PART V

ENABLING AND SUPPORTIVE ECONOMIC ENVIRONMENT

15 Ensuring Sound Macroeconomic Policy

Chapter 15

Ensuring Sound Macroeconomic Policy

A sound, stable, and supportive macroeconomic environment is essential for expanding economic opportunities and fostering sustained growth. A fiscal sector that is responsible, strategic, and supportive of inclusive growth can boost the economy and provide a stable environment that is conducive to investments. Monetary policy that ensures price stability with a stable and inclusive financial sector can support growth and improve access to economic opportunities. A strategic external trade policy regime enables Philippine enterprises to successfully compete in global markets and provide employment opportunities for Filipinos.

Assessment and Challenges

A slowdown in international trade will likely persist given the subdued global economic outlook. As discussed in *Chapter 2*, the global economy is seen to remain weak, with average growth rising only slightly from 3.2 percent in 2008-2015 to 3.6 percent in 2017-2021. Consequently, global export volume growth is expected to improve only slightly from 3.0 percent in 2008-2015 to an average of 3.9 percent in 2017-2021.

There is a growing trend toward inward-looking policies and protectionism. Such a trend may make it difficult to engage in preferential or multilateral trade agreements and to expand market access. It also poses a challenge to established international trade rules.

Intensification of competition in the global market heightens the difficulties faced by the sector. Given the above trends, Philippine firms are likely to face stiffer competition both in international and domestic markets. While targets for Philippine exports have been met, the country's competitiveness remains impeded by the high cost of doing business due to various factors including inadequate infrastructure and high electricity costs. Reforms are yet to be fully implemented, including streamlining of export and import procedures and other trade facilitation measures. Opportunities from existing bilateral and regional trade agreements were not fully utilized. The potential of services to drive growth and upgrade the economy remained limited due to various laws, rules, and regulations that govern the sector. Restrictions on foreign equity participation in certain sectors,[1] coupled with burdensome regulatory or licensing requirements and procedures, constrained trade and investments. Keeping up with technological developments and changing demand structures also presents a challenge.

Rising global uncertainties will have an implication on the borrowing costs of the country. The Philippines enjoyed declining borrowing costs over the last six years as its

[1] The banking sector is an exception, with provisions allowing up to 100 percent foreign ownership of domestic banks and locally incorporated subsidiaries following the enactment of Republic Act No. 10641 (An Act Allowing the Full Entry of Foreign Banks in the Philippines) in 2014.

credit rating improved to investment grade for the first time.[2] This was triggered by its improved fiscal position and strong external position. From 2010 to 2015, its revenue effort increased from 13.4 to 15.8 percent, tax effort improved from 12.2 to 13.6 percent, the ratio of debt to gross domestic product (GDP) declined from 52.4 to 44.8 percent, and the share of interest payments in disbursements fell from 19.3 to 13.9 percent. Over the same period, it sustained a current account surplus averaging at 3.3 percent of GDP, while gross international reserves rose from USD62.4 billion to USD80.7 billion, as receipts from trade-in-services increased and remittances from overseas Filipinos (OFs) remained robust.

However, over the medium term, the shift in expectations about the future path of interest rates in the US *(see also Chapter 2)* will likely result in volatility in capital flows and the exchange rate, as well as affect international and domestic borrowing costs.

Higher investments in infrastructure, social services, and innovation will require more fiscal space. Improvements in the fiscal position over the last six years allowed primary expenditures to increase from 13.6 percent of GDP in 2010 to 14.4 percent in 2015, although targets were still not met. Social and economic sector allocations increased annually by an average of 16.3 and 13.2 percent, respectively, for the period 2010-2015. In particular, government infrastructure outlays grew by 28.4 percent on average over the same period. The ratio of government infrastructure outlay to GDP grew from 1.8 percent in 2010 to 4.3 percent in 2015.[3]

Over the next six years, primary spending is seen to rise further to 18.8 percent of GDP by 2022. For instance, spending on infrastructure is expected to increase further to 7.4 percent of GDP by 2022 *(see also Chapter 19)*. Spending on R&D is also planned to increase from 0.14 of GDP in 2013 to 0.50 percent of GDP *(see also Chapter 14)*. Meanwhile, the total social expenditure gap is estimated to be equal to about 3.0 to 4.0 percent of GDP.[4]

The tax system is inequitable, complex, and inefficient. The current tax system has inherent deficiencies that lead to revenue erosion and large scale leakages. These include non-indexation, a large number of special treatment and exemptions, and barriers that hinder tax administration, such as bank secrecy laws.

The absorptive capacities of national government agencies need improvement. While improvements in the fiscal space allowed for significant increases in budgetary resources for priority sectors, government agencies struggled to fully utilize such resources. The ratio of actual disbursements to the programed disbursements fell from an average of 96.4 percent in 2004-2009 to 91.7 percent in 2010-2015. Among the factors that affected budget utilization were weaknesses in project design and preparation, procurement difficulties, and implementation bottlenecks arising from structural weaknesses and capacity constraints of line agencies.

Overall, local government units (LGUs) remain dependent on the internal revenue allotment (IRA). On average, LGUs depend on IRAs for 61.5 percent of their income as many LGUs have not fully maximized their own revenue-raising powers under the Local Government Code. In urban and high income class LGUs, local revenues already provide a sizeable share of the total income, and in metro cities, they account for 70 percent on average. However, in low income class LGUs, dependence on IRA reaches

[2] As of 2016, the country's long-term sovereign credit rating is "BBB Stable" from Standard & Poor's Financial Services, "BBB-Positive" from Fitch Ratings, and "Baa2 Stable" from Moody's Investor Service.
[3] Based on obligation, not actual spending
[4] NEDA estimate based on Philippine expenditures relative to other ASEAN counties

up to 99 percent, given the low economic development and limited local resource mobilization capacity.

Other sources of fiscal risks remain. These include contingent liabilities associated with public-private partnerships and government owned or controlled corporation (GOCC) guaranteed liabilities. They will have a bearing on the fiscal position of the national government once the contingent liabilities materialize.

Despite widening networks, there are persistent geographical, human, institutional, and infrastructure-related barriers on access to financial services. RA 10693 (Microfinance Nongovernment Organizations [NGOs] Act) and the Microfinance NGO Regulatory Council reinforced government support in providing microfinance products and services for the poor. Over the last six years, the number of access points has increased to 9.4 per 10,000 adults in 2015, banks' microfinance portfolio reached ₱11.3 billion, the cooperative sector deposits reached ₱86.2 billion, and insurance penetration[5] reached 1.8 percent of GDP. However, access remains limited, with only 30 percent of Filipinos having access to micro-insurance services for instance and insurance penetration below the average in ASEAN (3.3% in 2014), in emerging markets (2.7%), and in the world (6.2%).[6] An archipelagic landscape leads to spatial obstacles and market segmentation. Human barriers include limited knowledge and capability of households, while institutional constraints come in the form of cost to avail of banking services and distance of the bank, to name a few.[7] Incomplete financial infrastructure also hinders access to available financial products and services.

Growing complexity across financial transactions is a risk to financial stability. Recent global financial market developments showed that financial stability is closely linked to monetary policy. Over the last six years, the banking system remained strong and stable as indicated by the steady growth in assets, loans, deposits, and capital accounts of banks. The banking system also maintained sufficient liquidity and adequate capitalization, and it remained profitable. Parallel to this, the national savings ratio increased. However, Philippine financial markets remain relatively shallow compared with that of its regional peers. Moreover, the growing complexity of financial transactions can lead to instability. Mitigating this risk requires granular data and regular exchange of information among local regulators across jurisdictions.

[5] Ratio of insurance premiums to GDP

[6] EU-ASEAN Business Council. April 2016. *Partnering ASEAN to Close the Insurance Protection Gap*

[7] Results of the National Baseline Survey on Financial Inclusion (NBSFI) conducted by the Bangko Sentral ng Pilipinas (BSP) indicate, among others, that: (a) only 4 out of 10 Filipinos save. Of those who save, roughly 30 percent save in banks while nearly 70 percent keep their money at home; and (b) for those adults who save but are not saving in banks cited limited knowledge and capability to manage an account (16.8%), cost (11.2%), and distance of the bank (7.6%).

Strategic Framework

A strategic trade and fiscal policy along with macroeconomic stability will support the societal goals of reducing inequality and increasing potential growth. Three outcomes are expected: (a) a responsible, strategic and supportive fiscal sector; (b) a resilient and inclusive monetary and financial sector; and (c) a strategic external trade policy regime.

Targets

For 2017-2022, indicators have been identified and targets have been set to monitor the attainment of the sub-sector outcomes of responsible, strategic, and supportive fiscal sector, resilient and inclusive monetary and financial sectors, and strategic external trade policy, as outlined in *Table 15.1*.

Table 15.1 Plan Targets to Sustain a Sound, Stable, and Supportive Macroeconomic Environment, 2017-2022

INDICATORS	BASELINE		END OF PLAN TARGET
	YEAR	VALUE	
Subsector Outcome A: Responsible, strategic and supportive fiscal sector			
Government revenue-to-GDP ratio (in %)[1]/	Jan-Sep 2016	15.9	17.7
Tax revenue to GDP ratio (in %)[1]/	Jan-Sep 2016	14.2	17
Primary expenditure to GDP ratio (in %) [1]/	Jan-Sep 2016	15.5	18.8
Percentage share of interest payments in the total disbursements (in %)[1]/	Jan-Nov 2016	12.6	9.2
Ratio of discretionary spending to total budget (in %)[2]/	2016 GAA	42.7	50.1
NG fiscal deficit to GDP ratio (in %)[1]/	Jan-Sep 2016	2.1	3.0
Outstanding NG debt stock as a share of GDP (in %)[1]/	2016	42.1	35.4
Investment grade credit rating	as of Oct 2016 as of May 2016 as of Sep 2016	Moody's - Baa2/ Stable Fitch - BBB-/ Positive S&P - BBB/A-2/ Stable	sustain or improve IG credit rating
Local source of LGU income share in total current operating income (in %)	2015	33.8	37

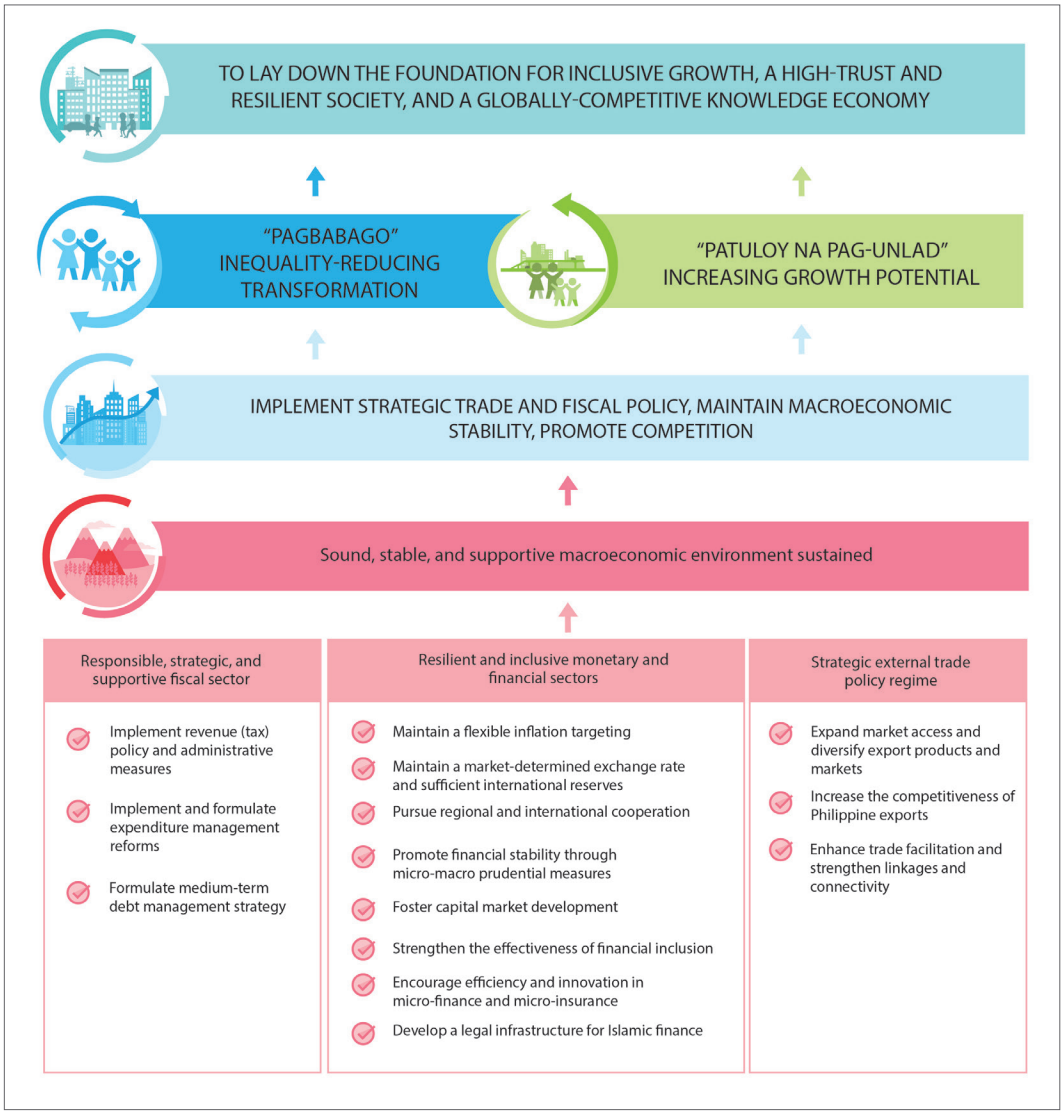
INDICATORS	BASELINE		END OF PLAN TARGET
	YEAR	VALUE	
Subsector Outcome B: Resilient monetary & financial sector			
Inflation rate (in %)	2016	1.8	2.0-4.0*
Financial system's total assets (growth rate in %)	as of Nov 2016	9.5%	>10%
Gross National Saving to GDP ratio (in %)	as of Q3 2016	29.9%	>30%
Number of deposit accounts	as of Q2 2016	52.4 million	>50 million
Microfinance services delivery [3]/	as of Sept 2016	₱12.1 Bn	>₱10 billion
Number of access points per 10,000 adults [4]/	as of Sept 2016	9.2	>10
Percentage of adults with formal account (as a share to total adult population)	FY 2015	22%	>22%
Remittance costs as a proportion of the amount remitted [5]/	as of Q4 2016	4.7%	<3%
Microinsurance penetration (as % of total population)	2016	30%	35%
Subsector Outcome B: Strategic external trade policy regime			
Merchandise exports (in USD billion)[6]/	Jan-Sep 2016	32.8	61 to 62.2
Services exports (in USD billion)[6]/	Jan-Sep 2016	24.0	61 to 68.6
Current account balance to GDP ratio[7]/	Jan-Sep 2016	0.7	0.001

** Headline inflation targets are only until 2020. Figures for 2021 and 2022 are inflation assumptions.*
1/ 2017 Targets are based on the 2017 Budget of Expenditures and Sources of Financing while 2018-2022 are based on the 169th DBCC approved levels on December 20, 2016.
2/ Obligation basis
3/ This data refers to microfinance services delivery by the banking sector. Data from the cooperative and microfinance NGO sectors are not yet included. No numerical target but value should be increasing over time.
4/ This includes deposit accounts and e-money accounts. There is no numerical target but the percentage should be increasing over time. The BSP will monitor improvements based on results of a biennial demand-side survey.
5/ Proxy indicator: cost (in %) of sending USD200 from the United States to the Philippines.
6/ Baseline figures for goods and services exports are based on BOP (BPM6) data. Figures for 2017 – 2022 were estimated based on annualized 2016 BPM6 levels and latest DBCC assumptions on growth rates for exports of goods and services approved on 20 December 2016
7/ Medium term projections as approved by the Monetary Board on 23 December 2016

Strategies

To attain a responsible, strategic, and supportive fiscal sector; a resilient and inclusive monetary and financial sector; and a strategic external trade policy regime, the strategies as outlined in *Figure 15.1* will be implemented.

Figure 15.1 Strategic Framework to Sustain a Sound, Stable and Supportive Macroeconomic Environment, 2017-2022



Sector Outcome 1: Responsible, strategic, and supportive fiscal sector

Improve revenues through reforms in tax policy and administration. The proposed **tax policy reform** shifts to a simpler, fairer, and more efficient tax system characterized by lower rates and a broader base. This is expected to correct both horizontal and vertical inequities in the system. Based on international experience, tax policy reform will be successful only if it is accompanied by **tax administration reforms**. Beyond revenue generation, tax reform should also help promote investments, create jobs, and lift people out of poverty.

Key reforms in the BIR include process and forms simplification for small taxpayers, electronic data sharing to improve compliance, taxpayer bill of rights, and relaxation of bank secrecy for fraud cases. These reforms are expected to improve taxpayer satisfaction, reduce cost of compliance in paying taxes, and result in public trust.

Meanwhile, the BOC will implement an aggressive anti-smuggling campaign in order to expand revenues. The campaign will be supported by tighter enforcement in free trade zones, fuel marking, and reconciliation of trade data with partner countries.

To increase local sources of LGU revenue, institute legislated and non-legislated measures. LGUs need to maximize the revenue-raising powers granted to them by the Local Government Code. Among the potential measures are: (a) professionalization of local treasurers through the Standardized Examination and Assessment for Local Treasury Service Program; (b) updating key local finance manuals to take into account developments in local finance; (c) intensifying LGU fiscal monitoring and performance evaluation through standardized reporting tools and metrics; (d) establishing the idle land inventory and imposing the idle land tax in all LGUs; and (e) enjoining LGUs to comply with LGC requirements concerning local revenue base.

Encourage the private sector to engage in public-private partnership schemes. This will free up the fiscal space so that government resources can be used for other public goods and services.

Increase budget share of social and infrastructure sectors. From an average share of 33 percent in the national budget in the past six-years from 2010 to 2015, developmental expenditures are targeted to reach 50.1 percent by 2022 to fund programs and projects crucial to sustaining inclusive growth. This will be made possible through (a) more prudent expenditure; (b) sustainable debt liability management strategies; and (c) government bureaucracy rightsizing to ensure more efficient and effective operations.

Formulate and implement expenditure management reforms. Several measures will be put in place to improve agency budget utilization and address underspending. These include: (a) strengthening the linkage between planning and budgeting[8]; (b) capacity building for line agencies and other stakeholders; (c) streamlining the release of funds and development of integrated and user-friendly financial management system; (d) strengthening project monitoring through modern technology such as integrated systems, geotagging and mapping; and (e) developing a codex for the consistent and efficient application of the Commission on Audit Rules.

[8] To be achieved by: (a) translating the PDP into medium-term plans of agencies; (b) developing and rolling out Medium-Term Expenditure Program among line agencies; (c) improving coordination and feedback mechanisms among NGAs, regional development councils, LGUs and other stakeholders; (d) improving the evaluation process to ensure alignment with the PDP; and (e) regular updating of agency plans and multi-year infrastructure plans based on the latest Socioeconomic Report

Enhance debt management through the Medium-Term Debt Strategy. This entails a proactive stance in the management of the debt portfolio and adoption of a borrowing mix program. It likewise requires reforms that: (a) boost liquidity and trading activity through debt consolidation, reissuance and reduction of outstanding securities; (b) reduce friction cost of investing in domestic government securities; (c) formulate an annual issuance program to maintain benchmark securities that will represent the domestic yield curve; (d) establish a Repo (Repurchase Agreement) Program for domestic securities to support the secondary market; and (e) establish a Primary Dealer Program that will set the rights, privileges and role of government securities dealers in market making.

Furthermore, government will push for amendments to the BOT Law, with the objective of improving the process of project appraisal, contract management, and management of contingent liabilities. Policies concerning re-financing, public consultation and trust liability accounts will be studied. The government will also streamline the data reporting process and provide comprehensive data through the Government Debt Recording and Monitoring System, which will help in the analysis of GOCC debt, better manage government financial exposure, and inform strategy formulation.

Sector Outcome 2: Resilient and inclusive monetary and financial sectors

Monetary Policy

Maintain a flexible inflation targeting framework through the interest rate corridor (IRC) system. As part of the initiatives to strengthen the framework for monetary policy implementation, the IRC system was launched in June 2016.[9] To sustain the reform momentum, current policies and programs will be continued. The government will be vigilant to ensure that the inflation environment remains suitable and consistent with the evolving domestic price dynamics and sustained economic growth objectives.

Maintain a market-determined exchange rate and sufficient international reserves to better insulate the economy from external shocks that could disrupt the pace of economic growth. Measures to reduce the volatility of capital flows will be studied.

Pursue regional and international cooperation to prevent and manage future financial crisis. This will also boost the capability of the BSP to undertake quality economic surveillance that will contribute to informed formulation of monetary policies.

Financial Policy

Promote financial stability through micro-macro prudential measures. Pre-emptive prudential measures seek to moderate credit and asset price booms. Such measures complement traditional monetary and financial policies. Since financial stability is a mutual concern among regulators, the creation of the Financial Stability Coordination Council allows different agencies to take a more comprehensive view of the financial system. Simultaneously, the government will continue to establish an enabling policy and regulatory environment that supports financial stability objectives.

Foster capital market development through the promotion of efficiency in trading, settlement and delivery of securities. The domestic capital market will be broadened and deepened to serve as an alternative stable funding source for financing infrastructure

[9] Prior to implementing the IRC reforms, the BSP held consultations with market players and counterparties to ensure the smooth implementation of the IRC and allow the market sufficient time to prepare for the transition.

and other long-term needs. Securing the reliability, quality, and integrity of pricing and valuation of financial instruments will be pursued in collaboration with the private sector. Complementing these initiatives is the establishment of an integrated financial market infrastructure, which is considered as a key component of the financial system.

Strengthen the effectiveness of financial inclusion initiatives by focusing on the efficient delivery of microfinance and micro-insurance products and services for Filipinos including those who live abroad. These initiatives will include various economic and financial literacy activities that will encourage Filipinos to participate in economic governance and harness the investment potential of OF remittances toward innovative financial instruments such as personal equity and retirement funds or insurance products. These will be complemented by the creation of mechanisms that will cater to the Filipinos' financial needs.

Encourage efficiency and innovation in microfinance and micro-insurance for the domestic market.[10] Microfinance services such as credit access of micro, small, and medium enterprises (MSMEs) will be broadened. For microcredit to reach its full potential, credit bureaus and movable collateral registries will be developed and strengthened. On micro-insurance, innovative products will likewise be explored outside the existing micro-health and pre-need services. Private insurance providers will be encouraged to engage in the delivery of micro-insurance for agriculture.

Develop the legal infrastructure for Islamic finance. The legal infrastructure will provide an enabling environment that accommodates and facilitates the development of Islamic finance products such as '*sukuk*' or Islamic bonds; a clear and efficient system that preserves the enforceability of Islamic financial contracts; and a credible and reliable forum for the settlement of legal disputes arising from Islamic finance transactions.[11]

Sector Outcome 3: Strategic external trade policy regime

The government will focus on providing support and promoting products where the country has comparative advantage and has the potential for competitive advantage. External trade policy will support backward and forward linkages to both the domestic and international markets, spur the production of higher value-added goods and services, diversify products and markets, as well as provide opportunities for the growth of enterprises.

Expand market access and diversify export products and markets

Pursue strategic trade partnerships and maximize opportunities in bilateral, regional and global integration. These will also be used as platforms to expand market access and diversify products and markets. Advocacy and capacity-building programs to encourage businesses, especially MSMEs, to maximize export opportunities and increase the utilization of preferential trading agreements will be continued. Support programs to enable MSME exporters to graduate to higher levels will also be put in place. Comprehensive support packages will also be provided to priority sectors with comparative advantage.

Intensify marketing and promotion of Philippine goods and services and increase market intelligence. The

[10] Focus on the 14 basic sectors identified in RA 8425 (Social Reform and Poverty Alleviation Act). These sectors are more vulnerable relative to other groups as they grapple with poverty.

[11] Islamic Financial Services Board. *Islamic Finance Global Legal Issues and Challenges*, p. 18

Philippines will be promoted as a producer of high-quality goods and services to increase its presence in the international market. Promotion and marketing activities will include sustained brand awareness campaign programs, partnerships to promote Philippine-made products, and social media campaigns,among others.

Intensify market intelligence. This will entail strengthening the coordination among government and other relevant entities to help identify the opportunities, threats, and changes in demand structure that that may affect export performance. In addition, an integrated database between the Philippine Statistics Authority and the Bureau of Customs (BOC) will be established for real-time assessment of trade flows. Exporters will be allowed to access information so that they can readily respond to market changes. Linkage between other government and private agencies with access to trade transactions as recognized by the BOC and investment promotion agencies will also be strengthened.

Explore new markets for Philippine exports. Maximize opportunities in Asia and link with emerging markets, which are expected to grow over the long-term.

Increase the competitiveness of Philippine exports

Minimize the cost of production and delivery of goods and services through reforms. Continue efforts to ease the cost of doing business in the local and national government. Likewise, implement programs and projects designed to cushion the impact of sharp foreign exchange adjustments on exporters. These may include the BSP's Rediscounting Facility, hedging products, and market-based foreign exchange regulations, among others.

Improve the quality of goods and services by adopting best practices and successful business models in production processes. These will improve efficiency and raise the value of products and services. Enforcement activities should be strengthened to prevent the proliferation of substandard products. Laws, rules, and regulations will be reviewed with a view to adopting international standards.

Encourage and support innovation in the country's export-oriented industries through investments. Innovation enhances the capacity of exporters to catch up with higher levels of technology, meet international quality standards and product specifications, boost productivity, and facilitate the production of higher-value added products. Focus areas include: (a) research and development for agricultural products and services with high demand in the world market; (b) miniaturization, robotics, and digitalization of new products and services; (c) state-of-the-art disaster and climate-resilient technologies; and (d) quality packaging that uses locally-sourced materials.

Develop human resources and improve institutional structures. Prioritize continued training for the skills needed for higher value services to be able to diversify exports. Build the capacity of Philippine negotiators to assess and formulate Philippine positions and explore the possibility of establishing a body similar to trade representative offices in other countries. This body will coordinate Philippine positions and negotiate bilateral, regional and multilateral arrangements.

Enhance resiliency to disaster and climate change impact. This will be done by developing policies that ensure business continuity and mitigate risks to businesses or enterprises during disasters.

Enhance trade facilitation and strengthen linkages and connectivity

Review and implement laws, rules and regulations to reduce the cost to exporters and importers as well as facilitate and streamline procedures for engaging in trade. The full and effective implementation of RA 10668 (Foreign Ships Co-Loading Act) and RA 10863 (Customs Modernization and Tariff Act) will be pursued. Programs and initiatives under the WTO, Asia-Pacific Economic Cooperation, and the Association of Southeast Asian Nations (ASEAN), including its growth areas such as BIMP-EAGA, that aim to improve customs procedures and facilitate trade will be supported. Initiatives to reduce the time to undertake trade transactions, such as the Business Process Inter-operability, will be implemented to provide full exchange of information. The government will continue moving toward a trade facilitative Rules of Origin regime, such as the use of self-certification in ASEAN.

Foster forward and backward linkages across sectors through the value chain approach. Exporters will be connected with multinational corporations and suppliers through business matching, trade fairs, and networking initiatives, among others. MSMEs will be promoted either as a supplier or service provider to foreign investors during investment and trade promotion events and as possible technology partners through technology license agreements.

Provide adequate infrastructure and logistical support to achieve connectivity, ensure efficient flow of goods and services domestically and internationally, and lower the cost of production and delivery. Formulate both the transport and logistics network plan and information and communication technology plan. These will complement the efforts to link the sectors with more markets and improve their competitiveness.[12]

[12] Refer to the Infrastructure chapter

Legislative Agenda

To strengthen the effectiveness of the strategies, legislative action is needed in the following.

Table 15.2 Legislative Agenda to Sustain a Sound, Stable and Supportive Macroeconomic Environment, 2017-2022

LEGISLATIVE AGENDA	RATIONALE
Fiscal Sector	
Tax Reform Program	Amend certain sections of the National Internal Revenue Code of 1997 to achieve a simpler, fairer, and efficient tax system.
Institutionalize the Extractive Industry Transparency Initiative	Improve the transparency in revenue payments and sharing in the mining, oil and gas industries.
Unified Pension Reform Bill	Arrest the large and unsustainable fiscal impact of the ballooning pension requirements of the military and uniformed personnel.
Government Rightsizing Bill	Promote effectiveness and efficiency in government operations to ensure the quality of public service that is responsive to the changing needs of the population.
Budget Reform Bill	Institutionalize good PFM practices which include: a) shift to cash-based budgeting from the current obligation basis; b) reducing the validity of appropriations to one year from the current two years, etc.
Real Property Valuation and Assessment Reform Act	Institute reforms in real property valuation and assessment in the Philippines.
LGU Income Classification Bill	Institutes the income classification of provinces, cities and municipalities, and for other Purposes.
LGU Property Insurance Bill	Amends RA 656 (Property Insurance Law) to make it mandatory for all LGUs to insure its properties (e.g., buildings, roads, bridges, plants, machineries and equipment)
Amendments of the Local Government Code of 1991	Amend (a) expenditure assignment, (b) revenue assignment and LGU taxing powers, (c) inter-governmental fiscal transfer, (d) credit financing for LGUs, (e) inter-LGU cooperation through alliances, (f) creation of new LGUs, and (g) local fiscal administration
Financial and Monetary Sector	
Proposed amendments to the BSP Charter[13]	Expand and improve the operations of Bangko Sentral ng Pilipinas.
Enactment of the Payment Systems Act	Promote the digitization and interoperability among payment systems Including the supervisory oversight of the BSP
Amendments to the Anti-Money Laundering Act	Expand its organizations and transactions coverage, including granting additional powers.
Enactment of Islamic Banking	Strengthen the Al-Amanah Bank, while promoting both the establishment of other Islamic banks and engagement in Islamic banking arrangements under the supervision and regulation of the BSP.
Amendment to the provisions of RA 1405 (Law on Secrecy of Bank Deposits) and RA 6426 (Foreign Currency Deposit Act)	Exempt government officials and employees, whether elected or appointed, from the coverage of the Bank Secrecy Law.
Filipino Identification System Act	Pursue a national identification system for effective delivery of government services.
Secured Transactions Bill	Establish a comprehensive legal framework on lending transactions involving personal property as collateral.
Enactment of the Collective Investment Schemes Law	Anticipate participation of middle- to low-income individuals in CIS opportunities.
External Trade Sector	
Key legislative measures that will promote and support the sector will be supported including those proposing the streamlining of export and import procedures and reduction of import and licensing fees, as well as related legislation listed in Chapter 9.	