

Towards an Inclusive, Resilient and Sustainable Recovery from the Coronavirus Disease
Pandemic

DOF UNDERSECRETARY GIL S. BELTRAN

Country Statement (Agenda Item 2) during the virtual Third Session of the
United Nations Economic and Social Commission for Asia and the Pacific
(UNESCAP) Committee on Macroeconomic Policy, Poverty Reduction and
Financing for Development, 20-22 October 2021

[Pleasantries]

Unlike previous tax reforms that were a reaction to crises or impending crises, the various packages of the Comprehensive Tax Reform Program (CTRP) that we proposed back in 2016 were meant to address both equity and efficiency issues. That is, the incremental tax collections were meant to finance much-needed infrastructure investments and socio-economic programs such as education, health, and social protection.

An important component of the CTRP was the increase in excise taxes on sin products to finance our Universal Health Care (UHC) program. The UHC program, of course, complements our existing Conditional Cash Transfer (CCT) program which we institutionalized through a statute just before the pandemic struck. Covering approximately 4 million households, the CCT is both a poverty reduction strategy and a human capital investment program. We also increased excises on petroleum products and sugar-sweetened beverages in addition to technology-driven tax administration measures. Upon its completion, the CTRP is expected to generate additional 2 percentage points for the tax effort.

To complement additional taxes, we continued to tap official development assistance (ODA) and encouraged PPP for infrastructure development. Since then, disbursements for infrastructure rose substantially, breached 5% of GDP in 2019 and we intend to keep this ratio in the years to come. That we intend to maintain our infrastructure spending at above 5% of GDP effectively communicates that any fiscal consolidation will not be pre-mature or abrupt.

In a way, therefore, the pandemic found the Philippines with fiscal space with which to help finance measures to combat the virus and programs already well in place such as the CCT, UHC, and the infrastructure program. These programs will continue to play an important role even after the pandemic. And we expect the private sector to assume a greater responsibility. We have designed our

infrastructure program to be “hybrid”, such that the public sector finances the construction phase while the private sector takes on the operations, maintenance, and management phase of the project.

The private sector is active in our Public-Private Partnership (PPP) program for infrastructure development and in other social undertakings. By the end of 2021, PPPs would have generated close to US\$40 billion in additional funding for 30 big infrastructure projects.

Our micro-finance program is also private sector-led and has also played a crucial role in the development of our micro-insurance market. In the aftermath of Typhoon Haiyan in 2013, more than 100,000 micro-insurance claims were processed and about half a billion pesos (or US\$10 million) disbursed. As of today, the microinsurance covers 50 million poor people, over 46% of the population.

Sustainable finance is about the sustainability of financing itself and the enhancement of sustainability as a result of the investment. The Philippines has practiced fiscal discipline and lived within its means, building strategic fiscal space, which has recently been put to use. It has also explored innovative financing, such as PPPs in infrastructure development, and helped mobilize private sector resources for social transformation as in the case of micro-finance and micro-insurance.

The pressing issue at hand is climate change which has dire economic consequences but it is the poorer nations and poorer households who will bear much of the brunt. We could take out loans to procure vaccines, which the Philippines did, but there is no vaccine for climate change. The Philippines takes this opportunity to call for equity in the access to COVID-19 vaccines and urges privileged partners to fully support the COVAX Facility and further strengthen other cooperation mechanisms.

We could say by way of parallelism that green finance or climate financing is, in a way or two, similar to the CCT program of the Philippines. The CCT seeks to invest in the health care of both mother and child, especially in the child’s formative years, to prevent irreversible damage to the child’s health and development. Similarly, green finance promotes investments that prevent inflicting irreversible damage to our earth. Moreover, much of the 75% greenhouse gas emission reduction and avoidance target of the Philippines by 2030 is “conditional” upon the support of climate finance, technologies, and

capacity development which shall be provided by developed economies as prescribed by the Paris Agreement.

The Philippines has already taken steps to contribute in fighting climate change. The first package of the aforementioned CTRP, for instance, raised excises taxes on petroleum products. Our energy department also declared moratorium on new coal plant projects. Today, at 3PM (Bangkok time), we are launching the Philippine Sustainable Finance Roadmap and Guiding Principles. Said roadmap rests on three pillars: policy –creating a conducive environment; financing—mainstreaming sustainable finance, and; investment –developing a sustainable pipeline.

Thank you very much.