



THE PRESIDENT'S BUDGET MESSAGE

FISCAL YEAR 2017



A BUDGET FOR REAL CHANGE

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**Message of
President Rodrigo Roa Duterte
to the Seventeenth Congress of the Philippines
on the National Budget for Fiscal Year 2017**

August 15, 2016

Ladies and Gentlemen of the
17th Congress of the Philippines:

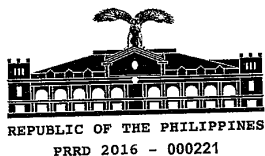
I have the honor to submit to you, through the President of the Senate and the Speaker of the House of Representatives, the Proposed National Budget for Fiscal Year (FY) 2017.

THE BEGINNING OF REAL CHANGE

As I emphasized in my inaugural speech, the core problem that we must confront is the erosion of faith in the government.

Crime and corruption are but symptoms of the breakdown of public trust. And this breakdown affects the poorest and most vulnerable among our people. To whom else can they run if the government cannot guarantee their most basic right to safety? How can we make them believe that the government exists for their sake if they do not get the services they need?

I was elected to bring forth real change in the government.

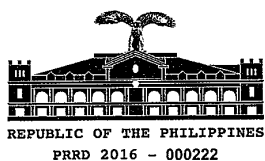


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It is a tall order that cannot be fulfilled by one person alone. The bureaucracy must move to effectively implement programs that benefit the poorest. The Judiciary must act swiftly to enforce the rule of law. Congress must pass laws and scrutinize the Budget with the interests of the marginalized in mind.

Real change, as I said, begins with us and in us. The first that we must change is the mindset that the power and resources of the offices we occupy are ours to enjoy. We must remind ourselves of this basic principle: our people, through their taxes, provide the lifeblood of the government. They are the reason for government's very existence.

Our people expect no less from us.



BUDGET PHILOSOPHY

Ladies and gentlemen, my commitment to implement real change lies at the core of the P3.35 trillion proposed Budget for FY 2017.

This is my Administration's first Budget. It is a Budget that gives flesh and bone to the promise by which I won as President: to fight for social justice. It was designed to realize change in the here and now.

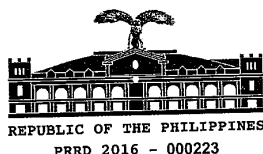
This Budget is for the people and by the people.

In the last one and a half months since we assumed office, we designed this Budget around the following principles:

Just and disciplined fiscal policy. The government's finances are in a much better shape: in fact, it is now among the world's most credible debtors after earning investment grade credit ratings. However, because of underspending, we have deprived our citizens with much-needed services. Their taxes have likewise bloated through time due to outdated tax rates.

Thus, we have designed fiscal rules that will benefit the people. We will reduce our people's tax burdens through an equitable tax regime. We will spend more on infrastructure and social services. We will streamline government operations and make service delivery more efficient. We owe it to our people to give them the best value for every Peso we collect and spend.

Focus on social order and equitable progress. Real change means that the Budget is founded on our collective aspirations



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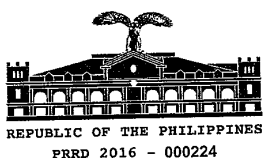
for peace and prosperity. However, progress cannot be achieved if crime, conflict, and corruption continue to reign. Thus, this Budget funds our vision for an orderly, just, and stable society through a professional police and military; a justice system that works; and a clean and lean bureaucracy.

This Budget funds our goal to bring equitable prosperity for all. A reliable transport network that brings them to work and back to their families affordably and with ease. Enough food for everyone and a decent living for farmers and fisherfolk. Ample safety nets for the poorest, including those who are vulnerable. Rural communities that can compete with Imperial Manila, small businesses that can compete with big corporations, and a domestic economy that can compete with the rest of the world.

What you see is what you get. The problem with the Budgets in the past is that what's stated there is not necessarily what's implemented. For one, Government underspending has come at the expense of services for the people. Moreover, past administrations had changed some of the items in the Budget at whim: through abuse in the use of savings, the re-enactment of the budget, and proliferation of lump sum funds. In the first place, what for was Congress' approval of the General Appropriations Act (GAA)?

Ours is an era of credible Budgets: what the people see in the Budget is what they will get in terms of services and benefits.

My Administration will continue to implement public financial management (PFM) reforms with greater intensity and political will. We will focus on realizing a credible Budget. This means that agencies will be capable of designing programs and



projects that are ready for implementation. This means that we will continue streamlining the release of funds to the agencies as well as the processes for spending public funds. This means automating financial transactions and reporting to the public.

How do we solve underspending? We know the root cause of such problem: poorly prepared Budgets. From now on, we will focus more intently in better planning and preparing the Budget, while also improving the capacity of the agencies' financial managers so they can formulate, design and efficiently execute needed, doable and impactful programs and projects.

I also emphasize that the provisions of this Budget are compliant with the Supreme Court's landmark decisions on the Priority Development Assistance Fund (PDAF) and the Disbursement Acceleration Program (DAP). We will spend more vigorously but within the bounds of the law.

Accountability to the people. Under my term, the country will continue to have one of the most transparent and participatory Budgets in the world. We will also give greater emphasis to accountability: the people can demand information and call our attention to abuses and poor performance. Only this way can the government become more responsive to the people.

We will not just dump data online. We will uphold the citizens' right to demand information: when and how they want it. That is why I already issued Executive Order No. 2, s. 2016 implementing the proposed Freedom of Information law in the Executive Branch. We trust that Congress will enact this much-awaited law soon. We will not only give our people a say on what to fund: we will enable them to hold us accountable—

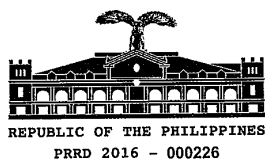


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through their elected representatives in Congress for implementing the Budget faithfully, properly, and with measurable results.

Local governments as able partners in development. The local government units (LGUs) know best the problems of the communities on the ground. They are in a better position to address those problems urgently and effectively. However, twenty-five years after the Local Government Code was passed, LGUs remain mostly dependent on transfers from the center as they are unable to generate enough resources and deliver the basic services under their mandate.

Our goal is to strengthen LGUs as able partners in national development. We fulfill this not by giving them additional funds out of political will or favor: we will condition such resources on their implementation of higher good governance standards, improvement of their capacity to generate resources, and strengthening of their ability to deliver basic services.



FINANCING THE 2017 BUDGET

As the needs of our people increase, public spending must likewise expand to meet such demands.

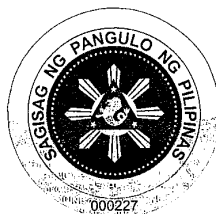
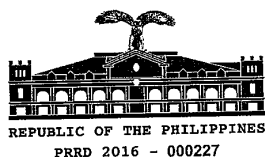
At P3.35 trillion, our proposed Budget for 2017 is 11.6 percent higher than the Budget for 2016. It represents 21.0 percent of the projected 2017 gross domestic product (GDP): an expansionary Budget, as it is much higher than the average government spending of 16.6 percent of GDP from 2006 to 2015.

Still, our proposed expenditure ceiling and fiscal deficit target for the medium-term are reasonable and fiscally sound.

Fiscal program. The budget deficit will reach P478.1 billion in 2017, equivalent to 3 percent of GDP. The new deficit target for next year to 2022 allows us to increase spending on infrastructure, rural development, and social services.

We can collect enough taxes and other revenues because we expect our economy to continue to expand. GDP is expected to grow by 6.5 to 7.5 percent in 2017 through the sustained expansion of the services and industry sectors, and the expected rebound of the agriculture sector. Our plan to pump-prime the economy through increased spending on infrastructure will push GDP growth to new heights next year and throughout our term.

The larger fiscal deficit means that our borrowings will also increase—but these are new debts that will produce results.



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Widening the deficit will enable us to spend more to attain a more equitable growth. For one, we plan to hike infrastructure spending to 6 to 7 percent of GDP within our term to build new roads, railways, classrooms, farm facilities, and other much-needed infrastructure.

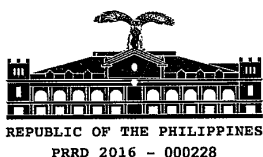
These added debts will not endanger our stable financial position. With strong growth, we will continue to outgrow our debt burden.

Revenues. Total revenue collections next year is expected to reach P2.48 trillion, or roughly 10 percent more than what we target to collect in 2016. It is equivalent to 15.6 percent of GDP. Tax revenues will comprise about 93 percent of the total revenue target and reach the equivalent of 14.5 percent of GDP next year, an improved tax effort compared to 14.1 percent this year.

But these estimates are based on the status quo.

This is the twin problem of our tax regime now: while our tax rates are among the highest in the region, our tax collection effort fares dismally compared to other countries because it is more complicated to administer. The government has been generating revenues principally through income taxes from salaried employees and corporations, import duties, value-added taxes on the consumption of goods and services, and sin taxes from cigarettes and alcohol drinks. Unfortunately, these aren't enough because of tax evasion, smuggling and other leakages.

We will end this unjust state of affairs.



We will soon propose to Congress a package of reform measures that will create additional revenues in a more equitable, efficient and simpler manner that does not burden the poor. It will increase the total revenue effort to about 17 percent of GDP in 2018. By 2022, the revenue effort should reach about 18 percent of GDP: comparable to other countries in Southeast Asia.

Borrowings and debt. Total borrowings in 2017 will reach P631.3 billion. This amount will be used to finance our P478.1 billion deficit, settle P89.3 billion in maturing debt obligations, contribute P45 billion to the Bond Sinking Fund, and maintain sufficient cushion of cash in the Treasury. Our total borrowings for 2017 will be 9.2 percent lower than this year's projected borrowings due to lower refinancing requirements. This will more than offset the expansion in our deficit program.

The national government's outstanding debt will fall to about 40.9 percent of GDP next year, from 44.8 percent in 2015. Our debt stock as a proportion of our economy will fall below 40 percent of GDP by 2018 and approach near 35 percent of GDP by 2022. We will meet these if we improve revenue collections through a comprehensive tax reform, spend on the right priorities, and keep fiscal risks in check to grow the economy.

We will also strengthen the resilience of our debt profile by maintaining our heavy bias for domestic borrowings while optimizing available concessional loans from development partners. We will implement a borrowing mix of 80:20 in favor of domestic instruments for the next six years in order to



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reduce foreign exchange risks, as well as to help support the development of our local capital market.

HIGHLIGHTS OF THE EXPENDITURE PROGRAM

As a tool for equitable progress, this proposed Budget for 2017 focuses resources on the programs and projects that achieve our 10-point socioeconomic development agenda.

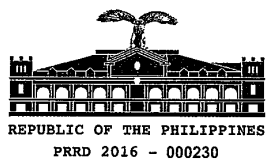
Of the total P3.35 trillion expenditure program for next year, 40 percent will be invested in our most important resource, the people, through education, healthcare, social welfare, and other social services. Economic services will have 27.6 percent of the Budget to fix our broken infrastructure network, boost our agriculture and rural sector, and generate more jobs and livelihood.

Almost 22 percent of the proposed Budget will fund general public services and defense. While these sectors' shares from next year's Budget remain flat, the way we govern and ensure the safety of our people will be different.

Meanwhile, the debt burden on the Budget will be reduced further to 10.6 percent next year from 14.0 percent in 2016.

The Basics: Good Governance and the Rule of Law.

As I stressed in my first State of the Nation Address (SONA), real development cannot be achieved if our people do not feel safe and secure. Growth cannot be attained and jobs created if citizens and businesses experience Calvary when they process



their papers with government agencies. More so, we cannot restore trust in the government if crime and corruption persist.

Peace and order. My government will double or even triple its efforts to bring drug pushers and crime syndicates behind bars as well as to put a stop to terrorism. This Budget provides P110.4 billion for the Philippine National Police (PNP). Higher by 24.6 percent than in 2016, this funding will be used to hire more policemen, buy more guns and patrol vehicles, and finance other activities for more effective crime suppression.

Meanwhile, the Armed Forces of the Philippines (AFP) will have P130.6 billion. This is 15 percent higher than its budget for this year. This will be used to intensify the AFP's counter-terrorism efforts and to protect our borders. The Revised AFP Modernization Program, in particular, will have P25.0 billion to give our soldiers more weapons and equipment.

I promised to increase the salaries of our policemen, soldiers, and other uniformed personnel. And I will fulfill that promise. We will pursue a law that increases the base pay of uniformed personnel but reforms the pension system of retirees.

Justice and the rule of law. We will reverse our people's belief that justice in our country is illusory. To declog the courts and hasten the resolution of cases, we are increasing the total budget of the Judiciary by 21.5 percent to P32.5 billion. This will provide additional funding for the operating expenses of the lower courts, the creation of more Halls of Justice, and the implementation of the Enterprise Information Systems Plan.



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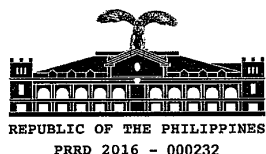
The allocation of the Department of Justice (DoJ) will also increase by 16.1 percent to nearly P16.0 billion. This budget will boost the DoJ's ability to prosecute cases, sustain the Public Assistance Office's free legal assistance to poor defendants, and improve the National Bureau of Investigation's (NBI) efforts to investigate crimes. This allocation should also support the streamlining of the processing of NBI clearances.

No-nonsense public service. I already announced measures to cut red tape, ease doing business, and hasten frontline services. The convenience of citizens and investors should be foremost in the minds of our public servants.

I also remind everyone in the national government that your basic salaries and other compensation will increase yearly as a result of the latest update to the Salary Standardization Law. Your performance bonus improves year after year as well. To reward our performing public servants, this Budget provides P16.7 billion for Performance-Based Bonuses.

If you do your work well and serve the people faithfully, you will be rewarded. But if you engage in corrupt activities, make it hard for our people to access services, or just waste time until the clock strikes five, you will be dealt with accordingly.

Our fight against corruption should be relentless and sustained. We will allocate P817 million to the Office of the Ombudsman to enable it to resolve 21,350 complaints and grievances; complete 3,195 fact-finding investigations; and, prosecute 2,863 cases. We will also provide P265.2 million to the



Sandiganbayan to process 3,480 cases and dispose of 418 cases.

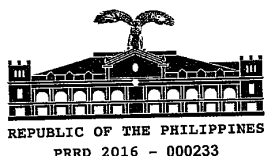
Good local governance. I am committed to empowering local government units (LGUs) to be the first line of service delivery to our citizens. Total allocations to LGUs will reach P552.7 billion next year: an increase of 14.2 percent from their allocation this year. P486.9 billion of that amount is for the automatically appropriated Internal Revenue Allotment (IRA).

Apart from the IRA and other legally-mandated shares of the LGUs from the National Budget, we are providing P34.6 billion in additional resources to the LGUs. This amount includes funding for the local poverty reduction projects of disadvantaged municipalities.

It also includes the conditional grants for the rehabilitation of certain provincial roads. The funding support for the rehabilitation of provincial roads will be based on two factors: first, those which are most in need, and second, those which meet the high standards of transparency, financial stewardship, and citizens' participation.

Towards Equitable Progress

We honor the government's obligation to uphold the rights of all, especially the poorest and the weakest in society. Beyond the right to life and to safety, we will promote and affirm the right of all citizens to have a fair shot in life.



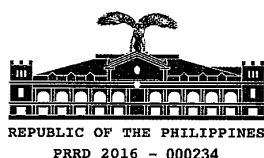
Infrastructure. This proposed Budget for 2017 pours a total of P860.7 billion, or a 13.8 percent increase from this year's allocation. Infrastructure outlays in 2017 is equivalent to 5.4 percent of GDP: on the way to being at par with those of our neighbors.

This allocation will, among others, be used to fix our transport infrastructure. Road networks, railways, seaport systems, and airport systems will have a combined P355.7 billion next year. As we fix the congestion in Metro Manila and other urban areas, we will also pay equal attention to connecting lagging regions with growth centers. In particular, the Mindanao Logistics Infrastructure Network will have P31.5 billion next year: much higher than this year's allocation of P19.5 billion, to fast track its completion.

In addition to what the Budget provides, our revitalized Public-Private Partnership (PPP) program will accelerate the roll out of infrastructure projects.

We will not limit ourselves to solicited PPP projects: we will allow the private sector to propose innovative and viable projects outside our pipeline. We will also invite the private sector to help with the operation and maintenance of infrastructure facilities after government constructs them as their expertise will be much appreciated by the government.

Agriculture and rural development. We cannot allow growth to be monopolized by Greater Manila. If we want equitable growth, the lagging regions and rural areas must have greater support from the national government in terms of infrastructure,

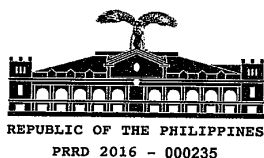


research, credit, production and postharvest support, and supply chain development.

The agriculture and agrarian reform sector will have P120.5 billion next year. The Department of Agriculture (DA), in particular, will have P45.3 billion to boost the production and marketing of rice, corn, high value crops, fisheries, and livestock. Part of the DA's budget is for speeding up the construction of farm-to-market roads, post-harvest facilities, and other infrastructure projects. Separately, we have allocated P36.4 billion for the National Irrigation Authority (NIA) to build and rehabilitate irrigations systems nationwide. We hike the funding for NIA as we subsidize the user's fees that used to be charged to our poor farmers.

Through the years, billions have been poured into agriculture, and yet our farmers and fisherfolk remain dirt-poor. I ordered the DA and the Department of Agrarian Reform (DAR) to do their work differently. DA, for instance, will finally build an updated National Soil Sample Data after four decades. The least we can do for our farmers is to guide them where, when, and how to plant their crops so they can get the most income out of their toil and sweat.

Meanwhile, tourism will have a total of P4.0 billion next year to create more jobs and livelihood opportunities from our country's pristine destinations and cultural features. The amount is apart from the P20.1 billion earmarked for tourism infrastructure development—airports, seaports, and access roads—that will make it easier for tourists to travel around the country.



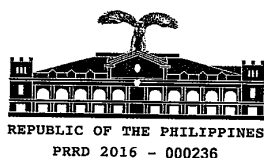
Technology and innovation. Self-sustaining and equitable development can only be achieved if we harness our youth's innate talent for technology and improve our country's network backbone. Next year, we will give the Department of Science and Technology (DOST) with a 14.2 percent budgetary increase to P20.8 billion. This funding will, among others, help to further modernize our weather forecasting capability.

We will also provide P3.56 billion to the newly-created Department of Information and Communications Technology (DICT). The DICT will focus on ICT matters including internet speed and electronic-related crimes. Together with the Department of Education (DepEd), the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA), the DICT will mainstream ICT in schools and manpower development programs to ensure that the country's human resources are ICT-competent.

Investing in Human Capital Development

If we are to compete with the rest of the world, then the government must invest more for its greatest resource —its people.

Education. For 2017, the budget for the education sector will reach P699.95 billion or 20.9 percent of the total Budget. In particular, the Department of Education (DepEd) budget will increase by 31 percent to P570.4 billion to sustain the K to 12 Education program. With the highest budget among the departments, the DepEd will construct nearly 37,500 classrooms for K to 10 and Senior High School, hire 53,831



additional teachers, and provide 2.7 million students with scholarships in private schools.

The Technical Education and Skills Development Authority will have P6.9 billion next year to, among others, support 293,333 enrollees to its Training-for-Work Scholarship Program. The Commission on Higher Education will also have P13.4 billion to expand the reach of its student financial assistance programs as well as to heighten its K to 12 Transition Program. State Universities and Colleges will have a total of P58.8 billion next year in state subsidies: an increase from P49.7 billion in 2016.

Health. The 2017 Budget allocates P151.5 billion for the health sector. In particular, the Department of Health (DOH) will have P94.0 billion to continue implementing its universal healthcare program. This allocation will, among others, be used to deploy more doctors and health workers to rural areas, enhance health facilities such as local hospitals and drug abuse rehabilitation centers. We will strongly support the implementation of the Responsible Parenthood and Reproductive Health Law. For this purpose, DOH will have a P4.3 billion allocation next year.

On top of this, P50.2 billion will be provided to PhilHealth to sustain the health insurance coverage of about 15.4 million indigent families and 5.4 million senior citizens.

Social welfare and sustainable livelihood. A total of P295.2 billion will fund the government's programs to provide ample social protection and sustainable livelihood for the poorest of the poor.



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The Department of Social Welfare and Development (DSWD), in particular, will have almost P129.9 billion for 2017. Of this amount, P78.7 billion will be used to provide conditional cash transfers for 4.62 million beneficiary-families, among which are 218,377 households under the Modified CCT.

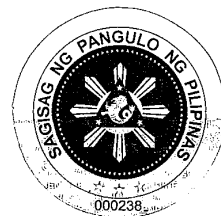
The P23.4-billion rice allowance for 3 million CCT-beneficiary families is also included in the CCT fund. Eligible households will then be given 20 kilos of rice for 12 months starting 2017.

We should keep in mind that our support for the poorest of the poor should enable them to have gainful employment and livelihood. Thus, DSWD will also maintain the Sustainable Livelihood Program to provide microenterprise development and employment facilitation for half-a-million families.

Meanwhile, the Department of Labor and Employment will have a P13.5 billion budget next year to support livelihood and employment programs.

Housing. The 2017 Budget allocates P15.4 billion to provide decent and affordable housing for the poor. In particular, the National Housing Authority will receive P12.6 billion for socialized housing, particularly the resettlement of informal settlers from danger zones and housing assistance for calamity victims.

Additionally, we allocate P7.3 billion under the Department of Transportation for the resettlement of informal settler families to be affected by the North-South Railway Project. This shows our commitment to the policy of “no demolition without



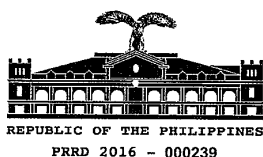
relocation” to provide support to those who will be displaced by our efforts to ramp up transportation projects.

Energization. The 2017 budget provides P5.6 billion for electrification that will help bring progress to the countryside. The National Electrification Administration is provided P1.8 billion for the electrification of 2,410 sitios and 72,300 households. In addition, the National Power Corporation will receive P2.8 billion for the construction of transmission lines and sub-stations; and the repair and maintenance of generating assets in the off-grid areas.

The Department of Energy, on the other hand, will use P1.0 billion for the electrification of 190,600 households in off-grid and on-grid areas.

Disaster risk reduction and environmental protection. We are committed to protect those who are most vulnerable to climate change. Thus, we are providing P37.3 billion for the National Disaster Risk Reduction and Management Fund (NDRRMF). This fund includes P10.0 billion in Quick Response Funds and P1 billion for the People’s Survival Fund.

Moreover, the Department of Environment and Natural Resources (DENR) will have P29.4 billion in 2017. An increase of almost 32 percent year-on-year, this funding will help build back our forests, reduce climate risks, and protect the integrity of the environment.



GOVERNANCE AND BUDGET REFORMS

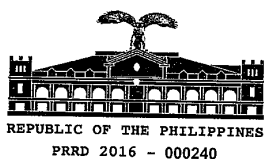
Our Budget for 2017 will serve as a crucial tool in restoring public trust in the government. We will also pursue reform measures that make the State a true servant of the people.

Public Financial Management (PFM) reform. This proposed Budget that I present to you today is built on the public financial management reforms that have been initiated since the turn of the 21st century. To give credit where it is due, our fiscal oversight agencies have been implementing these and other reforms that have significantly improved PFM in the Philippines. This is according to the results of the recent Public Expenditure and Financial Accountability (PEFA) study.

However, the same PEFA study highlighted fundamental gaps: the Budget is not credible because actual spending differed greatly from the appropriations that Congress approved; accounting and reporting practices continue to be weak; and so is Congress' oversight on the Budget.

Moreover, many of the beneficial PFM reforms implemented since the early 2000 to date have yet to be completed. These are also not yet made permanent by a comprehensive law. The gray areas and other loopholes in our PFM laws had also allowed abuses in the past. The budget and management provisions of the Administrative Code of 1987 and other laws also need to be updated given the many changes in the global practice of PFM in the last three decades.

I have instructed the Department of Budget and Management (DBM) to immediately formulate and file a proposed *Budget*



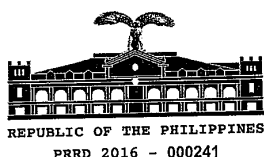
Reform Act. This bill will modernize our legal framework for PFM, lock in the beneficial reforms, and cure the lingering issues that the PEFA highlighted. It will also clarify the limits of the Executive's budgetary powers and strengthen Congress' power of the purse, consistent with the Supreme Court's landmark rulings on the Priority Development Assistance Fund and the Disbursement Acceleration Program.

Freedom of information. Indeed, the Philippines now has one of the most transparent budgeting systems according to the global Open Budget Survey (OBS). But beyond publishing reports and dumping data online, we need to do much more to uphold the people's right to demand information on government affairs, particularly on how their taxes are spent.

I am for openness in governance.

I have fulfilled my campaign promise through the issuance of Executive Order No. 2, s. 2016 implementing the provisions of the proposed Freedom of Information (FOI) law in the Executive Branch. I also instructed the DBM to include access to information provisions in the proposed Budget Reform Act. Now, it's Congress' turn to immediately pass the long-overdue FOI law so that the people's right to information will be honored across all branches and levels of the government.

Government rightsizing. Currently, the national government has 186 departments, agencies, and other offices, from just 176 in 2000. The government workforce currently stands at 1.5 million positions compared to just 1.1 million in 2000. Indeed, the bureaucracy has expanded according to the number of citizens



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to be served: in particular, the creation of more teachers, policemen, and other population-based positions.

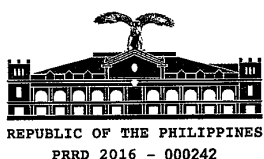
Even so, we cannot deny that there is fat in government that we must trim.

The government bureaucracy must be lean, clean, and nimble to address the people's urgent needs. Thus, since the start of my term, I directed government agencies to streamline and automate frontline and business processes, establish one-stop government centers, and review their respective organizations.

I would ask authority from Congress to eliminate redundant, duplicative, and overlapping functions and organizations in the Executive Branch. We will soon file a proposed *Streamlining the Government Act* that empowers the Executive to conduct a comprehensive review of the Executive's functions and organizational structures, to merge or abolish agencies, and to implement other measures to improve the efficiency of operations and enhance the delivery of services. The proposed law will also provide a reasonable separation package for the personnel who may be affected by the rightsizing of the government.

Military and uniformed personnel compensation. Our soldiers, policemen, and other uniformed personnel risk their lives to maintain peace and order and ensure public safety. Hence, they must receive their due. I already instructed the DBM to work on the increases on their base pay and certain allowances.

Pension reform. The reform on Military and Uniformed Personnel (MUP) pension shall be pursued in view of the ballooning budget burden where the total cost of the pensions



of retired soldiers will exceed the compensation of those in the active service. The proposed law will create a pension fund that is similar to or part of the Government Service Insurance System, replacing the current system where the pensions of the military and other uniformed personnel are appropriated annually by Congress.

Proposed tax reform package. I am committed to pursue a tax reform package that will make our tax system equitable, efficient, and competitive in the region to fund this Budget for social justice, order, and unity. At the heart of our proposed package is the lowering of income tax rates for individuals and corporations: from the present ceilings of 32 percent and 30 percent, respectively, to 25 percent. As a consequence, it should increase the take home pay of individual workers both for the private and public sectors. It could also make the business climate in the country more favorable.

It will not be wise to jeopardize our fiscal sustainability efforts by just lowering the income tax rates without mitigating measures. Thus, I ask Congress to pass all the measures that will form part of our tax reform package. To compensate for the foregone revenues from lowering income tax rates, we propose to expand the value-added tax base and to index oil excise taxes to inflation. Fiscal incentives will also be rationalized.

These tax measures will be complemented by administrative measures to curb tax leakages such as the improvement of the systems and capacity of the Bureaus of Internal Revenue and of Customs. Finally, measures to strengthen our fight against tax evasion will be pursued: the Bank Secrecy Law will be relaxed while the Anti-Money Laundering Act will be amended to make tax evasion a predicate crime to money laundering.



The President's Budget Message

The passage of this tax reform package addresses the weaknesses of the current tax structure and administration without compromising fiscal stability.

CONCLUSION: A BUDGET FOR THE PEOPLE AND BY THE PEOPLE

As I said in my first SONA, governance and development will be for naught if we do not take a human approach.

I add: the Budget is useless if the Filipino is not at its center.

A human approach to public finance means that the taxpayers' right to information on the use of public funds is honored by the government. It means that the poor and the marginalized receive what the government said they will get from the Budget. It means that the interests of the voters who gave us the mandate to govern, not the oligarchs nor the power brokers, will be listened to and given foremost attention.

More than being a collection of figures and provisions, this proposed Budget is the embodiment of our people's clamor for real change and a compassionate government. Thus, I ask the men and women of the 17th Congress to scrutinize and approve the proposed Budget for 2017.

For the people and by the people,


RODRIGO ROA DUTERTE

