



FISCAL DISCIPLINE WILL SAVE US

CARLOS G. DOMINGUEZ
Secretary of Finance

Development Budget Coordination Committee
FY 2022 Budget Hearing
September 8, 2021

**With fiscal discipline and economic reforms that work,
the Philippines came fully prepared to meet the global health crisis head-on.**



**Early passage of bold tax
reform measures**

*(TRAIN Act, Series of Sin Tax
Reforms, and Tax Amnesty Act)*



**Swift enactment of fiscally
responsible stimulus bills**

(Bayanihan 1 and 2 Acts)




**Immediate approval of reforms
that will enhance our path
to economic recovery**

(CREATE Act and FIST Act)



Outline of Presentation

1. Context of Fiscal Strength: 2016 to 2020 Accomplishments
 2. Restarting Growth: 2021 Fiscal Performance
 3. Achieving a Solid Recovery: 2022 to 2024 Fiscal Program
 4. Economic Priorities in the Remaining Months of President Duterte's Term
- 

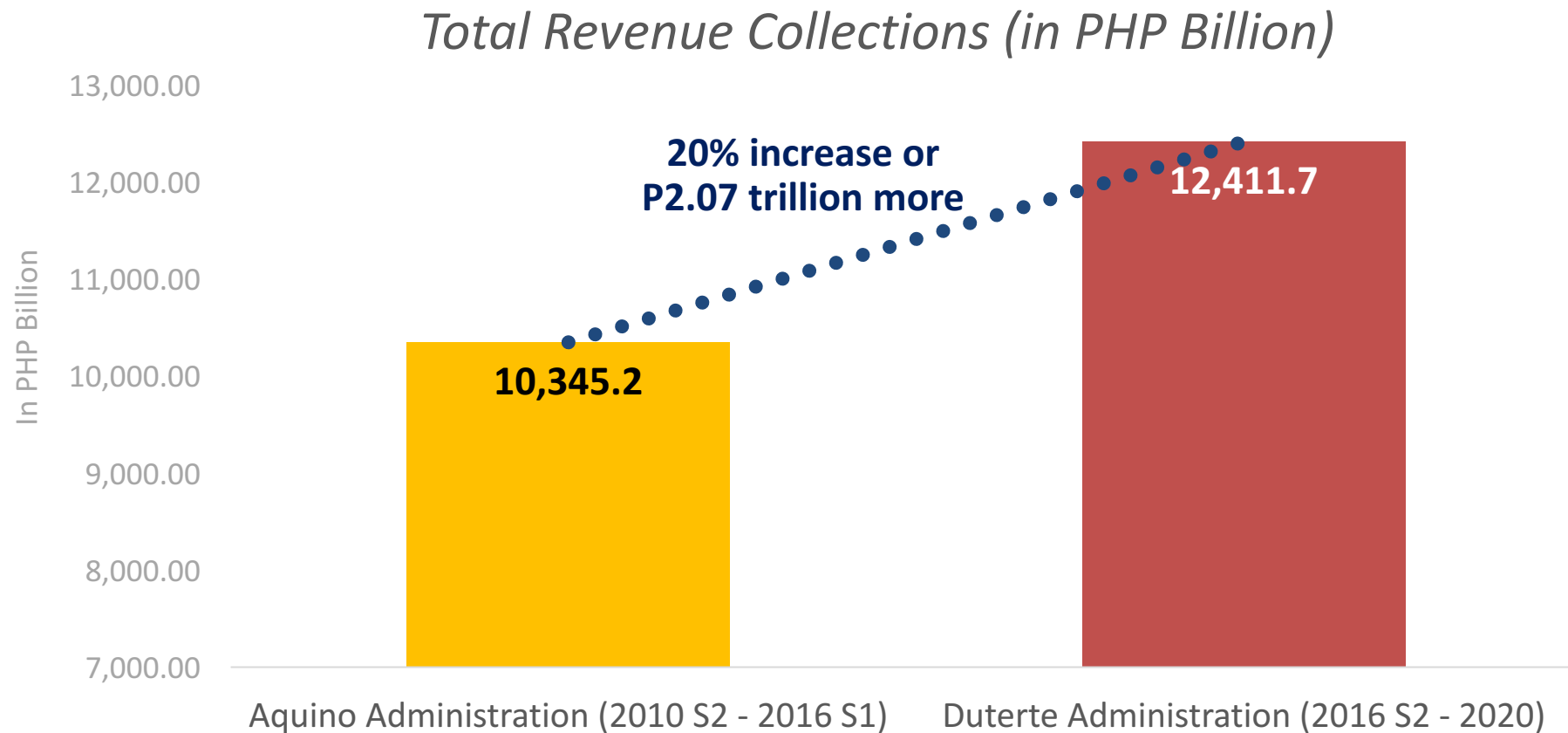


Context of Fiscal Strength

2016 to 2020 Accomplishments

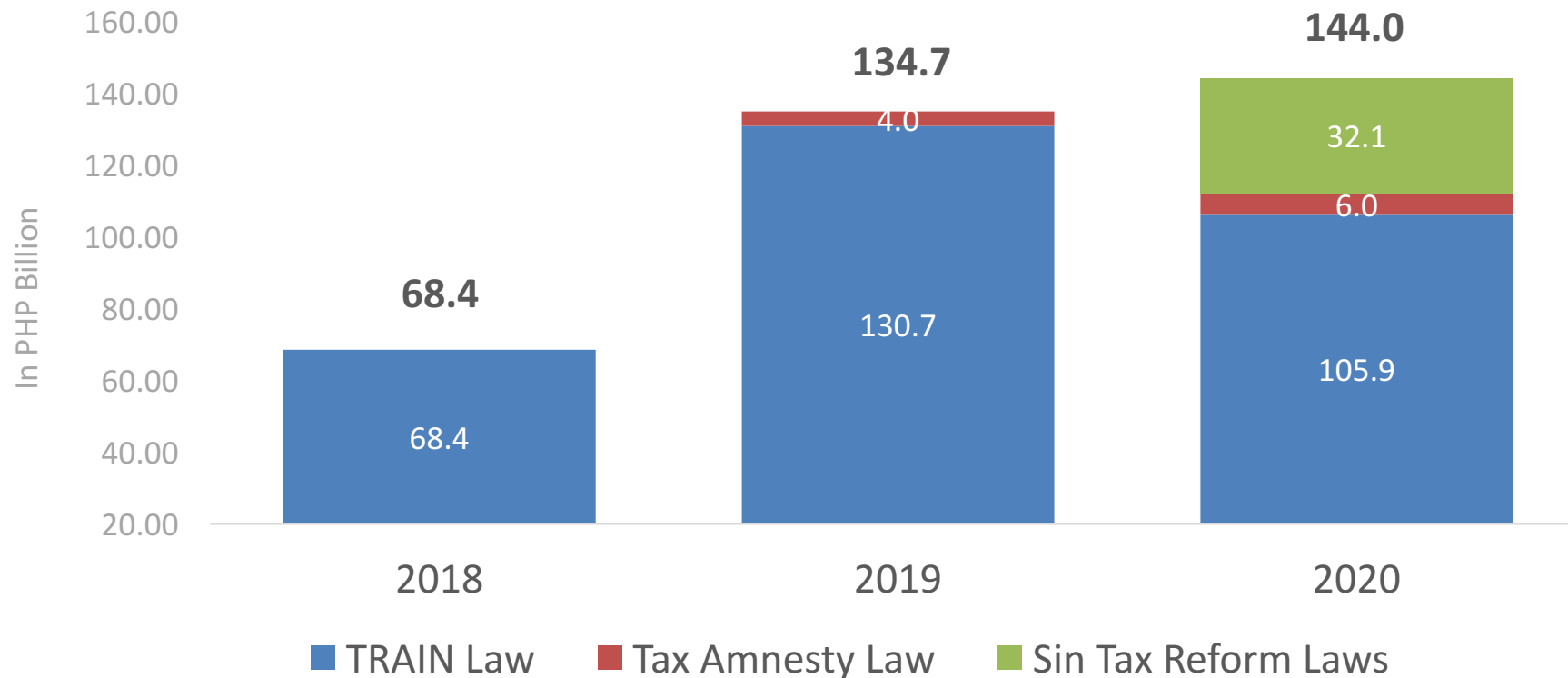


The passage of the tax reform packages helped the government to collect revenues totaling P12.4 trillion from 2016 to 2020. This is 20 percent higher than what the previous administration collected in its six-year term.

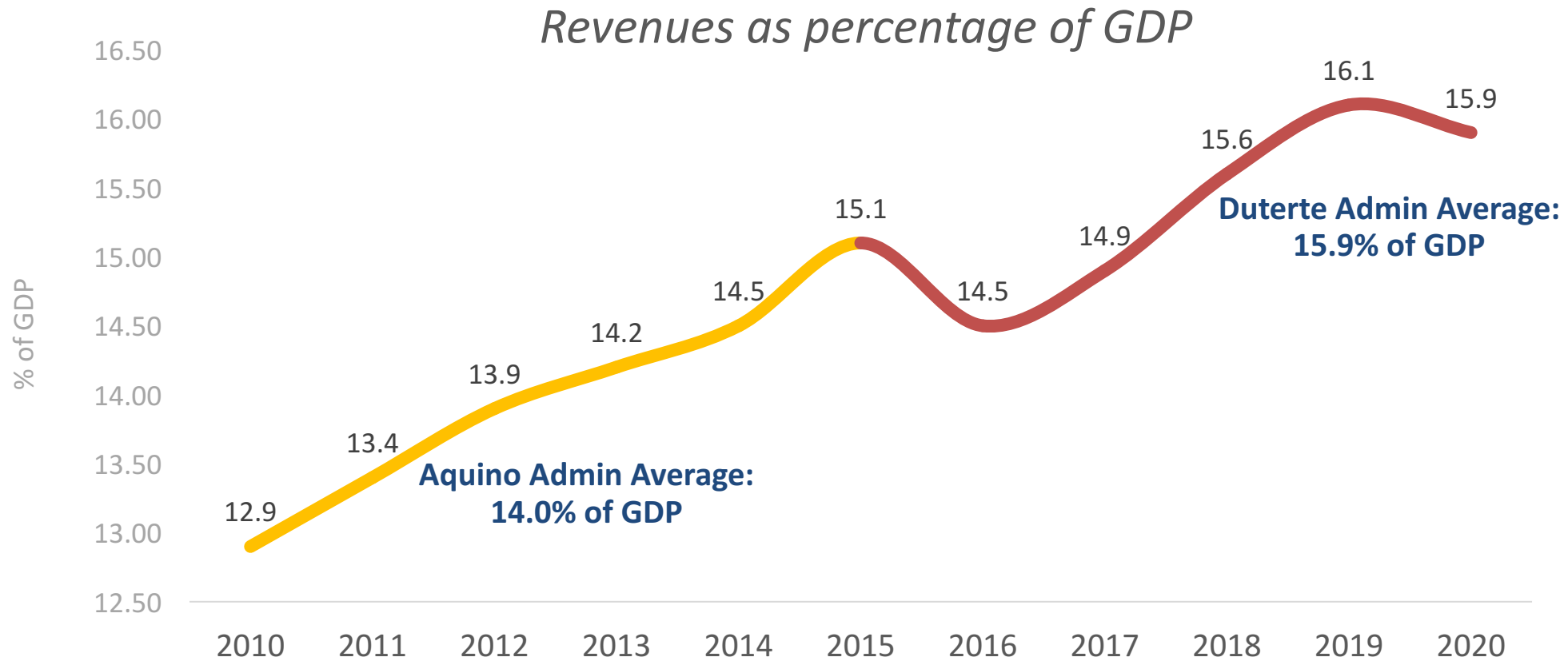


The enacted tax reform packages collectively added P347.1 billion more to our coffers from 2018 to 2020.

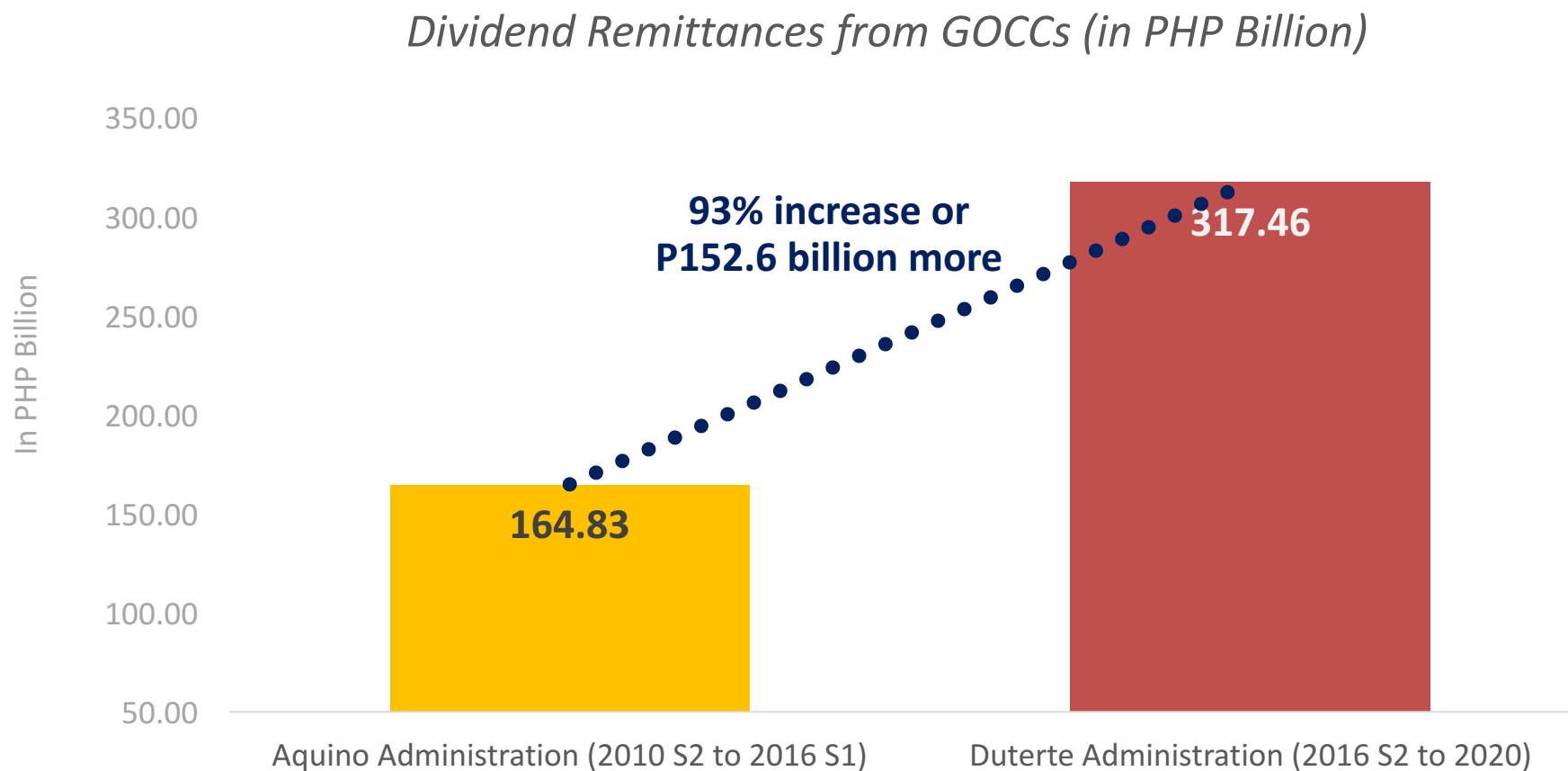
Revenue Performance of Enacted Tax Reform Packages (in PHP Billion)



From 2016 to 2020, the Duterte administration's revenue effort climbed to 15.9 percent of GDP from an average of 14.0 percent of GDP during the previous administration.

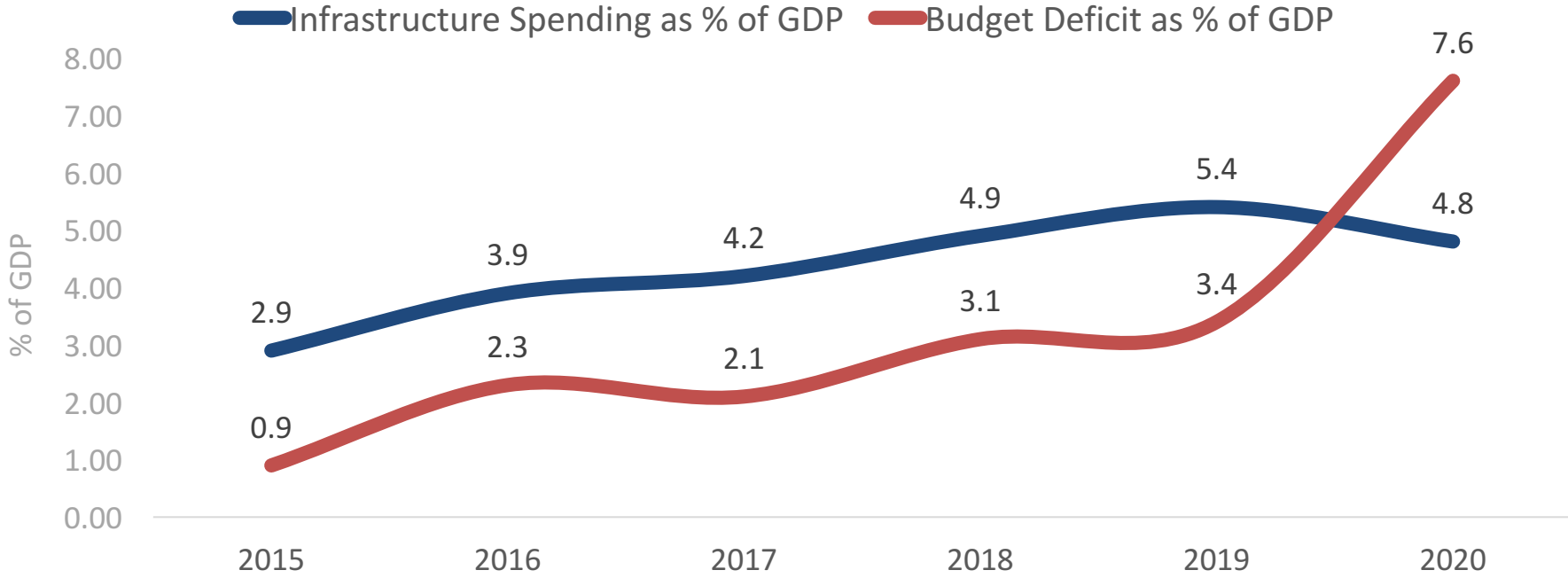


Total dividends collected from GOCCs under President Duterte reached P317.5 billion. This is almost double the collection level of the past administration.



The Duterte administration maintained a prudent deficit level notwithstanding our large investments in the Build, Build, Build program. The unplanned spending needed for our pandemic response temporarily pushed up our deficit to 7.6 percent of GDP in 2020.

Infrastructure Spending and Budget Deficit as Percentage of GDP



Source: DFG and DBM
Note: Estimation of the cash equivalent of the infrastructure program started only in 2015. Thus, there is no comparable data prior to 2015.

Prudent fiscal management, appropriate economic investments, and improved revenue collection brought the country to the highest credit rating levels we have ever achieved.

Lianhe Credit Rating Co. Ltd.

Affirmation of AAA, Stable Outlook (July 2021)

Japan Credit Rating Agency

Affirmation of A-, Stable Outlook (September 2021)

R&I

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

S&P Global Rating

Affirmation of BBB+ rating, Stable Outlook (May 2021)

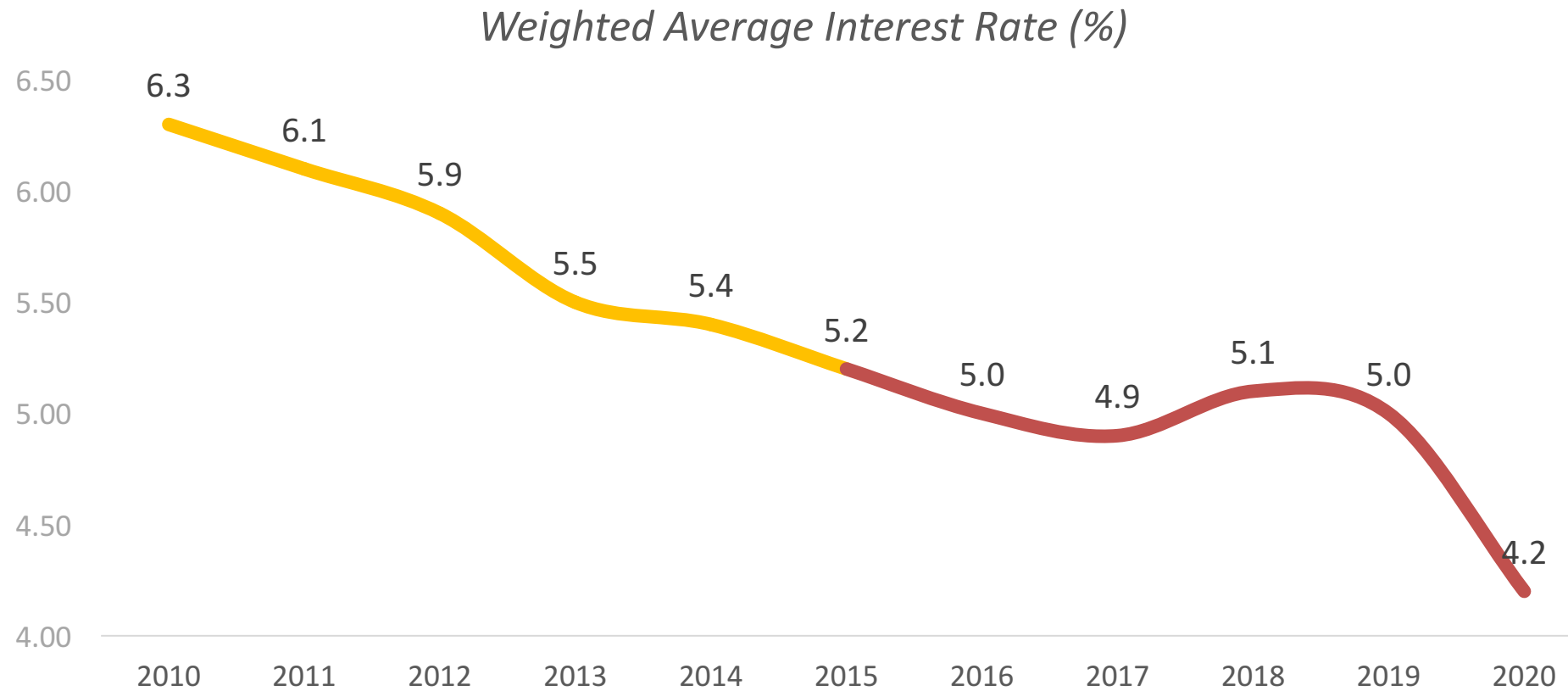
Fitch Ratings

Affirmation of BBB rating, Revised Outlook to Negative (July 2021)

Moody's

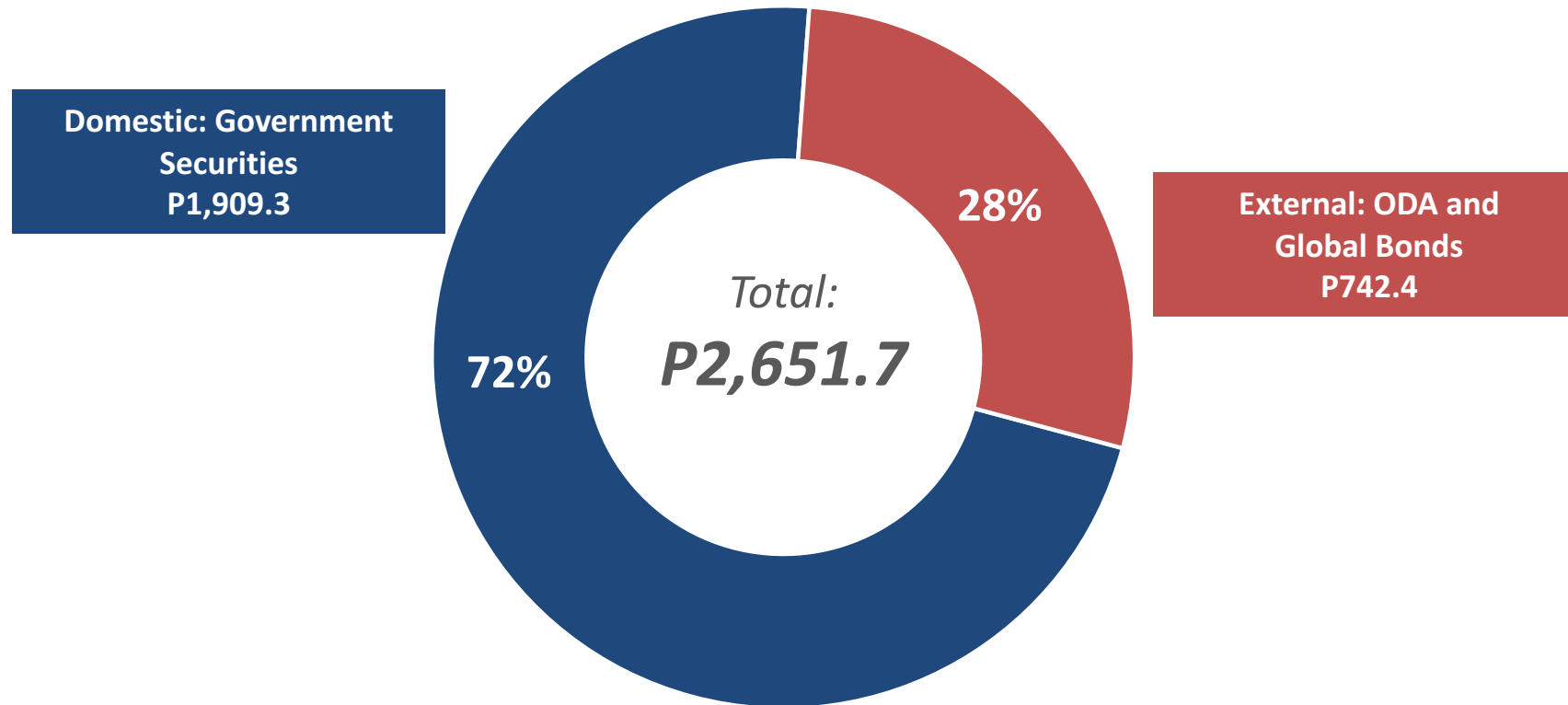
Affirmation of Baa2 rating, Stable Outlook (July 2020)

The achievement of high credit ratings translated into lower interest rates on our borrowings.



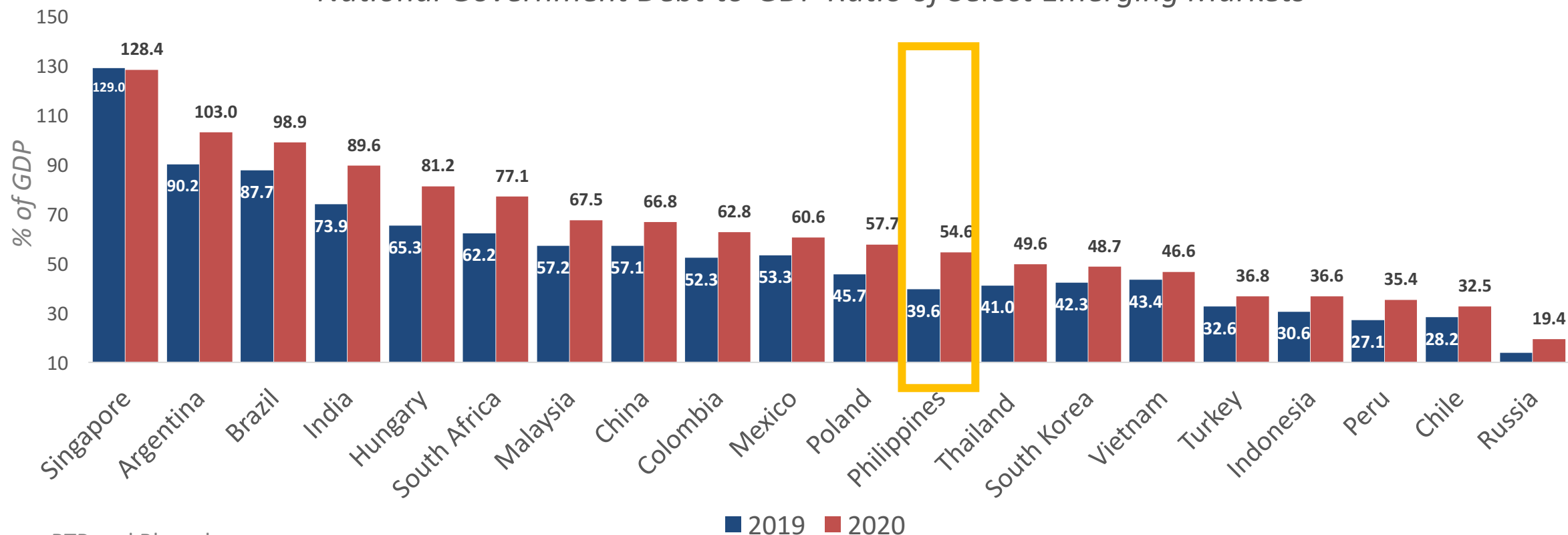
With abundant liquidity in our own financial system, we have continued to source the majority of our financing from the domestic market.

Total Gross Financing for 2020 (in PHP Billion)



The Duterte administration was able to bring down our debt-to-GDP ratio to a historic low of 39.6 percent in 2019. The increase in our debt ratio in 2020 is still within the prescribed bounds of fiscal viability.

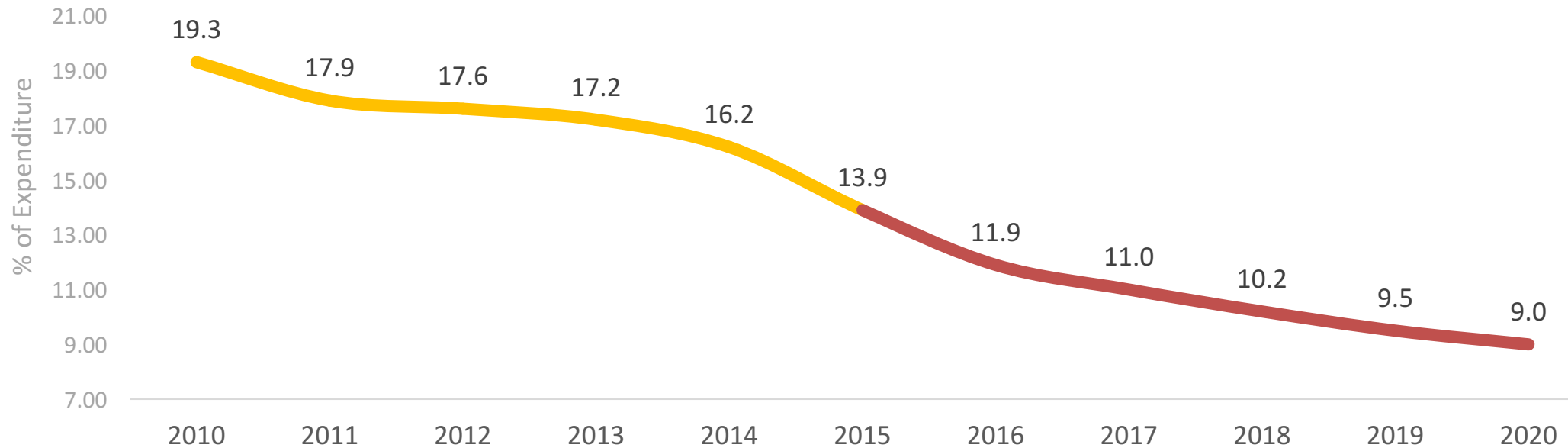
National Government Debt-to-GDP Ratio of Select Emerging Markets



Source: BTR and Bloomberg

Our fiscal resources are being directed towards productive spending rather than debt servicing.

Interest Payments / Expenditure





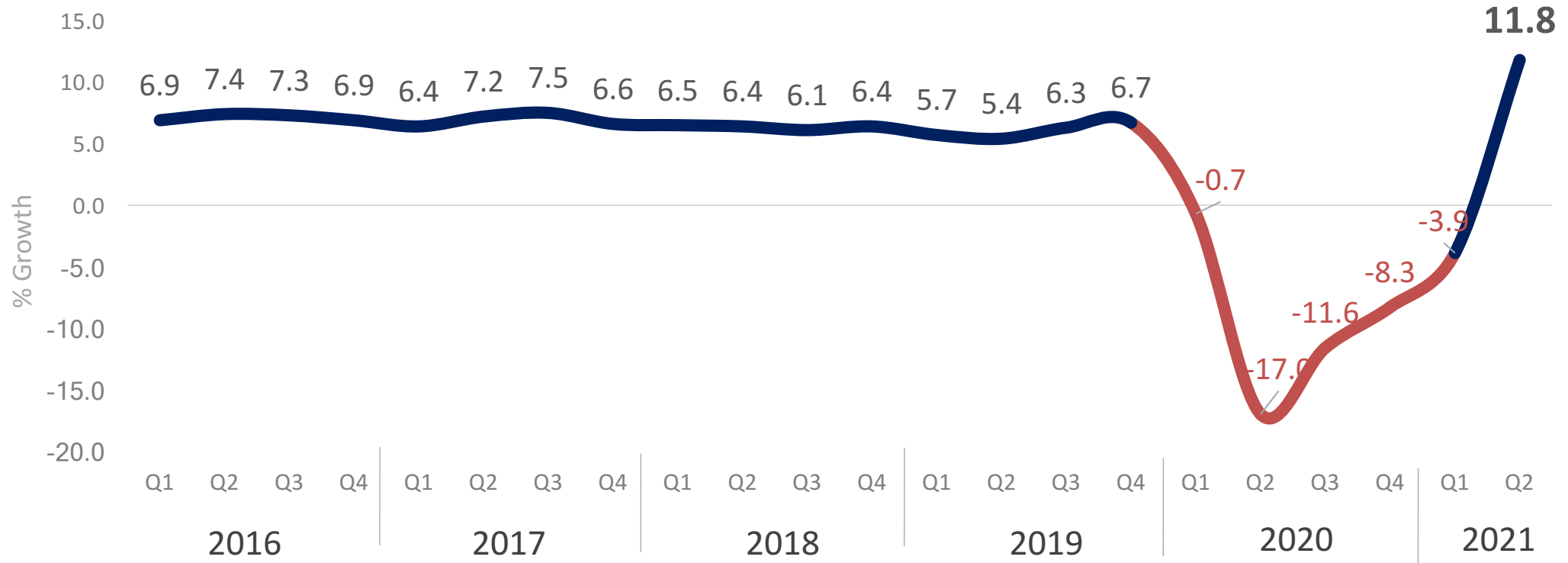
Restarting Growth

2021 Fiscal Performance



The Q2 2021 GDP growth of 11.8 percent underscores the strong capacity of our domestic economy to return to the path of rapid expansion.

Real GDP growth rate (year on year)



Revenue collections in the first seven months of 2021 reflect the onset of recovery.

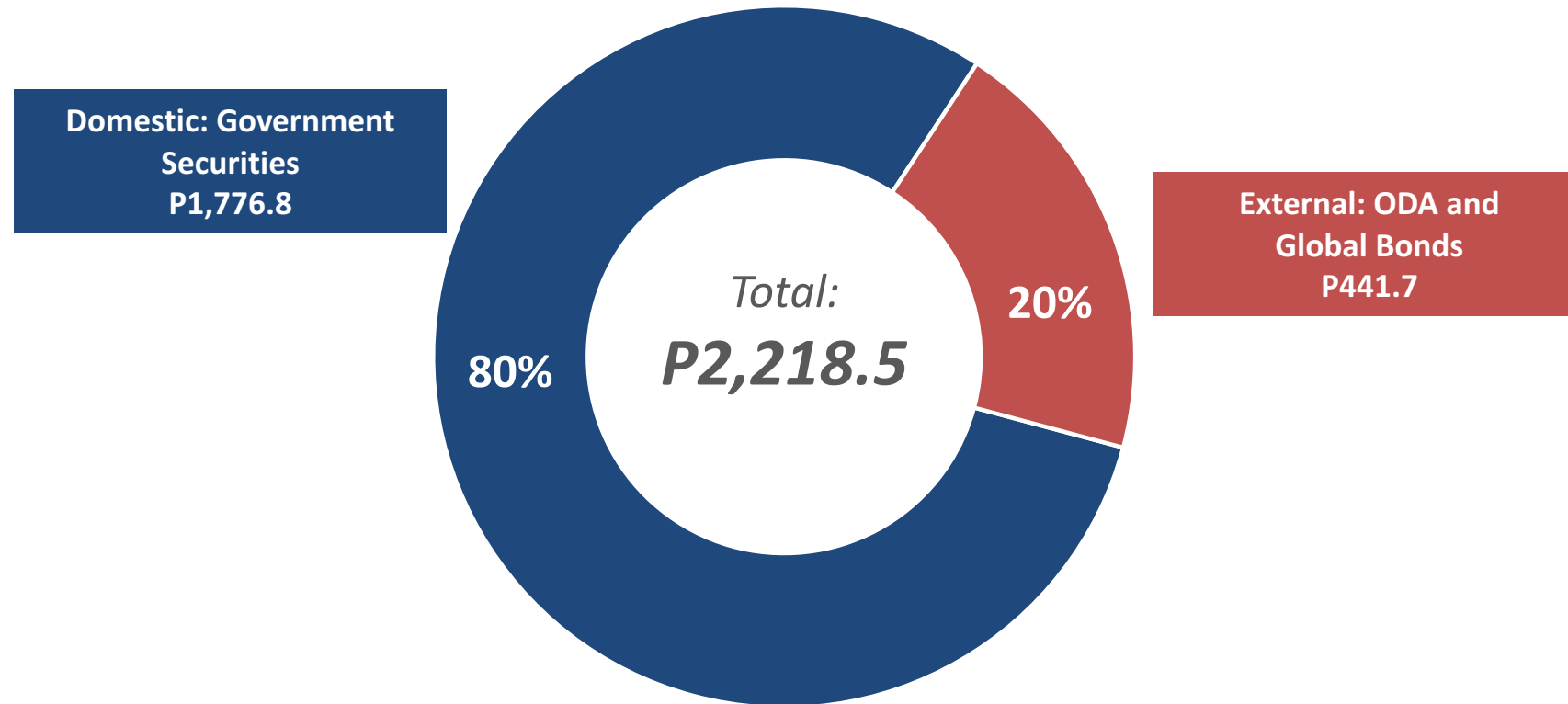
Actual Cash Operations Report

Particulars	January to July (In PHP Billion)			
	2020	2021	Diff	YoY
REVENUES	1,687.8	1,746.4	58.6	3.5%
Tax Revenues	1,428.0	1,573.2	145.2	10.2%
BIR	1,115.4	1,202.6	87.2	7.8%
BOC	302.9	358.9	56.0	18.5%
Other Offices	9.8	11.7	2.0	20.2%
Non-Tax Revenues	259.7	173.2	(86.6)	-33.3%
BTr	190.9	95.2	(95.6)	-50.1%
Other Offices	68.8	77.9	9.1	13.2%
EXPENDITURES	2,388.4	2,583.7	195.3	8.2%
Interest Payments	247.1	267.6	20.5	8.3%
Others	2,141.3	2,316.1	174.8	8.2%
SURPLUS/ (DEFICIT)	(700.6)	(837.3)	(136.6)	19.5%
Primary Surplus/ (Deficit)	(453.6)	(569.7)	(116.1)	25.6%

Source: BTR

In order to cover our budget gap, we needed to borrow more. With our high credit ratings affirmed this year, we were able to negotiate better interest rates and terms.

Gross Financing for the January to July of 2021 (in PHP Billion)





Achieving a Solid Recovery

2022 to 2024 Fiscal Program



With improving collections mainly through digitalization, we expect to recover our pre-pandemic revenue levels in 2022.

Fiscal Program for 2022 to 2024

Particulars (in PHP Billion)	2020 Actual	2021	2022	2023	2024
Revenues	2,856.0	2,881.5	3,289.5	3,586.4	3,999.3
<i>% of GDP</i>	<i>15.9%</i>	<i>14.5%</i>	<i>14.9%</i>	<i>14.8%</i>	<i>15.1%</i>
Tax Revenues	2,504.4	2,714.8	3,125.0	3,419.9	3,830.7
<i>% of GDP</i>	<i>14.0%</i>	<i>13.7%</i>	<i>14.2%</i>	<i>14.1%</i>	<i>14.4%</i>
Expenditures	4,227.4	4,737.1	4,954.6	5,021.4	5,297.8
<i>% of GDP</i>	<i>23.6%</i>	<i>23.9%</i>	<i>22.4%</i>	<i>20.7%</i>	<i>19.9%</i>
Deficit	(1,371.4)	(1,855.6)	(1,665.1)	(1,434.9)	(1,298.5)
<i>% of GDP</i>	<i>-7.6%</i>	<i>-9.3%</i>	<i>-7.5%</i>	<i>-5.9%</i>	<i>-4.9%</i>

**Gross borrowings are projected to decline beginning 2022.
Our debt ratio will start its downward trend from 2023 onwards.**


Borrowing Program for 2022 to 2024

Particulars (In trillion PHP)	2020 Actual	2021	2022	2023	2024
Gross Financing	2.65	3.07	2.47	2.31	2.37
By Source:					
Foreign	0.74	0.58	0.56	0.58	0.58
Domestic	1.91	2.49	1.91	1.73	1.79
Financing Mix (Domestic: Foreign)	72:28	81:19	77:23	75:25	75:25
Total NG Debt-to-GDP Ratio	54.6%	59.1%	60.8%	60.7%	59.7%




To achieve a solid recovery, we need to ensure that **fiscal responsibility is constantly observed.**





We need to work together to fight the pandemic sustainably by keeping our deficit and debt ratios within reasonable levels, **so that we can leave our finances in great shape for the next administration and the future generation.**





**Fiscal discipline will save us from this
long battle against the pandemic.**

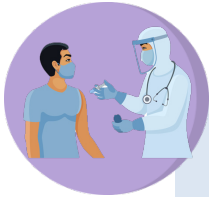




Economic Priorities in the Remaining Months of President Duterte's term



With increased vaccination of our people, we should be able to avert severe spikes in the infection rate in the coming period.

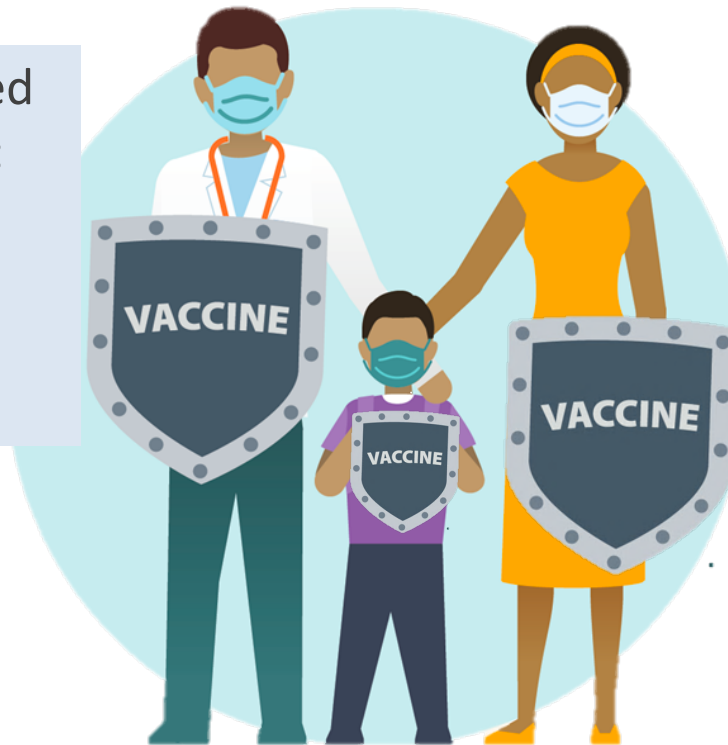


Vaccine Shots Administered
as of September 6, 2021:

36.2 Million Doses

First Dose: 20.9 Million

Second Dose: 15.3 Million



Running Total of Vaccine
Supply Arrivals as of
September 3, 2021:

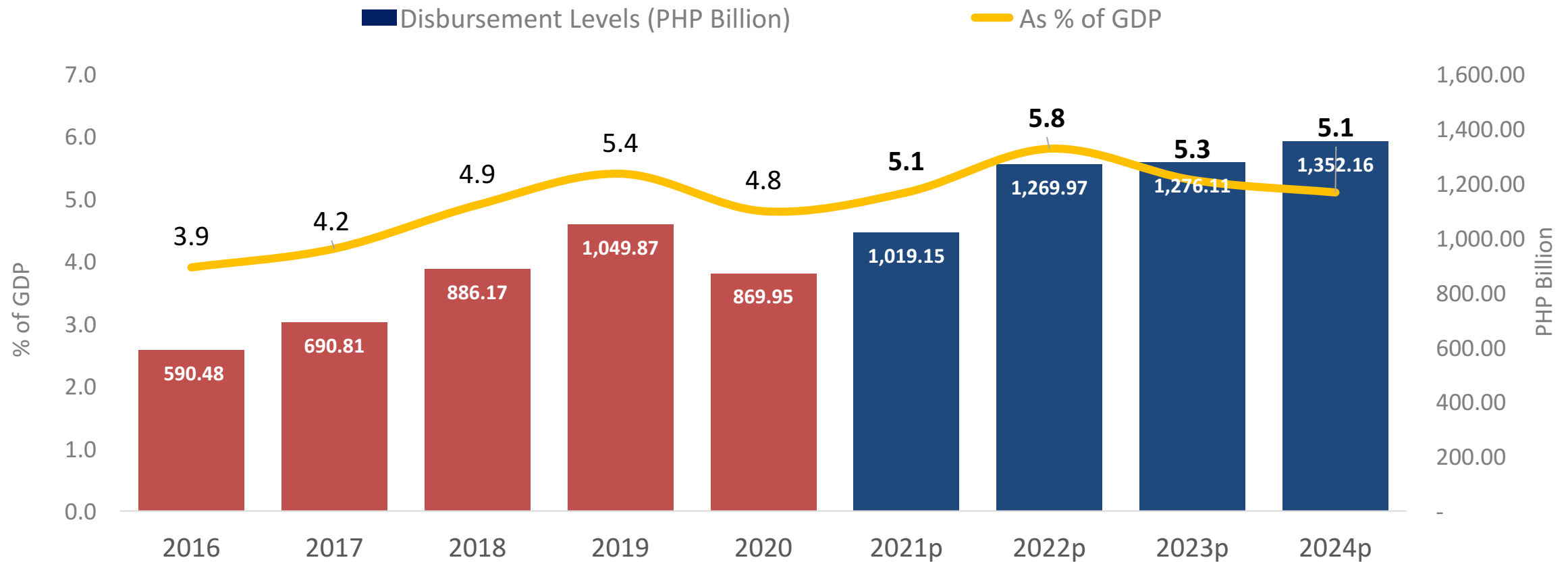
52.8 Million Doses



In the remaining months of 2021, we expect the arrival of an additional 142 million doses.

We will maintain the pace of our Build, Build, Build infrastructure program.

Infrastructure Spending as a Percentage of GDP



Source: DBM

**We will continue investing in our young population,
which is our strongest asset.**

The Philippines' median age is 25.

According to the World Bank, the relatively young population in the country augured well for its economic development. The Philippines is expected to experience 'demographic tailwinds' that will boost economic growth.



We will rapidly modernize governance and continue with the market-friendly reforms attractive to investments.

Digitalization



Continue the ongoing digital reforms

Economic Liberalization Bills



Amendments to the Foreign Investments Act



Amendments to the Public Service Act



Amendments to the Retail Trade Liberalization Act

Remaining Tax Reform Packages



Tax Reform Package 3:
Property Valuation Reform




Tax Reform Package 4:
Passive Income and Financial Intermediary Taxation


Capital Markets Reform



Capital Market Development Act of 2021



The Duterte administration will continue to work hard until the very last minute of its term to ensure a **legacy of a dynamic and market-driven economy for the Filipino people.**





FISCAL DISCIPLINE WILL SAVE US

CARLOS G. DOMINGUEZ
Secretary of Finance

Development Budget Coordination Committee
FY 2022 Budget Hearing
September 8, 2021