# Keynote Speech

## Foundation for Economic Freedom General Membership Meeting and Election

**RALPH G. RECTO**
SECRETARY OF FINANCE

SEPTEMBER 4, 2024
MANILA GOLF AND COUNTRY CLUB

# It was necessary to recalibrate our growth and fiscal targets to ensure that they are

- ✔ **attainable**
- ✔ **realistic**
- ✔ **adaptive to ongoing external challenges**
- ✔ **supportive of sustainable growth**

# Our refined Medium-Term Fiscal Program ensures the following:

**Reduce debt and deficit gradually in a realistic manner**

**Create more and better jobs**

**Increase people's income**

**Reduce the poverty rate**

# Our 2024 budget stands at PHP 5.77 trillion, and only PHP 4.27 trillion are supportable by revenues

**Total Average Expenditures Daily:**
**PHP 15.80 billion**

**Daily Revenues to Collect**
**PHP 11.71 billion**

**Daily Loans to Borrow**
**PHP 4.10 billion**

# We are strategically maximizing non-tax revenues to raise more resources to avoid placing undue burdens on our people

Increased GOCCs' dividend remittance rate to

**75%**

from 50%

Strategically dispose of

**non-performing and idle government assets**

# We are on track to meet our fiscal program for the year

| Particulars (in PHP Billion) | January - July | | | |
|---|---|---|---|---|
| | 2023 | 2024 | Diff | YoY (in %) |
| **REVENUES** | **2,271.9** | **2,606.9** | **335.1** | **14.8** |
| *as percent to GDP** | *16.2* | *17.1* | | |
| **Tax Revenues** | **2,016.6** | **2,238.1** | **221.5** | **11.0** |
| *as percent to GDP** | *14.5* | *14.6* | | |
| *BIR* | *1,492.3* | *1,681.8* | *189.5* | *12.7* |
| *BOC* | *506.5* | *535.9* | *29.4* | *5.8* |
| *Other Offices* | *17.8* | *20.4* | *2.6* | *14.9* |
| **Non-tax Revenues** | **255.3** | **368.8** | **113.5** | **44.5** |
| *as percent to GDP** | *1.7* | *2.5* | | |
| *BTr* | *143.8* | *183.8* | *40.0* | *27.8* |
| *Other Offices* | *111.5* | *185.0* | *73.5* | *66.0* |
| **EXPENDITURES** | **2,871.4** | **3,249.7** | **378.3** | **13.2** |
| *as percent to GDP** | *21.0* | *21.9* | | |
| **SURPLUS/ (DEFICIT)** | **(599.5)** | **(642.8)** | **(43.2)** | **(7.2)** |
| *as percent to GDP** | *-4.8* | *-4.9* | | |

**As percent of GDP is for the first semester (January to June)*
*Source: BTR*

# The DOF's refined revenue measures maximize gains, minimize pain, and ensure fairness and fiscal consolidation

## VAT on Digital Service Providers

Seeks to level the playing field between local and foreign digital service providers by clarifying that services provided by the latter in the country are subject to VAT.

## Package 4 of the CTRP

Seeks to redesign financial sector taxation to be simpler, fairer, and more globally competitive, with the end goal of deepening our capital markets.

## Excise Tax on Single-Use Plastics

Designed to curb overconsumption of single-use plastics while raising funds for the government.

## Motor Vehicle User's Charge

Aims to update the rates by introducing a 2-tier taxation scheme applicable to all vehicles to simplify tax administration and lowering compliance cost.

## Rationalization of the Mining Fiscal Regime

Provides a simplified and predictable fiscal regime for the extractives sector, while ensuring that the government collects its fair share of revenues.

**We aim to handle realities on the ground with foresight, prudence, and consideration of the larger picture.**

**Because that is our job at the DOF – to raise money for the government in the most cost-effective manner and make sure that it is most judiciously used and spent.**

## Collection of GOCCs' hibernating funds to finance the 2024 GAA Unprogrammed Appropriations:

The DOF merely heeded to **Congress' directive under the law (Section XLIII (1)(d) of the 2024 GAA)**

**The DOF complied with this based on the merit of its cost-benefit analysis and the favorable legal opinions by the OGCC, GCG, and COA.**

## Through an exhaustive review of the financial standings of all GOCCs, the DOF identified unused and excess funds of the following:

**PHILHEALTH**

# PHP 89.9 Billion

**PDIC**

# PHP 108.9 Billion

**The return of these excess funds was approved by their respective boards.**

# FACT 1

**PhilHealth's PHP 89.9 billion excess funds are NOT part of its reserve fund nor income that is being restricted by the Universal Health Care Act to be used by the national government as a general fund.**

# FACT 2

**Not a single centavo of that excess funds came from member contributions** because they are all government subsidies that PhilHealth failed to spend.

**Therefore, it does not affect the viability of PhilHealth. It does not impair the delivery of its services.**

PhilHealth is left with about **PHP 550 billion in its benefit chest fund, more than sufficient to cover multi-year claims**.

# FACT 3

**We know exactly where these excess funds will be used.** It is transparent and fully accessible to the public.

**Every peso will be exclusively used for the projects identified under the Unprogrammed Appropriations of the 2024 GAA.**

# The excess and unused funds will finance the following:

| Expenditure / Purpose | Possible charges | | | |
|---|---|---|---|---|
| | PS | MOOE | CO | TOTAL |
| Foreign-Assisted Projects (FAPS) | 0.078 | 2.6 | 49.0 | 51.7 |
| Personnel benefits | 27.6 | | | 27.6 |
| Public health emergency benefits and allowances for health care and non-health care workers | | 27.7 | | 27.7 |
| NEDA-PSA: Community-based monitoring system | | 3.5 | 0.12 | 3.6 |
| Payment of right-of-way | | | 3.0 | 3.0 |
| Maintenance, repair, and rehabilitation of infrastructure facilities (routine maintenance of national roads) | | 6.0 | | 6.0 |
| Proposed SSL law VI | 40.0 | | | 40.0 |
| Fiscal support arrearages for comprehensive automotive resurgence strategy program | | 0.415 | | 0.4 |
| Support to barangay development program of NTF-ELCAC | | 6.5 | | 6.5 |
| DPWH - various projects | | 1.7 | 24.9 | 26.6 |
| Revised AFP modernization program | | | 10.0 | 10.0 |
| **TOTAL** | **67.7** | **48.4** | **87.0** | **203.1** |

*Source: DBM*

# List of Financing for Foreign-Assisted Projects (FAPS)

## Health

- Philippine Multi Sectoral Nutrition Project

## Education

- Supporting Innovation in the Philippine Technical and Vocational Education and Training System

## Agriculture and Fishery

- Support to Parcelization of Lands for Individual Titling Project
- Mindanao Inclusive Agriculture Development Project
- Philippine Rural Development Project Scale-Up
- Philippine Fisheries and Coastal Resiliency Project
- Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project

## Social Development

- Local Governance Reform Project
- Capacity Building to Foster Competition

## Infrastructure

- Panay-Guimaras-Negros Island Bridges Project
- Arterial Road Bypass Construction Project
- Davao City Bypass Construction Project*
- Road Network Development Project in Conflict-Affected Areas in Mindanao
- Philippines - Korea Project Preparation Facility
- Cebu - Mactan Bridge and Coastal Road Construction Project
- Dalton Pass East Alignment Road Project
- Priority Bridges crossing Pasig-Marikina River and Manggahan Floodway Bridges Construction Project
- Samal Island Davao City Connector Project
- Infrastructure Preparation and Innovation Facility**
- Improving Growth Corridors in Mindanao Road Sector Project
- Reconstruction and Development Plan for Greater Marawi
- Panguil Bay Bridge Construction Project
- Bataan - Cavite Interlink Bridge Project
- Samar Pacific Coastal Road II
- Jalaur River Multipurpose Irrigation Project

## Infrastructure

- Metro Manila Flood Management Project
- Cavite Industrial Area Flood Risk Management Project
- Pasig - Marikina River Channel Improvement Project
- Integrated Flood Resilience and Adaptation Project I
- Philippines Seismic Risk Reduction and Resilience Project
- Road Upgrading and Preservation Project
- Central Luzon Link Expressway Phase I
- Metro Manila Interchange Construction Project, Phase VI
- Flood Risk Management Project for Cagayan de Oro River
- New Communications, Navigation, and Surveillance/Air Traffic Management System Development Project
- New Bohol Airport Construction and Sustainable Environment Protection Project
- Davao Public Transport Modernization Project
- Maritime Safety Capability Improvement Project Phase I
- Metro Manila Subway Project Phase I
- North-South Commuter Railway Project

**Davao City By-Pass Construction Project (South and Center Sections), JICA, PH-P261 and Davao Bypass Construction Project, Package I (South and Center Sections) JICA, PH-P273*
***Infrastructure Preparation and Innovation Facility (IPIF) , Output 2 (Water Projects), ADB, Technical Assistance Loan, ADB 3886-PHI - Additional Financing, Infrastructure Preparation and Innovation Facility (IPIF), Output 2 (Water Projects), ADB Loan 4424-PHI, Second Additional Financing, and Infrastructure Preparation and Innovation Facility (IPIF), Output 3, ADB Loan 3886-PHI, Additional Financing*

# Cost-benefit analysis of financing the projects and programs under the Unprogrammed Appropriations

## Benefits:

Increase in real GDP growth:

**0.7%**

Additional revenues

**PHP 23-24.4 billion**

## Costs

Increased deficit-to-GDP for 2024:

**From 5.6% to 6.4%**

Increased debt-to-GDP for 2024:

**From 60.6% to 61.4%**

Increased interest payment

**PHP 12.7 billion**

Credit Grade Downgrade

**Additional interest payments of at least PHP 15 billion pesos annually**

**In a very real sense, standing idly by as funds like these sleep on would be a complete disservice to the nation – both for our people today and the next generation.**

**Whatever measures by the government to source financing for its programs are always undertaken consistent with the belief that its capacity to address the primary needs of our people—including health—is not compromised.**

**As the country's economic freedom fighters, I call on you to continue fighting on the frontlines with us for the nation's highest good.**

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