



KEYNOTE SPEECH

CARLOS G. DOMINGUEZ
Secretary of Finance

*Union of Local Government Authorities of the Philippines Webinar
October 5, 2020*

LGUs are **catalysts for building
a new economy** while we do
all we can to address this
global health emergency.



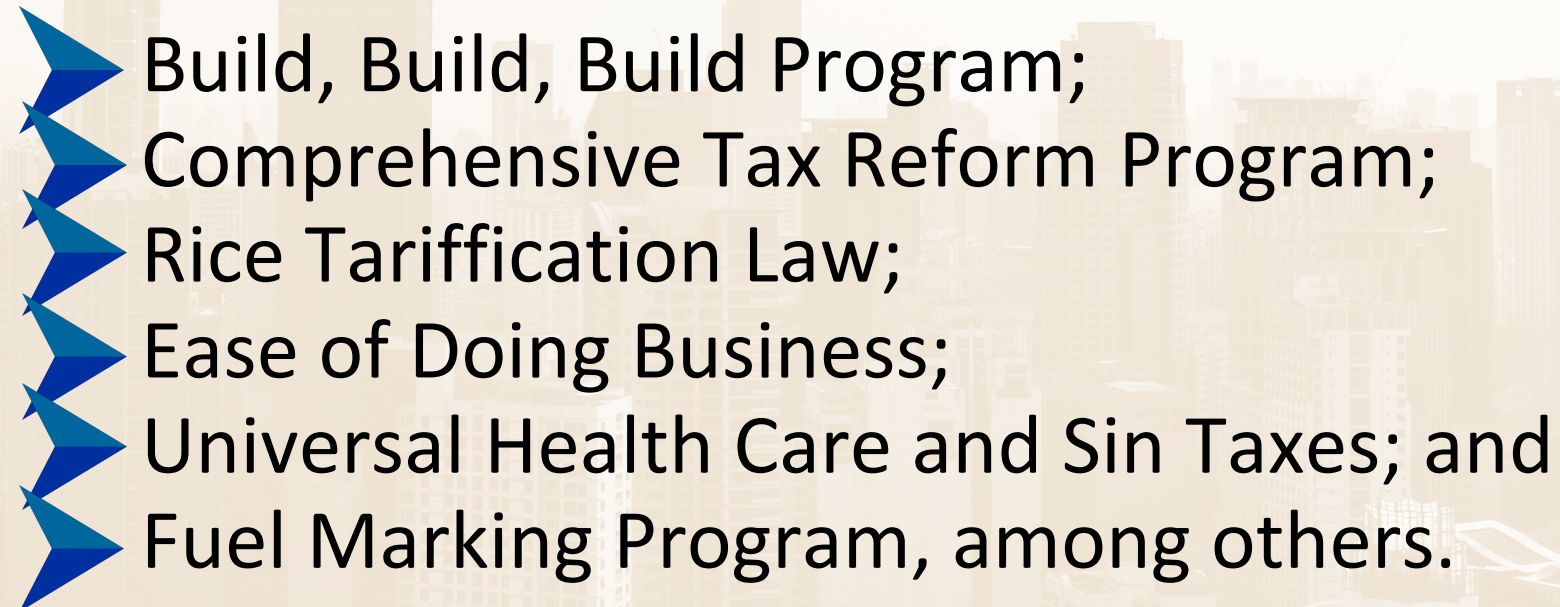
When this crisis hit,

we were financially

ready.

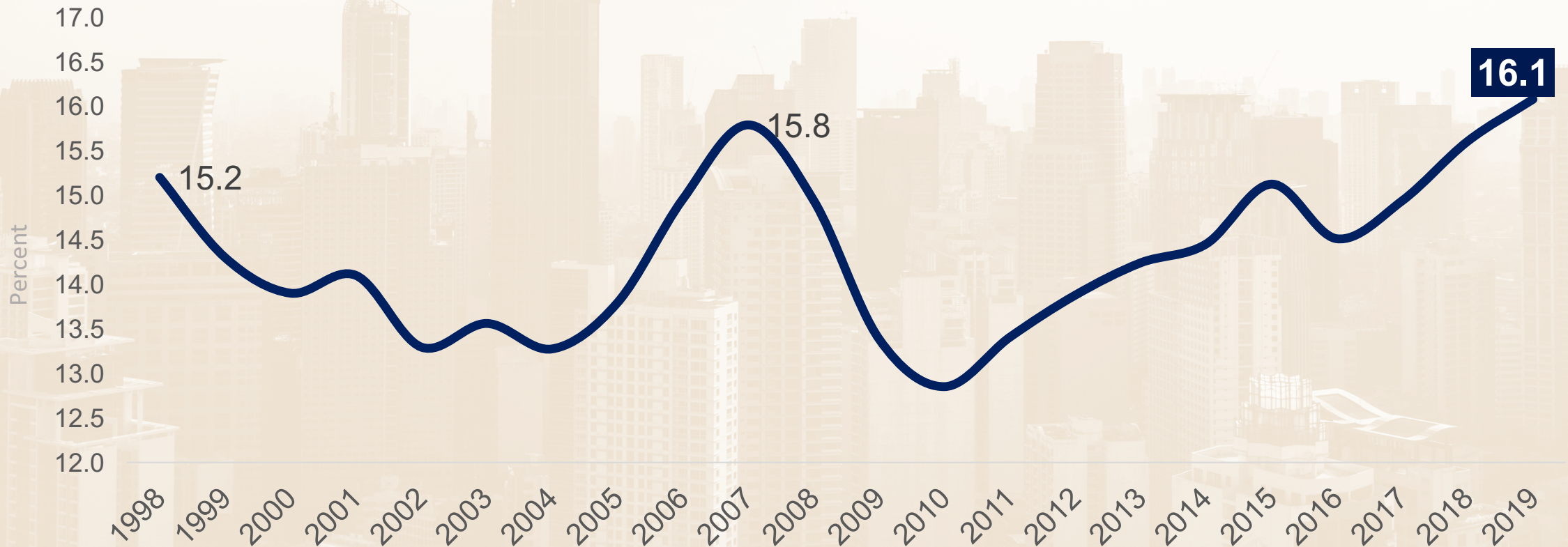


The game-changing reforms we passed over the last four years have strengthened our fiscal and economic stamina.

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- Build, Build, Build Program;
 - Comprehensive Tax Reform Program;
 - Rice Tariffication Law;
 - Ease of Doing Business;
 - Universal Health Care and Sin Taxes; and
 - Fuel Marking Program, among others.

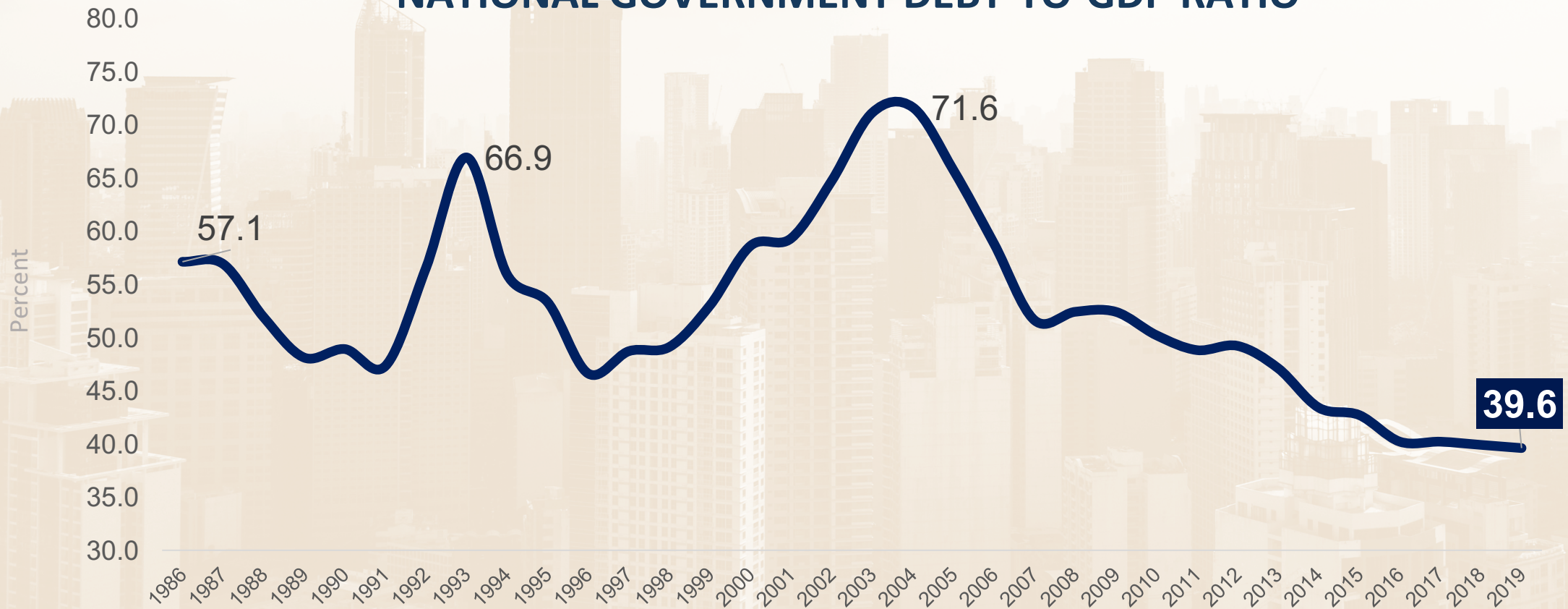
Revenues were at 16.1 percent of GDP in 2019,
the best performance since 1998.

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



2019 external debt-to-GNI ratio of 20.2 percent is the lowest among the ASEAN-5 countries

GROSS EXTERNAL DEBT-TO-GNI RATIO

Country	2015	2016	2017	2018	2019
Malaysia	66.5	69.6	70.6	64.7	65.3
Vietnam	42.5	43.6	50.3	47.4	*
Indonesia	37.0	35.4	36.0	37.5	37.2
Thailand	34.6	34.9	36.2	35.1	32.9
Philippines	22.7	21.1	20.0	20.6	20.2

Sources of Basic Data: World Bank; IMF; BSP

*Not available

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)

Moody's

Affirmation of Baa2 rating (Stable Outlook)

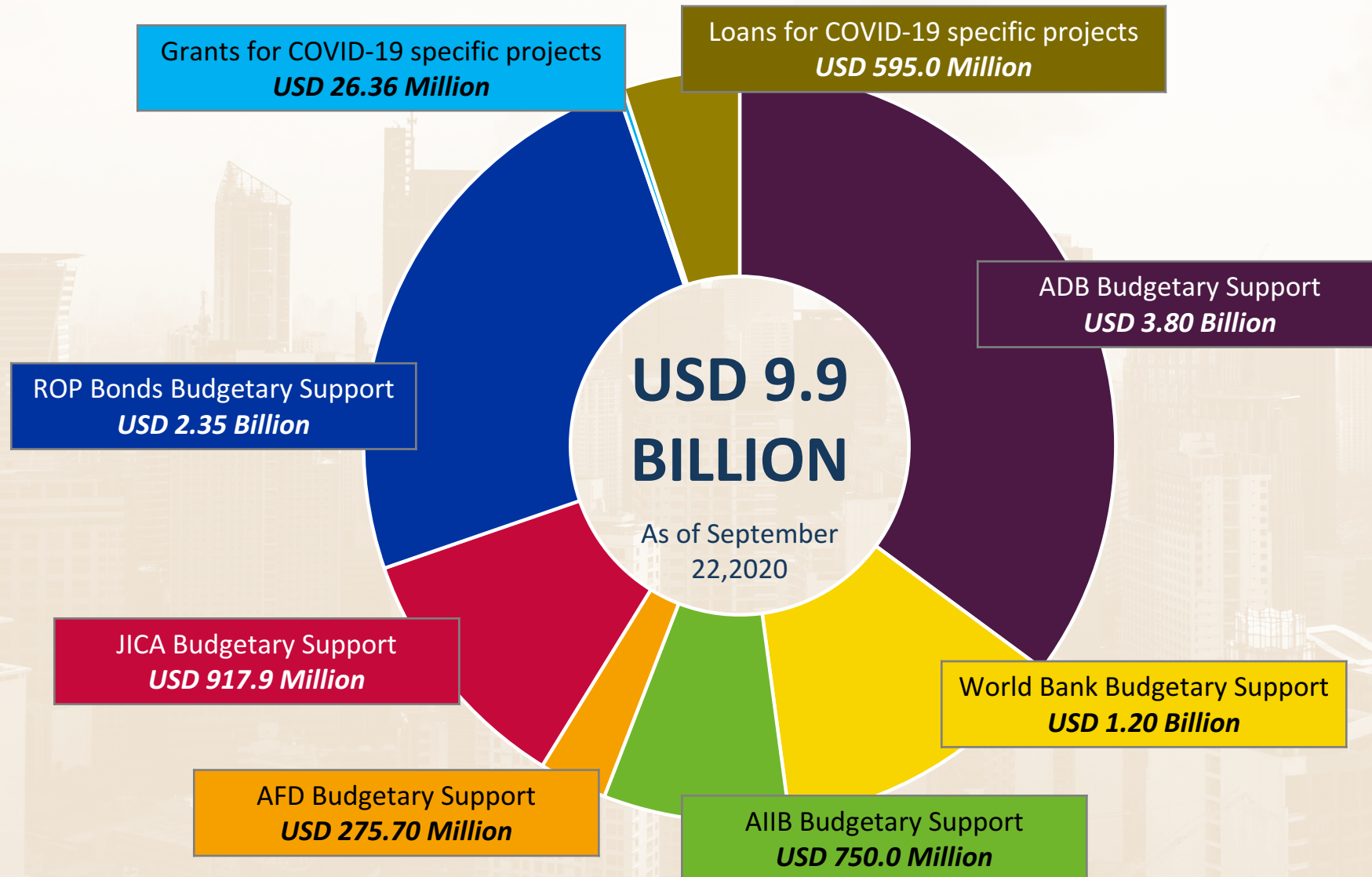
Fitch Ratings

Affirmation of BBB rating (Stable Outlook)

S&P Global Rating

Affirmation of BBB+ rating (Stable Outlook)

Financing secured from development partners and commercial markets to support COVID-19 response efforts:



The public health effort will be a
marathon, not a sprint.

There is no magic wand to wave
away the virus.

**We have to be prepared for a
long battle.**



We should do what is necessary,
but we should not be wasteful.



Congress passed fiscally responsible measures that we can implement within our means.

BAYANIHAN I

**P389.22
BILLION**

*COVID-19 Releases as of
September 14, 2020*

BAYANIHAN II*

**P140.00
BILLION**

*Appropriations
*Has standby funding
worth P25.53B*

Bayanihan II makes possible several streams of support for local governments to help restart their economies and support enterprises.

- 1. Extends the carry-over period of net losses in 2020 and 2021 from three to five years for businesses.** This will allow micro, small and medium enterprises (MSMEs) to deduct incurred losses from tax payments for a longer period.
- 2. Infuses more capital to government financial institutions to dramatically expand their lending to MSMEs.**
 - A total of P24.47 billion is made available for the LBP (*P18.47 billion*) and the DBP (*P6.0 billion*) as equity infusion for loans to individuals and businesses affected by the pandemic.
 - P5.0 billion is allocated to the Philippine Guarantee Corporation for the credit guarantee program.
 - P10.0 billion is made available for the lending programs and interest rate subsidies of the Small Business Corporation.

DOF is investing in training programs that aim to raise the competencies of local government treasurers.

- 1. The Standardized Examination and Assessment for Local Treasury Service (SEAL) Program** of the BLGF professionalizes and modernizes the local treasury service.
- 2. The BLGF and the Philippine Tax Academy are preparing online learning modules for local government treasurers and assessors.**

As we anticipate a new economy in the post-pandemic era, we strongly encourage our LGUs to **adopt digital technologies to efficiently deliver frontline services.**



The Supreme Court ruling on the Mandanas case is scheduled for implementation in 2022.

LGUs, therefore, must prepare themselves to effectively assume their new responsibilities.



At both national and local levels, we
need to **optimize our revenue
generation powers and improve tax
administration.**



Even as we stretch resources to stimulate the economy,

we must continuously build up our fiscal resilience.



Legislative Imperatives to Revive the Economy

- 1. Immediate passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** 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. This will be reduced further by one percentage point every year from 2023 to 2027.
 - 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.
- 2. Allow banks to dispose of non-performing loans and assets** through asset management companies that are similar to special purpose vehicles created in early 2000s to deal with the effects of the Asian crisis.

Legislative Imperatives to Revive the Economy

3. Our government banks will also **setup a company to deal with problems involving solvency issues** and we will be inviting other multilateral agencies and foreign investment companies to participate.
4. **Provide greater support to the agriculture sector** by giving the banking system the ability to support the whole value chain of agri-enterprises.

The cornerstone of our economic recovery is the Build, Build, Build program.

Investments in infrastructure have the highest multiplier effect in the economy.



We remain confident that we will win back our growth momentum by next year.

A lot will depend on whether we can revive consumer confidence and domestic demand.



**Let us work hand in hand to
beat this pandemic.**

We have a future to win.





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