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PARTNERS FOR PROGRESS

WELCOME REMARKS

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Sulong Pilipinas E-Conference
June 8, 2020

Government responses to excellent actionable recommendations from previous Sulong workshops

- Build, Build, Build Infrastructure Program
- National ID system
- Comprehensive Tax Reform Program
- Ease of Doing Business
- Universal Health Care and Sin Taxes

The passage of game-changing economic reforms have **strengthened our growing middle class, kept prices stable for Filipino consumers, and made our financial position strong and steady.**

Even amidst the pandemic, the markets and investors have viewed the Philippines favorably

- On April 27, the Philippines successfully offered **USD2.35 Billion double tranche 10-year and 25-year Global Bonds.** The bonds fetched coupon rates of 2.45 percent for the 10-year, and 2.95 percent for the 25-year.

- At the start of 2020, the Philippine Peso had appreciated **1.6 percent** versus its year end 2019 closing rate. It closed at **49.80 pesos on June 5, the highest in three years**.

Recent Credit Rating Actions on the Philippines

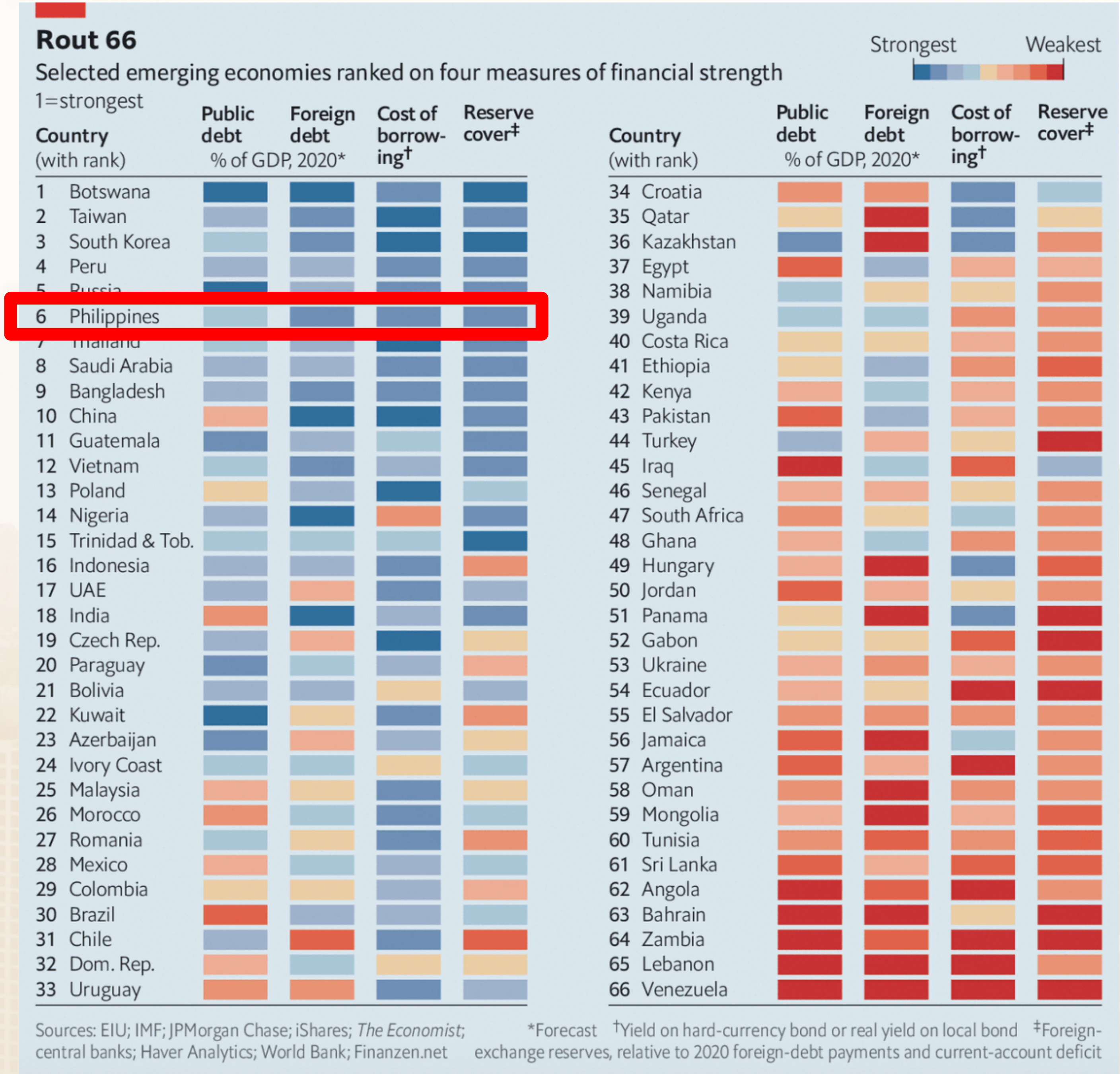
S&P Global Ratings

On May 29, **S&P affirmed the Philippines 'BBB+' rating, 'stable' outlook** in recognition of the country's sound macroeconomic fundamentals going into the COVID-19 pandemic and its perceived ability to bounce back from the crisis.

Fitch Ratings

On May 7, **Fitch ratings affirmed the Philippines' rating at "BBB"** and changed the outlook to stable. The affirmation reflects the country's fiscal and external buffers and its still-strong medium term growth prospects.

On April 30, *The Economist* ranked the Philippines' financial strength 6th among 66 emerging economies.



The Philippines' macroeconomic fundamentals are strong

2.1%

May 2020 inflation rate; well within the target range of 2% to 4%

39.6%

2019 debt-to-GDP ratio; the lowest ratio recorded

6.6%

Average GDP growth rate from 2016 to 2019

BBB+

PH's credit rating achieved in 2019; the highest rate in the country's history

USD 89 B

End-March 2020 gross international reserves; the highest recorded so far and can cover close to 8 months of imports

16.1%

2019 Revenue Effort; the highest ratio since 1997

1st Quarter Philippine GDP performance vs other ASEAN countries

Country	Q1 GDP growth (%)	Start of lockdown period
Singapore	-2.2	“Circuit breaker” measures started April 7; extended to June 1
Philippines	**-0.2**	**NCR and Cainta community quarantine started on March 15** **Luzon enhanced community quarantine started on March 17**
Thailand	-1.8	“Broad lockdown” started March 25
Malaysia	0.7	Nationwide movement control order started March 18
Indonesia	3.0	Area-specific lockdowns, with the earliest imposed on April 10
Vietnam	3.8	“National isolation” (stay-at-home order) started March 31

Recent economic indicators show the tradeoffs from the Duterte administration's decisive actions to save lives and protect communities from COVID-19

- April 2020 Monthly Integrated Survey of Selected Industries show that the **overall volume and value of production index for the manufacturing sector plummeted** at an annual rate of 59.8 percent and 61.4 percent, respectively.

- April 2020 unemployment rate clocked in at 17.7 percent against 5.1 percent in the same period last year. **This represents 7.3 million jobless Filipinos.**

To be sure, there will be many challenges standing in the way of our rebound. Nevertheless, be assured that the economic managers are dealing with these setbacks with **decisiveness**, **adeptness**, and **determination**.

Government has implemented a four-pillar strategy to manage the adverse impact of COVID-19

Total value of P1.74 trillion, equivalent to 9.1% of GDP

PILLAR 1
Emergency support for vulnerable groups and individuals

P595.6 Billion

(3.1% of GDP)

PILLAR 2
Marshalling resources to fight COVID-19

P58.6 Billion

(0.3% of GDP)

PILLAR 3
Fiscal and monetary actions to finance emergency initiatives and keep the economy afloat

P1.1 Trillion

(5.7% of GDP)

PILLAR 4*
An economic recovery program focused on getting businesses back on their feet to sustain and create jobs

P846.0 Billion

(4.4% of GDP)

***Note:** *Pillar 4 will be funded in large part by Pillar 3; the total amount of Pillar 4 is not included in the grand total.*

Even with a strong and resilient economy, **our funds are not limitless.**

We need to have a **realistic economic recovery program that is fiscally sustainable** because we do not know how long this pandemic will last.

Four Legislative Imperatives to Revive the Economy

1. **Proposal to infuse additional capital to government financial institutions,** such as the Land Bank of the Philippines (Land Bank), the Development Bank of the Philippines (DBP), and the Philippine Guarantee Corporation. Land Bank and DBP will also serve as rediscounting agents for small and medium-sized banks and microfinance organizations.

   In addition, we propose to authorize Land Bank and DBP, through a holding company structure, **to make equity investments in companies critical to national interest that are experiencing solvency problems.**

Four Legislative Imperatives to Revive the Economy

2. Proposal to allow banks to **dispose of non-performing loans and assets through asset management companies that are similar to special purpose vehicles.**

Four Legislative Imperatives to Revive the Economy

3. **Immediate passage of the CREATE bill that will provide targeted incentives and bring down our country's current corporate income tax rate of 30 percent to 25 percent as soon as possible.**

   - Extend the applicability of the net operating loss carryover (NOLCO) for losses incurred by small businesses in 2020 from the current 3 years to 5 years.
   - Maintain for up to 9 years the status quo for registered business activities enjoying the 5 percent tax on gross income earned incentive.
   - Allow the President to grant longer tax and non-tax incentives for investments with exceptional benefits to the public interest.

Four Legislative Imperatives to Revive the Economy

4. **Proposal to give the banking system the ability to support the whole value chain of agri-enterprises.** The amendments to the Agri-Agra law will revise the rules to reduce friction costs and make it easier and more feasible for banks to comply with the law's requirements of lending to the agriculture sector.

We remain cognizant of the Constitutional parameters that determine how we can fund various initiatives, well intentioned as they may be.

The Constitution specifically requires the **certification of excess funds and new revenue sources to support the passage of any supplemental budget**. Borrowings are not revenues.

Key Comments and Recommendations on the Multiple Stimulus Bills filed in both Houses of Congress

1. **The decisions for the provision of credit should not only be coursed through, but be determined and managed solely by, government financial institutions**, which possess the expertise on such functions rather than the various executive agencies with different mandates.

2. We support cash-for-work and propose that this be redirected toward pressing needs related to managing the pandemic, such as **hiring of contact tracers.**

3. **We recommend wage subsidies that are fiscally viable**. Therefore, beneficiaries should be from areas that remain under the enhanced community quarantine and distribution should be done via digital payout technologies.

We are already getting good ideas from the public

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YOUTH PARTNERS FOR PROGRESS

- Last month, an e-Sulong workshop with youth participants produced insightful recommendations on the following areas:
    - **Agriculture**
    - **Digital infrastructure for education continuity**
    - **Data-driven decision-making**
    - **Infrastructure, transport, and logistics**

- Around 400 participants from over 100 schools and 35 organizations participated.

By putting our minds together, we can find the best path to come out of this crisis **stronger and more resilient than before.**

Thank you!

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