

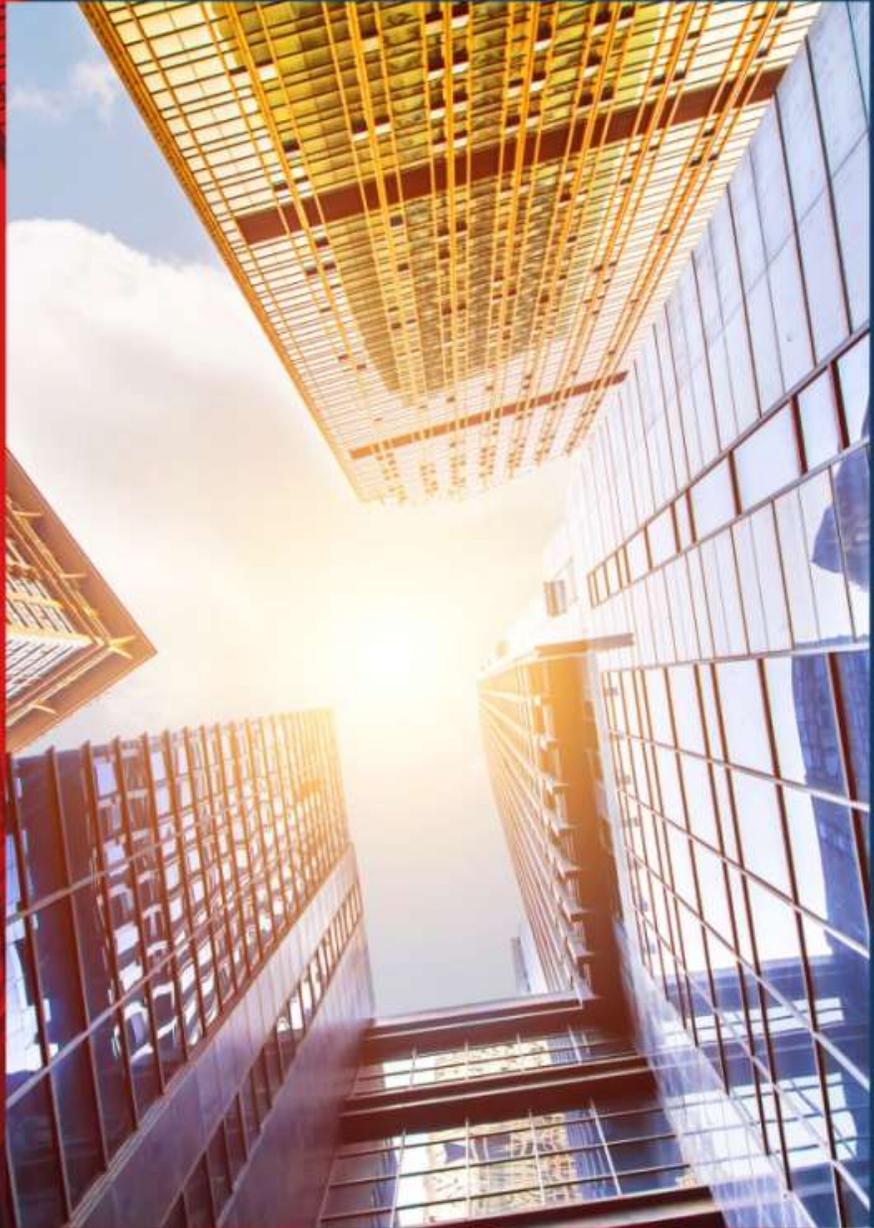


SULONG PILIPINAS

PARTNERS FOR PROGRESS

**A Pre-SONA Economic
Development and Infrastructure
Clusters Forum**

APRIL 26, 2021

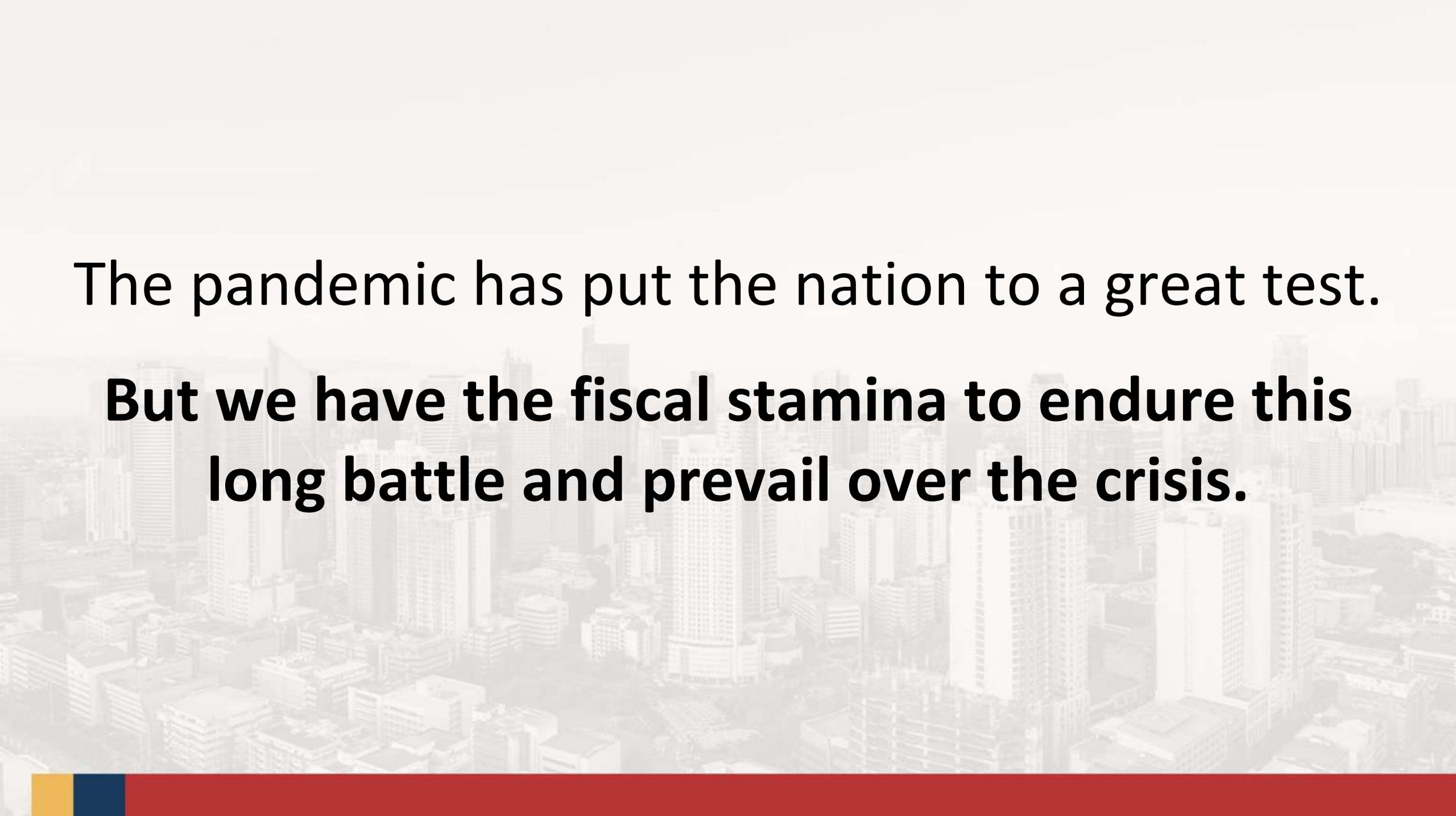


OPENING REMARKS

CARLOS G. DOMINGUEZ

Secretary of Finance

Chair of the Economic Development Cluster

An aerial view of a city skyline, likely New York City, with a semi-transparent text overlay. The text is centered and reads: "The pandemic has put the nation to a great test. But we have the fiscal stamina to endure this long battle and prevail over the crisis." The background shows a dense urban landscape with many skyscrapers and buildings. A red bar is at the bottom of the image, with a small yellow and blue square on the left side.

The pandemic has put the nation to a great test.

But we have the fiscal stamina to endure this long battle and prevail over the crisis.

The Duterte Administration's Zero-to-Ten Point Socioeconomic Agenda



Peace and Order Stability



Continue macroeconomic policies



Tax Reform Program



Ease of Doing Business



Rural Development



Security of Land Tenure



Human Capital Development



Build, Build, Build Program



Promote Science and Technology, and Creative Arts



Social Protection Program



Responsible Parenthood and Family Planning



GROWTH PERIOD

(2016 to 2019)

The Philippines grew at an average rate of 6.6 percent during the first 14 quarters of the Duterte Administration--making it among the fastest-growing economies in Asia.

GDP GROWTH RATES (%)



The expectations have been met and the promises kept.

Peace and Order



Established the Bangsamoro Autonomous Region in Muslim Mindanao

Peace and Order



Pursued unrelenting campaign against criminality

Ease of Doing Business



Improved competitiveness through the Ease of Doing Business Law

Ease of Doing Business and Social Protection Program



Enacted a law that would establish a digital National ID System

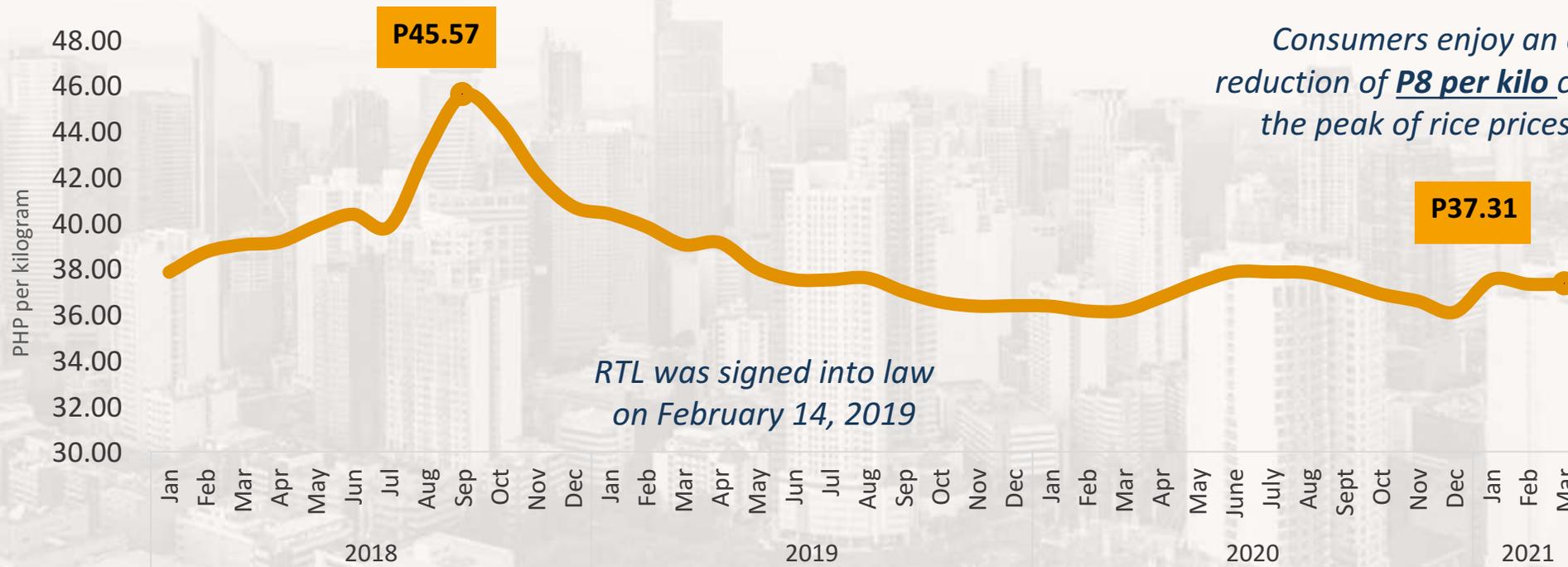
Rural Development



Enacted the Rice Tariffication Law after more than 30 years of failed attempts

The Rice Tariffication Law lowered the price of rice for more than 100 million Filipinos.

MONTHLY AVERAGE RETAIL PRICE OF RICE (PHP PER KILOGRAM)

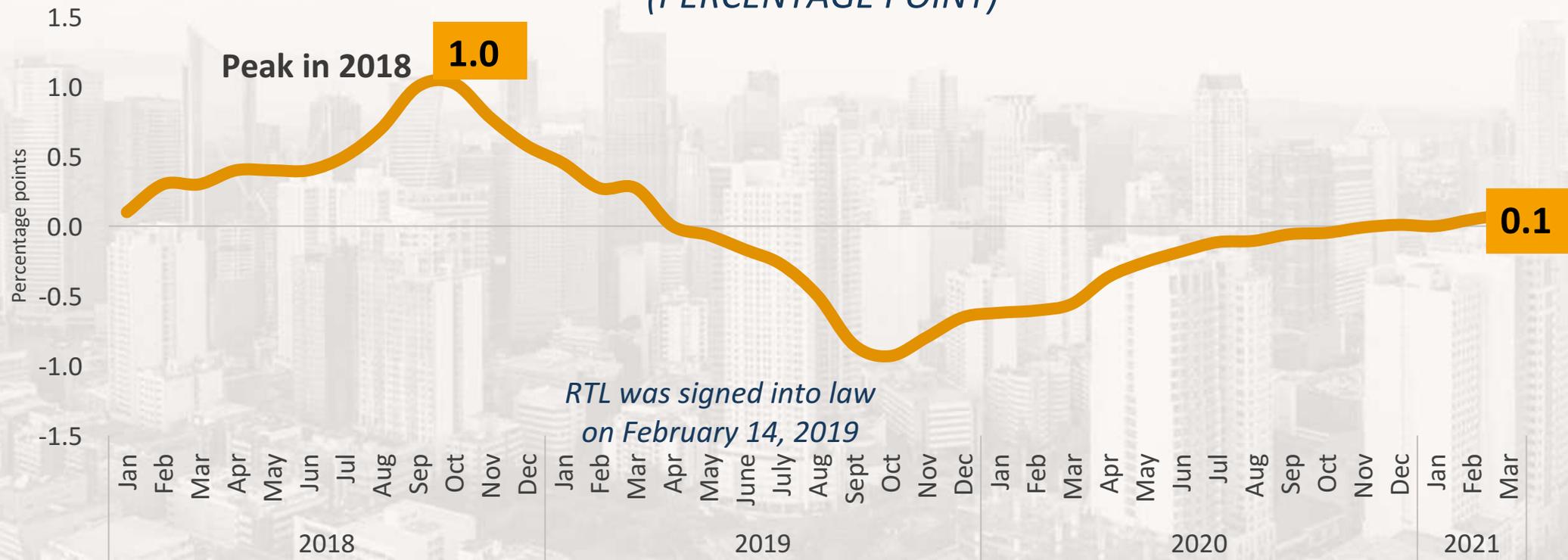


Consumers enjoy an average reduction of **P8 per kilo** compared to the peak of rice prices in 2018.

RTL was signed into law on February 14, 2019

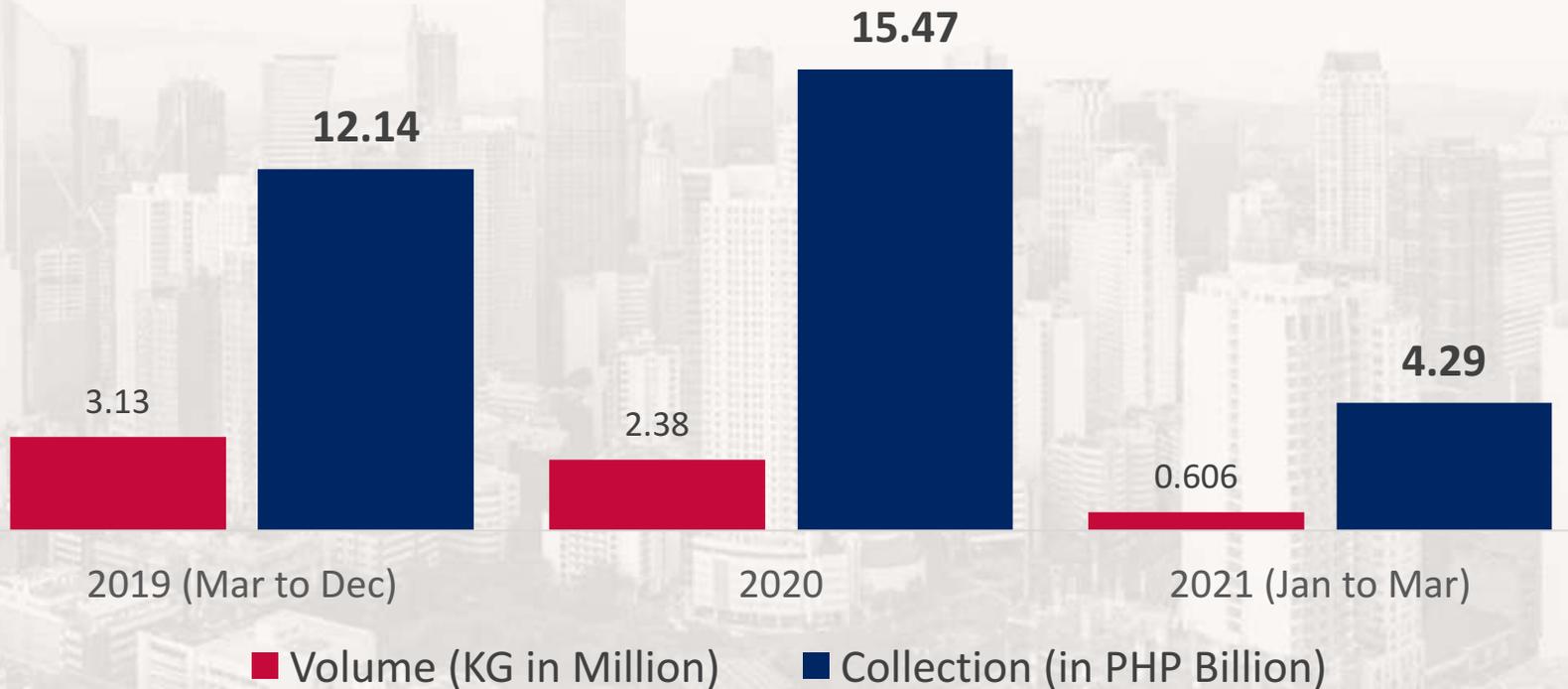
With the Rice Tariffication Law in place, rice is no longer the main contributor to our overall inflation rate.

CONTRIBUTION TO INFLATION OF RICE
(PERCENTAGE POINT)



The Bureau of Customs has collected a total of P31.9 billion in rice import tariffs, which is funding the modernization of our agriculture sector.

**RICE IMPORT VOLUME AND TARIFF COLLECTION UNDER
THE RICE TARIFFICATION LAW**



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Tax Reforms and Continuation of Macroeconomic Policies



Enacted bold tax reform measures which are logical continuation of the reforms passed by previous administrations

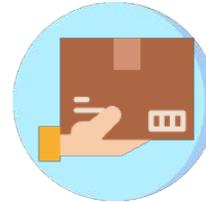
The Tax Reform for Acceleration and Inclusion (TRAIN) Law is a crowning achievement of this administration.

KEY HIGHLIGHTS

*TRAIN enabled the government to raise **P305 billion in incremental revenues** during the first three years of implementation.*



Reduced the personal income taxes for 99 percent of our taxpayers



Simplified Estate and Donor's Tax to a single rate of 6%



Expanded the VAT base



Increased the excise taxes of petroleum products and automobiles



Introduced excise tax for sugary sweetened-beverages



Implementation of a fuel marking program

The Duterte government is the only administration in Philippine history that increased excise taxes on sin products three times within one presidential term.



Increased excise taxes on cigarettes

2017



Increased even higher taxes on cigarettes, and new taxes on e-cigarettes and vapes

2019

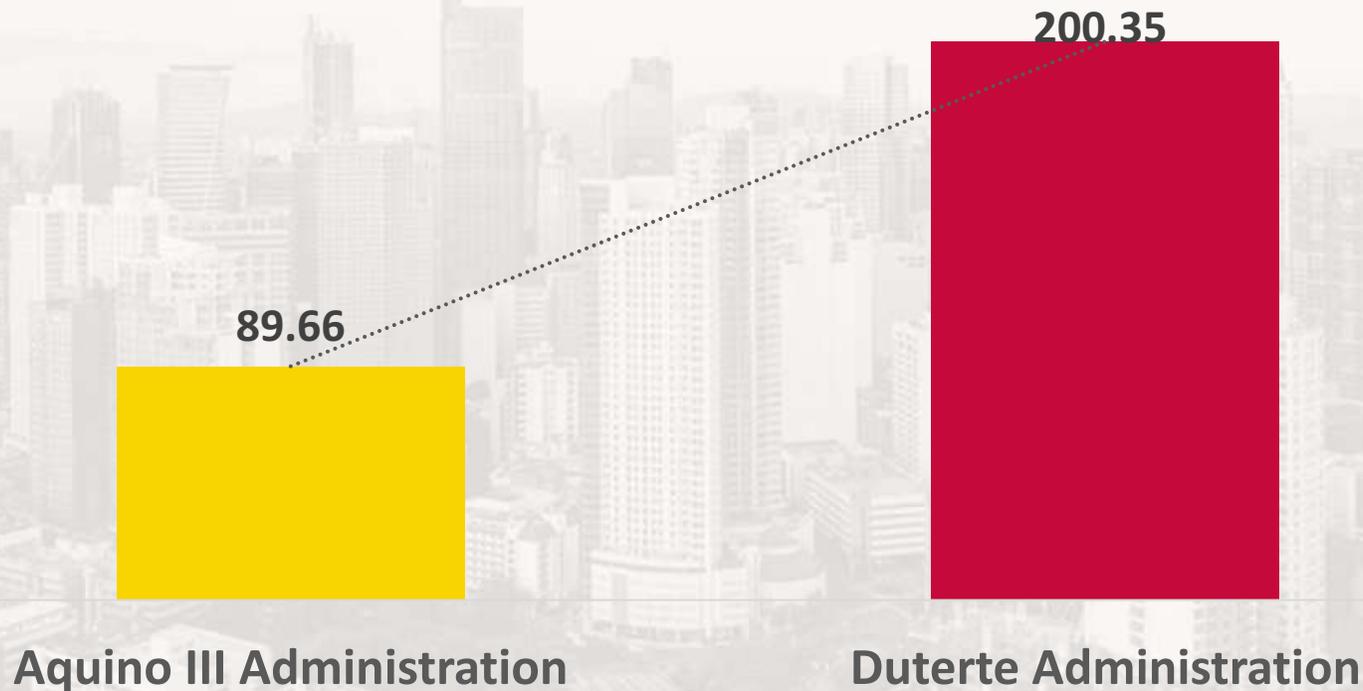


Raised taxes on alcoholic products, and further increased taxes on e-cigarettes

2020

The excise taxes on tobacco and alcohol products improved funding for the Universal Health Care Program--which is another landmark reform of this administration.

**AVERAGE ANNUAL COLLECTIONS IN EXCISE TAXES FROM TOBACCO
AND ALCOHOL PRODUCTS**
(In PHP Billion)



The Duterte administration cleaned up the domestic cigarette business.



It caught a domestic manufacturer for tax evasion in 2017, resulting in **the largest tax settlement in Philippine history, amounting to P30 billion.**



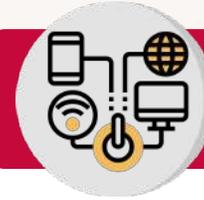
After shutting down the cigarette company, collection on cigarette excise taxes increased by **an average of P2.5 billion per month.**

The Duterte administration aggressively pushed for the full digitalization of the Bureau of Internal Revenue and the Bureau of Customs.



BIR Digitalization Efforts

- E-payments launched since 2016: Gcash, DBP PayTax Online System, Landbank ePayment System, UnionBank Online, PesoNet, and PayMaya.
- Enhanced the tax forms deployed in the e-BIR Forms System.
- Other ICT projects: Internal Revenue Integrated System (IRIS) and Electronic Audited Financial Statement (eAFS) System.
- In the process of developing an electronic invoicing system.

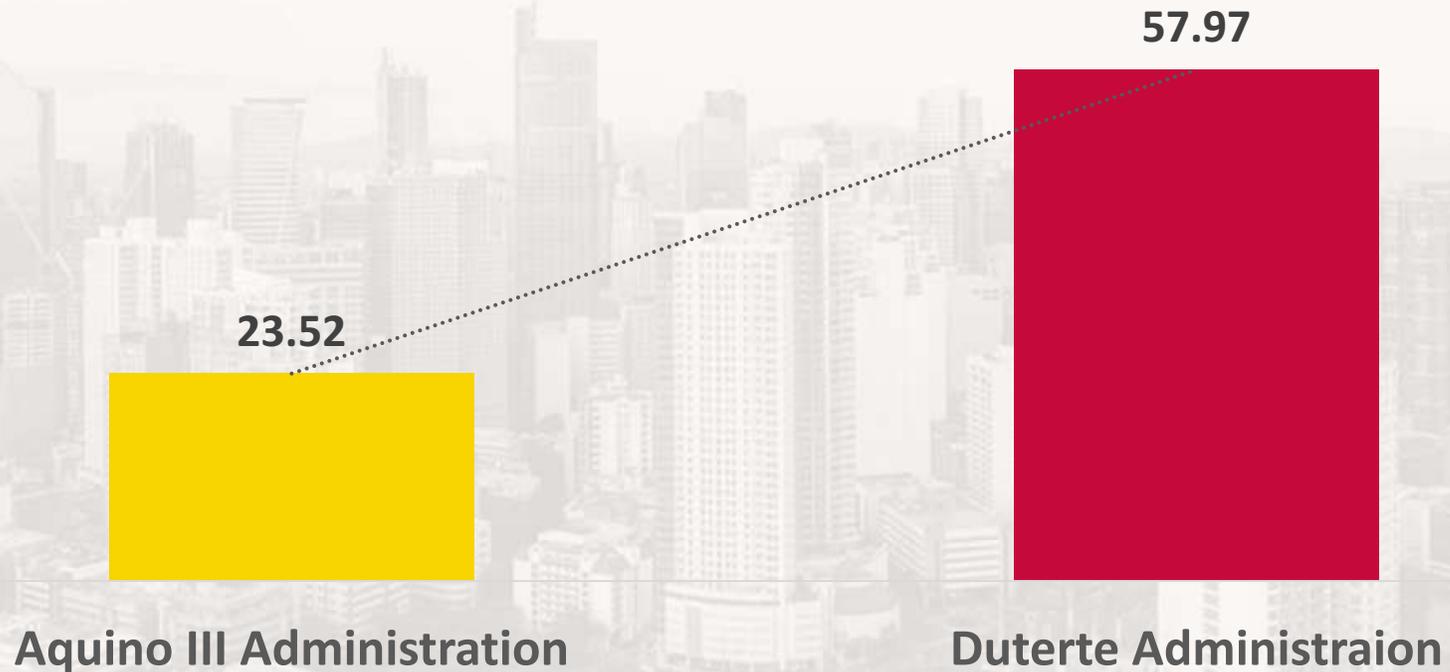


BOC Digitalization Efforts

- Implemented various ICT reforms: Electronic-to-mobile stabilization system; Electronic Tracking of Containerized Cargo System; Electronic Value Reference Information System; integrated paperless IT systems; and the Customer Care Portal System.
- Partnered with PayMaya to allow electronic payments by stakeholders of miscellaneous fees.
- In the process of implementing the Customs Modernization project.

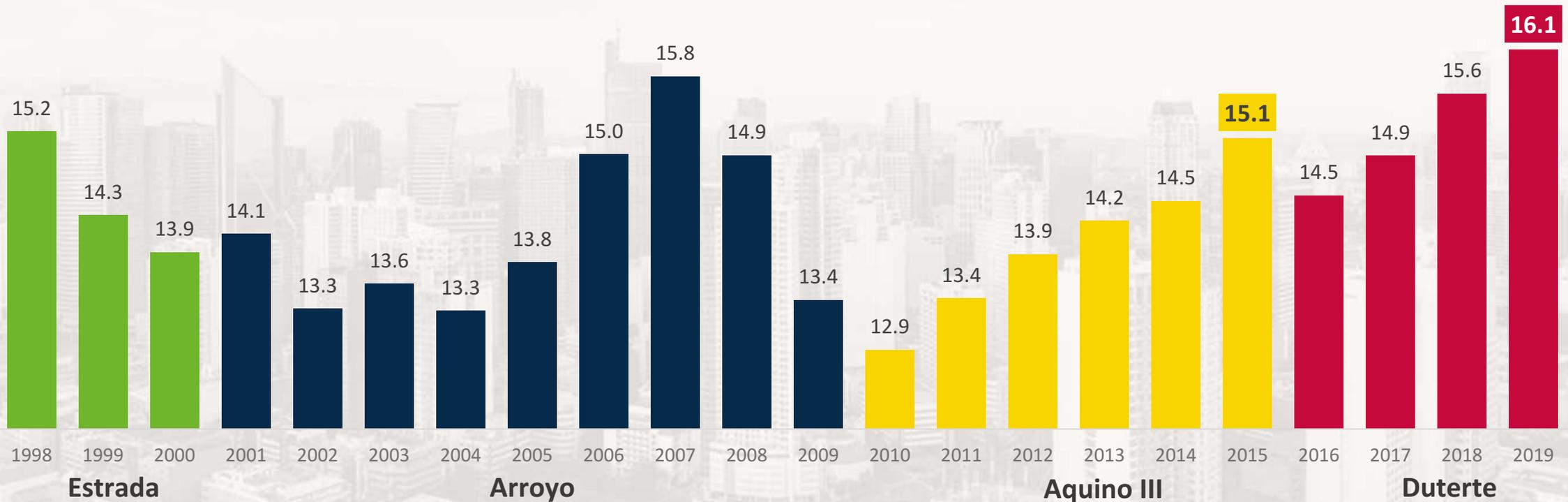
Our policy of instilling fiscal discipline among our GOCCs allowed us to collect significantly higher dividend remittances.

AVERAGE ANNUAL DIVIDEND COLLECTIONS FROM GOCCS
(In PHP Billion)



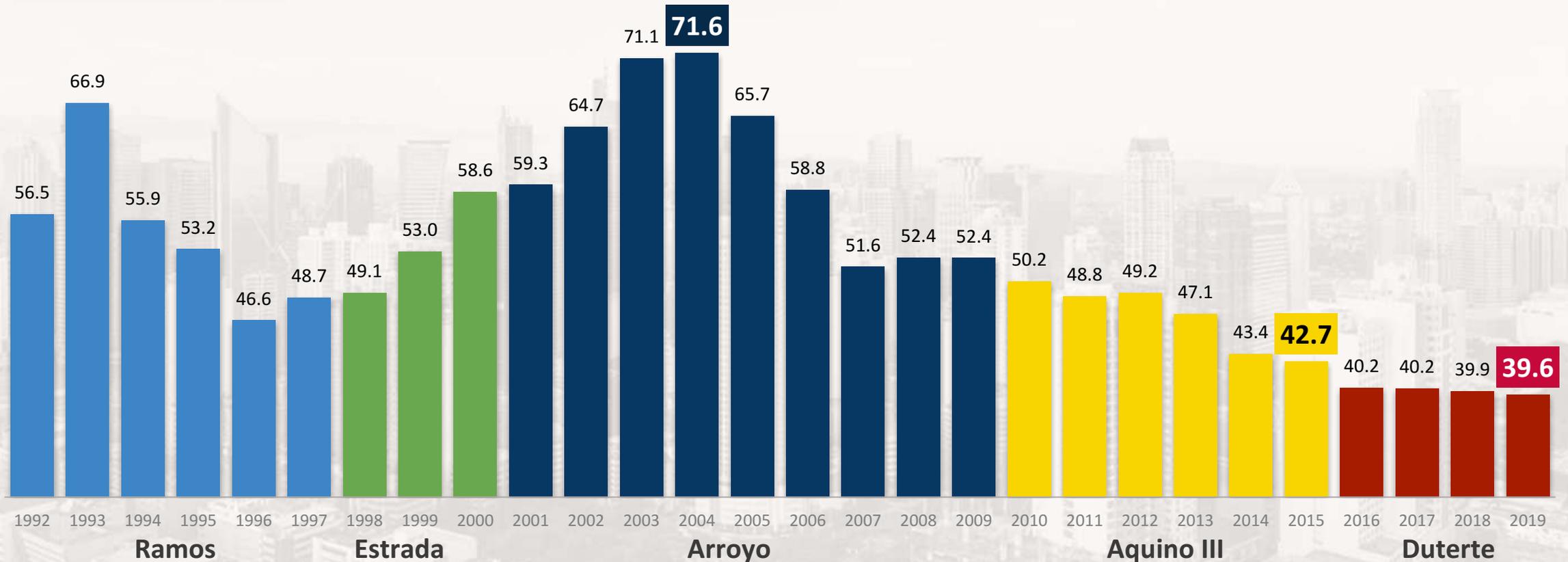
Through bold tax reforms and improved administration, revenues reached 16.1 percent of GDP in 2019, our best performance in more than two decades.

REVENUES AS PERCENTAGE OF GDP (%)



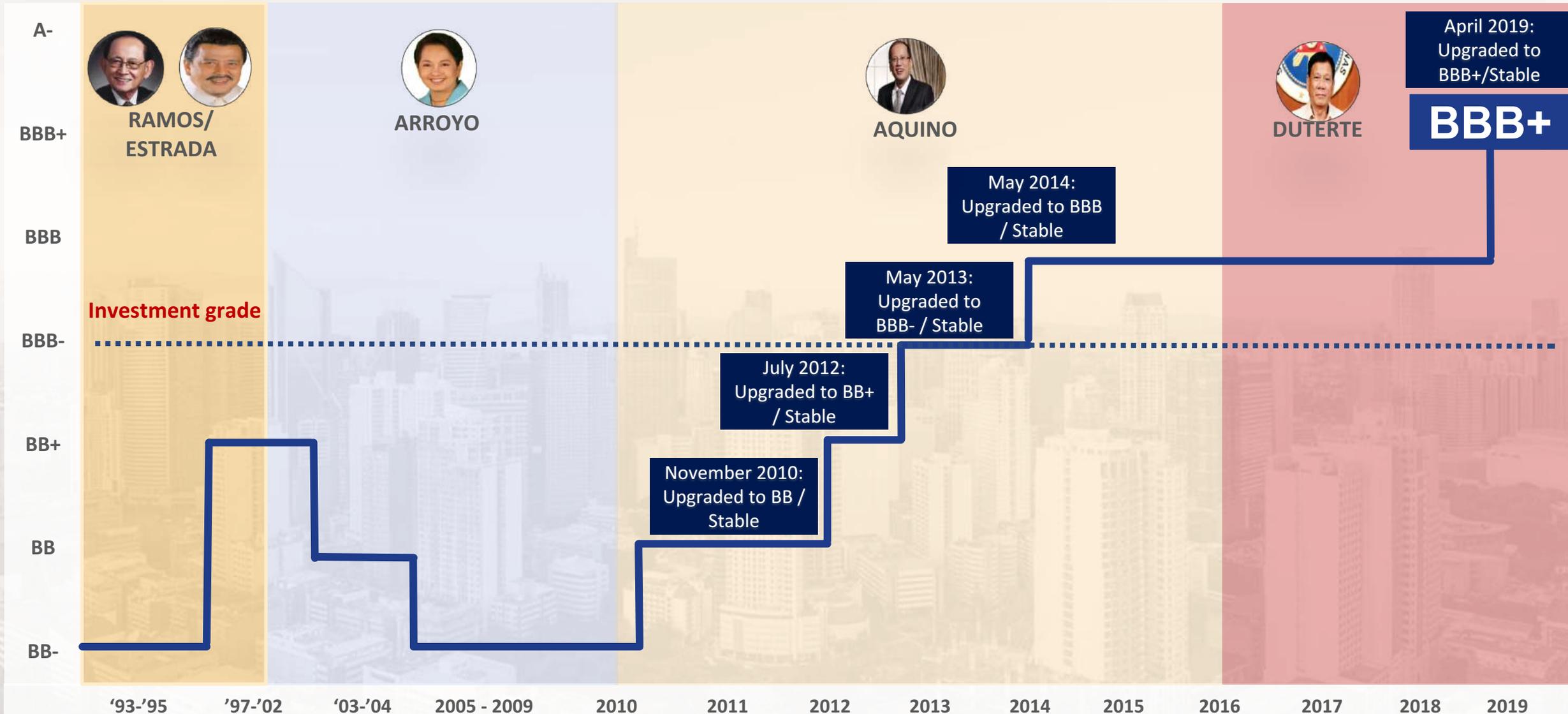
In 2019, our debt-to-GDP ratio was at a historic low of 39.6 percent.

NATIONAL GOVERNMENT DEBT-TO-GDP RATIO (%)



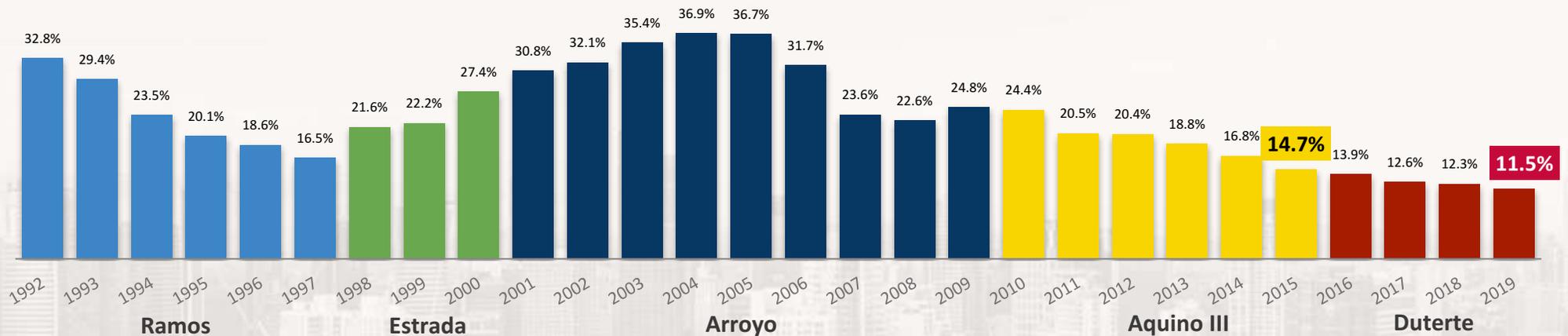
Source: BTR

In 2019, S&P raised our sovereign risk rating to BBB plus—the highest in our country's history.

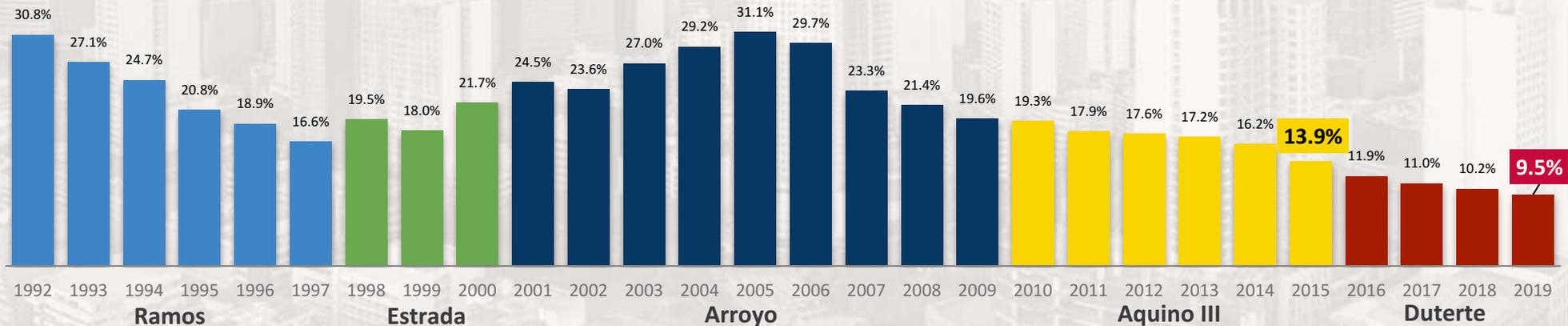


Our declining ratios on debt interest payments to revenue and to expenditure mean that more of our fiscal resources are being funneled towards meaningful and productive spending rather than debt servicing.

INTEREST PAYMENTS/ REVENUE



INTEREST PAYMENTS/ EXPENDITURES



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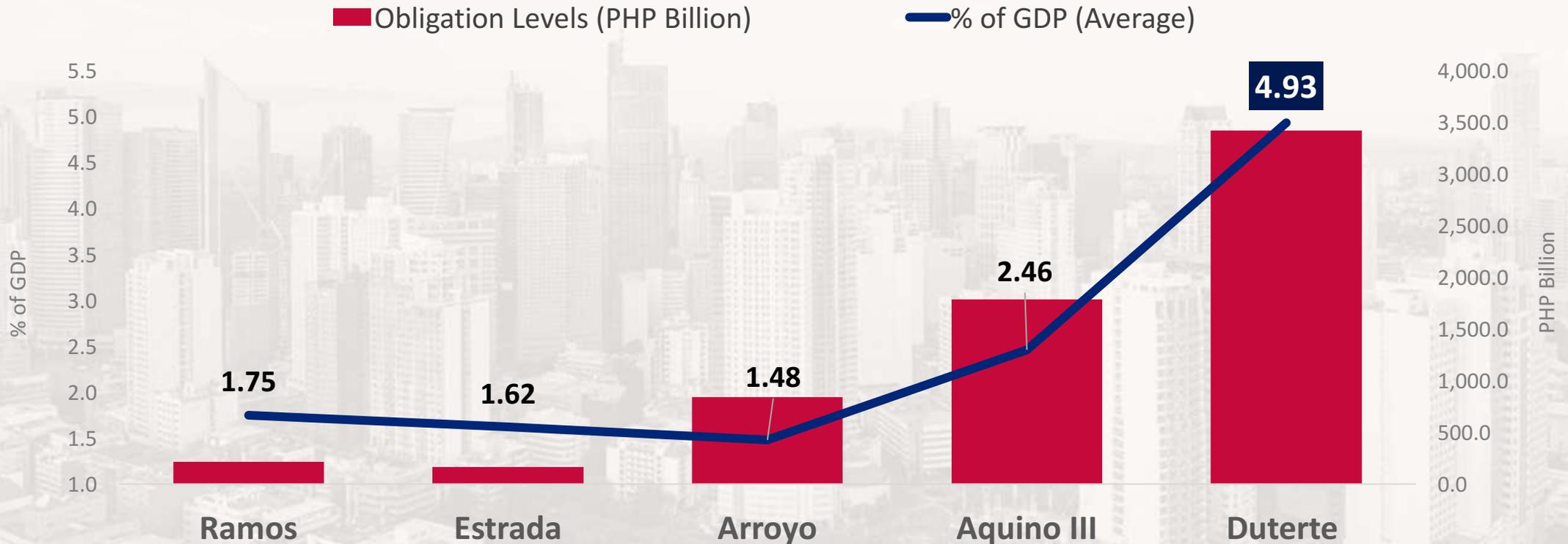
Infrastructure



Rolled out the massive Build, Build, Build program

Under President Duterte's watch, infrastructure spending dramatically rose to an average of 5 percent of GDP, more than double the investments of the past four administrations.

INFRASTRUCTURE SPENDING AS PERCENTAGE OF GDP



Since the Duterte administration took office, it sealed 22 highly concessional loan agreements for flagship infrastructure projects from development partners.

SELECT BIG-TICKET INFRASTRUCTURE PROJECTS



Metro Manila Subway project



New Cebu International Container Port Project



Malolos-Clark Railway Project



Cebu-Mactan Bridge (4th Bridge) and Coastal Road Construction Project



Davao City Bypass Construction Project



Arterial Road Bypass Project



Road Network Development Project in Conflict Affected Areas in Mindanao



EDSA Greenways Project



Metro Manila Bus Rapid Transit - Line 1



Pasig-Marikina River Channel Improvement Project

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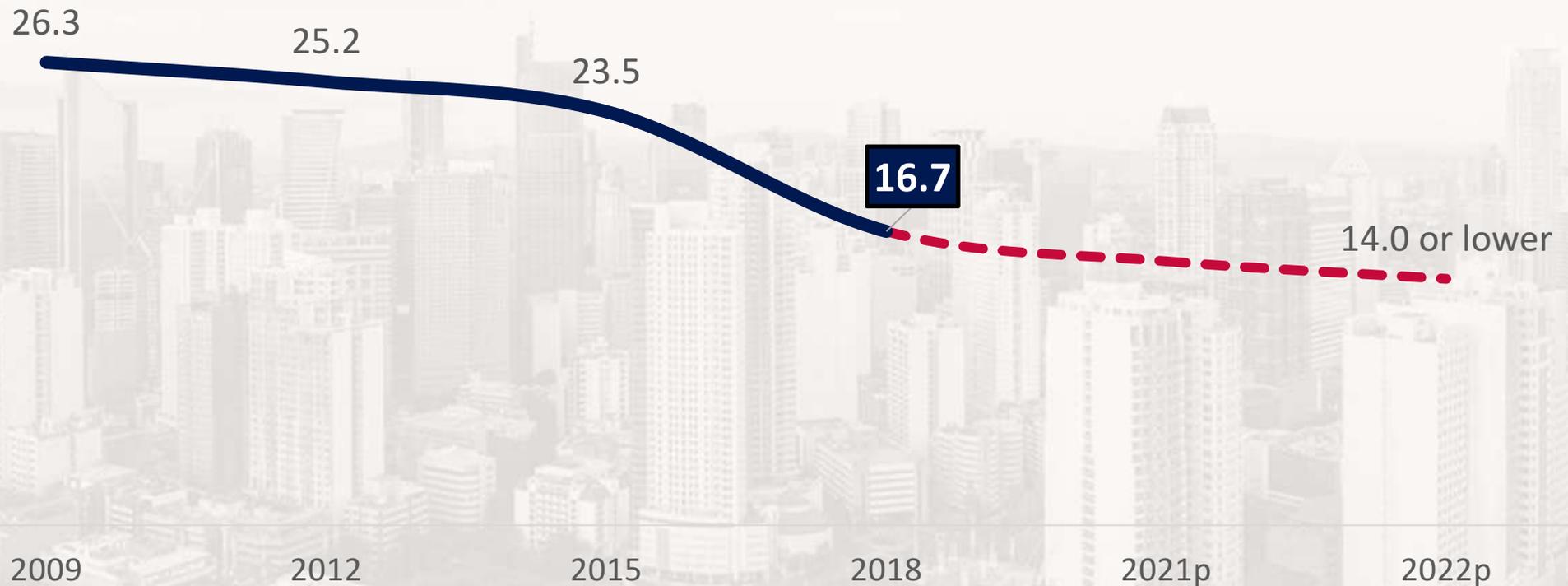
Human Capital Development and Social Protection Program



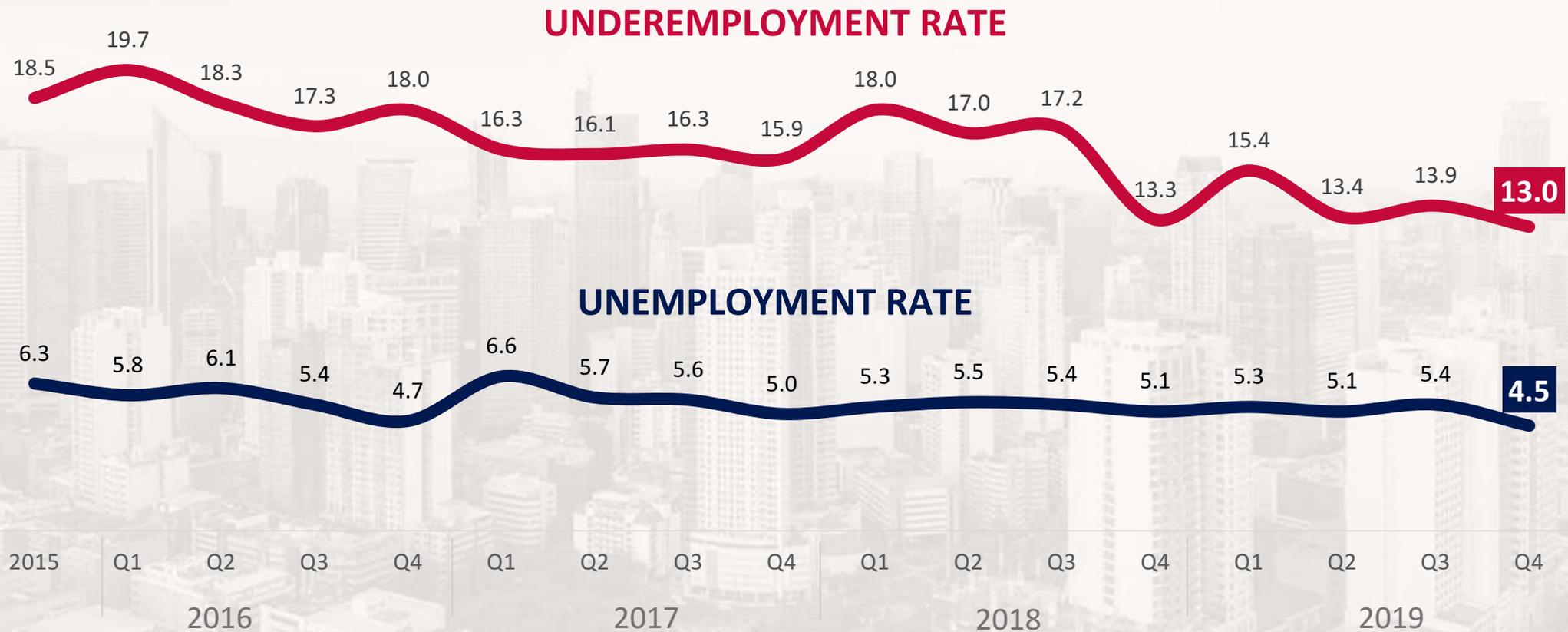
Provided health care coverage, housing, unconditional cash transfers, and free education in state colleges and universities

The President's promise of lifting 6 million Filipinos from poverty by 2022 was achieved ahead of schedule in 2018.

POVERTY INCIDENCE AMONG THE POPULATION (%)



At the end of 2019, we have achieved the lowest recorded rates of unemployment at 4.5 percent and underemployment at 13.0 percent.





We had realized **better economic and social outcomes** for the Filipino people.

The background of the slide is a faded, high-angle aerial photograph of a city skyline, showing numerous high-rise buildings and skyscrapers. A dark blue horizontal banner is positioned across the middle of the image, containing the main title and subtitle in white text. At the bottom left corner, there is a small decorative graphic consisting of three vertical bars in yellow, dark blue, and red.

PANDEMIC RESPONSE PERIOD

(2020 to 2022)

Although the global health crisis was both unexpected and unfamiliar, the Duterte administration moved quickly to protect the lives of Filipinos.



The background of the slide is a faded, grayscale aerial photograph of a dense urban skyline, likely New York City, showing numerous skyscrapers and buildings. At the bottom of the slide, there is a solid red horizontal bar, and on the far left side of this bar, there is a small vertical segment that is yellow on top and blue on the bottom.

The game-changing reforms we had institutionalized over the last five years **cemented our overall macroeconomic stability and allowed us to respond decisively to this health crisis.**

The Duterte Administration's Four-Pillar Socioeconomic Strategy Against COVID-19

P2.76 Trillion (USD 55.69 Billion) or 15.4% of GDP

As of December 31, 2020

PILLAR 1
Emergency support for
vulnerable groups

P506.09 billion
(USD 10.20 billion)



PILLAR 2
Marshalling resources to
fight COVID-19

P58.93 billion
(USD 1.19 billion)



PILLAR 3
Monetary actions to
keep the economy afloat

P1.41 trillion
(USD 28.35 billion)



PILLAR 4
An economic recovery
program to create jobs and
sustain growth

P791.61 billion
(USD 15.95 billion)



**Preliminary DOF staff estimates as of December 2020*

***Amounts in PHP are from BSP; amounts in USD and % of GDP are DOF staff computations*

****Not Added to avoid double counting: PILLAR 3-B Financing support for emergency response and recovery initiatives (P1.4 trillion or USD 28.35 billion)*

Bayanihan One enabled us to responsibly support our most vulnerable sectors.

These emergency subsidies amounted to about P250 billion--the largest social protection program in Philippine history.



**Small Business Wage
Subsidy Program for more
than 3 million workers**



**Emergency Subsidy Program for
more than 18 million families**

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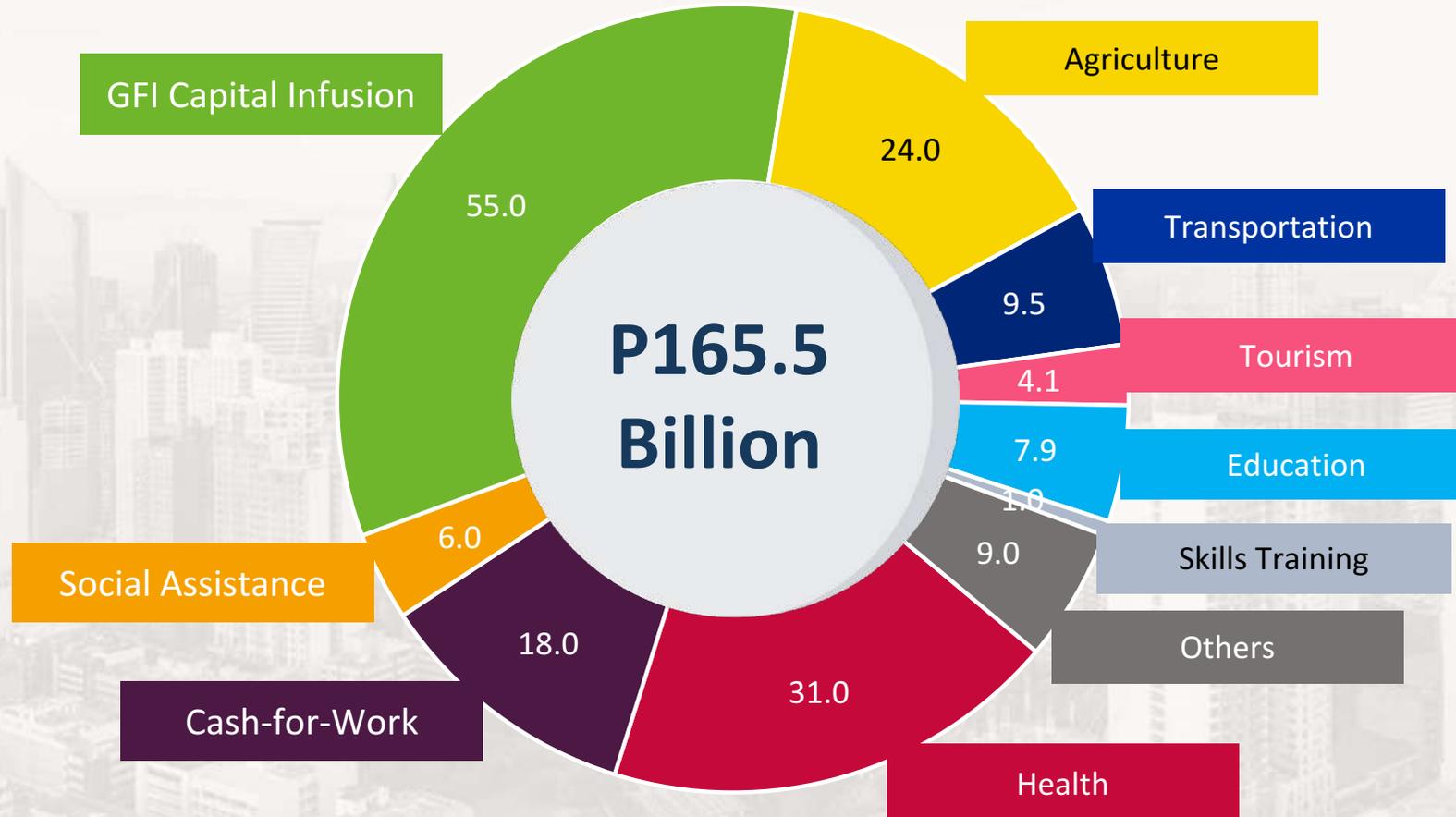
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Bayanihan Two strengthened the health sector, provided cash-for-work program, and assisted affected sectors.

BREAKDOWN OF BAYANIHAN 2 FUNDS
(In PHP Billion)

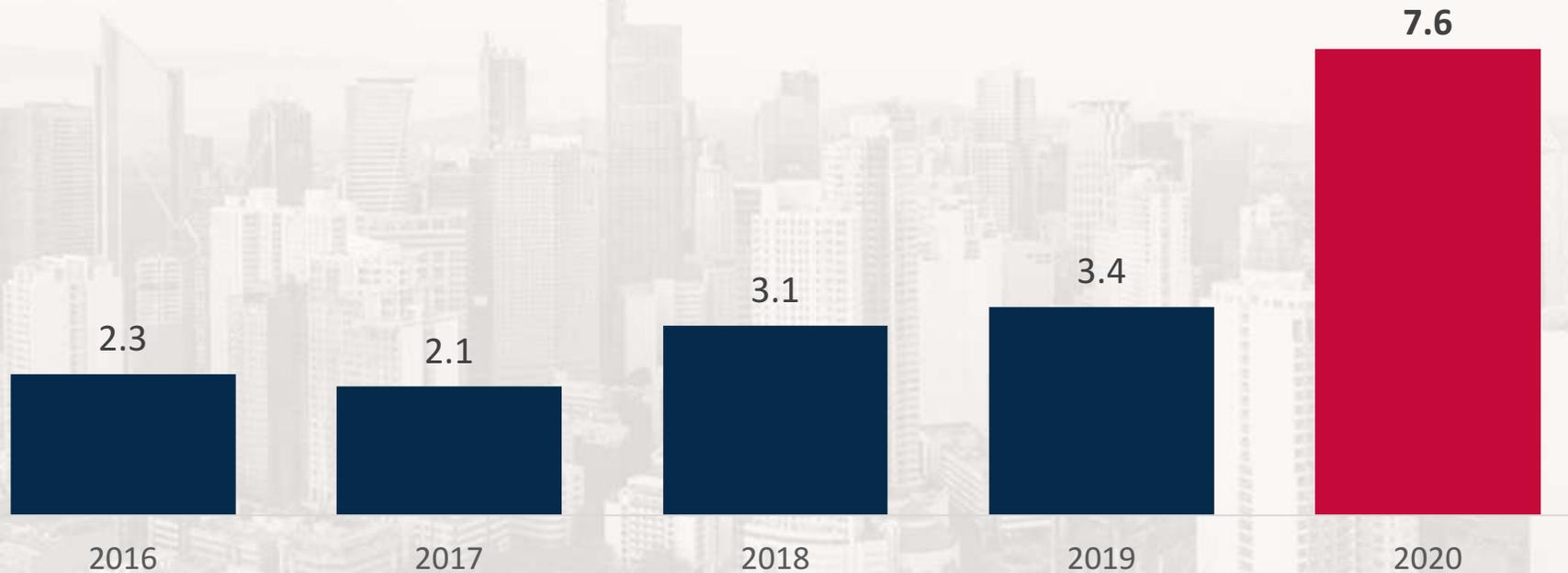




Funding our social protection and economic stimulus measures was a challenge.
Fortunately, we have ample fiscal space to absorb the large financial shock.

Our historic low debt-to-GDP ratio allowed a temporary but controlled expansion of our deficit-to-GDP ratio to 7.6 percent last year.

DEFICIT-TO-GDP RATIO (%)



We have a prudent strategy to finance our deficit.



Domestic borrowings



Official Development Assistance



International Capital Markets

In 2020, our debt-to-GDP ratio rose to 54.5 percent due to the unplanned spending and drop in revenues. But this level still keeps us well within the prescribed bounds of fiscal viability.

NATIONAL GOVERNMENT DEBT-TO-GDP RATIO (%)



*Debt-to-GDP ratio of 60 percent is the debt threshold that the International Monetary Fund (IMF) frequently references in its reports or materials.

Source: BTR

Credit rating upgrades and affirmations are votes of confidence in the Philippines' ability to stage a strong economic recovery from this health crisis.

Japan Credit Rating Agency

Upgrade from BBB+ to A-, Stable Outlook (June 2020)

R&I

Affirmation of BBB+, Stable Outlook, (April 2021)

S&P Global Rating

Affirmation of BBB+ rating, Stable Outlook (May 2020)

Fitch Ratings

Affirmation of BBB rating, Stable Outlook (January 2021)

Moody's

Affirmation of Baa2 rating, Stable Outlook (July 2020)

The President signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021.



Largest fiscal stimulus program for enterprises in the country's history

CREATE provides more than **P1 trillion** (USD 20.5 billion) worth of tax relief over the next 10 years.



Provides hefty corporate income tax rate cuts

The law provides an immediate 10 percentage point cut in the corporate income tax rate of domestic MSMEs (from 30 percent to 20 percent), while the rest of the firms enjoy a 5-percentage point reduction (from 30 percent to 25 percent).



Provides more flexibility in the grant of fiscal and non-fiscal incentives

The law rationalizes fiscal incentives, creating an enhanced incentives package that is performance-based, time-bound, targeted, and transparent.

The President signed into law the Financial Institutions Strategic Transfer (FIST) Act on February 16, 2021.



Allows banks to efficiently offload their bad loans and non-performing assets

FIST will allow banks to free up much-needed liquidity for lending to the productive sectors of our economy that are crucial to our recovery.



Allows banks to act fast in ensuring the stability of our financial system

This bill is an improved version of the Special Purpose Vehicle (SPV) law in 2003 but FIST was enacted within the first year of the pandemic. SPV was signed into law five years after the Asian financial crisis struck in 1997.



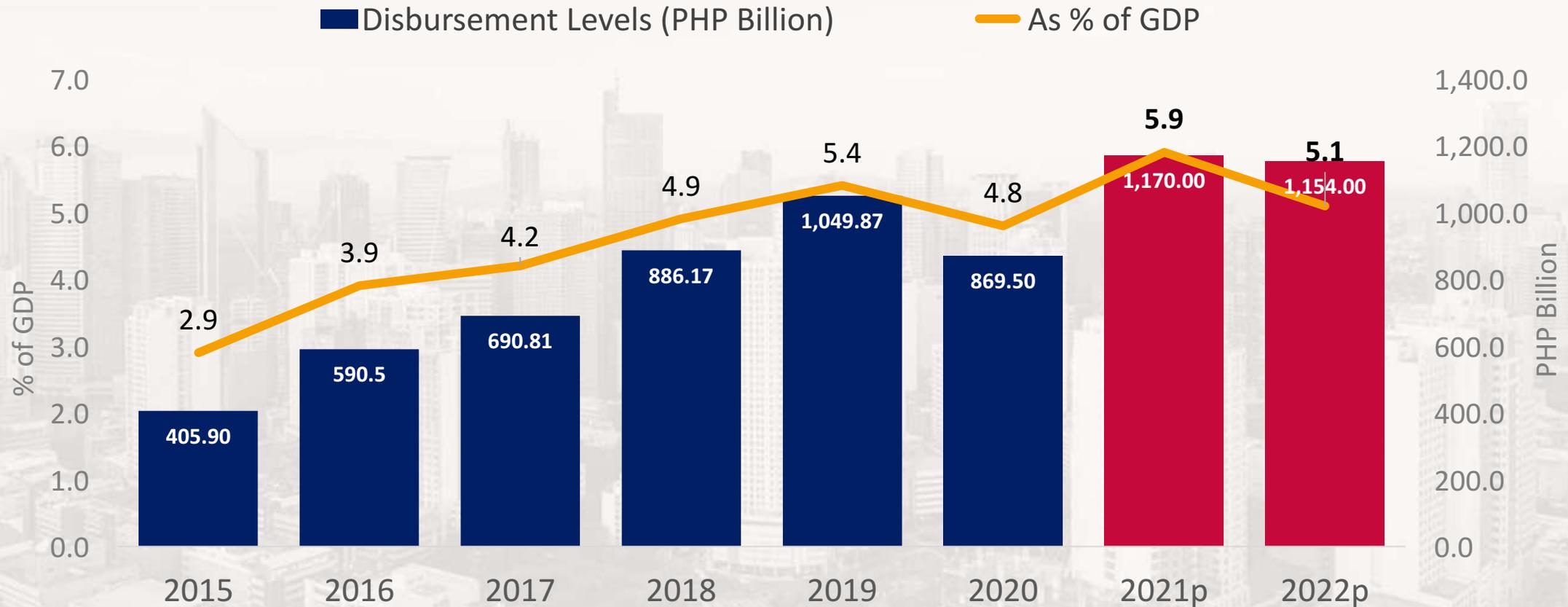
**We will not waver in our commitment to
ensure that our macroeconomic
fundamentals remain strong.**

We want to make sure that we can face the future
with a deep war chest.

We will continue to demonstrate our firm resolve
**of maintaining fiscal prudence while
revitalizing the economy.**

We are maintaining the pace of our Build, Build, Build program.

INFRASTRUCTURE SPENDING AS PERCENTAGE OF GDP



Source: DBM and DBCC Projections as of December 3, 2020

**Despite supply challenges worldwide,
we are fully rolling out our vaccination program.**



**70 Million Filipinos
or 100% of Adult
Population**

**Target Number of People
to be inoculated**

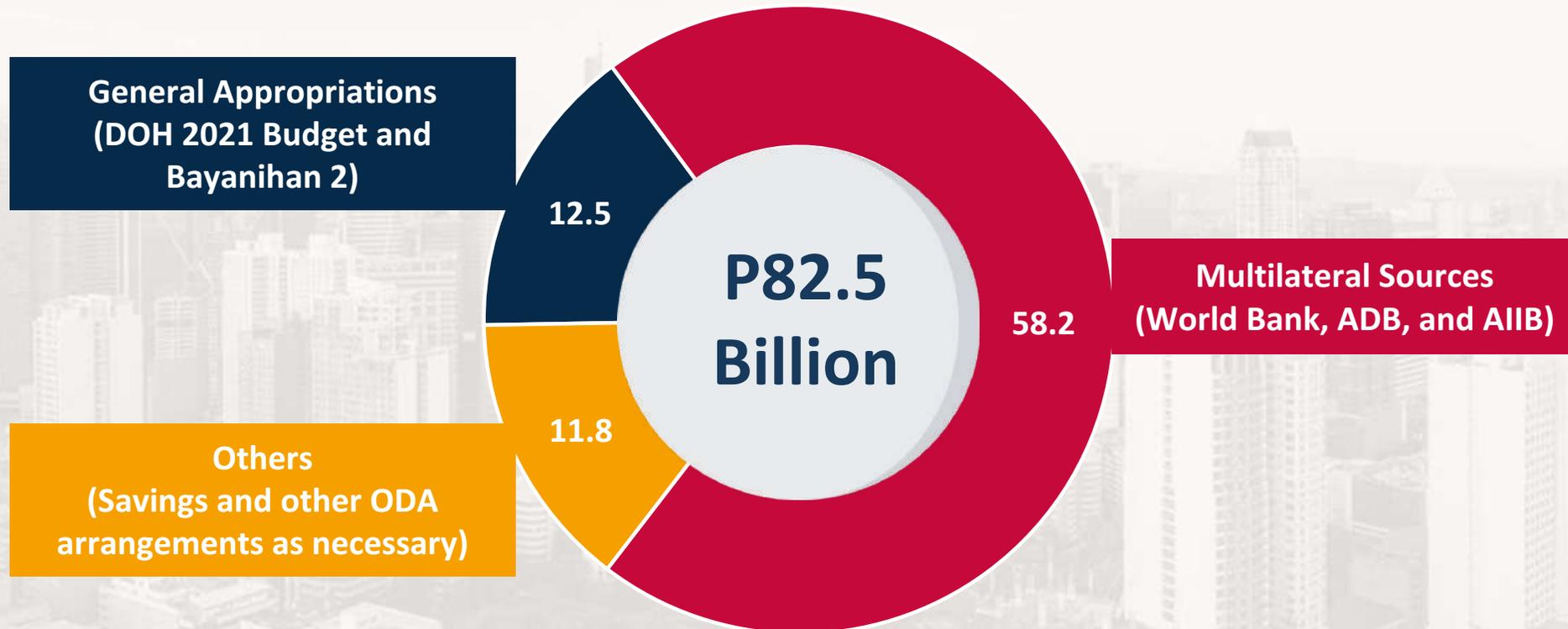


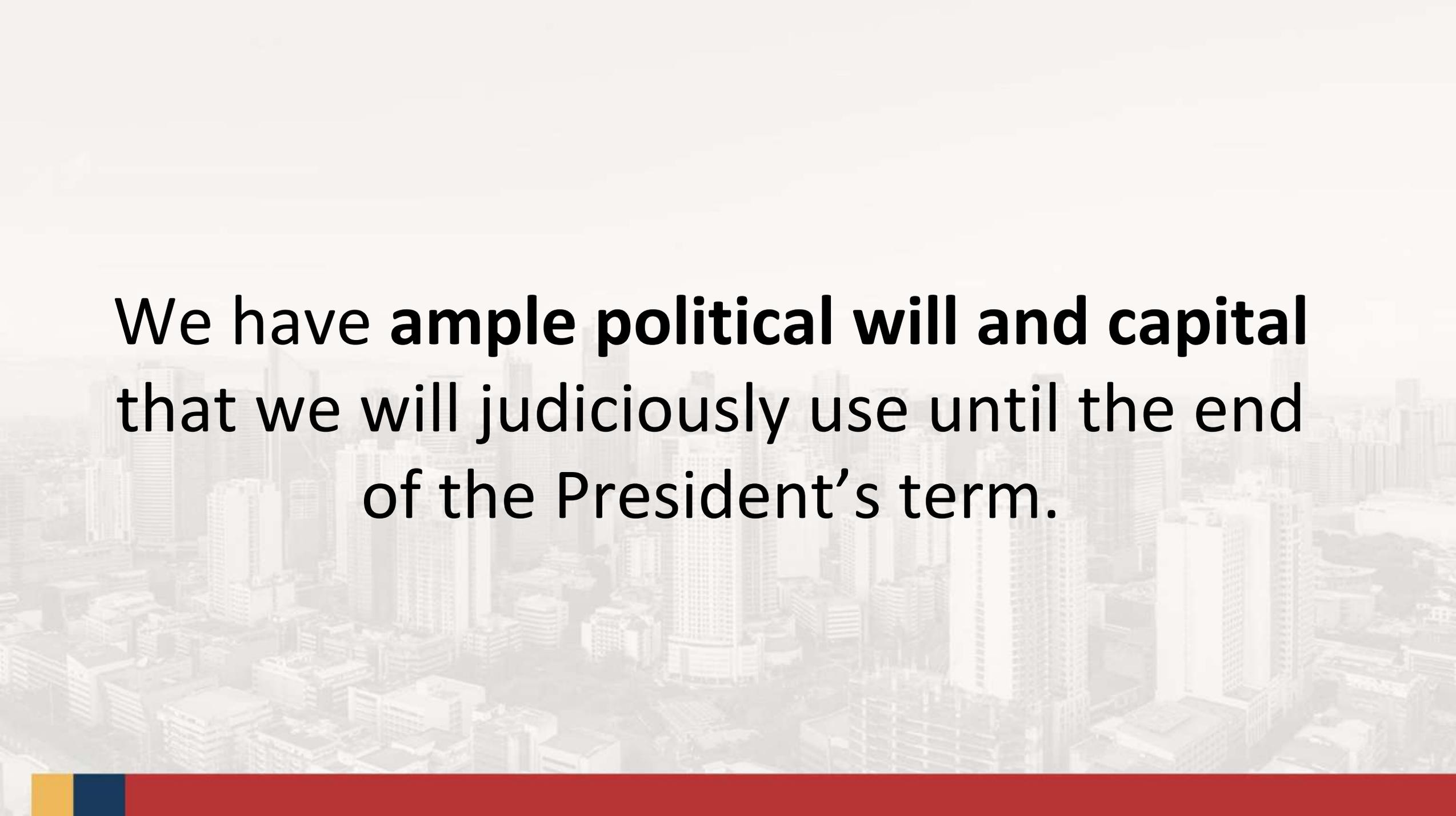
**More than 140
Million Doses of
COVID-19 Vaccines**

**Total Number of doses purchased
for the inoculation program**

The government has a total budget of P82.5 billion for the procurement of COVID-19 vaccines.

BREAKDOWN OF THE COVID-19 VACCINATION PROGRAM BUDGET (In PHP Billion)



An aerial view of a city skyline, likely New York City, with numerous skyscrapers and buildings. A semi-transparent white rectangular box is overlaid on the image, containing the text. At the bottom left corner, there is a small graphic element consisting of three vertical bars in yellow, blue, and red.

We have **ample political will and capital** that we will judiciously use until the end of the President's term.

What remains to be done:



Government Financial Institutions
Unified Initiatives to Distressed
Enterprises for Economic Recovery Bill



Tax Reform Package 3:
Property Valuation Reform



Tax Reform Package 4: Passive
Income and Financial
Intermediary Taxation



Amendments to the
Foreign Investments Act



Amendments to the
Public Service Act



Amendments to the Retail
Trade Liberalization Act



Continue the ongoing digital
reforms in BIR and BOC



Bill increasing dividend
remittances of GOCCs to the
National Treasury



Capital Market Development
Act of 2021



Reforms to save the Military and
Uniformed Personnel pension

Even with the ongoing pandemic, the Duterte administration acknowledges the urgency of putting forward stronger climate adaptation and mitigation measures.



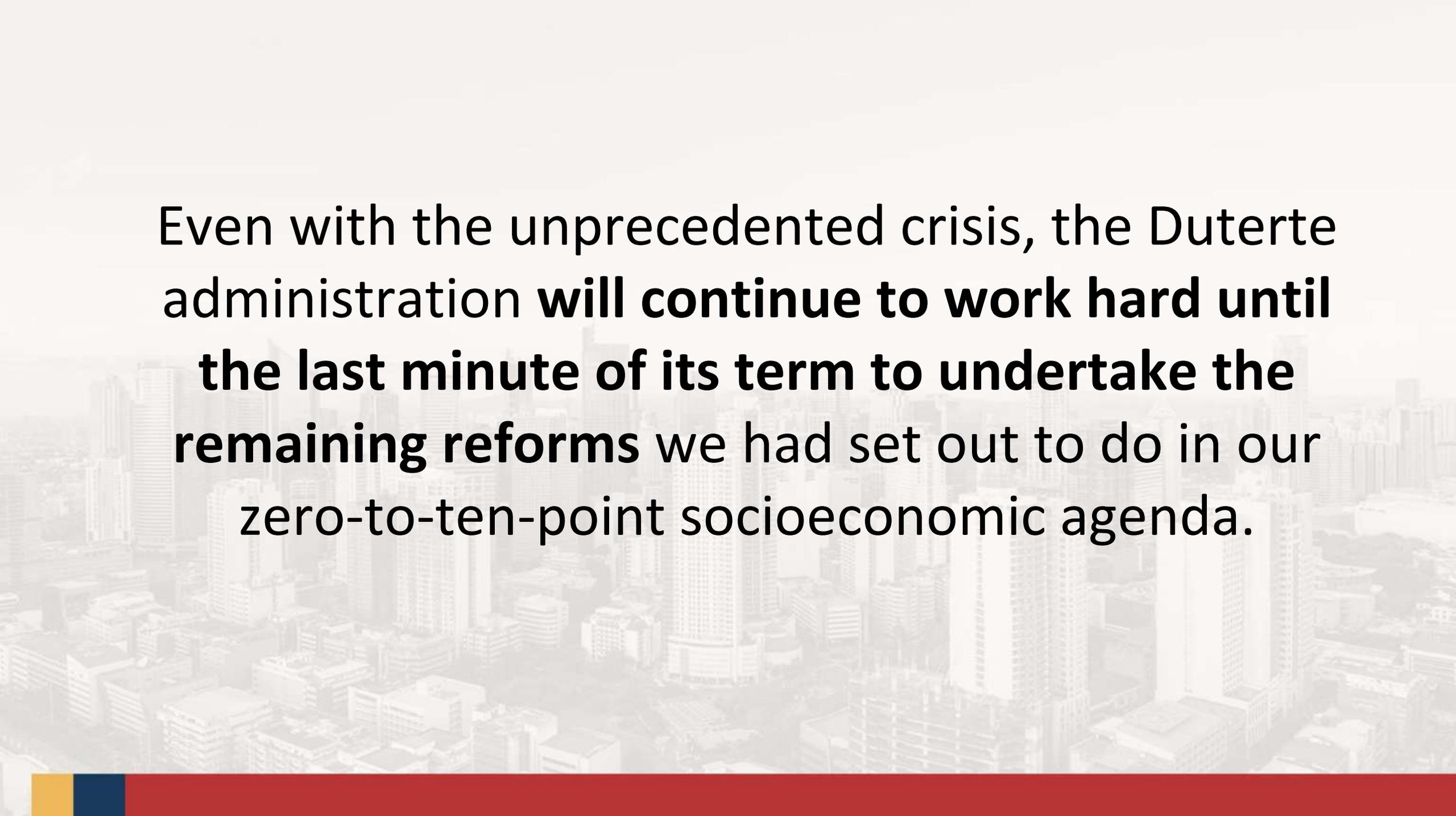
The Philippines commits to reduce greenhouse gas emissions by 75% before 2030.



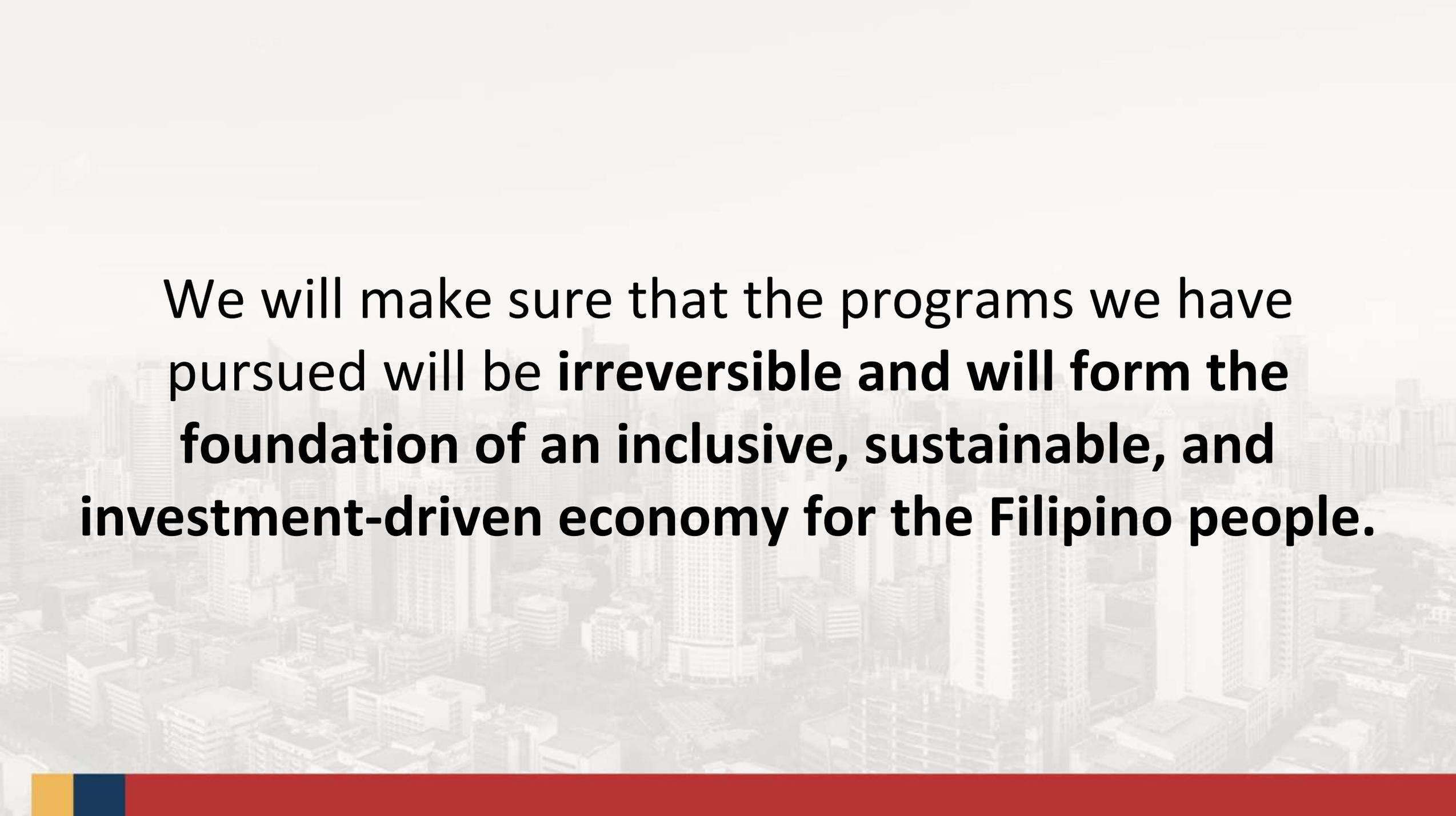
We are exploring investments in renewable and clean energy.



We will push for the enactment of a legislative measure banning single-use plastics.

An aerial view of a city skyline, likely Manila, Philippines, with numerous high-rise buildings and a dense urban layout. The image is slightly faded and serves as a background for the text. At the bottom of the image, there is a solid red horizontal bar, and on the left side of this bar, there are two smaller vertical bars, one yellow and one blue.

Even with the unprecedented crisis, the Duterte administration **will continue to work hard until the last minute of its term to undertake the remaining reforms** we had set out to do in our zero-to-ten-point socioeconomic agenda.

An aerial view of a city skyline, likely Manila, Philippines, with a semi-transparent text overlay. The text is centered and reads: "We will make sure that the programs we have pursued will be **irreversible and will form the foundation of an inclusive, sustainable, and investment-driven economy for the Filipino people.**"

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