



KEYNOTE SPEECH

CARLOS G. DOMINGUEZ
Secretary of Finance

*2nd Philippine-Singapore Business and Investment Summit
March 26, 2021*



When the pandemic struck, the Philippine government prioritized the health and safety of its people above everything else.



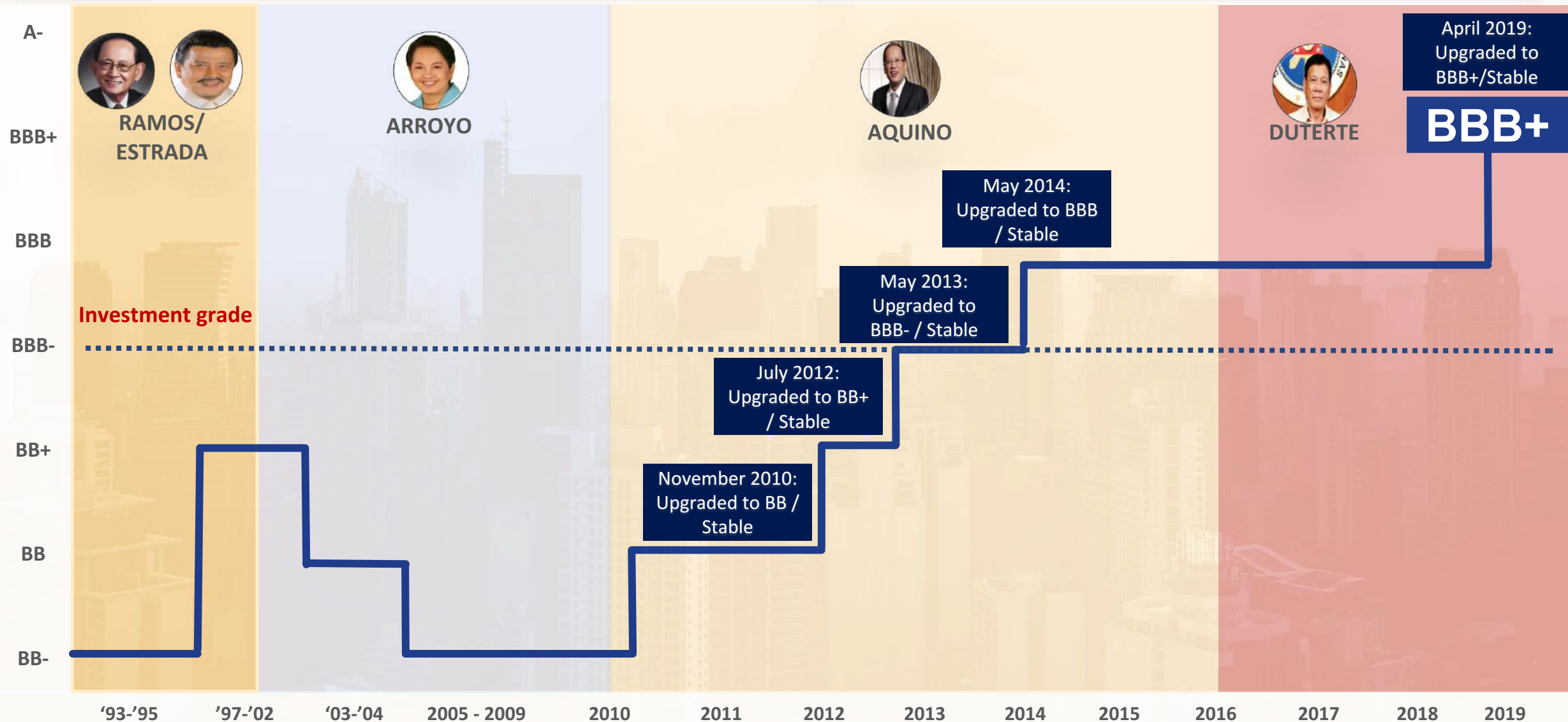
When this crisis hit,

the Philippines was

financially ready.



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



The Comprehensive Tax Reform Program

Signed into law



**Tax Reform For
Acceleration and
Inclusion (TRAIN)**



**Sin Taxes for
Universal
Health Care**



Tax Amnesty

Ratified by both Houses of Congress



**Corporate Recovery
and Tax Incentives
for Enterprises
(CREATE)**

Pending Approval



**Property Valuation
Reform**



**Passive Income and
Financial
Intermediary Taxes**

We implemented bold measures to improve tax collection and administration.

Digital transformation of systems and processes



- The Bureau of Internal Revenue introduced additional e-channels for filing and payment of taxes.
- Bureau of Customs ICT projects: Customs Service Center, Document Tracking System, Goods Declaration Verification System, and Customer Care Portal, among others.

Launched the first-ever nationwide implementation of the fuel marking program



- The program's implementation commenced on August 2, 2019.
- The fuel marking program aims to curb oil smuggling and misdeclaration of petroleum products in the country, and increase revenue collection from taxable imported and locally refined fuel products.

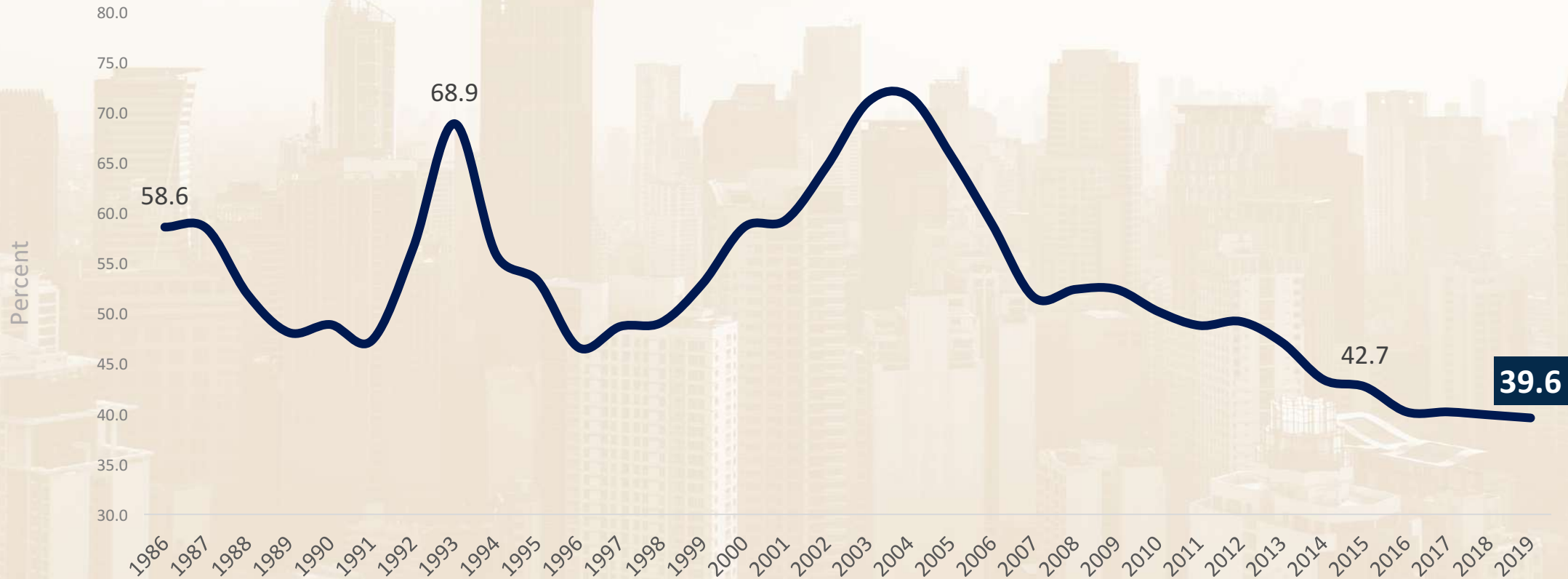
Revenues were at 16.1 percent of GDP in 2019,
the highest in more than two decades.

REVENUES AS PERCENTAGE OF GDP



2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.

NATIONAL GOVERNMENT DEBT-TO-GDP RATIO



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

P2.66 Trillion (USD 53.69 Billion) or 14.7% of GDP

As of December 31, 2020

PILLAR 1
Emergency support for
vulnerable groups

P506.08 billion
(USD 10.20 billion)



PILLAR 2
Marshalling resources to
fight COVID-19

P57.73 billion
(USD 1.16 billion)



PILLAR 3
Monetary actions to
keep the economy afloat

P1.30 trillion
(USD 26.38 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 29.21 billion)*

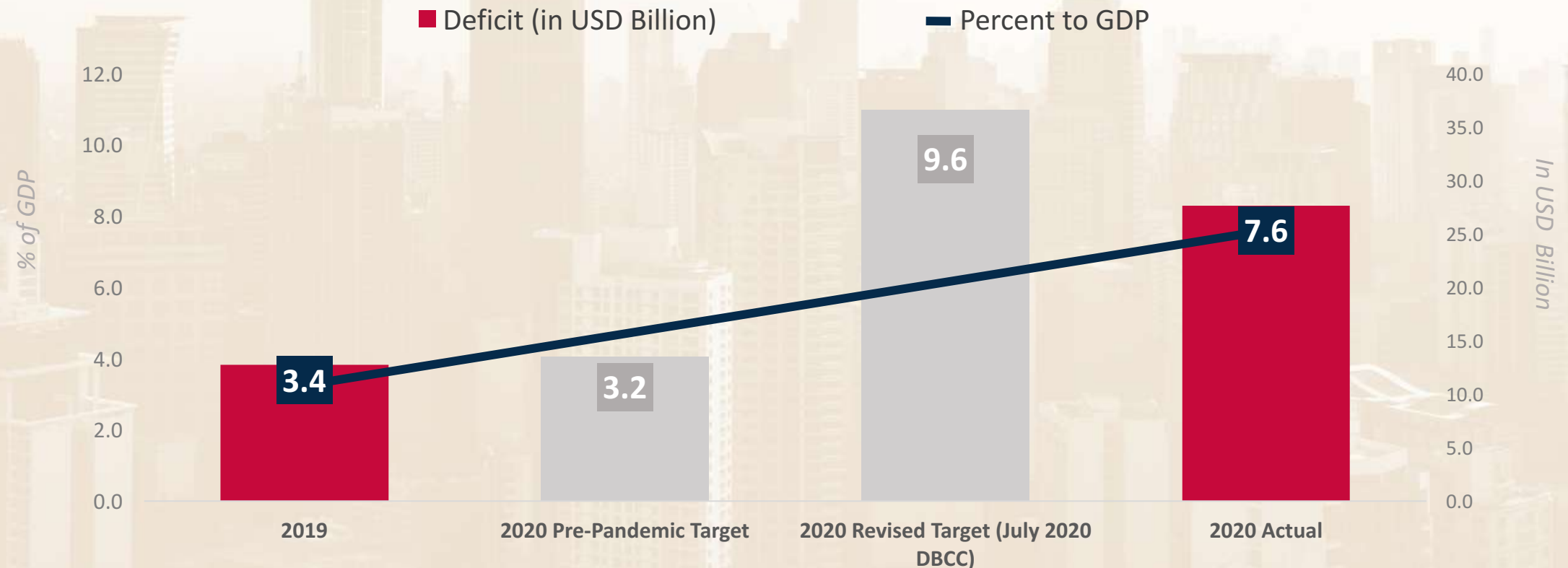
Despite the severity of the
economic downturn,

**we continued to maintain
fiscal discipline.**



**In 2020, our deficit-to-GDP ratio climbed to 7.6 percent.
We expect this ratio to remain within the median of our neighbors and
credit-rating peers around the world.**

DEFICIT-TO-GDP RATIO



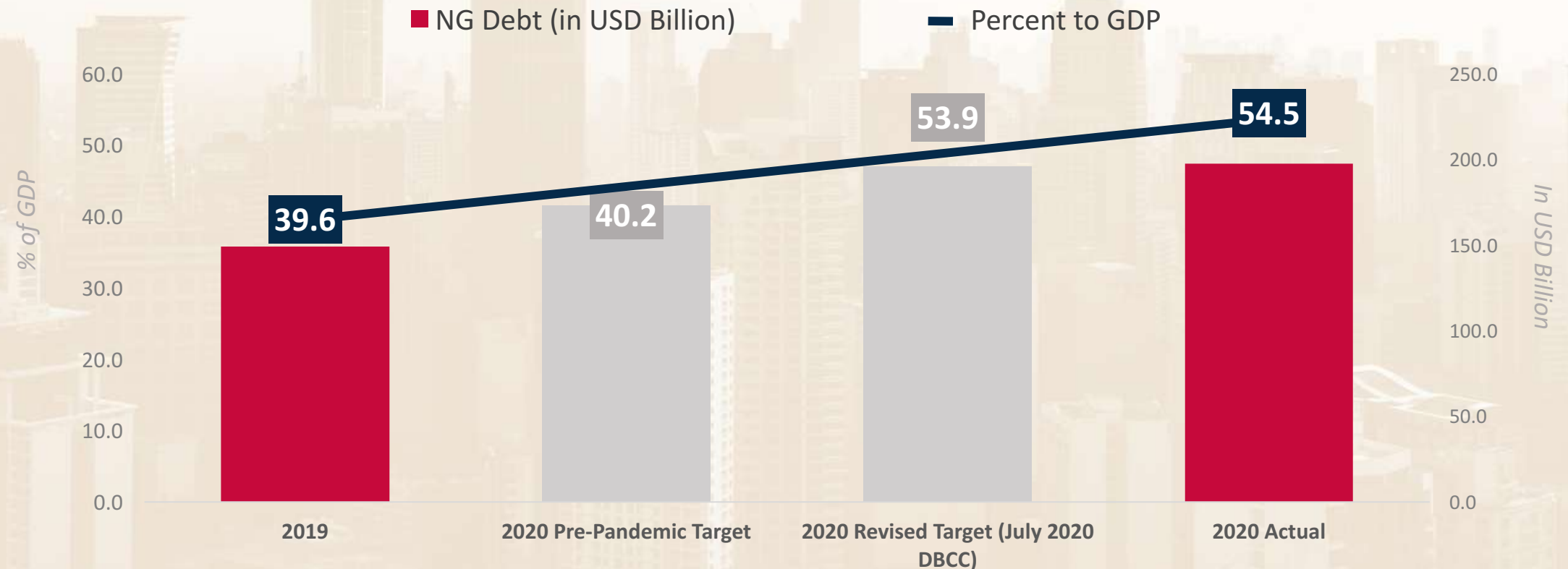
**We have set out a clear strategy
for financing our deficit.**

We prioritized domestic borrowings followed by official development assistance and the international capital markets.



Our debt-to-GDP ratio reached 54.5 percent in 2020. Nonetheless, this level keeps us well within the prescribed bounds of fiscal viability.

DEBT-TO-GDP RATIO



Credit rating upgrades and affirmations are votes of confidence on the country's ability to stage an economic recovery from this health crisis.

Japan Credit Rating Agency

Upgrade from BBB+ to A- (Stable Outlook)

R&I

Upgrade from BBB- to BBB+ (Stable Outlook)

S&P Global Rating

Affirmation of BBB+ rating (Stable Outlook)

Fitch Ratings

Affirmation of BBB rating (Stable Outlook)

Moody's

Affirmation of Baa2 rating (Stable Outlook)

We were never under the illusion that this challenge will be short.

We are prepared to fight a long battle, exercising prudence over the use of our fiscal resources.



The Duterte administration
places paramount importance

**on the preservation of our
long-term financial viability.**



Despite lingering problems with fully suppressing infections, the mood is now more hopeful.

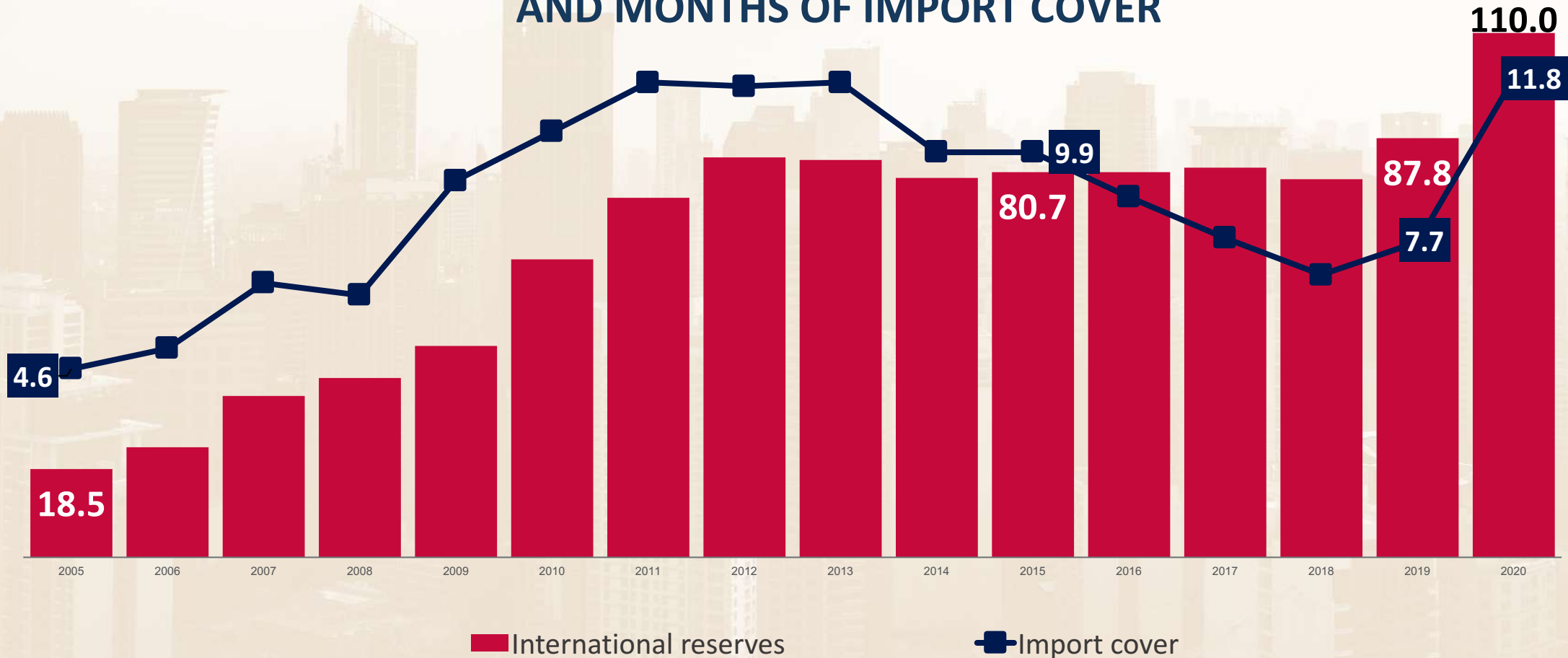
- The Philippine economy continues to **demonstrate strength and resilience** in adverse conditions.
- We are now more prepared to handle the surge in infections because of our **improved health system and experienced healthcare workers**.
- Public health protocols have been **carefully studied**.
- We are now **rolling out our national vaccination program**, which has inspired market optimism.

We remain confident that we can easily fulfill our funding requirement for this year.

- The **large structural liquidity of our financial system** will enable us to continue prioritizing domestic financing to mitigate the build-up of foreign exchange risks.
- The **Central Bank relaxation of reserve requirements** further enhances the structural liquidity of our system.
- As our **sovereign credit rating performed better than our peers**, we continue to have good access to external commercial borrowings and to official development assistance.

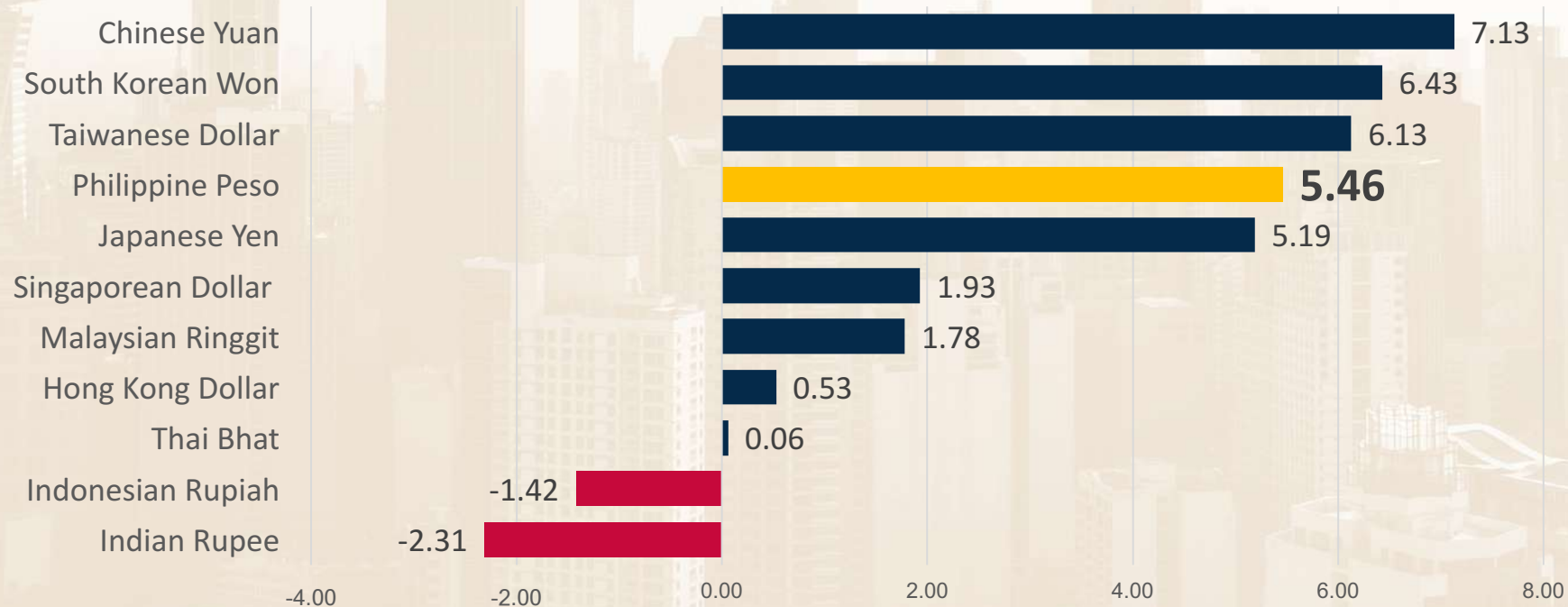
Hefty reserves at USD 110 billion in 2020 is the highest recorded so far and can cover 11.8 months of imports.

INTERNATIONAL RESERVES (*USD Billion*) AND MONTHS OF IMPORT COVER



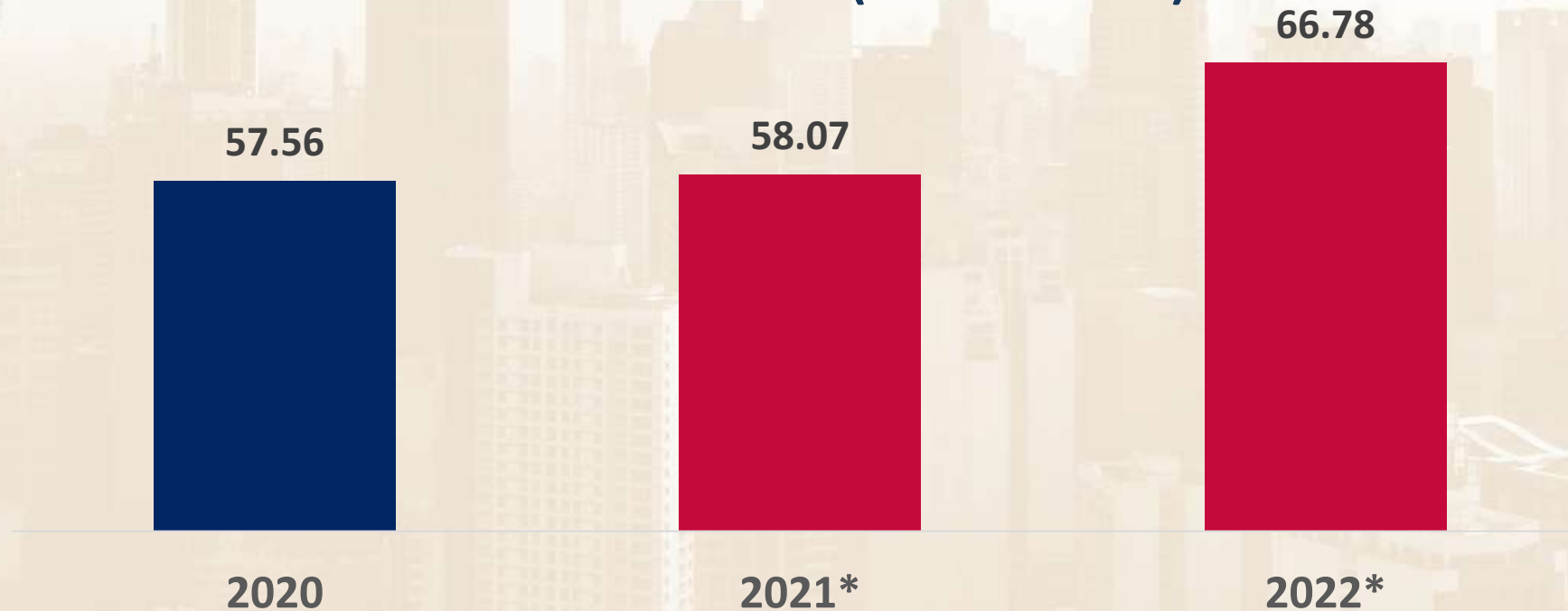
The Philippine peso is one of the best-performing currencies in the region.

**APPRECIATION (+)/DEPRECIATION (-) OF ASIAN CURRENCIES
AGAINST US DOLLAR
(Year 2020)**



We expect to achieve our adjusted revenue collection target for 2021 as the full digitalization of the Bureau of Internal Revenue and the Bureau of Customs is well underway.

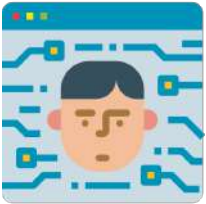
TOTAL REVENUES (USD BILLION)



**Adjusted Collection Targets, December 2020 DBCC*

We have ongoing digitalization programs to improve the delivery of public services.

National digital ID system



- As a foundational digital ID system, this will transform how services are delivered and accessed in the Philippines, and accelerate our transition to a digital economy, including the shift to paperless and cashless transactions.

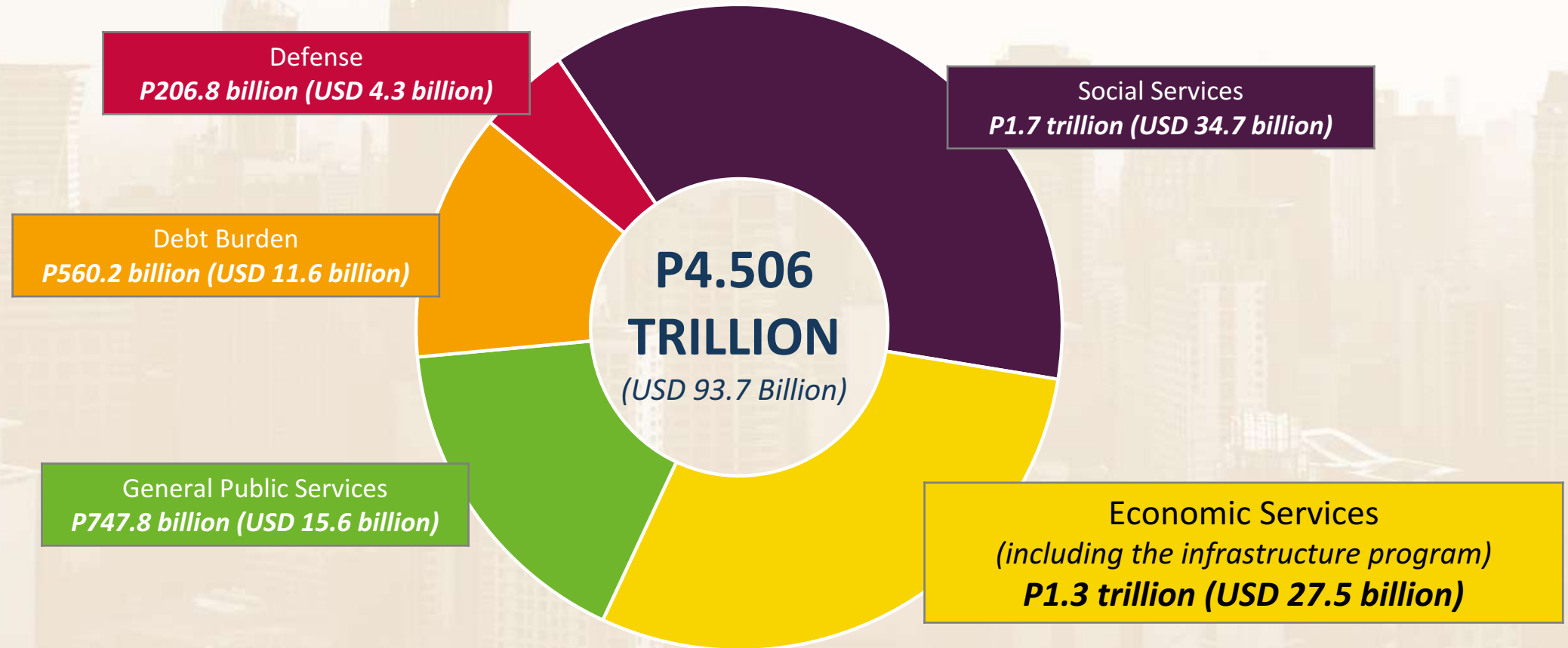
Electronic invoicing System



- The system is capable of processing and storing electronic invoices issued by taxpayers on near real-time. This will make it easy to issue digital receipts and capture and upload the data in the receipt to a centralized database.
- The system will translate into more convenient, reliable and transparent services for taxpayers, and set the stage for world-class tax administration in the country.

A large part of the government's 2021 national budget was earmarked for our Build, Build, Build program, which has the highest multiplier effect on the economy.

2021 NATIONAL BUDGET BY SECTOR

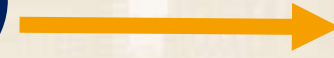




BUILD

BUILD

BUILD



**MORE RAILWAYS,
MASS URBAN
TRANSPORT, AIRPORTS
AND SEAPORTS**

**MORE BRIDGES
AND ROADS**

**NEW AND BETTER
CITIES**

The more sustainable path to recovery is to foster the revival of our enterprises and the restoration of consumer activity.

A strong private sector is the key to our recovery strategy.



Economic measures to foster the revival of our enterprises and the restoration of consumer activity:



Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

- **CREATE is the largest fiscal stimulus program for enterprises in the country's history**, providing P1 trillion (USD 20.5 billion) worth of tax relief over the next 10 years.
- The bill provides an immediate 10 percentage point cut in the corporate income tax rate of domestic MSMEs, while the rest of the firms enjoy a 5-percentage point reduction starting July 2020.
- CREATE rationalizes fiscal incentives, creating an enhanced incentives package that is **performance-based, time-bound, targeted, and transparent**.
- The reduction in the corporate income tax rate and the rationalization of tax incentives system will help the country **attract more foreign strategic investments by making the cost of doing business in the Philippines more competitive**.

Economic measures to foster the revival of our enterprises and the restoration of consumer activity:



Financial Institutions Strategic Transfer (FIST) Act

- **The President signed into law the FIST Act on February 16, 2021.**
- FIST allows banks to **efficiently offload their bad loans and non-performing assets**. It will assist the banking system in performing its crucial role of efficiently mobilizing savings and investments by extending more loans to MSMEs in need of assistance.
- FIST is an improved version of the Special Purpose Vehicles (SPV) law of 2002.
- FIST was enacted within the first year of the pandemic, making it an effective measure in ensuring the stability of our financial system. This is in contrast to the SPV, which was signed into law five years after the Asian financial crisis struck in 1997.

Economic measures to foster the revival of our enterprises and the restoration of consumer activity:



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

- The measure proposes to form a **special holding company to enable our government financial institutions to infuse equity**, under strict conditions, to strategically important companies facing solvency issues.
- The government plans to invite multilateral agencies and other investment companies to participate in this joint venture.

We will push for the passage of complementary bills that will open up the country to more foreign direct investments.

**Retail Trade
Liberalization Act**

Aims to remove barriers to foreign investments in the local retail sector.

Foreign Investments Act

Seeks updates to the declaration of policy to encapsulate inclusive economic growth, advancements in technology, and the dynamic relationships among global and regional economies.

Public Service Act

Aims to open more businesses to foreign participation and make our economy more progressive.

We are committed to pursue the remaining tax reform packages that will allow a simpler, fairer, and more efficient tax system.

Package 3



Real Property Valuation and
Assessment Reform

Package 4



Passive Income and Financial
Intermediary Taxation

The best way forward for the region is to resume integration and cooperation in earnest.

- As we transition to a digital economy, the Philippines and Singapore should explore opportunities for collaboration in **developing technological innovations**.
- The Philippines' large population and consumption-driven nature of the economy translate to **a large domestic consumer market for products and services of Singapore**.
- The Philippines looks forward to **more comprehensive dialogues with our partners in the ASEAN**. A more dynamic regional partnership will enhance our recovery efforts.

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

- We fully support the enactment of legislative measures **banning single-use plastics.**
- We aim to mobilize investments in **renewable energy, sustainable urban planning, and climate-smart agriculture.**
- We commit to deploy **financial tools to build disaster resilience and climate adaptation** from the household to the national levels.

The Duterte administration will work hard and will not waste any minute of the remaining months of its term to

undertake the reforms necessary in rebuilding a strong and inclusive economy that thrives in the 21st century.





We hope that the Philippines' **strong fundamentals, fiscal stamina, pro-business environment, and effective governance**

will continue to make it a promising investment destination.



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