

Structural Reforms in the Philippines

- Structural reforms pursued on the back of the administration's strong political capital and popular support
- The Philippines has a strong track record of continuity despite changes in political leadership
- Game-changing reforms include liberalization of Public Services, Retail Trade, and Banking System, and privatization of Power and Water sectors

Sound macroeconomic management yields strong results

- ✓ One of the strongest performing economies in ASEAN
 - 5.5% GDP growth in 2023 vs. Indonesia and Vietnam at 5.1%, Malaysia at 3.7%, Thailand at 1.9% and Singapore at 1.1%; IMF forecasts PH to grow by 6.2% in 2024^{1/}
- ✓ On track to achieving upper middle-income economy status by 2025 with per capita GNI of US\$4,297 in 2023
- ✓ Manageable inflation environment
 - Inflation generally on a downward decline since its peak of 8.7% in January 2023; Risk-adjusted inflation forecasts for both 2024 and 2025 are within target range, at 4.0% and 3.5%, respectively
- ✓ Favorable external payments position provides buffers against global shocks. As of end-2023:
 - GIR of US\$103.75 equivalent to 7.7 months' worth of imports of goods and payment for services and income
 - Overseas Filipinos' remittances reached US\$37.2bn (8.5% of GDP) and is forecast to grow by 3.0% in 2024-2025; US\$30bn in BPOs revenues; US\$8.7bn in tourism revenues.
 - External debt/GDP ratio of 28.7%; lower compared to Indonesia's 29.7%, Malaysia's 68.2%, and Thailand's 37.5%
- ✓ Sound and stable banking system
 - Philippine Banking System's (PBS) capital adequacy ratio of 16.6% in Dec 2023, higher than international (8%) and regulatory (10%) standards
 - Non-performing loans ratio remains low at 3.4% in Feb 2024 vs. 4.5% in Aug 2021, highest during the pandemic

Sustained reform momentum

- ✓ President Marcos, Jr.'s political capital gives him leverage to pursue critical reforms; high approval ratings from Pulse Asia at 55% in March 2024
- ✓ 14 priority bills of the Legislative Executive Development Advisory Council has been signed into law

Fiscal initiatives strengthen public finances and provide growth impetus

- ✓ Firm commitment to fiscal sustainability
 - Medium-Term Fiscal Framework serves as blueprint to reduce country's fiscal deficit, promote fiscal sustainability, and enable robust economic growth
- ✓ Prudent debt management
 - Debt/GDP: 60.2% actual vs 61.2% target in 2023
- ✓ Improved tax collection efficiency from the implementation of comprehensive tax reform program e.g., TRAIN law, sin tax laws, and tax administration reforms e.g., digitalization program of the BIR and BOC
 - Maintained tax effort of around 14% from 2018, even during pandemic years

Expanded infrastructure development

- ✓ Continued and expanded infrastructure development through "Build Better More" program
 - Public-Private Partnership (PPP) Code to promote more public-private collaboration to complement the government's infrastructure program
 - Sustain infrastructure spending at 5-6% of GDP for 2024-2028;
 - ✓ Public spending for infrastructure projects reached 5.8% of GDP in 2023
- ✓ US\$309.6bn worth of priority programs and projects to accelerate infrastructure development via the Public Investment Program (PIP) 2023-2028
 - 185 Infrastructure Flagship Projects (IFPs) worth US\$163.27bn
 - ✓ 134 out of 185 projects are under the Physical Connectivity Sector to improve and modernize the country's transportation system

^{1/} IMF World Economic Outlook April 2024

Select Key Reforms Enacted and in the Pipeline Under the Marcos, Jr. Administration

Signed into Law and Other Reforms

- **MAHARLIKA INVESTMENT FUND**, country's first-ever sovereign wealth fund to invest in big ticket projects
- **EASE OF PAYING TAXES ACT**, modernizes tax administration, encourages proper and easy compliance, boosts revenue collection
- **PUBLIC-PRIVATE PARTNERSHIP CODE OF THE PHILIPPINES (PPP CODE)**, enhances clarity and predictability to encourage investments in PPPs
- **100-PERCENT FOREIGN OWNERSHIP OF RENEWABLE ENERGY PROJECTS**, liberalized solar, wind, hydro, and ocean or tidal energy projects
- **NATIONAL EMPLOYMENT RECOVERY STRATEGY/TRABAHO PARA SA BAYAN ACT**, improves the employability and competitiveness of Filipino workers through upskilling and reskilling initiatives
- **NEW AGRARIAN EMANCIPATION ACT**, frees farmer beneficiaries under the Comprehensive Agrarian Reform Program (CARP) from debt
- **INTERNET TRANSACTION ACT**, lays down the code of conduct and qualifications for businesses who wish to engage in e-commerce

Pending Measures

- **AMENDMENTS TO THE ELECTRIC POWER INDUSTRY REFORM ACT OR EPIRA**, ensures fair pricing and addresses issues related to power supply and demand, and improves supply reliability and quality
- **BUDGET MODERNIZATION BILL**, strengthens fiscal discipline in the allocation and use of budget resources to improve delivery of services and strengthen public accountability and transparency
- **NATIONAL DEFENSE ACT**, amends the decades-old National Defense Act of 1935 to streamline and professionalize the defense bureaucracy; enhance capability of the country against internal and external threats

Select Bills Approved in Either House of Representatives or Senate

- **AMENDMENTS TO THE BANK DEPOSITS SECRECY LAW**, 1) empowers the Bangko Sentral ng Pilipinas to investigate bank deposits; and 2) improves the Philippines' defenses against money laundering and cybercrime incidents
- **PASSIVE INCOME AND FINANCIAL INTERMEDIARY TAXATION ACT (PIFITA)**, simplifies taxation of passive income, financial services, and transactions and will contribute to local capital market development
- **AMENDMENTS TO THE RIGHT-OF-WAY ACT**, helps fast-track acquisition of right of way leading to accelerated implementation of infrastructure projects
- **COMPREHENSIVE INFRASTRUCTURE DEVELOPMENT MASTER PLAN**, improves infrastructure planning to provide an efficient and integrated system that will promote sustainable and inclusive economic growth across the country
- **RATIONALIZATION OF THE MINING FISCAL REGIME**, simplifies fiscal regime for the mining industry to boost revenues
- **AMENDMENTS TO THE GOVERNMENT PROCUREMENT LAW**, shorten the present bureaucratic intricacies of the system
- **E-GOVERNMENT ACT**, promotes interoperable government ICT network to provide reliable access to government services
- **NATIONAL GOVERNMENT RIGHTSIZING PROGRAM**, streamlines agencies for bureaucratic efficiency
- **PHILIPPINE DEFENSE INDUSTRY DEVELOPMENT ACT (PDIDA)/SELF-RELIANT DEFENSE POSTURE ACT**, promotes the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive

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