

## **Status of Implementation of Major Programs/Projects in 2015**

### **Background:**

The Board approved on September 24, 2014 the Strategic Framework for 2014-2017 which will be the cornerstone of the implementation of PhilEXIM's business plans. For the 2015 business plan, the objective and focus is to transform PhilEXIM as a self-sufficient, profitable, socially-responsible and professionally-run developmental institution. Along these pursuits, it must also remain relevant.

### **Strategic Framework**

1. Stabilize the business with sufficient capacity
2. Create a responsive and sustainable organization
3. Achieve socio-economic relevance

As a result of the successful negotiation of PhilEXIM with the Governance Commission for the GOCCs (GCG) in April 2015, PhilEXIM will pursue its mandate guided by the following:

1. Being the preferred credit guarantee financing institution that is further strengthened by increased authorized capital stock;
2. A business model where its portfolio of large accounts, representing business volumes of Php 24.0 Billion, will sustain efforts of building and generating a Php 4 Billion SME portfolio, and that of corporate operations;
3. Mandate focus on providing guarantees and extending direct lending on remedial or meritorious considerations;
4. Redefine the organization and its capability to address growing market demands for credit supplementation.

### **Results of Operations:**

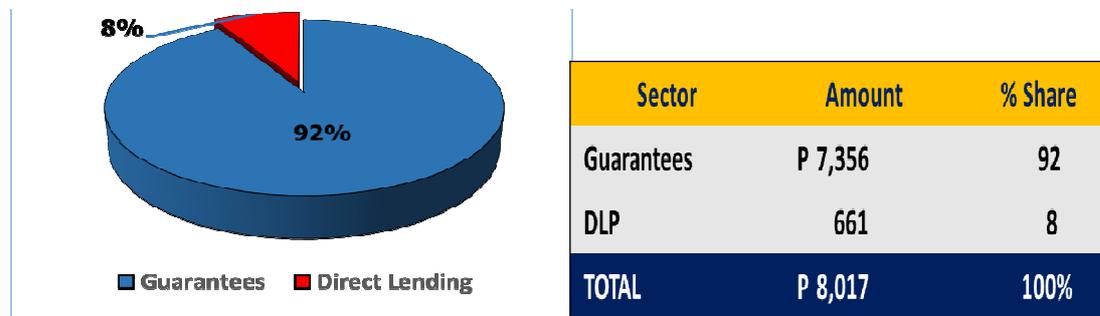
Under the stewardship of President and CEO Ermilando D. Napa, the strategy of Management was to ensure the relevance of the Corporation vis-à-vis its role in fulfilling the developmental mandate. Management requested for two vital initiatives – the immediate capital infusion of the 4.5 billion subscription receivable due from the National Government (NG), and the increase of PhilEXIM's authorized capital stock of Php 10.0 billion to Php 30.0 billion. Both requests bear the endorsements from the DOF and the GCG to the Office of the President.

Should the infusion be given, the said additional capital would have increased the Agency's capacity to meet the substantial financial requirements of the country's priority and strategic projects, to include the SMEs (medium) and more importantly, for PhilEXIM to be at par with its counterparts in terms of balance sheet.

## PhilEXIM's Credit Portfolio:

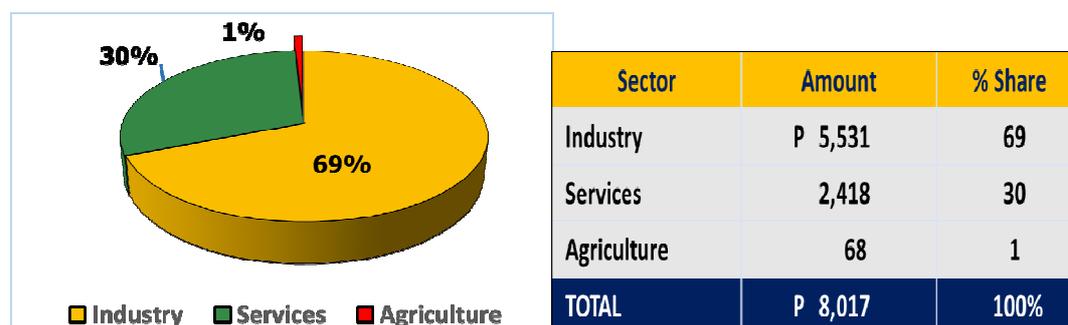
The credit portfolio of the Agency totaled P8,017 Billion as of end-December 2015 broken down as follows:

- Program Allocation**



The biggest part of the credit portfolio was in Guarantee Program amounting to Php 7.4 Billion or 92%. This is a result of the shift in business concentration which is guarantee, led by large accounts thereby giving the Direct Lending Program of Php more than half a billion portfolio or a thin cut of 8%.

- Industry Sector**



The biggest part of the Agency's credit portfolio went to industry sector comprising the supply and processing-intensive industries such as manufacturing, power, infrastructure, transportation and utilities at 69%. The services sector on the hand with 30% cut was propelled by tourism industry, which is also a growth driver of the country's economy particularly, foreign exchange earnings. The rest of the portfolio were spread to Agriculture sector with projects involving agri-business and agricultural modernization for a total of 1%.

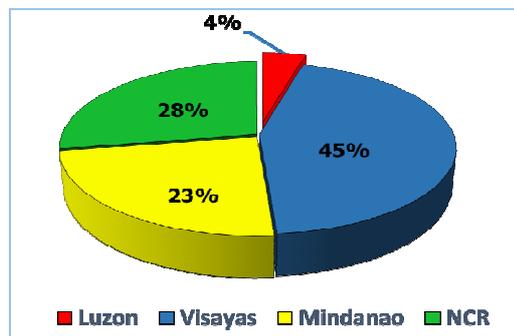
Industry-wise the bulk of the total portfolio went to manufacturing at 66%, followed by tourism at 29%, Utilities at 2%, Information Technology at 1% and other industries such as infrastructure, transportation, mining, manpower and agriculture with less than 1% each or a total of 2%.

- Regional Access to Financing**

Noteworthy to mention is the extent of PhilEXIM services in terms of regional access to financing which shows that almost half of the total credit portfolio is in the Visayas area while Mindanao with 23%. The same areas which were identified by the

government as priority areas for possible access to financing under the Philippine Development Plan for 2011- 2016. Likewise, NCR got a share of 28%, and Luzon with a bit of 4%.

Sector	Amount	% Share
Luzon	P 333.15	4
Visayas	3,575.56	45
Mindanao	1,188.23	23
NCR	2,220.31	28
<b>TOTAL</b>	<b>P 8,017.26</b>	<b>100%</b>



### Economic Contributions:

In terms of support that can play a catalytic role and make a positive development impact, the PhilEXIM-assisted firms under its Guarantee and Direct Lending Programs generated the following:

Particulars	Actual
Manpower Generation *	12,109
Export Revenues (In Million US\$)	\$63.67
Number Firms Serviced *	228

### Financial Results:

As of end-December 2015, PhilEXIM generated total revenues of Php 294.2 Million, dominated by core business amounting to Php 235.9 Million or 80% of the total income. Based on core income budget of Php 421.2, this year's performance sank by 44%, due to diminishing guarantee and loan portfolios as a result of amortizations and pre-terminations of some accounts coupled with no new approved accounts since September 2012, unrealized sale of credit interest in WGI, and provisioning for bad debts. Thus, a net loss of Php 57.7 Million was registered as of December 31, 2015.

Total expenses on the other hand registered a total of Php 337 Million, 11.2% lower than its Php 379.6 Million target or 18.7% less year-on-year.

### Results Pursuant to the 2015 Business Plan

At the close of 2015, the implementation of the TIDCORP Business Plan resulted into less encouraging results, with reasons emanating from extraneous factors.

A status of plans as of December 31, 2015 is as follows:

1. Stabilize the business with sufficient capacity

- a. Immediate capital infusion of the P5-B subscription receivable due from NG.
- b. Increase authorized capital stock of TIDCORP to P30-B.
- c. Convert non-earning assets as profit areas through pro-active management of workable options.

**Updates:** DBM informed TIDCORP that it is not included in the list of agencies submitted to the Office of the President (OP) to be granted equity infusion for CY 2015. TIDCORP is awaiting the formal communication of the same.

It is to be reiterated that the requested infusion merely represents the subscription receivable from the National Government. Year after year, the Corporation submits its request for infusion as part of the business strategy and competitive capacity.

On the other hand, notwithstanding the endorsements of the DOF, GCG and DBM of the request for increase in authorized capital to the Office of the President of the Philippines (OP), this remains pending since July 7, 2015. TIDCORP will make a follow-up communication with the OP relative to the foregoing.

Efforts by the Legal and Asset Department to dispose and market non-earning assets continue to be on priority status as part of the revenue generating activities of the Corporation. Proactive management of workable options demonstrated thru the LAD's constant endorsement to the Board of various workable proposals to sell/dispose acquired properties. Relative to this, the Corporation is expected to receive insurance proceeds from the WGI property, resulting from the approval of the Claims Committee on GSIS, indicatively in the amount of at least P88 Million.

2. Create a responsive and sustainable organization
  - a. Focused development of internal resource capabilities.
    - a. Pro-active origination, evaluation, monitoring and management of the guarantee portfolio.
    - b. Sustain good corporate governance for balanced and efficient organization.
    - c. Continued adoption of key business and operating policies and controls.

**Updates:** Items (a) and (b) are being addressed through the Training and Development Committee (TDC), where Sessions 1 and 2 have been concluded over the last two quarters, relative to the orientation of existing TIDCORP credit policy memoranda (CPMs) to determine weakness of application and address the same. A third session is to be undertaken, with the participation of the senior officers and members of the Board, being the approving authority over credit and accounts related matters. The aim of the TDC is to professionalize the staff through effective training programs and other interventions to enhance skills and know-how. The 3<sup>rd</sup> session of the CPM Orientation will be conducted during the first quarter of 2016.

Items (c) and (d) are being observed through the coordination and governance pursuits of the audit and compliance related offices of TIDCORP – Internal Audit Office, Risk Management Dept. and the Corporate Governance Office. Adopting the GRC Framework, the processes involving the three units improved the governance processes within the Agency, especially in the area of internal control.

In support of the business execution with the guidance of the Board as the policy enabling body, meetings were held in 2015 by Board-level Committees, specifically the following: Credit, Risk Oversight, Corporate Governance, Audit, and the Finance and Business Development Committee (FBDC) created in 2014.

To ensure proper business generation and finance- related initiatives, FBDC was created pursuant to the 2015 Business Plan, comprising of Board members and with senior officers as resource individuals. Other Board and Management committees continue to be implemented and serve as monitoring and coordinating bodies for the efficient and effective implementation of plans and programs.

Meetings of the Senior Management Committee (SMC), comprising SVPs and up and including the Head of Risk Management, were adjusted to meet every week, and delineated the topics of discussion for better coordination and decision-making, covering administrative, business generation, finance and compliances.

### 3. Achieve socio-economic relevance

- a. Attainment of development success indicators reflective of standards consistent with institutional efforts and that of the GCG, namely:
  - i. Stakeholders Perspective – indicators referring to the efforts of the Agency to fulfill its mandate of providing development financing thru guarantees and lending, and in the process achieve customer satisfaction.
  - ii. Financial Perspective – indicators referring to the efforts of the Agency to sustain portfolio quality and profitability.
  - iii. Internal Processes Perspective – indicators referring to the efforts of the Agency to enhance its internal capabilities thru process improvements, with the end in view of attaining better service delivery.
  - iv. Organizational Perspective – indicators referring to the efforts of the Agency towards strengthening institutional presence and its core internal human resources.

**Updates:** The third strategic framework is reflected through the performance scorecard of TIDCORP, where parameters are on the basis of the core business performance, organizational effectiveness, financial ratios, automation and turnaround time improvements.

The performance scorecard of PhilEXIM for CY 2015 is herein attached (Annex A).

For the updates above, a business plan brief is like attached for additional information (Annex B).

In sum, the Agency is beset with hurdles that cannot be addressed by Management alone, as explained in the following:

1. **Lack of competitive capacity** to deliver volume and value of credit portfolio. As of December 31, 2015, the portfolio ended at a 7.5 billion volume, a significantly low by 27% target realization rate from a projected business volume of 28 billion. Market demand is rising and yet, capacity is wanting due to lack of capitalization and persistent BSP finding on capital adequacy.
2. **Profitability weakened significantly**, the result of which was a –P120 Million net profit at the end of the year in review, the lowest net income performance of the Corporation since 2007. This weakness in the profit area is likewise resulting from the low volume traction of the business.
3. **Continued weakness of the balance sheet** without stronger capital base. The perception is that there is lack of government support and appreciation towards

the mandate and relevance of the Corporation. The urgent request for capital infusion and increase in capital base are two-pronged objectives with the end in view of strengthening the overall capability of PhilEXIM to respond to the sheer size of the market demand and appetite for guarantees.

4. **Continued weakness of market penetration and presence.** It cannot be denied that as the capital base of TIDCORP remains perilously truncated, the market's confidence could not be obtained to shoe the Agency's strong regard for its role in national development. On the other hand, the failure of government to recognize the infusion of its P4.5 billion unpaid subscription is a demonstration of such perceived and persistent lack of support.

**Significant accomplishments/milestones for the year included the following highlights:**

1. Continued conduct of capacity-building initiatives:
  - a. Hosted and participated in the 29th Asian Eximbanks Forum (AEBF) International Training Program on Delivering Infrastructure Projects Using the Public-Private Partnership (PPP) Model. AEBF country delegates present at the one-day forum included China, India, Indonesia, Japan, Philippines, South Korea, Thailand and Vietnam. New observers were also invited at the event which included Bangladesh, Cambodia, Kazakstan, Krykz Republic, Laos, Mongolia, Myanmar, Nepal, Sri Lanka, and Tajikistan. Inc.The forum's principle task is to develop and enhance regional cooperation and forge stronger link among its member institutions, thereby fostering a long term relationship within the Asian ECA community;
  - b. Participated in the Technical Workshop on Sustainable Development Goals (SDG) Indicators last October 22, 2015, organized by NEDA. The workshop aimed to come up with a list of indicators per SDG target that will be put forth by the Philippine Delegation during the UN SDG's conference;
  - c. Participated as member of the Philippine delegation to the Third International Conference on Financing for Development at the directive of the Finance Secretary Cesar V. Purisima. The event which was held in Addis Ababa, Ethiopia on July 13-16 was participated in by wide-ranging members of government, private/business sectors as well as civil society.Laudable in this endeavor is PhilEXIM's critical role as Philippine development financing institution, of which key sustainable development initiatives on innovative risk mitigation, equity/investment guarantees, promotion of foreign direct investment inflows in the Philippines, and involvement in quality infrastructure financing are among the major actions espoused by the adopted Addis Ababa Action Agenda (AAAA), which will be submitted to the General Assembly of the United Nations for ratification during the September 2015 Sustainable Development Summit in United Nations Headquarters, New York, USA.
  - d. Conducted exploratory talk with DTI and Nueva Segovia Consortium of Cooperatives (NSCC) in coordination with Business Revenue Group 2, as partner enterprise for the pilot implementation the Corporation's proposed Regional Capacity-Building and Financing Forum with Key Government and Private Sector Partners.

2. Surpassed efforts to set-up the Quality Management System (QMS) as part of the Corporation's initiatives toward obtaining the ISO Certification. Phases 1 and 2 of the processes were completed which include the creation of project teams and assessment of gaps to the development of the ISO Manual. In- house training was held which include the following modules:
  - a. Introduction to ISO 9001:2008 and QMS specifications
  - b. Business Process Model
  - c. Establishing the QMS
3. Streamlined Operational Processes through the following:
  - a. Operationalization and full implementation of the Central Liability System (CLS). Planning and negotiation of the ground up Phase 2 of CLS has been completed, accepted and implemented;
  - b. Automation of Credit Documentation was fully implemented by the first quarter of 2015 by the Treasury and Loans Department (TLOD).
4. Created a Gender Development Focal Point System (GFPS) to secure the necessary authority pursuant to PCW MC 2011-01. Preparation of GAD plans for the 2017 and a series of related capacity-building activities were conducted. A database on GAD information to include gender statistics and sex-disaggregated data has been started and now in the process of development.
5. Implemented Phase 1 of Brand Strategy/Roadmap to enhance institutional positioning and better awareness of the Agency beginning with an Internal branding initiative thru the application of new logo in the communication materials such as stationaries, presentations and other collaterals.
6. Continued organizational refinements and focused development of internal capabilities through:
  - a. Approval by the Board of the Reorganizational Framework in July 2015 which will result into the commencement of the reorganization activities in line with the GCG M.C. No. 2015-04. Accordingly, the Change Management Team (CMT) was constituted for the foregoing purpose. Also as approved by the Board, a third-party consultant was hired in September to conduct current state assessment of PhilEXIM as required by the GCG;
  - b. Received the CSC approval of the Strategic Performance Management System (SPMS) in compliance with CSC MC 6, s.2012. Per evaluation of the Civil Service Commission, the PhilEXIM SPMS showed substantial compliance with CSC MC 6, s. 2013 which prescribes the guidelines on the establishment of Agency SPMS;
  - c. Initiated the Institutionalization of Employee Career Development Program (Succession Planning);
  - d. Sent employees to various trainings both local (in-house and external) and abroad to equip personnel with appropriate competencies and skills aligned with the Agency's business model;
7. Blessing and Re-launching of Cebu Business Center in October 2015, which would

strengthen market presence in the Visayas area and as part of the branding efforts of PhilEXIM;

8. Conducted CSR activity in partnership with Leukemic Indigent Fund Endowment (LIFE) Foundation and Hallmark Philippines through gift giving and purchased of greeting cards, and giveaway items wherein part of the proceeds from the sale is donated to the said Foundation. LIFE Foundation and Hallmark Philippines reach out and support young Filipinos who suffer from the dreaded leukemia disease through their charitable endeavor called Hallmark for LIFE.