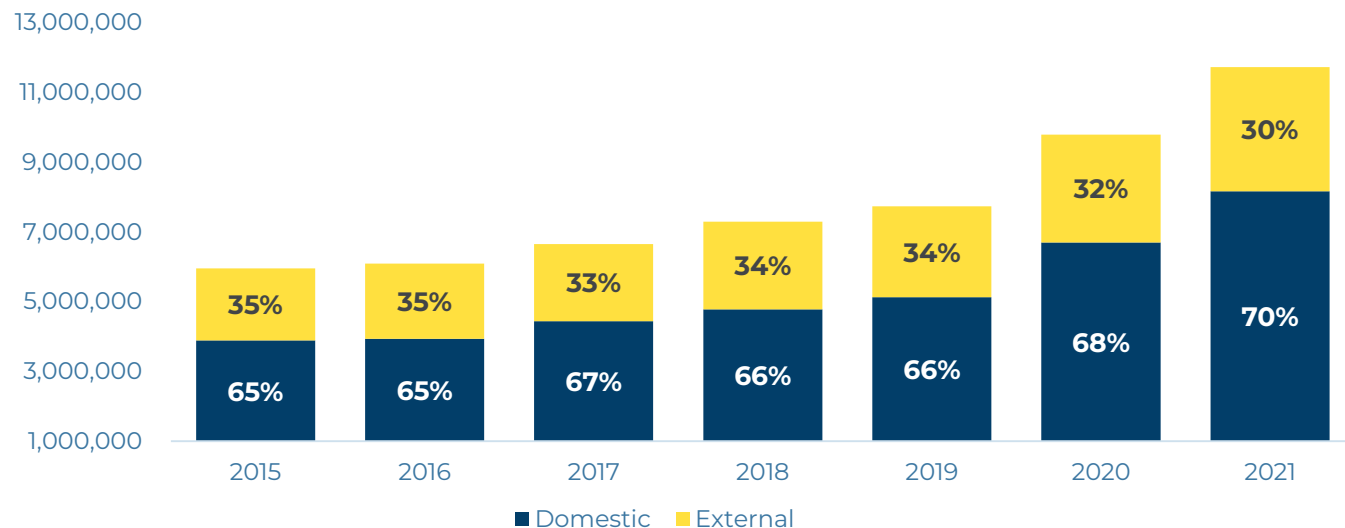
# Robust Debt Profile



# Continued Redenomination of NG Debt

The currency composition has been reoriented to 70% domestic versus 30% foreign as of end-December 2021. Compared to the mix of 65% domestic to 35% foreign in 2015, this reflects reduced volatility caused by foreign exchange fluctuations.

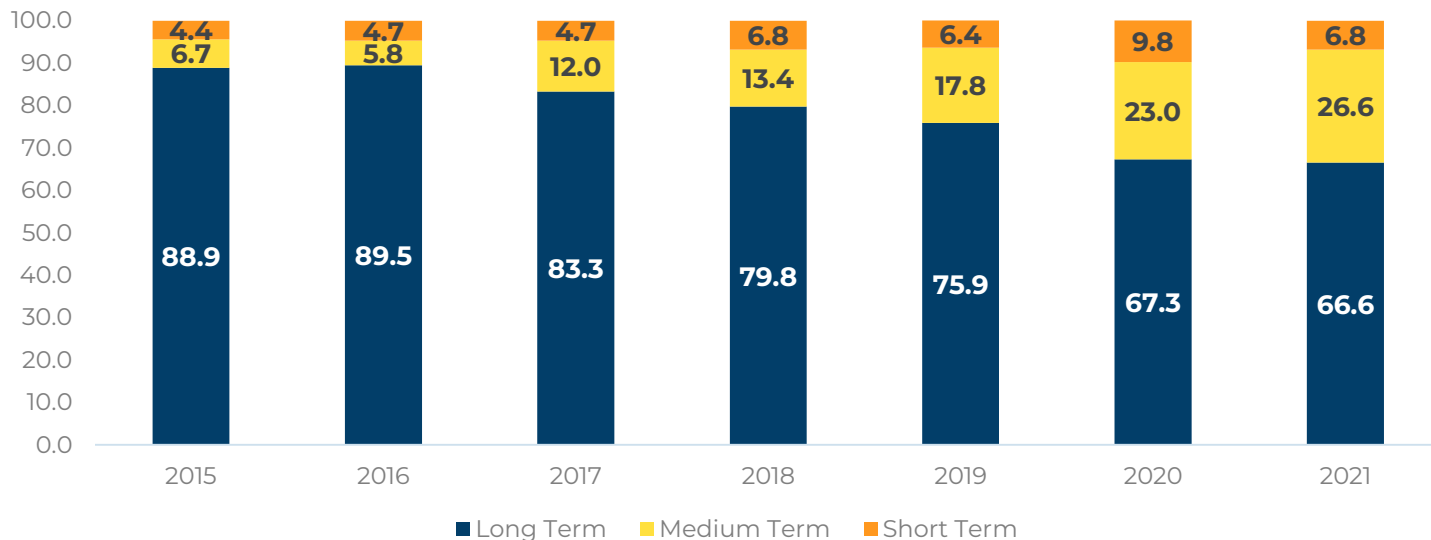
**National Government Outstanding Debt (in PHP millions)**



# Sustained Portfolio Maturity

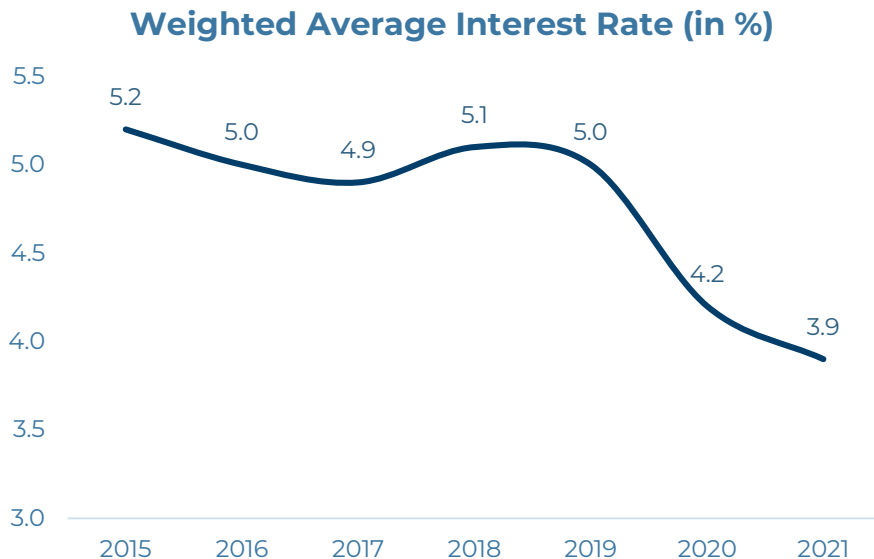
In terms of tenor composition, the debt portfolio remains predominantly of medium- (between 1 year to 7 years) to long-tenors (more than 7 years), indicating better management of refinancing requirements.

Outstanding Debt by Tenor (in %)



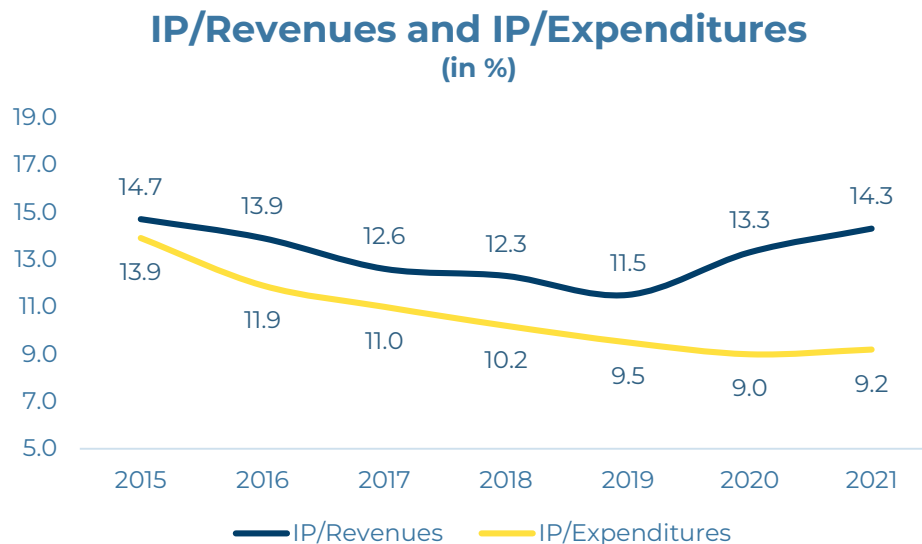
# Reduced Borrowing Costs

The implementation of the borrowing strategy alongside robust market support has led to the reduction in borrowing costs in terms of the weighted average interest rate to 3.9% as of December 2021 from 5.2% in 2015. This has created fiscal space for more productive spending while retaining a disciplined fiscal stance.



# Productive Spending of Fiscal Resources

The ratio of interest payments to revenue significantly declined to 11.5 percent in 2019 from 14.7 percent in 2015. Likewise, the ratio of interest payments to expenditure dropped to 9.5 percent from 13.9 percent over the same period. This reflects that we have been able to refinance at lower rates and that more fiscal resources are being funneled towards meaningful and productive spending rather than debt servicing. Naturally, the impact of the pandemic has caused levelling-off and reversal of prior gains as revenues slowed down and markets reacted to the crisis and higher uncertainty.



# CAPITAL MARKET DEVELOPMENT



# Better benchmarking and pricing of Government Securities

Collaboration with the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BCP), and the BTr led to the adoption of the Bloomberg Valuation (BVAL) as a more robust financial benchmark in October 29, 2018. This has resulted in minimal volatility in benchmark rates and more efficient primary market pricing even during instances wherein the market was illiquid.

Tenor	Avg. Deviation in Basis Points (R2)	Avg. Deviation in Basis Points (BVAL)
91-day	11.7	8.0
182-day	37.4	5.2
364-day	18.4	4.2
3-year	39.5	7.0
5-year	38.6	12.3
7-year	22.2	12.9
10-year	12.3	10.5
20-year	37.2	13.1

# Implemented enhanced GSED Program

Treasury Circular No. 1 – 2018 in February 2018 formalized the implementation of the Enhanced Government Securities Eligible Dealers (GSED) Program wherein it recognized the top performing GSED – Market Makers who will have a set of privileges and obligations in the primary and secondary GS markets.

GSEDs are evaluated according to auction participation and bid efficiency. GSEDs are also assessed based on their cooperation and support for BTr's capital market development initiatives, special GS issuances and transactions, and human resource development activities. The program has resulted in higher bid-to-cover ratios during Treasury auctions and improved secondary market activity.

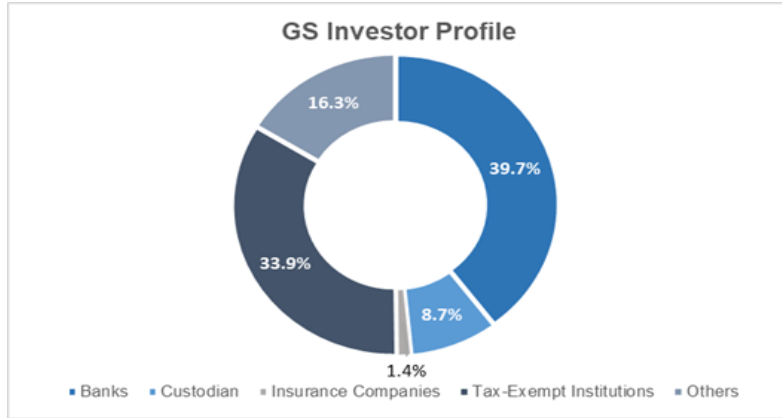


# Better market coordination and participation

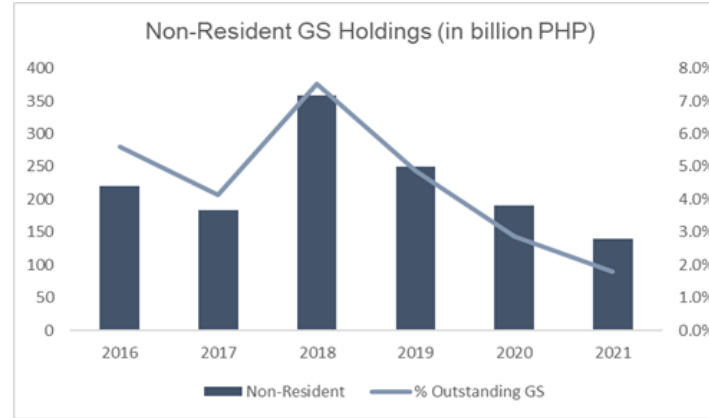
The BTr conducts quarterly market consultations with its GSED – Market Makers to assess domestic market demand as well as potential demand from offshore investors. The BTr then incorporates these in the formulation of its borrowing strategy.

The BTr also communicates with other market segments such as trust entities, fund managers, GOCCs, and insurance companies in formulating new funding structures to diversify its investor base. As a result, secondary market trading of government securities has gradually shifted from a purely inter-dealer market into one with active qualified investors and brokers, further diversifying the investor base of government securities. In 2021, trading volume done by investors reached P3.05 trillion.





The holders of government securities are composed of various segments of the market with only a small percentage owned by foreign entities. GS Investor Profile as of Nov 2021 showed that banks were the largest investor category in the GS market with a 39% share equivalent to PHP3.13 trillion.



Non-resident holders only account for 1.8% of the total outstanding domestic GS. This acts as a natural hedge and minimizes volatility under uncertain market conditions.

# Established GS Repo market

To enhance funding and trading liquidity in the local bond market, the BTr launched the GS Repo Market in 2017. The program gives market participants the ability to provide two-way quotes which would lead to better price discovery.

The Repo utilizes Bloomberg as the trading platform which is directly linked to the Philippine Depository and Trust Corp. System, enabling a straight-through processing and surveillance of all repo trades.

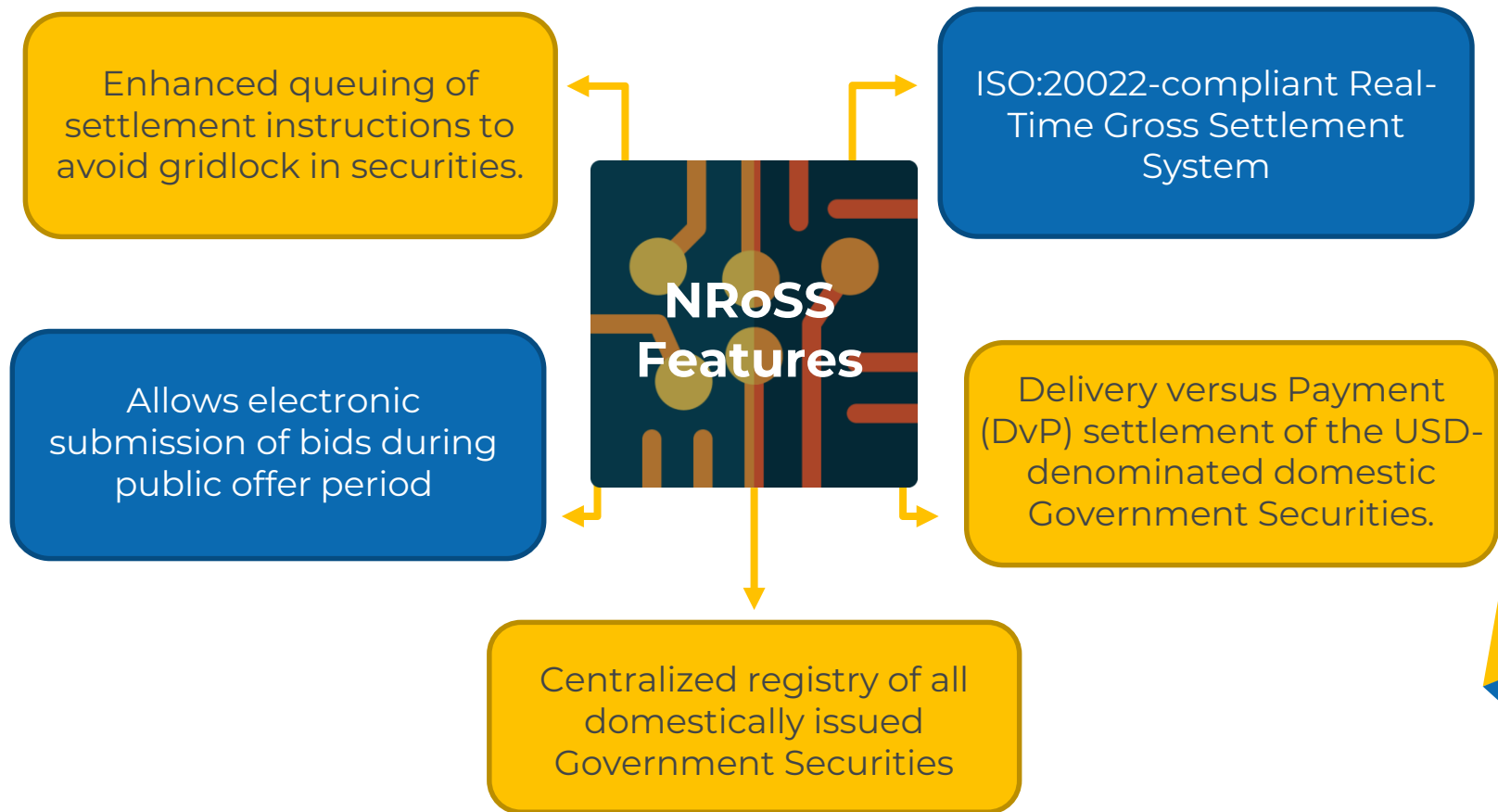
As of end-2021 there are 28 participants consisting of 25 banks and 3 brokers in the repo market

# Modernization of Market Infrastructure

To adapt to the changing market environment, the BTr has taken steps to modernize the auction platform and registry of securities to mitigate possible operational and reputation risks.

On August 28, 2018, the BTr successfully launched the National Registry of Securities System (NRoSS). The NRoSS replaced the BTr's legacy systems and provides a more efficient and functional platform that streamlined the auction and registry process as well as back-end operational procedures.

# Modernization of market infrastructure



# Strengthening the Buy-Side of the Market

## Corporate Pension Reform

Under the Corporate Pension Reform, it is envisioned that there would be a transition from a Defined Benefit Scheme as outlined under RA 7641 or the “Retirement Pay Law” to a fully funded corporate pension system or a Defined Contribution Scheme in order to address the shortcomings of the current legislation such as unfunded/underfunded pension liabilities, lack of portability of retirement accounts, and inadequacy of pension benefits.

The transition to a fully funded corporate pension system allows for the creation of a supply of capital that would develop a broad institutional investor base to sustain demand for long-term assets and increase contractual savings to enable the mobilization of a large pool of funds.

## Passive Income and Financial Intermediation Taxation Act (PIFITA)

The PIFITA legislation is the 4<sup>th</sup> tranche of the Comprehensive Tax Reform Program which seeks to simplify the taxation of passive income, financial services and transactions in order to attract foreign capital and investments as a means to finance infrastructure projects, promote inclusive growth and increase competitiveness with regional peers.

PIFITA aims to address several deficiencies in the Philippine taxation system such as the complicated tax structure, susceptibility to arbitrage, inequitable distribution of tax burden and high administrative costs. PIFITA intends to shift from the traditional bank-centric financing to a capital-market related source of financing, making long-term infrastructure financing needs more cost-efficient.

PIFITA also seeks to simplify tax rates and bases from the current total of 80 uniquely imposed on capital income, financial intermediaries and transactions to 36, reducing mismatch in the implemented tax structure. PIFITA also proposes to harmonize and lower the tax rates on interest income and dividends to a uniform rate of 15% across financial instruments. PIFITA will also promote financial inclusion as the reduction in tax rates would help encourage ordinary savers and investors to continue saving and investing.

## Collective Investment Schemes Law (CISL)

The proposed CISL is intended to be the sole tax regime for CIS products, which seeks to eliminate tax arbitrage among CIS. To ensure investor protection and stability in the CIS industry, all CIS shall be covered, regulated, and must comply with the rules and regulations set under the proposed law.

The bill also ensures that a company acting as fund manager for a CIS should be duly licensed by the appropriate regulatory agency, organized as a stock corporation and with a minimum paid-up capital of not less than P100 million.

- The measure provides for the creation of a committee on CIS to be composed of the Securities and Exchange Commission (SEC) and the Insurance Commission (IC), to oversee the implementation of this proposed act.

A Memorandum of Agreement between the IC and SEC will formalize the roles and responsibilities, particularly the jurisdiction of the IC on the insurance component and the jurisdiction of the SEC on the investment component, ensuring that there would be no regulatory overlap between the two agencies.



# 3

## EFFECTIVE CASH & ASSET MANAGEMENT



# Management of the National Government's Non-Financial Assets

## **Establishment of the National Asset Registry System (NARS)**

To improve the risk management of the non-financial assets of the National Government (NG), the Inter-Agency Committee on Government Property Insurance recommended the building of the inventory of the assets of the NG and to be maintained with the BTr to serve as a database of asset data for use in risk and asset management.

The NARS provides a comprehensive and consolidated registry of the non-financial strategically important and critical assets of the Government for more efficient asset management. It contains asset data that are useful for the development of financial and fiscal disaster risk assessment, insurance profile, asset valuation and asset lifecycle. Moreover, the asset data may also be used in asset and risk mapping, through the use of Geographic Information Systems, to provide for visualization and dashboard reporting relative to disaster risk and asset management. Information can also be extracted for Disaster Risk Financing Analytics and risk modelling and identification of uninsured or underinsured assets.

## 5 Pilot Agencies



Department of  
Education

Building and  
School Building

319,939



National  
Irrigation  
Authority

Water Systems

247



Department of  
Information and  
Communications  
Technology

Land, Buildings  
Towers

711  
1,580



Power Sector  
Assets and  
Liabilities  
Management  
Corporation

Power Plants

15



Department of  
Science and  
Technology

Land, Building,  
and School  
Building

220



Department of  
Health

Buildings,  
Hospitals, and  
Rehab Centers

673



Department of  
Public Works and  
Highways

Roads  
Bridges

33,119 km  
8,337



Department of  
Social Welfare and  
Development

Building and  
Centers

388



**PHP 1.9 Trillion**

Estimated Value of Assets

**329,372**

Various Assets of  
Government Agencies



\*33,119 km Roads  
8,377 Bridges

\*As of December 2021

## Other Agencies



Philippine Ports  
Authority

Land and Port  
Structures

2,505



Civil Aviation  
Authority of the  
Philippines

Building and Airport  
Structures

1,005



Office of  
Transport  
Security

Building and ICT  
Equipment

595



Maritime  
Industry  
Authority

Land and  
Building

27



Clark International  
Airport Corporation

Building  
Structures

12



Philippine  
National Railways

Station Structures

245



Land  
Transportation  
Office

Land Building Structure  
& Equipment

37



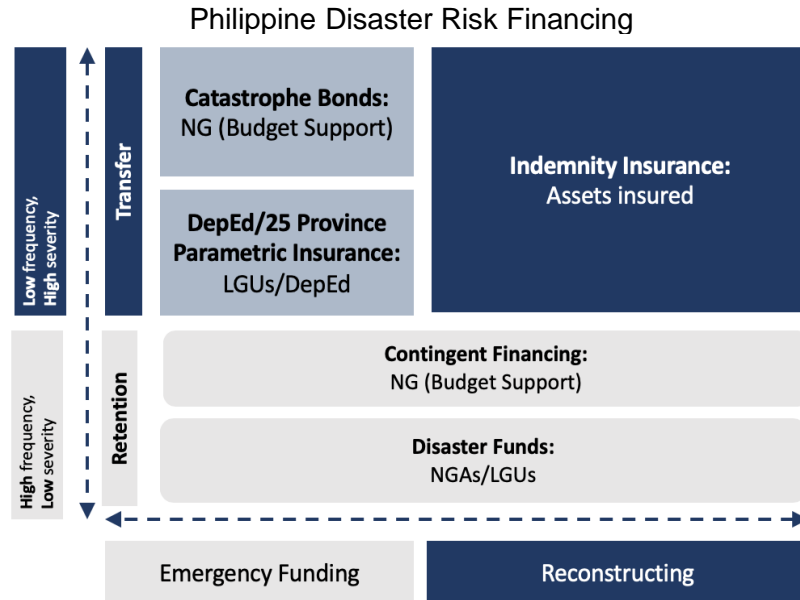
MIA

Land and  
Building

845

# Strengthened Resilience through Disaster Risk Financing (DRF) Initiatives

The BTr has adopted risk layering based on the frequency and severity of disaster events under the rationale that government funds will be depleted if all risk are retained while transferring all risk would be too costly. As such, risk transfer is adopted for events with high severity but low frequency, while risk retention are for events with low severity but high frequency. The DRF instruments provide emergency funding and is usually used for reconstruction and rehabilitation.



## **Issuance of Catastrophe Bonds (Cat Bonds)**

The Philippine Cat Bond is a three-year instrument (24 November 2019 – 02 December 2022) issued by the World Bank (WB) with the Philippine Government as sponsor which makes use of the WB Capital-at-Risk Notes Facility. The Cat Bond is an insurance-linked security that transfers a specific set of risks to the capital market.

The facility has a nationwide coverage of USD 75 million for earthquakes and USD 225 million for typhoons, with payouts based on a three-step modeled loss trigger. The Cat Bond covers the higher risk layer- events that are more severe, but does not happen as frequently with the proceeds to be used for budgetary support.

# Strengthened Resilience through Disaster Risk Financing (DRF) Initiatives

## Issuance of Catastrophe Bonds (Cat Bonds)



## Cat Bonds Summary of Terms

<b>Covered Area</b>	Nationwide
<b>Beneficiary</b>	National Government
<b>Use of Proceeds</b>	Budget Support
<b>Perils Covered</b>	Typhoon, Earthquake
<b>Maximum Coverage</b>	USD 300 Million (USD 200 M for typhoon; USD 100 M for earthquake)
<b>Period Covered</b>	3 Years
<b>Trigger and Payout Structure</b>	3-Step 35% Payout: 1-in-19 Years 70% Payout: 1-in-40 Years 100% Payout: 1-in-100 Years
<b>Transactions Involved</b>	Swap Contract (Derivative) Bond Issuance
<b>Risk Taker</b>	Investors
<b>Facility</b>	World Bank Capital-At-Risk Notes Facility

The issuance of the Catastrophe Bonds was the first of many for the country: first Philippine-sponsored Cat Bond; first-Asian Sovereign-sponsored Cat Bond; first Cat Bond listed in the Singapore Exchange, first Cat Bond listed in the Asian Exchange; and the first World Bank Bond to be listed in Singapore.

## **Parametric Insurance**

The Parametric Insurance covers typhoons and earthquake with 25 priority provinces located along the eastern seaboard and DepEd (2018 program) as beneficiaries.

The Philippine Parametric Insurance Program was funded through the 2017 and 2018 General Appropriations Act. PhP 1 Billion was appropriated in 2017 while 2B was appropriated under the General Appropriations Act (GAA). The BTr has successfully placed the 2017 and 2018 policies.

The facility uses a two-step modeled loss trigger that allows the Government to receive partial payout for less severe events and full payouts for extreme events. The policy holder is the BTr with GSIS as the insurer and the World Bank as re-insurer.



# Strengthened Resilience through Disaster Risk Financing (DRF) Initiatives

## Parametric Insurance Summary of Terms

	2017 Parametric Program	2018 Parametric Program
<b>GAA</b>	2017	2018
<b>Total Budget</b>	PhP 1B	PhP 2B
<b>Net of Taxes</b>	PhP 888M	PhP 1.77B
<b>Coverage Period</b>	28 July 2017 – 27 July 2018	19 December 2018 – 18 December 2019
<b>Payouts Received</b>	PhP 83.5M - Vinta	PhP 848M – Zambales EQ PhP 490M - Tisoy
<b>Covered Areas</b>	25 Eastern Seaboard Areas	
<b>Perils Covered</b>	Typhoons, Earthquake	
<b>Beneficiaries</b>	25 Provinces	25 Provinces, DepEd
<b>Trigger Structure</b>	2 Step: 1-in-10 – 40% Payout   1-in-30 - 100% Payout	
<b>Premium Allocation</b>	50% of Premium for Provincial Typhoon Trigger 40% of Premium for Regional Typhoon Trigger 10% of Premium for Regional Earthquake Trigger	

# Effective Cash Management

## **Treasury Single Account (TSA) Reporting and Monitoring System**

The Treasury Single Account (TSA) is a unified structure of government bank accounts managed by the BTr. This was established in 2014 as part of the Public Financial Management (PFM) Reform Roadmap for better cash management through accurate and timely information on cash resources.

As part of the initiatives to implement the TSA, the TSA Reporting and Management System (TRAMS) was developed to provide the BTr a daily consolidated view of its cash position through a web-based application accessible through a secure FTP site.

## **Stronger relationship with implementing agencies**

BTr regularly holds Cash Programming Committee meetings to better gauge cash flow projections and disbursement releases. In 2014, the BTr began coordination of Cash Forecasting with the top ten spending departments/agencies, which was then known as the Club of 10. Ten more disbursing agencies were included in 2017, to comprise the FINEX Club.

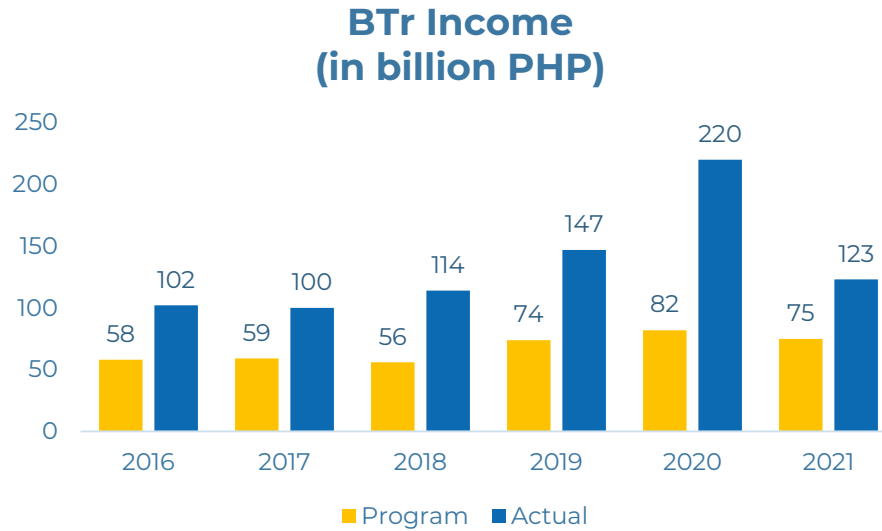
In 2018, DBM and BTr shifted to a Cash Planning Report through the issuance of Treasury Circular No. 5-2018 dated 31 August 2018. All departments and agencies of the NG were encouraged to submit Cash Planning Reports. The Cash Planning Report Online was introduced in 2019 as an online portal where government agencies can encode their cash plans.

## Government Purchase Cards

The Government Purchase Card Program (GPCP) is an initiative of the Bureau of the Treasury and the Department of Budget and Management with the Land Bank of the Philippines that aims to enhance financial management by reducing agency cash handling and by shortening the liquidation period of obligations to suppliers of goods and services. Furthermore, the program enables the government to develop a database of financial information derived from the transaction records of purchasing card activities which could further support the monitoring of public funds.

The Bureau of the Treasury has been fully implementing the use of the Government Purchase Card in its disbursements since April 2019. As an alternative mode of payment, the GPC allows for the purchase of goods and services without necessarily undermining the need to adhere to Republic Act 9184 or the Government Procurement Reform Act and all existing financial standards and procedures pertinent to regular disbursement transactions

## Generated income through NG Investments



As a result of better cash programming and management, the BTr is better able to identify funds for investment.

Income generated by BTr through investments of these otherwise idle cash has consistently grown from 2016 to 2021. The investment operations also continuously outperform the income targets set every year.

# Instituted the Coconut Farmers and Industry Trust Fund Management Committee

Republic Act (RA) No. 11524 or the Coconut Farmers and Industry Trust Fund Act was signed into law on 26 February 2021 and took effect on 13 March 2021. The law mandates the implementation of reforms in the coconut industry and the efficient utilization of the trust fund in accordance with the Coconut Farmers and Industry Development Plan for the benefit of coconut farmers and of the whole industry. The IRR of Sections 9-11 of RA No. 11524 became effective on 25 June 2021.

Pursuant to Section 12 of RA No. 11524, the Trust Fund Management Committee (TFMC) was also formed to draft the IRR of Sections 9 to 12 of the Act. The TFMC is composed of authorized representatives from the Department of Finance, Department of Justice, and Department of Budget and Management with the BTr as secretariat.

# 4

## EXPANDED MONITORING OF CONTINGENT LIABILITIES



# Expanded Monitoring of Contingent Liabilities

Explicit contingent liability of the ROP covers the direct guarantees to the borrowing of the country's government-owned or controlled corporations (GOCCs) and contractual obligations from PPP projects including legacies. Exposure has been estimated at PHP 770.15 billion or 4.3% of GDP.

Meanwhile, the NG have also expanded the monitoring of large exposures to unfunded liabilities of (3) social security institutions, and (4) MUP obligations.

Summary of CLs (in PHP billion)	2020	% of Total	% of GDP
I. NG Direct Guarantees on GOCC loans	458.35	1.5%	2.6%
II. PPPs	311.80	1.0%	1.7%
III. Social Security Institutions	9,935.68	32.8%	55.4%
GSIS	2,042.25	6.7%	11.4%
SSS	6,767.25	22.4%	37.7%
Philhealth	1,126.18	3.7%	6.3%
IV. MUP	9,617.03	31.8%	53.6%
<b>Total</b>	<b>30,258.54</b>	<b>100.0%</b>	<b>168.7%</b>



# Expanded Monitoring of Contingent Liabilities

## Direct Liabilities

BTr provides quantitative input to the Secretary regarding requests to guarantee borrowings of GOCCs. Using a risk-based methodology, BTr estimates the probability of default of a GOCC and recommends a corresponding guarantee fee rate which, based on the current schedule, ranges from 0.25% to 1.50%. Additional information on the requesting GOCC, such as existing accounts and arrears with the NG, are also provided. As of December 2021, NG guaranteed debt amounted to PHP 423.9 billion.

### NG Guaranteed Debt (in PHP billions)

2016	2017	2018	2019	2020	2021
513.7	478.1	487.6	488.8	458.4	423.9

# Expanded Monitoring of Contingent Liabilities

## PPPs Risk Management Program

The Technical Working Group on Contingent Liabilities, composed of BTr, DOF, DBM, and PPP Center, requests for annual appropriation to cover potential payments for contingent liabilities that may arise from public-private partnership projects. Under unprogrammed appropriations, the approved amounts for the Risk Management Program (RMP) since 2017 is listed below. To date, no claim has been paid out of the RMP.

### Approved Amounts for the Risk Management Program (in PHP billions)

2017	2018	2019	2020	2021	2022
29.0	23.4	10.0	15.0	1.0	1.0

## **Military and Uniformed Personnel (MUP) Pension Reform**

To prevent fiscal risks to the MUP pension system and the NG from growing, the government is pursuing MUP pension reforms that would make the system more financially sustainable.

The security of pension funding for MUP is at serious risk without the proposed reform. Beyond ensuring the fiscal sustainability of the State, which our men and women in uniform defend, the reform is about saving the MUP pension system.

The reform aims to create the MUP pension fund, impose mandatory contributions, remove automatic salary indexation, and identify funding sources for the pension system.

## **Asset Liability Management Committee (ALCO)**

The ALCO ensures the implementation of a comprehensive and proactive risk management mechanism on the investment activities of the GFIs, allowing them to effectively assess, monitor, and evaluate their investment performance, exposures, and limits in private conglomerates, including their subsidiaries and affiliates, to avoid concentration risk. It is tasked to monitor the current investment exposures of all GFIs in private conglomerates, including their subsidiaries and affiliates.

The DOF instructed to formalize the establishment of the ALCO. The proposed members will be the Land Bank of the Philippines (LANDBANK), the Development Bank of the Philippines (DBP), the Social Security System (SSS), the Government Service Insurance System (GSIS), the Philippine Health Insurance Corporation (PhilHealth), and the Pag-IBIG.

# 5 COVID-19 RESPONSE



# Financing the COVID-19 Response

As part of the COVID-19 response effort in 2020, the BTr focused on pooling resources in close coordination with other NGAs to support various welfare programs and response efforts of the government. In accordance with Republic Act No. 11469 or the *Bayanihan to Heal as One* Act, the BTr provided PhP 100 billion in funding, including PhP 50 billion from the cash balances maintained by NGAs outside the TSA. Dividend collections from GOCCs were up by more than 154% at PhP 135.5 billion in 2020 in accordance with the law to help shore up government resources.

BTr also tapped short-term funding from the BSP at 0% interest initially through a PhP 300 billion, 3-month repurchase (repo) agreement in March 2020. After the maturity of the repo agreement, the borrowing arrangement was turned into a PhP 540 billion, 0% interest, 3-month loan in October 2020.

BTr built a comfortable cash buffer through international bond issuances and retail bond offerings at favorable rates amid the COVID-19 crisis. These provided the government with sufficient cash resources to meet the spending requirements of the pandemic response effort.

# GUIDE Bill

The Government Unified Initiative to Distressed Enterprises for Economy Recovery (GUIDE) Bill is part of the economic recovery packages of the Duterte administration that aims to strengthen the capacity of Government Financial Institutions, (i.e., Land Bank of the Philippines (LBP), and the Development Bank of the Philippines (DBP)), in order to provide the needed assistance to micro, small, and medium enterprises (MSMEs), and other strategically important companies (SICs).

The GUIDE Bill has two key elements to ensure that MSMEs and SICs continue to thrive and generate employment for Filipinos: 1) the expansion of lending programs of DBP and LBP to MSMEs affected by the COVID-19 pandemic and 2) the creation of a special holding company (SHC), which aims to assist SICs with temporary solvency issues due to the COVID-19 pandemic, subject to strict requirements and conditionalities.

# FIST Act

The Financial Institutions Strategic Transfer (FIST) act aims to provide a mechanism for financial institutions, to be able to offload non-performing assets to third-party buyers in order to free up liquidity for lending to productive sectors and ultimately bolster the capacity of the Philippine banking system to withstand economic shocks.

FIST is an economic measure that allows for the establishment of asset management companies or FIST Corporations (FISTCs) where financial institutions can offload their non-performing assets (NPAs) – with the provision of tax exemptions and fee privileges. The FIST bill is a revival of the Special Purpose Vehicle Act of 2002 which was enacted in response to the 1997 Asian Financial Crisis but introduces several innovations to cater to the present circumstances brought about by the pandemic.



# 5 DIGITALIZATION INITIATIVES



# RTB Online Ordering Facility

In 2019, the Bureau of the Treasury launched its online ordering facility for Land Bank and Development Bank of the Philippines account holders in time for the issuance of the 22<sup>nd</sup> tranche of the Retail Treasury Bonds. Later on, investors and account holders from First Metro Securities Brokerage Corporation and China Banking Corporation were added to the list of those who can purchase retail GS offerings through the BTr's online ordering platform.

In the succeeding year, the Bureau of the Treasury partnered with the Union Bank of the Philippines and the Overseas Filipino Bank to allow investors to invest in government securities remotely through the Bonds.Ph and the Overseas Filipino Bank mobile apps to further increase its reach especially for overseas Filipinos.

# BTR Mobile Application

In its bid to connect to more investors worldwide, the Bureau of the Treasury launched its official mobile application during the maiden issuance of the Retail Dollar Bonds in September 2021.

The app was designed to be a centralized platform to inform users of the functions of the Treasury and the different types of government securities, and provide access to online ordering platforms and other investment channels. The Bureau of the Treasury app is both available for download on the Google Play and App Store.

# Bond Optimizer Application

The Bond Optimizer App (BOP app) allows investment managers to optimize their bond portfolio based on a variety of investment objectives and parameters. In addition, it provides vital investment data such as portfolio maturity, return, and risk, among others, to help investment managers make sound decisions.

In October 2021, the BOP app won as the most popular app at the Bloomberg and CFA Society's "Hackathon: Top of the Quants" challenge.

# Online Fidelity Bonding System

In May 2021, the Bureau of the Treasury launched the Online Fidelity Bonding System which allows accountable public officials to submit applications for Fidelity Bonding online.

Necessary payments can still be done over-the-counter with authorized government depository banks and for the first time ever, through an online channel via Land Bank of the Philippines' Link.Biz Portal.

Ahead of the launch, the BTr conducted online briefings to give an overview and demonstration of the new system to accountable public officials. The sessions were also simultaneously streamed via the Bureau of the Treasury's official Facebook page while small-group sessions were held for cascading to other government offices and other stakeholders.

# 5 ORGANIZATIONAL AND HUMAN CAPITAL DEVELOPMENT



# Established specialized technical units

In 2020, the Bureau of the Treasury started a Risk Analytics Strategy (RAS) Unit to forecast and analyze factors that are relevant to the conduct of treasury operations. The RAS unit conducts research through quantitative and machine learning tools, such as vector auto regression, GARCH models, ARIMA, seasonality and trend decomposition, random forest regression, lasso and ridge regressions, neural networks, and boosting.

Through this, the group is able to provide valuable insights and information for decision-making and improvement of treasury operations.

# Supported learning and development

The Bureau has instituted and conducted various training seminars on a wide range of topics to capacitate employees to be more effective and efficient in their respective fields.

In 2021, BTr employees underwent training seminars covering public finance, treasury management, securities operations, fixed income, risk management, debt sustainability, cybersecurity, as well as leadership, procurement, and records management, among others. The Bureau also sponsored eight (8) employees for the Chartered Financial Analyst Examination. A number has also been allowed to seek further studies from prestigious academic institutions overseas such as The London School of Economics, Cornell University, and The University of Tokyo Graduate School of Public Policy.

## PRIME-HRM

Action and Assist Plans were developed to address gaps in core HRM systems of the Bureau to reinforce efforts in building a competency-based Human Resources by aligning the criteria with ideal competencies.



# Supported learning and development

Treasury Certification Program	50 participants
ICMA – Securities Operations Foundation Qualifications	4 participants
ICMA – Fixed Income Portfolio	4 participants
Enterprise Risk Management Training Course	134 participants
Leadership Skills in Managing Remote Teams	30 participants
Practical Course in Public Finance	14 participants
Auditing ISO 9001:2015 Quality Management System	25 participants
Stanford Cyber Security Course	1 participant
Blockchain Developer Program	10 participants
Online Breach Response and Cyber Security	2 participants



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