



# FISCAL DISCIPLINE WILL SAVE US

**CARLOS G. DOMINGUEZ**  
Secretary of Finance

Development Budget Coordination Committee  
FY 2022 Budget Hearing  
August 26, 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
- 

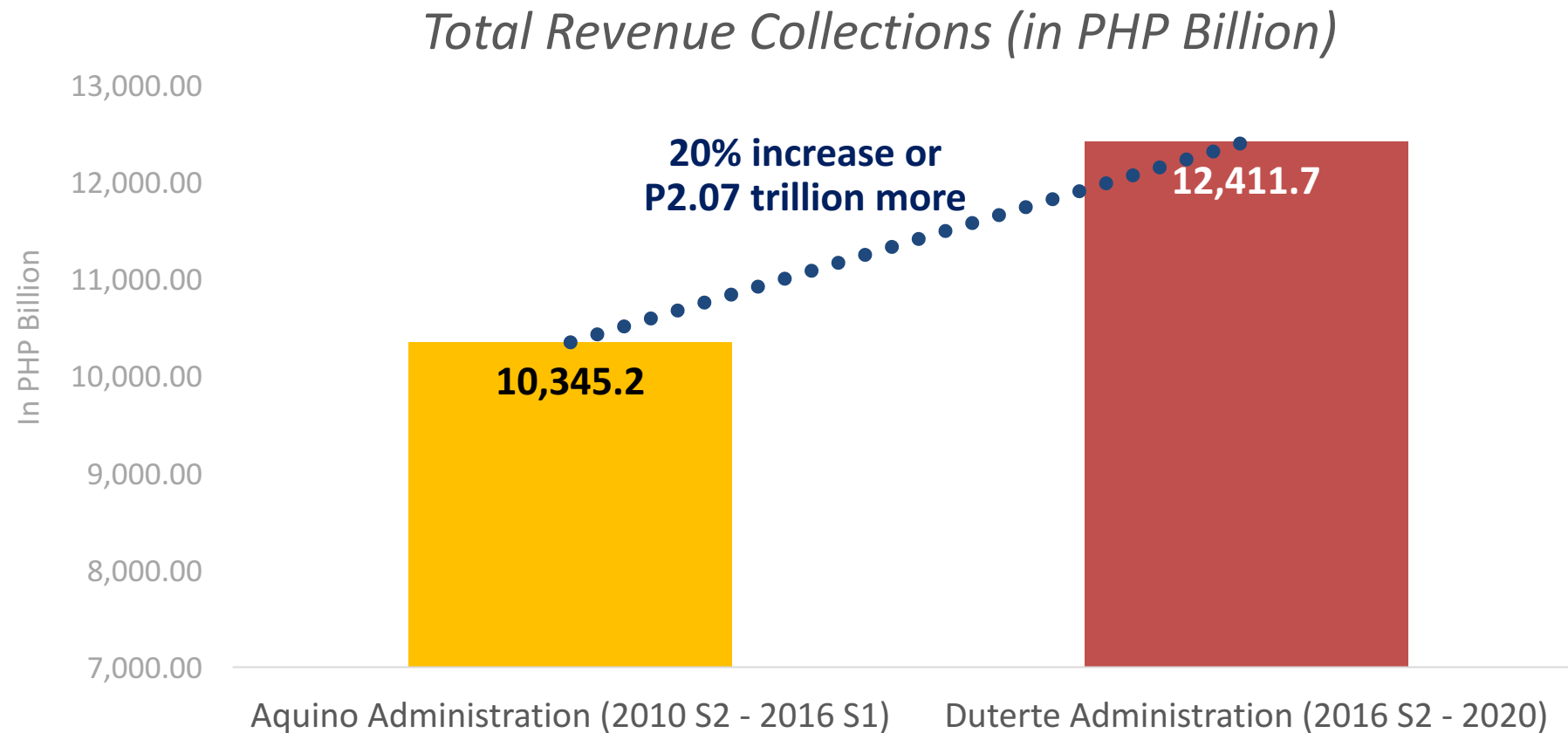


# Context of Fiscal Strength

## 2016 to 2020 Accomplishments

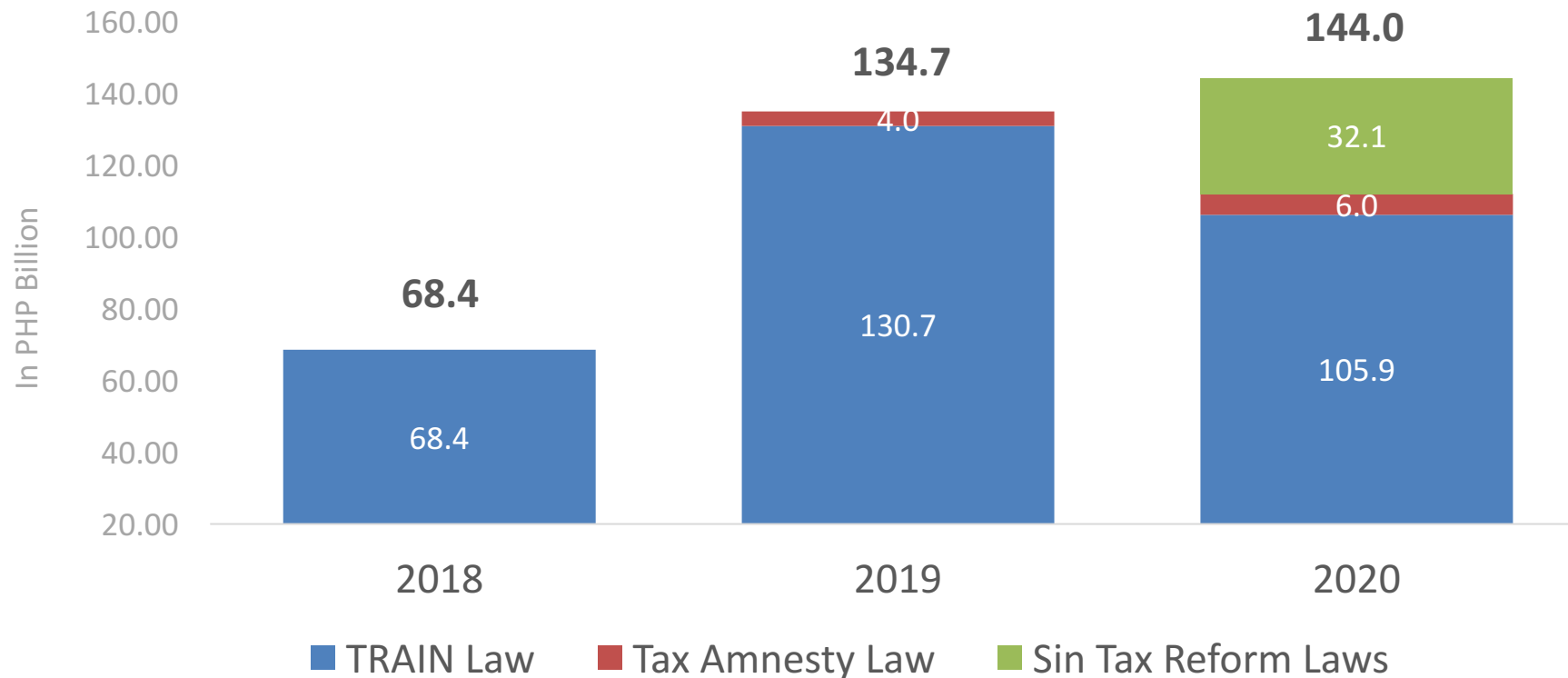


The passage of the tax reform packages helped the government to collect revenues totaling P12.4 trillion from 2016 to 2020. This is 20 percent higher than what the previous administration collected in its six-year term.



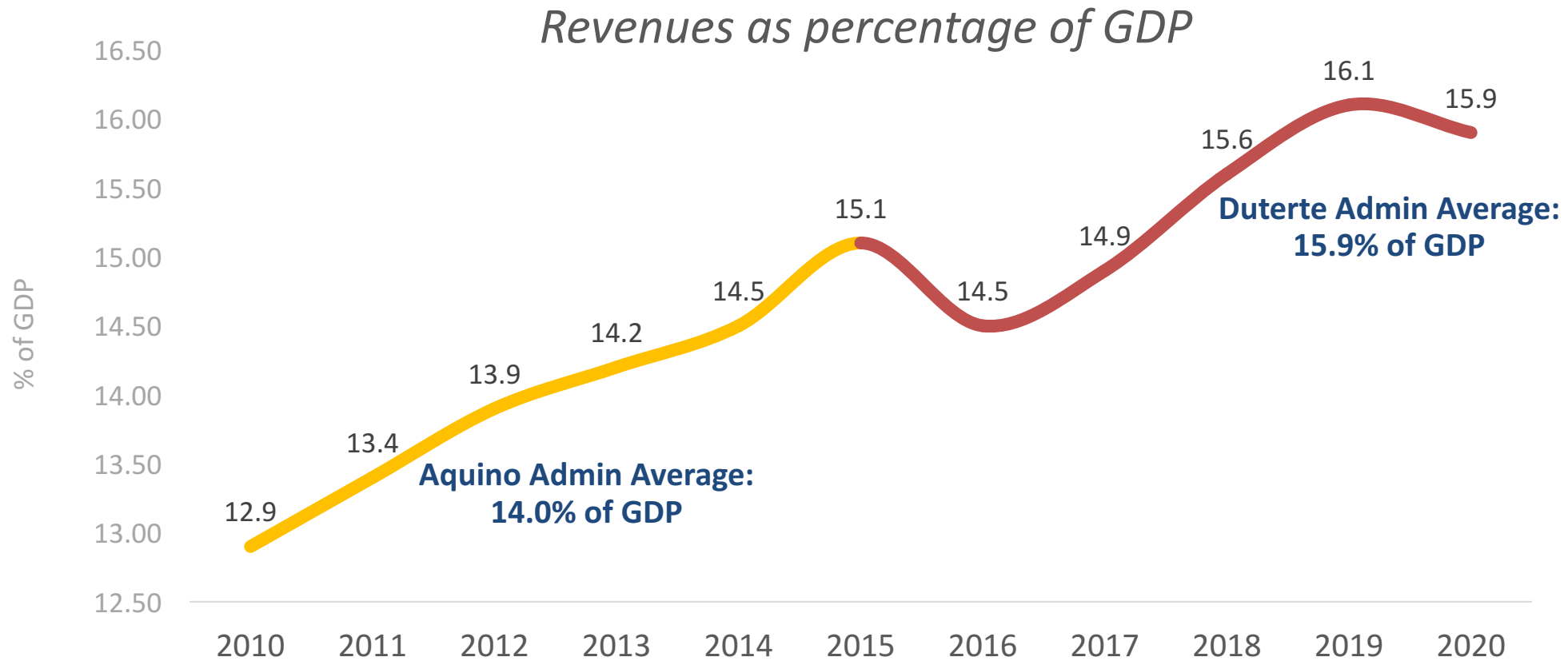
# The enacted tax reform packages collectively added P347.1 billion more to our coffers from 2018 to 2020.

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

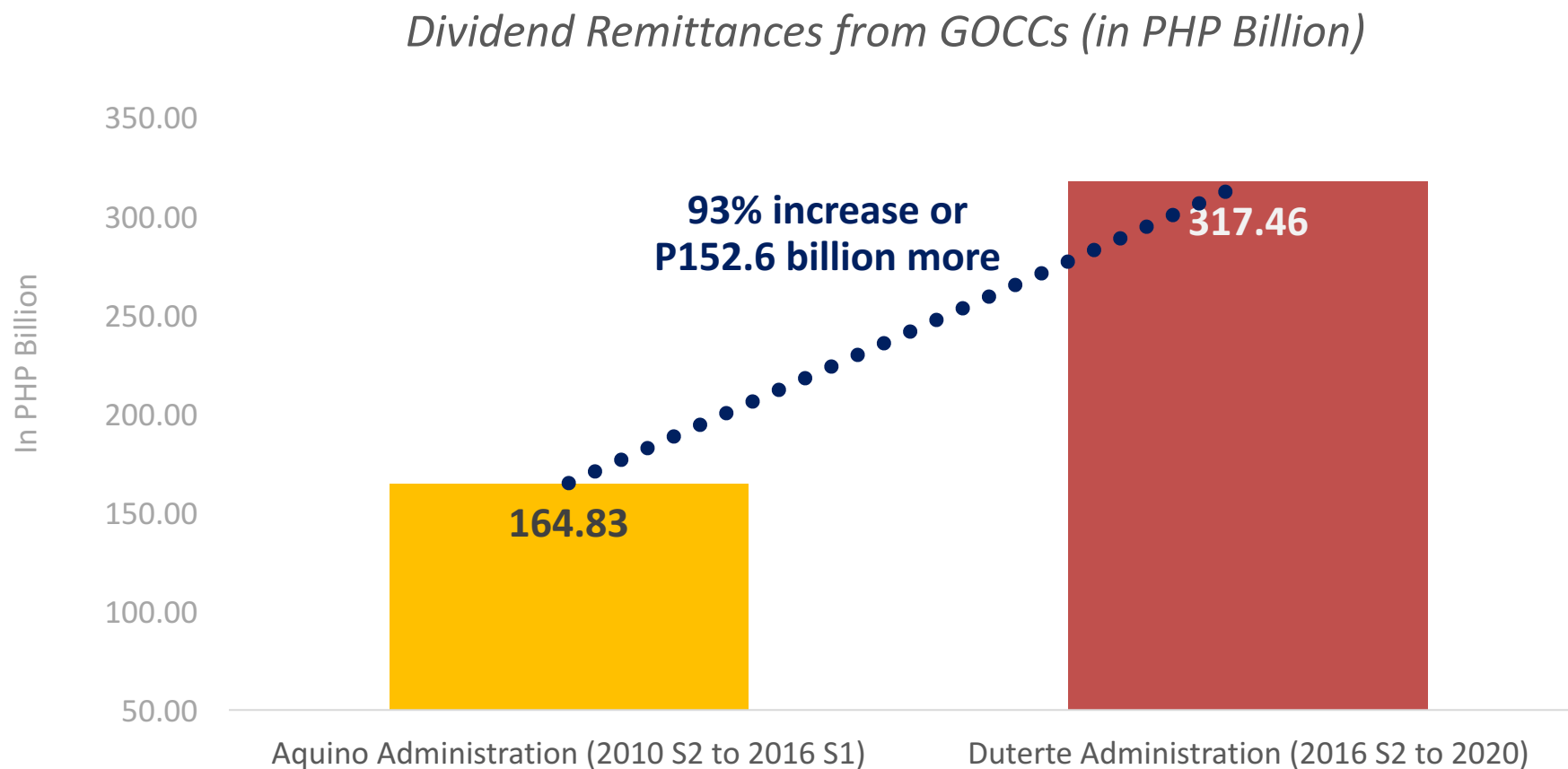




**From 2016 to 2020, the Duterte administration's revenue effort climbed to 15.9 percent of GDP from an average of 14.0 percent of GDP during the previous administration.**



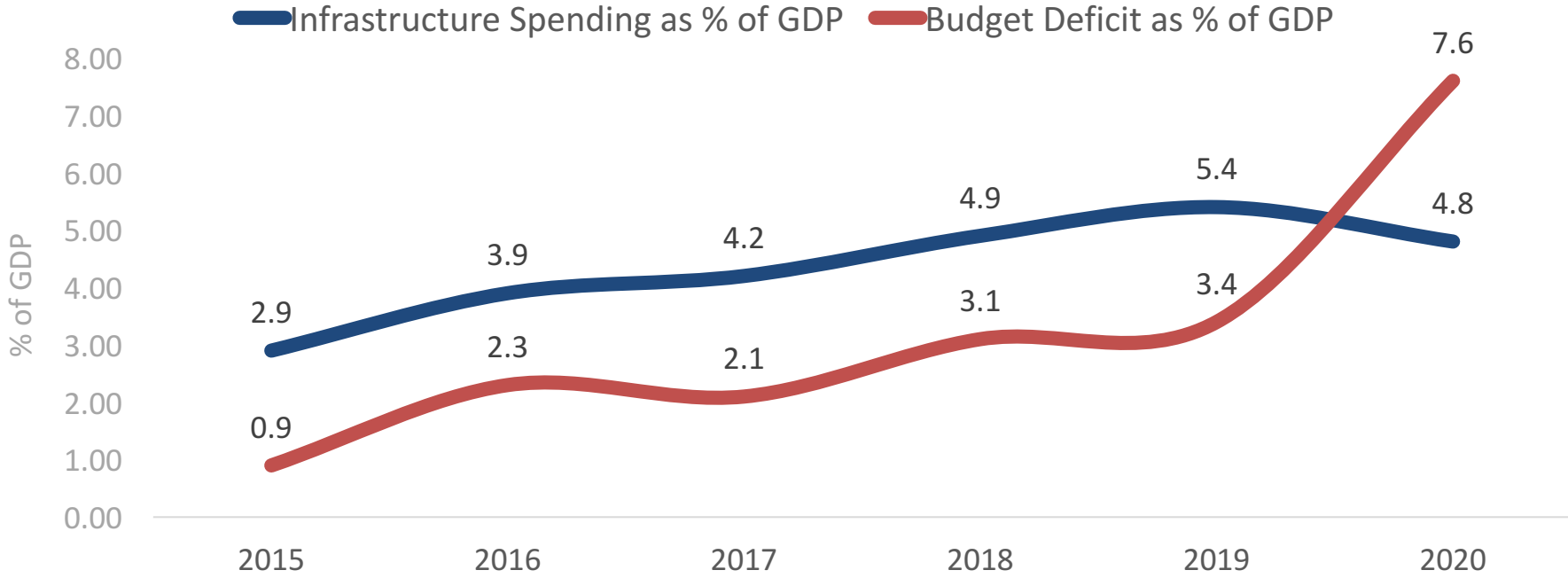
**Total dividends collected from GOCCs under President Duterte reached P317.5 billion. This is almost double the collection level of the past administration.**





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**

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 2021)

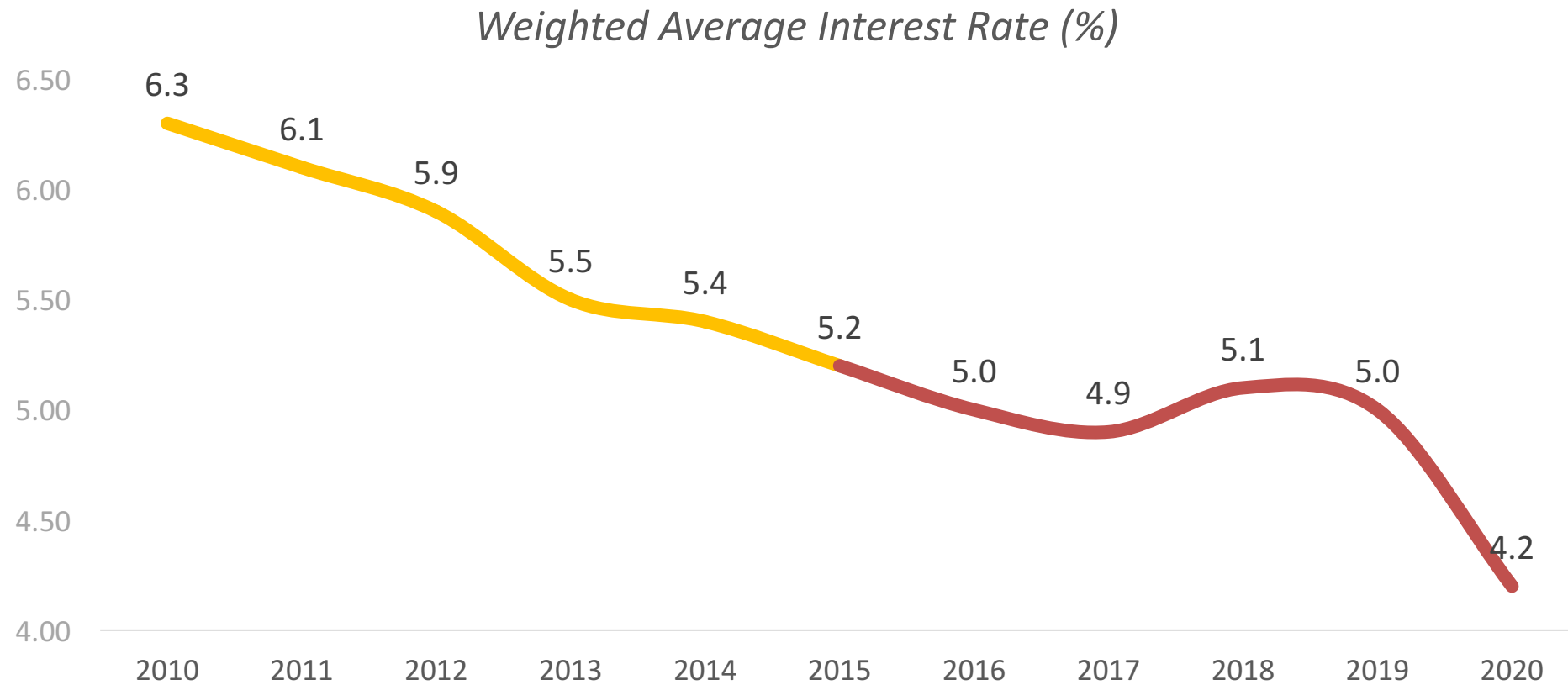
**Fitch Ratings**

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

**Moody's**

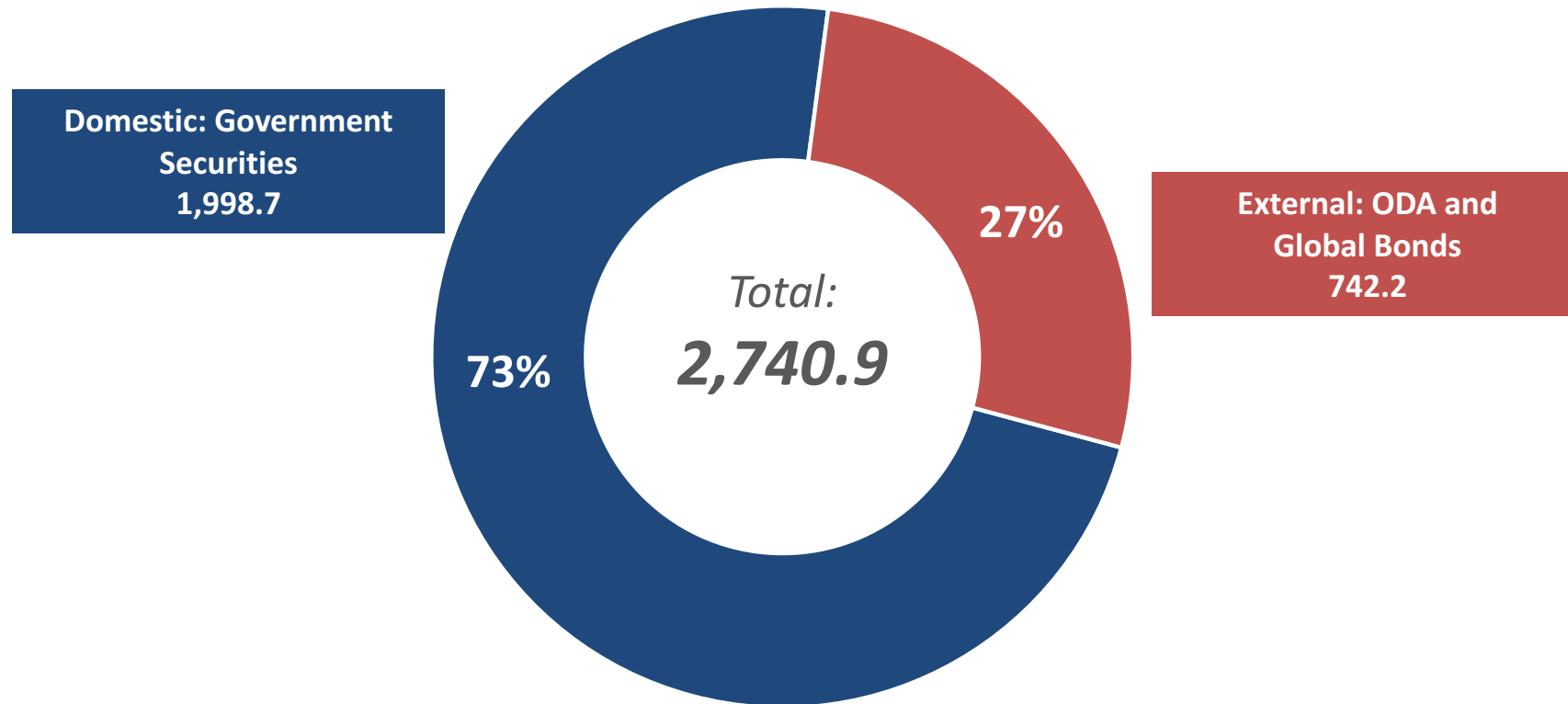
Affirmation of Baa2 rating, Stable Outlook (July 2020)

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

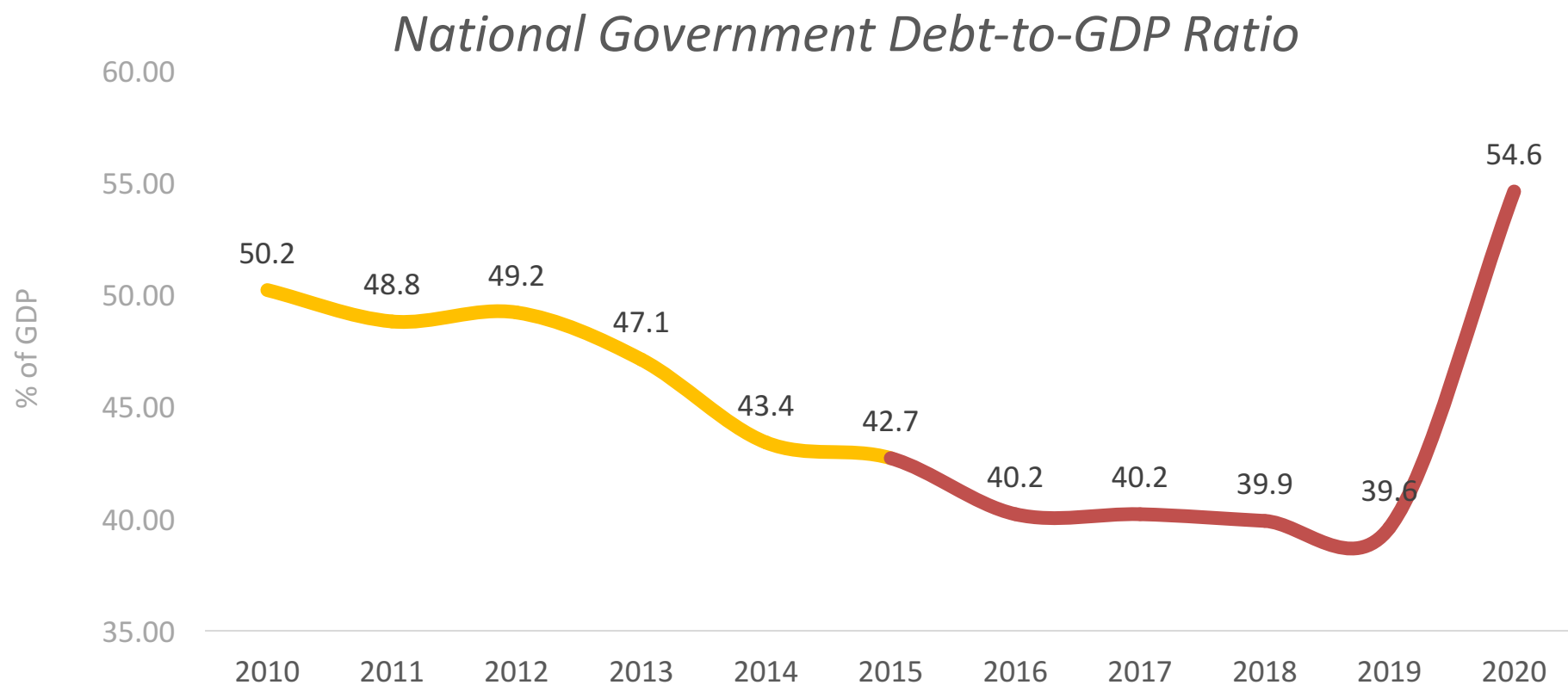


**With abundant liquidity in our own financial system, we have continued to source the majority of our financing from the domestic market.**

*Total Gross Financing for 2020 (in PHP Billion)*



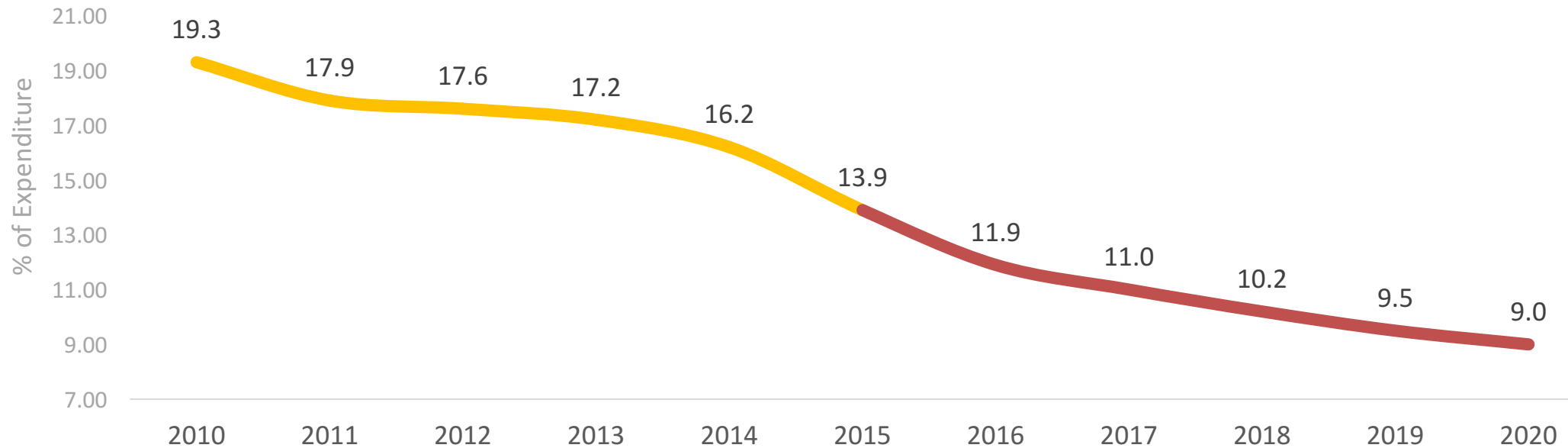
**The Duterte administration was able to bring down our debt-to-GDP ratio to a historic low of 39.6 percent in 2019. The increase in our debt ratio in 2020 is still within the prescribed bounds of fiscal viability.**



Source: BTR

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

*Interest Payments / Expenditure*







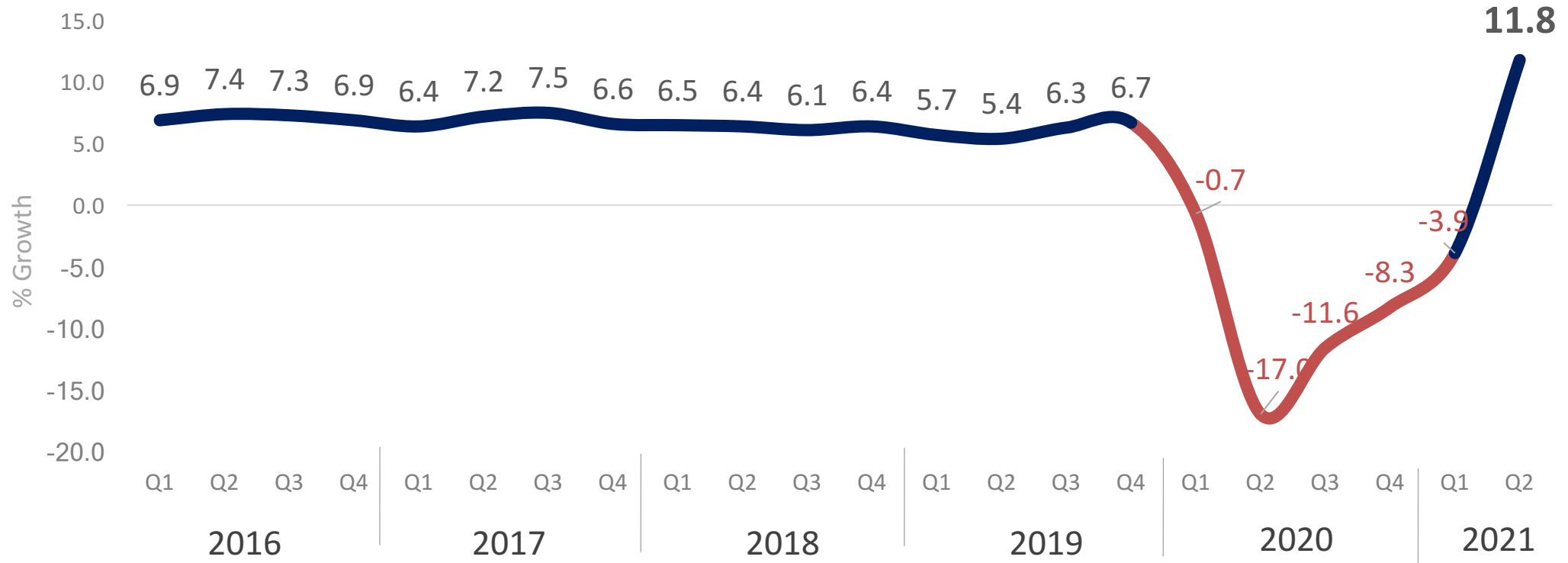
# Restarting Growth

## 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.

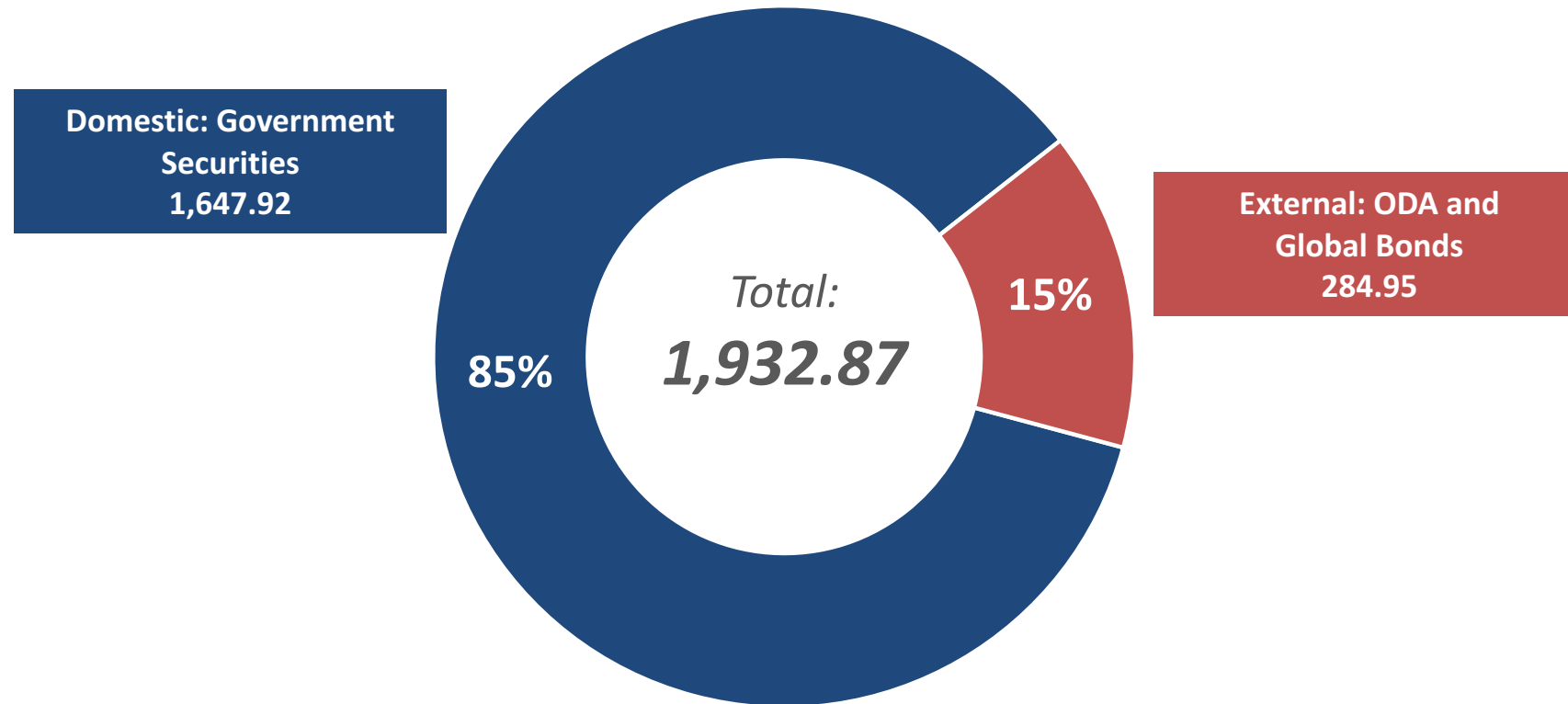
### *Actual Cash Operations Report*

Particulars	January to July (In PHP Billion)			
	2020	2021	Diff	YoY
<b>REVENUES</b>	<b>1,687.8</b>	<b>1,746.4</b>	<b>58.6</b>	<b>3.5%</b>
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%
<b>EXPENDITURES</b>	<b>2,388.4</b>	<b>2,583.7</b>	<b>195.3</b>	<b>8.2%</b>
Interest Payments	247.1	267.6	20.5	8.3%
Others	2,141.3	2,316.1	174.8	8.2%
<b>SURPLUS/ (DEFICIT)</b>	<b>(700.6)</b>	<b>(837.3)</b>	<b>(136.6)</b>	<b>19.5%</b>
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 First Semester 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*

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

<b>Particulars (In trillion PHP)</b>	<b>2020 Actual</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Gross Financing</b>	<b>2.65</b>	<b>3.07</b>	<b>2.47</b>	<b>2.31</b>	<b>2.37</b>
By Use:					
Deficit	(1.37)	(1.86)	(1.67)	(1.43)	(1.30)
% of GDP	-7.6%	-9.3%	-7.5%	-5.9%	-4.9%
Total NG Financing	68:32	81:19	77:23	75:25	75:25
Mix (Domestic: Foreign)					
<b>Total NG Debt-to-GDP Ratio</b>	<b>54.6%</b>	<b>59.1%</b>	<b>60.8%</b>	<b>60.7%</b>	<b>59.7%</b>




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.**

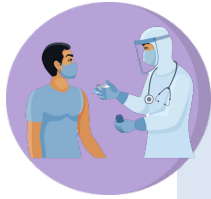




# **Economic Priorities in the Remaining Months of President Duterte's term**



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

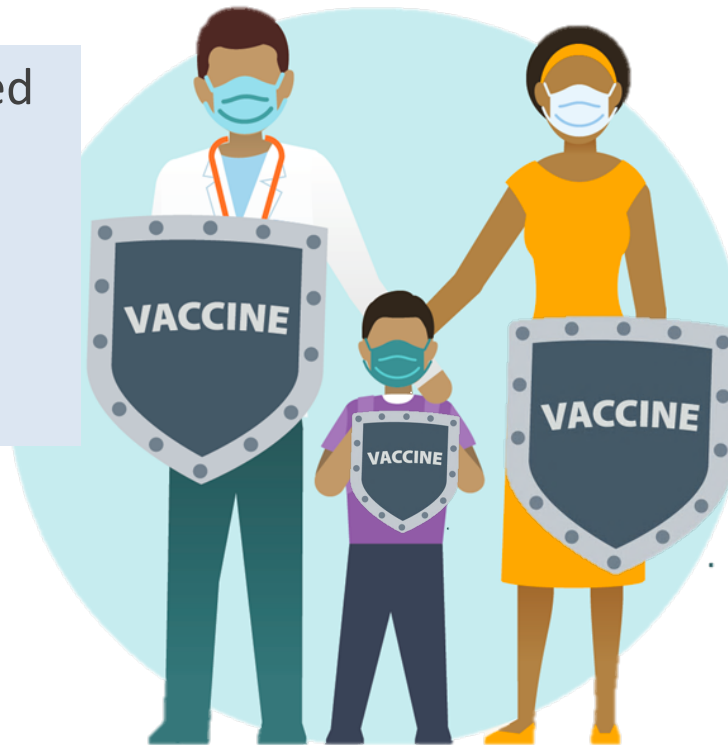


Vaccine Shots Administered  
as of August 24, 2021:

**31.1 Million Doses**

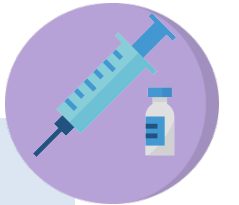
*First Dose: 17.8 Million*

*Second Dose: 13.3 Million*



Running Total of Vaccine  
Supply Arrivals as of  
August 22, 2021:

**48.5 Million Doses**

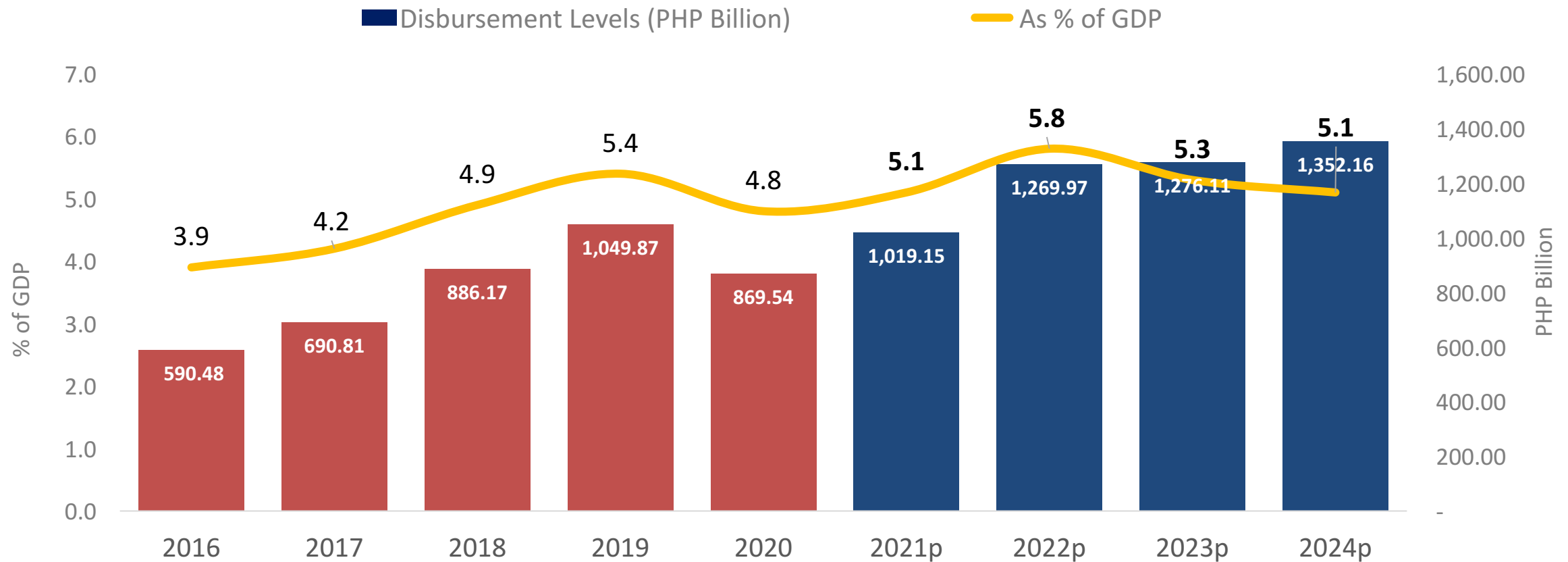


*In the remaining months of 2021, we expect the arrival of an additional 147 million doses.*



# 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

## Pension Reform




Military and Uniformed Personnel Pension reform


## 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  
August 26, 2021