NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

S E N A T E

Concurrent Resolution No. 3

Introduced by Senators Juan Miguel F. Zubiri, Loren B. Legarda, and Joel Villanueva

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CONCURRENT RESOLUTION
SUPPORTING THE 2022-2028 MEDIUM-TERM FISCAL FRAMEWORK OF THE NATIONAL GOVERNMENT

WHEREAS, *Ambisyon Natin 2040* recognizes the need for a bold vision and effective development planning based on a forward-looking approach that goes beyond a single administration and ensures sustainability and consistency of strategies, policies, programs and projects across political administrations;

WHEREAS, the Marcos Administration designed the 2022-2028 Medium-Term Fiscal Framework to attain short-term macro-fiscal stability while remaining supportive of the economic recovery and to promote medium-term fiscal sustainability;

WHEREAS, the Medium-Term Fiscal Framework aims to consolidate the National Government's resources so that these are mobilized and utilized in order to gain the maximum benefit and high multiplier effects for the economy;

WHEREAS, the proposed overall goal of the Marcos Administration's Medium-Term Fiscal Framework is to reinvigorate job creation and poverty reduction by steering the economy back to its high-growth path in the near term and sustain the high--but inclusive and resilient-- growth all through 2028;

WHEREAS, medium-term growth targets and the assumptions regarding key macroeconomic variables underpin the medium-term fiscal plan. The recent past and the COVID-19 pandemic has beset the macroeconomic environment with challenges and a series of external shocks. Inflation has accelerated in recent months due largely to significant increases in international prices of oil and key commodities. Still, the economic growth momentum remains firm as demonstrated by the strong 2022 first quarter gross domestic product (GDP) growth at 8.3 percent. However, the recovery process from the impact of the pandemic is still on-going amid elevated uncertainty in the international economic environment;

WHEREAS, there is a need to adopt a whole-of-nation approach to align all economic recovery programs and measures of the National Government (NG) with the legislative priorities;

RESOLVED, *by the House of Representatives, the Senate concurring,* that the legislative agenda shall be guided by targets set in the 2022-2028 Medium-Term Fiscal Framework, attached as "Annex A" hereof, as follows;

- 6.5-7.5% real GDP growth in 2022; 6.5-8% real GDP growth annually between 2023 to 2028
- 9% (i.e., single-digit) poverty rate by 2028
- 3% NG deficit to GDP ratio by 2028
- Less than 60% NG debt-to-GDP ratio by 2025
- At least $4,256 income (GNI) per capita (attainment of upper middle-income status)[1]

RESOLVED, FURTHER, to support the macroeconomic objectives of the 2022-2028 Medium-Term Fiscal Framework of the National Government and the economic managers' proposed strategies, as follows:

- Near-term socioeconomic agenda which will continue to implement risk-managed interventions in areas of food security, transport and logistics, energy, fiscal management, health, education, social protection, and bureaucratic efficiency, to ensure the unimpeded and adequate delivery of social services, mitigate inflation pressures, accelerate economic recovery, and address economic scarring; and

- Medium-term socioeconomic agenda which will create more, high-quality , and green jobs for Filipinos.

RESOLVED, FURTHERMORE, to recognize the importance of a fiscal consolidation and resource mobilization plan, to include measures such as rightsizing of government structures and personnel, and encouraging localized investment and growth programs;

RESOLVED, FURTHERMORE, to prioritize legislative measures that are consistent with the long-term socioeconomic vision as embodied in *Ambisyon Natin 2040,* as well as the 2022-2028 Medium-Term Fiscal Framework, for a prosperous society, consistent with the achievement of macroeconomic stability and inclusive economic development, while continuing to allocate resources for health, disaster risk management, food and social security, digital economy, local government support, private sector participation and growth-inducing expenditures;

RESOLVED, FINALLY, that the MTFF shall be subject to review and updating in three (3) years, or in 2025, prior the 20th Congress, to reflect current economic conditions and developments.

Adopted,

JUAN MIGUEL F. ZUBIRI | **LOREN LEGARDA**

JOEL VILLANUEVA

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[1] Based on the latest classification as of 1 July 2022, the World Bank defines upper middle-income (UMIC) economies as those with gross national income (GNI) per capita between US$4,256 and US$13,205.

2022-2028 Medium-Term Fiscal Framework (MTFF)

I. Fiscal Policy Statement

The Medium-Term Fiscal Strategy of the Marcos administration seeks to attain short-term macro-fiscal stability while remaining supportive of the country's economic recovery and to promote medium-term fiscal sustainability. Furthermore, and more importantly, fiscal policy aims to bring together the National Government's (NG's) resources so that these are mobilized and utilized in order to gain the maximum benefit and high multiplier effects for the economy.

Measurable medium-term macroeconomic and fiscal objectives include the following headline numbers.[1] These are based on forecasts that are consistent with the guiding principles of coherence of strategies, policy discipline and fiscal sustainability.

- 6.5-7.5% real gross domestic product (GDP) growth in 2022; 6.5-8% real GDP growth annually between 2023 to 2028
- 9% (i.e., single-digit) poverty rate by 2028
- 3% NG deficit to GDP ratio by 2028
- Less than 60% NG debt-to-GDP ratio by 2025
- At least $4,256 income (GNI) per capita (attainment of upper middle-income status)[2]

The aforementioned headline goals summarize the objectives of this MTFF being submitted to Congress, for its adoption and concurrence through a Concurrent Resolution by the Senate and House of Representatives. Once adopted, the MTFF will become an anchor for the annual spending and financing plan of the NG and Congress when preparing the annual budget and undertaking related appropriation activities. It is therefore a forward-looking document that extends beyond the traditional three-year horizon to reach six (6) years,

[1] The headline targets are subject to review and/or updating at the beginning of the (next) 20th Congress in 2025. In the case of the need to update the targets, a corresponding revised MTFF shall be submitted to Congress. The revised MTFF shall contain the explanations such as the latest developments and economic conditions surrounding the need to update the targets.

[2] Based on the latest classification as of 1 July 2022, the World Bank defines upper middle-income (UMIC) economies as those with gross national income (GNI) per capita between US$4,256 and US$13,205.

coinciding with the six-year coverage of the Philippine Development Plan (PDP) 2023-2028. The MTFF also promotes transparency and credible commitment to pursue the indicated socio-macroeconomic goals that optimize the government budget.

II. Macroeconomic Environment and Assumptions: Recent Performance and Challenges

Medium-term growth targets and the assumptions regarding key macroeconomic variables underpin the medium-term fiscal plan. The recent past and the COVID-19 pandemic has beset the macroeconomic environment with challenges and a series of external shocks. Inflation has accelerated in recent months due largely to significant increases in international prices of oil and key commodities. Still, the economic growth momentum remains firm as demonstrated by the strong 2022 first quarter GDP growth at 8.3 percent. However, the recovery process from the impact of the pandemic is still on-going amid elevated uncertainty in the international economic environment. Revisions in the macroeconomic assumptions incorporate these challenges and most recent economic developments, leading to upward adjustments in the following:

- Inflation rate for 2022-2023;
- Foreign exchange rate for 2023-2025; and
- Goods and services imports growth for 2022

Macroeconomic Assumptions

Particulars	2022	2023	2024	2025	2026	2027	2028
Real GDP growth rate (in %)	6.5 - 7.5	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0	6.5 - 8.0
Inflation (in %)	4.5 - 5.5	2.5 - 4.5	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0
Dubai crude oil price (in USD/barrel)	90 - 110	80 - 100	70 - 90	70 - 90	70 - 90	70 - 90	70 - 90
Exchange rate (PHP/USD)	51 - 55	51 - 55	51 - 55	51 - 55	51 - 55	51 - 55	51 - 55
Growth of exports goods (in %)	7.0	6.0	6.0	6.0	6.0	6.0	6.0
Growth of imports goods (in %)	18.0	6.0	8.0	8.0	8.0	8.0	8.0

Source: Development Budget Coordination Committee (DBCC), as approved on 8 July 2022

n. b. The foregoing macroeconomic assumptions are subject to periodic review by the DBCC, considering external and domestic economic and fiscal developments.

The economy is expected to grow by 6.5 to 7.5 percent this year as we continue to reopen the economy while considering the recent external developments. In the first quarter alone, GDP saw an increase in household consumption and private investments, along with a robust manufacturing industry, high vaccination rate, improved healthcare capacity, and an upward trend in tourism and employment. This is expected to continue for the rest of the year. This strong economic growth is projected to be sustained and expanded further to 6.5 to 8 percent from 2023 until 2028.

The average inflation for 2022 is projected to range from 4.5 to 5.5 percent, following the uptick in fuel and food prices as a result of the ongoing Russia-Ukraine conflict and disrupted supply chains. It is slightly adjusted to 2.5 to 4.5 percent in 2023, and is seen to return to the target range of 2.0 to 4.0 percent by 2024 until 2028.

Dubai crude oil price is expected to settle at USD 90 to 110 per barrel in 2022, USD 80 to 100 in 2023, and USD 70 to 90 per barrel from 2024 onwards as oil supply is expected to catch up and stabilize over the medium-term.

The Philippine peso is projected to average between 51 to 53 per US dollar in 2022 and 51 to 55 per US dollar from 2023 onwards due to aggressive monetary policy tightening by the US Federal Reserve, market aversion amid the Russia-Ukraine conflict, and increased global oil prices.

Lastly, exports of goods are expected to grow by 7 percent in 2022, and 6 percent from 2023 to 2028. On the other hand, imports of goods are projected to grow by 18 percent in 2022, 6 percent in 2023, and 8 percent from 2024 to 2028.

III. Macroeconomic Objectives (8-point Socioeconomic Agenda)

The PDP 2023-2028 will focus on an 8-point agenda in the near-term and will add another 8-point agenda over the medium term. These will address the immediate issues of inflation, socioeconomic scarring and low income, among others.

The overall goal is to reinvigorate job creation and poverty reduction by steering the economy back to its high-growth path in the near term and sustain the high -- but inclusive and resilient -- growth of 6.5 to 8 percent all through 2028. Poverty incidence is expected to decline from 20 percent to 9 percent of the population.

Although many uncertainties abound covering health, recovering learning losses from COVID-19, environmental, and global trade and finance trends, the challenges are not insurmountable. The reforms laid down by past administrations have paved pathways for the Marcos administration to pursue opportunities for accelerating economic recovery and post-recovery development. Such reforms can be deepened to build stronger foundations for a more robust, more inclusive, and more resilient Philippine economy.

Amid continuing inflationary pressures from both global and domestic sources, prices of basic goods and services must be kept within the ordinary Filipino's reach. **To arrest inflation,** constraints in food, energy, and transportation and logistics sectors must be holistically addressed to ensure that there is enough supply of basic goods and services that is affordable and accessible to all. Medium- and longer-term strategies to ensure food and energy security will also be implemented.

To reduce vulnerability and remedy the scars from COVID-19, the government will continue to implement risk-managed interventions to fully reopen the economy and ensure the unimpeded and adequate delivery of social services, such as health, education, and social protection.

Specifically, the government will pursue the 8-point agenda for the near term, in order to protect the purchasing power and mitigate the socioeconomic scarring of families and the consumers, in general.

1. ***Ensure food security.*** Ensure food security (availability, affordability, safety, accessibility) amid the looming global food shortages.
    - Secure food supply.
    - Prioritize spending on productivity-enhancing measures and efficient marketing and distribution of the produce.
    - Increase investments in research and development on better seeds, pest and disease management, extension services, climate change adaptation, value addition, and shelf-life extending technologies.

- Rationalize subsidies including import tariffs and non-tariff barriers.
- Provide targeted nutritional support to pregnant women and children under three (3) years old, particularly in local government units (LGUs) with high incidence of poverty and malnutrition to mitigate the immediate effects of rising food insecurity and hunger.

2. ***Reduce transport and logistics cost.*** Streamline regulatory processes to facilitate seamless international trade and domestic transactions, and hasten the movement of goods from ports and warehouses to wet markets and end consumers.
    - Implement a program to bring down the cost of transporting food produce from the farm to the market.

3. ***Reduce energy cost to families.***
    - To conserve energy, implement alternative work arrangements that reduce the need to travel where these have been proven to be effective and productivity-enhancing.
    - Encourage the use of active transport and other alternative modes of transportation by improving creating structures and regulations for safety, convenience and mobility for pedestrians and bicyclists.
    - Pursue an energy transition and development program aimed at achieving a clean, reliable and secure mix of energy sources.

4. ***Tackle health.***
    - Ramp up vaccination and uptake of booster doses 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 the prompt identification and response to outbreaks.
    - Resume implementation of reforms and investments enshrined in the Universal Health Act.
    - Expand the delivery of essential nutrition services targeting the first 1,000 days of life, with emphasis on LGUs with high rates of stunting.

5. ***Strengthen social protection.***
    - Strengthen the core functions of poverty reduction and human capital investment of the *Pantawid Pamilyang Pilipino* Program (4Ps).

- Expedite the adoption of the National ID System (PhilSys) and facilitate digital transformation of social protection systems to allow for a more efficient, targeted, and equitable delivery of social programs.
- Strengthen social protection delivery to be more adaptive and responsive to shocks, by streamlining contingency financing mechanisms, establishing a dynamic social registry, and defining business process for national and local governments with emergency cash transfers. Rationalize the existing programs enhance coverage, adequacy, and efficiency in light of the fiscal environment to ensure that the objectives of promotion, transformation, prevention and protection of well-being are achieved.

6. ***Safely reopen face-to-face education.***
    - Quickly and safely reopen classes at all levels.
    - Improve curriculum to focus on foundational skills and provide tutorial and remedial classes to address learning gaps arising from the pandemic.
    - Expand the Alternative Learning System to support dropouts.
    - Support teachers to improve pedagogical competences, including the use of digital learning platforms, and subject knowledge.
    - Through the Technical Education and Skills Development Authority (TESDA), promote reskilling and upskilling programs for displaced workers and out-of-school youth.
    - Improve school governance at all levels.
    - Enhance and modify the Government Internship Program to provide opportunities for new graduates to gain shop, laboratory or internship experiences.
    - Leverage digital channel to improve education and learning resilience.

7. ***Enhance bureaucratic efficiency.***
    - Facilitate the transformation and digitalization of government processes, records and databases, and ensure full functionality with the PhilSys.
    - Implement a right-sizing program for the bureaucracy particularly on functions that have been devolved following the Mandanas-Garcia ruling.

- Push for the passage of the Budget Modernization Bill (BMB)[3] to institutionalize the key Public Financial Management (PFM) Reform initiatives implemented by oversight agencies (Department of Budget and Management, National Economic and Development Authority, Department of Finance [DOF], Bureau of the Treasury, and Commission on Audit). These include the development and implementation of the Integrated Financial Management Information System (IFMIS)[4] and institutionalization of the Cash Budgeting System (CBS)[5] which will ensure accountability and integrity in the use of public resources of the NG.
- Initiatives on legislating the National Government Rightsizing Program (NGRP) since 2016, which is primarily aimed to enhance the government's institutional capacity, in line with the directive of the President to all agency heads to streamline the operations of their respective agencies to improve service delivery. Specifically, the NGRP will enable the government to: (i) implement transformational reform initiatives; (ii) improve public service delivery; (iii) focus on the performance of the vital/core functions of agencies and ensure the effective and economical implementation of their programs and projects; and (iv) simplify the respective systems and processes of agencies, and pursue various management systems improvement and productivity enhancement measures/initiatives.
- Implementation of the full devolution initiatives of the NG previously issued under EO No. 138, dated June 1, 2021, in view of the Mandanas-Garcia ruling effectively increasing the resources of LGUs with their higher National Tax Allotment (NTA) shares.

8. ***Pursue sound fiscal management.***
    - Implement tax administration reforms to increase revenue collection.

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[3] Entitled "An Act to Reform the Budget Process by Enforcing Greater Accountability in PFM, Promoting Fiscal Sustainability, Upholding Congress' Power of the Purse, Instituting an Integrated PFM system, and Increasing Budget Transparency and Participation". The Bill has been filed under House Nos. 92147 and 92398 last April 17 and 21, 2021 for the 18th Congress and is subject for review for re-filing in the coming 19th Congress.

[4] Intended to be a single portal of all financial transactions to be used by NGAs, GOCCs and LGUs to integrate budgeting, cash management and accounting processes.

[5] In accordance with Executive Order (EO) No. 91, CBS aims to promote the faster implementation of government programs by ensuring that funding requirements for priority programs and projects are sufficient, maximized by agencies, and, even more importantly, delivered on time.

- Realign expenditure priorities and improve spending efficiency to immediately address the economic scarring arising from the effects of COVID-19 and be prepared for future shocks.
- Adjust taxes on non-essential and luxury goods and services. Focus government resources on health, education, infrastructure, and social protection.
- Explore the generation of government revenue from establishing an auction system for assigning frequency spectrum, thereby streamlining the efficient use of telecommunications resources (for tv, radio, and mobile phone services).

Over the **medium term,** the government adopts an 8-point agenda that will focus on creating more **JOBS,** quality **JOBS,** and green **JOBS**. There will be more job opportunities for Filipinos; productivity-enhancing investments will be promoted while exercising prudence in fiscal management. Government will implement a more holistic *Build, Build, Build (BBB)* program, including strategic utilization of public-private partnerships (PPPs), supporting LGUs to increase infrastructure spending more effectively, and upgrading of the country's internet infrastructure. There will be avenues for re-tooling and re-skilling, and effective job facilitation processes to increase the employability of jobseekers. Finally, special attention will be given to the development of sustainable technologies to create green jobs and establish livable communities.

In pursuit of *AmBisyon Natin* 2040 of a *matatag, maginhawa at panatag na buhay para sa lahat,* the government will work with all of society for a robust economy, and an inclusive and resilient society. With the economy targeted to grow by an average of 6.5 to 8 percent from 2023 to 2028, unemployment rate can be reduced from about 8 percent in 2021 to a range of 4 to 5 percent in 2028. To reflect the increase in quality jobs, the percentage of wage and salaried workers in private establishments to total employed workers will increase from 48 percent in 2021 to a range of 53 to 55 percent in 2028. As earlier stated, poverty incidence is targeted to decline to 9 percent of population by 2028.

More JOBS

1. ***Promote investments.***
   - Aggressively promote the country as an investment destination, capitalizing on the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law and economic liberalization laws (i.e.,

Public Service Act, Retail Trade Liberalization Act, Foreign Investment Act).
- Reinvigorate manufacturing, including agri-food processing, for more and high-quality jobs.
- Utilize and fully support ecozones as an agglomeration strategy, especially to bring in strategic industries (high-tech manufacturing, health and medical care, emerging tech, among others) to promote growth outside NCR.
- Continue to improve government regulatory processes, in both national and local government units.

2. ***Improve infrastructure.***
   - Continue implementation of *BBB* projects that are near completion and those with firm funding commitments.
   - Refocus *BBB* towards infrastructure projects that strengthen industry linkages, expand physical and digital connectivity, improve access of the poor to basic services including water supply and sanitation, public transportation, affordable energy and flood protection infrastructure, and improve climate resilience.
   - In recognition of the tighter fiscal space, encourage solicited PPPs.
   - Invest in smart social and economic infrastructure.
   - Expand equitable internet connectivity for education institutions at all levels.

3. ***Ensure energy security.*** Pursue an energy transition and development program aimed at achieving a clean, reliable, cost-effective, and secure mix of energy sources.
   - Encourage continued innovation and investment in the energy sector.

Quality JOBS

4. ***Increase employability.*** Improve the quality and relevance of education and provide opportunities for life-long learning and options to obtain micro-credentials.

   - Enhance skills development to ensure that there is a critical mass of skilled workforce, especially for strategic industries.
   - Improve job facilitation programs.

- Strengthen linkages between industry, business and training institutions for a more efficient labor market.
- Ensure access to social insurance and worker protection (cum labor regulation) as well as safe and productive overseas migration.

5. ***Expand and improve the digital infrastructure.***
    - With the use of digital technology, strengthen the core functions of poverty reduction and human capital investment of the 4Ps.
    - Expedite the adoption of the PhilSys and facilitate digital transformation of social protection systems to allow for a more efficient, targeted, and equitable delivery of social programs.
    - Strengthen social protection delivery to be more adaptive and responsive to needs, by streamlining contingency financing mechanisms, establishing a dynamic social registry, and defining business process for national and local governments with emergency cash transfers.
    - Rationalize the existing programs to ensure that the objectives of promotion, transformation, prevention and protection of well-being are achieved.

6. ***Encourage research and development (R&D) and innovation,*** especially in products and processes that promote linkages between and among agriculture, industry, and services.
    - Create and expand a research network that will enable collaboration among higher education institutions, research institutions, and local industries particularly for enhancing agriculture productivity.
    - Encourage greater innovation in the food sector to produce higher value, but affordable products – high-nutrition, immune-boosting, even therapeutic food products that can serve the domestic and international markets.
    - Sustain improvement of business environment, financial inclusion, competition, to encourage entrepreneurship and innovation.
    - Develop technologies that contribute to climate action, and those that mitigate and adapt to climate change impact.

Green JOBS

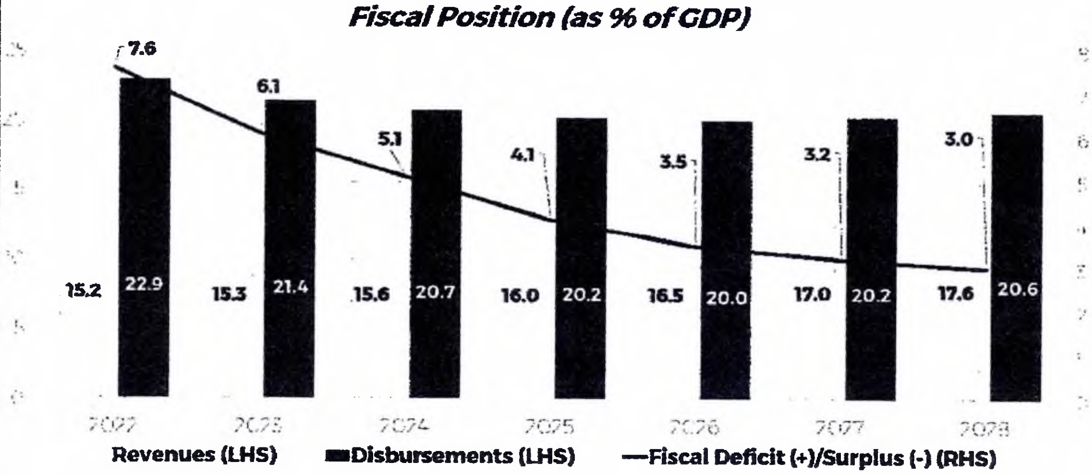
7. ***Adopt a green (and blue) economy roadmap.*** Introduce risk-based budgeting and fiscal risk monitoring; strengthen market for insurance against catastrophe; protect farmers against climate extremes by reforming agricultural insurance; and implement public asset insurance.
    - Expand green (and 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 implementing rules and regulations (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.

8. ***Establish livable and sustainable communities.*** Develop sustainable livable and affordable cities and townships where residents enjoy a comfortable and secure life, resilient to climate change and disasters.
    - Promote green public works and include a green score as part of LGU performance indicators.
    - Given the limited resources, incentivize LGUs to focus more on climate friendly projects in: i) electric vehicles and public transport development; (ii) sustainable tourism, (iii) nature-based solutions (coastal habitat restoration and biodiversity protection); (iv) energy efficiency (street lightning, public building retrofits, green buildings); and (v) water security.

IV. Fiscal conditions and resource consolidation, mobilization and multiplication

Fiscal consolidation efforts shall be pursued as the economy grows by 6.5 to 7.5 percent in 2022 and 6.5 to 8.0 percent thereafter between 2023 and 2028. With such growth and amidst challenges and external shocks to the markets, public spending and financing efforts will continue to strongly support job growth and poverty reduction, while remaining consistent with fiscal goals. NG debt should still fall to less than 60 percent of GDP by 2025 and NG deficit should go back to its pre-pandemic period level of 3 percent within six (6) years. As growth translates to more jobs, it will help reduce unemployment, not only at an aggregate level, but across the agriculture, industry and services sector. This will ensure that no sector is left out in the economy.

Medium-term fiscal program



Source: DBCC, as approved on 8 July 2022

Revenue Effort

From 15.5 percent in 2021, revenue effort of the government is programmed to gradually improve over the medium term. It is programmed at 15.2 percent in 2022, revert to the pre-pandemic level starting in 2025 at 16.0 percent and eventually to 17.6 percent by 2028. Aside from strong economic growth, this will be achieved through the continued implementation of existing and identified priority tax policy and tax administrative reforms.

Medium-term revenue program

Particulars Percent to GDP (in %)	2022 Emerging	2023 Program	2024 Program	2025 Program	2026 Program	2027 Program	2028 Program
Revenues	**15.2**	**15.3**	**15.6**	**16.0**	**16.5**	**17.0**	**17.6**
Tax revenues	14.5	14.6	14.9	15.4	15.9	16.4	17.1
Non-tax Revenues	0.7	0.7	0.7	0.6	0.6	0.6	0.6

Source: DBCC, as approved on 8 July 2022

The NG's tax effort is programmed to improve from 14.1 percent in 2021 to 14.6 percent in 2023 which is above the pre-pandemic level of 14.5 percent in 2019, before further increasing to 17.1 percent by 2028. The sources of improvement in tax effort are the positive existing tax measures, the proposed priority measures and tax administrative efficiency.

The positive existing tax measures include the further increases in alcohol, e-cigarettes, tobacco excise tax rates under the Sin Tax Laws and other Tax Reform for Acceleration and Inclusion (TRAIN) provisions.

Priority measures will be proposed to help our tax system catch up with the rapid developments in the digital economy, which include the imposition of VAT on digital service providers and improvements in the taxation of income generated by online content creators such as social media influencers. Another priority measure is the imposition of excise taxes on single-use plastics, which is aligned with the goal of promoting environmental sustainability to address critical issues on climate change.

a. The imposition of VAT on digital service providers will cover online advertisement services, digital services, and supply of other electronic and online services, with an initial revenue impact of P11.7 billion in 2023. The DOF proposes adopting the House measure as the base version, as this has already been approved during the 18th Congress.

b. Strengthening of tax administration for income tax on social media influencers requires stronger administrative action to intensify implementation and further clarify guidelines for the sector. A more robust tax compliance in this sector would contribute around Php 3.4 billion additional revenues in 2023.

c. The imposition of excise tax on single-use plastic bags, which proposes a 20-peso excise tax per kilogram of single-use plastics removed from the place of production or released from the customs house and index the excise tax rate every year thereafter, is estimated to generate close to P1.0 billion in 2023. This is to regulate or tax the consumption of single-use plastics as among the Philippines' contributions to the global movement to reduce pollution and adopt more sustainable practices.

In order to enhance the fairness and efficiency of the tax system, the MTFF will continue pursuing the remaining two packages of the Comprehensive Tax Reform Program of the Duterte administration. The Real Property Valuation and Assessment Reform Act aims to adopt internationally accepted valuation standards and professionalize real property valuation. The revenue that will be generated from this measure will accrue to the local governments and will help us improve the general government fiscal position. The Passive Income and Financial Intermediary Taxation Act intends to simplify and harmonize the taxation of passive income, financial services, and transactions.

Meanwhile, the tax administrative measures could also provide additional tax collection every year as these continue to improve the collection efficiency of both the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC). Various digitalization and modernization efforts will also be pushed to ensure that tax compliance is easy, efficient, and accessible.

a. **BIR**
   - **Ease of Paying Taxes**
     - The ease of paying taxes aims to improve tax compliance by simplifying compliance procedures and enhancing the portability of tax transactions to improve tax compliance.
     - Establish reasonable criteria for classifying taxpayers. The Secretary of Finance shall provide a classification for large and medium taxpayers as may be necessary and reasonable to achieve better service and tax administration.
     - Simplify registration, invoicing and accounting requirements, and remove the imposition of registration fees.
     - Strengthen the taxpayer's bill of rights.
   - The **Digital Transformation (DX) Roadmap** will be prioritized. This will allow the agency to maximize the government's revenue potential, simplify taxpayer compliance, and automate compliance checks and audit selection processes.

b. **BOC**
   - **Intensify Anti-Corruption and Integrity Development Efforts**
     - The implementation of World Customs Organization (WCO)-BOC formulated Comprehensive Integrity Action Plan (2022-2024) will address the gaps identified in the different areas of customs administration.

     - The improvement of Management Systems will allow BOC to meet international quality standards and help ensure customer and other stakeholder needs are within the statutory and regulatory requirements related to a product/service.

- **Customs Modernization Program.** The development of the Customs Processing System (CPS) will be largely built on commercial off-the-shelf software (COTS) solutions to provide a robust platform to develop the core functionality customized to the specific operating environment in the Philippines.

- **Intensify collection of lawful revenues.** The continuous updating of the Electronic Value Reference Information System (e-VRIS), which is an effective risk management tool in the BOC's Electronic to Mobile (e2m) system, allows customs officers to determine possible undervaluation and/or trade misinvoicing of imported goods.

- **Enhance Trade Facilitation**
    - The National Single Window (NSW) is an automated and integrated licensing, permit, clearance, and certification system for regulatory agencies. It aims to connect all regulatory government agencies to make the trade facilitation processes interoperable and efficient.
    - The Harmonized Commodity Description and Coding System, or simply Harmonized System (HS) is a six-digit nomenclature developed and maintained by World Customs Organization (WCO) used for classifying traded products to facilitate international trade among Contracting Parties.
    - A Mutual Recognition Agreement (MRA) is an arrangement between two countries where their operational Authorized Economic Operator (AEO) programs recognize each other's AEO program and AEO certified companies. An AEO certified company in one country can receive similar benefits from the customs authorities in the MRA partnering country. This is facilitated through the formalized agreement where the requirements, procedures, and benefits are compared for compatibility. MRA aids in the globalization of supply chain security and compliance standards and provides improved predictability in the movement of goods across countries whilst improving competitiveness of businesses.

- Continuously engage with the World Bank to improve the BOC's systems and enhance trade facilitation. Through the development of information and communications technology (ICT), the BOC will be able to promote a streamlined customs process while maximizing the revenue potential and enhancing border security through better detection.

- The BOC will likewise continuously implement its fuel marking program, which has already generated P467.4 billion in taxes and duties from having marked 44.11 billion liters of fuel from September 2019 to July 8, 2022.

- The BOC will also ensure its enhanced monitoring of possible smuggling activities, particularly the smuggling of tobacco products.

Expenditure programs and policies for resource mobilization and multiplication

Disbursements for 2022 to 2023 will be maintained at above 20 percent of GDP at P4.955 trillion and P5.086 trillion, respectively, to ensure continuous implementation of priority programs on infrastructure and socioeconomic development, among others. Disbursement will further increase over the medium-term from P5.402 trillion (20.7 percent of GDP) in 2024 to P7.712 trillion (20.6 percent of GDP) in 2028.

This will be achieved through improved spending efficiency and alignment of budget priorities that are anchored on the administration's two 8-point socio-economic agendas, one for the near-term and another for the medium-term. In addition, the government is targeting an infrastructure spending-to-GDP ratio of 5.0 to 6.0 percent annually between 2023 and 2028. The targets shall be anchored on the implementation of coherent strategies, policy discipline, and fiscal sustainability.

Medium-term fiscal program
FYs 2022-2028
In Billion Pesos

Particulars	2021 Actual	2022 Program	2023 Projections	2024	2025	2026	2027	2028
REVENUES	3,005.5	3,304.1	3,632.9	4,062.6	4,576.8	5,155.3	5,821.4	6,589.0
% of GDP	15.5%	15.2%	15.3%	15.6%	16.0%	16.5%	17.0%	17.6%
Growth Rate	5.2%	9.9%	10.0%	11.8%	12.7%	12.6%	12.9%	13.2%
DISBURSEMENTS	4,675.6	4,954.6	5,085.8	5,402.0	5,759.7	6,249.6	6,916.0	7,711.7
% of GDP	24.1%	22.9%	21.4%	20.7%	20.2%	20.0%	20.2%	20.6%
Growth Rate	10.6%	6.0%	2.6%	6.2%	6.6%	8.5%	10.7%	11.5%
SURPLUS /(DEFICIT)	(1,670.1)	(1,650.5)	(1,452.9)	(1,339.4)	(1,182.8)	(1,094.3)	(1,094.6)	(1,122.7)
% of GDP	-8.6%	-7.6%	-6.1%	-5.1%	-4.1%	-3.5%	-3.2%	-3.0%
Memo Items:								
Nominal GDP	19,410.6	21,672.8	23,755.2	26,065.8	28,578.8	31,266.7	34,207.4	37,424.7
Infrastructure Program	1,123.6	1,199.5	1,280.6	1,397.1	1,512.0	1,713.1	2,001.0	2,375.8
% of GDP	5.8%	5.5%	5.4%	5.4%	5.3%	5.5%	5.8%	6.3%

Indicative and subject to updating. Infrastructure program projections pertain to disbursements from NG infrastructure, infrastructure subsidy/equity to GOCCs, and transfers to LGUs intended for infrastructure activities. Includes payables from current year's budget and prior years' obligations.

Source: DBCC, as approved on 8 July 2022

To rationalize and reduce unnecessary spending, the government will pursue the passage of the aforementioned BMB, which seeks to modernize budgetary practices in the Philippines. The BMB will institutionalize and facilitate the implementation of the PFM initiatives, specifically the CBS, to discipline line departments and agencies to propose implementation-ready programs/projects and quicken delivery of public services. Digitalization efforts will be promoted and a government IFMIS will be established to facilitate efficient and secure government financial transactions. This will also strengthen the monitoring and reporting of financial and fiscal data.

The government will also shepherd the passage of government pension reform bills to mitigate the fiscal risk of ballooning pension requirements. Several measures, such as the Military and Uniformed Personnel (MUP) Pension Act, have been introduced by the past administrations and these may need to be re-filed, focusing on the crucial features such as reforming the automatic indexation of pension income or benefit, introduction of a contribution scheme, and establishment of fund/actuarial manager similar to GSIS. It is emphasized that despite the proposed reform, the MUP pension system will remain the most generous pension system in the public sector. Meanwhile, the following will also be pursued:

Integrated and extensive private sector participation in infrastructure (IPSPI). Private sector and localized participation in public investments are a sure means for the immediate and broader distribution and ownership of progress around the country. As such, both the PPP and BBB mechanisms for improving and spreading the infrastructure blueprint across sectors and regions shall be pursued in the government's expenditure program.

Rightsizing of government structures and personnel. With substantial savings to be gained from government reengineering or rightsizing to control spending, personnel services (PS) should fall below 30 percent, as a percent of NG expenditures.[6] Increased savings should translate to even greater potential to spend more on infrastructure and agriculture.

Localized investment and growth programs. With increased focus on assisting the weakest sectors of the economy, local government participation (and even competition) will be encouraged when formulating and implementing regional investment and growth programs. Increased spending by local governments units and even private business sectors should ease the demand for and spending on NG-provided goods and services (such as health care, science and technology education, among others) in the countryside.

Other fiscal consolidation and resource mobilization measures

The other fiscal strengthening measures that are identified to compliment the objectives of the MTFF are the following:

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[6] It may be highlighted that the PS expenditures account for the highest share-to-total; NG expenditures, averaging 28.4 percent from 2015-2022 (based on the ratio of PS expenditure to total NG actual obligations from 2015-2020 and NG total budget for 2021-2022). Of the total PS expenditures in FY 2022, P163.9 billion (11.7 percent) is appropriated for the payment of pensions of MUP and veterans. From 2018-2022, the MUP and veterans pension appropriations grew at an average of 12 percent annually. Specifically, in 2021 and 2022, these increased by 42.8 percent and 26.4 percent, respectively, attributed to the payment of pensions arrearages as a result of indexation policy in the MUP pension scheme.

a. Landbank of the Philippines (LBP) Charter amendments will provide for a revitalized and independent charter for the LBP to operate as a government financial institution responsible for broad-based agricultural and rural development as well as financial inclusion.

b. Philippine Crop Insurance Corporation (PCIC) Charter Amendments will better protect farmers from losses arising from natural calamities and be able to avail of insurance at competitive prices.

c. Capital Market Development Act (CMDA) will build a sustainable corporate pension system that will ensure our workers can depend on adequate benefits for a comfortable and dignified retirement, and not have to rely solely on the strained resources of the Social Security System. This will establish an employee pension and retirement income (EPRI) account from the proposed private retirement and pension system that is fully-funded and portable. This will benefit employees as well as help mobilize long-term domestic savings and improve liquidity in the financial sector that can finance infrastructure projects. Consistent with our aspirational goal of attaining credit rating "A" status, effective implementation of this measure is envisioned to improve the capacity of the local debt market to provide for the financing needs of government and corporate debt issuers, thereby alleviating the concentration of risks in the banking sector and reducing our economy's reliance on foreign financing.

d. PPP bill aims to manage the fiscal risks and provide transparency in government contingent liabilities from PPP projects. The main goal is to come up with well-structured and bankable PPP projects that are impactful and consistent with the country's development goals, including the consideration of the climate change agenda.

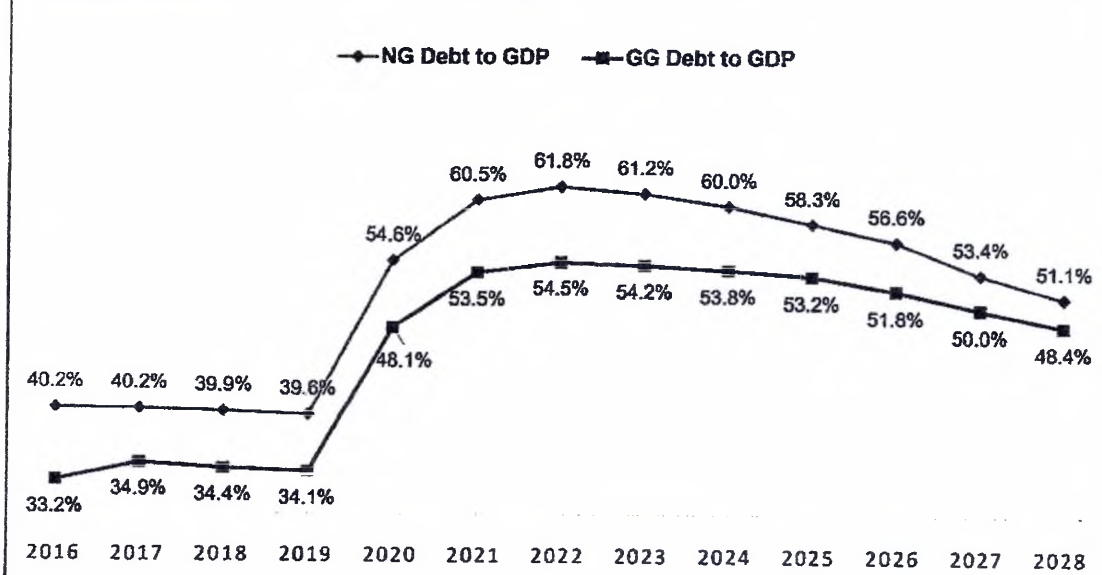
e. Revision of the Build-Operate-Transfer Law's IRR, in harmony with the IRRs of Public Service Act and Foreign Investments Act to reflect best investment policies and practices worldwide.

f. With the objective of accelerating the growth and competitiveness of telecommunications services, the establishment of a system for the auction of frequency spectrum can be explored. Such auction system should provide an opportunity to raise additional revenue for the government, in addition to improving the quality of telecommunications services in the country.

NG debt-to-GDP ratio

The government will continue to adopt a fiscal consolidation strategy to lower the deficit back to pre-COVID-19 levels. With the approved medium-term revenue and disbursement program, the deficit will be gradually reduced by at least 1.0 percent every year starting at 6.1 percent of GDP in 2023 to 3.0 percent of GDP in 2028 to ensure debt sustainability over the medium-term. The debt-to-GDP ratio is expected to stabilize in 2022 and 2023 and decline starting 2024.

Medium-term Debt to GDP ratio (%)



Source: DBCC, as approved on 8 July 2022. The debt-to-GDP path may be updated at the beginning of the (next) 20th Congress to reflect current economic conditions and developments.

V. Conclusion

Amid the country's present challenges, the government will be creative and strategic in its policy decisions and undertakings. In consideration of the long-term planning horizon, this MTFF and the PDP 2023-2028 will be anchored on the country's long-term socioeconomic vision for a prosperous society where no Filipino is left behind. It will be centered on building not just on the previous successes but also lessons from past administrations. The Executive Branch will closely coordinate with Congress to formulate and enact the necessary reforms on a timely manner that will bring the economy back to its pre-pandemic high-growth trajectory, deliver rapid poverty reduction, and reduce socioeconomic inequality. It will endeavor to work with the local government, private sector and civil society in synergizing efforts to realize Filipinos' collective aspirations. Macroeconomic policy remains anchored on the society's overall goal of job creation, poverty reduction, and inclusive and sustainable economic growth. The implementation of fiscal policies and strategies are always guided by and consistent with the achievement of macroeconomic stability and inclusive economic development.

The budget is strongly committed to ensure the consolidation of the country's resources in order to for each sector to be accorded the necessary prioritization. Only when no sector is left behind will the aims of progress, nation-building and betterment of micro communities in the country will be achieved. The government will continue to exercise prudent macroeconomic and fiscal management in prioritizing expenditures that is the foundation for its fiscal framework.

The upcoming 2023 to 2025 budget and appropriations will continue to prioritize health, education, disaster risk management, food and social security, digital economy, local government support, private sector participation and growth-inducing expenditures such as crucial and shovel-ready infrastructure projects. All these will bring the economy closer to achieving the country's sustainable development goals or SDGs (such as those in the United Nations' SDGs).

The NG, the DBCC in particular, stands ready to work with and for everyone else in the economy as only with the spirit of unity can resources be consolidated and mobilized to its potential. As such, gains from fiscal policies can be multiplied and utilized further to benefit not only the current stakeholders but also future generations.