

Status of Implementation of Major Programs/Projects in 2016

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 succeeding years. For the 2016 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 in the face of a changing socio-economic milieu.

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) for its 2016 performance scorecard, PhilEXIM pursued its mandate guided by the following major strategies:

1. Gear-up guarantee portfolio anchored on a position of strength and in line with the 2018 vision to be the preferred credit guarantee institution;
2. Contribute to the government's priority sector development agenda by means of supporting SMEs and capacity building partnerships and collaborations;
3. Strengthen market presence and credibility, thus "Ensuring the Country's Economic Momentum"
4. Institute stronger risk management and compliance measures;
5. Prime the organization to meet business directions.

Results of Operations:

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 (OP). The request remains pending with OP.

Should the infusion be given, the said additional capital will increase the Agency's capacity to meet the substantial financial requirements of the country's priority and strategic projects, to include the SMEs, with focus on medium enterprises more importantly, for PhilEXIM to be at par with its counterparts in the region in terms of balance sheet.

PhilEXIM's Credit Portfolio:

The credit portfolio of the Agency totaled 9.68 Billion as of December 31, 2016 broken down as follows:

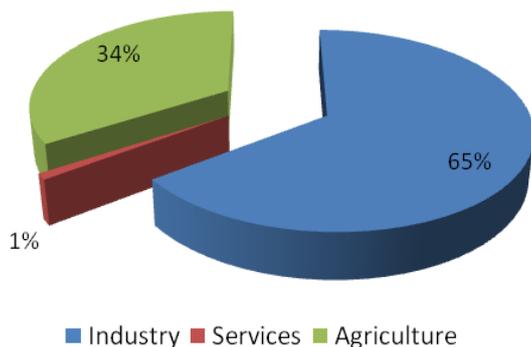
□ Program Allocation



Sector	Amount	% Share
Guarantees	9,045	93%
Direct Lending	636	7%
Total	9,682	100%

The biggest part of the credit portfolio was in Guarantee Program amounting to Php 9.046 Billion representing 93% of the total portfolio. This is a result of the shift in business concentration which is guarantee, led by large accounts thereby leaving the Direct Lending Program with Php 637 Million in exposure which is equivalent to 7% of the total portfolio.

□ Sectoral Distribution

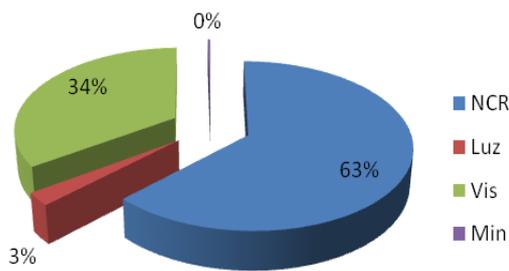


Sector	Amount	% Share
Industry	6,291	65%
Agriculture	3,296	34%
Services	95	1%
Total	9,682	100%

The majority of the Agency's credit portfolio went to Industry sector which is comprised of the supply and processing-intensive industries such as manufacturing, power, infrastructure, transportation and utilities (65%). The Agriculture sector is the second largest driver with projects involving agri-business and agricultural modernization for a total of 34%. The Services sector on the hand dropped down to 1%. Industry-wise, the bulk of the total portfolio went to Infrastructure at 62%, followed by Agriculture at 34%, Manufacturing and Utilities at 1% each, and other industries such as Manpower, IT and Tourism with a cumulative 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 63% of the total credit portfolio was devoted to the NCR, followed by the Visayas at 34%. Incidentally, these two areas were identified by the government as priority areas for possible access to financing under the Philippine Development Plan for 2011-2016. On the other hand, Luzon got a share of 3%, and Mindanao with less than 1%.



Sector	Amount	% Share
NCR	6.075	63%
Luzon	244	3%
Visayas	3.336	34%
Mindanao	27	0%
Total	9.682	100%

Economic Contributions:

In terms of programs that will redound towards performing a catalytic role and spur positive development impact, PhilEXIM-assisted firms under its Guarantee and Direct Lending Programs generated the following benefits to the national economy:

Particulars	Actual
Manpower Generation*	146,594
Export Revenues* (In Million US\$)	\$21.86
Number Firms Serviced*	1,669

*from developmental report of the revenue generating units of the Agency

Financial Results:

As of end-December 2016, PhilEXIM generated total revenues of Php 171.5 Million, dominated by core business amounting to Php 123.1 Million or 72% of the total income. Based on core income budget of Php 112 Million, current year performance rose by 10%. However, due to bad debts expense, owing to the Philphos account, a net loss of Php 265 Million was registered as of year-end.

Total expenses on the other hand, totalled of Php 145 Million, which is 24% lower than its Php 191.2 Million budget.

Results Pursuant to the 2016 Business Plan

At the close of 2016, 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, 2016 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.

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.

2. Create a responsive and sustainable organization

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

Updates: Items (a) and (b) are being addressed through the Engagement of a Third-Party Consultant that assisted Management and the CMT to undertake the Current State Assessment, Workforce Analysis and the reorganization structure preparation. The Current State Assessment and Workforce Analysis Reports are part of the submitted outputs in the proposed Reorganization Plan, alongside the conduct of a Change Management Workshop participated in by the CMT members and key officers/supervisors of the Corporation.

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. The Documentation Stage for Quality Management System (QMS) was completed. To realize the full potential of QMS, consulting services for the ISO were extended. The Internal Quality Audit Team was created and, together with the Senior Management, underwent training/workshop on Conducting Effective Internal Quality Audit.

In support of the business execution with the guidance of the Board as the policy enabling body, meetings were held in 2016 by Board-level Committees, specifically the following: Credit, Risk Oversight, Corporate Governance, Audit, and the Finance and Business Development Committee (FBDC) created in 2014.

Scheduled meetings of the Senior Management Committee (SMC), comprising SVPs and up and including the Head of Risk Management, were made weekly, and delineated the topics of discussion for better coordination and decision-making, covering administrative, business generation, finance and compliances.

3. Achieve socio-economic relevance

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.

In sum, the following are the Agency's latest updates:

1. Out of the P4.5 Billion proposal of TIDCORP for additional equity infusion, the DBM approved for inclusion in the General Appropriation Act (GAA) for FY 2017 a budgetary support to TIDCORP via equity infusion in the amount of P500 Million under the Unprogrammed Fund, subject to the conditions/ Special Provisions of the said Fund to be set by the DBM, per DBM letter dated 20 July 2016.
2. Adopted the manual of operations of the different operating units and periodically revising/ updating manuals/programs to align them with current procedures and practices. All existing MOOs approved by the Board in 2011 are being revised/updated for review by Senior Management and approval by the Board. Target completion date is by April 2017.
3. Strengthened credit risk management system by booking past due loans as such to provide decision makers with timely and reliable information that permits prompt action to correct incipient problems or negative trends. As previously reported, the required design of the sub-coding of the account titles which will clearly identify the past due loans will be developed in coordination with the systems provider under Phase 2 of the Loans Management System (LMS, formerly called as Central Liability System). Said system will then be used by the Business Revenue Groups (BRG), Treasury Operations Dept. (TOD) and Finance Services Dept. (FSD). Projected completion date of the LMS Phase 2 is by 2nd semester of 2017.
4. The Risk Management Manual (RMM), initial draft has been completed and initially reviewed by the new Head of the Internal Audit Office (IAO) and in consonance with ISO requirements. Further enhancement will be undertaken in conjunction with the Agency's on-going ISO Project. Target completion date is by February 2017.

Significant accomplishments/milestones for the year included the following:

1. Completed the following capacity building initiatives:
 - a. Organized the **Business Forum on Guarantees as an Economic Enabler** last February 24, 2016 at the Edsa Shang-ri La Hotel. Resource speakers were Undersecretary Gil Beltran (DOF), Dr. Alberto Pena (Illinois State University), Mr. Isidro Sobrecarey (Al-Amanah Islamic Bank of the Philippines), Atty. Alberto Agra (Ateneo School of Law), and Mr. Alexander Jett (Asian Development Bank) with panel discussants Mr. Eduardo Sergio Edeza (San Miguel Corporation), Treasurer Roberto B. Tan (Bureau of Treasury) and Dr. Adoracion Navarro (Philippine Institute for Development Studies). The Forum is conducted to create better public awareness and understanding on the sovereign guarantee as an intrinsic element in development financing, as provided by PhilEXIM being the country's official export-import credit agency. There were one hundred ten (110) individual attendees from seventy-four (74) institutions from both government, non-government, and private sectors.
 - b. Conducted an in-house capacity building seminar: Capacity Building on Technical and Financial Evaluation of Renewable Energy Projects for PhilEXIM with resource speakers from the Department of Energy on May 5 to 6, 2016.
 - c. Served as resource speaker in the following seminars:
 - i. Seminar for Exporters for Philippine Export Development Plan (PEDP) in Cebu City on March 16 to 17, 2016 (c/o DTI-Export Marketing Bureau)
 - ii. Philippine Export Competitiveness Program "Innovation and Financing of SMEs" in Davao City on June 27 to 29, 2016 (c/o DTI-Export Marketing Bureau).
2. On-going implementation of the Quality Management System (QMS) as part of the Corporation's initiatives toward obtaining the ISO Certification. Phase 2 (Documentation Stage) was completed in June 2016. Implementation Stage commenced in June 15, 2016. The PhilEXIM Internal Quality Audit (IQA) Team (Office Order No. 2016-092) was formed on June 20, 2016.

Creation of the Corporate Governance Seal in compliance with GCG MC No. 2015-07: "Corporate Governance Scorecard (CGS) for GOCCs".

Completed an institutional benchmarking survey with respondents from AEBF-member institutions: Sri Lanka Export Credit and Insurance Corp., Vietnam Development Bank, China Exim, Thailand Exim, Exim India, Exim Bank Malaysia, and Japan Bank for International Cooperation. This was presented during the FBDC Meeting on April 15, 2016.

3. Streamlined Operational Processes through the following:
 - a) Phase 2 of the Loan Management System (LMS) is undergoing review.
 - b) Completed upgrade of cloud infrastructure to ease maintenance, backup, and restoration of files, as well as site disaster recovery on March 2016.
 - c) Migrated corporate website from on premise hosting to Public Cloud for cost

efficiency purposes.

4. Effective Market Penetration

Aside from below-the-line activities such as presence in various fora the Agency embarked on a partnership with state media of which it aims to increase its above-the-line exposure in terms of radio, TV guesting and publicities in other media. The Agency guested twice at DWBR in the last quarter of 2016. The program, "Business Brew" airs Tuesdays and Thursday, from 10 to 11 in the morning. The program features success stories of MSMEs and established companies. These include developments in the local bourse in relation to what's happening in the global market, the Forex, and other issues concerning the Philippine economy. The engagement is of no added cost to the Agency.

5. Gender and Development

Participated in the following GAD Activities and Networking:

- a. Attended the 8th Go Negosyo Filipina Entrepreneurship Summit.
- b. National Women's Month Celebration
- c. Women Only Forum organized by Department of Finance (DOF).
- d. Participated in the "Sama-samang Pagsulong sa mga Agenda ni Juana" Public Event at the Quirino Grandstand, Rizal Park, Manila.
- e. Attended "Magandang Business Advice (MBA): Franchising" conducted by the Center for Entrepreneurship, Inc. – Go Negosyo Attended the "Orientation on Setting Up a Cooperative"
- f. Participated in the Gender Mainstreaming Evaluation Framework (GMEF) application and GAD Plan and Budget Critiquing on September 20 – 22, 2016. This was a joint initiative of DOF/BTr/PhilEXIM.
- g. Women Business Council research paper regarding issues of women entrepreneurs in relation to availing finance and credit facilities.
- h. 18-Day Campaign to End Violence Against Women (VAW) per Proclamation 1172

6. Internal Customer Feedback Survey

In line with GCG requirement and Performance scorecard, the Agency initially conducted an internal Customer feedback survey to active select clients to measure customer service and turn-around time satisfaction. Out of the 18 survey forms sent to respondents, about 11 replied with an overall satisfactory rating.

7. Active Role as EXIM in Asia

PhilEXIM actively participated in the annual meeting of Asian EXIM Banks through various relevant discussions during the technical working group and CEO Forum levels. Significant in the discussions were the strengthening of relations between and among EXIMs in the area of increasing collaborative pursuits in the name of development financing. Meetings in Indonesia as well as trainings in Malaysia and Australia were attended by key officers and staff of the Agency.