



# Republic of the Philippines

## The Philippines Transforming Toward a More Inclusive, Resilient and Prosperous Economy

October 2022



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# Key Highlights

- I **Six-Year Game Plan for Economic Transformation**
  - Charting the course to a more inclusive, resilient, and prosperous economy
  - Full recovery and staying resilient

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- II **Sound Credit Profile**
  - Strong credit profile going into the pandemic
  - Investor confidence in the Philippines' sound credit quality

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- III **Firm Economic Recovery and Reform Momentum**
  - On a Steady Path to a Stronger Economy
  - Manageable inflation outlook to help mitigate downside risks to growth and boost market confidence
  - Improved business environment to help boost investments post pandemic

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- IV **Robust External Accounts**
  - Manageable balance of payments position
  - Structural current account inflows that support the balance of payments
  - Adequate buffers against external headwinds
  - Opportunities for regional trade and investment to support external accounts

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- V **Stable Financial System**
  - Stable and resilient banking system
  - Digital transformation as strategic enabler of financial inclusion

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- VI **Sound Government Finances**
  - Long history of prudent fiscal management created fiscal buffers going into the pandemic
  - Adequate fiscal space to fund emergency initiatives and support economic recovery
  - 2022 budget to support sustainable economic recovery
  - Sustainable debt profile supported by diversified sources of financing
  - Strong bias for domestic sources of financing to minimize foreign exchange (FX) risks
  - Major tax reforms enacted provided strong revenue stream
  - Medium-Term Fiscal Framework to support the Marcos Jr. Administration's socioeconomic agenda

# Key Highlights

- VII**
- Infrastructure Build Up to Drive Tomorrow's Economy**
- Government's commitment to continue, expand "Build, Build, Build"
  - Infrastructure Modernization at Full Speed
  - Building a Stronger Economy
  - Forging Stronger Partnerships with the Private Sector
- 

- VIII**
- Priority Legislative Agenda of the Marcos Administration**
- Priority bills highlighted in the first State of the Nation Address of President Marcos, Jr.
- 

- IX**
- Environmental, Social, and Governance**
- Building a sustainable and inclusive future for Filipinos
  - Capacitating institutions and fortifying fiscal position to ensure climate and disaster resilience
  - Commitment to global effort towards climate and disaster-resilient economy
  - Overview of the Sustainable Finance Framework and the Second Party Opinion
  - Proactive approach to disaster risk reduction, climate change adaptation
  - Investing in human capital development and improving social inclusion
  - Advancing the Philippines' sustainable finance agenda
  - Key reforms, digital transformation to accelerate financial inclusion
  - Strengthened institutions to support transformational reform momentum
- 

- X**
- The Marcos Administration's Economic Team**
- Strong mandate for the new administration
  - Members of the new economic team
  - Markets' views on the Marcos administration

**1**

**Six-Year Game Plan  
for Economic  
Transformation**

# Charting the Course to a More Inclusive, Resilient, and Prosperous Economy

## Key targets to transform the economy, by the numbers

*The Marcos Administration's measurable medium-term macroeconomic and fiscal objectives*



6.5% to 7.5% real GDP growth in 2022

6.5% to 8.0% real GDP growth annually from 2023 - 2028

9.0% or single-digit poverty rate by 2028

3.0% national government deficit-to-GDP ratio by 2028

Less than 60% national government debt-to-GDP ratio by 2025

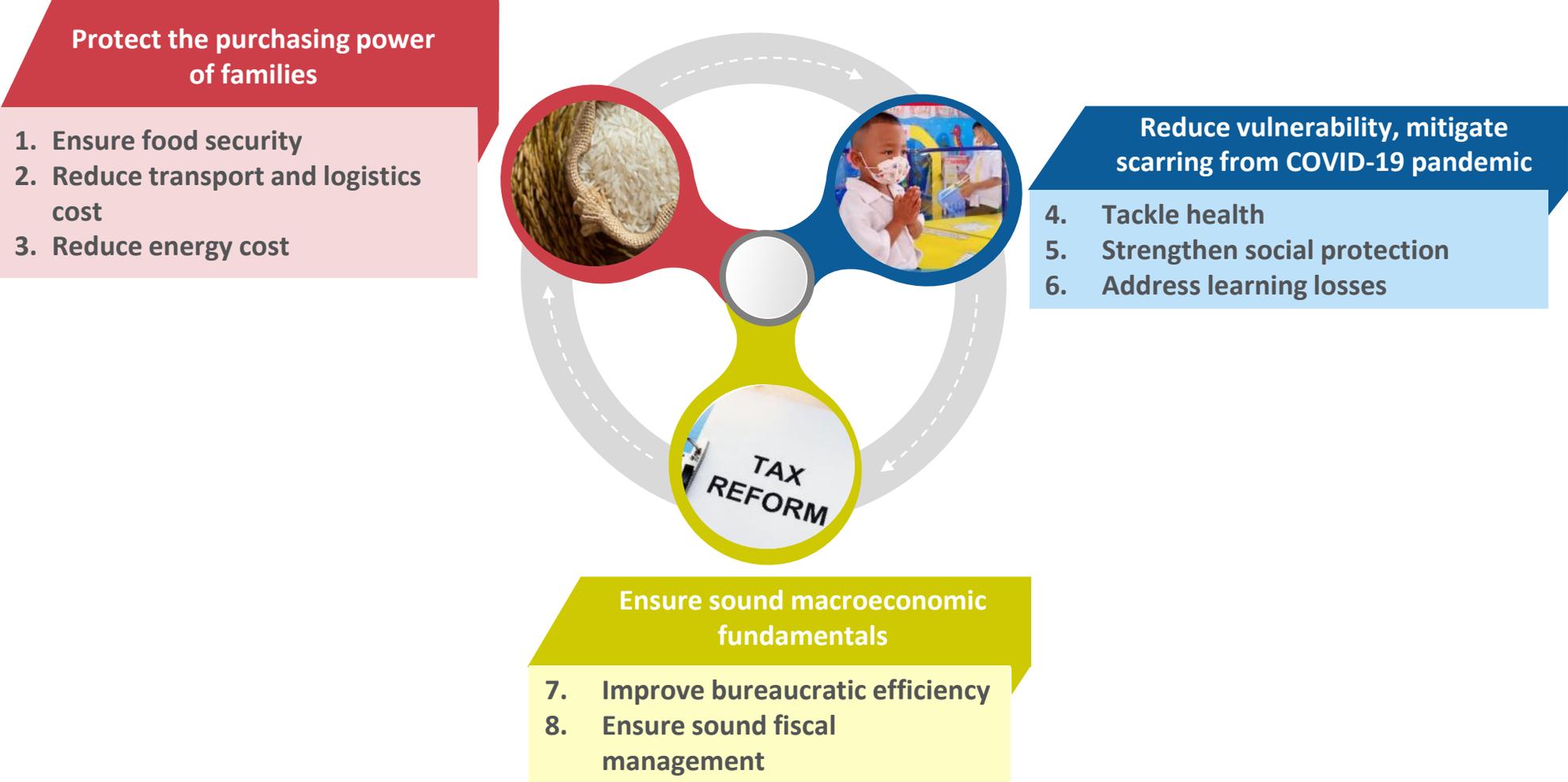
At least US\$4,256 income per capita and the attainment of upper middle-income status by 2024

5.0% to 6.0% infrastructure spending-to-GDP ratio for 2022-2028

# Charting the Course to a More Inclusive, Resilient, and Prosperous Economy

8-Point agenda for the near-term to protect purchasing power and mitigate socioeconomic scarring

*Philippine Development Plan 2023-2028*<sup>1/</sup>



Source: National Economic and Development Authority (NEDA)  
1/ The PDP 2023-2028 is currently being prepared

# Charting the Course to a More Inclusive, Resilient, and Prosperous Economy

8-Point agenda for the medium-term to create more jobs, quality jobs, green jobs

*Philippine Development Plan 2023-2028*<sup>1/</sup>

## Create more jobs



Promote investments



Improve infrastructure



Ensure energy security

## Create quality jobs



Increase employability



Expand digital infrastructure



Encourage R&D and innovation

## Create green jobs



Pursue green and blue economy



Establish livable and sustainable communities



# Full Recovery and Staying Resilient

## Reduce Vulnerability, Mitigate Scarring from the COVID-19 Pandemic (Tackle Health)

- Ramp up vaccination and uptake of boosters for the elderly and vulnerable populations
- Maintain compliance with minimum public health standards to enable safe reopening of the economy and schools
- Strengthen surveillance and laboratory capacity to enable prompt identification and response to outbreaks
- Resume implementation of reforms and investments enshrined in the Universal Health Act

## Tackling Health in the First State of the Nation Address of President Marcos

Observe endemic living

Do away with lockdowns

Accelerate booster vaccine rollout

Study further the alert level system

Provide legislative support for the creation of the Philippine Center for Disease Control and Prevention and a vaccine institute

Build more hospitals and health centers

Establish rural health units

Improve welfare of medical professionals

Attract investments in pharmaceutical manufacturing

## Ramping up vaccination and returning to normal

Status of Vaccination  
as of 2 October 2022

163,554,258  
Total doses administered

73,181,447  
or 81.3% of the target  
population with complete dose

19,760,243  
with booster

2

Sound Credit  
Profile

# Strong Credit Profile Underpinned Swift Economic Recovery

| Metric  | 2017                                    | 2018                                      | 2019                                     | 2020                                     | 2021                                       | 2022 <sup>3/</sup>                         |
|---|---|---|--|--|--|--|
| <b>Credit Rating</b><br><ul style="list-style-type: none"> <li>▪ Moody's</li> <li>▪ S&amp;P</li> <li>▪ Fitch</li> </ul> | Baa2/stable<br>BBB/stable<br>BBB/stable | Baa2/stable<br>BBB/positive<br>BBB/stable | Baa2/stable<br>BBB+/stable<br>BBB/stable | Baa2/stable<br>BBB+/stable<br>BBB/stable | Baa2/stable<br>BBB+/stable<br>BBB/negative | Baa2/stable<br>BBB+/stable<br>BBB/negative |
| <b>Real GDP Growth Rate (%), 2018 prices</b>  | 6.9                                     | 6.3                                       | 6.1                                      | -9.5                                     | 5.7  | 7.8 (H1)                                   |
| <b>GDP Per Capita (US\$), current prices, PPP Concept</b>   | 8,199                                   | 8,793                                     | 9,363                                    | 8,458                                    | 9,101                                      | 10,500                                     |
| <b>Inflation Rate <sup>1/</sup> (%), 2018 prices</b>  | 2.9                                     | 5.2                                       | 2.4                                      | 2.4                                      | 3.9  | 4.9 (Jan-Aug)                              |
| <b>Fiscal Balance/GDP (%)</b>   | -2.1                                    | -3.1                                      | -3.4                                     | -7.6                                     | -8.6                                       | -6.5 (Jan-Jun)                             |
| <b>Tax Revenue/ GDP (%)</b>   | 13.6                                    | 14.0                                      | 14.5                                     | 14.0                                     | 14.1                                       | 14.9 (Jan-Jun)                             |
| <b>Gross International Reserves (US\$ bn)</b>   | 81.6                                    | 79.2                                      | 87.8                                     | 110.1                                    | 108.8                                      | 99.8 (End-Jul)                             |
| <b>Import Cover (months) <sup>2/</sup></b>  | 7.8                                     | 6.9                                       | 7.6                                      | 12.3                                     | 9.6  | 8.3 (End-Jul)                              |
| <b>Overseas Filipinos' Cash Remittances (US\$ bn)</b>   | 28.1                                    | 28.9                                      | 30.1                                     | 29.9                                     | 31.4                                       | 18.3 (Jan-Jul)                             |
| <b>Foreign Direct Investments (US\$ bn)</b>   | 10.3                                    | 9.9                                       | 8.7                                      | 6.8                                      | 12.4                                       | 4.6 (Jan-Jun)                              |
| <b>Current Account/GDP (%)</b>  | -0.7                                    | -2.6                                      | -0.8                                     | 3.2                                      | -1.5                                       | -6.1 (Jan-Jun)                             |
| <b>External Debt/GDP (%)</b>  | 22.3                                    | 22.8                                      | 22.2                                     | 27.2                                     | 27.0                                       | 26.8 (End-Jun)                             |

<sup>1/</sup>Note: Starting 2022, the Philippine Statistics Authority (PSA) adjusted the base year from 2012 to 2018, reflecting the changing household consumption patterns of Filipinos.

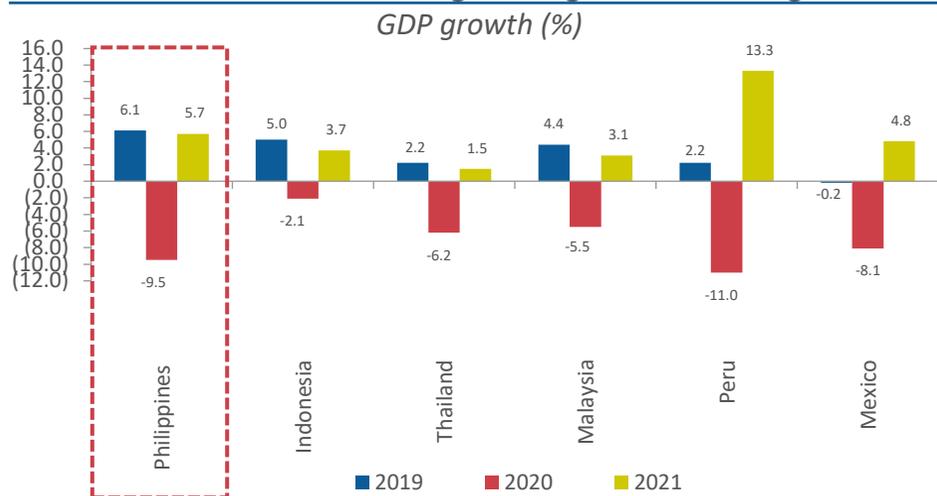
<sup>2/</sup>Number of months of average imports of goods and payment of services and primary income that can be financed by reserves. Starting 2005, data are based on IMF's Balance of Payments and International Investment Position Manual, 6<sup>th</sup> Ed concept.

<sup>3/</sup>Preliminary data

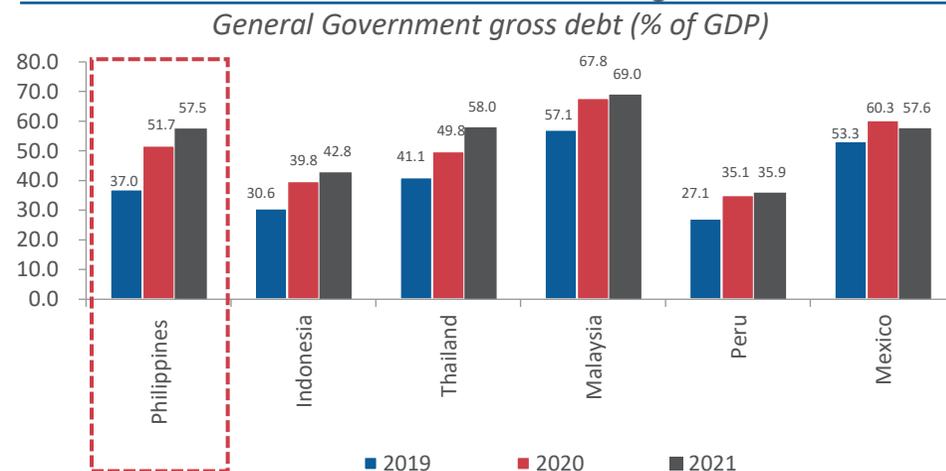
Source: BSP's Selected Economic and Financial Indicators, Department of Finance (DOF), Bureau of Treasury (BTR), N/A: Not Available

# Well-placed Philippine Credit Profile, Even Among Higher-rated Peers

## Growth outlook among the highest in the region

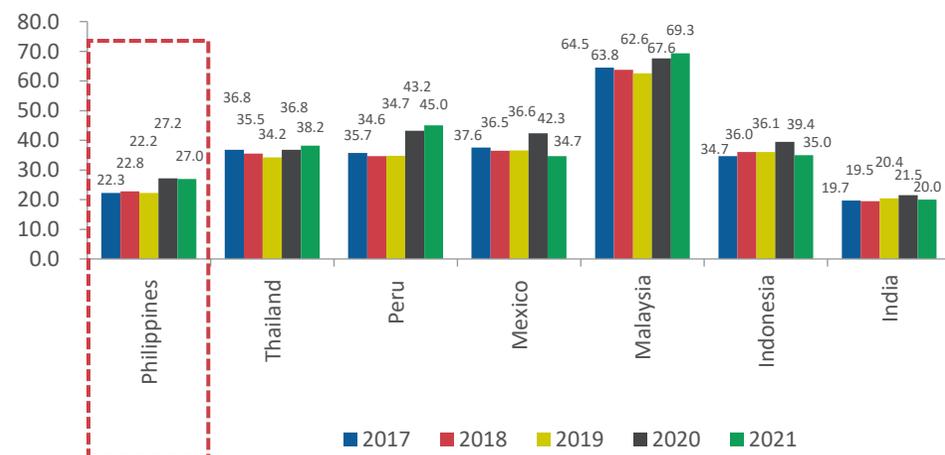


## Debt burden remains manageable



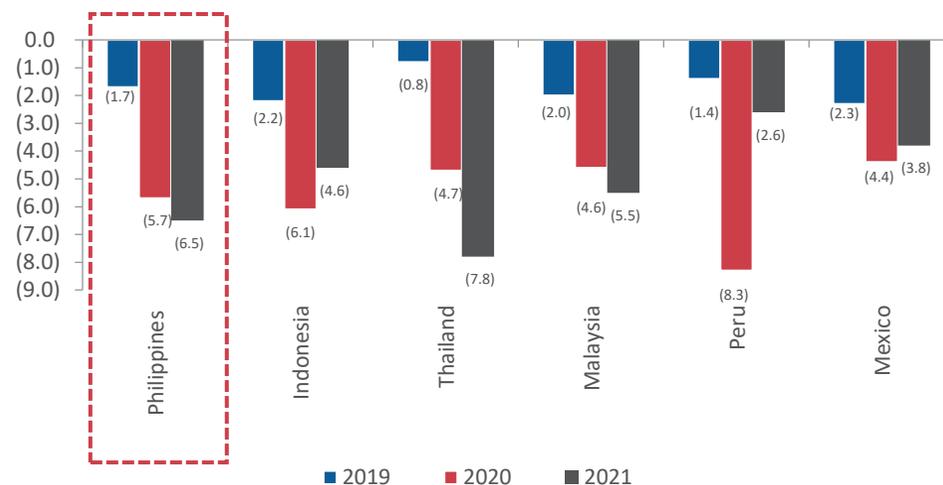
## Low external debt

*External Debt (% of GDP)*



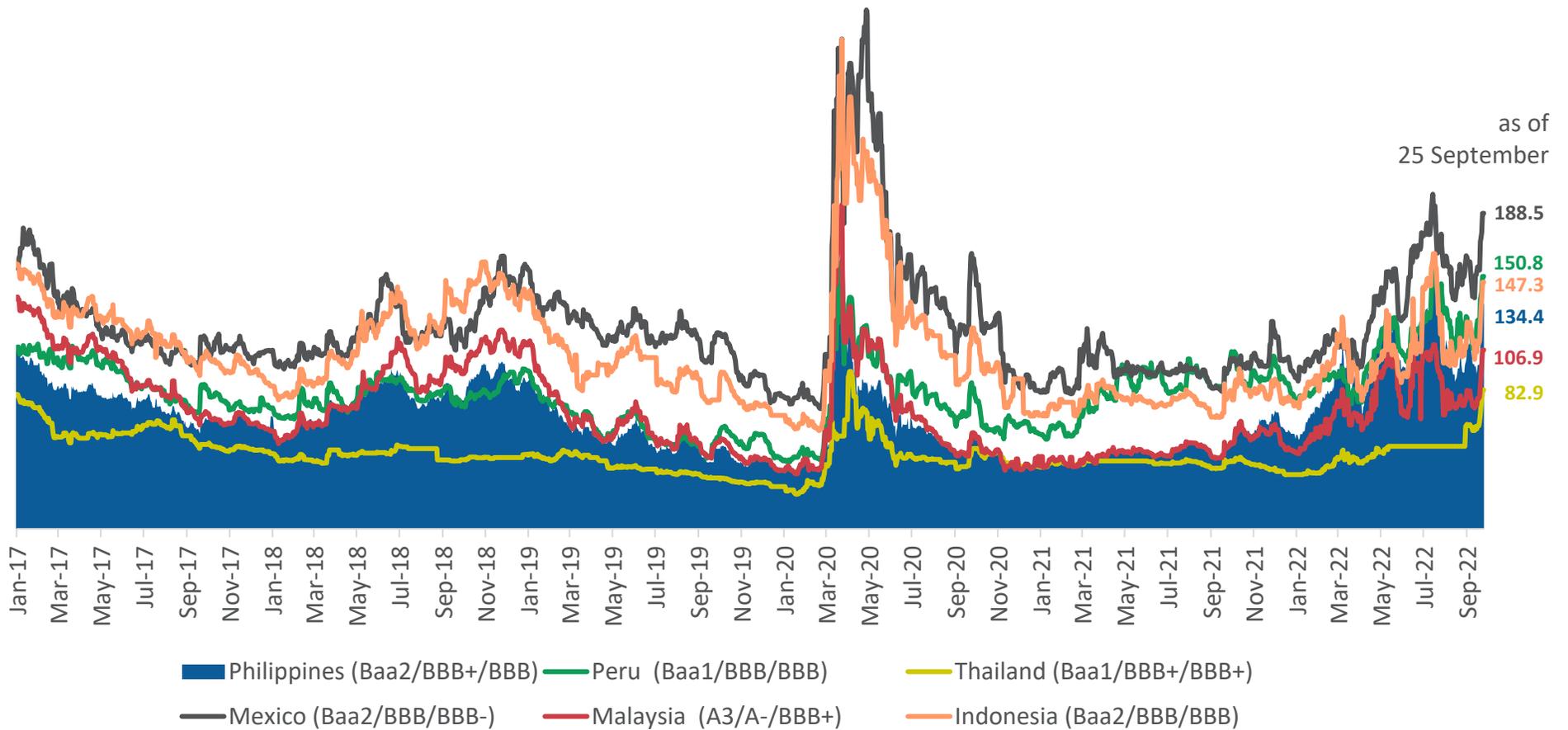
## Sound fiscal position going into pandemic

*General Government fiscal balance (% of GDP)*



# Investor Confidence in the Philippines' Sound Credit Quality

5-year Sovereign CDS spreads (in basis points)

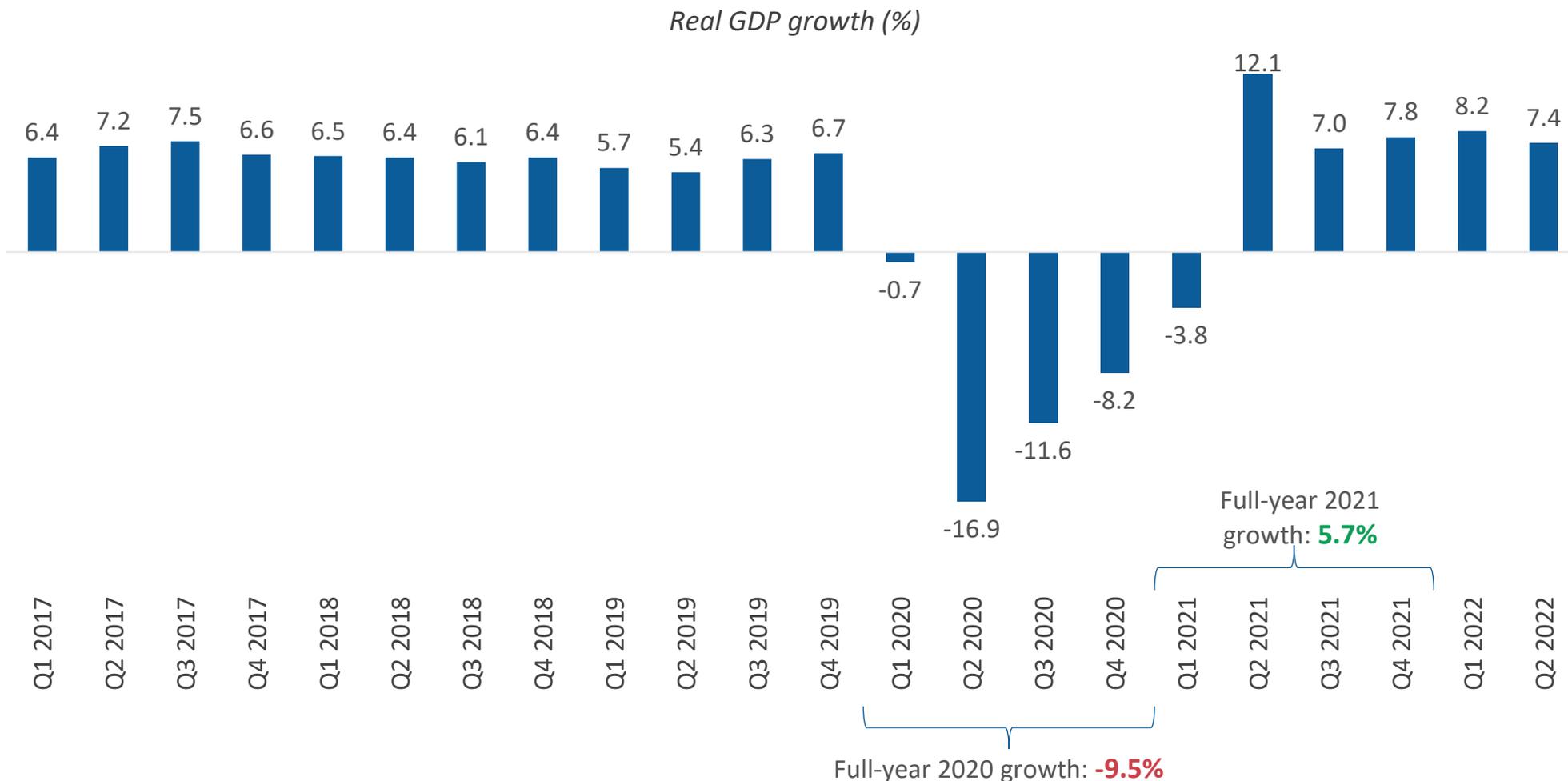


3

**Firm Economic  
Recovery and  
Reform  
Momentum**

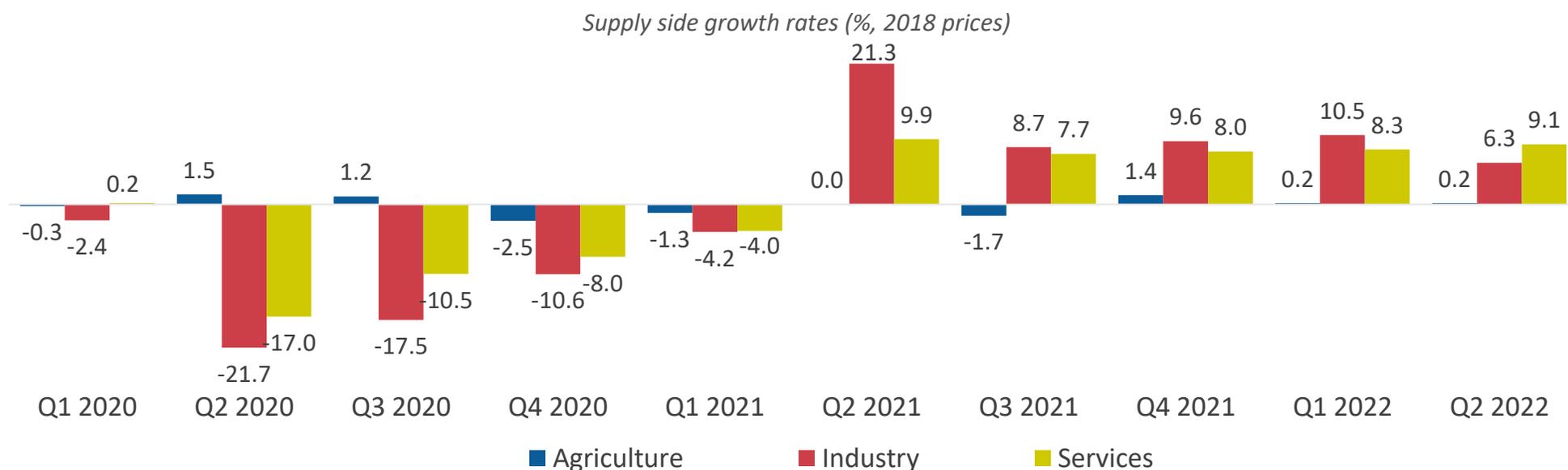
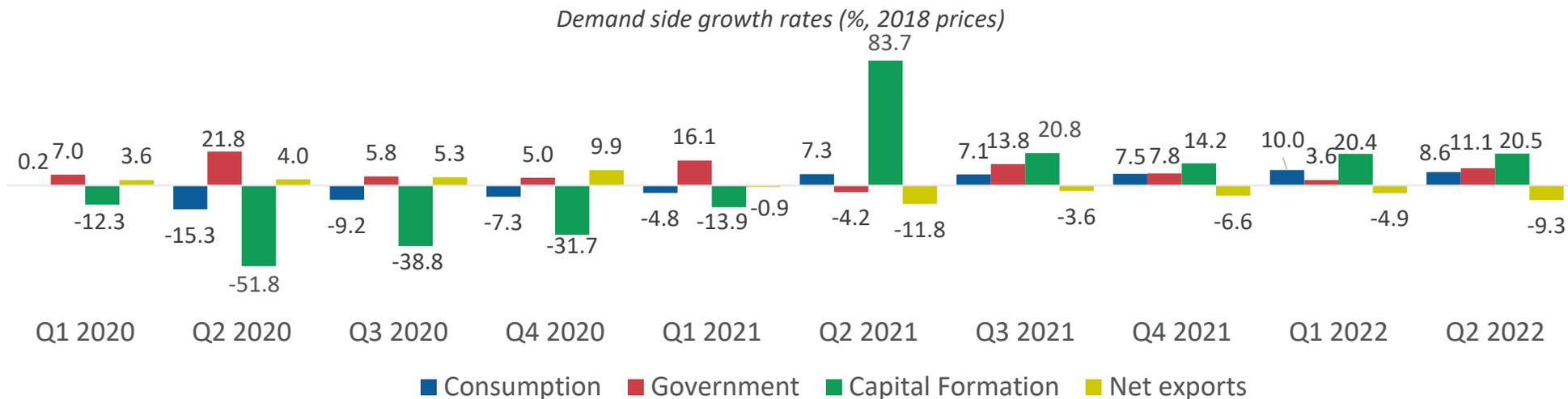
# On a Steady Path to a Stronger Economy

## Economic recovery surpassing pre-pandemic growth



# Strong Growth Across Most Sectors

Growth seen across sectors on improving consumer, business confidence



Sources: NEDA, PSA

Note: Numbers may not add up due to rounding

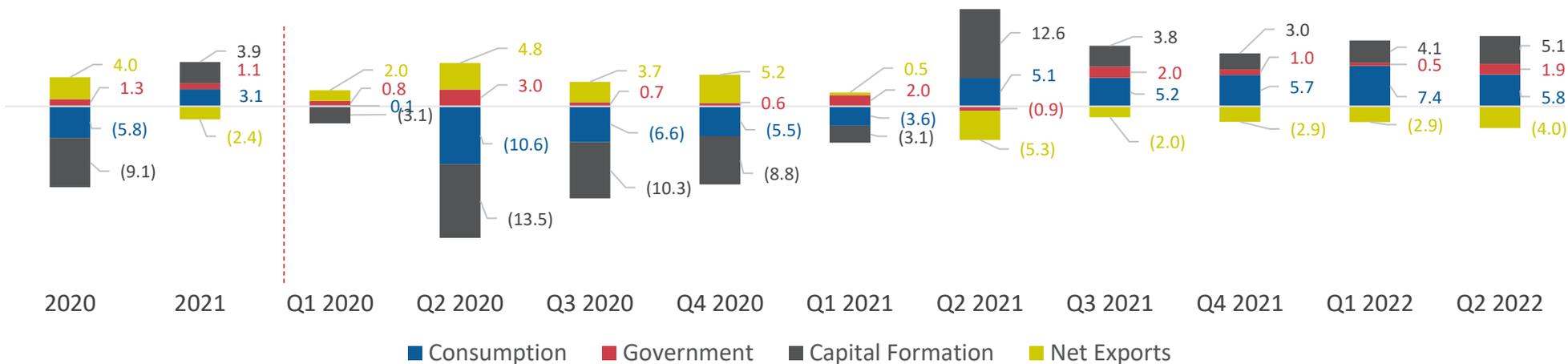
PSA Adopted Supply and Use Tables (SUT) in the compilation process to attain zero SD for the annual estimates and 1% or less for the quarterly estimates

# Broad-Based Economic Recovery

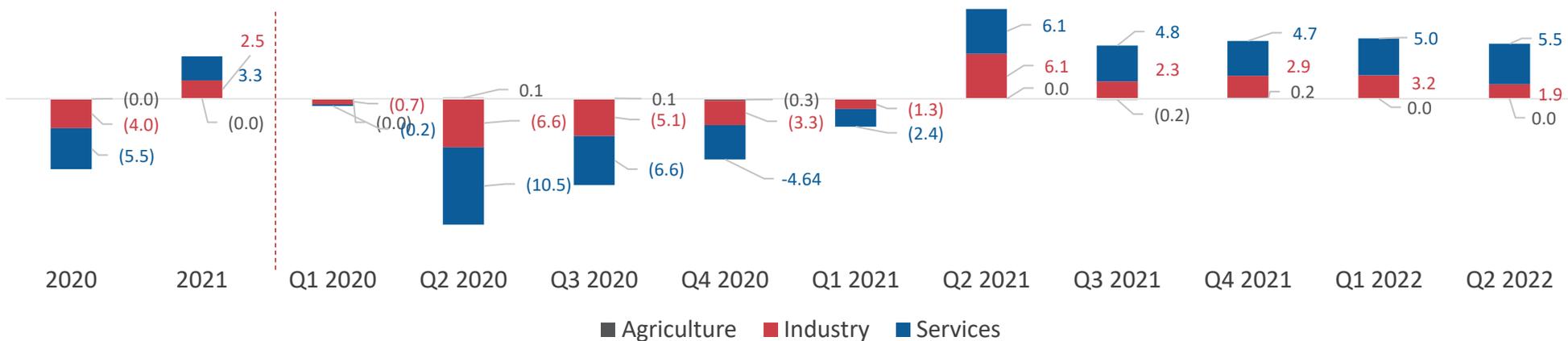
## Growth seen across sectors on improving consumer, business confidence

GDP breakdown by component

Contribution to growth: demand side (% , 2018 prices)



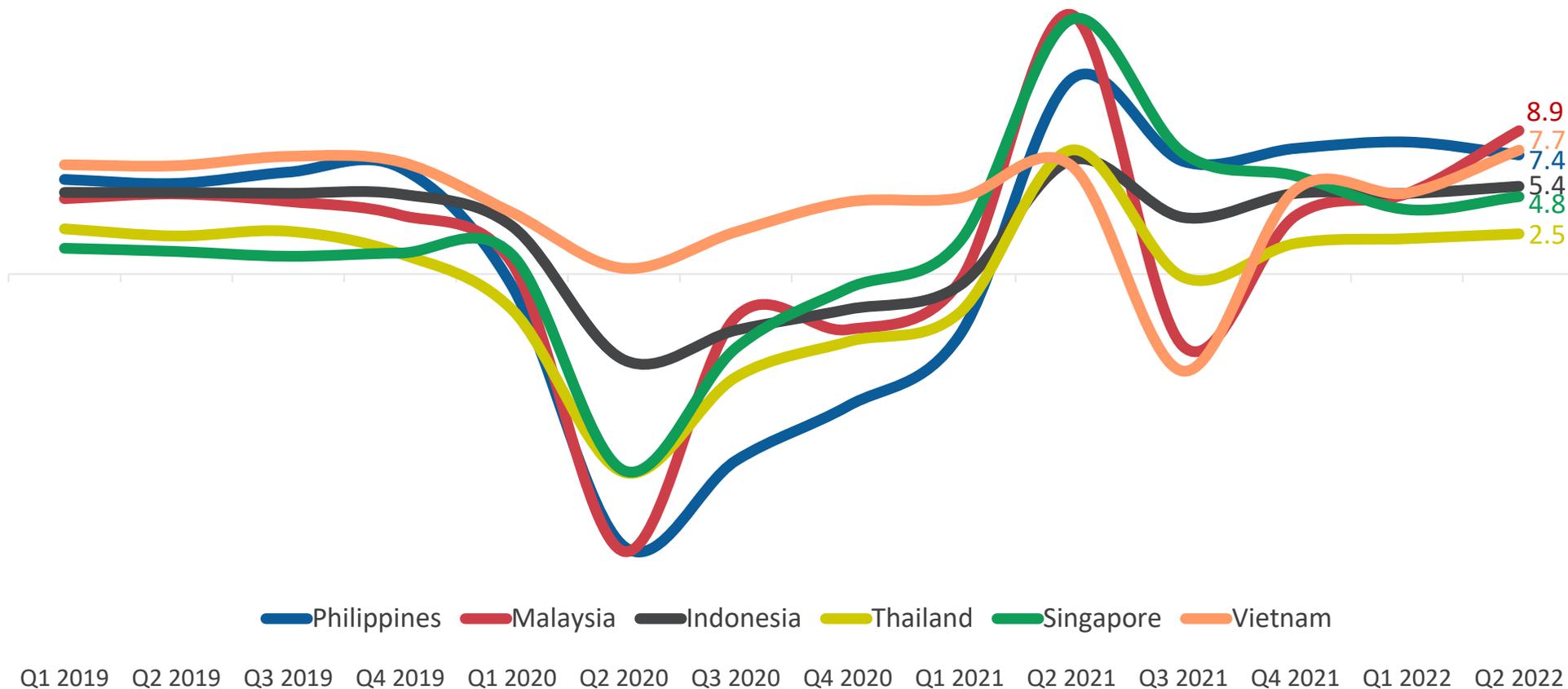
Contribution to growth: supply side (% , 2018 prices)



# Philippines: Among the Best Performers in the Region

The Philippines' growth rate among the fastest in Southeast Asia

GDP growth (%)

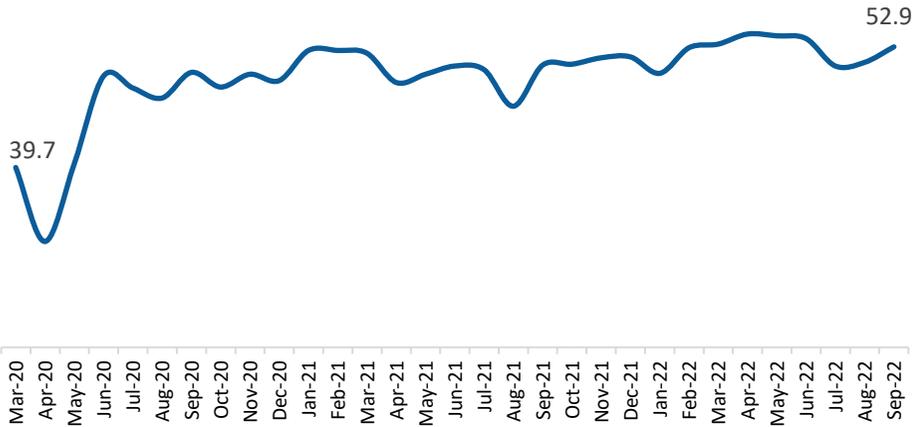


Source: CEIC, Bloomberg

# Economic Recovery Momentum on Steady Path

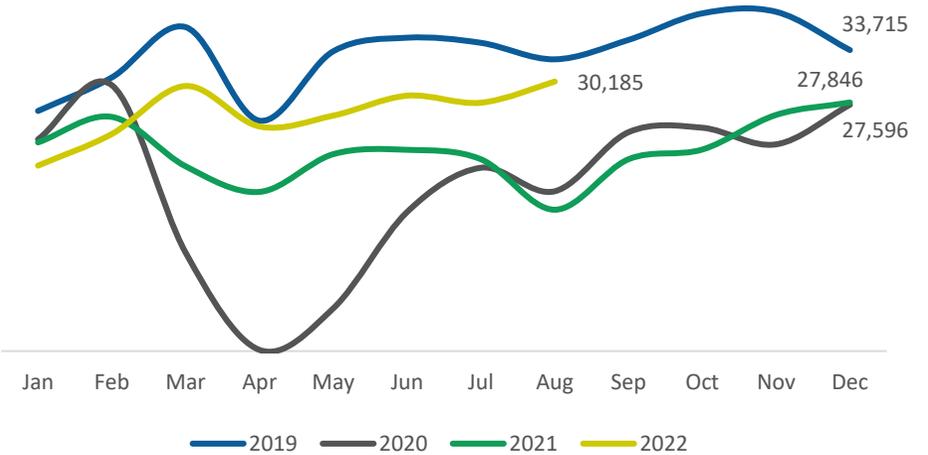
## Manufacturing remains on expansion territory

S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI)



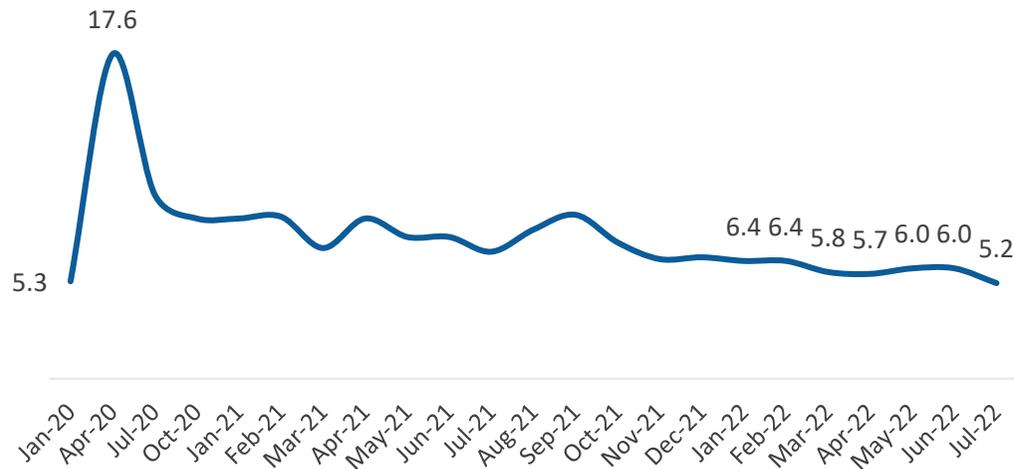
## Motor vehicle sales continue to recover

In Unit



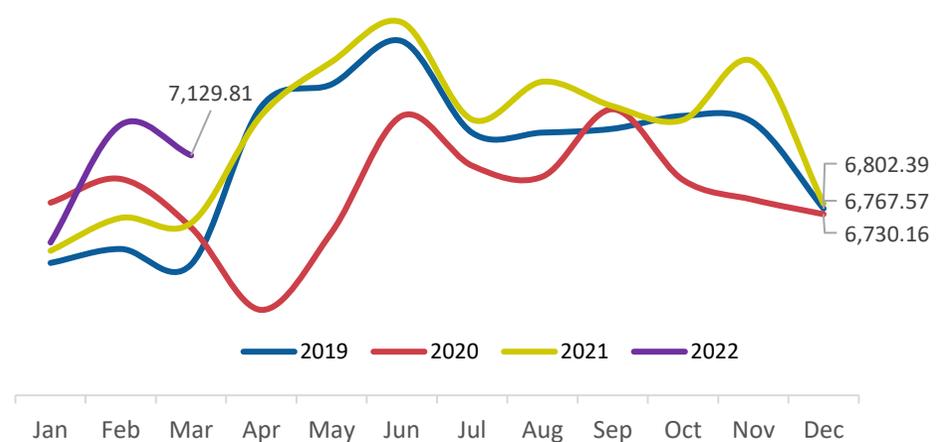
## Employment recovery continues

Unemployment rate (%)



## Energy consumption increases

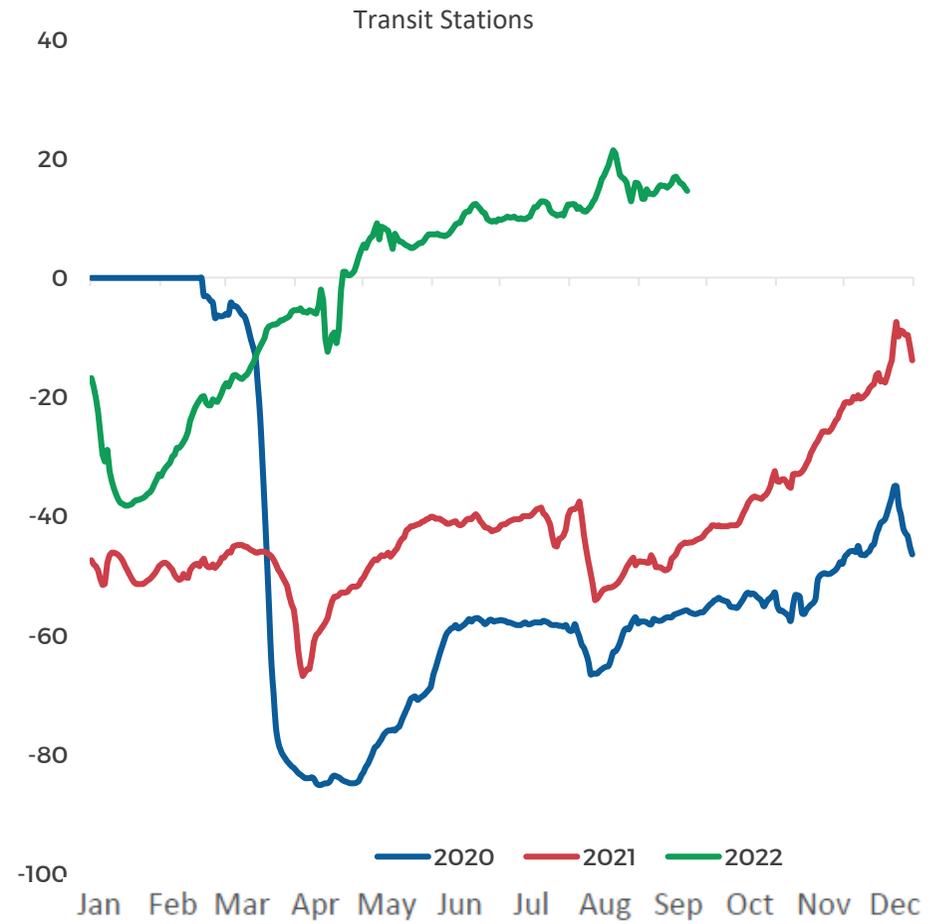
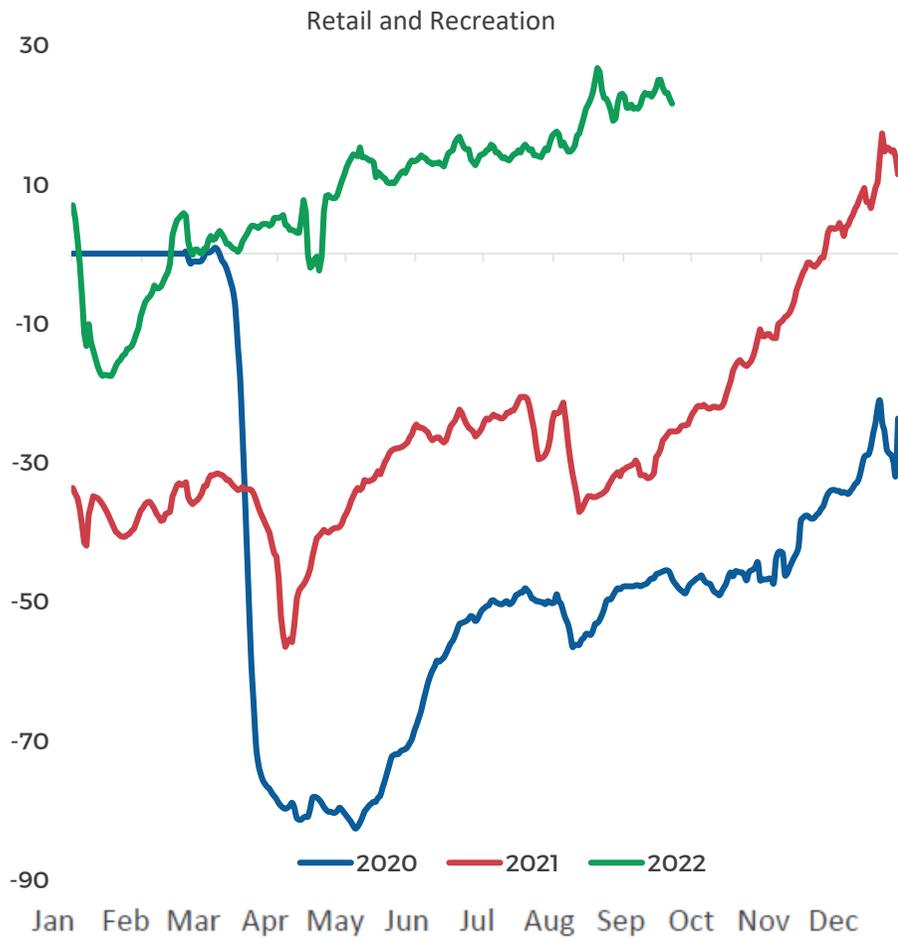
Energy delivery (in GWh)



# Continued Economic Activity Reflected in Mobility Data

Significant improvements in the mobility data

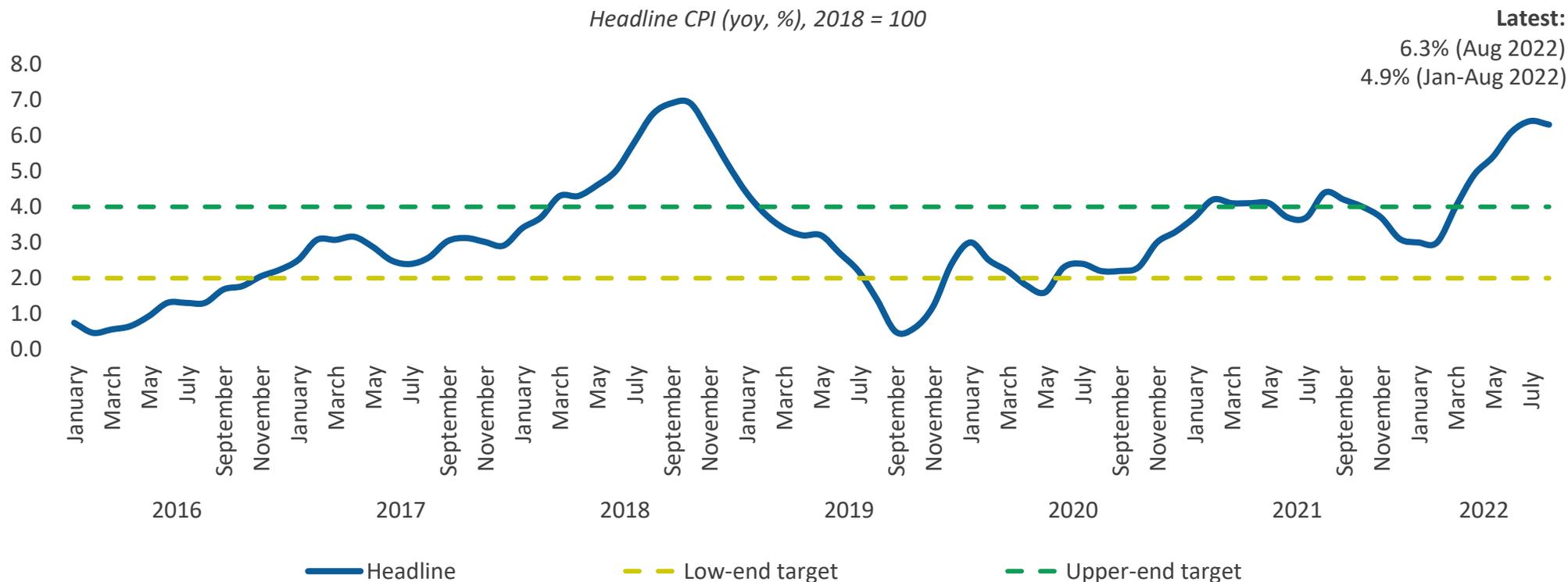
*Google Mobility Indices for the Philippines*



Source: Google Mobility Indicators. 7 day moving average as of 22 September 2022

# Inflation Seen Reverting to Target Next Year

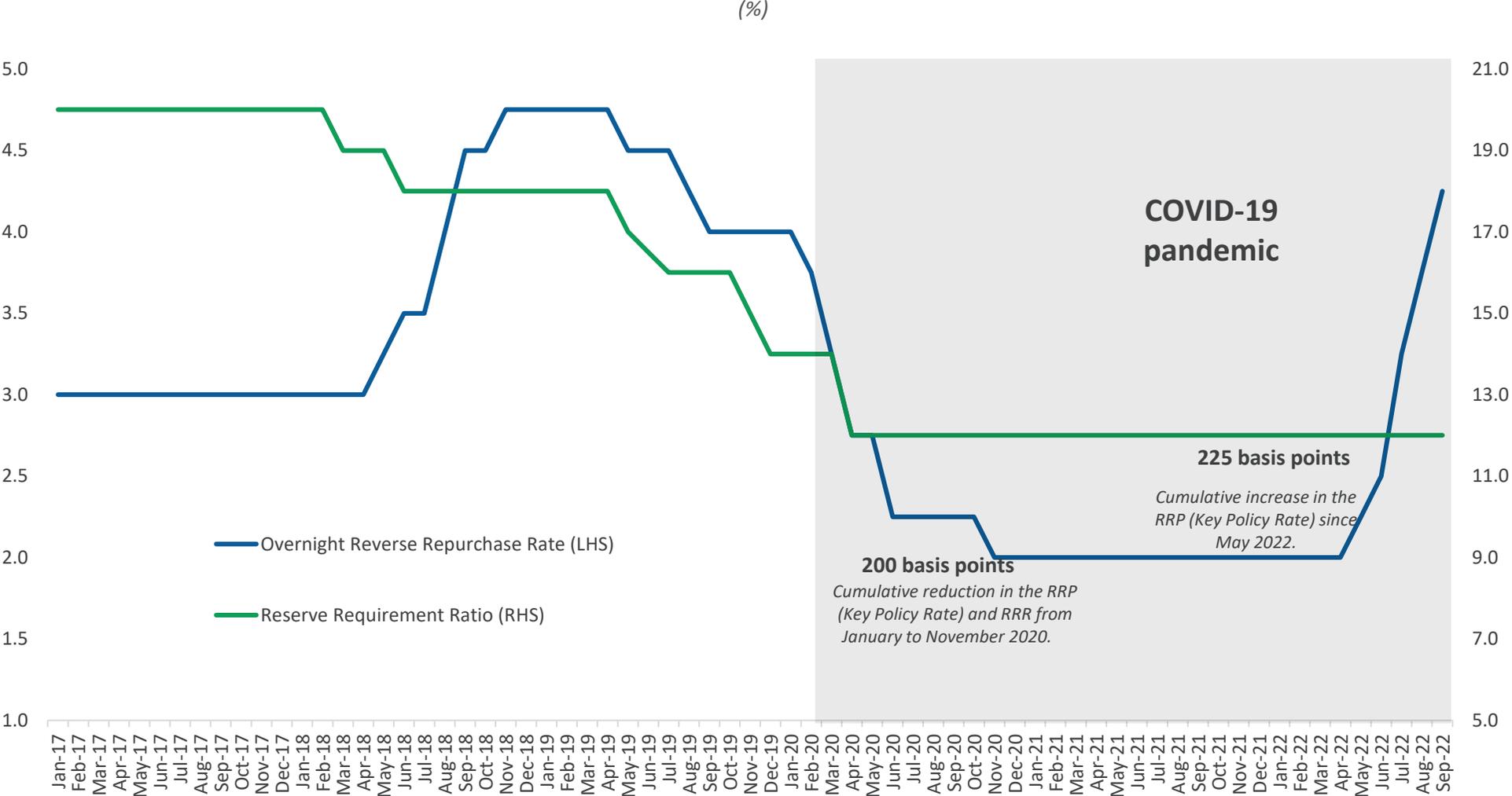
## Manageable inflation environment



- Headline inflation eased to 6.3% year-on-year in August from 6.4% in July. Year-to-date, inflation averaged 4.9%, above the Government’s average inflation target of 2.0-4.0% for 2022.
- The latest inflation reading is consistent with the BSP’s view that inflation could remain elevated over the near term due to persistent and broadening price pressures. For this reason, the BSP reiterates the importance of urgent non-monetary government interventions to primarily ease domestic supply constraints. Looking ahead, the BSP is closely monitoring all risks to the future inflation path and is prepared to take necessary follow-through action to safeguard price stability.

# Ongoing normalization of monetary policy settings

Overnight Reverse Repurchase Rate vis-à-vis Reserve Requirement Ratio

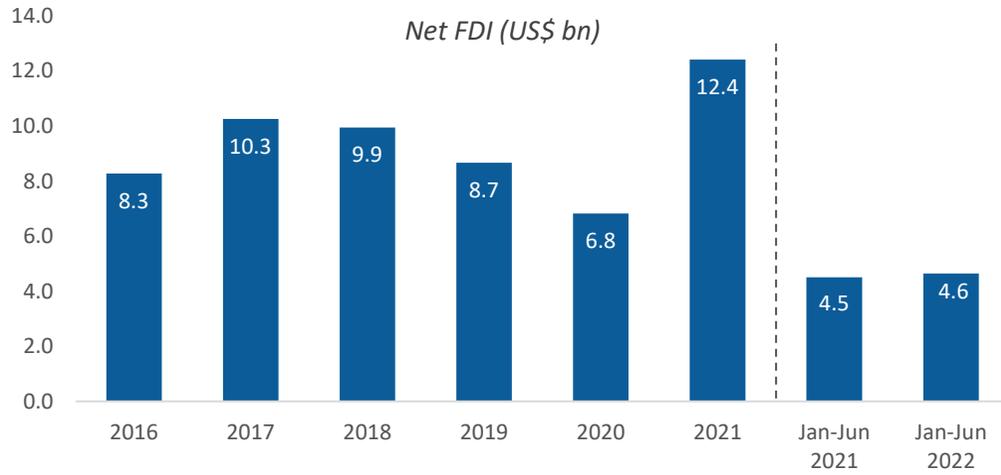


Source: BSP

# Favorable Prospects for Sustained Investment Flows

Continued growth momentum indicative of confidence in economic recovery and long-term growth prospects

## Consumer Confidence More Pessimistic in Q3\*



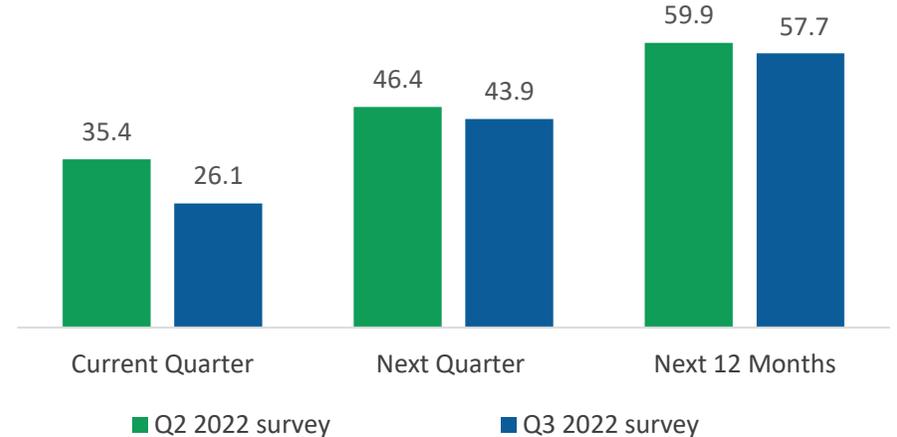
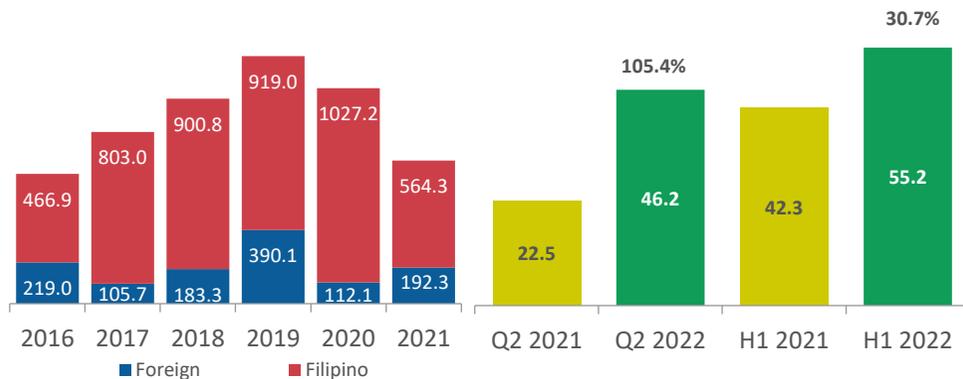
## Foreign investment pledges grew by 105.4% yoy in Q2 2022

(PHP bn)

## Business sentiment is Less Optimistic in Q3 2022\*

Annual Total Approved Investment (2016-2021)

Approved Foreign Investments



Investment approved by the Philippines' Investment Promotion Agencies – Board of Investments (BOI), Clark Development Corporation (CDC), Philippine Economic Zone Authority (PEZA), Subic Bay Metropolitan Authority (SBMA), Authority of the Freeport Area of Bataan (AFAB), BOI-Autonomous Region of Muslim Mindanao (BOI-ARMM), and Cagayan Economic Zone Authority (CEZA)  
Source: BSP, PSA

Note:  
\*Due to the implementation of the Community Quarantine nationwide from 16 March to 31 May 2020, the conduct of the Q2 2020 BES and CES was cancelled.

# Improving the Business Operating Environment through Strategic Policy Reforms

## Select legislations, policies to improve government efficiency



### **An Act Authorizing the President to Expedite the Processing and Issuance of National and Local Permits, Licenses, and Certifications in Times of National Emergency (RA No. 11517) of 2020**

Makes it easier for business owners and ordinary citizens to apply for government documents and ensures prompt delivery of public services especially, during the COVID-19 pandemic



### **Revised Corporation Code of the Philippines Act (RA No. 11232) of 2019**

Improves ease of doing business (EODB) by instituting significant changes to the legal framework for the registration and operation of private corporations, aligning the corporate setting with international best practices



### **Energy Virtual One-Stop Shop Act (RA No. 11234) of 2019**

Streamlines the permitting process of power generation, transmission, and distribution projects to reduce the cost of doing business in the country, and encourage investors



### **Seal of Good Local Governance Act (RA No. 11292) of 2019**

Institutionalized the incentive program for local government units to improve service delivery and help create a business climate conducive to investments and growth



### **National Identification System Act (RA No. 11055) of 2018**

Provides a valid proof of identity for all citizens and resident aliens as a means of simplifying public and private transactions, in line with the government's drive to curtail bureaucratic red tape



### **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (R.A. No. 11534) of 2021**

Lowens the corporate income tax from 30% to 25% and sets a more competitive and level-playing field for businesses through modernization and improvement of the fiscal incentive system for different investors, which are performance-based, targeted, time-bound and transparent. (Detailed provisions are provided on slide 53 of the fiscal section)



### **National Payment Systems Act (RA No. 11127) of 2018**

Provides a comprehensive legal and regulatory framework that supports the twin objectives of maintaining a safe, secured, efficient, and reliable payment system to control systemic risk and providing an environment conducive to the sustainable growth of the economy

# Removing Barriers to Foreign Investments

## Economic Liberalization Reforms: Amendments to Foreign Investment Act (RA No. 11647)

Foreign investors can have 100% ownership of micro and small domestic enterprises with a paid-in equity capital of at least US\$100,000 but not equal to or more than US\$200,000, provided that:

Investment involves advanced technology as certified by the Department of Science and Technology (DOST); or



Investment on startups or startup enablers as certified by the Department of Information and Communications Technology (DICT) or DTI or DOST; or



Investment that majority of the direct employees are Filipinos and that the number of Filipino direct hires is at least fifteen (15) as certified by the Department of Labor and Employment (DOLE)



Allows for more foreign participation in the country's industries\*

Creation of the Inter-Agency Investment Promotion Coordination Committee tasked to integrate all promotion and facilitation efforts to encourage foreign investments in the country

Crafting of comprehensive and strategic Foreign Investment Promotion and Marketing Plan for the medium and long term

Establishing an updated database tool to promote investment and business matching in the local supply chain

Understudy or Skills Development Program designed to transfer technology or skills by designating at least two (2) understudies per foreign national employed

# Driving Healthy Competition in Retail Industry

## Economic Liberalization Reforms: Amendments to Retail Trade Liberalization Law (RA No. 11595)



Allows for more foreign players in the retail market by lowering minimum paid-up capital for foreign corporations from US\$2.5mn (PHP125mn) to US\$500,000 (PHP25mn) and removing the required net worth, number of retailing branches, and retailing track record conditions

### Impact of Amended Retail Trade Liberalization Law

Helps small manufacturers by providing Philippine goods and services access to global stores



Utilization of locally sourced raw materials in the production of goods



Use of locally made packaging materials such as bags, boxes or containers



Designation of a store space as Filipino section



Implementation of other arrangements that will promote locally manufactured products



# Further Opening Economic Sectors to Foreign Equity

## Economic Liberalization Reforms: Public Service Act (RA No. 11659)

Allows up to 100% foreign ownership of public services such as:



Telecommunications



Airports



Railways



Shipping



Expressways

List of public utilities in which foreign equity participation is allowed up to 40%:



Distribution of electricity



Transmission of electricity



Petroleum and petroleum products pipeline transmission or distribution systems



Water pipeline distribution systems and wastewater pipeline systems



Seaports



Public Utility Vehicles

# Modernizing Industries and Expanding Growth to the Regions

## 2022 Strategic Investment Priority Plan

### Progression of Incentives Based on Industry Tiers

#### Tier I

##### Activities listed in the 2020 Investment Priorities Plan

- All qualified manufacturing activities;
- Innovation drivers;
- Infrastructure and logistics;
- Inclusive business models;
- Renewable energy; among others

| Location   | Export   | Domestic                                 |
|--|--|--|
| National Capital Region (NCR)                              | 14<br>(4 years of ITH and 10 years of ED/SCIT) | 9<br>(4 years of ITH and 5 years of ED)  |
| Metropolitan areas or areas contiguous and adjacent to NCR | 15<br>(5 years of ITH and 10 years of ED/SCIT) | 10<br>(5 years of ITH and 5 years of ED) |
| All other areas  | 16<br>(6 years of ITH and 10 years of ED/SCIT) | 11<br>(6 years of ITH and 5 years of ED) |

#### Tier II

##### Envisioned to promote a competitive and resilient economy and fill in gaps in the Philippines' industrial value chains

- Green ecosystems
- Health related activities
- Defense related activities
- Industrial value-chain gaps
- Food security related activities

| Location   | Export   | Domestic                                 |
|--|--|--|
| National Capital Region (NCR)                              | 15<br>(5 years of ITH and 10 years of ED/SCIT) | 10<br>(5 years of ITH and 5 years of ED) |
| Metropolitan areas or areas contiguous and adjacent to NCR | 16<br>(6 years of ITH and 10 years of ED/SCIT) | 11<br>(6 years of ITH and 5 years of ED) |
| All other areas  | 17<br>(7 years of ITH and 10 years of ED/SCIT) | 12<br>(7 years of ITH and 5 years of ED) |

#### Tier III

##### Expected to accelerate the transformation of the economy primarily through the application of research and development and attracting technology investments

- Research and development activities adopting advance digital production technologies of the fourth industrial revolution
- Highly technical manufacturing and production of innovative products and services
- Establishment of innovation support facilities

| Location   | Export   | Domestic                                 |
|--|--|--|
| National Capital Region (NCR)                              | 16<br>(6 years of ITH and 10 years of ED/SCIT) | 11<br>(6 years of ITH and 5 years of ED) |
| Metropolitan areas or areas contiguous and adjacent to NCR | 17<br>(7 years of ITH and 10 years of ED/SCIT) | 12<br>(7 years of ITH and 5 years of ED) |
| All other areas  | 17<br>(7 years of ITH and 10 years of ED/SCIT) | 12<br>(7 years of ITH and 5 years of ED) |

Income Tax Holiday (ITH), Special Corporate Income Tax (SCIT); Enhanced Deductions (ED)

Source: BOI

**4**

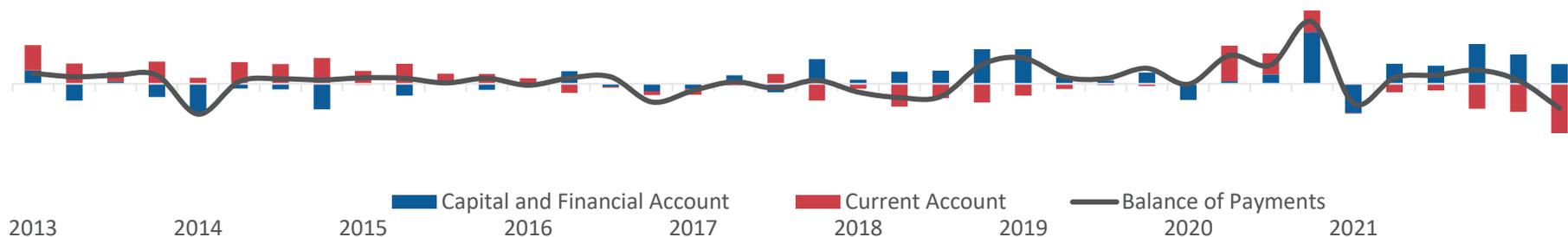
**Robust  
External Accounts**

# Manageable Balance of Payments Position

## Balance of Payments

Balance of Payments Components (US\$ bn)

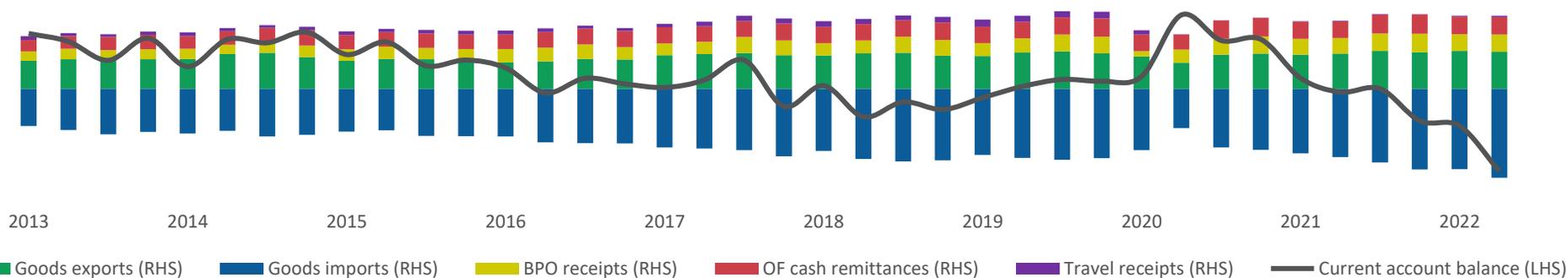
|                               | 2018 | 2019 | 2020 | 2021 | Q2 2022 |
|-------------------------------|------|------|------|------|---------|
| Capital and Financial Account | 9.4  | 8.2  | 7.0  | 7.2  | 2.9     |
| Current Account               | -8.9 | -3.0 | 11.6 | -6.0 | -7.9    |
| Balance of Payments           | -2.3 | 7.8  | 16.0 | 1.3  | -3.6    |



## Current Account

Current account components (US\$ bn)

|                          | 2018 | 2019 | 2020 | 2021 | Q2 2022 <sup>1/</sup> |
|--------------------------|------|------|------|------|-----------------------|
| Current Account /GDP (%) | -2.6 | -0.8 | 3.2  | -1.5 | -7.7                  |



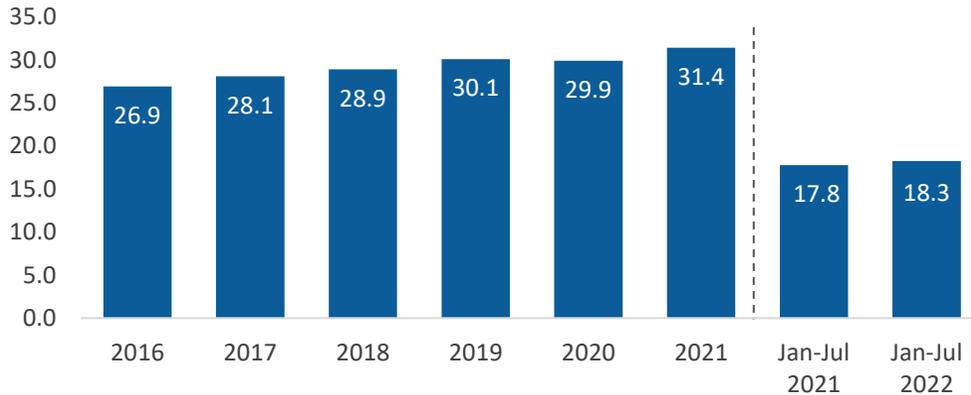
Source: BSP

1/ Preliminary data as of 16 September 2022 (as indicated)

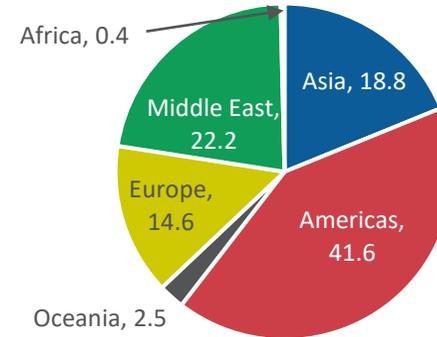
# Structural Current Account Inflows that Support the Balance of Payments

## Overseas Filipinos' remittances flows resilient amid the pandemic

Overseas Filipinos' cash remittance



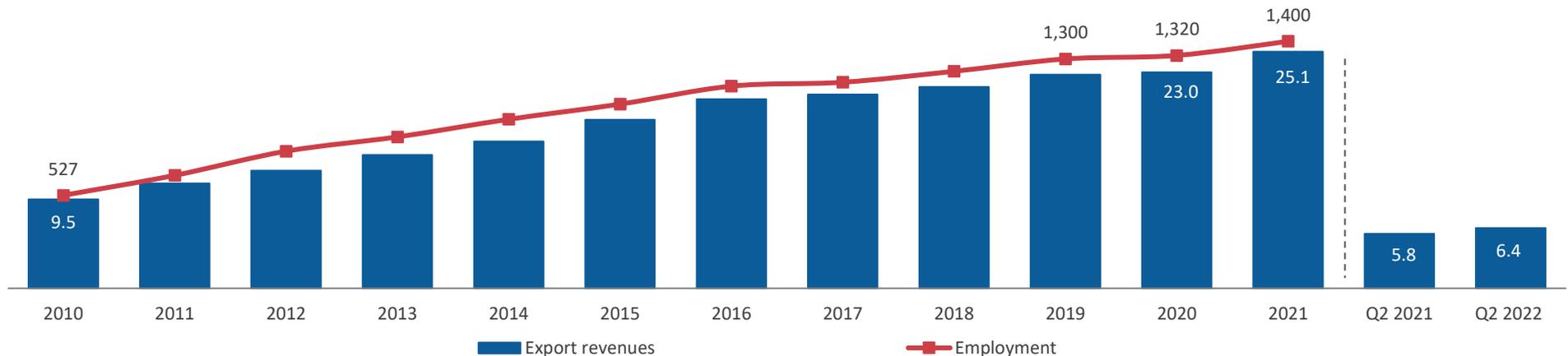
Overseas Filipinos' cash remittances by source 2012- 2021 average (% share to total)



Note: Remittances through correspondent banks are mostly located in the U.S. On the other hand, remittances coursed through money couriers cannot be disaggregated into their actual country source and are lodged under the country where the main offices are located, which, in many cases are in the U.S.

## BPO remains a strong driver of employment, export revenues

BPO employment ('000s) and export revenues (US\$ bn)



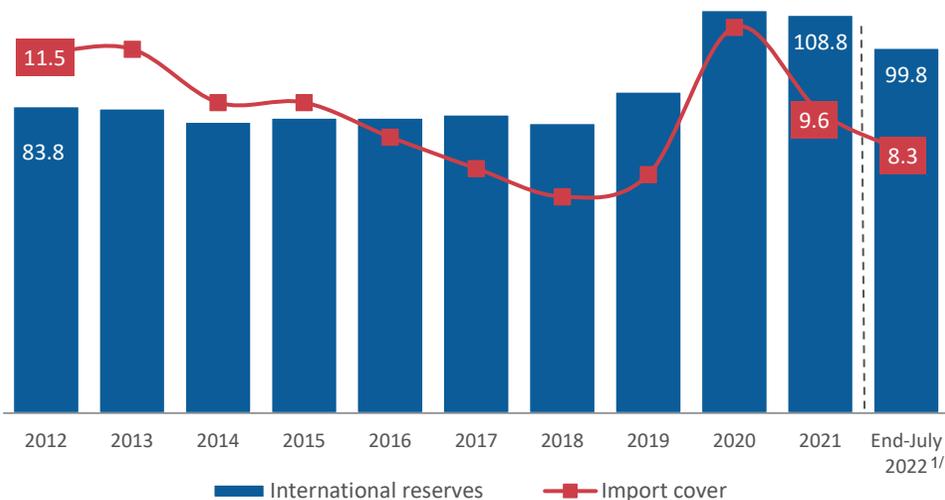
Note: BPO revenues are lodged under technical, trade-related, and other business services and computer services (BOP concept); BPO employment data is from IT and Business Process Association of the Philippines (IBPAP)

Sources: BSP, Department of Tourism (DOT), IBPAP

# Adequate Buffers Against External Headwinds

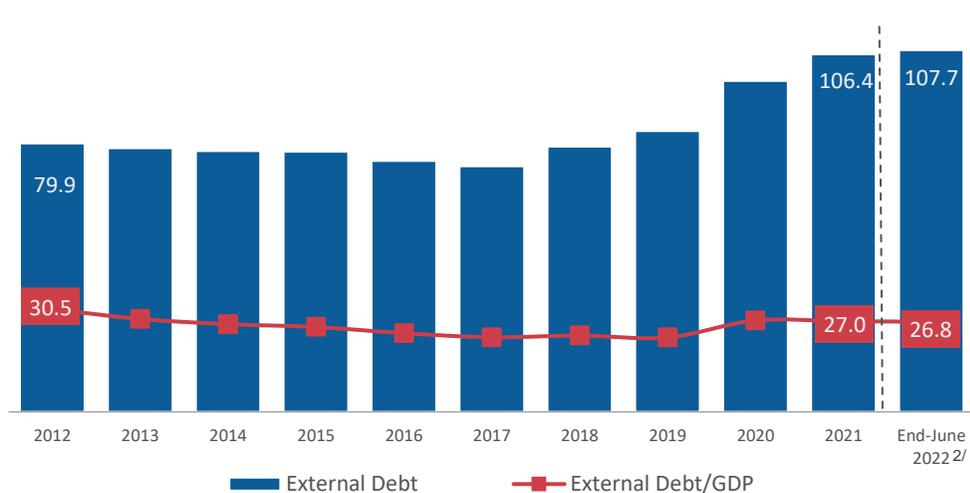
## Hefty level of reserves

International reserves (US\$ bn) and months of import cover



## Low external debt/GDP ratio

External debt (US\$ bn) and external debt/GDP (%)

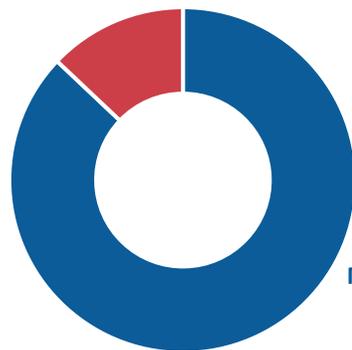


## Favorable external debt profile

(as of end-June 2022)

### External Debt by Maturity

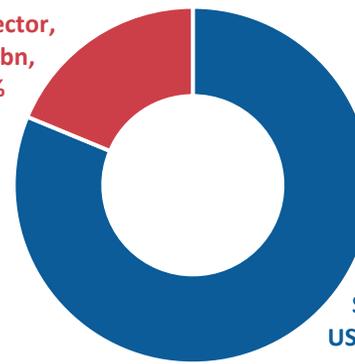
Short-term  
US\$13.9bn,  
12.9%



Medium and  
Long-term,  
US\$93.7bn,  
87.1%

### External debt by borrower

Private Sector,  
US\$20.1bn,  
19.0%



Public  
Sector,  
US\$87.2bn,  
81.0%

Source: BSP

<sup>1/</sup> End-August GIR as of 19 August 2022 (as indicated)

<sup>2/</sup> Preliminary data as of 16 September 2022 (as indicated)

# Opportunities for Regional Trade, Investment to Support External Accounts

## Philippines: A strategic point of access to key markets



Critical entry point to over 600mn people in the ASEAN Market

Natural gateway to the East-Asian economies

Placed at the crossroads of international shipping and airlines

Reachable within 3-4 hours by plane within most countries in Asia

## Philippines' Foreign Trade Agreements (FTA)



**US:** 70% of Philippines exports enter US duty free under the US' Generalized System of Preferences (GSP).



**EU:** duty-free access for 6,274 tariff lines under GSP+ Program; the Philippines is the only ASEAN country with GSP+



**ASEAN Free Trade Area** comprised of Brunei Darussalam, Laos, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam has lower intra-regional tariffs of 0-5%



**ASEAN Partners:** China, South Korea, Japan, India, Australia-New Zealand, and Hong Kong



**European Free Trade Association (EFTA):** Switzerland, Norway, Iceland, and Liechtenstein

# Opportunities for Regional Trade, Investment Support External Resilience

## Regional Comprehensive Economic Partnership (RCEP)

RCEP is an FTA between the ASEAN member states (i.e., Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Singapore, and Vietnam) and its FTA partners (i.e., Australia, China, Japan, New Zealand, and South Korea).

Creates a more business-friendly environment, encouraging closer integration of economies, and providing a more stable and predictable rules-based system of trade in the region

RCEP member countries constitute, as of 2019, 28.2% of the world's GDP; 23.6% of global inward FDI; and 29.7% of the world's population

## Expected Benefits of RCEP to Philippines

Philippine Institute for Development Studies (PIDS) research found that Philippines and Vietnam are the top gainers of RCEP deal.

RCEP is expected to open markets for 92% of Philippine products

Improves export competitiveness of the Philippines' key products of interests, such as agricultural products, automotive parts, and garments

Improves levels of market access; provides a specific chapter for MSMEs; includes simplified and business friendly customs procedure for trade; enhanced cooperation on e-commerce

Provides a platform to encourage more investments and service providers in vital sectors such as manufacturing, creative sectors, financial services, research and development, IT-BPO, and energy, among others

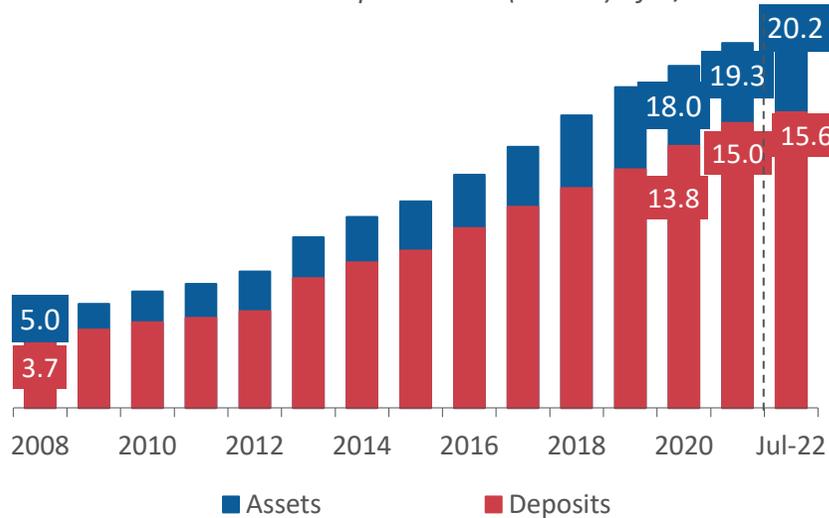
5

Stable  
Financial  
System

# Stable and Resilient Banking System

## Assets grow

Total asset and deposit levels (PHP tn) of U/KBs



## Loan portfolio remains satisfactory

Total loans outstanding, Gross of BSP RRP agreements (PHP tn) and non-performing loans (NPL) ratio (%) of U/KBs



- Bank assets continued to grow primarily due to expansion of funds for lending and investment activities and sourced from deposits, bond issuance, and capital infusion.
- The passage of Financial Institutions Strategic Transfer (FIST) Act is expected to ensure that financial institutions are able to maintain their financial health to cushion the adverse economic impact COVID-19. It is expected to reduce the banking system's NPL ratio by 0.6 to 5.8 percentage points for 2021 to 2025.

## Bank lending continues to improve

Total loans outstanding to residents and non-residents, Net of BSP RRP agreements (PHP tn) and y-o-y change (%) of U/KBs

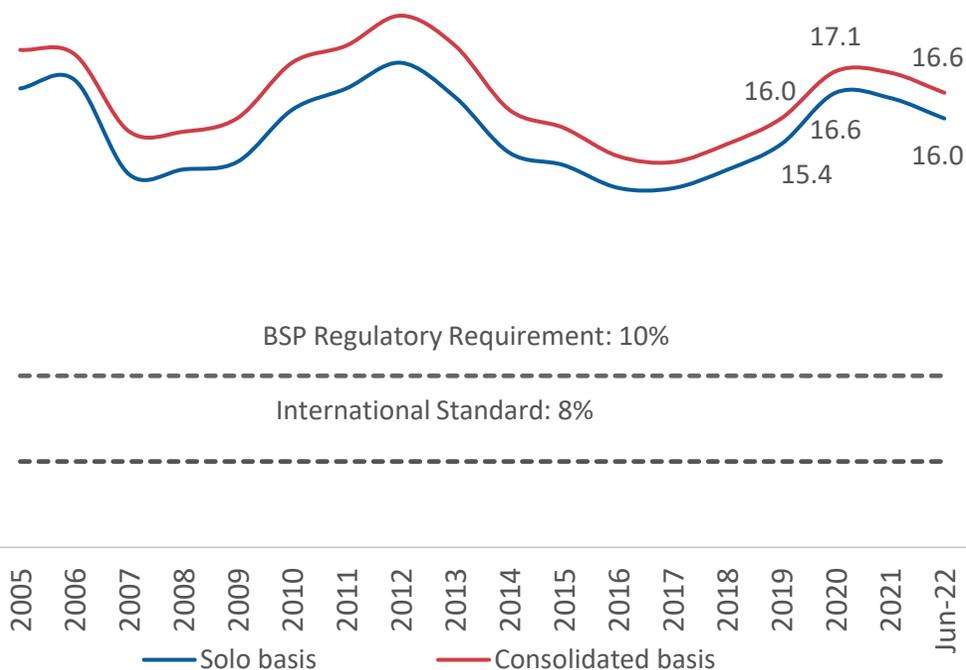


Source: BSP  
Note: U/KBs – Universal and Commercial Bank. 2022 data is preliminary

# Stable and Resilient Banking System

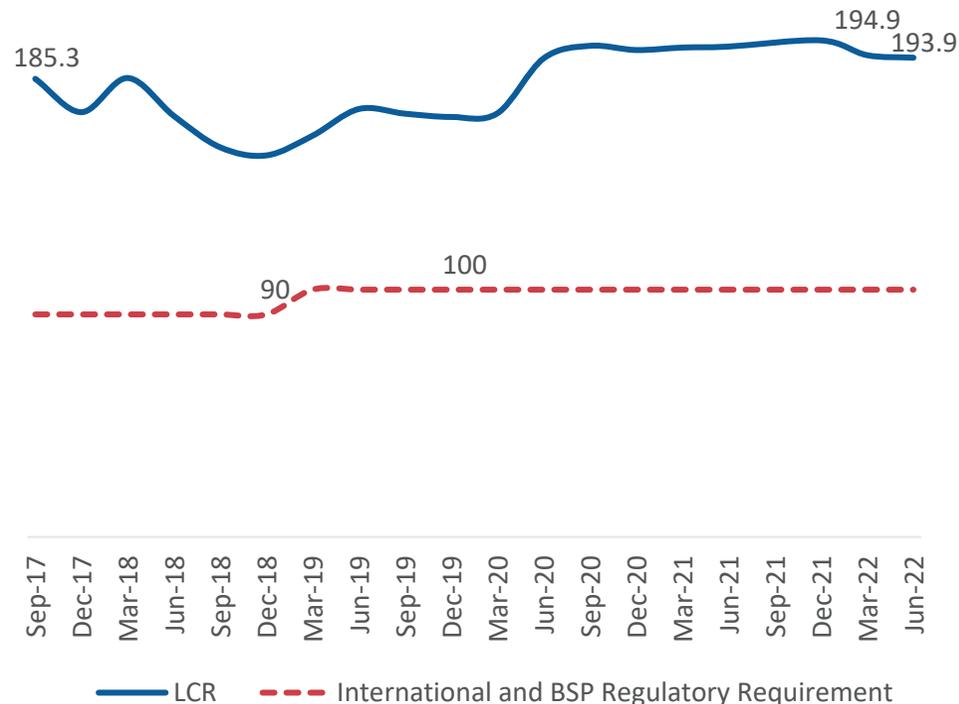
## Strong capitalization well above international norms

Capital adequacy ratio (%) of U/KBs



## Strong liquidity position to fund requirements during shocks

Liquidity coverage ratio (LCR) (%) of U/KBs

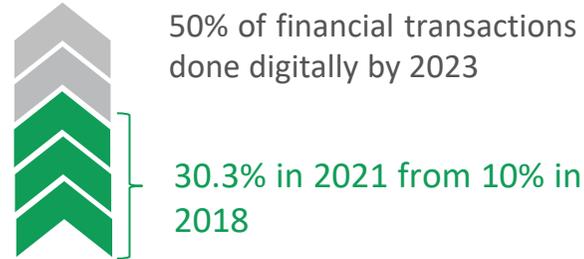


- Banks remained well-capitalized with CARs well-above the minimum thresholds set by the BSP and the Bank for International Settlements (BIS).
- Banks maintained sufficient buffers to meet liquidity and funding requirements with LCR above international norms.

# Digital Transformation Towards a New Economy

## Digital Payments Transformation Roadmap 2020-2023 to shift from a cash-heavy to a cash-lite economy

### Goals, objectives, policy initiatives



- More innovative digital financial products and services that are responsive to consumers' needs, enabled by a digital ID (Philippine Identification System), and supported by the next generation payment and settlement system to facilitate real-time processing of financial transactions

### Roadmap anchored on 3 Pillars for the development of the Next Generation Payment Settlement System

#### Digital Payments Streams

- Catalyze broader adoption of digital payments among consumers and businesses
- QR Person-to-Person, Person-to-Merchant, E-Gov Facility (P2G, B2G), Bills Pay, Request to Pay, Direct Debit Facilities



#### Digital Finance Infrastructure

- Enhance key infrastructure that support the expansion of an inclusive, digital payments ecosystem
- National ID System – PhilSys, PhilPaSS, Open banking



#### Digital Governance Standards

- Promote responsible digital innovations
- Open Banking and Application Programming Interfaces Standards, Adoption of ISO 20022 Standards, Cybersecurity Policies and Measures, Use of Data Policy



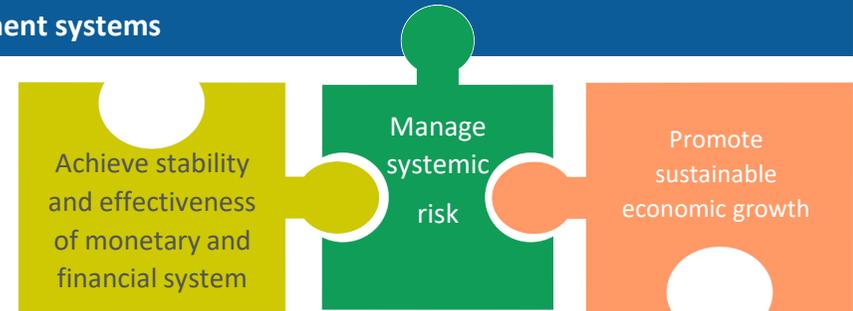
### Regulatory approach

- Registration and licensing framework of digital banks and virtual asset service providers. Approval of six (6) digital banks will promote market efficiency and expand a broad range of financial services to accelerate financial digitalization
- Adoption of Payment System Oversight Framework (PSOF) as the second leg of the National Payment Systems Act (NPSA)
- Consumer protection and digital literacy

# Digital Transformation as Strategic Enabler of Financial Inclusion

## Landmark legislations on payment systems

- National Payment Systems Act or Republic Act (RA) No. 11127 promotes safe, secured, efficient, and reliable operation of payment system
- Amendments to the New Central Bank Act (RA No. 11211) empowers the BSP to oversee payment and settlement systems in the Philippines, including critical financial market infrastructure



## National Retail Payment System (NRPS) for a cash-lite economy

- NRPS, a policy and regulatory framework of standards and governance principles for retail payment operations and infrastructure, fast-tracks the establishment of an effective electronic retail payment system, thereby promoting a “cash-lite” economy
- Localized community quarantines during the COVID-19 pandemic resulted in huge increase in the volume and value of electronic fund transfers via PESONet and Instapay
- BSP launched the New Order of Payment System or NOPS in September 2020, a web-based system that provides accessible payment facilities for clients to pay their obligations to BSP

**PESONet**

### Transactions (July 2018-July 2022)

Value in PHP billion, Volume in thousands



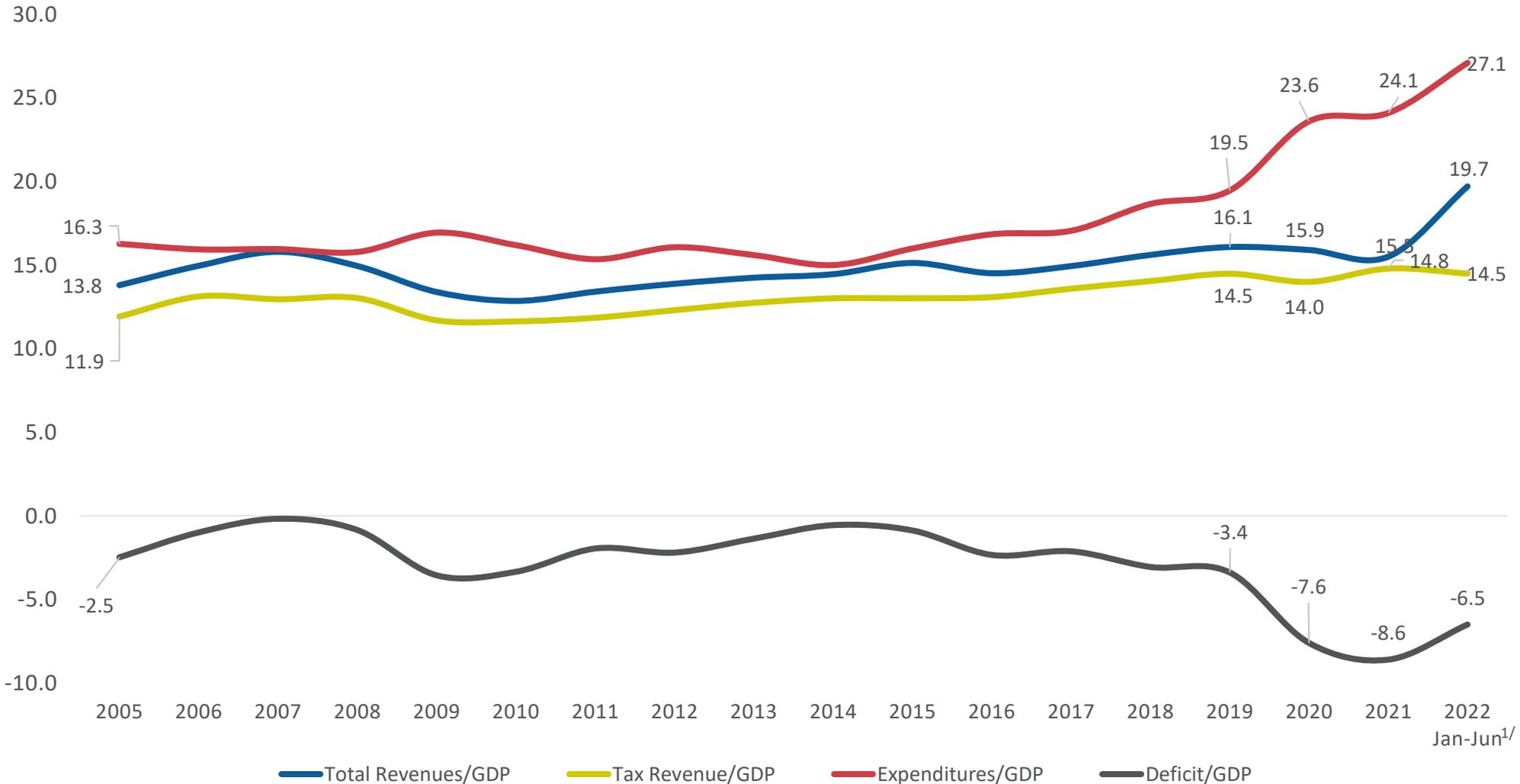
# 6

## Sound Government Finances

# Facing the Global Health Crisis from a Position of Fiscal Strength

## Long history of prudent fiscal management strengthened government's financial position

*National Government (NG) Expenditure, Revenue, Tax Revenue, and Deficit (% of GDP)*



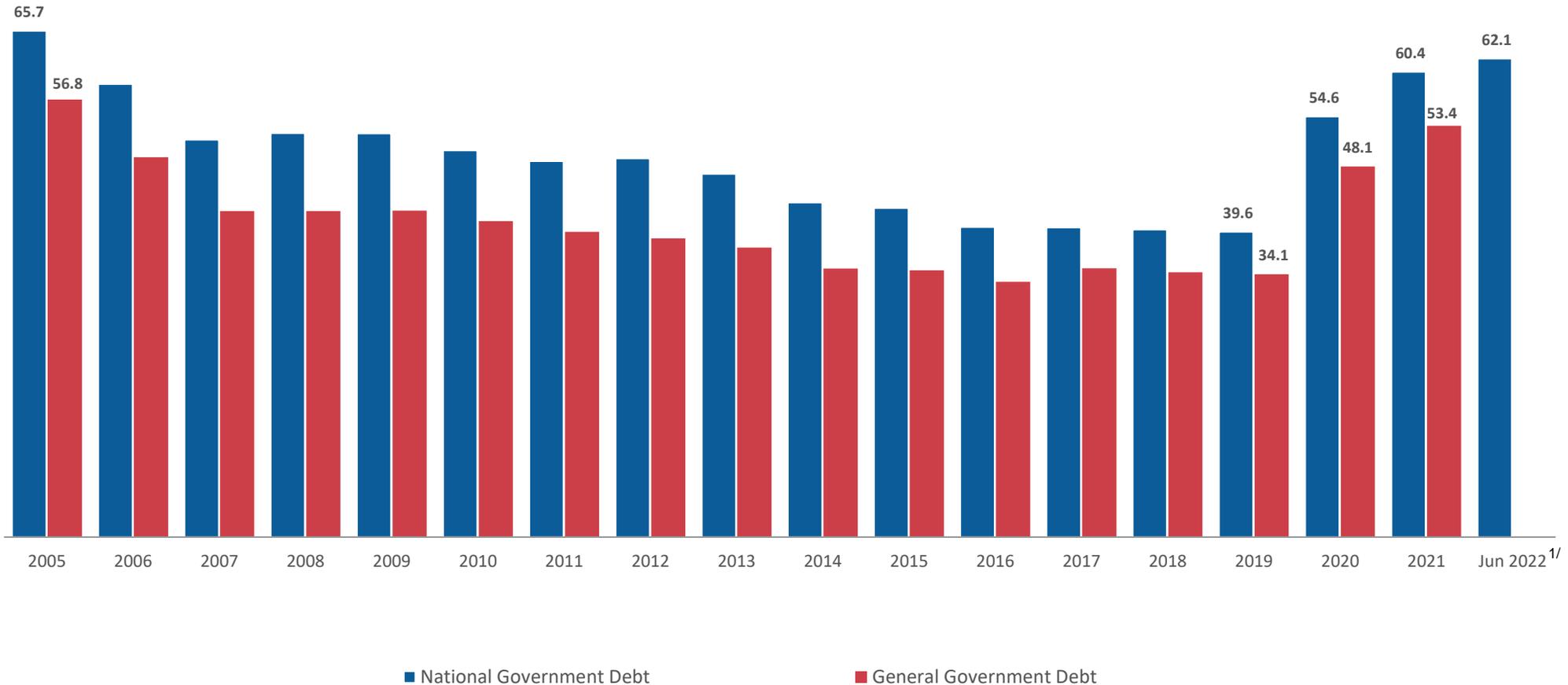
Sources: DOF, Bureau of the Treasury

1/ Preliminary data as of 30 June 2022 (as indicated) for GDP; as of 31 July 2022 for total revenues, tax revenues, expenditures, and deficit

# Facing the Global Health Crisis from a Position of Fiscal Strength

Debt remains manageable, fiscally viable through prudent and strategic debt management

*Government debt (% of GDP)*



Sources: DOF, Bureau of the Treasury

1/ Preliminary data as of 30 June 2022 (as indicated)

# Adequate Fiscal Space to Fund Emergency Initiatives, Support Economic Recovery

Enhanced tax collection efficiency due to tax administration reforms and TRAIN law lend support to funding critical initiatives to combat the pandemic

|                           | Actual         | Actual          | Program         | Actual          | Program         | Actual                     |
|---------------------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------------------|
|                           | 2019           | 2020            | 2021            | 2021            | 2022            | Jan-Jul 2022 <sup>1/</sup> |
| Particulars               | PHP bn         |                 |                 |                 |                 |                            |
| <b>Revenues</b>           | <b>3,137.5</b> | <b>2,856.0</b>  | <b>2,881.5</b>  | <b>3,005.5</b>  | <b>3,304.1</b>  | <b>2,036.1</b>             |
| <i>% of GDP</i>           | <i>16.1</i>    | <i>15.9</i>     | <i>14.8</i>     | <i>15.5</i>     | <i>15.2</i>     | <i>19.7</i>                |
| Tax Revenues              | 2,827.8        | 2,504.4         | 2,714.8         | 2,742.7         | 3,139.6         | 1,823.1                    |
| <i>% of GDP</i>           | <i>14.5</i>    | <i>14.0</i>     | <i>14.0</i>     | <i>14.8</i>     | <i>14.5</i>     | <i>14.5</i>                |
| Non-tax Revenues          | 309.4          | 351.3           | 166.7           | 262.5           | 164.5           | 212.1                      |
| <i>% of GDP</i>           | <i>1.6</i>     | <i>2.0</i>      | <i>0.9</i>      | <i>1.4</i>      | <i>0.8</i>      | <i>2.1</i>                 |
| <b>Expenditures</b>       | <b>3,797.7</b> | <b>4,227.4</b>  | <b>4,737.1</b>  | <b>4,675.6</b>  | <b>4,954.6</b>  | <b>2,797.1</b>             |
| <i>% of GDP</i>           | <i>19.5</i>    | <i>23.6</i>     | <i>24.3</i>     | <i>24.1</i>     | <i>22.9</i>     | <i>27.1</i>                |
| <b>Surplus/(-Deficit)</b> | <b>-660.2</b>  | <b>-1,371.4</b> | <b>-1,855.6</b> | <b>-1,670.1</b> | <b>-1,650.5</b> | <b>-761.0</b>              |
| <i>% of GDP</i>           | <i>-3.4</i>    | <i>-7.6</i>     | <i>-9.5</i>     | <i>-8.6</i>     | <i>-7.6</i>     | <i>-7.4</i>                |

- The fiscal program reflects gradual increase in revenue collections fueled by continued implementation of existing tax policy and tax administration reforms, bolstered by a robust economic growth.
- The Philippines is expected to return to fiscal consolidation (i.e., to reduce deficit and debt stock accumulation) in the medium-term when the adverse impact of the pandemic abates and the economy gets back to its pre-pandemic growth path, given its strong track record of revenue improvement and prudent expenditure management.

Source: DBM, BTr, DOF, Budget of Expenditures and Sources of Financing (BESF) 2022 <https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/A2.pdf>

TRAIN refers to Tax Reform for Acceleration and Inclusion Act

NA- not available

1/Preliminary data as of 31 July 2022 (as indicated) for GDP

# 2022 National Budget for Resiliency, Recovery, Infrastructure Development

Theme: *Sustaining the Legacy of Real Change for Future Generations*

- FY 2022 General Appropriations Act (GAA) of PHP5.024tn, 11.5% higher than the 2021 budget and equivalent to 23.3% of GDP

## Spending Priorities

Build resilience amidst the pandemic

Sustain the momentum towards recovery

Continue the legacy of infrastructure development

Empower local governments

Ensure a smooth transition to the next administration

Select Projects and Programs, in PHP bn

| Health  |                    | Nutrition and Food Security                    |       | Social Protection   |       |
|---|--------------------|--|-------|---|-------|
| National Health Insurance   | 80.0               | Irrigation Services (DA,NIA)                   | 32.8  | Pantawid Pamilyang Pilipino Program                                     | 107.7 |
| Health Facilities Operations Program                                      | 56.4               | Banner Programs and Projects of the DA         | 28.1  | Protective Services for Individuals and Families in Difficult Instances | 39.9  |
| Procurement of COVID-19 Vaccine booster Shots                             | 48.2 <sup>1/</sup> | Supplementary Feeding Program                  | 4.2   | Social Pension for Indigent Senior Citizens                             | 25.5  |
| Medical Assistance to Indigent Patients                                   | 21.4               | Education                                      |       | Labor and Employment  |       |
| Compensation and Other Benefits for Covid-19 Workers in Health Facilities | 9.0 <sup>2/</sup>  | Operations of DepEd-Managed Public Schools     | 461.1 | Livelihood and Emergency Employment Program                             | 28.0  |
| COVID -19 Laboratory Network  | 7.9                | Universal Access to Quality Tertiary Education | 47.7  | Emergency Repatriation Program  | 11.5  |
| COVID-19 HRH Emergency Hiring   | 4.3                | DepEd Computerization Program                  | 11.7  | Infrastructure Development  |       |
|   |                    |  |       | <b>Build, Build, Build Program PHP1.18tn (5.3% of GDP)</b>              |       |
|   |                    |  |       | Road Networks   | 485.0 |
|   |                    |  |       | Flood Control Systems   | 210.0 |
|   |                    |  |       | Development Fund of LGUs  | 191.8 |
|   |                    |  |       | Buildings   | 72.9  |
|   |                    |  |       | Irrigation Systems  | 21.8  |

<sup>1/</sup>Lodged under the Department of Health (PHP2.8 bn) and the 2022 Unprogrammed Appropriations (PHP45.4bn)

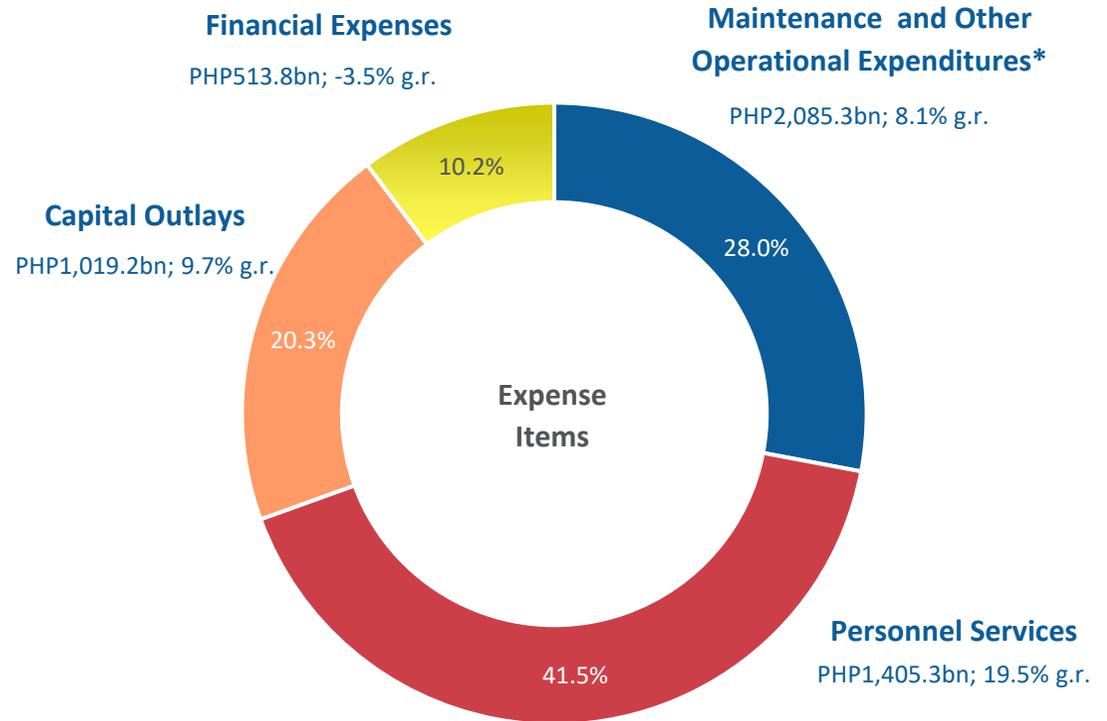
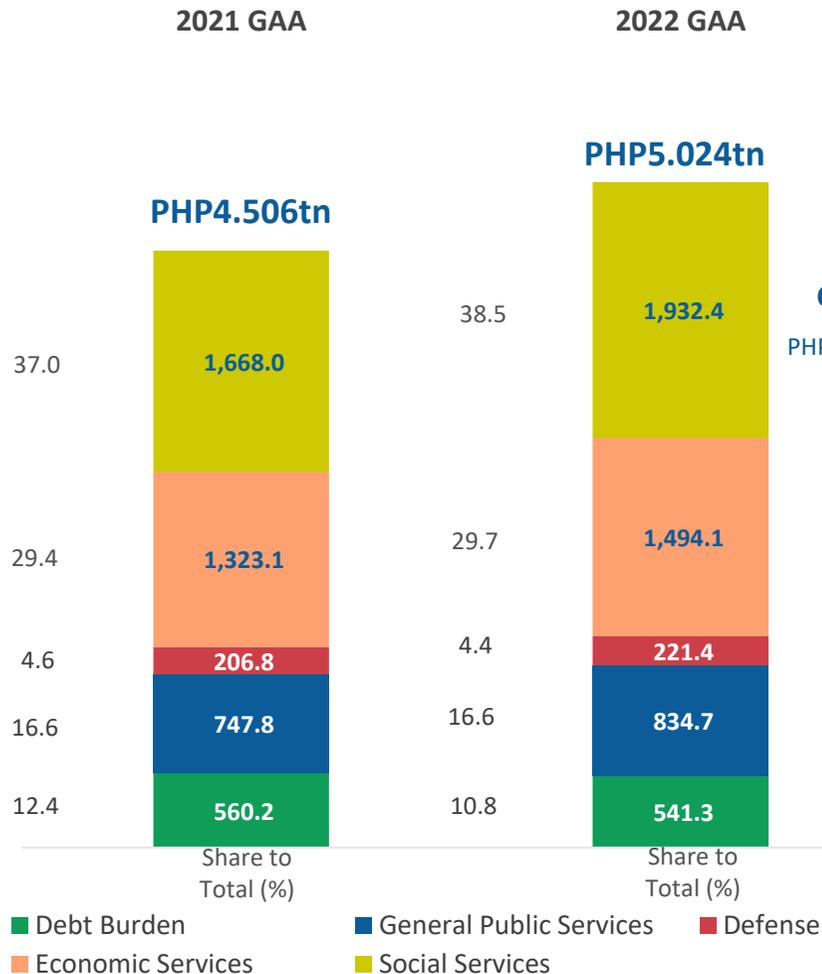
<sup>2/</sup> Includes Benefits (PHP7.9 bn) and Compensation (PHP1.1 bn) for COVID-19 Workers

# 2022 National Budget for Resiliency, Recovery, Infrastructure Development

FY 2022 budget pillars: building resilience amid pandemic, sustaining momentum towards recovery, and continuing legacy of infrastructure development

2021 vs 2022 National Budget by Sector, PHP bn and % share

2022 National Budget by Expense Class, PHP bn, % Share and growth rate (in %)



Note: g.r. is y-o-y growth rate

Figures may not add up due to rounding off

\*Inclusive of National Tax Allotment, Special shares of LGUs in the proceeds of national taxes, Local Government Support Fund, Special shares in the proceeds of Fire Code fees, Barangay officials death benefits, Allocation for MMDA and Bangsamoro Autonomous Region in Muslim Mindanao

# Consistently Strong Investor Appetite for ROP's Issuances

| Highlights of Transaction <sup>1</sup>  |  |   |   |
|---|--|---|---|
| Feb 2016  | Jan 2017   | Jan 2018  | Mar 2018  |
| <ul style="list-style-type: none"> <li>1<sup>st</sup> trade coming out of EM Asia in 2016</li> <li>Concurrent execution of one-day accelerated switch tender offer</li> <li>Lowest-coupon by ROP at 3.7% for a 25-year debt</li> </ul>  | <ul style="list-style-type: none"> <li>1st US\$ Transaction under the Duterte Presidency</li> <li>Coupon of 3.7%; priced at a tight 66.7 bps spread over U.S. Treasuries – the lowest ever achieved by the ROP for 25 years</li> </ul> | <ul style="list-style-type: none"> <li>Benchmark issue of 10-year debt concurrent with 1-day accelerated switch tender offer</li> <li>All time low coupon for ROP at 3.0% for 10-year debt; at a very tight 37.8 bps spread over U.S. Treasuries</li> </ul> | <ul style="list-style-type: none"> <li>1st ASEAN sovereign to issue Panda with an “Exceptional tight debut”, according to International Financing Review</li> <li>RMB1.46bn with 3-yr tenor</li> <li>Priced at 5.0% with a spread of 35bps above benchmark</li> </ul> |
| Aug 2018  | Jan 2019   | May 2019  | May 2019  |
| <ul style="list-style-type: none"> <li>1st time after almost 20 years that ROP issued Samurai bonds on a standalone basis</li> <li>ROP sold JPY154.2bn Japanese samurai bonds in 3 tenors</li> <li>JPY107.2bn priced 0.38% for 3Y with a spread of 25bps, JPY6.2bn at 0.54% for 5Y with a spread of 35bps, JPY40.8bn at 0.99% for 10Y with a spread of 60bps</li> </ul> | <ul style="list-style-type: none"> <li>1st emerging market sovereign US\$ bond issuance in 2019</li> <li>US\$1.5bn of 10-year dollar-denominated global bonds</li> <li>Coupon of 3.75% at 110bps over US Treasury</li> </ul>           | <ul style="list-style-type: none"> <li>ROP's return to European capital market after 13 years with offering of EUR750mn of 8-yr global bonds</li> <li>Priced at EUR Midswaps +70bps vs. +294bps in 2006</li> </ul>  | <ul style="list-style-type: none"> <li>ROP's 2nd Panda bond issuance amounting to RMB2.5bn with 3-yr tenor</li> <li>Priced at 3.58% with a spread of 32bps above benchmark</li> </ul>   |

<sup>1</sup>At time of issuance

Source: Bureau of the Treasury; Bloomberg L.P.

# Consistently Strong Investor Appetite for ROP's Issuances

| Highlights of Transaction <sup>1</sup>   |  |  |   |
|--|--|--|---|
| Aug 2019   | Jan 2020   | Apr 2020   | Dec 2020  |
| <ul style="list-style-type: none"> <li>ROP's successful return to the Samurai bond market with a record JPY92bn transaction on its 4-tranche bond offering</li> <li>Priced at 0.18% for 3Y, 0.28% for 5Y, 0.43% for 7Y, and 0.59% for 10Y, with a spread of 23bps, 33bps, 44bps and 53bps, respectively</li> </ul> | <ul style="list-style-type: none"> <li>Issued first-ever zero-coupon euro bonds, and lowest coupon euro-denominated bonds</li> <li>Sold a dual tranche EUR1.2bn bond, which consists of a EUR600mn 3Y zero coupon bond at a re-offer yield of 0.133% and EUR600mn 0.70% 9Y bond at a re-offer yield of 0.752%</li> </ul> | <ul style="list-style-type: none"> <li>ROP as the first sovereign globally to price syndicated benchmark tranche with zero new issue premium during the COVID-19 crisis</li> <li>ROP's lowest yielding US\$ offerings; Largest offshore offering since 2010</li> <li>Sold a dual tranche US\$2.35bn bond consisting of US\$1.0bn 2.457% 10Y bond and US\$1.35bn 2.95% 25Y bond with spread of 180bps and 169bps, respectively</li> </ul> | <ul style="list-style-type: none"> <li>ROP successfully offered the largest bond historically and achieved the tightest yield for both ROP 10-year and 25-year bucket</li> <li>The dual tranche offering was comprised of US\$1.25bn 10.5-year notes priced at T+70bps (1.648%) and US\$1.5bn 25-year notes priced at 2.650%</li> </ul> |
| Mar 2021   | Apr 2021   | June 2021  | Oct 2021  |
| <ul style="list-style-type: none"> <li>ROP successfully returned to the Samurai market with JPY55bn first-ever zero-coupon bond transaction</li> <li>The 3-year Samurai tranche was priced at 21bps above benchmark, the tightest spread since ROP's return to the market</li> </ul>                               | <ul style="list-style-type: none"> <li>ROP's largest and first triple-tranche euro offering</li> <li>The EUR2.1bn issuance was comprised of EUR650mn 0.250% 4Y bond, EUR650mn 1.200% 12Y bond, and EUR800mn 1.750% 20Y bond with spread of 75bps, 105bps, and 135bp, respectively.</li> </ul>                            | <ul style="list-style-type: none"> <li>ROP issued a US\$3bn dual tranche global bonds comprised of US\$750mn 10.5-year notes priced at T+60bps (1.95%) and US\$2.25bn 25-year notes priced at 3.25% with a coupon of 3.20%</li> </ul>  | <ul style="list-style-type: none"> <li>ROP successfully raised US\$1.6bn via 5-year and 10-year first-ever retail onshore dollar bonds</li> <li>5-year bonds had a coupon rate of 1.375%, while the 10-year bonds fetched a 2.25% coupon</li> </ul>   |

<sup>1</sup>At time of issuance  
Source: Bureau of the Treasury; Bloomberg L.P.

# Consistently Strong Investor Appetite for ROP's Issuances

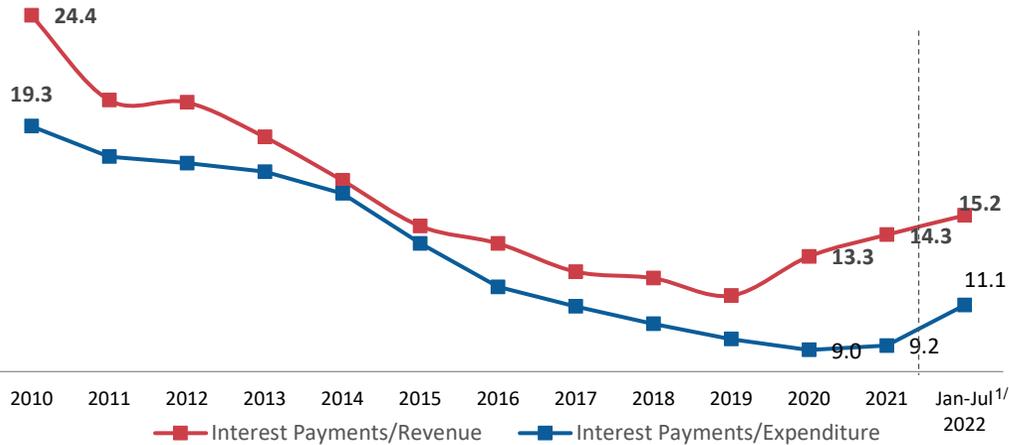
| Highlights of Transaction <sup>1</sup>  |  |
|---|--|
| March 2022  | April 2022   |
| <ul style="list-style-type: none"><li>▪ ROP successfully raised US\$2.25bn first triple tranche Global Bonds, including 25-year notes issued under the Sustainable Finance Framework and that marked the ROP's debut Environmental, Social and Governance (ESG) Global Bonds offering</li><li>▪ The global bonds issuance is comprised of US\$500mn 5-year notes priced at T+90bps (3.229%), US\$750mn 10.5-year notes priced at T+125bps (3.556%), and new US\$1bn 25-year sustainability bonds priced at T+50bps (4.200%)</li></ul> | <ul style="list-style-type: none"><li>▪ ROP's first Sustainability samurai bond of JPY70.1bn multi-tranche offering with an ESG label across all four tranches</li><li>▪ Priced at 0.76% for 5Y (JPY52bn), 0.95% for 7Y (JPY5bn), 1.22% for 10Y (JPY7.1bn), and 1.83% for 20Y (JPY6bn), with a spread of 60bps, 70bps, 85bps, and 115bps, respectively</li></ul> |

<sup>1</sup>At time of issuance  
Source: Bureau of the Treasury; Bloomberg L.P.

# Sustainable Debt Profile Supported by Diversified Sources of Financing

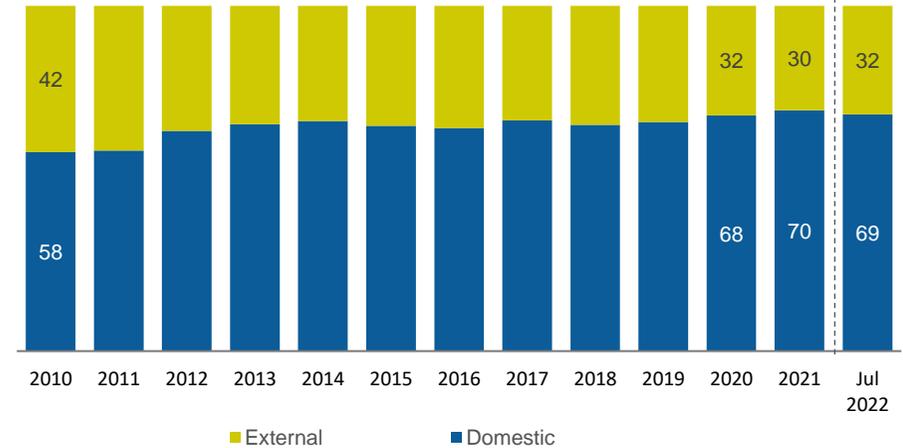
Improved debt affordability resulting from proactive and prudent debt management provides additional fiscal space

Interest payments / NG revenue (%) and Interest payments / NG expenditure (%)



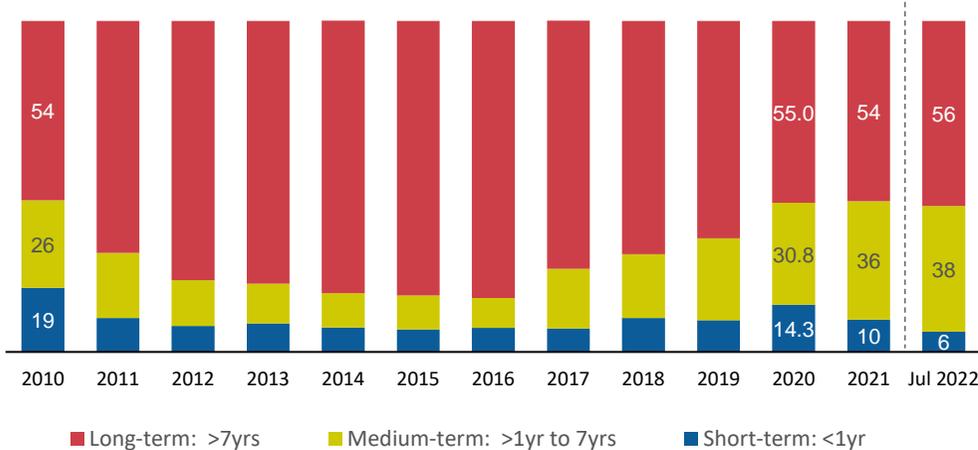
Ample domestic liquidity allows ROP to rely on domestic market to fund majority of its requirements while minimizing FX risks

Total debt breakdown (%)

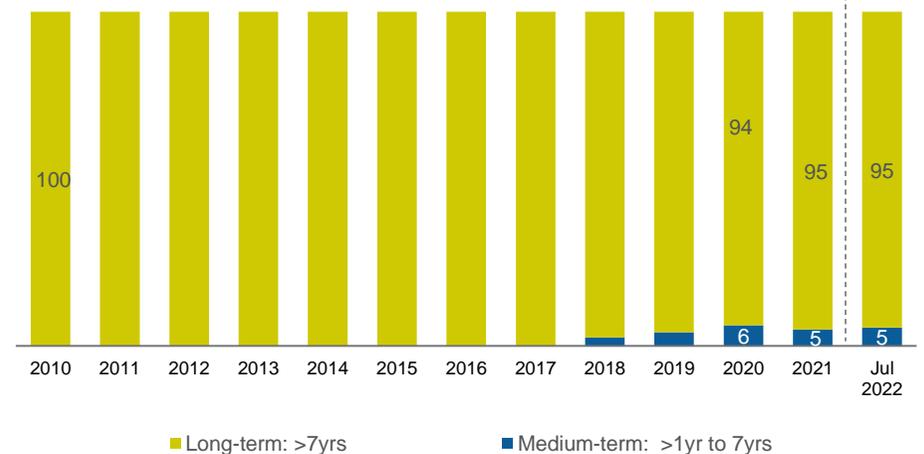


Long-dated debt profile reduces refinancing risk

Domestic debt breakdown (%)



External debt breakdown (%)



Unless otherwise indicated, debt charts pertain to National Government (NG) Outstanding debt data available as of end-May 2022  
 Source: Bureau of the Treasury  
 1/ Preliminary data as of July 31, 2022 (as indicated)

# Strong Bias for Domestic Sources of Financing to Minimize FX Risks

## Strategic Financing Program

| Particulars                                   | 2015         | 2016         | 2017         | 2018         | 2019         | 2020                  | 2021                  | 2022 Program          |
|---|--------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|-----------------------|
|   | (PHP bn)     |              |              |              |              |                       |                       |                       |
| <b>Gross Borrowing</b>                        | 609.6        | 507.0        | 901.7        | 897.6        | 1,015.8      | 2,652.5               | 2,549.7               | 2,211.8               |
| <b>External</b>                               | 189.5        | 149.5        | 168.1        | 303.1        | 321.9        | 742.4                 | 568.7                 | 560.6                 |
| <i>Program Loans</i>                          | 72.0         | 35.6         | 35.1         | 80.4         | 78.2         | 375.2                 | 166.1                 | 126.7                 |
| <i>Project Loans</i>                          | 28.2         | 18.8         | 33.4         | 34.0         | 58.0         | 49.1                  | 110.2                 | 80.4 <sup>a/</sup>    |
| <i>Bonds and other inflows</i>                | 89.4         | 95.1         | 99.6         | 188.7        | 185.7        | 318.1                 | 292.3 <sup>b/</sup>   | 353.5                 |
| <b>Domestic</b>                               | 420.1        | 357.5        | 733.5        | 594.5        | 693.8        | 1,910.1               | 1,981.0               | 1,651.2               |
| <i>Treasury Bills</i>                         | -17.3        | 23.5         | 26.4         | 179.9        | -8.1         | 463.3                 | -153.3                | 52.0                  |
| <i>Fixed Rate T-bonds</i>                     | 437.4        | 334.0        | 707.1        | 414.5        | 702.0        | 1,446.8 <sup>c/</sup> | 2,134.3 <sup>d/</sup> | 1,599.2 <sup>e/</sup> |
| <b>Financing Mix<br/>(Domestic: External)</b> | <b>69:31</b> | <b>71:29</b> | <b>81:19</b> | <b>66:34</b> | <b>68:32</b> | <b>72:28</b>          | <b>78:22</b>          | <b>75:25</b>          |

Note: Figures may not add up due to rounding off

<sup>a/</sup> Based on BTr estimates of disbursements

<sup>b/</sup> Includes Euro, Samurai and Global bonds

<sup>c/</sup> Excludes PHP88.6bn proceeds used for bond exchange exercise

<sup>d/</sup> Includes PHP80.8bn onshore dollar bonds, excludes PHP29.5bn proceeds used in the December 2021 bond exchange exercise

<sup>e/</sup> Includes agrarian reform bonds

Source: Bureau of the Treasury, DOF, DBM BESF 2022 <https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/D1.pdf>

## Major Tax Reforms Show Good Results, Fund Critical Pandemic Response

### TRAIN and Sin Tax Collections

| Tax Measure   | FY 2020                     |                    |                          | FY 2021             |                    |                          |
|---------------|-----------------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|
|               | Revised Program (in PHP bn) | Actual (in PHP bn) | Program vs Actual (in %) | Program (in PHP bn) | Actual (in PHP bn) | Program vs Actual (in %) |
| TRAIN Law     | 96.9                        | 105.7              | 9.0                      | 157.94              | 171.10             | 8.3                      |
| Sin Tax Laws* | 28.8                        | 32.1               | 11.4                     | 43.11               | 52.89              | 22.7                     |

\*Republic Act No. 11346 or “Increasing Excise Tax on Tobacco Products, Heated Tobacco Products and Vapor Products” and Republic Act No. 11467 or “Increasing sin taxes (i.e., excise tax on alcohol, heated tobacco products and e- cigarettes) for Universal Health Care (UHC)”

# Major Tax Reform to Improve Tax Governance, Attract Desirable Investments

## Republic Act No. 11534: Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

Package 2 of the Comprehensive Tax Reform Program aims to provide immediate relief for businesses affected by COVID-19 crisis and attract highly desirable investments. It was signed on 26 March 2021.

### Lower Taxes:

- ✓ Lower CIT rate from 30% to 20% for small and medium corporations (with net taxable income of PHP5 million and below, and with total assets of not more than PHP100mn)
- ✓ Lower CIT rate from 30% to 25% for large corporations; Foreign non-resident corporations subject to 25% rate effective 1 January 2021
- ✓ Lower percentage tax from 3% to 1% for small businesses (gross sales or receipts under PHP3mn (effective 1 July 2021 to 30 June 2023)
- ✓ Lowered minimum CIT from 2% to 1% (effective 1 July 2021 to 30 June 2023)
- ✓ Lower CIT rate from 10% to 1% for non-profit hospitals and educational institutions (effective 1 July 2020 to 30 June 2023)
- ✓ Tax-exempt foreign dividends received by domestic corporations, subject to reinvestment of earnings

### COVID-19, Health incentives and other tax relief:

- ✓ VAT exemption and duty-free importation of prescription medicines for diabetes, high cholesterol, and hypertension beginning 1 January 2020; for cancer, mental illness, tuberculosis, and kidney diseases beginning 1 January 2021; VAT and duty-free importation of COVID-19 vaccines, VAT-free importation and sale of COVID-19 medicines and PPE components beginning 1 January 2021 to 31 December 2023
- ✓ VAT exemption, duty-free importation, for printing or publication of books, newspaper, magazine, journal including digital or electronic format

### Fiscal Incentives:

- ✓ Up to 17 years of incentives (4-7 years of income tax holiday + 10 years of special corporate income tax, i.e., 5% tax on gross income earned, or enhanced deductions) for exporters
- ✓ Up to 12 years of incentives (4-7 years of income tax holiday + 5 enhanced deductions) for domestic market enterprises
- ✓ Performance-based enhanced deductions:
  - a. depreciation allowance for assets acquired for production of goods and services (additional 10% for buildings and additional 20% for machineries and equipment)
  - b. 50% additional deduction on labor, domestic input, and power expenses
  - c. 100% additional deduction for research and development and training expense
  - d. Reinvestment allowance for the manufacturing industry—up to 50% of reinvested profit allowed as a deduction within 5 years from reinvestment
  - e. net operating loss not yet offset from gross income for the first 3 years of operations can be carried over as a deduction from gross income within the next 5 years following the loss

### Countryside Development:

- ✓ Additional 3 years of income tax holiday for registered enterprises that will fully relocate outside of NCR
- ✓ Additional 2 years of income tax holiday for registered enterprises in areas recovering from disasters or conflict

# Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

## Largest fiscal stimulus for enterprises in the country's history

*Provides an estimated US\$2bn of tax relief annually to the corporate sector to sustain employment or use for investments*

## Provides hefty corporate income tax rate cuts

*Gives immediate 10 percentage points tax cut for MSMEs (from 30 to 20%) and 5-percentage points reduction for all other corporations (from 30 to 25%)*

## Provides more flexibility in the grant of fiscal and non-fiscal incentives

*Rationalizes fiscal incentives, creating an enhanced incentive package that is performance-based, time-bound, targeted and transparent.*

## Projects granted with tax incentives by the Fiscal Incentives Review Board (as of 29 July 2022)

| Project                           | Location                  | Description of Activity  | Tax Incentives Granted   | Investment Capital (in PHP bn) |
|-----------------------------------|---------------------------|--|--|--------------------------------|
| Mass housing                      | Leganes, Iloilo           | New developer of economic and low-cost housing                       | 4 years income tax holiday (ITH) and tax exemption on importation              | 1.39<br>(US\$26.72mn)          |
| Cement Manufacturer 1             | Porac, Pampanga           | Cement producer expanding operations                                 | 2 years ITH, 5 years of enhanced deduction, and duty exemption on importations | 3.07<br>(US\$58.95mn)          |
| Cement Manufacturer 2             | Calatagan, Batangas       | New cement producer  | 6 years ITH, 5 years of enhanced deduction, and duty exemption on importation  | 24.94<br>(US\$479.63mn)        |
| Rail operations of subway project | Makati City, Metro Manila | Construction, operation, management, and maintenance of rail project | 4 years ITH, 5 years enhanced deductions, and duty exemption on importation    | 81.07<br>(US\$1.56bn)          |
| Cement Manufacturer 3             | Sta. Cruz, Davao del Sur  | New cement producer  | 2 years ITH, 5 years of enhanced deduction, and duty exemption on importation  | 10.0<br>(US\$192.31mn)         |

# Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

## Projects granted with tax incentives by the Fiscal Incentives Review Board (as of 29 July 2022)

| Project  | Location                   | Description of Activity   | Tax Incentives Granted   | Investment Capital (in PHP bn) |
|--|----------------------------|---|--|--------------------------------|
| Domestic Ro-Ro Passenger Vessel  | Brgy. San Roque, Cebu City | Water transport vessel with Cebu-Cagayan de Oro-Cebu route/operation  | 4 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation  | 1.5<br>(US\$28.85mn)           |
| Establishment of Connectivity Facilities for High-Speed Broadband Services | Multiple                   | Telecommunication   | 4 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation  | 150.59<br>(US\$2.90bn)         |
| Industrial zone operator with activities in support of exporters           | Subic, Zambales            | Purchase, development, and subsequent lease of 2 shipyards, 1 for the Philippine Navy and 1 reserved exclusively for export enterprises | 10 years SCIT equivalent to 5% based on GIE, in lieu of all national and local taxes, with possible extension up to 5 years upon fulfilment of certain conditions, 16 years VAT zero-rating on local purchases and VAT exemptions on importation; and 16 years duty exemption on importation | 17.02<br>(US\$327.31mn)        |
| Common Passive Telecommunication Infrastructure Roll-out 1                 | Multiple                   | Telecommunication Infrastructure  | 4 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation  | 6.23<br>(US\$119.79mn)         |
| Common Passive Telecommunication Infrastructure Roll-out 2                 | Multiple                   | Telecommunication Infrastructure  | 4 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation  | 19.86<br>(US\$381.83mn)        |

Foreign exchange rate used PHP52.00/US\$1

Source: DOF, FIRB

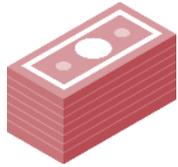
# Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Projects granted with tax incentives by the Fiscal Incentives Review Board (*as of 29 July 2022*)

| Project   | Location                              | Description of Activity  | Tax Incentives Granted  | Investment Capital (in PHP bn) |
|---|---------------------------------------|--|---|--------------------------------|
| Common Passive Telecommunication Infrastructure Roll-out 3                | Multiple                              | Telecommunication Infrastructure                                     | 4 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation | 52.15<br>(US\$1.0bn)           |
| Liquified Natural Gas (LNG) storage and regasification facility           | Brgy. Ilijan, Batangas City, Batangas | New Operator of Storage and Regasification Facility for Imported LNG | 6 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation | 24.31<br>(US\$467.54mn)        |
| Manufacturer of Automotive vehicles                                       | Sta. Rosa City, Laguna                | Production of Light Commercial Vehicle (LCV)                         | 5 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation | 3.2<br>(US\$61.54mn)           |
| Integrated stand-alone line for the manufacture of reinforcing steel bars | San Simon, Pampanga                   | Manufacture of steel rebars  | 6 years ITH, 5 years of enhanced deductions, and 11 years duty exemption on importation | 10.31<br>(US\$198.22mn)        |
| <b>TOTAL</b>  |                                       |  |   | <b>406.63<br/>(US\$7.8bn)</b>  |

# Medium-Term Fiscal Framework and Priority Measures to Enhance Fairness, Efficiency of the Tax System

The Medium-Term Fiscal Framework serves as the blueprint to:



Reduce the fiscal deficit



Promote fiscal sustainability



Enable robust economic growth

## Priority Measures under the Framework



1. Promote efficient tax administration through digitalization



2. Implement measures that will help tax system catch up in the digital economy



3. Introduce tax measure that will promote environmental sustainability to address climate change

- Imposition of tax on single-use plastics
- Study carbon taxation



4. Pursue the remaining tax reform packages

- Package 3: Real Property Valuation Reform
- Package 4: Passive Income and Financial Intermediary Taxation Reform (PIFITA)

7

**Infrastructure  
Build Up  
to Drive  
Tomorrow's  
Economy**

# Building on a Solid Foundation

The government is committed to continue and further expand the “Build, Build, Build” program

## Build, Better, More



“The backbone of an economy is its infrastructure. The infrastructure program of the Duterte administration must not only continue but, wherever possible, be expanded,” – President Marcos, Jr.

President Marcos Jr. instructed DOTr during the 2022 SONA to be on **“full speed ahead”** in **improving the country's railway system**, along with modernizing existing airports and seaports in order to maximize our strategic location in the Pacific.

In recognition of the tighter fiscal space, the government will encourage **more Public Private Partnerships (PPPs)** for infrastructure development.

Construct wider network of national and local road infrastructure that will interconnect economic zones, manufacturing hubs, and trade centers to promote inclusive growth among regions.

# Building on a Solid Foundation

Further strengthen and expand the convergence programs

## Convergence and Rural Road Development Program



Improve connectivity to key areas and sectors such as **agriculture; trade; industry clusters; Micro, Small & Medium Enterprises (MSMEs); and tourism** development areas.

## Agri-infrastructure Support Program



**Ensure food security** by building more inclusive and sustainable Farm to Market Roads and improve connectivity to priority irrigation areas

## Philippine High Standard Highway Network Program



Increase the country's high standard highway network and expressways **from 510 kilometers to 1,816 kilometers** based on the Masterplan of Network Development Phases 1 and 2.



## Luzon Spine Expressway Network (LSEN) Program

Luzon Spine Expressway Network Program includes construction of 1,213 kilometers of road in Luzon, which will reduce travel from the Ilocos to the Bicol Region from 20 hours to 9 hours.

# Building on a Solid Foundation

Further strengthen, expand the convergence programs



## Inter Island Linkage / Mega Bridge Program

11 Bridges (80 Kilometers)

An inter-island mega bridge linkage program, which includes 80 kilometers of roads linking different high-economic activity areas with 11 bridges

On-going Civil Works for Panguil Bay Bridge and Guicam Bridge.



## Metro Manila Logistics Improvement Program

11 Bridges (8,825 lineal meters)

Bridges in Metro Manila will be constructed to provide linkages between major thoroughfares and reduce congestions on major highways

Completed: Estrella-Pantaleon Bridge, Sta. Monica-Lawton Bridge, and the Binondo-Intramuros Bridge

# Infrastructure Modernization at Full Speed

Average infrastructure spending doubles under the Duterte administration, and is expected to increase further under the Marcos administration

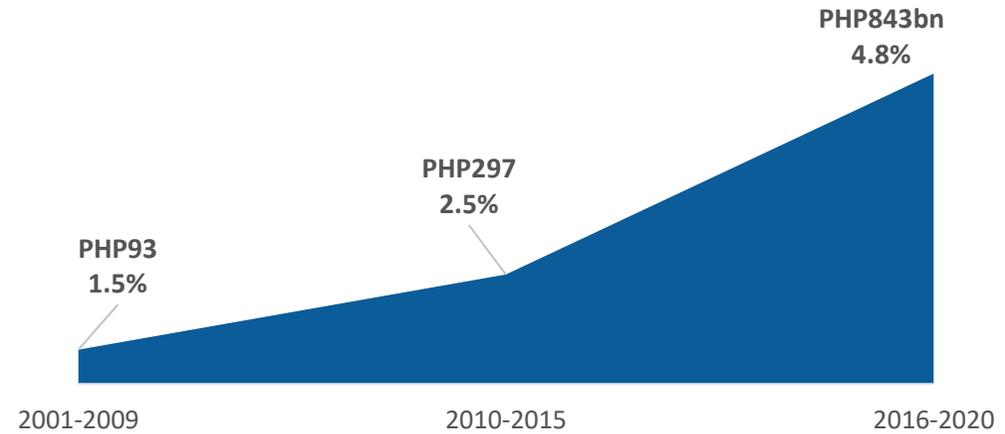
Infrastructure investment will be sustained and is targeted to reach 5% to 6% of GDP annually from 2022-2028

*"I would like to reiterate the marching order of the President during his State of the Nation Address...the infrastructure development program will be pursued relentlessly" – Sec. Bonoan, DPWH*

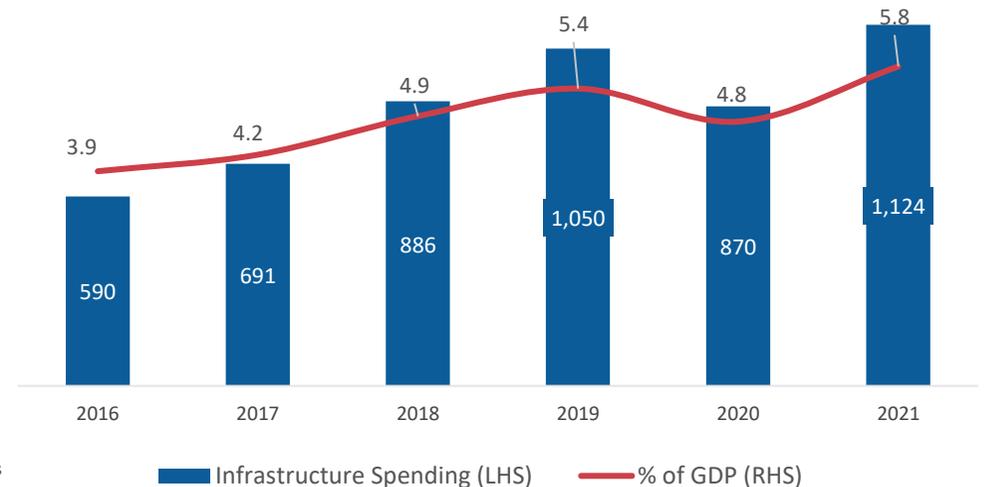
*The infrastructure development program will help ensure the country's sustainable, robust, and inclusive growth.*

- Increased infrastructure investment and efficiency in budget utilization
  - In 2021, actual infrastructure disbursements<sup>3/</sup> increased to PHP1,123.6bn (5.8% of GDP), or 29.2% higher than the PHP869.9bn disbursements in 2020. Jan-Jun 2022 infrastructure disbursements reached PHP600.1bn, which is 12.0% higher than the Jan-Jun 2021 infrastructure disbursements of PHP535.9bn.
  - High utilization rate of cash allocations by the infrastructure agencies, DPWH and DOTr of 98% and 100%, respectively, as of end Q2 2022.

Infrastructure spending<sup>1</sup> (average in PHP bn, % of GDP)



Infrastructure spending<sup>2</sup> (PHP bn, % of GDP)



1/ Infrastructure figures for 2001-2018 are obligation-based; 2019 onwards are cash-based.

2/ Disbursement basis, the government transitioned to cash-based budgeting starting FY 2019

3/ Include estimated NG infrastructure disbursements, and infrastructure components of subsidy and equity to GOCCs and transfers to LGUs.

# Infrastructure Modernization at Full Speed

## Substantial progress in the Build, Build, Build Program since its April 2017 launch

- The Build Build Build (BBB) Program is anchored on the government's commitment to a responsive regional development. The program aims to spread economic activities from urban centers toward the countryside.



**5,586**

Infrastructure programs/activities/projects (PAPs) under Chapter 19<sup>1/</sup> of the 2017-2022 Public Investment Program (PIP)

**PHP 6.7 trillion**

Total project cost of the 5,586 Infrastructure PAPs

**112**

Updated Infrastructure Flagship Projects<sup>2/</sup> (IFP) worth PHP5.0tn

**Status of IFP Implementation<sup>3/</sup>**

**8** completed amounting to PHP55.4bn

**4** Inaugurated (partially open to traffic/operational) amounting to PHP69.1bn

**10** for completion by December 2022 amounting to PHP73.2bn

**90** for completion by 2023 and beyond amounting to PHP4,842.4bn

Source: NEDA , BBB Presentation by BCDA as of August 2020

<sup>1/</sup> Under Chapter 19; updated as of 20 December 2019

<sup>2/</sup> In May 2021, the list of IFPs was recalibrated to prioritize projects such as digital technology, health infrastructure, and flood control projects, among others. The revised list does not include completed projects that were part of previous lists of IFPs approved in 2017, 2019, and 2020. Total amount is updated based on NEDA inputs as of June 2022.

<sup>3/</sup> As of June 2022 (NEDA)

# Building a Stronger Economy

Tangible results show the government's commitment to upgrade the country's infrastructure network

*No. of completed projects under the Duterte Administration*



**250**

Airports



**7,270**

Bridges



**600**

Commercial, Social, and  
Tourism Ports projects



**42,108**

Kilometers of Roads



**9 million**  
Jobs generated

## Long-term multiplier effects expected from infrastructure spending

- **Poverty reduction – BBB supports the goal of reducing poverty incidence to 9% by 2028**
  - Infrastructure program boosts employment, with BBB generating 9mn jobs from road, bridge, flood-control, and other infrastructure-related projects nationwide from 2016-2021

Note: Airport projects include new airports, capacity expansion, rehabilitation and night rating upgrades of airports, among others.

Bridge projects include constructed, widened, upgraded, rehabilitated and strengthened bridges.

Road projects include constructed, widened, upgraded, rehabilitated and strengthened roads

Source: DPWH, DOTR

# Building a Stronger Economy

IFPs to help bring down production costs, improve rural incomes, encourage countryside investments



## 112 Infrastructure Flagship Projects worth PHP5.0tn

- 75 projects or 67% of the projects included in the IFP are under Transport and Mobility to improve connectivity between business districts and rural areas, aimed at leading to better supply chain connectivity, development of industries, efficient movement of goods and services and a more efficient labor mobility.

| IFPs by Funding Source |            | Amount (in PHP bn) |
|------------------------|------------|--------------------|
| ODA                    | 53         | 2,897.11           |
| GAA                    | 25         | 235.92             |
| PPP (Unsolicited)      | 20         | 1,502.56           |
| STOA/PPP               | 5          | 142.48             |
| PPP                    | 3          | 97.00              |
| GAA/ODA                | 2          | 37.04              |
| Private                | 2          | 36.47              |
| ODA/PPP                | 1          | 64.92              |
| PPP/GAA                | 1          | 26.63              |
| <b>Total</b>           | <b>112</b> | <b>5,040.11</b>    |

### 75 Transport and Mobility Projects (PHP4,489.4bn)

1. New Manila International Airport
2. North South Commuter Railway Extension [PNR North 2, PNR South Commuter]
3. Metro Manila Subway Project Phase 1

### 12 Urban Development Projects (PHP157.7bn)

1. Ambal Simuay River and Rio Grande de Mindanao River Flood Control Projects
2. Pasig-Marikina River Channel Improvement Phase IV
3. New Clark City Phase 1

### 10 Water Projects (PHP83.5bn)

1. National Irrigation Sector Rehabilitation and Improvement Project (NIS RIP)
2. Malitubog- Maridagao Irrigation Project
3. Chico River Pump Irrigation Project

### 2 Power and Energy Projects (PHP33.2bn)

1. Agus-Pulangi Rehabilitation Project
2. Agus 3 Hydroelectric Power Project (225 MW)

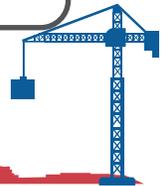
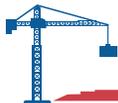
### 9 Information and Communication Technology Projects (PHP159.1bn)

1. Digital Transformation Centers (Upgraded "Tech4ED" Project)
2. Philippine Identification System
3. Safe Philippines Project Phase 1

### 4 Health Projects (PHP117.3bn)

1. Health System Enhancement to Address and Limit (HEAL) COVID-19 Project
2. Philippines COVID-19 Emergency Response Project
3. University of the Philippines – Philippine General Hospital
4. Cancer Center PPP Project
5. Virology Science and Technology Institute of the Philippines

Source: NEDA as of June 2022



# Building a Stronger Economy

BBB Program aimed at closing the infrastructure gap, improve mobility and connectivity in the country

## Completed infrastructure projects



**Angat Water Transmission Improvement Project <sup>1</sup>**  
4.00 meters tunnel (Tunnel no. 4) by 6.30 kilometers to improve the reliability and security of the raw water from Ipo to La Mesa.  
**PHP 3.3bn (US\$ 63.3mn)**  
**Location: Luzon**



**Cagayan de Oro Port**  
Building, with a total floor area of 5,597 square meters, the new CDO Port passenger terminal building boasts of a 1,176-passenger seating capacity on its ground floor, and a 1,221-passenger seating capacity on its second floor.  
**PHP 301mn (US\$ 5.8mn)**  
**Location: Mindanao**



**New Clark City Phase 1**  
National Government Administrative Center (NGAC) includes an athletics stadium that can seat 20,000 individuals, and an aquatics center with a seating capacity of 2,000.  
**PHP 18bn (US\$ 346.2mn)**  
**Location: Luzon**



**Bohol-Panglao International Airport**  
First eco-airport in the Philippines, which replaced the Tagbilaran Airport. It has a 2000m runway and is expected to accommodate up to 3.4 million passengers annually.  
**PHP 8.9bn (US\$ 171.4mn)**  
**Location: Visayas**



**Clark International Airport Expansion Project Phase 1**  
New passenger terminal building to accommodate 8 million passengers per annum to support the operations of the Clark International Airport.  
**PHP 15.0bn (US\$ 287.9mn)**  
**Location: Luzon**



**The Mactan-Cebu International Airport**  
New world-class passenger terminal building in MCI, with a capacity of about 8 million passengers annually.  
**PHP 17.5bn (US\$336.9mn)**  
**Location: Visayas**



**Luzon Bypass Infrastructure Project (Broadband Project) <sup>1</sup>**  
Two cable landing stations connected by a 250-km long cable network corridor that will greatly improve the speed, affordability, and accessibility of broadband Internet throughout the country.  
**PHP 1.0bn (US\$ 19.2mn)**  
**Location: Nationwide**



**MRT 3 Rehabilitation Project**  
Four lane bridge that is expected to accommodate as much as 50,000 cars daily, improving traffic situation in the area and decongesting EDSA.  
**PHP 22.0bn (US\$422.4mn)**  
**Location: NCR**

<sup>1</sup> Projects that were part of previous IFP lists but no longer included in current list of IFPs.

Source: MWSS, PPP, DOTr, DPWH, BBB presentation as of Aug 2020, PNA

Note: Amount in US\$ is calculated using mid point of 51-53 pesos per US dollar which is based on the assumptions and targets adopted by the Development Budget Coordination Committee (DBCC) on 8 July 2022.

# Building a Stronger Economy

Linking local economies to mainstream growth

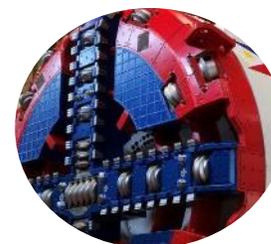
*“It is clear in our mind that railways offer great potential as [these] continue to be the cheapest way of transporting goods and passengers,” – President Ferdinand Marcos, Jr.*



## North-South Commuter Railway Project

**PHP 873.6 billion  
(US\$16.8bn)**

- The North-South Commuter Railway Project from Greater Metro Manila Area to the Southern part of Luzon.
- With 35 stations, 464 train cars / 588-car train sets, including 7 Airport Express Trains, and 3 Depots (Clark Depot, Valenzuela Depot, Calamba Depot)
- Travel time from Clark to Calamba will be reduced from more than 4 hours down to less than 2 hours, and travel time from Clark International Airport to Makati will be less than 2 hours via Airport Express Service.
- Capacity: More than 800,000 passengers in its first year of operations, with a capacity to serve more than 1 million passengers
- Expected to be fully operational by 2024



## Metro Manila Subway Project Phase 1

**PHP 488.5 billion  
(US\$9.4bn)**

- First underground railway project of the country
- The 35 km subway project broke ground in February 2019. Subway will run from Valenzuela City to FTI in Taguig then to NAIA.
- There are 17 proposed stations, with 2 stations combined with NSCR line.
- In December 2020, DOTr signed a contract with Sumitomo Corporation for the delivery of 240 train cars for the subway project.
- Expected to accommodate around 365,000 passengers annually on its first year of full operations and expand to around 669,000 passengers by 2030 and 973,000 passengers by 2035.
- Expected to significantly cut the travel time from North of Manila (Valenzuela) to NAIA Airport from 1.5 hours to about 45 minutes.
- The project is also expected to generate at least 9,000 direct jobs and between 40,000 and 50,000 indirect jobs.

Source: NEDA, DPWH, DOTr

Note: Amount in US\$ is calculated using mid point of 51-53 pesos per US dollar which is based on the assumptions and targets adopted by the Development Budget Coordination Committee (DBCC) on 8 July 2022.

# Building a Stronger Economy

## Linking local economies to mainstream growth

Select priority ongoing/pipeline projects



### Bataan-Cavite Interlink Bridge

**PHP 175.7 billion**  
**(US\$ 3.4bn)**

- 32.15-kilometer bridge with four lanes designed to connect Mariveles, Bataan and Naic, Cavite.
- The project will reduce travel time between Bataan and Cavite from 5 hours to just 20 to 30 minutes.
- The bridge project is expected to improve connectivity between the two regions and bring new economic opportunities.

Location: Luzon



### LRT Line 1 Cavite Extension

**PHP 64.9 billion**  
**(US\$ 1.2bn)**

- The 11.7 kilometer extension of the Metro Manila LRT Line 1 will have eight stations which will connect Baclaran, Paranaque to Bacoor, Cavite.
- Project aims to reduce travel time between Baclaran and Bacoor from 1 hour 10 minutes to 25 minutes.
- It will significantly reduce traffic congestion in the Paranaque-Las Pinas-Cavite area.
- The project will increase passenger capacity from 500,000 to 800,000 daily.

Location: Luzon



### New Cebu International Container Port (NCICP)

**PHP 9.2 billion**  
**(US\$ 0.2bn)**

- The new international container port terminal will be built in a 25-hectare reclaimed island in Brgy. Tayud, Consolacion, Cebu, and it will handle all foreign containerized cargo complementing the Cebu Base Port.
- Project aims to alleviate congestion in the existing Cebu Base Port and increase operational capacity with the increase in cargo handling and container stacking capability.

Location: Visayas

# Forging Stronger Partnerships with the Private Sector

## Broader private sector participation

Status of PPP projects as of 31 August 2022

In recognition of the tighter fiscal space, the government will encourage more **Public Private Partnerships (PPPs)** for infrastructure development

*“Public Private Partnerships or PPPs hold great potential for that expansion, for infrastructure development and for innovation.” – President Ferdinand Marcos, Jr.*

- One of the priority bills mentioned by President Marcos, Jr. during his first SONA is the amendment of Republic Act No. 6957 or the Build-Operate-Transfer Law in order to create a “more competitive and enabling environment” for PPP.



### New Manila International Airport

**PHP 735.6 billion**

The project involves the construction and operation & maintenance of a new modern airport in Bulacan (north of Metro Manila), with a design capacity of **200 million passengers per year**, consisting of 4 runways and all aviation related facilities. The airport is expected to be completed by **2025**

### PPP Projects under Implementation

84 Solicited Projects  
PHP 1.1tn

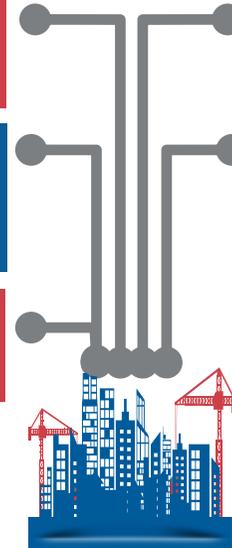
109 Unsolicited Projects  
PHP 1.2tn

6 Projects for verification/  
no information available

### PPP Projects in the Pipeline

39 Solicited Projects  
PHP 191bn

35 Unsolicited Projects  
PHP 2.1tn



**273 PPP Projects**  
**PHP4.6 trillion**

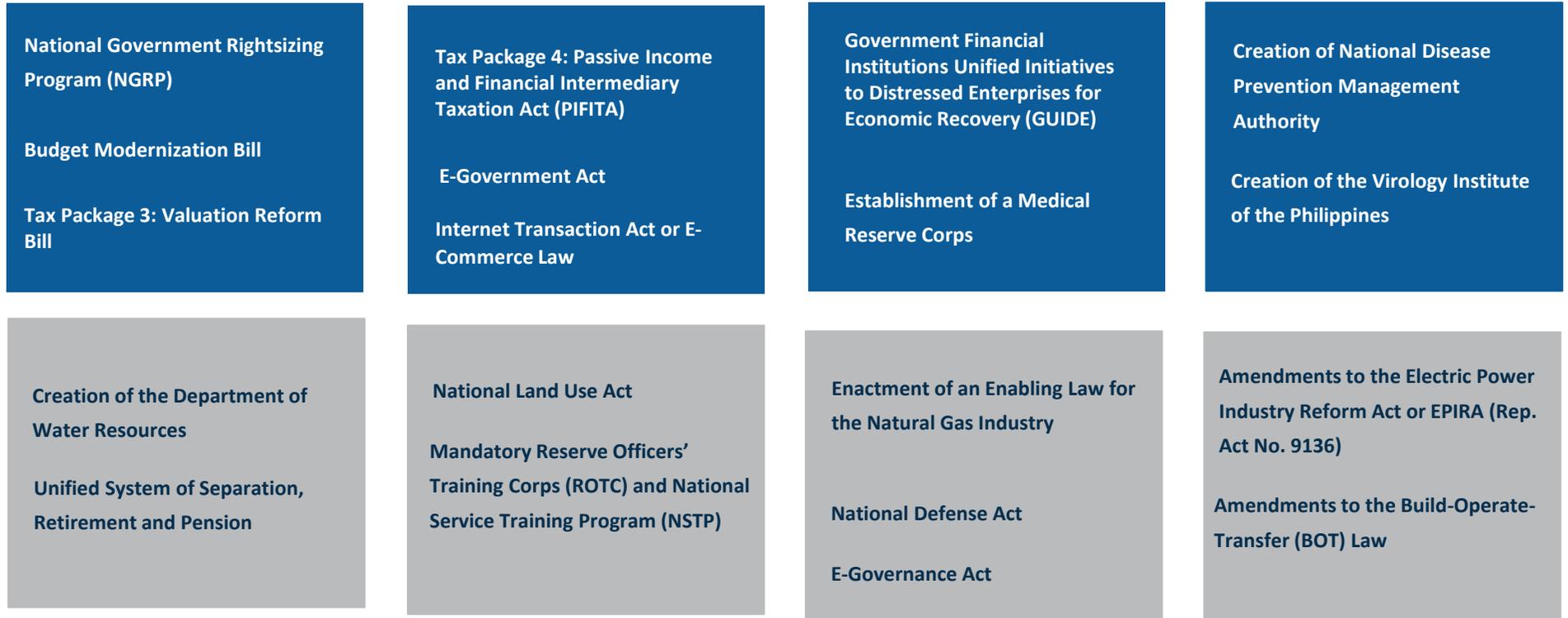
Notes:

- This list includes only those projects where the PPP Center is involved in either the development, appraisal, procurement or implementation, and those projects not belonging to the former but which the PPP Center is monitoring.
- Pipeline refers to projects under development, or for approval, or for procurement.

# 8

## Priority Legislative Agenda of the Marcos Administration

# 19 Priority bills highlighted during the 1<sup>st</sup> State of the Nation Address of President Marcos, Jr.



Passed legislative measures to be continued by the Marcos administration

- RA No. 11523 - Financial Institutions Strategic Transfer (FIST) Act
- RA No. 11521 - Amendments to the Anti-Money Laundering Act
- RA No. 11524 - Coconut Farmers' and Industry Trust Fund Act
- RA No. 11534 - Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
- RA No. 11589 - Modernizing the Bureau of Immigration Act

- RA No. 11590 - Establishing the Tax Regime of Philippine Offshore Gaming Operators (POGO)
- RA No. 11595 - Amendments to the Retail Trade Liberalization Act
- RA No. 11641 - Creating a Department of Overseas Filipinos Act
- RA No. 11647 - Amendments to Foreign Investment Act
- RA No. 11659 - Amendments to the Public Service Act

# 9

## Environmental, Social and Governance (ESG)

# AmBisyon Natin 2040: Building a Sustainable and Inclusive Future for Filipinos

Environmental, social, and governance considerations remain at the front and center of the Philippines' medium-term development plan

The Strategic Framework of the Updated Philippine Development Plan forms a solid bedrock that promotes increased ESG standards

Enhancing social fabric; regaining people's trust in public institutions and cultivating trust in fellow Filipinos



Inequality-reducing transformation



Increasing growth potential; maintaining macroeconomic stability, putting in place a strategic trade and fiscal policy, and enhancing access to financial services

## PH under Marcos administration to pursue a green and blue economy



- Introduce risk-based budgeting and fiscal risk monitoring



- Strengthen market for insurance against catastrophe; protect farmers against climate extremes by reforming agricultural insurance; and implement public asset insurance

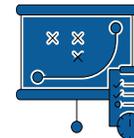


- Expand green and blue financing to a broader set of businesses

- Introduce carbon pricing mechanisms in the medium term.



- Expedite the operationalization of the Green Jobs Act and its IRR by establishing the green jobs certification system and incentive schemes, and developing the green work force with skills accreditation.



- Implement the Philippine Action Plan for Sustainable Consumption and Production.

# Commitment Towards Climate, and Disaster-Resilient, Low Carbon Economy

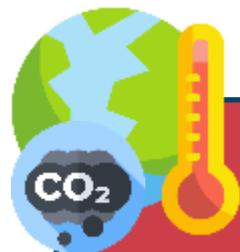
The government commits to strengthen global effort to fight the climate crisis



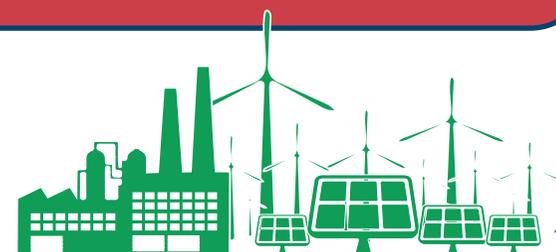
The country's first Philippine Nationally Determined Contribution (NDC), which sets a 75-percent greenhouse gas (GHG) emission reduction and avoidance target by 2030, has been approved as part of the Philippines' commitment to the Paris Agreement on Climate Change.



On 15 April 2021, the Philippines submitted its first official NDC to the United Nations Framework Convention on Climate Change (UNFCCC) as its contributions to achieve the goals of the Paris Agreement, particularly in limiting global warming to well below 2 degrees Celsius above pre-industrial levels or further to 1.5 degrees Celsius.



- The NDC represents the country's goal of modernizing and pursuing low carbon and resilient development for the agriculture, waste, industry, transport and energy sectors over the 2020-2030 period.
- The NDC will be the country's tool to upgrade the economy by adopting modern and low carbon technologies and approaches that would help mitigate the climate crisis for resilient economy and sustainable growth.
- The country's climate change mitigation actions include enhanced access to climate finance, technology development and transfer, and capacity building, especially on the implementation of the policies and measures on and the uptake of circular economy and sustainable consumption and production practices.



# Commitment Towards Climate and Disaster-Resilient, Low Carbon Economy

The Philippine government is cognizant that inadequate and inefficient infrastructure and weak logistic networks worsen the impacts of climate change on communities and the economy and undermine the country's potential growth. Thus, the government has prioritized initiatives to help make communities safer and more resilient to the impacts of climate change and natural disasters.

## Enabling laws and programs

- Consistent implementation of the Climate Change Act of 2009 (RA No. 9729)
- Adoption of National Framework Strategy on Climate Change
- Concurrence of Senate of the instrument signifying the Philippines' accession to the Paris Agreement
- Embodied policies on building resiliency in the Philippine Development Plan (PDP) 2017-2022
- Green Jobs Act (RA No. 10771)
- Department of Human Settlements and Urban Development Act (RA No. 11201)

## Strong institutional capacity elevates climate and disaster resiliency

- Creation of institutions to provide broader multi-stakeholder participation and integrate climate change mitigation and adaptation in legislation, policies, strategies, projects, and programs
  - Cabinet Cluster on Climate Change Adaptation and Mitigation
  - CCC tasked to coordinate, monitor, and evaluate climate change programs and action plans
  - National Disaster Risk Reduction and Management Council
  - Program Management Office for earthquake resiliency
- Priority Legislative Agenda towards safe, adaptive, and resilient communities proposes the creation of:
  - Department of Disaster Resilience Management
  - Department of Water Resources
  - Water Regulatory Commission

Access to climate financing to help mitigate the impact of climate change on government's balance sheet

**US\$570.9mn**

Total funding support that ROP accessed from the Global Environment Facility – covering 110 projects since 1991 as of October 2020.

**US\$10mn**

Approved first climate fund proposal for Green Climate Fund under UNFCCC in November 2019.

**EUR250mn**

Loan agreement with France's development agency to support the decentralization of disaster risk reduction and climate change management to the local government units

**PHP232.8bn**

Climate change adaptation and mitigation expenditure in 2021

**2020 loan financing helped strengthen the Philippine government's capacity to address disaster risks, respond to and recover from natural disasters**

<sup>1</sup>NDRRMF is the budget appropriation for (a) disaster risk reduction or mitigation, prevention; (b) preparedness; (c) relief; and (d) recovery and reconstruction

\*Representative Concentration Pathway –a greenhouse gas concentration trajectory adopted by the International Panel on Climate Change (IPCC)

Source: NEDA, CCC, Department of Budget and Management (DBM), OPS, Moody's

# Commitment Towards Climate and Disaster-Resilient, Low Carbon Economy

The government leads in undertaking national climate change mitigation and adaptation projects

The Philippines has shifted global discussions on climate change from focusing on general scientific findings to undertaking practical actions that may be immediately undertaken on the ground.



Put together a group of experts to prepare and execute localized action plans



Launched the Sustainable Finance Roadmap and Sustainable Finance Guiding Principles to encourage public and private investment in green projects



Currently pushing for a law banning single-use plastic



Embarking on a project with ADB to accelerate the PH's transition to clean energy



Adopted a sustainable finance framework to raise green, social or sustainability bonds, loans and other debt instruments in the international capital markets

# Overview of the Sustainable Finance Framework and the Second Party Opinion

## Overview of the Sustainable Finance Framework

- The ROP’s Sustainable Finance Framework supports its sustainability commitments, and lays out how it will raise Green, Social or Sustainability Bonds, Loans and other debt instruments.
- The Sustainable Financing Instruments will fund Eligible Social Projects and Eligible Green Projects conforming to the sustainable finance principles: ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021; LMA Green Loan Principles 2021, Green Bond Principles 2021; ASEAN Sustainability Bond Standards 2018

### Elements of the Framework



• The net proceeds from Sustainability Financing Instrument issuance will be used exclusively to finance and/or refinance, in whole or in part, new or existing Eligible Expenditures

• The evaluation and selection of the Eligible Expenditures is performed on an annual basis, or as needed, by an Interagency **Technical Working Group on Sustainable Finance**.

• The Bureau of the Treasury (BTR) shall maintain an allocation register to record the allocation of proceeds. Unallocated proceeds will be managed in line with BTR’s cash management policies.

• The ROP intends to provide an Allocation and Impact Report within one year of issuance, and annually thereafter until full allocation.

### Second Party Opinion



According to a Second Party Opinion (SPO), the Philippines’s Sustainable Finance Framework and Eligible Expenditures Portfolio are aligned with the four core components of Green Bond Principles 2021 (“GBP”), Social Bond Principles 2021 (“SBP”), Green Loan Principles 2021 (“GLP”) and Social Loan Principles 2021 (“SLP”).

### Framework and Eligible Expenditures Portfolio

Contribution to Sustainability:



SDG Mapping



Characteristics of the Framework

|                                 |  |
|---------------------------------|--|
| Green/Social Project Categories | ⇒ 4 Green Eligible Categories          |
| Categories                      | ⇒ 7 Social Eligible Categories         |
| Project locations               | The Republic of the Philippines        |
| Target population               | Defined                                |
| Existence of framework          | Yes                                    |
| Share of refinancing            | To be disclosed prior to each issuance |
| Look back period                | 24 months                              |

# Use of Proceeds

24 months

Lookback Period

24 months

Time period for Full Allocation



# Process for Project Evaluation and Selection

▪ **Interagency Technical Working Group on Sustainable Finance (TWG-SF)** under the ROP's **Development Budget Coordination Committee** performs the evaluation and selection of the Eligible Expenditures annually, or as needed.

**Members of the TWG-SF**

**Development Budget Coordination Committee**

Department of Finance (DOF)

Bureau of the Treasury (BTr)

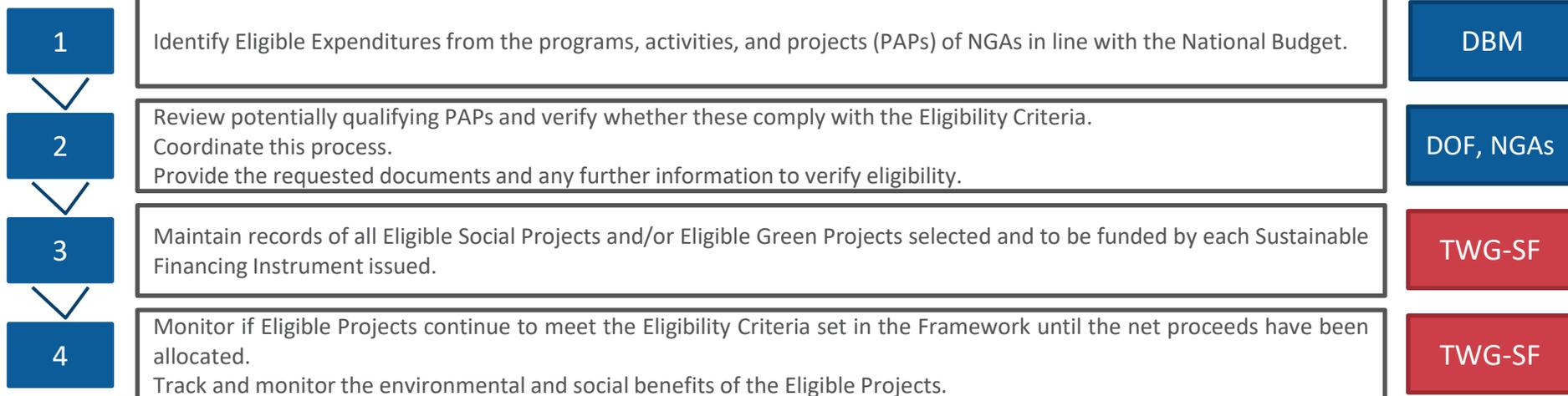
National Economic and Development Authority (NEDA)

Department of Budget and Management (DBM)

**Included as members/consultants/ advisors**

*Sectoral experts from industries and academia*

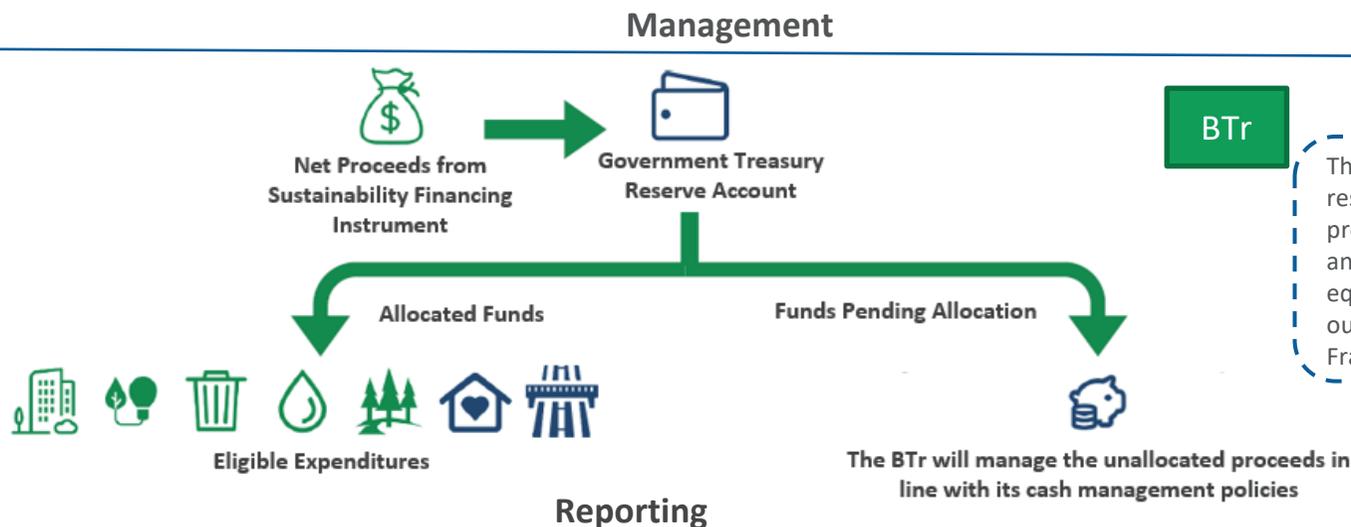
*Other national government agencies (NGAs) whose budgets include Eligible Expenditures*



**Exclusionary Criteria for Use of Proceeds**

- Exploration, production or transportation of fossil fuel, fossil-fuel power-generation related projects;
- Manufacture and production of finished alcoholic beverages;
- Lethal defense goods, military contracting, weaponry;
- Non-RSPO-certified palm oil, extractive mining;
- Manufacture and production of finished tobacco products and conflict minerals, gambling;
- Activities/projects associated with child labor/forced labor;
- Production or trade in wood or forestry products other than from sustainably managed forests;
- Involuntary resettlement and impact on livelihood
- Projects that would affect ethnic minorities/indigenous people and the lands they own or claim;
- Projects located near protected areas

# Management, Reporting of Proceeds



**BTr**

The BTr, as a member of the TWG-SF, is responsible for the management of proceeds, tracking the Eligible Projects and allocations matched to the amount equivalent to the net proceeds of the outstanding bonds issued under this Framework.

## Allocation Reporting

- The Allocation Report may include:
  - Amount of net proceeds raised
  - Balance of unallocated net proceeds
  - Total amount of net proceeds allocated per Eligible Expenditure
  - Details of the split between financing and refinancing

## Impact Reporting

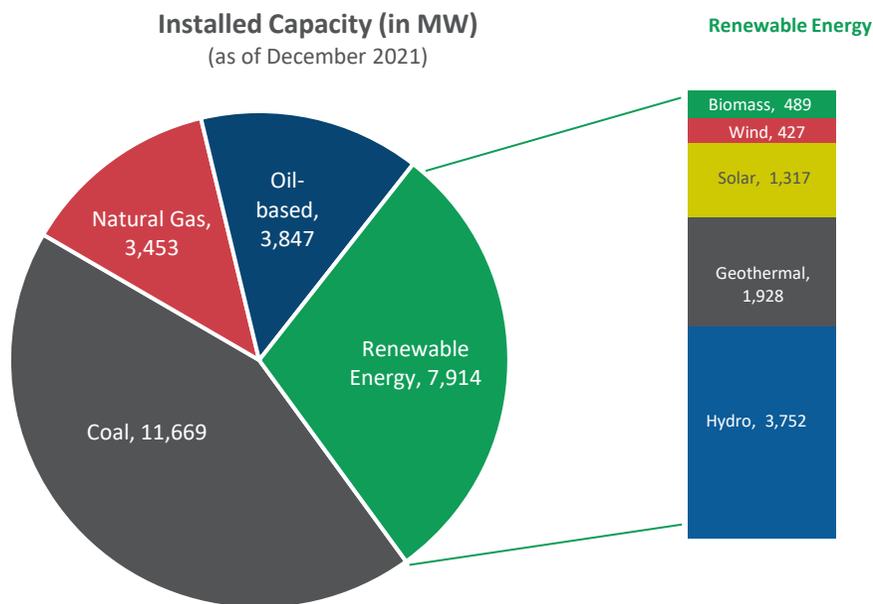
- Where feasible, may contain on best effort basis, such as but not limited to the following example:

| Eligible Sustainable Project Categories |   | Eligible Green Project Categories |  |
|---|---|-----------------------------------|--|
| <b>Access to Essential Services</b>     | Number of students enrolled/educated          | <b>Clean Transportation</b>       | Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent         |
| <b>Affordable Basic Infrastructure</b>  | Number of water infrastructure projects built | <b>Climate Change Adaptation</b>  | Number of flood defences   |
| <b>Food Security</b>                    | Number of farmers benefitted                  | <b>Renewable Energy</b>           | Capacity of renewable energy plant(s) constructed or rehabilitated in MW |
| <b>Affordable Housing</b>               | Number of housing units constructed           |                                   |  |
| <b>Covid-19 Expenditure</b>             | Number of vaccines administered               |                                   |  |

Within one year of issuance and annually thereafter until full allocation, DOF intends to obtain an independent assurance review in order to confirm that the proceeds have been allocated in accordance with this Framework.

# Proactive Approach to Disaster Risk Reduction, Climate Change Adaptation

The government is committed to enhance renewable energy capacity



*“The use of renewable energy is at the top of our climate agenda. We will increase our use of renewable energy sources such as hydropower, geothermal power, solar, and wind.” – President Ferdinand Marcos, Jr. (State of the Nation Address, July 2022)*

## National Renewable Energy Program (NREP)

- NREP outlines the policy framework enshrined in Republic Act 9513 and provides a foundation for the development of the country's renewable energy resources through promoting investments in the renewable energy sector and advancing related technologies.
- The NREP 2020-2040, aims to revert the share of RE to at least 35% of the power generation mix by 2030, similar to the 2008 level when the RE Act was promulgated. With key policies and programs already in place, the government aspires to further increase this target to at least 50% by 2040.
- Last October 2020, DOE declared a moratorium on endorsement for greenfield coal power plants to promote sustainable energy sources.

**46.8%** increase in Total Installed RE Capacity since 2011

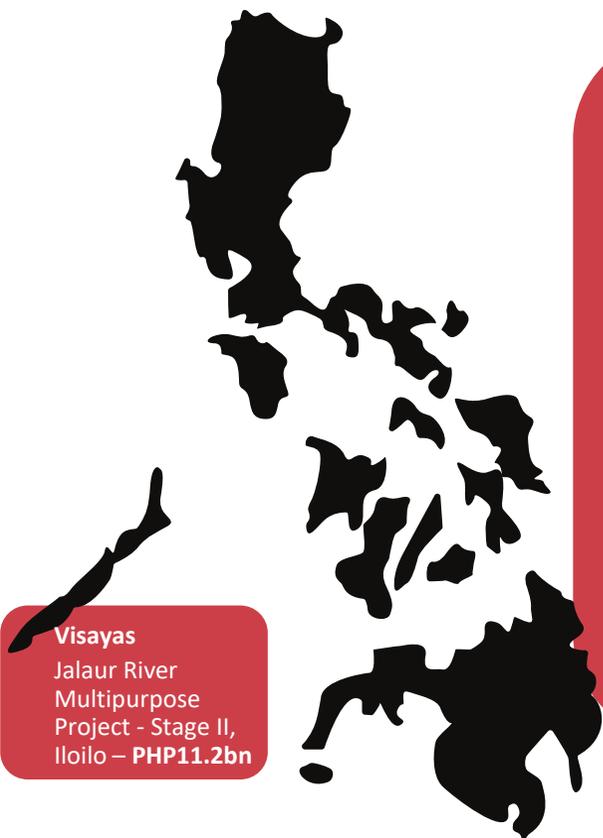


The Independent Electricity Market Operator of the Philippines (IEMOP) launched the Green Energy Option Program (GEOP) on 03 December 2021, following the Energy Regulatory Commission's issuance of ERC Resolution No. 08, Series of 2021.

The GEOP is a new mechanism implemented by the DOE that allows electricity end-users with an average 100kW or above to source their electricity from renewable energy sources.

# Proactive Approach to Disaster Risk Reduction, Climate Change Adaptation

Selected projects aimed at ensuring to ensure the country's water supply and enhance response to disasters



**Luzon**

- Angat Water Transmission Improvement Project (Completed) – **PHP3.3bn**
- Wawa Bulk Water Supply Project – **PHP20bn**
- Balog-Balog Multipurpose Project Phase II, Tarlac – **PHP13.4bn**
- New Centennial Water Source - Kaliwa Dam Project – **PHP 12.2bn**
- Aqueduct No. 7 Project – **PHP 7.4bn**
- Chico River Pump Irrigation Project – **PHP4.5bn**
- Lower Agno River Irrigation System Improvement Project, Pangasinan – **PHP3.5bn**
- Metro Manila Flood Management Project, Phase I – **PHP23.5bn**
- Cavite Industrial Area Flood Management Program – **PHP9.9bn**
- Pasig-Marikina River Channel Improvement Phase IV – **PHP33.1bn**
- Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay – **PHP6.2bn**

**Visayas**

- Jalaur River Multipurpose Project - Stage II, Iloilo – **PHP11.2bn**

**Mindanao**

- Malitubog-Maridagao Irrigation Project – **PHP 5.4bn**
- Ambal Simuay River and Rio Grande de Mindanao River Flood Control Projects – **PHP39.2bn**
- Flood Risk Improvement and Management Project - Cagayan De Oro River – **PHP8.5bn**

**14,436** Flood Mitigating Structures completed

**Nationwide**

- Water District Development Sector Projects (ADB-WDDSP) – **PHP 2.7bn**
- National Irrigation Sector Rehabilitation and Improvement Project (NISRIP) – **PHP3.1bn**
- Flood Risk Management Project (FRIMP) in Cagayan, Tagoloan, and Imus Rivers – **PHP8.8bn**

## National Water Programs

|  | January 2013 to June 2016      | July 2016 – June 2021          |
|--|--------------------------------|--------------------------------|
| <b>Program</b>   | <b>Household Beneficiaries</b> | <b>Household Beneficiaries</b> |
| <i>Sagana at Ligtas na Tubig para sa Lahat (SALINTUBIG) Program.</i><br>Provides potable water supply systems to waterless municipalities, barangays, health centers, and resettlement sites | <b>137,258</b>                 | <b>1.12mn</b>                  |
| <i>Assistance to Municipalities – Water Supply.</i><br>Provides financial subsidy to municipalities  | <b>636,610</b>                 | <b>1.98mn</b>                  |

# Proactive Approach to Disaster Risk Reduction, Climate Change Adaptation

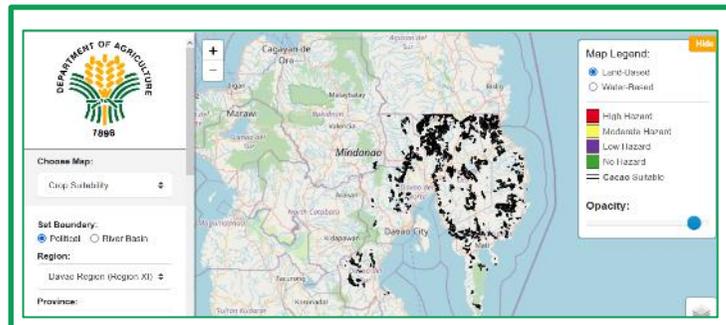
## Other government initiatives on climate change

### Air Quality

- ROP implements climate adaptation and mitigation programs in line with its commitment to the 21<sup>st</sup> United Nations Convention on Climate Change.
- Green, Green, Green Program** of the Department of Budget and Management aims to assist 145 cities develop open public spaces, making life livable.
- ROP pursues promotion of renewable sources and technologies and the regulation of the exploration, development, and utilization of renewable energy sources. In 2019, 2.6mn tons oil equivalent were saved through energy efficiency and conservation program, which avoided the release of 5.6mn tons of carbon dioxide equivalent



### Environment and Natural Resources



- Strengthening Multi-Hazard, Impact-Based Forecasting and Early Warning Systems** to preempt risk events and make warning messages understandable
- The Department of Science and Technology's **HazardHunterPH**, a web application, generates assessment reports on user's location with information on seismic (earthquake), volcanic, and hydro-meteorological hazards.
- Climate Information for Agriculture** – Philippine Astronomic, Geophysical and Astronomical Services Administration (PAGASA) releases a Ten-Day Regional Agri-Weather Information that helps farmers make well-informed decision in light of potential disruptive weather conditions
- Department of Agriculture's Adaptation and Mitigation Initiative in Agriculture or AMIA** - new planning tools towards climate-ready crop management systems and science-based interventions to assist stakeholders (farmers and fisher folks, private sector)
- National Color-Coded Agricultural Guide Map** – to identify the crops that are most suitable in agricultural parcels, and overlays soil properties, elevation, rainfall pattern, temperature, and projected climate-induced multi-hazards

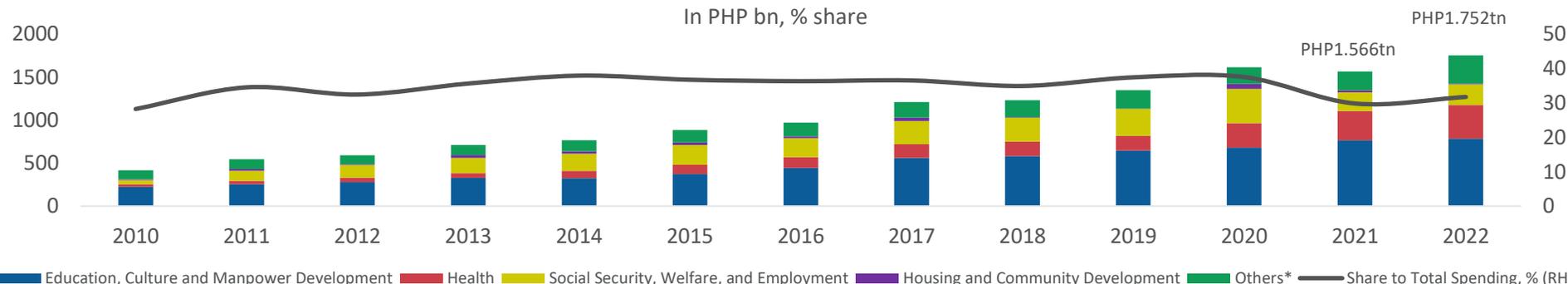
# Investing in Human Capital Development, Improving Social Inclusion

## Philippine Development Plan Strategies to accelerate human capital development

- Nutrition and health for all improved**  
 Care at all life stages guaranteed; access through functional service delivery ensured; health financing sustained
- Income-earning ability increased**  
 Employability improved; productivity improved; labor mobility and income security enhanced
- Lifelong learning opportunities for all ensured**  
 Quality, accessible, relevant, and liberating basic education for all achieved; quality of higher and technical education and research for equity and global competitiveness improved

**The national government is committed to uplifting the lives and livelihoods of its citizens and expanding the economy's productive capacity**

National Government Spending on Social Services Sector, 2010-2022  
In PHP bn, % share



### Milestone legislations to reduce poverty, promote social inclusion, and build stable conditions for sustained inclusive economic growth

Below are select critical and historic policy interventions

- RA No. 10931 Universal Access to Quality Tertiary Education Act (2017)
- RA No. 10969 Free Irrigation Service Act (2018)
- RA No. 11037 National Feeding Program (2018)
- RA No. 11210 105-Day Expanded Maternity Leave Law (2019)
- RA No. 11223 Universal Health Care Act (2019)
- RA No. 11228 An Act providing mandatory Philhealth coverage for all persons with disability (2019)
- RA No. 11291 Magna Carta for the Poor (2019)
- RA No. 11463 Malasakit Centers Act (2019) or One Stop Shops in All DOH Hospitals
- RA No. 11371 Affordable Electricity Act (2019)
- RA No. 11230 Tulong Trabaho Act (2019) or the Act Instituting a Philippine Labor Force Competencies Competitiveness Program and Free Access to Technical-Vocational Education and Training
- RA No. 11058 Occupational Safety and Health Standards Act (2018)
- RA No. 11510 Alternative Learning System Act (2020)
- RA No. 11055 Philippine Identification System Act or PhilSys

### Targeted spending on social services

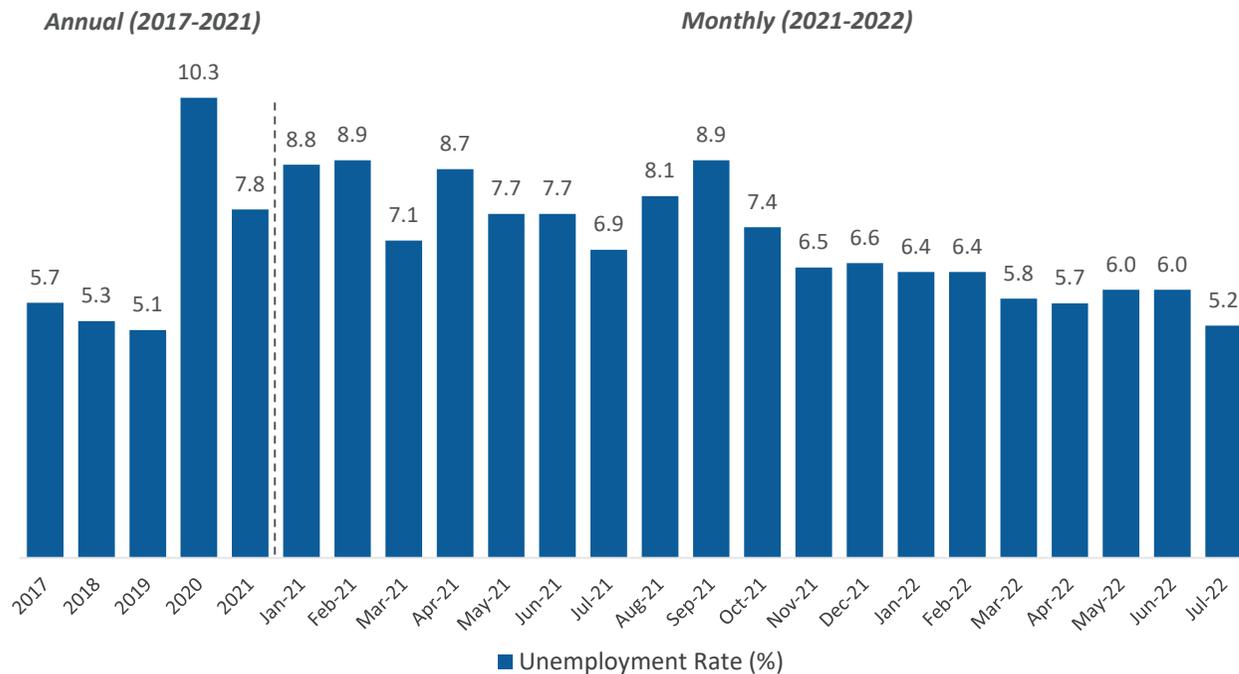
Major social safety programs include among others:

- Conditional Cash Transfer program provided cash assistance for health and education outcomes to over 4.4mn registered households. In 2021, a total PHP89.7bn has been given to 4Ps households. In the same year, over 593K households exited the program
- Unconditional Cash Transfer Program benefited 9.2mn qualified beneficiaries in 2018-2020
- Expanded Social Pension Program benefiting over 3.3mn indigent senior citizens;
- Socialized and low-cost housing under the Building Adequate, Liveable, Affordable, Inclusive Filipino Communities Program which has already benefited over 650,000 families

# Investing in Human Capital Development, Improving Social Inclusion

## Targeted social reforms bearing fruit

*Improved quality of jobs, access to education, health services and better opportunities*



- Jobs market rebounds. The latest unemployment rate of 5.2% in July 2022 nearly a pre-pandemic rate. Total employed persons of 47.4mn in July 2022 remain above the pre-pandemic level (42.5mn in Jan 2020)
- Top five sectors that employed the most from July 2021 to July 2022:
  - Wholesale and retail trade, repair of motor vehicles and motorcycles (2.14mn);
  - Agriculture and forestry (1.74mn);
  - Accommodation and food service activities (498K);
  - Other service activities (354K); and
  - Public administration and defense, compulsory social security (206K).

### Comprehensive Agrarian Reform Program

The government distributed a total of 281,180 hectares of land to 204,327 poor and landless farmers nationwide from June 2016 to December 2021.

### Pantawid Pamilyang Pilipino Program

A total of PHP89.7bn in cash grants was released and paid to about 4.4mn households in 2021. Household beneficiaries nationwide maintained very high compliance rates to program conditions such as education, health, and family development sessions.

### Malasakit Centers

As of August 2022, there are 151 Malasakit Centers or one-stop help centers in all government-run hospitals nationwide to provide efficient medical and financial assistance.

### Free Education

Granted scholarships to 1.53 million students.  
 Provided PHP8bn free tuition to SUCs for Academic Year (AY) 2017 - 2018, which benefitted 900K Filipino students.  
 Free higher education beneficiaries increased by 36.3% (435K) while the Tertiary Education Subsidy beneficiaries increased by 62.7% (1.6mn) in AY 2020-2021

# Investing in Human Capital Development, Improving Social Inclusion

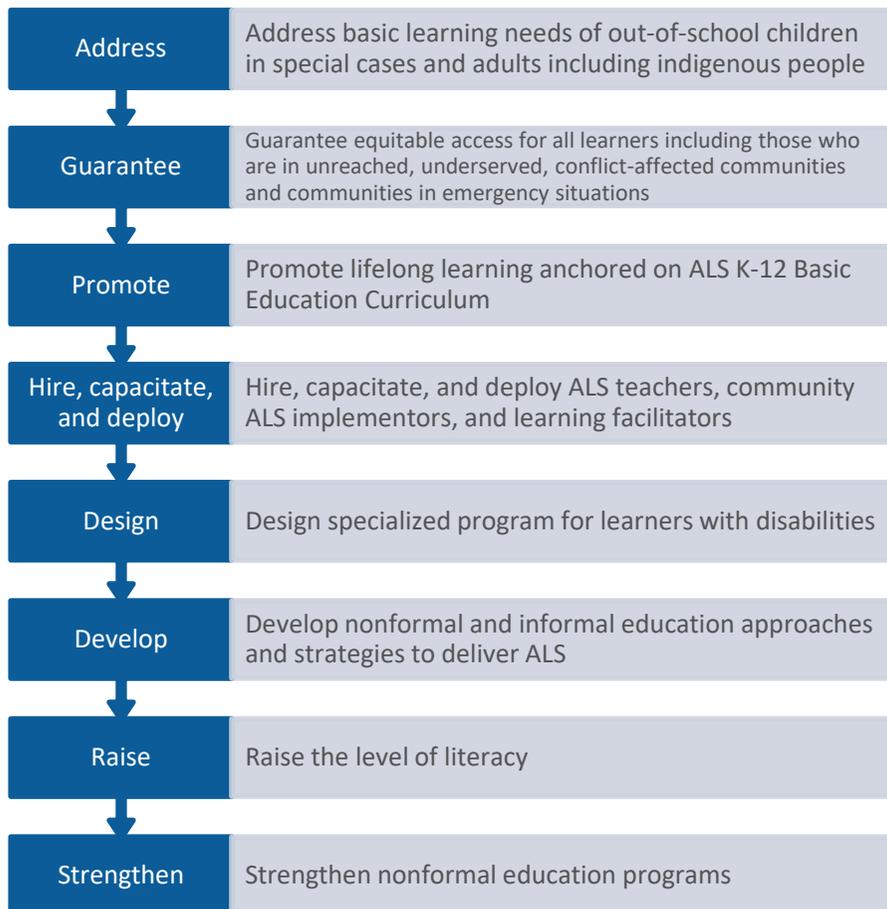
“ A second chance education program that is not second-class. ”

## Ensuring no learner is left behind

*Equitable access to education and personal future sustainability*

- President Duterte signed RA No. 11510 or Alternative Learning System Act (ALSA) on 23 December 2020.
- ALSA institutionalized the Alternative Learning System (ALS) Program to ensure that more out-of-school youth and adults (OSYA) will have access to quality basic education

### Objectives of ALS



### Salient Features of the Law

- All ALS programs are free of charge
- Creation of Bureau of Alternative Education (BAE) as focal office under DepEd for ALS.
- BAE’s powers and functions include policy formulation; curriculum development; learning program delivery; development of learning materials; establishment of minimum quality standards; promotion of certification and accreditation of learners; partnership with government agencies, LGUs, and private sector to ensure learners’ access to educational opportunities; coordination with key agencies and industries for skills development
- Tax exemption for any donation, contribution or grant, in cash or services for ALS
- Transportation and teaching aid allowance for ALS teachers and community ALS implementors

**ALS programs’ nonformal education implementation ranges from, but not limited to the following:**

- Basic literacy program
- Accreditation and equivalency program
- Indigenous peoples’ education program
- Academic-focused bridging programs
- Functional education and literacy programs



**Learning modalities:**

- Modular instruction
- Online, digital, mobile learning
- Face-to-face learning sessions and tutorials
- Radio and television-based instruction
- Blended learning or a combination of various modalities
- Workshops, simulations and internship
- Provision of inclusive and safe learning environment



# Investing in Human Capital Development, Improving Social Inclusion

## “ A solution and a program for every situation or need of poor Filipinos.” ”

### Targeted Cash Transfer (TCT) program

- PHP500 cash subsidy to ease the effects of rising cost of fuel and main commodities

### Pantawid Pamilyang Pilipino Program (4Ps)

- Flagship program for poverty reduction, which provides education and health subsidies to qualified families

### Unconditional Cash Transfer Program (UCT)

- Community-based capacity building program to improve the socio-economic status of participants

### Sustainable Livelihood Program (SLP)

- Community-based capacity building program to improve the socio-economic status of participants

### Assistance to Individuals in Crisis Situation (AICS)

- Social safety net or a stop-gap mechanism to support the recovery of individuals and families from unexpected crisis, i.e., illness or death of a family member, and other crisis situations.

## Reduce the poverty incidence to 9% by 2028

### Human Development, Poverty Reduction Agenda

Ensure food and nutrition security

Strengthen health system through progressive realization of Universal Health Care

Strengthen mental health program

Develop a robust school education system

Improve provision of Technical and Vocational Education and Training programs

Strengthen Community-Driven Development

Transform social protection programs to be adaptive and shock-responsive

Harmonize profiling and targeting systems for vulnerable Filipinos

Pursue digital transformation for efficient service delivery

Synergize through horizontal and vertical coordination

# Advancing the Philippines' Sustainable Finance Agenda

## Philippine Central Bank/Bangko Sentral ng Pilipinas' (BSP) Approach and Initiatives

- **Enabling Regulations:** Sustainable Finance Framework or Circular No. 1085 in April 2020 on sustainability principles in corporate and risk governance; credit risk management; operational risk management. Local banks are given 3-year transition period to reorient their strategies and operations towards sustainable finance initiatives including incentivizing loans for borrowers who adhere to environmental principles
- **Green Force:** A BSP collaboration with the Department of Finance and other key agencies to facilitate mobilization of funds toward green and sustainable projects, development of principles-based taxonomy and oversee the implementation of the Sustainable Finance Roadmap.
- BSP initiatives in championing sustainability in the financial system such as: 1) Conducts capacity building and awareness for supervised financial institutions and BSP supervisors; 2) Issuance of enabling ESG-related regulations; and 3) Launch of the Sustainable Central Banking Program internally.
- BSP is now a member of the Network for Greening the Financial System (NGFS) to enhance the role of financial sector in managing climate and environment-related risks and mobilize capital to support the transition towards a sustainable economy

## PH Compliant with the ASEAN Green Bonds Standards for Eligibility of Green Projects

- Securities and Exchange Commission approved the “Guidelines on the Issuance of Green Bonds Under the ASEAN Green Bonds Standards” to improve awareness and appetite for green financing and enable local issuers to tap into the global green bond market. Eligible projects are: renewable energy, pollution prevention and control, environmentally sustainable management of natural resources and land use, clean transportation, climate change adaptation, and green buildings
- BSP’s green bond portfolio amounts to US\$550mn invested in the Bank for International Settlements’ (BIS) first Green Bond Fund (BISP G1) and Asian Green Bond Fund (BISP G3) to support green finance across Asia-Pacific region, as well as diversify the gross international reserves.

## Selected Private Sector Initiatives to Help Mobilize Investments in Green Projects

|   |                            |  |   |  |  |   |   |  |
|---|----------------------------|--|---|--|--|---|---|--|
| Bank of the Philippine Islands - Aug 2019 | Arthaland Corp. – Feb 2020 | AC Energy - July 2020  | Manila Water - July 2020  | AC Energy - Nov 2020                             | Energy Development Corp. – Jun 2021  | Solar Philippines Tarlac Corp. – Nov 2021   | BDO Unibank Corp. – Jan 2022                      | RCBC – Feb 2022  |
| ▪ CHF100mn                                | ▪ PHP3bn                   | ▪ US\$60mn for renewable investments in transition to low carbon portfolio | ▪ US\$500mn single largest green, social bond issued by a private water utility in Asia | ▪ US\$300mn fixed-for-life green perpetual bonds | ▪ PHP5bn 3 and 5 years Fixed Rate ASEAN Green Bonds for the expansion of Mindanao 3 Binary Project and geothermal projects | ▪ PHP4.2bn issuance of green bonds to refinance a PHP2.2bn loan used for the construction and expansion of its 100 megawatt solar plant | ▪ PHP52.7bn Fixed-Rate ASEAN sustainability bonds | ▪ PHP14.8bn Green, Fixed Rate ASEAN Sustainability bonds |

- Green Financing Program by the Development Bank of the Philippines provides financing and technical assistance to strategic sectors, industries, and local government in adopting environment-friendly processes

# Key Reforms, Digital Transformation to Accelerate Financial Inclusion

Ensures inclusive access to finance, including the unserved and vulnerable sectors, at a secured and cost-efficient way



National Strategy for Financial Inclusion (NSFI) Framework 2022-2028  
blueprint to achieve financial inclusion toward broad-based growth and financial resilience

Key outcomes:

- Reduce disparities in financial inclusion
- Improved financial health and resilience
- More financially capable and empowered consumers
- Increase access to finance for MSMEs



- Social cash transfers
- QR Ph P2P, P2M

- Digital Literacy Programs
- Consumer Protection Framework

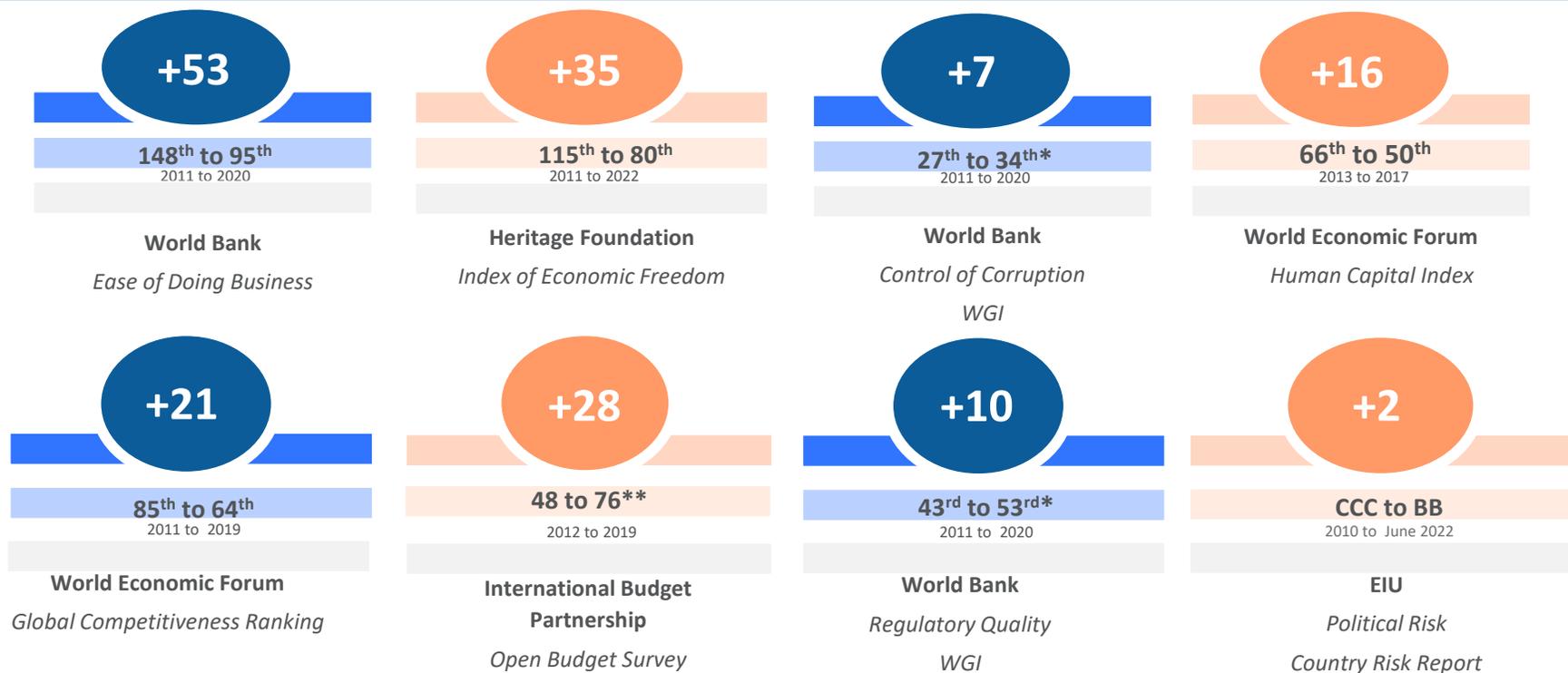
- **National Payment System Act**, a regulatory framework for an efficient retail payment system
- **Creation of the Operationalization of the Payments and Currency Management Sector** in the Central Bank to ensure a well-functioning payments and cash ecosystem to boost economic activity and financial inclusion
- **Philippine Identification System (PhilSys)**, a national digital ID to promote financial inclusion by addressing oft-cited account opening barriers by the unbanked and making onboarding more cost efficient
- **Agricultural Value Chain Financing (AVCF)** framework to improve agri-entrepreneurs' access to finance by shifting the focus of lending from individual farmers and fisher folks to the whole value chain
- **Credit Surety Fund** for MSMEs access to non-collateral bank financing
- **Credit Risk Database** in partnership with Japan International Cooperation (JICA) which uses financial and non-financial data to build statistical models to predict creditworthiness of MSMEs
- **Credit Information System** to promote risk-based lending and address information asymmetry, thereby reducing cost of credit assessment
- **Financial Consumer Protection Act** enables financial regulators to better address consumer complaints such as on cyber crimes and enforce sanctions against erring entities
- **National Broadband Plan** accelerates the deployment of fiber optic cables and wireless technologies, thereby improving internet speed in the country



| Microfinance initiative    | Total Amount (PHP mn) |          |
|----------------------------|-----------------------|----------|
|                            | Q3 2020               | Q3 2021  |
| Microenterprise loans      | 21,100.7              | 22,217.7 |
| Microfinance Plus          | 1,044.8               | 797.5    |
| Micro-Agri Loans           | 1,047.2               | 1,096.8  |
| Housing Microfinance Loans | 1,435.1               | 1,475.5  |

# Strengthened Institutions to Support Transformational Reform Momentum

Results of entrenched reforms are positively recognized by various independent third-party assessors



Stamping out corruption and improving government services are paramount to ease of doing business



Citizens can request for information and assistance on government frontline service procedures, and report commendations, appreciation, complaints, and feedback.

Established to oversee the implementation of the national policy against red tape



\*Percentile rank \*\* Score out of 100  
Source: Various third-party annual ranking reports, PIA, PNA

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The Marcos  
Administration's  
Economic Team

# Absolute Majority Win Gives the Marcos Administration Strong Mandate to Push Further Game-Changing Reforms

- Record-high voter turnout reached 83.07% of the more than 65 million registered voters.
- Ferdinand Marcos, Jr. garnered 31mn votes, or 58.7% of the total votes cast.
- His running-mate Sara Duterte, daughter of former President Rodrigo Duterte, obtained 32mn votes, or 61.53% of the total votes cast.

| Official results based on 171 of 173 certificates of canvass as of 25 May 2022 |            |         |                             |            |         |
|--|------------|---------|-----------------------------|------------|---------|
| Presidential Candidate   | Votes      | % Share | Vice Presidential Candidate | Votes      | % Share |
| Ferdinand Marcos, Jr.  | 31,629,783 | 58.77   | Sara Duterte                | 32,208,417 | 61.53   |
| Leni Robredo   | 15,035,773 | 27.94   | Kiko Pangilinan             | 9,329, 207 | 17.82   |
| Manny Pacquiao   | 3,663,113  | 6.81    | Vicente Tito Sotto          | 8,251,267  | 15.76   |
| Isko Moreno Domagoso   | 1,933,909  | 3.59    | Doc Willie Ong              | 1,878,531  | 3.59    |
| Panfilo Lacson   | 892,375    | 1.66    | Lito Atienza                | 270,381    | 0.52    |

## President Ferdinand R. Marcos, Jr.

Ferdinand Marcos, Jr., popularly known as Bongbong, served as senator of the Philippines, governor of Ilocos Norte, and representative of 2<sup>nd</sup> District of Ilocos Norte.

Born on 13 September 1957, Marcos Jr. is the second child of former Philippine President Ferdinand Edralin Marcos and former Congresswoman Imelda Romualdez Marcos. He is married to Louise Araneta-Marcos with whom he has three sons: Ferdinand Alexander, Joseph Simon, and William Vincent.

Marcos Jr.'s message during his presidential campaign centered on unity. He is an advocate of renewable energy and has called his brand of governance as forward-thinking.



# Seasoned Technocrats, Professionals to Steer Economic Transformation

Meet the members of the Marcos Administration's Economic and Infrastructure Team



**Benjamin E. Diokno**  
Finance

Former Central Bank (BSP) Governor, former Budget Secretary under Estrada and Duterte administrations



**Felipe M. Medalla**  
Bangko Sentral ng Pilipinas

Monetary Board Member since 2011, former socio-economic planning secretary, professor of economics



**Alfredo E. Pascual**  
Trade and Industry

Former Head of Management Association of the Philippines, former state university (UP) president



**Arsenio M. Balisacan**  
Socioeconomic Planning

Former anti-trust chief, former socioeconomic planning secretary under B. Aquino administration



**Amenah F. Pangandaman**  
Budget and Management

Former BSP Assistant Governor, former DBM Undersecretary and Assistant Secretary



**Manuel M. Bonoan**  
Public Works

Former CEO of SMC Tollways, former Public Works Undersecretary



**Christina Garcia Frasco**  
Tourism

Former Municipal Mayor (Liloan, Cebu), lawyer



**Jaime J. Bautista**  
Transportation

Former executive of Philippine Airlines, businessman



**Raphael P.M. Lotilla**  
Energy

Former Energy secretary under Arroyo administration, state university (UP) law professor



**Ivan John E. Uy**  
Information and Communications Technology

Former chair of then Commission on Information and Communications Technology

11

The Investor  
Relations Group

## Promoting the Philippine economy at home and abroad

The IRG undertakes a range of initiatives to build awareness among domestic and international investment audiences on the Government's economic reform program, promote specific investment opportunities in the Philippines, and facilitate information exchange and dialogue between the Government's key economic policy decision-makers and domestic/international investors. These initiatives include:

- Regular Economic Briefings to update the business community, media, and industry organizations on the country's economic performance
- Investor Roadshows to bring the Government's resilient economic performance record, commitment to sound economic management, and responsible reform to members of the international financial community
- Media Briefings to raise awareness on the Government's progress in economic reforms and plans for ongoing reforms
- Government Policy Roadshows to increase the business community's understanding of government policy measures to generate support for the policy implementation process
- Investor Teleconferences to provide timely updates on key economic performance indicators
- E-mail service to keep investors and other investors abreast of data releases on a regular basis
- An English Language Microsite, <https://www.bsp.gov.ph/Pages/IRO.aspx>, to provide a wide range of easily accessible information about the Philippines' economic performance and the government's economic policies

### Contact Information

For further information about the Investor Relations Group, or about the Philippine economy, please contact:

Investor Relations Group  
Bangko Sentral ng Pilipinas  
A. Mabini St. cor. P. Ocampo St.  
Malate Manila, Philippines 1004  
Tel: (632) 8708-7487 / (632) 5303-1581  
Email: [iro-semu@bsp.gov.ph](mailto:iro-semu@bsp.gov.ph)  
Fax: (632) 8708-7489  
Website: <https://www.bsp.gov.ph/Pages/IRO.aspx>



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