

FROM STABILITY TO PROSPERITY:

TRANSFORMING THE PHILIPPINES THROUGH RAPID AND
SUSTAINED GROWTH, FASTER POVERTY REDUCTION,
AND MORE OPPORTUNITIES FOR ALL

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Department of Finance
Philippines



Vision for the Philippines

By 2022



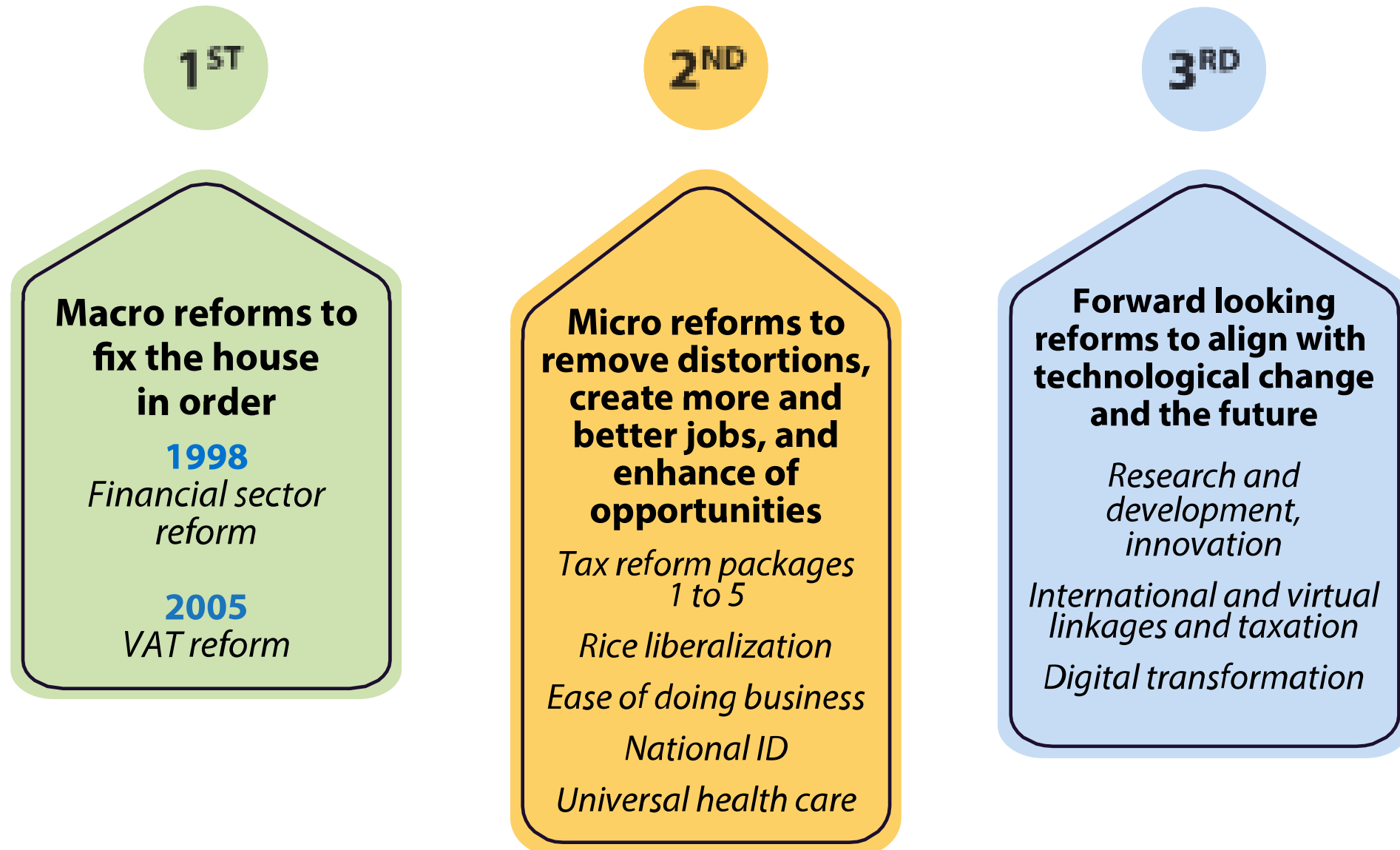
21.6% ➔ **13-15%**
poverty rate reduced
(6 million Filipinos uplifted)

Extreme poverty eradicated

3,500 ➔ **3,996**
USD **USD**
Increase in Gross National Income (GNI)
(achieve upper-middle income status where Thailand and China are today)

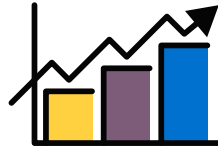
3,500 ➔ **12,376**
USD **USD**
Increase in Gross National Income (GNI)
(achieve high income status where Malaysia and South Korea are today)

Three generations of reforms



Progress in achieving the 10-point socioeconomic agenda is advancing strongly.

The 10-point Socioeconomic Agenda		Macroeconomic Policies 1  Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.	Tax Reform 2  Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.
Ease of Doing Business 3  Increase competitiveness and the ease of doing business.	Infrastructure Spending 4  Accelerate annual infrastructure spending to account for 5% of GDP, with public-private partnerships playing a key role.	Rural Development 5  Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.	Land Management 6  Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
Human Capital Development 7  Invest in human capital development, including health and education systems, and match skills and training.	Science and the Arts 8  Promote science, technology, and the creative arts to enhance innovation and creative capacity.	Social Protection programs 9  Improve social protection programs, including the government's Conditional Cash Transfer program.	Reproductive Health Law 10  Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.



1. Macroeconomic policies

Constraints to doing business have shifted from macro to micro issues...

World Bank 2005

Rank Firm perceptions of severe constraints for DB

1  Macroeconomic instability

2  Corruption

3  Electricity

4 Tax rates

5 Regulatory policy uncertainty

6 Crime, theft, and disorder

7 Tax administration

8 Labor regulations

9 Anti-competitive practices

10 Cost of financing

World Economic Forum 2017-18

Rank Most problematic factors for doing business

1  Inefficient government bureaucracy

2  Inadequate supply of infrastructure

3  Corruption

4 Tax regulations

5 Tax rates

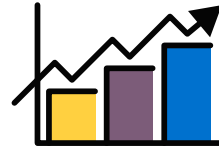
6 Policy instability

7 Access to financing

8 Government instability/coups

9 Restrictive labor regulations

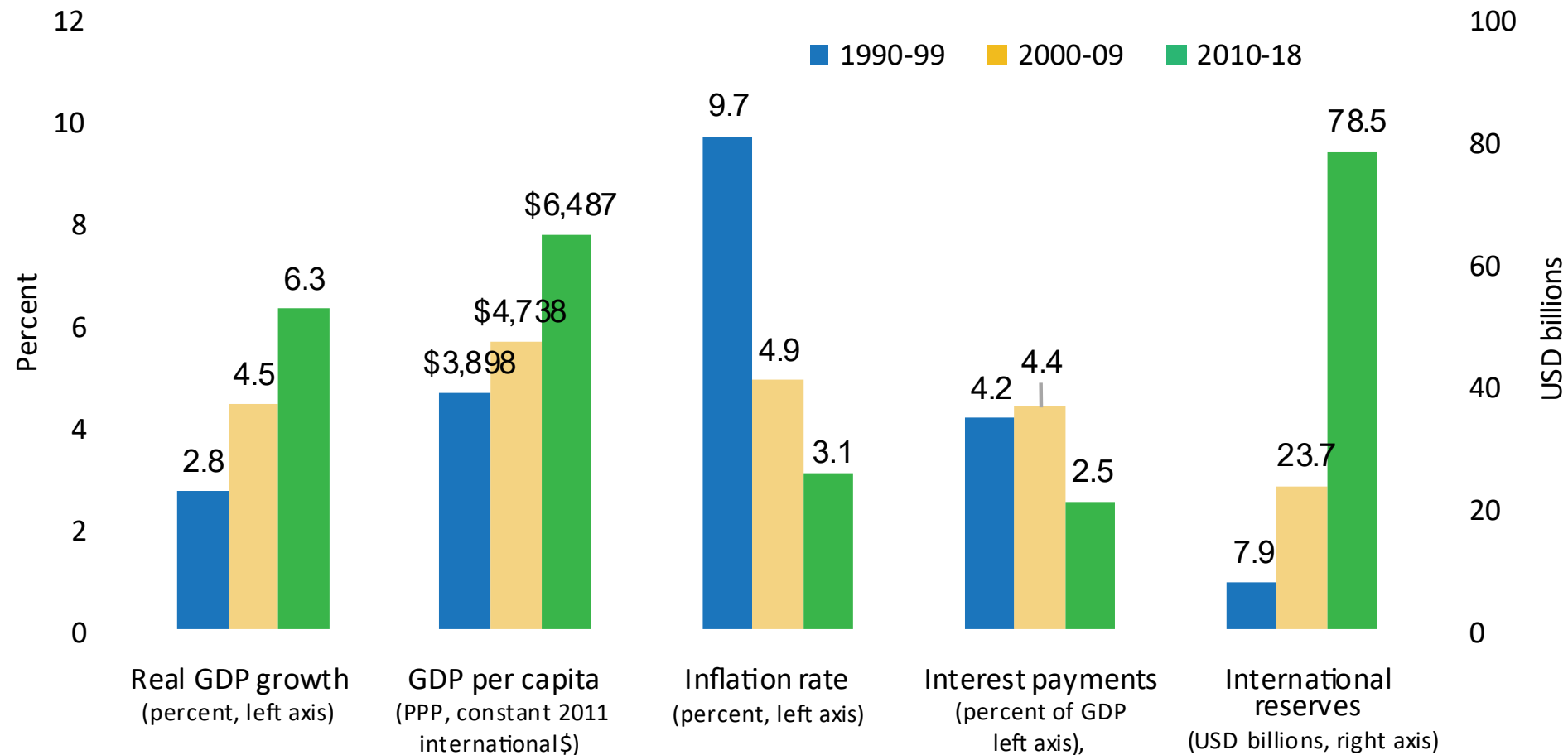
10 Poor work ethic in national labor force

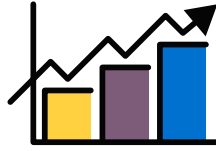


1. Macroeconomic policies

Strong macroeconomic fundamentals underpin solid growth.

Selected macroeconomic indicators

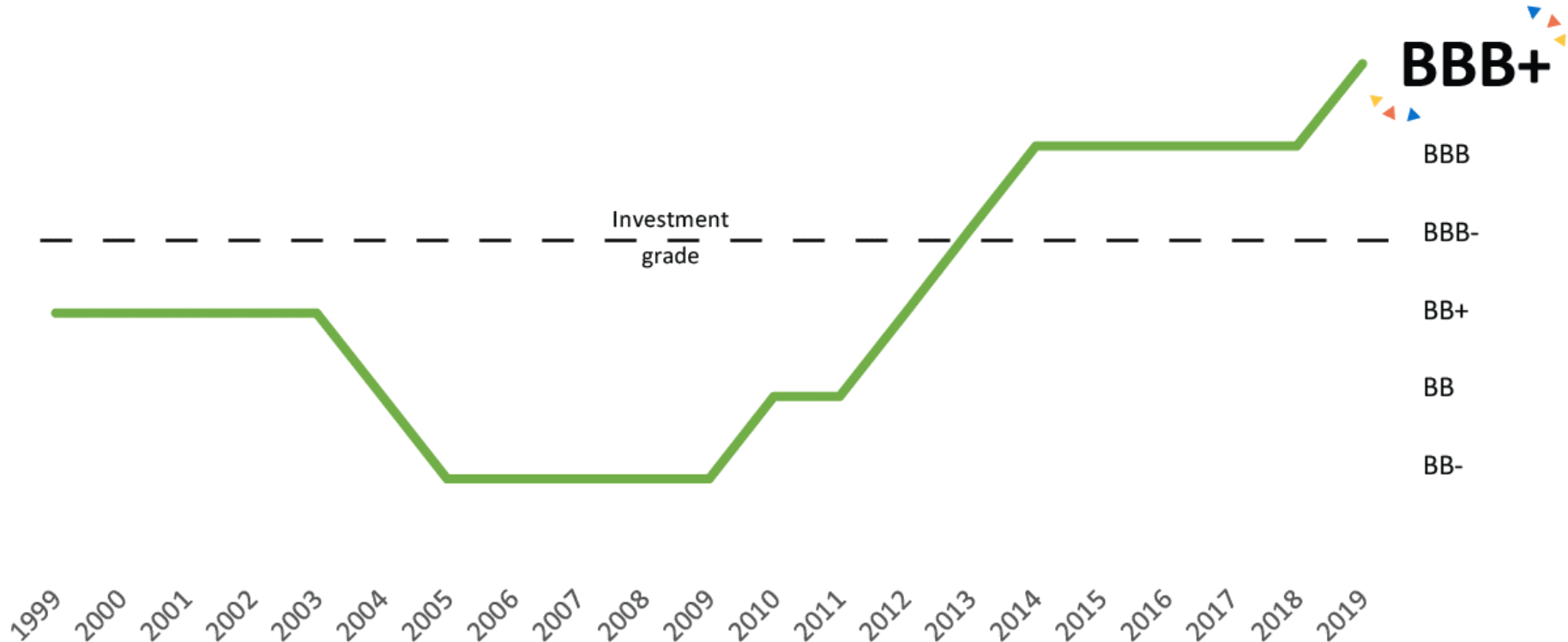


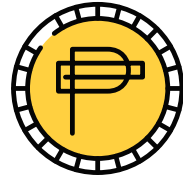


1. Macroeconomic policies

Credit rating upgrade means upgrading everyone's life.

Philippine credit rating

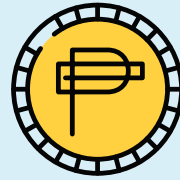




2. Tax reform



*Tax reform is about **INVESTING**
in our country's **FUTURE**.*



2. Tax reform



Call Center Agent (Monthly income: PHP 21,000)

A Annual basic salary:
PHP **252,000**

B 13th month pay:
PHP **21,000**

C Mandatory contributions:
PHP **11,641**

D Personal exemption:
PHP **50,000**

E Allowance for dependents (two children):
PHP **50,000**

Impact on Taxpayer's Personal Income

Old tax system

Annual gross income:
A + B **273,000**

Deductions and exemptions:
B + C + D + E **132,641**

Net taxable income:
140,359

Income bracket: Over 140,000 to 250,000
(22,500 + 25% of the excess over 140,000)

Tax due: PHP **22,590**

TRAIN*

Annual gross income:
A + B **273,000**

Deductions and exemptions:
B + C **32,641**

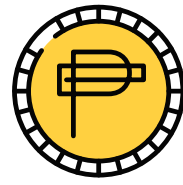
Net taxable income:
240,359

Income bracket: Over 0 - 250,000 (0%)

Tax due: PHP **0**

Tax savings: PHP **22,590**

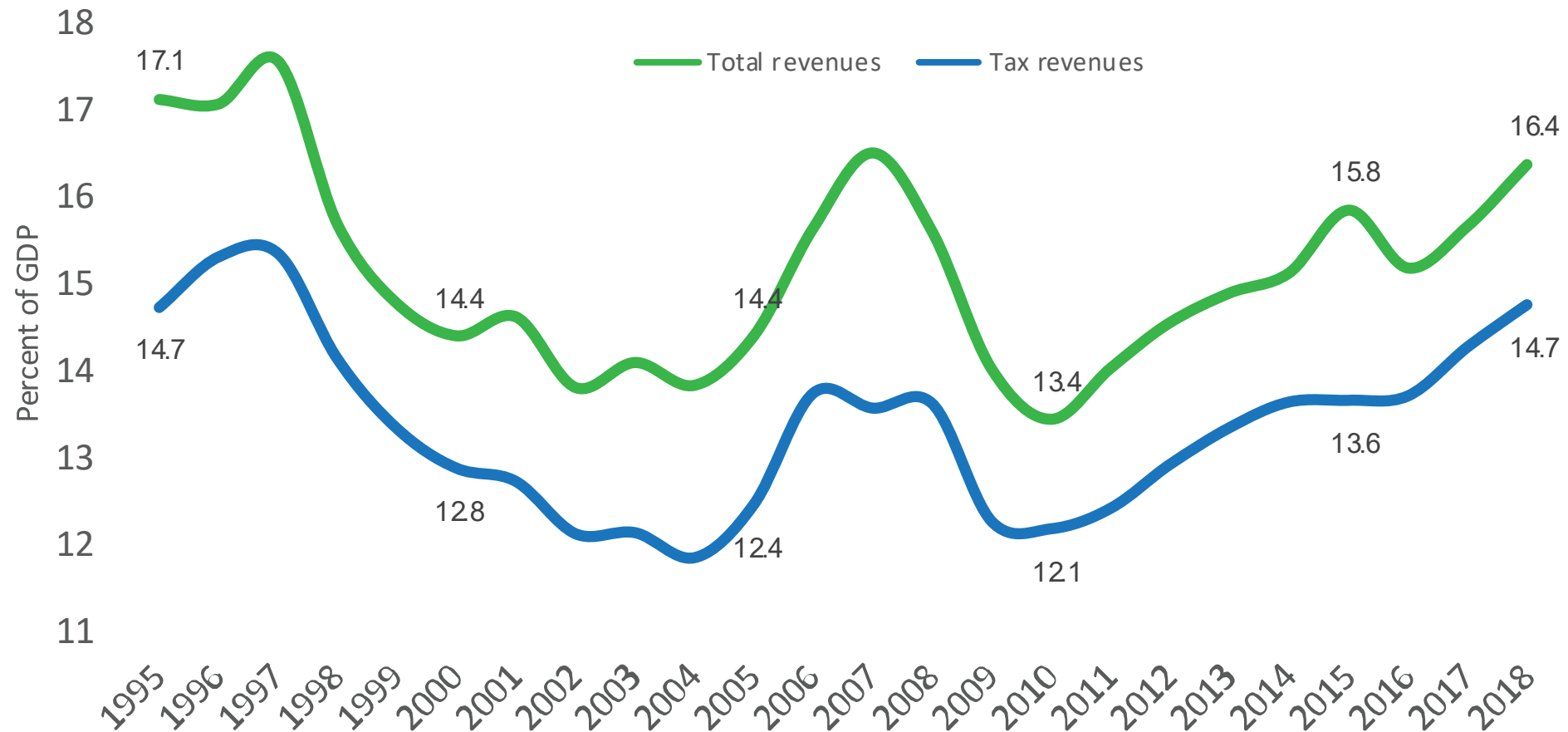
Computation under TRAIN is based on PIT schedule 1.

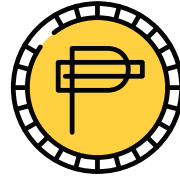


2. Tax reform

Higher tax revenues funding social services and infrastructure

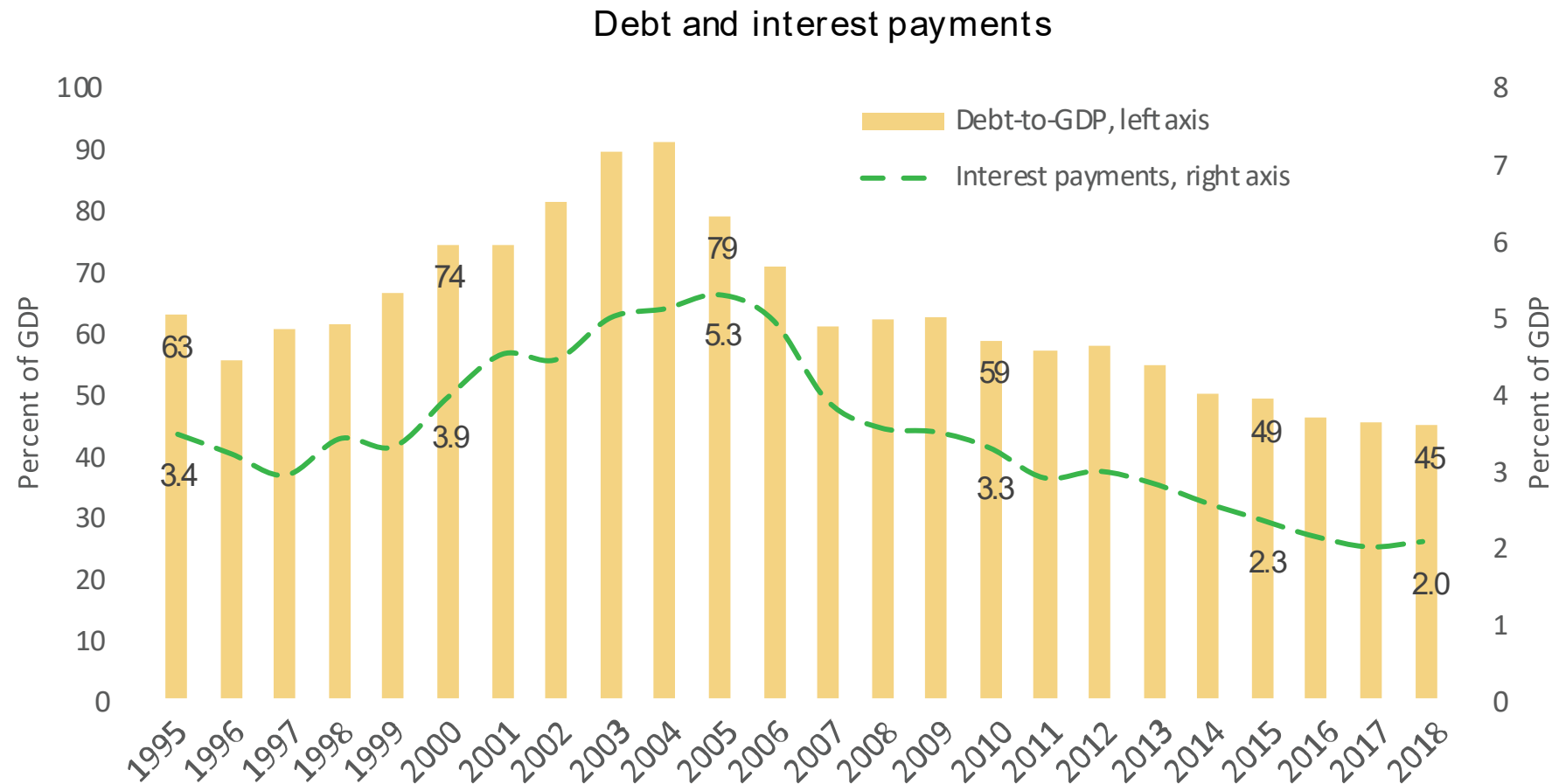
Total revenues and tax revenues





2. Tax reform

Lower debt has led to reduced interest payments



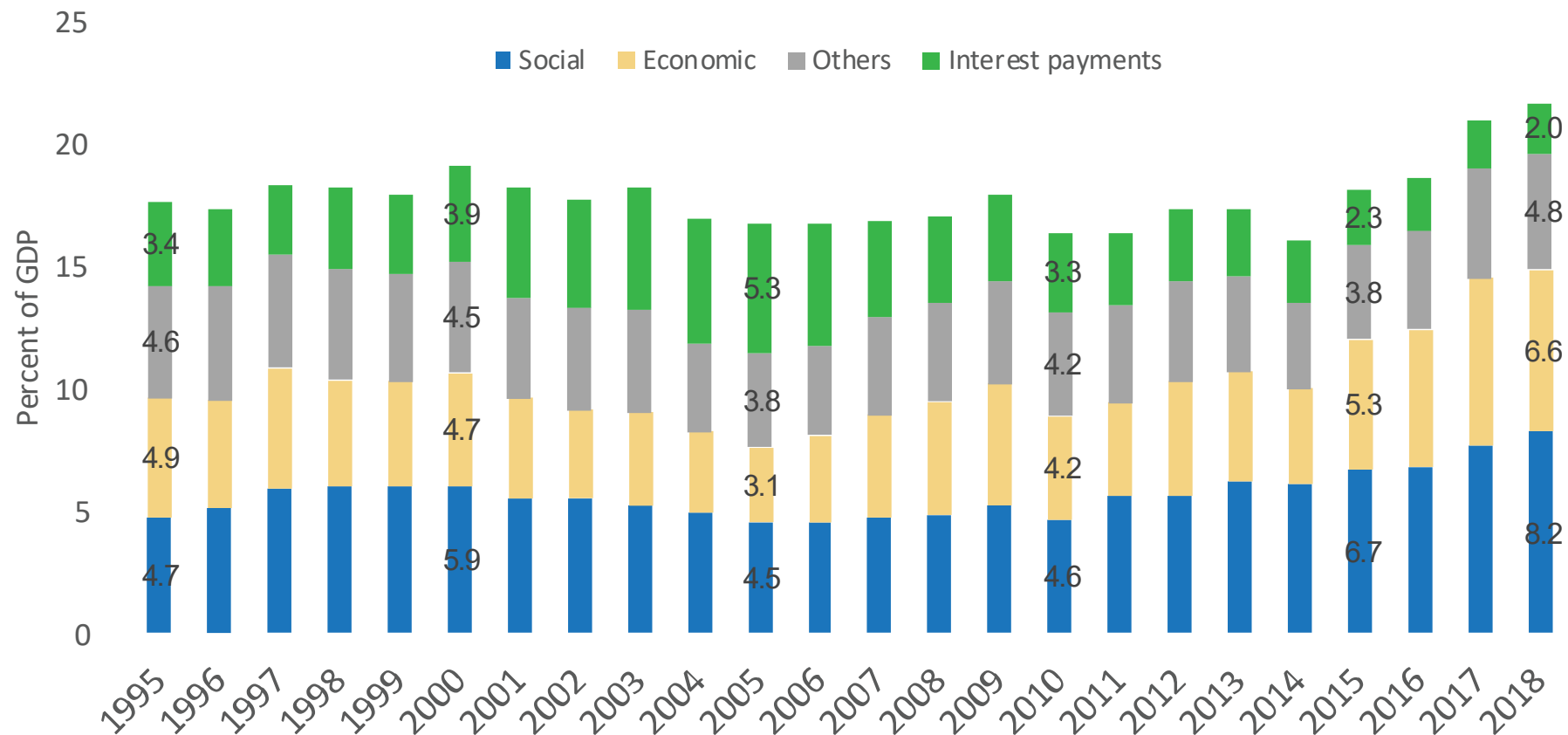
Source: DBM and BTr

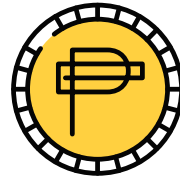


2. Tax reform

...Creating more fiscal space for more productive spending.

Breakdown of expenditures





2. Tax reform

Social protection programs under TRAIN

We strongly believe that TRAIN should be fully implemented given its strong positive benefits to the people and the economy. To protect the poor and vulnerable, we shall implement the social mitigating measures while ensuring that they are well prepared and targeted so that only intended beneficiaries enjoy them.



**Unconditional
cash transfer**

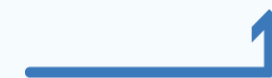


**Pantawid Pasada
Program**



**Social welfare
programs thru the
National ID**

- Discounted purchase of rice from the National Food Authority (NFA)
- Free skills training from the Technical Skills and Development Authority (TESDA)
- Fare discount from public utility vehicles





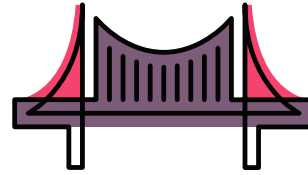
3. Ease of doing business





3. Ease of doing business

Key government transactions	Max processing days	Key government transactions	Max processing days
Simple applications and requests	3	Certificate of fire incidents for fire insurance	20
Complex applications or requests	7	Interconnectivity infrastructure (installation and operation of telecommunication, broadcast towers, facilities, equipment and service:	7
Applications or requests involving activities that pose danger to public health, safety, public morals, and public policy	20	<ul style="list-style-type: none"> a) barangay b) local government units c) national government agencies 	
Application that requires approval of any Sanggunian	45	Homeowners and other community clearances	10
Fire Safety Evaluation Clearance (FSEC) and Fire Safety Inspection Certificate (FSIC)	7		

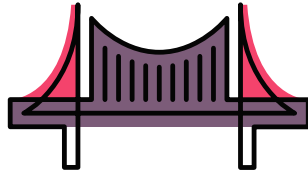


4. Infrastructure spending



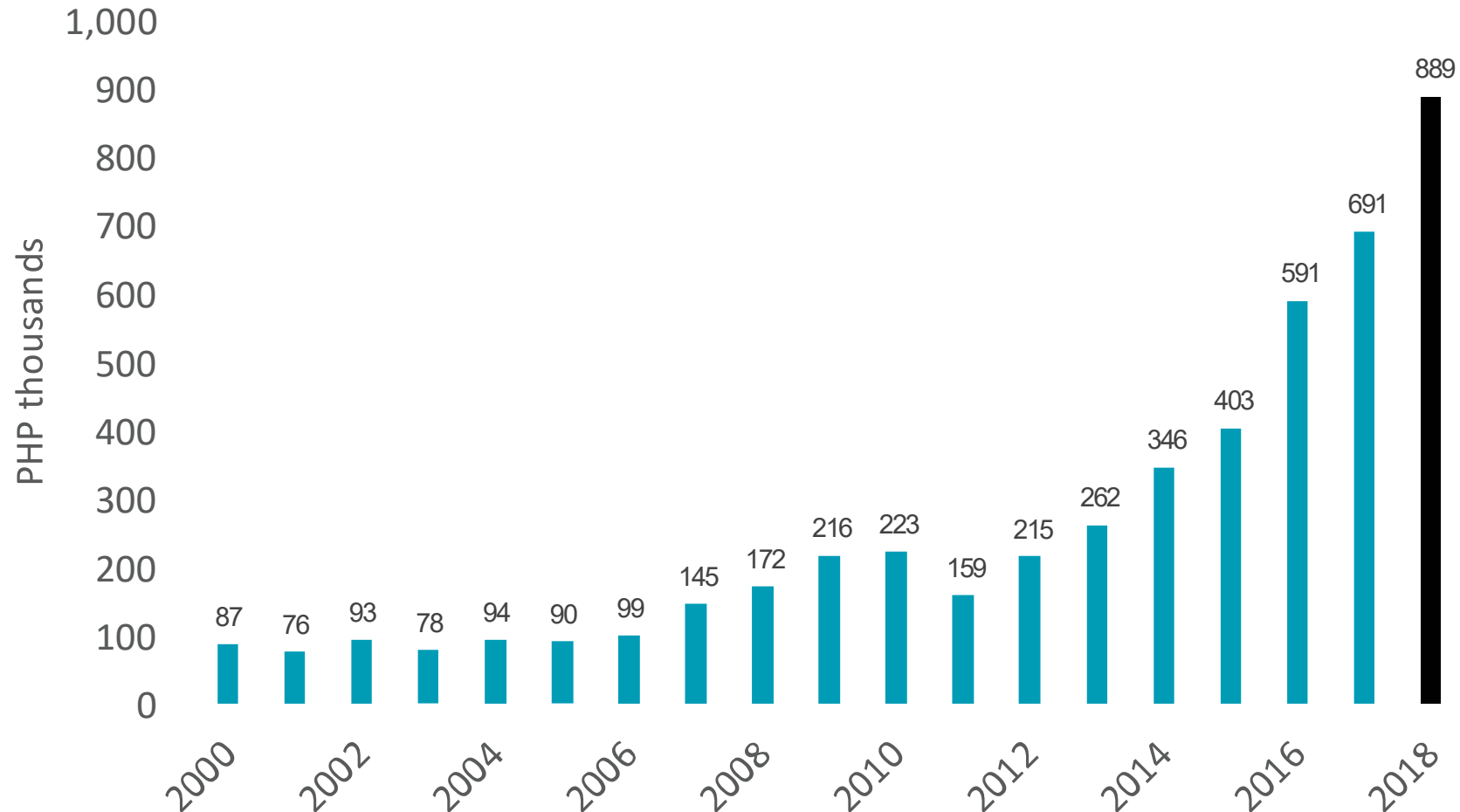
photos from DOF, DOTr, BCDA

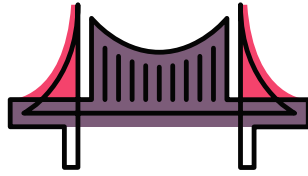




4. Infrastructure spending

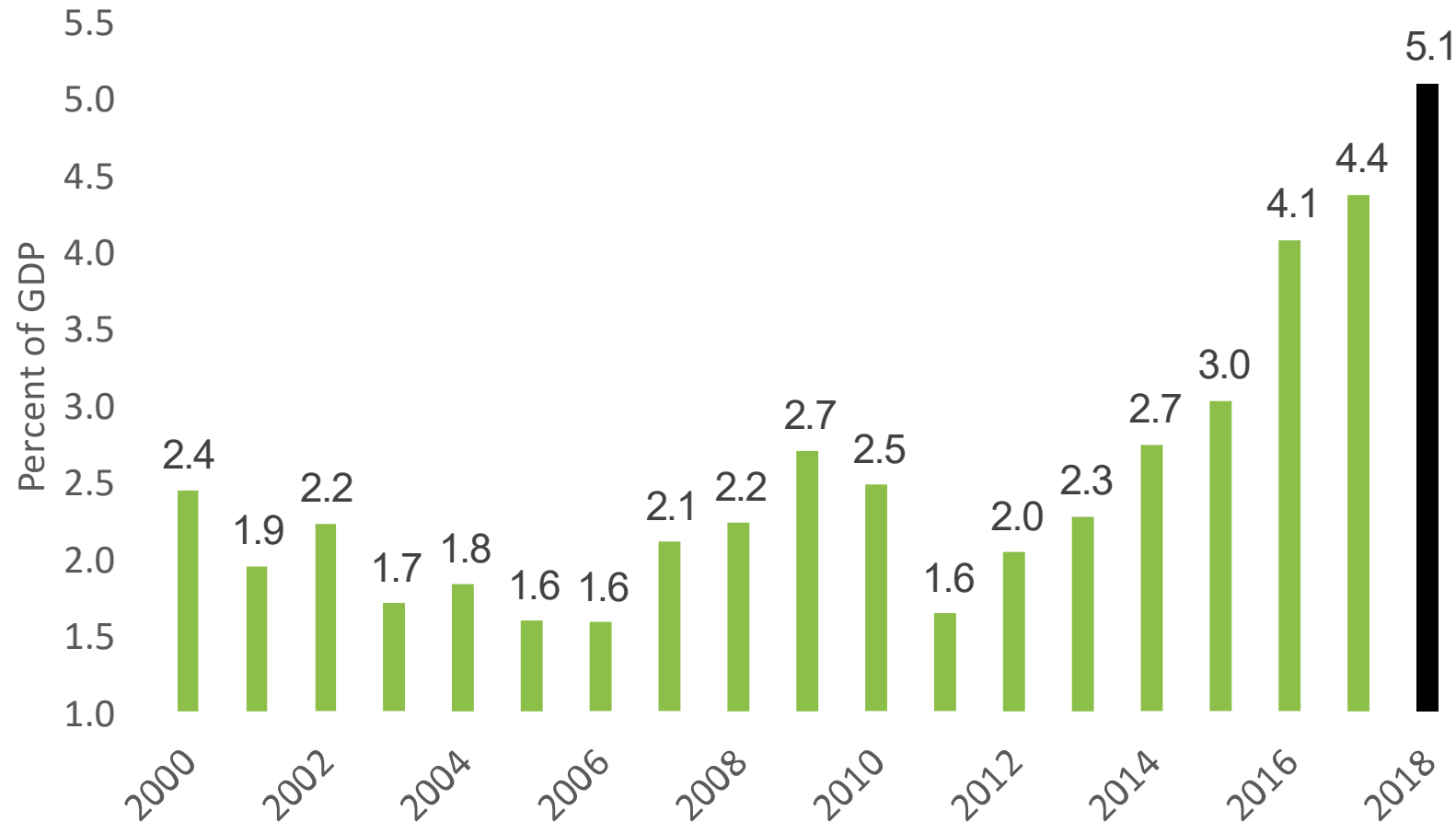
Infrastructure spending in nominal values





4. Infrastructure spending

Infrastructure spending as a percent of GDP



Sources: DBM and DOF



5. Rural development



photos from IRRI



5. Rural development

Rice Competitive Enhancement Fund (RCEF)

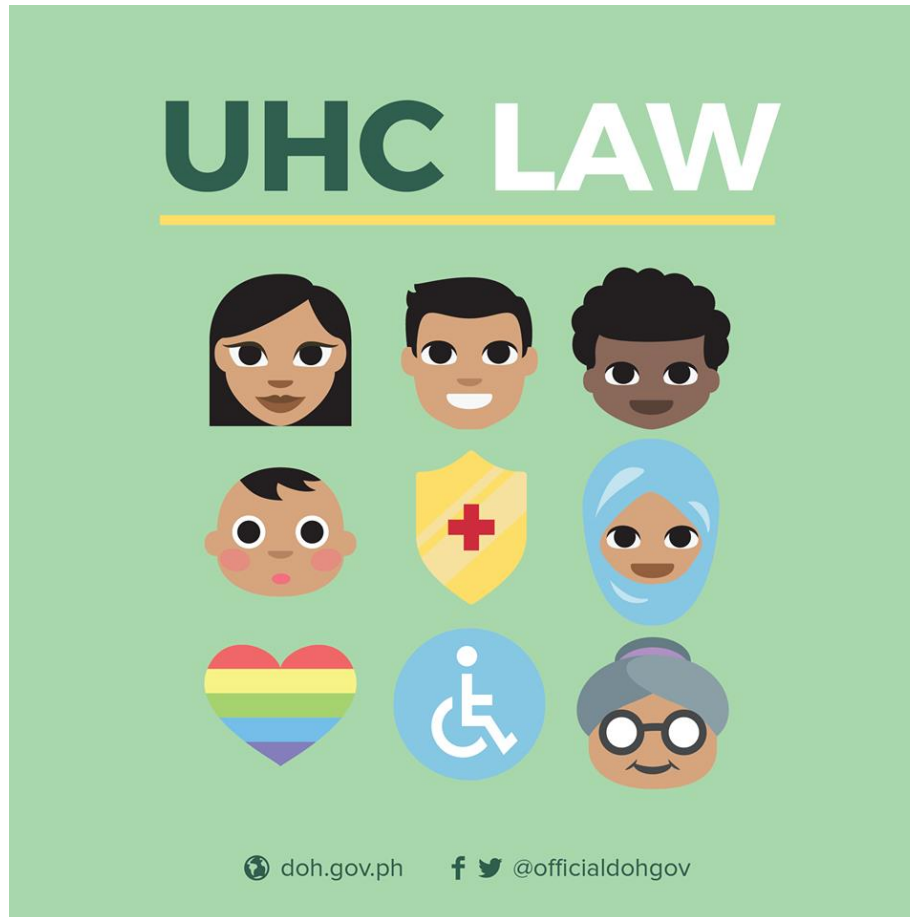


Photo: IRRI

Farmers benefit from the **Rice Competitive Enhancement Fund (RCEF)** with a **10 billion peso annual appropriation** for the next six years.

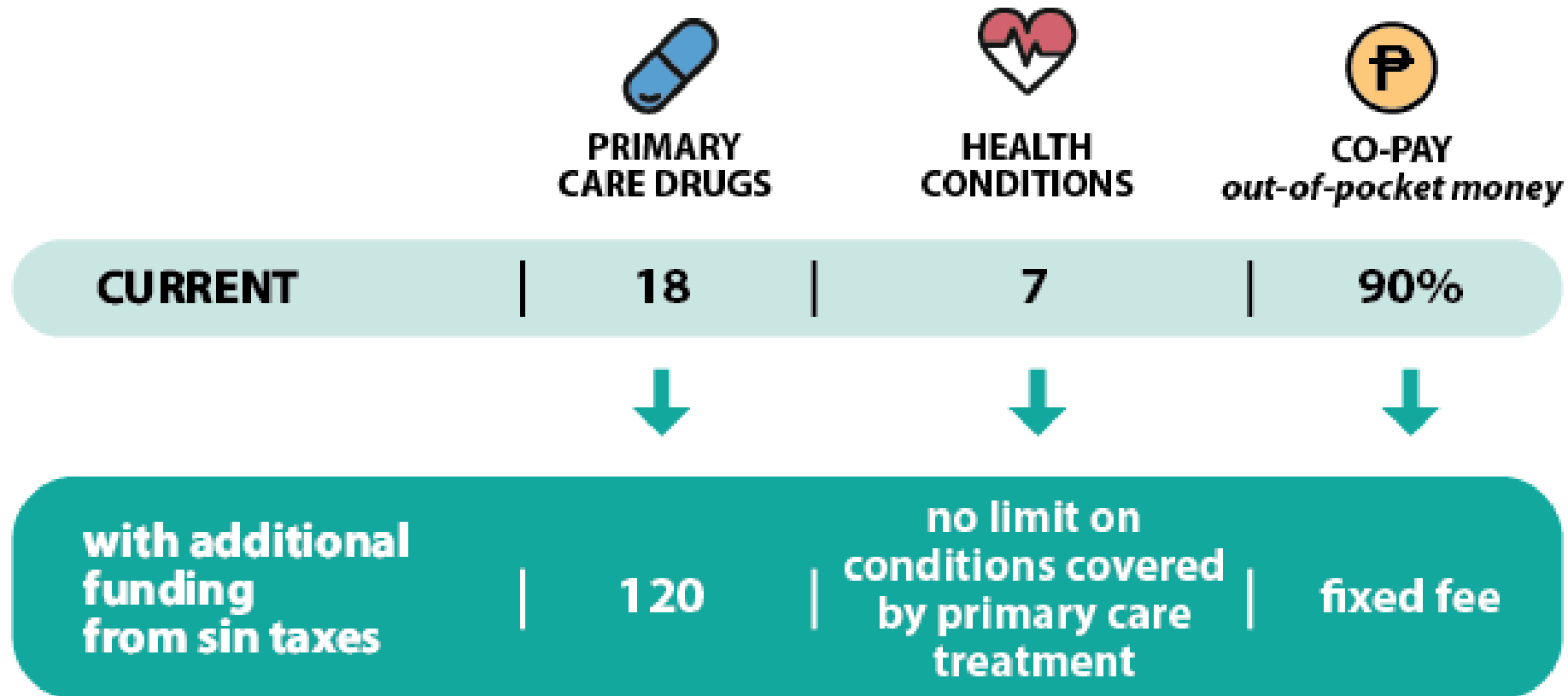


7. Human capital development





7. Human capital development



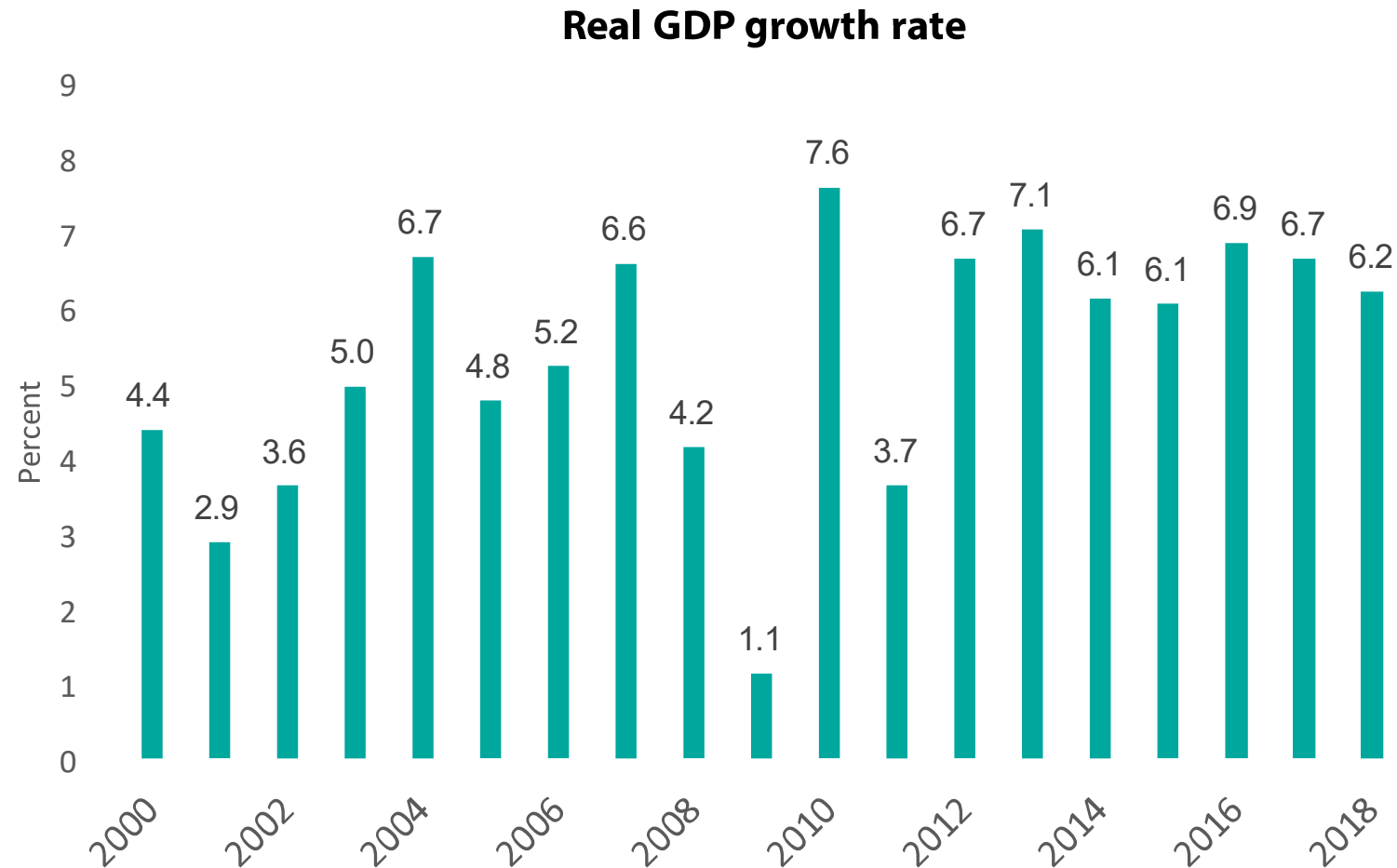
These are some of the specific benefits that Filipinos will receive under UHC if fully implemented.



9. Social protection programs

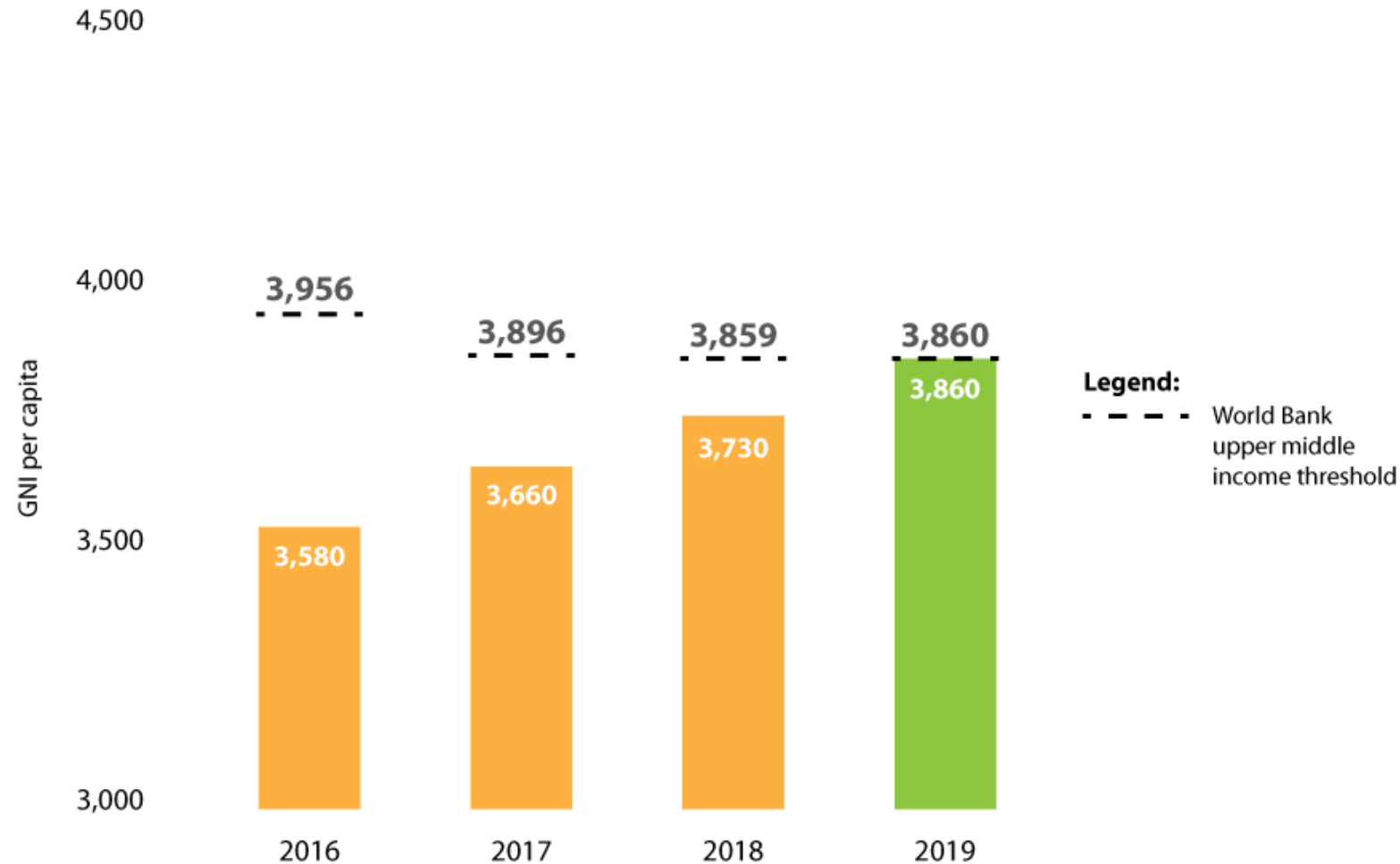


GDP growth has remained robust despite headwinds in the global economy.



Source: PSA

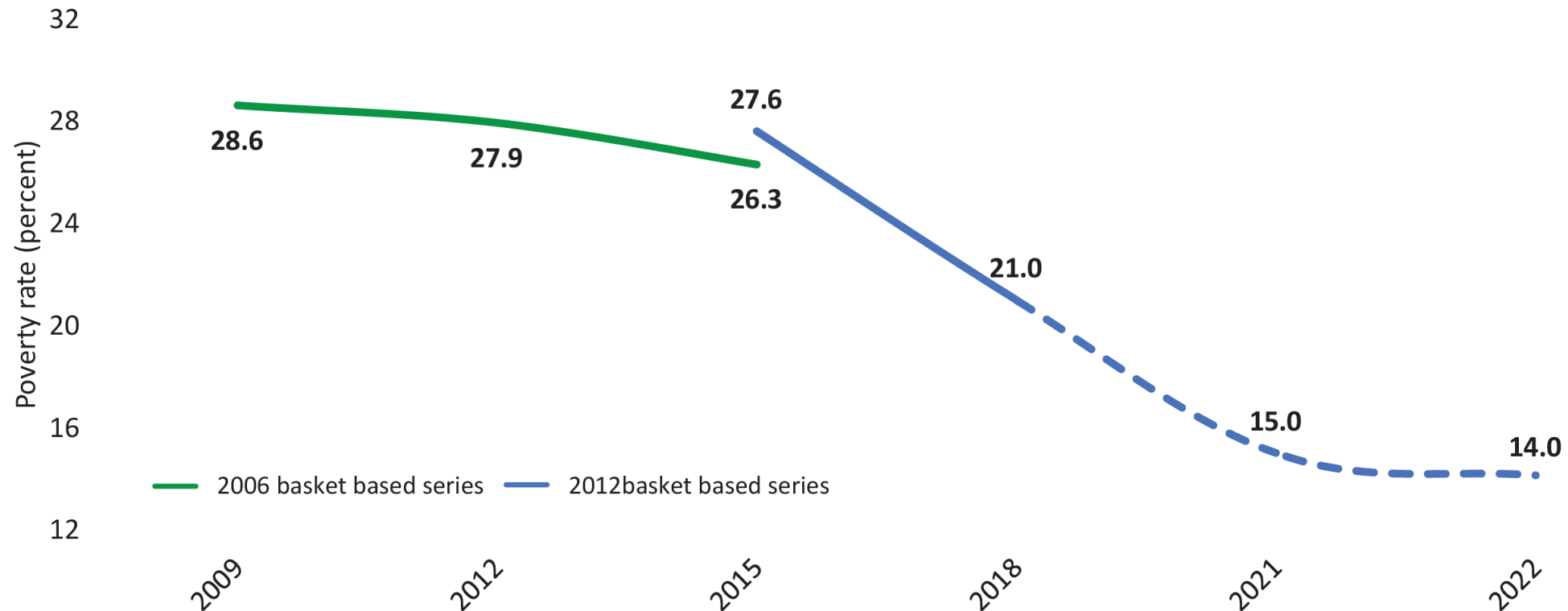
With higher growth, the Philippines is likely to become an upper-middle income country next year.



Source: World Bank

Poverty reduction is encouraging.

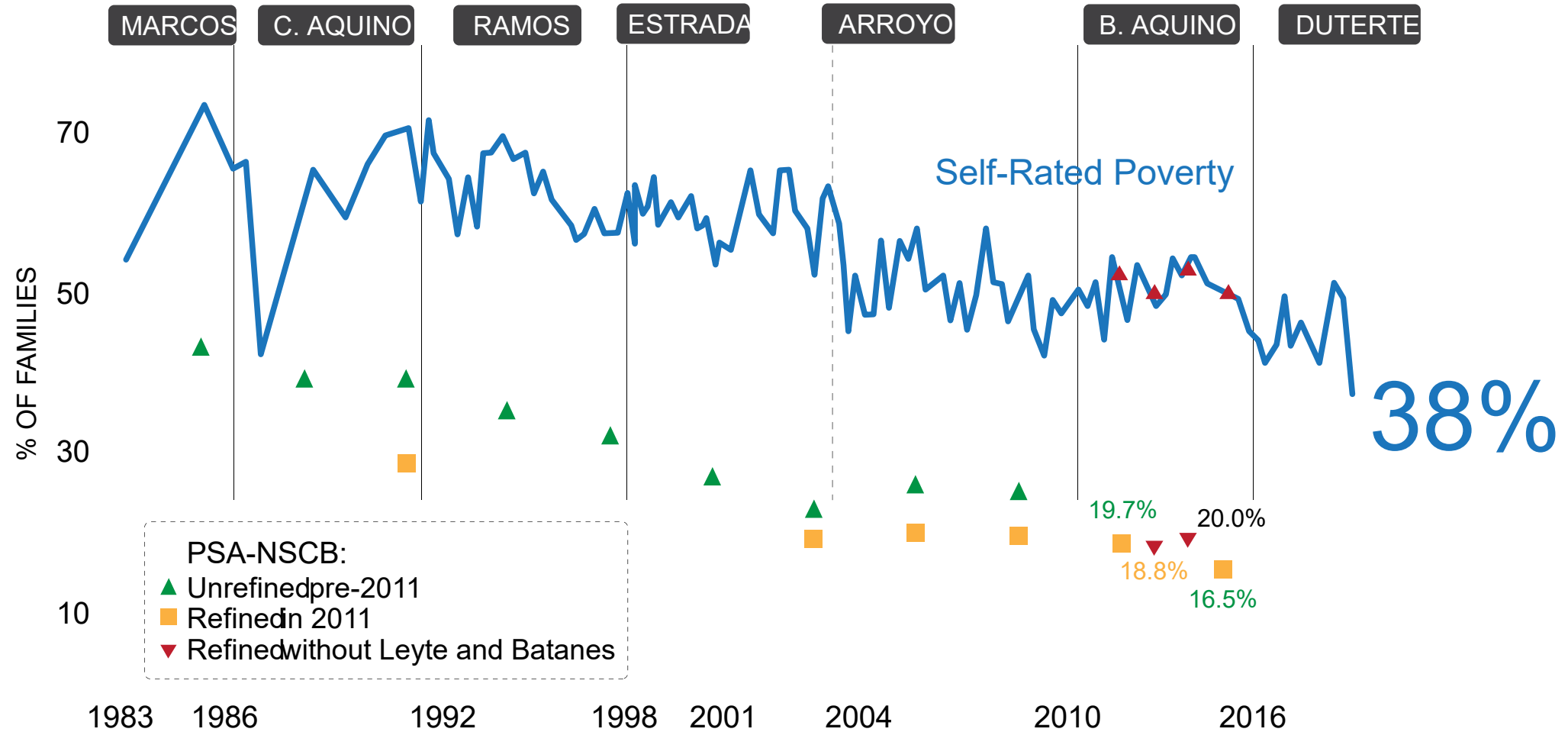
First semester poverty estimates among the population



Source: PSA

Note: Poverty rates for 2021 to 2022 represent government targets.

Self-rated poverty: Families who are “mahirap”, Philippines, April 1983 to March 2019



Self-Rated Poverty Question: Where would you place your family in this card? (Not poor, on the line, poor)

Note: The NSCB figures, which compare income of the year to the official poverty line, are plotted in June of the year

Rice liberalization reform is a game-changer.

Rice liberalization is
pro-consumer
pro-farmer
pro-taxpayer
pro-workers
pro-children
pro-poor



The next three years will be focused on achieving entirely the 10-point socioeconomic agenda.



Development objectives in next three years.

- The overarching objectives for the next three years are to:

**Achieve
upper middle
income
country
status**

**Grow by 7 to
8 percent per
year (GDP
growth)**

**Bring down
poverty rate
further to 14
percent.**

Some economic priorities in next three years

1. Accelerate implementation of the Build Build Build infrastructure program.

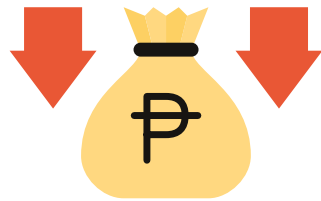
- We have achieved 5.1 percent of GDP budget on infrastructure and we are on track to achieve 7 percent of GDP in infrastructure spending in three years' time. This is consistent with achieving an 8 percent GDP growth.



- Hybrid PPPs
- Improve pre-planning
- Involve LGUs in identification and strategic planning of projects
- Upgrade technical capacity of LGUs to deliver local infrastructure
- Land valuation reform to resolve right-of-way conflicts
- National Land Use Plan to implement proper zoning

Some economic priorities in next three years

2. Pursue the remaining tax reform packages to make the tax system simpler, fairer, and more efficient, while ensuring sustainable financing for the infrastructure program. Four major packages remain:



Package 2

**Corporate income tax and
incentives reform**



Package 3

Property valuation



Package 4

**Capital income and financial
taxes**



Package 2+

Alcohol excise

Some economic priorities in next three years

3. Pursue economic reforms to increase FDI and jobs. Priority bills include

- Amendment to the Public Service Act
- Opening up retail trade further



Some economic priorities in next three years

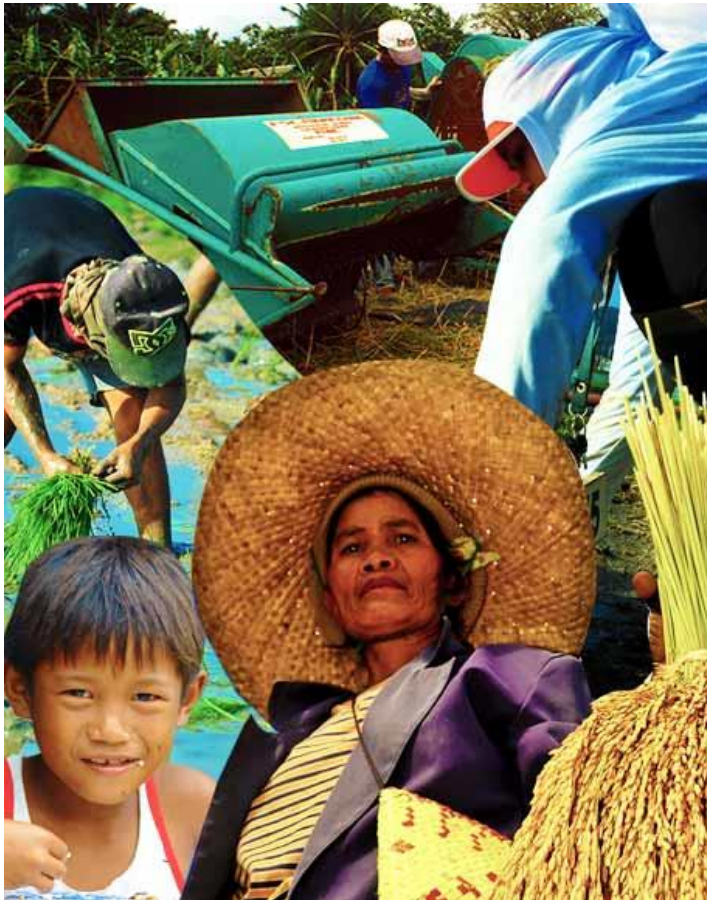
4. Improve implementation of existing reforms such as

- National ID
- Ease of doing business
- Universal health care
- Rice liberalization
- Social programs to increase investment in health, education, and social protection
- Building resilience to climate change

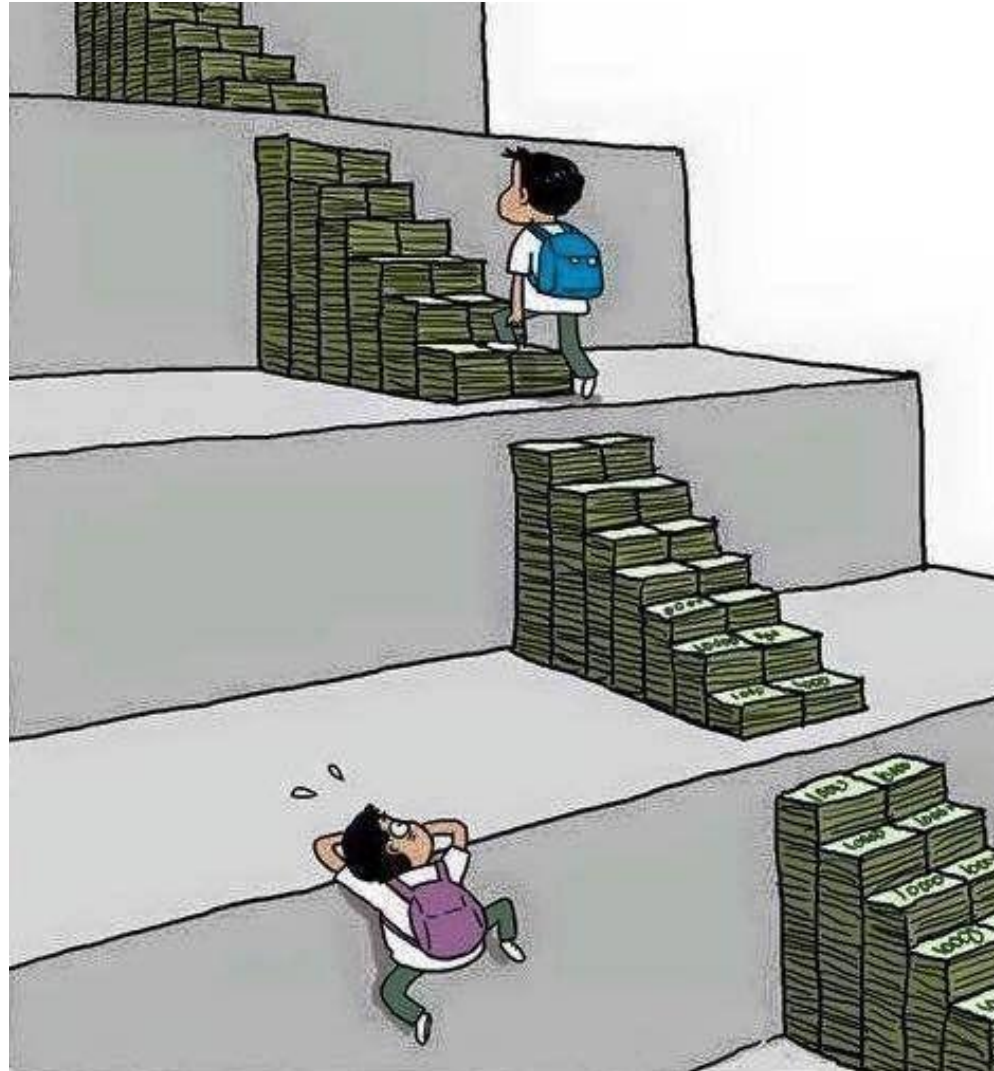


Some economic priorities in next three years

5. Improve the productivity of agriculture, including distribution of individual titles to land reform beneficiaries.



Reforms as bridging the future



Source: <https://www.pinterest.com/explore/social-stratification/>

Reform
coalitions
needed to
understand
the reform
as a package



Source: <https://scottdeutschtalks.files.wordpress.com/2016/05/who-wants-change.jpg>



Thank you