



Republic of the Philippines  
**DEPARTMENT OF FINANCE**

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**PRESS RELEASE**

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**President Duterte has ‘masterfully steered’ PHL economy  
towards global competitiveness, says Dominguez**

President Duterte has “masterfully steered” the Philippines from being an inward-looking economy to one that is ready to compete with the rest of the world, through his slew of hard-won reforms that will immensely benefit the next administration as it continues the job of returning the country to the path of rapid and inclusive growth, Finance Secretary Carlos Dominguez III said Tuesday.

Dominguez said among these reforms that languished for decades in the shelves of the Congress but have now been fully enacted under the Duterte administration are its Comprehensive Tax Reform Program (CTRP), which lowered both personal and corporate income taxes and modernized the fiscal incentives system; the series of increases in the excise taxes of ‘sin’ products to improve funding for the Universal Health Care (UHC) program; and the Rice Tariffication Law (RTL), which lowered rice prices and provided a steady flow of funds for the modernization of the agriculture sector.

Another lasting legacy of President Duterte is the “Build, Build, Build” program, which raised infrastructure spending to above 5 percent of the Gross Domestic Product (GDP), double the level recorded by the previous four administrations, Dominguez said.

Infrastructure investments on the last stretch of the Duterte administration is targeted to reach 5.9 percent this year, he added.

Dominguez said that while these and other reforms bolster the country’s ability to recover and rebuild from the pandemic, the government’s optimism is tempered by the uncertainties arising from the ongoing conflict between Russia and Ukraine.

“The Philippine economy is now recovering strongly, but we have to deal with the volatilities produced by the Ukraine conflict. We must also strengthen the resilience of our communities as we face the difficulties posed by climate change. In our highly integrated world, external events could easily break and imperil our prospects,” Dominguez said in his speech as head of the Cabinet’s Economic Development Cluster (EDC) during the joint Philippine Economic Briefing (PEB) and *Sulong Pilipinas* workshop held today at the Philippine International Convention Center (PICC) in Pasay City.

“We have sailed through fine and rough weather. But President Duterte has proven to be a strong and steady captain of the ship. The waves may be high, but the ship of state has been masterfully steered,” he added.

Citing a famous phrase in Japanese naval history from Admiral Heihachiro Togo who said “The weather today is fine but the waves are higher,” Dominguez pointed out that the “Philippine economy, our ship, had indeed been sailing through fine weather but the waves of uncertainty remain owing to external developments.”

These include not only the Russia-Ukraine crisis, but the unexpected economic shock from the COVID-19 pandemic and other variants or new disease outbreaks that could occur, he said.

### **Reform agenda**

But President Duterte’s bold zero-to-ten-point socio-economic agenda, of which 90 percent has already been delivered in the five and a half years on his watch, will help the country overcome such challenges and enable it to proceed toward the path of inclusive growth.

“Years from now, when the Philippines brings down its poverty incidence to single-digits, we will look back to the Duterte presidency as the moment when the country made the turn towards more inclusive growth and prosperity,” Dominguez said.

Dominguez enumerated the reforms under President Duterte that enable the country to “make the decisive shift from an inward-looking economy to one ready to compete with the rest of the world.” These include:

- The enactment of the Ease of Doing Business (EODB) Act that has cleared the way for the improved and efficient delivery of frontline public services and increased the competitiveness of the country’s business climate, for which Dominguez commended Secretary Ramon Lopez of the Department of Trade and Industry (DTI);
- Implementation of the Philippine Identification System Act (PhilSys), which brought the government closer to its goal of achieving e-governance and greater financial inclusion for Filipinos. Dominguez lauded Secretary Karl Kendrick Chua of the National Economic and Development Authority (NEDA) for working tirelessly to accelerate the rollout of the National ID program.

As of March 23, a total of 61.3 million individuals nationwide have registered for the National ID. Through this program, the Land Bank of the Philippines (LandBank) has cleared the way for 7.7 million formerly unbanked registrants to be part of the formal banking system;

- Implementation of the ‘Build, Build, Build’ program, which raised infrastructure spending above 5 percent of GDP.

This was made possible by the hard work of Secretary Arthur Tugade of the Department of Transportation (DOTr), former Secretary Mark Villar of the Department of Public Works and Highways (DPWH), Secretary Vivencio Dizon,

formerly of the Bases Conversion and Development Authority (BCDA), and Acting DPWH Secretary Roger Mercado, Dominguez said.

As an example, Dominguez cited the country's railway system, which from just 77 kilometers (km) before President Duterte took office, now spans 1,209 km. From 61 operational stations, and 224 operational cars in 2016, these will increase to 208 and 1,386, respectively;

- Establishment of the Overseas Filipino Bank (OFBank), which is officially the Philippines' first branchless digital-only bank in the country. It now serves overseas Filipinos in 116 countries;
- Implementation of the RTL after more than 30 years of failed attempts by previous administrations.

The RTL has removed rice as a main contributor to the overall inflation rate, and gave farmers at least P10 billion each year for mechanization, high-quality seeds, access to credit and training. Dominguez said RTL is just one of the progressive efforts undertaken by the Department of Agriculture (DA) led by Secretary William Dar to build productivity and enhance the resiliency of our agriculture sector.

Before the RTL was passed in 2019, the National Food Authority (NFA), which regulated all rice imports and was the chief importer of the grain, received an average of P11 billion a year in tax subsidies from 2005 to 2018.

A complete reversal of this massive annual subsidy is the government's earnings of P46.6 billion in rice import tariffs during the first three years alone of the RTL's implementation;

- Establishment of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and the Duterte administration's unrelenting campaign against criminality and terrorism, for which Dominguez credited the work of Secretary Delfin Lorenzana of the Department of National Defense (DND), Secretary Eduardo Año of the Department of the Interior and Local Government (DILG), National Security Adviser (NSA) Hermogenes Esperon Jr., and Presidential Adviser on the Peace Process Carlito Galvez Jr.;
- Instilling fiscal discipline among government-owned or -controlled corporations (GOCCs), which allowed the Department of Finance (DOF) to collect an average of P68.7 billion annually from these firms since President Duterte took office.

This is more than double the average annual collection of the past administration;

- Implementation of the long-dormant Real Estate Investment Trust (REIT) Act.

The REIT sector's total capitalization in just 2 years of implementation under the Duterte administration has now reached P269.7 billion;

- Introduction of innovative government securities by the Bureau of the Treasury (BTr) to encourage small investors to buy them via digital channels;

- Increased investments in social services through health care coverage, housing, unconditional cash transfers (UCTs), quality jobs, free education in state colleges and universities, and free irrigation water.

Dominguez credited Secretary Leonor Briones of the Department of Education (DepEd), Secretary Rolando Joselito Bautista of the Department of Social Welfare and Development (DSWD), Secretary Francisco Duque of the Department of Health (DOH), Secretary Eduardo del Rosario of the Department of Human Settlements and Urban Development (DHSUD), Secretary Silvestre Bello III of the Department of Labor and Employment (DOLE), Secretary Bernadette Puyat of the Department of Tourism (DOT), and Administrator Ricardo Visaya of the National Irrigation Administration (NIA) for the efficient implementation of these programs;

- Ensuring the equitable, prudent, transparent and accountable allocation and use of public funds, for which Dominguez thanked former Secretary and now Bangko Sentral ng Pilipinas Governor Benjamin Diokno and Officer-in-Charge (OIC) Tina Rose Marie Canda of the Department of Budget and Management (DBM);
- Infusion of the largest amount of capital in LandBank and the Development Bank of the Philippines (DBP), which will amount to P230.4 billion and P76.9 billion, respectively by end-April;
- Implementation of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), which lowered the corporate income tax (CIT) rate for all enterprises; and the enactment of the amendments to the Retail Trade Liberalization Act (RTLTA), Public Service Act (PSA) and Foreign Investments Act (FIA) to further liberalize and modernize the economy, and upskill the country's workforce;
- Passage and implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which a) reduced the personal income tax for 99 percent of taxpayers and effectively gave them a 14<sup>th</sup> month pay; b) imposed excise taxes on sweetened beverages from which the government collects almost P104 million a day; and c) mandated the implementation of a nationwide fuel marking program to curb oil smuggling.

Dominguez cited the reforms "arduously passed" by previous administrations that led to TRAIN, which also provided the government with robust and recurring revenues that helped expand social services and supported its massive economic investments in modern infrastructure;

- Imposition of excise tax increases on 'sin' products such as alcohol, tobacco and vapor products thrice within President Duterte's term to help fund the UHC program; and
- Digitalization of the Bureaus of Internal Revenue (BIR) and of Customs (BOC), which led to a remarkable 99.5 percent of income tax returns filed online in 2021, from just 10 percent in 2015.

From the 1.9 million electronic payment transactions made with the BIR in 2015, this number rose to 5.5 million electronic payment transactions last year. These figures

are projected to dramatically increase in the coming years as the BIR introduces more digitalization initiatives.

"Many reform measures that languished for decades on the shelves of Congress were finally enacted into law. I have to thank everyone who contributed to these successes--our legislators, our friends in the private sector, our reliable development partners, and my colleagues in the Cabinet guided by Executive Secretary Salvador Medialdea," Dominguez said.

### **Fruits of tax reform**

Dominguez said that through bold tax reforms and better tax administration, the government was able to raise the Philippines' revenue effort to 16.1 percent of GDP in 2019 from 15.1 percent in 2015, its best performance in more than two decades.

"All in all, TRAIN and the other enacted packages of the tax reform program enabled the government to raise 504.6 billion pesos in incremental revenues during the first four years of implementation," Dominguez said.

To step up the implementation of the "Build, Build, Build" program, a total of 28 highly concessional loan agreements for its flagship infrastructure projects were sealed by the DOF.

"This includes the country's most ambitious infrastructure undertaking--the Metro Manila Subway project. With the generous support of Japan, what has once been considered a dream subway is now about to become a reality," Dominguez said.

Dominguez said the Duterte administration's game-changing measures made the Philippines one of the economic leaders in the region before the pandemic and provided the government the financial strength to weather the unprecedented COVID-19 global crisis despite lower revenues, an increased budget deficit and an elevated debt-to-GDP ratio that all remained manageable amid the country's high credit ratings and prudent fiscal management.

"Had we not pursued them (the reforms) on time, the impact of the pandemic would have been worse. Our 2020 GDP would have plunged deeper by 13.3 percent instead of 9.6 percent. This just only proves that in any battle or emergency, preparation is always the best strategy," Dominguez said.

### **COVID-19 response**

The Philippines' direct response to the COVID-19 crisis has so far amounted to P3 trillion, equivalent to 15.6 percent of its GDP. To finance this vast expenditure, domestic borrowings were prioritized, followed by funding from official development assistance (ODA) and the international capital markets.

To procure vaccines, the government brought together the World Bank (WB), Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB) under a joint financing arrangement for the purchase of these life-saving doses. "This was the first in the Asia-Pacific region and probably in the world," Dominguez said.

## **Return to high growth**

Dominguez assured investors that the national government will begin to reduce its deficit and borrowings beginning this year, supported by a rebound in revenue collections.

“For instance, the national government has started reducing our provisional advance arrangements with the Bangko Sentral ng Pilipinas (BSP) from 540 billion pesos to 300 billion pesos. This amount will be totally paid off by June 12 of this year,” he said.

He also cited the country’s low-risk COVID-19 classification; rising merchandise trade and overseas Filipinos (OFs) remittances; lowering unemployment rate; and an all-time record of foreign direct investments (FDIs) totaling US\$10.5 billion in President Duterte’s final full year, as signs of economic recovery.

Dominguez said that to ease the impact of the spike in oil and commodity prices resulting from the Russia-Ukraine conflict, the government has provided cash grants to the bottom 50 percent of the population as well as fuel subsidy and fuel discount programs for the transportation sector plus small farmers and fisherfolk.

“The election season, on the other hand, will not be an issue. We have a long history of orderly and peaceful transfers of power. The next administration will inherit many hard-won reforms. They will enter the office with the basic groundwork for rapid growth already in place,” Dominguez said.

Dominguez also reiterated that the Duterte presidency will redouble its efforts to grow the economy faster and transition to the next administration a comprehensive fiscal consolidation plan to bring the country back to its high growth trajectory.

“Together, we have to create an economy that can provide sufficient taxes so the government can provide the necessary public goods for the continued prosperity of the Filipino people. Our fiscal consolidation plan will help us achieve this,” he said.

He said the Duterte administration will continue modernizing the governance system, strengthening the country’s public health capacity, and investing more in human capital development.

“We will pursue more reforms that will build a truly broad-based and inclusive financial system fit for the 21st century. We will be more active in implementing climate change actions on the ground,” Dominguez said.

“In essence, we will continue working hard until the last hour of our mandate to contribute all that we can to our strong economic resurgence,” he added.

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