

# 15 Ensuring Sound Macroeconomic Policy



# Ensuring Sound Macroeconomic Policy

To lay down the foundation for inclusive growth, a high trust and resilient society, and a globally competitive knowledge economy, there is a need to ensure a sound, stable, and supportive macroeconomic environment. This can be achieved by establishing a fiscal policy that is responsive, strategic, and supportive; monetary and financial policies that are resilient and inclusive; and an external trade policy regime that is strategic.

To ensure the attainment of subsector outcomes, the strategies identified in Chapter 15 of the Philippine Development Plan (PDP) 2017-2022 were accompanied by specific programs and projects (PAPs) proposed by relevant agencies. The PAPs were mostly intended to strengthen the implementation of policies, regulations, and administrative reforms. A number of legislative proposals were also proposed to complement the PAPs, all are targeted to be enacted by 2022. Additional PAPs geared toward the attainment of sector outcomes may need to be considered in the subsequent updating of the 2017-2022 Public Investment Program (PIP). This would entail the identification of PAPs by concerned agencies to address expenditure management, debt management, generation of revenue at the local level, capital market development, and the attainment of a more inclusive financial system.

The strategies, effected through the identified policies, regulations, and administrative reforms supported by the various PAPs as well as legislative proposals, will enable the government to reach the PDP 2017-2022 targets. To illustrate, by 2022, the government tax revenue to gross domestic product is projected to reach 17.0 percent from 13.7 percent in 2016. Merchandise and services exports are targeted to reach US\$61.0 - 62.2 and US\$61.0 - 68.6 billion by 2022, respectively (*see also PDP 2017-2022 Chapter 15 for the complete list of targets*).

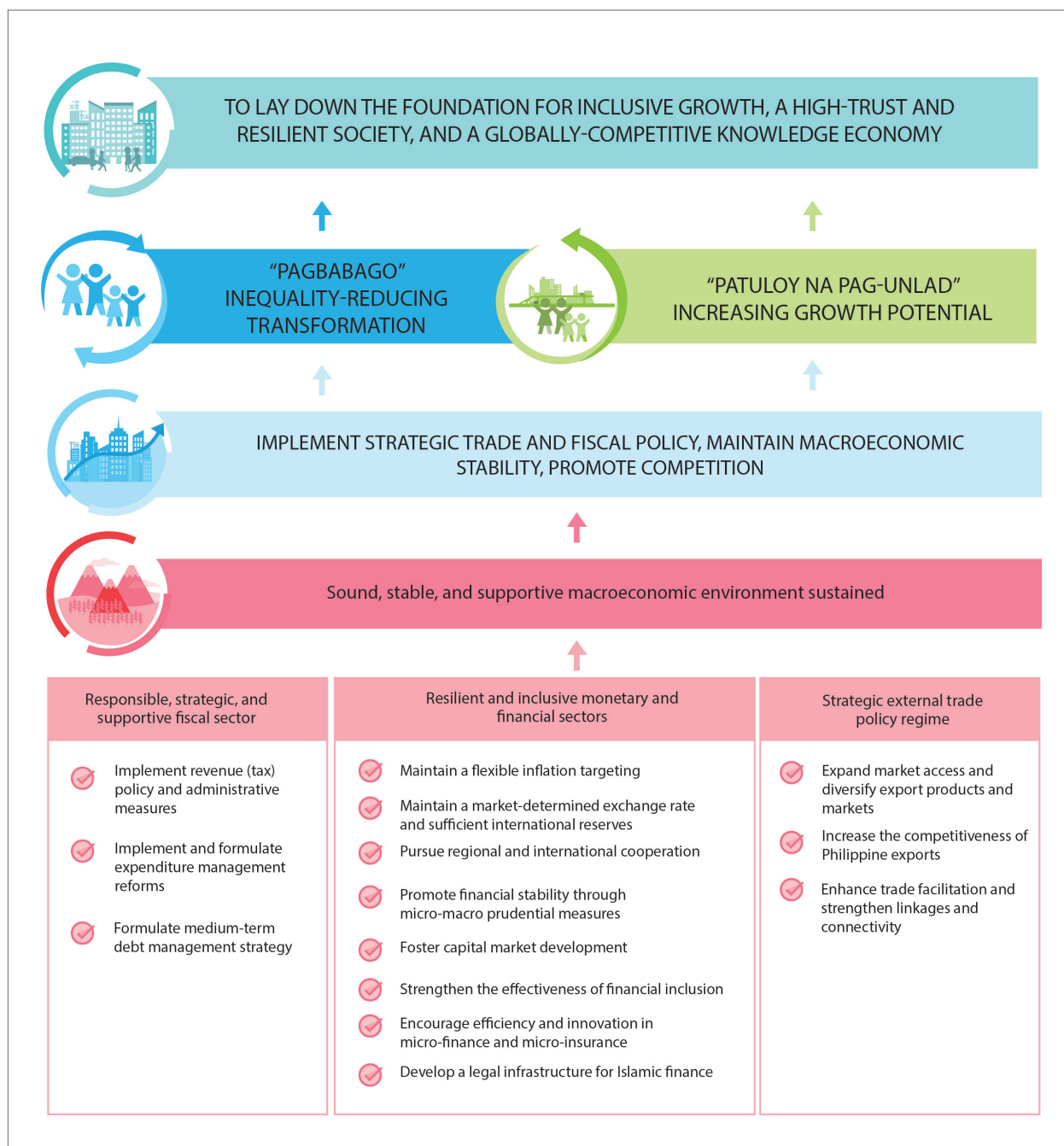
## LINKAGE WITH PDP AND ITS RESULTS MATRICES

To ensure the effectiveness of the government's tax reform program,<sup>1</sup> a number of administrative reforms will be implemented by the Bureau of Internal Revenue (BIR). For instance, improvements in tax administration will be attained through the Electronic Sales and Reporting System Project (formerly Sales Data Controller), which aims to create data linkages between BIR and taxpayers utilizing cash-register and/or point-of-sales machines. This is intended to increase Value Added Tax collections, remove burdensome compliance requirements, and promote transparency in businesses with bulk transactions.

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<sup>1</sup> The Comprehensive Tax Reform program which aims to make the tax system simpler, fairer, and more efficient is listed as one of the priority legislative agenda in the Chapter 15 of the PDP.

**Figure 15.1. Strategic Framework to Sustain a Sound, Stable, and Supportive Macroeconomic Environment**



To further improve revenue generation, the following PAPs will be implemented and continued:

- Optimization and Limited Enhancement of Electronic Tax Information System;
- Automatic Exchange of Information Solution for Foreign Account Tax Compliance and Common Reporting Standard;
- BIR Geographical Information System;
- Cloud Computing Services for Electronic Official Register Book System for Alcohol and Alcohol Products;
- Technical Infrastructure for Electronic Data Transmission; and
- Data Warehouse Re-architecture and Enhancement, among others.

These are based on the implementation of the Tax Reform program, Foreign Account Tax Compliance Act, the Organisation for Economic Co-operation and Development-Common Reporting Standard, as well as on the BIR Strategic Plan 2016-2020.

In pursuing a more strategic external trade policy regime, technical assistance and institutional development activities will be implemented by the Department of Trade and Industry (DTI). The Trade-Related Technical Assistance 4 Project's overall objective is to contribute to the Philippines' integration into the global production network, thereby promoting inclusive economic growth. Its purpose is to enhance the capacity of government agencies and private operators to maximize opportunities generated by new trade arrangements, including the Generalized Scheme of Preferences Plus and the European Union-Philippines Free Trade Agreement. Several outputs are expected from the implementation of this project, one of which is the support accorded to exporters and civil society in line with the priorities of the PDP 2017-2022 and the Philippine Export Development Plan (PEDP). Moreover, the Regional Interactive Platform for Philippine Exporters (RIPPLES) Plus is a program which aims to expand the supply base of internationally-competitive Philippine export products and services. It is therefore a framework wherein intensified, purposive, and practical assistance are given towards the internationalization of micro, small, and medium enterprises and at the same time, expand the global export market opportunities for large corporations. Specifically, the RIPPLES Plus Program has four modes of assistance to efficiently carry out the program objectives, and develop and promote key and emerging sectors under the PEDP. These modes of assistance include (a) training and capacity building; (b) investment, marketing, and promotion; (c) support for innovation, product development, and design; and (d) access to markets through Mutual Recognition Agreements and certifications.

## HIGHLIGHTS OF THE PIP CHAPTER

BIR, which is under the Department of Finance (DOF), will be implementing 11 PAPs with investment targets for 2017-2022 amounting to ₱ 898.47 million, while the DTI will be implementing two PAPs with the amount of ₱ 490.81 million. Out of the 13 PAPs under the Chapter, 12 PAPs will be implemented nationwide, while one project will be region-specific.

In terms of mode of implementation, 11 PAPs will be implemented through local funding, while one will be carried out through official development assistance (ODA). Based on the project readiness, only one project is to be submitted to the approving body, while the rest are ongoing.

# SUMMARY TABLES

**Table 15.1. PIP Investment Targets by Outcome**

SECTOR OUTCOME	NO. OF PAPS	INVESTMENT TARGETS (IN ₱ MILLION)							
		2017	2018	2019	2020	2021	2022	2017-2022	TOTAL PROJECT COST*
Sector Outcome: Stable, sound, and supportive macroeconomic environment sustained <sup>a</sup>									
Subsector Outcome 1: Responsible, strategic, and supportive fiscal sector achieved	11	704.12	194.35	-	-	-	-	898.47	898.47
Subsector Outcome 3: Strategic external trade policy regime achieved	2	37.81	122.00	127.00	132.00	72.00	-	490.81	490.81
TOTAL	13	741.93	316.35	127.00	132.00	72.00	-	1,389.28	1,389.28

\* May not be equal to the '2017-2022 investment targets' as total project cost may include investments prior to or after the 2017-2022 Plan period.

<sup>a</sup> PAPS for the financial sector may subsequently be provided in the updating period.

**Table 15.2. PIP Investment Targets by Implementing Agency**

AGENCY	NO. OF PAPS	INVESTMENT TARGETS (IN ₱ MILLION)							TOTAL PROJECT COST*
		2017	2018	2019	2020	2021	2022	2017-2022	
<b>DOF</b>	<b>11</b>	<b>704.12</b>	<b>194.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>898.47</b>	<b>898.47</b>
<b>BIR</b>	<b>11</b>	<b>704.12</b>	<b>194.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>898.47</b>	<b>898.47</b>
<b>DTI</b>	<b>2</b>	<b>37.81</b>	<b>122.00</b>	<b>127.00</b>	<b>132.00</b>	<b>72.00</b>	<b>-</b>	<b>490.81</b>	<b>490.81</b>
<b>TOTAL</b>	<b>13</b>	<b>741.93</b>	<b>316.35</b>	<b>127.00</b>	<b>132.00</b>	<b>72.00</b>	<b>-</b>	<b>1,389.28</b>	<b>1,389.28</b>

\* May not be equal to the '2017-2022 investment targets' as total project cost may include investments prior to or after the 2017-2022 Plan period.

**Table 15.3. PIP Investment Targets by Spatial Coverage**

SPATIAL COVERAGE	NO. OF PAPS	INVESTMENT TARGETS (IN ₱ MILLION)							TOTAL PROJECT COST*
		2017	2018	2019	2020	2021	2022	2017-2022	
<b>Nationwide</b>	<b>12</b>	<b>725.75</b>	<b>316.35</b>	<b>127.00</b>	<b>132.00</b>	<b>72.00</b>	-	<b>1,373.10</b>	<b>1,373.10</b>
<b>Region-specific</b>	<b>1</b>	<b>16.18</b>	-	-	-	-	-	<b>16.18</b>	<b>16.18</b>
No specified region	1	16.18	-	-	-	-	-	16.18	16.18
<b>TOTAL</b>	<b>13</b>	<b>741.93</b>	<b>316.35</b>	<b>127.00</b>	<b>132.00</b>	<b>72.00</b>	-	<b>1,389.28</b>	<b>1,389.28</b>

\* May not be equal to the '2017-2022 investment targets' as total project cost may include investments prior to or after the 2017-2022 Plan period.

**Table 15.4. PIP Investment Targets by Mode of Implementation**

MODE OF IMPLEMENTATION	NO. OF PAPS	INVESTMENT TARGETS (IN ₱ MILLION)							TOTAL PROJECT COST*
		2017	2018	2019	2020	2021	2022	2017-2022	
LFP (RA 9184)	11	704.12	150.35	55.00	60.00	-	-	969.47	969.47
ODA	1	37.81	72.00	72.00	72.00	72.00	-	325.81	325.81
Others (including ICG)	1	-	94.00	-	-	-	-	94.00	94.00
<b>TOTAL</b>	<b>13</b>	<b>741.93</b>	<b>316.35</b>	<b>127.00</b>	<b>132.00</b>	<b>72.00</b>	-	<b>1,389.28</b>	<b>1,389.28</b>

\* May not be equal to the '2017-2022 investment targets' as total project cost may include investments prior to or after the 2017-2022 Plan period.

**Table 15.5. PIP Investment Targets by Status/Level of Readiness**

PROJECT READINESS	NO. OF PAPS	INVESTMENT TARGETS (IN ₱ MILLION)							
		2017	2018	2019	2020	2021	2022	2017-2022	TOTAL PROJECT COST*
With Total Project Cost below ₱1 Billion									
Ongoing	12	704.12	244.35	55.00	60.00	-	-	1,063.47	1,063.47
For Submission to the Approving Body (Level 3 & Level 4)	1	37.81	72.00	72.00	72.00	72.00	-	325.81	325.81
TOTAL	13	741.93	316.35	127.00	132.00	72.00	-	1,389.28	1,389.28

\* May not be equal to the '2017-2022 investment targets' as total project cost may include investments prior to or after the 2017-2022 Plan period.

