

# **Philippines: Technical Assistance Report —Government Finance Statistics Mission**



# PHILIPPINES

## TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS MISSION

October 2021

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# TECHNICAL ASSISTANCE REPORT

## PHILIPPINES

Report on Government Finance  
Statistics Mission (October 19-27, 2020)

**OCTOBER 2021**

**PREPARED BY**

*Anthony Olliffe*



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Cambodia, Lao P.D.R., Myanmar, Vietnam, Indonesia, Malaysia, Mongolia, Philippines, and Thailand

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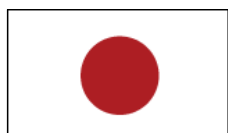
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## Glossary

BLGF	Bureau of Local Government Finances
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of Treasury
CAG	Corporate Affairs Group
COR	Cash Operations Report
DOF	Department of Finance
FPPO	Fiscal Policy and Planning Office of the Department of Finance
GFI	Government Financial Institutions
GFS	Government Finance Statistics
GFSY	<i>Government Finance Statistics Yearbook</i>
GG	General Government Sector
GOCCs	Government Owned and Controlled Corporations
GSIS	Government Service Insurance Scheme
JSA	GFS/PSDS TA Project for Asia
LGU	Local Government Unit
NIA	National Irrigation Authority
OPSD	Outstanding Public Sector Debt
PFC	Public Financial Corporation
PNFC	Public Non-Financial Corporation
PNR	Philippines National Railway
QPSD	Quarterly Public Sector Debt
SGGO	Statement of General Government Operations
SRE	Statement of Receipts and Expenditure
SSIs	Social Security Institutions
STA	IMF's Statistics Department
TA	Technical Assistance

## SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **A remote follow-up technical assistance (TA) mission on government finance statistics (GFS) and public sector debt statistics (PSDS) was conducted, with the assistance of the Department of Finance (DOF), during October 19–27, 2020.** The mission made further progress in implementing recommendations of previous TA missions in the area of GFS and PSDS. The mission was undertaken within the GFS/PSDS TA project for Asia, funded by the Government of Japan (JSA3).
2. The mission reviewed the adoption of a cash treatment of the government service insurance scheme (GSIS) and verified the change in GFS general government sector (GGS) revenue and expenses in the Statement of General Government Operations (SGGO) for 2012 to 2016.
3. GFS GGS data for 2017 to 2019 and quarterly GFS GGS data for 2019 were provided by DOF, reviewed by the mission, and suggested improvements incorporated by DOF.
4. Improvements to the DOF official public sector debt (OPSD) arising from previous missions, were reviewed and additional changes were recommended. Recommendations on incorporating domestic debt into the OPSD return prepared by the Bangko Sentral ng Pilipinas (BSP) were provided by the mission.

**Table 1. Priority Recommendations**

Target Date	Priority Recommendation	Responsible Institutions
<b>Q1/2021</b>	<i>Provide updated annual GGS GFS data for inclusion in the GFS Yearbook (GFSY).</i>	<b>DOF</b>
<b>Q2/2021</b>	<i>Improve accuracy of the external debt component of the OPSD.</i>	<b>DOF</b>
<b>Q3/2021</b>	<i>Include Philippines domestic debt in the QPSD.</i>	<b>BSP/DOF</b>
<b>Q3/2021</b>	<i>Align sectorization between OPSD and QPSD.</i>	<b>BSP</b>
<b>Q3/2021</b>	<i>Commence regular production of quarterly GGS GFS data.</i>	<b>DOF</b>

5. **Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.**

## DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Target Completion Date
Outcome:		
H	Revised GFS GGS data for 2012 to 2016 and recently completed GFS GGS data for 2017 to 2019, for GGS and component sectors is authorized by DOF for inclusion in the GFSY.	Q1/2021
H	DOF source external debt for the government sectors compiled in the OPSD from the BSP and derive the domestic debt component as a balance to the total debt of each sector.	Q2/2021
M	To facilitate the inclusion of OPSD domestic debt into QPSD tables, BSP continue to populate the QPSD tables for external debt and provide them to DOF for the inclusion of domestic debt.	Q3/2021
M	Philippines National Railway (PNR) and National Irrigation Authority (NIA) included in external GGS debt reported by BSP in tables 1 and 1.1 and removed from QPSD Table 2, Public Non-Financial Corporations debt.	Q3/2021
M	Regular provision of quarterly GFS GGS data	Q3/2021

### A. Review of the DOF Official Public Sector Debt (OPSD)

6. Previous missions recommended a number of changes to the OPSD. **This mission reviewed whether those changes have been made and suggested some further improvements.**

7. **The Fiscal Policy and Planning Office (FPPO) of the DOF produces the OPSD which, is published on the DOF website.** It identifies domestic and external debt data with instrument coverage at the D1 instrument coverage level<sup>1</sup> for different national institutional units, except for BSP that has wider instrument coverage.

<sup>1</sup> Following IMF's practice and recommendations, D1 instrument coverage includes liabilities under debt securities and loans; D2 is D1 plus liabilities under SDRs and currency and deposits; D3 is D2 plus liabilities under other accounts payable; and D4 is D3 plus liabilities under insurance, pension, and standardized guarantee schemes.



8. External and domestic components of the Bureau of the Treasury (BTr) issued debt are based on the market of issuance (whether bond is issued abroad or local) and not on residency of the holder. BSP reports as external debt, bonds issued in foreign currency and external loans, after excluding domestic holdings. **The mission recommends DOF source external BTr debt for the OPSP from the BSP.** This will not change total debt, only the split between external and domestic components. The following BSP table shows the difference between BTr reporting of external securities and loans and external debt reported by the BSP for 2019.

Debt Securities - External in millions						
	BTr		in Orig currency	BSP		Difference
	in US\$ Equivalent 1/	in Php Equivalent 2/		in US\$ Equivalent 3/	in Php Equivalent 4/	
US Dollar Bonds/Notes	24,823	1,261,083	24,828	24,828 <sup>5/</sup>	1,259,855	
Euro Bonds	841	42,735	750	833	42,263	
Japanese Yen Bonds	3,184	161,771	346,200	3,158	160,269	
Chinese Yuan Bonds	569	28,891	3,960	566	28,715	
Peso Global Bonds	2,553	129,679	129,679	2,556	129,679	
less: Residents' Holdings				-14,932	-757,688	
<b>Total Debt Securities</b>	<b>31,970</b>	<b>1,624,159</b>		<b>17,009</b>	<b>863,092</b>	<b>761,067</b>
1/ Non-US\$ denominated debt converted using exchange rates as of 2 January 2020						
2/ Converted using exchange rate: US\$/Php50.802						
3/ Non-US\$ denominated debt converted using exchange rates as of 27 December 2019						
4/ Converted using exchange rate: US\$/Php50.744						
5/ Includes US\$4 million non-resident holdings of NG's US\$500 million Onshore Dollar Bonds						

Loans - External in millions					
	BTr		in US\$ Equivalent 3/	BSP in Php Equivalent 4/	Difference
	in US\$ Equivalent 1/	in Php Equivalent 2/			
<b>Total Loans</b>	<b>19,281</b>	<b>979,531</b>	<b>19,038</b>	<b>966,071</b>	<b>13,460</b>
By Creditor Type:					
Multilateral			12,474	632,988	
Bilateral			6,232	316,211	
Banks and Other Financial Institutions			332	16,871	
1/ Non-US\$ denominated debt converted using exchange rates as of 2 January 2020					
2/ Converted using exchange rate: US\$/Php50.802					
3/ Non-US\$ denominated debt converted using exchange rates as of 27 December 2019					
4/ Converted using exchange rate: US\$/Php50.744					

9. OPSD now reports debt of Government Owned and Controlled Corporations (GOCC) at the D1 level, as recommended by the 2016 GFS mission<sup>2</sup>, to align with the instrument coverage of other OPSD entities (excluding BSP). **It is recommended that previously reported GOCC deposits and other accounts payable can be reported as memorandum items for continuity of reporting.** Two GOCCs classified as general government in the SGGO, PNR and NIA, are now separately identified in the OPSD and included in general government debt as recommended by the 2019 GFS mission.<sup>3</sup> All GOCCs are required to gain BSP approval to raise external debt and domestic holdings of GOCC debt is removed by BSP for QPSD reporting. **The mission recommends the DOF source external GOCC debt for the OPSD from the BSP with GOCC domestic debt derived as a balance to total GOCC debt.** The following BSP table shows the difference between OPSD and QPSD Public Non-Financial Corporation (PNFC) external debt in 2019.

<b>PNFC external debt 2019 \$m</b>	
external debt of monitored GOCCs OPSD	193,570
PNFC external loans and securities QPSD	149,021
Difference	44,550

10. All government financial institutions (GFIs) are required to gain BSP approval to raise external debt and domestic holdings of GFI debt is removed by BSP. **The mission recommends the DOF source external GFI debt for the OPSD from the BSP with GFI domestic debt derived as a balance to total GFI debt.** The following BSP table shows the difference between OPSD and QPSD Public Financial Corporation (PFC) external debt in 2019.

<b>PFC external debt 2019 \$m</b>	
GFIs (DBP, LBP, TIDCORP) OPSD	130,723
BSP OPSD	193,190
sum	323,913
PNFC external debt QPSD	193,171
Difference	130,742

11. As recommended by the 2019 GFS mission, the OPSD now includes SDRs in BSP debt. All liabilities of the BSP are included except for the following: Secured Settlement Account, Term Deposit Facility, Derivatives Liability, Derivative Instruments in a Loss Position and Revaluation of International Reserves.

12. The 1,715 local government units (LGUs) incur domestic debt at the D1 level. Municipalities and cities in the Philippines are subdivided into 45,000 Barangays, the smallest

<sup>2</sup> "Report on the Government Finance Statistics Mission", June 2016, by Anthony Olliffe.

<sup>3</sup> "Report on the Government Finance Statistics Mission", December 16–20, 2019, by Anthony Olliffe.

administrative unit in the Philippines. These units are developing their own sources of revenue and are incurring debt to fund capital expenditure. The Joint Memorandum Circular 2018-1, of July 12, 2018, extended the coverage of the Statement of Receipts and Expenditure (SRE) data collection to include Barangays commencing with 2019 annual data. Extending the coverage of local government data collection will improve GGS data, but the 2019 GFS mission noted it is an ambitious target to collect Barangay debt.

## B. Review of the Philippines Contributions to the QPSD

**13.** Currently only the BSP contributes to the QPSD database by populating the following tables for external debt:

- Table 1 Gross General Government Debt (central government only);
- Table 1.1 Gross Central Government Debt;
- Table 2 Gross Non-Financial Public Corporations Debt;
- Table 3 Gross Financial Public Corporations Debt;
- Table 4 Total Gross Public Sector Debt (sum of above).

**14.** BSP compiles tables 1 and 1.1 using National Government data supplied by BTr on debt issued in foreign currencies adjusted for domestic holdings by banks and other financial institutions. Two GOCCs, PNR and NIA, are classified as GGS in the compilation of the SGGO and OPSD as a result of a sectorization workshop in 2018. **It is recommended PNR and NIA be included in external general government debt reported by BSP in Tables 1 and 1.1 and removed from QPSD Table 2 Non-Financial Corporations debt.**

**15.** It is also recommended QPSD includes OPSD domestic general government debt highlighted in the following table.

General Government Interest Bearing Domestic Debt 2019 \$m
National Government
less debt held by Bond Sinking Fund (BSF) <sup>4</sup>
plus NIA and PNR
plus Local Government
<b>Total</b>

<sup>4</sup> The BSF can purchase national government securities before maturity.

<b>less Intrasectoral holdings:</b>
National government debt held by SSIs
National government debt held by LGUs
LGUs loan held by MDFO
<b>Consolidated general government domestic debt</b>

16. BSP compiles Table 2 using external debt for GOCCs. **The mission recommends QPSD includes OPSD GOCC domestic debt** (which excludes PNR and NIA domestic debt classified as GGS).

17. BSP compiles Table 3 using external debt of BSP and GFI. **The mission recommends QPSD includes OPSD domestic GFI debt.**

18. BSP populates Table 4 by aggregating external debt reported in the above tables. **The mission recommends inter-sector holdings of domestic debt identified in the OPSD, highlighted in the following table, be included in the compilation of Table 4.**

Domestic	
	National government securities held by GFIs and BSP
	National government deposits at BSP
	SSI's deposits held by BSP
	GFI's deposits at BSP
	GOCC deposits at BSP
	GOCC loans/other debt held by BSP
	GOCC loans/other debt held by GFIs
	GFIs loans/other debt held by BSP
	Local governments debt held by GFIs

19. **To facilitate the inclusion of OPSD domestic debt into QPSD tables, it is recommended that BSP continue to populate the QPSD tables for external debt and provide them to DOF for the inclusion of domestic debt.**

## C. PSDS Workplan

20. A 'heatmap' was completed by DOF attendees at a recent PSDS webinar. Below is an amended version identifying 'not reported' instrument categories. It shows that there is good OPSD coverage of D1 level instruments (loans and securities). An omission of high relevance is pension liabilities of social security institutions (SSIs). As mentioned above, OPSD compiles debt at the D1 level (except for BSP) to assist in comparative analysis therefore, **it is recommended pension liabilities be recorded as a memorandum item.**

	SDR	Cash & Deposits	Loans	Debt Securities	IPSGS	Oth. Acc. Payable
Budgetary Central Government	Not applicable / does not exist	Not reported (low relevance)	Already Reported	Already Reported	Not reported (low relevance)	Not reported (low relevance)
Extra budgetary Central Government	Not applicable / does not exist	Not reported (low relevance)	Already Reported	Already Reported	Not applicable / does not exist	Not reported (low relevance)
Social Security Funds	Not applicable / does not exist	Not reported (low relevance)	Already Reported	Already Reported	Not reported (high relevance)	Not reported (low relevance)
State / Regional Government	Not applicable / does not exist	Not applicable / does not exist	Not applicable / does not exist	Not applicable / does not exist	Not applicable / does not exist	Not applicable / does not exist
Local Government	Not applicable / does not exist	Not reported (low relevance)	Already Reported	Already Reported	Not applicable / does not exist	Not reported (low relevance)
Nonfinancial Public Corporations	Not applicable / does not exist	Not reported (low relevance)	Already Reported	Already Reported	Not applicable / does not exist	Not reported (low relevance)
Financial Public Corporations	Already Reported	Already Reported	Already Reported	Already Reported	Not applicable / does not exist	Not reported (low relevance)

21. The Philippines work plan developed in the webinar included the reporting of additional debt instruments as memorandum items and the inclusion of Philippines domestic debt in the QPSD mentioned in this report. It also included expanding the coverage of GFI debt recommended by the previous GFS mission. Only three depository GFIs are monitored by the DoF Corporate Affairs Group (CAG) while BSP has a wider coverage in the sectoral and financial accounts by including six depository and six insurance GFIs.

## D. Quarterly General Government GFS Data

22. **Quarterly data sources are available for general government sub-sectors recorded in the SGGO as outlined below:**

- **Central Government:** BTr produces a monthly Cash Operations Report (COR). The COR is converted to a GFS basis for monthly and annual reporting to the IMF. The GFS compliant statement includes more detailed expenditure and revenue, including the separation of compensation of employees and investments in non-financial assets obtained from the

Department of Budget and Management after the publication of the COR. It also records CB-BOL interest as revenue and excludes tax expenditures.

- **Extrabudgetary units and SSIs:** CAG collects financial data on the monitored GOCCs, including the four SSIs, annually and with-in year. PNR and NIA are classified as extrabudgetary general government units in the SGGO.
- **Local Government:** The Bureau of Local Government Finances (BLGF) collects financial data on local government units annually and within year.

**23. The 2019 GFS mission determined that the compilation of quarterly GGS data is possible using the same methodology as the annual SGGO but with a longer lag to enable the inclusion of local government data.**

**24. An SGGO was prepared by DOF for each of the four quarters for 2019, including a comparison to the annual SGGO for 2019, and was reviewed by the mission. The DOF has demonstrated that they can produce high frequency GFS data for provision to the IMF and it is recommended that regular provision of quarterly GFS GGS data commence.**

## E. Annual General Government GFS Data

**25. As recommended by the 2019 GFS mission, The DOF has introduced a cash treatment of the GSIS resulting in revisions to GFS GGS data for 2012 to 2016. The mission verified the change in GFS general government sector (GGS) revenue and expenses in the statement of general government operations (SGGO) for 2012 to 2016.**

**26. GFS GGS data for 2017 to 2019 were provided by DOF, reviewed by the mission and suggested improvements incorporated by DOF.**

**27. It is recommended that revised GFS GGS data for 2012 to 2016 and recently completed GFS GGS data for 2017 to 2019 for GGS and component sectors, is authorized by DOF for inclusion in the GFSY.**

## F. Comparison of DOF and APD GGS Estimates

**28. GGS estimates were obtained from APD and compared to the SGGO in the following table.**

Comparison of GGS GFS data SGGO and Article IV												
	GGG 2012			GGG 2013			GGG 2014			GGG 2015		
	SGG			SGG			SGG			SGG		
	O	APD	Diff	O	APD	Diff	O	APD	Diff	O	APD	Diff
Revenue	1,935	1,966	-31	2,135	2,175	-39	2,400	2,395	5	2,598	2,581	17
Current expenditure	1,680	1,614	66	1,810	1,769	41	1,936	1,893	43	2,134	2,013	121
Capital expenditure	282	384	-102	316	383	-67	321	393	-72	405	487	-82
Net lending/borrowing	-27	-33	5	10	23	-13	143	109	34	59	82	-22
	GGG 2016			GGG 2017			GGG 2018			GGG 2019		
	SGG			SGG			SGG			SGG		
	O	APD	Diff	O	APD	Diff	O	APD	Diff	O	APD	Diff
Revenue	2,790	2,769	21	3,133	3,094	39	3,582	3,525	58	3,991	3,884	107
Current expenditure	2,302	2,152	150	2,568	2,388	180	2,898	2,769	129	3,318	3,110	208
Capital expenditure	571	670	-100	653	768	-115	909	1,039	-130	1,000	1,122	-123
Net lending/borrowing	-83	-53	-30	-88	-62	-26	-225	-284	59	-326	-348	21

29. The main differences were:

- APD LGU taxes were higher than the SGGO;
- APD National Government current expenditure were lower than the SGGO; and
- APD National Government capital expenditure was higher than the SGGO.

**30.** These differences in part reflect different time of recording, are largely offsetting, and net lending/borrowing is reasonably comparable between APD and SGGO as reflected in the above table.

## **G. DBCC Approval of Mission Recommendations**

**31.** It is a requirement that any changes to statistical data be approved by the Development Budget Coordination Committee (DBCC). The following can be provided to the DBCC to justify statistical changes implemented or recommended by this mission.

**32.** In the 2018 sectorization workshop it was decided that GSIS social contributions be recorded as an increase in a liability, and payment of pensions a reduction in liability consistent with GFS. However, GSIS is predominantly cash-based, and a detailed review is required to determine the appropriate sectorization of GSIS and whether its non-pension component can be separated. Until that review is completed, the 2019 GFS mission recommended GSIS social contributions be recorded as revenue and the pension benefits recorded as expense, consistent with the three other SSIs. This treatment has been reflected in the SGGO back to 2012.

**33.** The BSP compile more accurate external debt numbers than the OPSD because they adjust BTr bonds issued in foreign currencies for domestic holdings, and their data is more comprehensive because all entities need to seek BSP approval before borrowing externally. Therefore, OPSD should align with external debt reported by the BSP to the QPSD. This will not change total debt reported in the OPSD just the split between domestic and external.

**34.** The 2018 sectorization workshop decided that two GOCCs, PNR and NIA, be treated as general government units because they are largely non-market operators. BSP still includes these two GOCCs on the Public Non-Financial Corporation table in the QPSD but should align with the OPSD and include the debt of these two entities in the QPSD GGS table.

**35.** Currently, BTr provides annual and quarterly GFS data to the IMF but data provision should be expanded to GGS data compiled in the SGGO.

**36.** Currently, DOF only publishes summary GFS GGS data from the SGGO on its website, namely revenue, expenses, and net operating balance but the publication of more detailed GGS aggregates should be considered.



## H. Officials Met During the Mission

Name	Institution
Assistant Secretary Soledad Emilia J. Cruz	CAG-DOF
Assistant Secretary Ma. Teresa S. Habitan	FPPO-DOF
Rommel A. Rojas	DOF-FPPO
Vernadette V. Ilagan	DOF-FPPO
Gwendelyn M. Manongdo	DOF-FPPO
Vergel John D. Himpisao	DOF-FPPO
Eric C. Tipgos	DOF-FPPO
Ma. Lourdes L. Quintos	DOF-FPPO
Andrea Felice C. Quinial	DOF-FPPO
Ma. Pamela P. Quizon	DOF-BLGF
Jericho Perez	DOF-BLGF
Mary Ann U. Rada	DOF-BLGF
Lara T. Aduna	BTr
Elizabeth P. Awayan	BTr
Jacquiline P. Santiago	BTr
Joanna Castillo	DOF-CAG
Precious Alzate	DOF-CAG
Cyril Zausa	DOF-CAG
Roselyn Salagoste	DOF-CAG
Maria Francesca D. Grabador	BSP
Marie Belarmine F. Pagalunan	BSP
Marie Rowenna R. Dayrit	BSP
Ma. Vernadette D Gerola	BSP
Joana Marie B. Trinidad	BSP
Camilo U. Coloma	BSP
Cecilia D. Reyes	BSP
Roberto B. Quintos	BSP
Ana May C. Magsino	BSP
Ma. Rosario N. Delena	BSP