Fiscal Risks Statement

Development Budget Coordination Committee

2026

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2026

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List of Acronyms

ABAC	APEC Business Advisory Council
ADB	Asian Development Bank
AFRD	Agriculture, Fisheries, and Rural Development
AML/CTPF	Anti-money Laundering, Counterterrorism, and Proliferation Financing
APEC	Asia Pacific Economic Cooperation
ATA	Admission Temporaire/ Temporary Admission
BHWs	Barangay Health Workers
BLGF	Bureau of Local Government Finance
BLU	Branch Light Units
BSOS	Banking Sector Outlook Survey
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of the Treasury
CARA	Climate Action for a Resilient Asia
CAR	Capital Adequacy Ratio
CBS	Cash Budgeting System
CCC	Climate Change Commission
CCET	Climate Change Expenditure Tagging
CCR	Credit Card Receivables
CDD	Customer Due Diligence
CET1	Common Equity Tier 1
CFMCA	Coalition of Finance Ministers for Climate Action
CFN	Climate Finance Network
CHED	Commission on Higher Education
CICA	Congress Introduced Changes/Adjustments
CL	Consumer Loans
CL-TWG	Contingent Liabilities – Technical Working Group
CMEPA	Capital Markets Efficiency Promotion Act
CNDSC / BC	Certificates of Net Debt Service Ceiling and Borrowing Capacity
COA	Commission on Audit
CPP	Climate Prosperity Plans
CREATE MORE	Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy
CSE	Common-use supplies and equipment
CSSIG	Corporate Sector and Strategic Infrastructure Group
CVF	Climate Vulnerable Forum
CWC	Council for the Welfare of Children
DCTS	Developing Countries Trading Scheme
DICT	Department of Information and Communications Technology
DND	Department of National Defense
DOH	Department of Health
DOST	Department of Science and Technology
DP	Development Partner
DRFI	Disaster Risk Financing and Insurance
DRIP	Disaster Resilience Improvement Program
DST	Documentary Stamp Tax
EO	Executive Order
EPA	Early Procurement Activities
FCDO	Foreign, Commonwealth & Development Office
FCS	Fragile and Conflict-Affected States
FRLD	Fund for Responding to Loss and Damage
FSCRP	Financial Services Cyber Resilience Plan
FX	Foreign Exchange
GBI-EM	JP Morgan Government Bond Index-Emerging Markets

GCG	Governance Commission for Government-Owned or -Controlled Corporations
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GIR	Gross International Reserves
GNI	Gross National Income
GOCC	Government-owned or -Controlled Corporations
GPPB-TSO	Government Procurement Policy Board – Technical Support Office
GSIS	Government Service Insurance System
GSP	Generalized System of Preference Plus
HBN	House Bill Nos.
IA	Implementing Agencies
ICL	Insurance Contract Liability
ICP	In-Country Process
IRR	Implementing Rules and Regulations
ITSF	Interagency Task Force on Sustainable Finance
JMC	Joint Memorandum Circular
LCR	Liquidity Coverage Ratio
LDC	Least Developed Countries
LEDAC	Legislative Executive Development Advisory Council
LGC	Local Government Code
LGU	Local Government Units
LLDC	Landlocked Developing Countries
LPA	Low Pressure Area
LMIC	Low-to-Middle Income Countries
MAC-DSA	Market Access Country-Debt Stability Analysis
MAGA	Material Adverse Government Action
MAIFIP	Medical Assistance to Indigent and Financially Incapacitated Patients
MART	Market Association of the Philippines
MEARB	Most Economically Advantageous and Responsive Bid
MLR	Minimum Liquidity Ratio
ML / TPF	Money Laundering/ Terrorist and Proliferation Financing
MOOE	Maintenance and Other Operating Expenditure
MTFF	Medium-Term Fiscal Framework
MUP	Military and Uniformed Personnel
MVL	Motor Vehicle Loans
NCAA	National Commission for Culture and Arts
NDC	Nationally Determined Contribution
ND-GAIN	Notre Dame-Global Adaptation
NDRRMF	National Disaster Risk Reduction and Management Fund
NG	National Government
NGRP	National Government Rightsizing Program
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
OECD	Organization for Economic Co-operation and Development
PBBM	Progressive Budgeting for Better and Modernized
PCW	Philippine Commission on Women
PCIF	Philippine Catastrophe Insurance Facility
PD	Presidential Decree
PDAX	Philippine Digital Asset Exchange
PDIC	Philippine Deposit Insurance Corporation
PDNA	Post-Disaster Needs Assessment
PDP	Philippine Development Plan
PDR	Philippine Development Report
PDSL	Post Disaster Stand-by Loan
PEFA	Public Expenditure and Financial Accountability

PFM	Public Financial Management
PHIC/Philheath	Philippine Health Insurance Corporation
PHIVOLCS	Philippine Institute of Volcanology and Seismology
PHEBA	Public Health Emergency Benefits and Allowances
PH-KR FTA	Philippine and South Korea Free Trade Agreement
PH-UAE CEPA	Philippine–United Arab Emirates Comprehensive Economic Partnership Agreement
PIT	Personal Income Tax
PIRA	Philippine Insurers and Reinsurers Association Incorporated
PPIP	Public-Private Insurance Programmes
PPP	Public-Private Partnerships
PS-DBM	Procurement Service of the Department of Budget and Management
PSF	People's Survival Fund
QRF	Quick Response Fund
RA	Republic Act
RAFT	Run After Fake Transactions
RCBs	Rural and Cooperative Banks
RCEP	Regional Comprehensive Economic Partnership
RER	Risk Event Report
REST	Real Estate Stress Test
RIRR	Revised Implementing Rules and Regulations
RMP	Risk Management Program
RPVARA	Real Property Valuation and Assessment Reform Act
RRP	Reverse Repurchase Agreement
RRPs	Rehabilitation and Recovery Programs
RTL	Rice Tariffication Law
SB	Senate Bill
SBN	Senate Bill No.
SC	Supreme Court
SDGs	Sustainable Development Goals
SIDS	Small Island Developing States
SEADRIF	Southeast Asia Disaster Risk Insurance Facility
SIF	Social Insurance Fund
SIP	Separation Incentive Pay
SMVs	Schedule of Market Values
SOE	State-Owned Enterprise
SPACE	Stakeholder Partnership Accelerator for Convergence and Engagement
S.P.	Special Provision
SSIs	Social Security Institutions
SSS	Social Security System
TBs	Thrift Banks
TCs	Tropical Cyclones
TFS	Targeted Financial Sanctions
TIEZA	Tourism Infrastructure and Enterprise Zone Authority
TRAIN	Tax Reform for Acceleration and Inclusion Act
TSI	Total Sum Insured
U/KBs	Universal and Commercial Banks
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
USA	United States of America
VAT	Value-Added Tax
V20	Vulnerable Twenty Group of Finance Ministers
WAIR	Weighted Average Interest Rate
WG	Working Group

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EXECUTIVE SUMMARY

A. The Philippine economy grew by 5.7 percent in FY 2024, driven by strong domestic demand, a rebound in key sectors, and increased government spending on infrastructure projects and social programs. However, growth fell slightly below expectations due to the impact of adverse weather conditions, geopolitical tensions, and subdued global demand. By Q1 2025, the growth momentum moderated amid heightened uncertainty. To bolster the country's growth prospects, the National Government (NG) remains committed to maintaining price stability, enhancing sectoral productivity, ensuring prudent fiscal management, and reducing policy uncertainties.

B. Government spending increased in 2024, supported by expanded social protection programs, and accelerated infrastructure and capital outlay spending under the *Build Better More* Program. The NG will continue to uphold a prudent expenditure management framework and implement reforms in line with the Philippine Development Plan 2023–2028.

C. Stronger revenue performance resulting from improved tax administration, robust economic activity, and higher non-tax collections contributed to the narrowing of the budget deficit to 5.7 percent of Gross Domestic Product (GDP) in 2024. Tax revenues grew, reflecting enhanced compliance efforts and favorable macroeconomic conditions, while non-tax revenues surged due to higher dividend remittances and fees, including one-off proceeds from Government-Owned and -Controlled Corporations (GOCCs). Despite policy measures that reduced certain tariff rates, revenue gains were sustained, underscoring the effectiveness of ongoing reforms in revenue collection and fiscal management.

D. Public debt remained sustainable, anchored by a resilient debt profile built through strategic issuance and proactive liability management. Favorable interest-growth differentials and ongoing fiscal consolidation underpin the medium-term debt reduction path. The publication of the Medium-Term Debt Management Strategy promotes transparency and accountability, reinforces the credibility of the government's fiscal framework, and helps mitigate uncertainties on the debt program.

E. In 2024, the resilience of the external sector was backed by strong liquidity buffers, providing a safeguard against global uncertainties. The current account deficit widened due to a larger trade gap, partly offset by improvements in income flows. As of end-March 2025, gross international reserves (GIR) rose further, remaining at prudent levels and providing a robust external liquidity buffer. Meanwhile, the external debt-to-GDP ratio remained manageable, underscoring the country's sustained capacity to service its foreign obligations over the medium to long-term.

F. The Philippine banking sector remained sound, with strong capital and liquidity positions and healthy balance sheets that supported lending and economic activity. The Bangko Sentral ng Pilipinas (BSP) continues to implement proactive and progressive prudential policy reforms and standards to reinforce institutional stability, promote inclusive and sustainable finance, and advance the digital transformation of the financial system.

G. The Department of Finance (DOF) continues to uphold its mandate to promote financial discipline and efficiency across GOCCs, including Government Financial Institutions (GFIs) and Social Security Institutions (SSIs). Record-high dividend remittances affirmed the sector's role in supporting public service delivery and national development. Guaranteed debt and NG

advances to GOCCs remained manageable, while reforms continued to improve transparency, performance, and risk oversight through tools such as the IMF-prescribed State-Owned Enterprise (SOE) Health Check.

H. The Public-Private Partnership (PPP) Center continues to strengthen the monitoring and management of fiscal risks arising from PPP contracts, with no major defaults or contract terminations reported. Following the enactment of the PPP Code, the NG introduced reforms to enhance transparency and accountability, including guidelines for contingent liabilities, operationalization of risk management funds, and streamlined systems for project monitoring.

I. The Philippines continues to face significant fiscal risks from natural disasters and climate change. To address these risks, the NG is enhancing its fiscal resilience through comprehensive disaster risk financing strategies, contingency credit facilities, and innovative insurance mechanisms. Expanded climate expenditures and institutional reforms are improving the coordination and monitoring of climate and disaster risk financing, which consequently help protect vulnerable communities, ensure fiscal stability, and sustain the country's growth and development trajectory despite escalating climate threats.

MACROECONOMIC ASSUMPTIONS AND PERFORMANCE

1. **The Philippine economy grew by 5.7 percent in FY 2024**, faster than the 5.5 percent recorded in FY 2023. Although this was slightly below the government's low-end-target of 6.0 percent, the country still remains to be one of the fastest-growing economies in the region. The country's growth ranked second among its Association of Southeast Asian Nations (ASEAN) peers, following Vietnam (7.1 percent), and outpacing Thailand (2.5 percent), Indonesia (5.0 percent), Malaysia (5.1 percent), and Singapore (4.3 percent).

   In the first quarter of 2025, the Philippine economy expanded by 5.4 percent, slightly higher than the 5.3 percent growth in Q4 2024 but slower than the 5.9 percent in the same quarter of 2024. Likewise, real GDP per capita growth inched up to 4.5 percent in Q1 2025 from 4.3 percent in Q4 2024, but slower than the 5.0 percent growth in Q1 2024. On a seasonally adjusted quarter-on-quarter basis, the country's GDP increased by 1.2 percent in the first three months of 2025.

Table 1. Philippines: Macroeconomic Performance and NG Budget Assumptions for 2022-2025 [a/]

(in percentage point, unless otherwise specified)

Particulars	2022		2023		2024		2025	
	BESF[b/]	Actual	BESF [b/]	Actual	BESF [b/]	Actual	BESF[c/]	YTD
Real GDP Growth	6.5-7.5	7.6	6.0-7.0	5.5	6.0-7.0	5.7	5.5-6.5	5.4 (Q1 2025)
Inflation (2018=100)	2.0-4.0	5.8	2.5-4.5	6.0	2.0-4.0	3.2	2.0-3.0	2.2 (Q1-2025)
364-day T-bill rate [d/]	2.0-3.5	2.5	3.0-4.5	6.0	4.0-5.5	6.0	5.0-6.0	5.8 (Q1 2025)
6-month LIBOR [e/]	0.3-1.3	2.9	3.0-4.0	5.2	n.a.	n.a.	n.a.	n.a.
6-month SOFR [f/]	n.a.	2.5	n.a.	5.2	3.5-4.5	4.9	3.5-4.5	4.2 (Q1 2025)
Exchange rate *(₱/US$1)*	48.00-53.00	54.48	51.00-55.00	55.63	53.00-57.00	57.29	56.00-58.00	57.97 (Q1 2025)
Dubai crude oil price *(US$/barrel)*	50.00-70.00	97.05	80.00-100.00	81.98	70-90	79.66	60-70	75.61 (Q1 2025)
Goods exports growth [g/]	6.0	6.4 [r/]	6.0	-4.3 [r/]	6.0 [g/]	-0.4 [p/]	-2.0	1.2 (Q1 2025)
Goods imports growth [g/]	10.0	19.0 [r/]	6.0	-4.8 [r/]	8.0 [g/]	2.0 [p/]	3.5	8.0 (Q1 2025)

Sources: DEPDev, PSA, BTr, BSP, and FY 2022-2025 Budget of Expenditures and Sources of Financing (BESF)
a/ Macroeconomic assumptions adopted by the Development Budget Coordination Committee (DBCC), as published in the annual BESF that the Executive branch submitted to the Congress for the preparation of the General Appropriations Act (GAA)
b/ Figures for previous years reflect the revised program as presented in the corresponding subsequent BESF
c/ Macroeconomic Assumptions and Targets based on the 191st DBCC Meeting
d/ Based on weighted average of primary market rates
e/ The Secured Overnight Financing Rate (SOFR) replaced the London Inter-Bank Offered Rate (LIBOR) in the BESF macroeconomic indicators as LIBOR ceased publication in June 2023

f/ During the DBCC Executive Technical Board Meeting on November 25, 2022, the Secured Overnight Financing Rate (SOFR) was approved as a replacement for London Interbank Offered Rate (LIBOR) which ceased publication in June 2023
g/ Based on the Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) concept
h/ Adjusted forecasts for goods exports growth and imports growth are 3.0 percent and 4.0 percent, respectively, as approved by the DBCC on 22 March 2024
r/ – revised actual, p/ – preliminary actual
n.a. – not available

2. **On the expenditure side, growth in domestic demand accelerated to 5.8 percent in FY 2024 from 5.0 percent in FY 2023.** Growth was fueled by private consumption, which expanded by 4.9 percent, albeit slower than the 5.5 percent growth in the previous year. Meanwhile, gross capital formation growth increased by 7.7 percent from 6.3 percent, buoyed by double-digit growth in construction (10.4 percent). Government spending increased by 7.3 percent in FY 2024 from a modest 0.3 percent growth in FY 2023. However, net exports contracted further by 6.5 percent in FY 2024, from -0.3 percent in FY 2023, as import growth (4.2 percent) outpaced exports (3.3 percent).

   In Q1 2025, domestic demand grew by 6.7 percent, an improvement from 5.4 percent in Q4 2024 and 3.6 percent in Q1 2024. Growth in household spending picked up to 5.3 percent in Q1 2025 from 4.7 percent in Q4 2024, primarily driven by higher expenditures on food & non-alcoholic beverages (4.5 percent) and restaurants & hotels (6.0 percent) as food inflation eased. Government spending also significantly increased by 18.7 percent in Q1 2025, up from 9.0 percent in Q4 2024, buoyed by a substantial increase in maintenance and other operating expenses due to the implementation of social programs and training of poll workers for the 2025 midterm elections. Meanwhile, total investment growth decelerated to 4.0 percent from 5.5 percent in Q4 2024. The slowdown partly reflects weaker business activity due to elevated uncertainties, resulting in an inventory drawdown. Nonetheless, fixed capital formation grew by 5.9 percent in Q1 2025, up from a 5.0 percent expansion in Q4 2024, driven by higher spending on durable equipment (6.7 percent from 1.4 percent) and public construction (8.2 percent from 4.2 percent). On the other hand, private construction slowed down (6.4 percent from 9.7 percent), particularly corporate construction (1.6 percent from 5.5 percent). Meanwhile, the contraction in net exports deepened to -19.9 percent from -1.4 percent, on account of the sharper growth in imports (9.9 percent from 2.7 percent) relative to exports (6.2 percent from 3.2 percent).

3. **On the production side, the services sector remained the main driver of growth, although expansion decelerated to 6.7 percent in FY 2024** from 7.1 percent in FY 2023. The sector's performance was supported by wholesale and retail trade (5.6 percent), financial and insurance activities (8.9 percent), professional and business services (7.9 percent), transport (8.9 percent), and real estate (5.1 percent). Meanwhile, growth in the industry sector accelerated (5.6 percent from 3.6 percent), due to faster growth in manufacturing (3.7 percent from 1.4 percent) and construction (10.2 percent from 8.8 percent). Meanwhile, the agriculture sector contracted by 1.5 percent, weighed down by weather disturbances that affected the country in the second half of 2024.

   In Q1 2025, the agriculture sector rebounded from –1.6 percent in Q4 2024 to a positive growth of 2.2 percent, supported by relatively favorable weather conditions during the period. Meanwhile, growth in the industry sector remained steady at 4.5 percent amid faster expansion in manufacturing and a rebound in mining & quarrying but was tempered by slower growth in construction and utilities. Growth in the services sector moderated to 6.3 percent in Q1 2025 from 6.7 percent in Q4 2024 and 7.0 percent in Q1 2024 due to slower increases in finance (7.2 percent), public administration & defense (2.8 percent), professional & business (5.0 percent), and other services (7.6 percent). Meanwhile, wholesale & retail trade (6.4 percent), transport &

storage (9.8 percent), information & communication (5.6 percent), and real estate & ownership of dwellings (3.3 percent) improved during the period.

4. **Headline inflation declined to 3.2 percent year-on-year (YoY) in 2024, from 6.0 percent in the previous year.** Inflation in 2024 fell within the government's target range of 2.0-4.0 percent. The YoY decline in fish, vegetable and sugar prices as well as the slower price increases for dairy products, eggs, and fruits supported the deceleration in food inflation. Meanwhile, non-food inflation moderated due to easing inflation for housing, downward adjustments in electricity rates from lower generation charges, and lower inflation for restaurants and accommodation services.

   Headline inflation continued its downtrend, averaging 2.2 percent for January-March 2025. This is within the government's 2.0-4.0 percent target range and lower than the full year averages in 2023 and 2024**.** The slowdown can be attributed to the YoY decline in rice prices during the first three months of 2025, reflecting the continued arrival of imports levied with lower tariffs under Executive No. 62, s. 2024. In contrast, meat recorded higher inflation due to the effect of the African Swine Fever, while fish and vegetable inflation increased owing to weather-related disruptions. Non-food inflation eased on the back of slower inflation for service-related components such as restaurants, accommodation services, and housing.

5. **The BSP gradually shifted toward a less restrictive monetary policy in 2024, supported by the within-target inflation outlook and well-anchored inflation expectations.** The BSP maintained the target reverse repurchase (RRP) rate at 6.5 percent for the first seven months of 2024 before reducing it by a cumulative 75 basis points (bps) from August to December 2024. With these developments, the primary Treasury bill rate declined during the latter part of the year. **On average, the 364-day T-bill rate in the primary market remained at 6.0 percent in 2024,** similar to the previous year, and settled above the BESF assumption range of 4.5-5.5 percent for 2024. The secondary market rate was slightly higher at 6.2 percent in end-2024 compared to 5.9 percent in end-2023.

   For the first three months of 2025, the average 364-day T-bill rate declined to 5.8 percent from the 6.0 percent average in the same period last year. The lower rates reflect the BSP's measured approach to easing monetary policy, well-anchored domestic inflation expectations, and declining foreign interest rates as monetary authorities globally began loosening their policy stance in response to easing inflation pressures.

6. **Foreign interest rates trended downward in 2024 as major central banks started implementing gradual policy rate cuts[1] towards the second half of the year amid progress in slowing inflation.** The average 6-month Secured Overnight Financing Rate (SOFR)[2] fell from 5.2 percent in 2023 to 4.9 percent in 2024, albeit higher than the BESF assumption range of 3.5-4.5 percent for 2024.

   The average 6-month SOFR further declined to 4.2 percent in the first quarter of 2025. This downtrend in foreign interest rates reflected expectations that major central banks would remain in a monetary easing cycle but with a cautious approach as higher inflation risks could arise from heightened trade and geopolitical tensions.[3]

[1] The US Federal Reserve had a cumulative rate cut of 100 basis points (bps) in September and December 2024. The Bank of England reduced interest rates by 25 bps each in August and November 2024. The European Central Bank's easing cycle resulted in a cumulative 100 bps rate cuts in June, September, October, and December 2024.
[2] The Secured Overnight Financing Rate (SOFR) is a global benchmark rate for loans denominated in US dollars. It replaced London Inter-Bank Offered Rate (LIBOR) in the macroeconomic assumptions as LIBOR ceased publication in June 2023.
[3] The US Federal Reserve (US Fed) had kept its policy rate unchanged in the January meeting but is anticipated to cut rates in 2025. The European Central Bank (in January) and the Bank of England (in February) reduced policy rates by 25 bps amid sufficient progress on disinflation.

7. **The peso depreciated against the US dollar in 2024 amid broad dollar strength and episodes of dampened market sentiment due to unfavorable domestic data releases on growth and inflation.** The peso-dollar rate averaged at ₱57.29/US$ in 2024, slightly above the BESF assumption range of ₱53.00-57.00/US$ for 2024 and higher than the 2023 average of ₱55.63/US$.

   The peso continued to depreciate against the US dollar in the first three months of 2025, averaging ₱57.97/US$ from the ₱55.96/US$ recorded in the same period in 2024 amid heightened uncertainty surrounding global trade policies. Additionally, the weaker-than-expected Q4 2024 GDP growth and higher inflation outturn in December 2024 both weighed down on the peso.

8. **Dubai crude oil prices eased further in 2024.** The average price declined to US$79.7 per barrel in 2024 from the previous year's average of US$81.98 per barrel. The 2024 average settled close to the midpoint of the BESF range assumption of US$70.00-90.00 per barrel for 2024. Subdued global oil demand prospects, especially from China, weighed down international oil prices. Market expectations of ample oil supply, particularly after OPEC+ began easing their 2.2 million barrels per day voluntary cuts in April 2025, also contributed to lower global oil prices. Nonetheless, expectations of oil supply disruptions amid geopolitical tensions in the Middle East and between Russia and Ukraine offset the decrease in crude oil prices.

   The average Dubai crude oil spot price declined in January-March 2025 compared to the same period in 2023 and 2024. Global oil prices fell due to expectations of a global economic slowdown from the evolving tariff policy between the US and its trading partners, especially China, Mexico, Canada and Europe. On the supply side, US policies to boost domestic oil production also contributed to the decline in global oil prices. Moreover, prospects of a ceasefire between Russia and Ukraine also reduced global oil prices. However, tighter US sanctions on Russian, Iranian and Venezuelan oil, as well as ongoing geopolitical tensions in the Middle East and between Russia and Ukraine tempered the downward adjustments in global oil prices.

9. Preliminary trade-in-goods performance in 2024 fell short of projections set in the 2024 BESF. Goods exports declined modestly, largely attributable to weaker semiconductor shipments amid global demand shifts toward new electronic products and high-value semiconductors. In contrast, goods imports posted modest growth, supported by higher imports of rice, iron, and steel. The trade deficit widened in Q1 2025 as imports rose, driven by steady domestic demand, while export gains remained limited amid ongoing global trade policy uncertainties. Export growth in Q1 2025 was mainly propelled by increased shipments of camera and projector lenses, coconut oil, and mineral products. Import growth was fueled by higher volumes of telecommunications equipment and electrical machinery for digital infrastructure and business modernization, as well as increased imports of passenger cars and animal and vegetable oils.

10. Goods exports in 2024 declined by 0.4 percent to US$55.0 billion from US$55.3 billion in 2023, mainly reflecting generally weaker demand from China, Singapore, and France. Notably, an 11.5-percent drop in electronics shipments significantly contributed to this decline. China increased domestic production of integrated circuits and microprocessors, while global demand shifted toward new electronics and high-value semiconductors.

    In Q1 2025, goods exports rose by 1.2 percent to US$14.7 billion from US$14.5 billion in Q1 2024. This increase was driven by a 36.8-percent rise in exports of other manufactures (primarily camera and projector lenses), a 91.0 percent jump in coconut oil exports, and a 25.1 percent increase in other mineral products (copper mattes, nickel ores). Export growth in Q1 2025 was predominantly due to higher demand from the United States, Japan, and Hong Kong.

11. **Goods imports expanded by 2.0 percent to US$123.8 billion in 2024 from US$121.3 billion in 2023.** A key contributor to this growth was the 54.7 percent increase in rice imports due to declining domestic production and reduced tariffs on rice imports. In addition, domestic demand for iron and steel increased by 10.8 percent, supported by increased infrastructure spending under the *Build Better More* program. The major imports sources for the year were China, South Korea, and Vietnam.

    Imports of goods rose by 8.0 percent to US$31.5 billion in Q1 2025, from US$29.2 billion in Q1 2024. This growth was driven by the increase in imports of telecommunications equipment and electrical machinery (19.4 percent), passenger cars and motorized cycles (25.6 percent), and animal and vegetable oils and fats (97.8 percent), reflecting robust domestic demand. The increase in imports was mainly sourced from China, Indonesia, and Vietnam.

Macroeconomic Outlook and Sources of Risks for 2025 and 2026

12. **The International Monetary Fund (IMF) has reduced its global economic growth forecast to 2.8 percent for 2025 and 3.0 percent for 2026**, both lower than the previous estimates of 3.3 percent and the historical average of 3.7 percent (2000-2019). Slower growth is projected across countries, including in advanced economies and emerging Asia, stemming from the escalation of trade tensions, elevated uncertainties, and intensified geopolitical conflicts. A further worsening of the world's economic condition may also stall progress in rebuilding policy buffers and further deteriorate countries' resilience against ongoing and future shocks.[4]

13. **Amid heightened external uncertainties and a shifting global trade landscape, the Development Budget Coordination Committee (DBCC) narrowed the country's growth targets to 6.0-7.0 percent for 2026 to 2028 from the previous 6.0-8.0 percent target.** private and international financial institutions expect the Philippines' growth to slow, but will remain one of the fastest-growing economies among its regional peers, with a mean and median growth estimate of 5.7 percent in 2026. To support the Philippines' growth prospects, the government will focus on reinforcing confidence and stability in the domestic economy. The NG will also ensure price stability, enhance the productivity of key economic sectors, uphold sound fiscal resource management, and reduce policy uncertainties.

14. **Meanwhile, the economic team is proactively monitoring downside risks that could challenge the country's growth outlook**, particularly on the external front. Slower growth is projected across countries, including in advanced economies and emerging Asia, stemming from the escalation of trade tensions, elevated uncertainties, and intensified geopolitical conflicts. A further worsening of the world's economic condition may also stall progress in rebuilding policy buffers and further deteriorate countries' resilience against ongoing and future shocks.[5] The inflationary pressures in the US could trigger a new round of monetary tightening, which could have domestic repercussions, such as a weaker Peso and potential disruption to BSP's easing cycle.

    The recent corruption issues may dampen business sentiments and delay investment commitments,[6] if not immediately resolved and accompanied with strong governance and institutional reforms.

15. **On the domestic front, the agriculture sector is expected to continue facing risks from extreme weather conditions and natural disasters**, as well as the resurgence of infectious animal diseases. Household spending and capital formation remain vulnerable to inflation-

[4] April 2025 IMF World Economic Outlook. https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025 (Accessed on April 28, 2025).
[5] April 2025 IMF World Economic Outlook. https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025 (Accessed on April 28, 2025).
[6] Manila Bulletin Newsroom. (2025). Accessed from: https://mb.com.ph/2025/10/23/political-instability-graft-probe-expected-to-hit-philippine-investment-hard

related risks (e.g., adjustments in fares, wages, and service utility fees that exceed expectations). Meanwhile, government spending could be hampered by the weak absorptive capacity of implementing agencies and local government units and the passage of revenue-eroding measures.

16. The BSP assessment as of 13 February 2025 monetary policy meeting indicates that inflation could settle within the government's target of 2-4 percent in 2025 and 2026, with a broadly balanced set of risks to the inflation outlook for both years.[7] Upside price pressures are seen to emanate from potential increases in electricity rates, transport charges, and pork prices. The main downside risk stems from the spillover effects of lower tariffs on imported rice affecting domestic rice prices.

The BSP remains supportive of direct government interventions to mitigate the supply-side pressures. The whole-of-government strategies coordinated and implemented by the Economic Development Committee (EDCom) and the Sub-committee on Inflation Monitoring and Market Outlook continue to be crucial in ensuring that inflation stays within the government's target. These include measures to keep inflation within target levels by implementing productivity-enhancing measures and enforcing tariff reduction schemes in the agriculture sector to address supply constraints, implementation of measures to address anti-competitive behavior, and streamlining of administrative and operational policies for importation. Additionally, the government is committed to ensuring steady energy and water supplies, careful review of wage and fares petition, and timely provision of subsidies to vulnerable sectors.

17. The BSP continues to closely monitor the escalation of trade and geopolitical tensions and the uncertainties that accompany them, as they could pose both upside and downside risks to domestic inflation. On one hand, the potential rise in protectionist measures may lead to elevated global tariffs and more restrictive trade, driving up the cost of imported goods and disrupting supply chains.[8] On the other hand, the BSP considers the possible impact of US trade policies to dampen global activity and feed into a low-inflation scenario in the Philippines.[9]

Meanwhile, an escalation of geopolitical conflicts in the Middle East and Ukraine poses risks of renewed supply chain disruptions and a rise in food and energy prices. Surges in the price of crude oil were observed due to the Israel-Iran conflict, yet this was short-lived as prices are seen to trend downward in 2025, driven by expectations of rising global inventories and weaker-than-expected oil demand growth. The BSP seems fit to take an accommodative monetary stance in consideration of these emerging risks to domestic inflation and uncertainties requiring closer monitoring.

18. On the external side, significant downside risks persist, stemming from ongoing trade policy uncertainties, rising protectionism, geopolitical tensions, divergent monetary policies, and financial market volatility. Negative market sentiment could further dampen economic activity. Additional challenges, including demographic shifts such as a shrinking foreign labor force and elevated debt levels in emerging economies, could constrain growth and fiscal sustainability. Stable global demand for electronics is supporting a near-term recovery in semiconductor shipments, with record sales in 2024 and strong growth projected for 2025. However, the Philippines continues to lag behind global semiconductor trends. This is largely due to inventory adjustments, less competitive product offerings, shifting investment policies, and high operational costs, which collectively undermine the country's competitiveness in the electronics industry.

[7] As of 13 February 2025 monetary policy meeting, the BSP's baseline forecasts indicate that headline inflation could average at 3.5 percent in 2025 and 2026. Meanwhile, risk-adjusted forecasts indicate headline inflation could reach 3.5 percent in 2025 and 3.7 percent in 2026.
[8] World Bank Global Economic Prospects, January 2025.
[9] BSP Monetary Policy Summary, June 2025

19. The Philippine economic outlook for 2025 and beyond remains broadly positive, though growth is expected to moderate. Expansion will be underpinned by resilient domestic demand, robust investment, a growing services sector, favorable labor market conditions, and proactive government spending. Goods import growth is projected to stage a gradual recovery, supported by lower inflation and ongoing policy reforms, despite mixed trends in global prices for energy, metals, and agricultural commodities through 2026. Infrastructure spending is expected to remain above 5 percent of GDP, with increased private sector participation under enhanced PPP frameworks. However, downside risks persist, including global economic headwinds, trade and geopolitical tensions, a widening trade deficit, potential inflation resurgence, and capital outflows, all of which may challenge the sustainability of high growth over the medium term.

Risk Mitigation Measures and Initiatives

20. To sustain growth momentum in domestic demand, the government will prioritize price stability. Household consumption will be supported by easing inflation, improved labor market conditions, and steady growth in remittances. Government spending will continue to support growth, with the timely execution of government programs, activities, and projects (PAPs) under the FY 2025 National Budget and improvements in overall public service delivery. Alongside improving financial conditions, the government will continue to ease doing business and enhance trade facilitation to make the Philippines a competitive investment destination and trade partner.

The government will enhance transparency and accountability to rebuild investor confidence. The Department of Budget and Management (DBM) has implemented stricter monitoring in the issuance of Notices of Cash Allocation for payments related to public works.[10] Moreover, the government will prioritize digitalization across project procurement, bidding, contract awarding, monitoring, and evaluation through the launching of the Modernized PhilGEPS Open Data Portal and further enhancements of the Digital Imaging for Monitoring and Evaluation (DIME) Project. In parallel, expediting the graft and corruption probe through the Independent Commission for Infrastructure (ICI) and enforcing the rule of law will signal the government's strong commitment to accountability and help rebuild public trust.

21. To drive stronger production, the NG will enhance the productivity of key growth sectors, particularly agriculture, which stands to benefit from favorable weather conditions. The NG will also enhance the productivity of domestic industries to benefit from trade diversion, particularly by assisting local firms in upgrading their technological capacity and broadening their product mix to meet new product demands. Additionally, investment-friendly and pro-business reforms are in place (retail trade, public services, renewable energy, CREATE MORE, and CMEPA). These are complemented by other strategic reforms, such as the PPP Code, Green Lanes and the Luzon Economic Corridor. Meanwhile, the country will focus on high-value IT-BPM services amid a maturing BPO market, technological shifts, and the risks of job reshoring. The government will also facilitate lowering the cost of travelling and spending holidays in the Philippines to attract more local and foreign tourists.

22. Several measures are also in place to mitigate the risks to the external sector. Philippine exports have the potential for expansion through strategic utilization of various trade agreements such as: the Regional Comprehensive Economic Partnership (RCEP), recently signed Philippine and South Korea Free Trade Agreement (PH-KR FTA), renewed European Union Generalized System of Preference Plus (GSP+), the United Kingdom's Developing Countries Trading Scheme (DCTS), and the possible renewal of the US Generalized System of Preferences (GSP). Additionally, exploring non-traditional markets, such as through the Philippine–United Arab Emirates Comprehensive Economic Partnership Agreement (PH-UAE

[10] Entitled "Amending Item 4.2 of NBC No. 595 dated January 20, 2025 on the Guidelines on the Release of Funds for Fiscal Year (FY) 2025." Accessed from: https://www.dbm.gov.ph/index.php?view=article&id=3590:national-budget-circular-no-595-a&catid=374

CEPA), could be an incentive for the country to enhance the country's competitiveness on the global stage.

23. **The Philippine Export Development Plan (PEDP) 2023-2028 also prescribes a strategic roadmap to enhance the country's export competitiveness by diversifying product offerings, improving trade infrastructure, reducing logistics costs, and boosting resilience against global uncertainties.** Potential export performers identified in the PEDP include the following:

    - **Agriculture**: natural fiber-based textiles, aquaculture products, coconut water, and ube (purple yam);
    - **Manufacturing:** batteries for electric vehicles and long-duration power storage, and aftermarket automotive parts; and
    - **Services**: data centers, especially those catering to large-scale users, such as "hyperscalers" (e.g., Amazon, eBay, Google), and maintenance, repair, and overhaul (MRO) services for the aerospace industry.

FISCAL PERFORMANCE

Expenditure Performance

2024 Disbursement Performance[11]

24. As of end 2024, NG spending increased by ₱589.2 billion or 11.0 percent from a year ago to ₱5,925.4 billion, driven mainly by the ₱135.0 billion or 21.5 percent increase in interest payments. This was followed by the rise in Maintenance and Other Operating Expenditures (MOOEs) (up by ₱168.5 billion or 18.4 percent YoY), transfers to Local Government Units (LGUs) (up by ₱98.0 billion or 10.6 percent), robust spending in infrastructure and other capital outlay projects (up by ₱122.2 billion or 10.1 percent), and Personnel Services (PS) (up by ₱90.2 billion or 6.3 percent YoY).

MOOE contributed to the higher spending in 2024 owing to the implementation of the following programs: (i) social protection programs of the Department of Social Welfare and Development (DSWD), such as the *Pantawid Pamilyang Pilipino* Program (4Ps), and Social Pension Program for Indigent Senior Citizens (SPISC); (ii) payments made by the Department of Health (DOH) for Medical Assistance to Indigent and Financially Incapacitated Patients (MAIFIP) Program and the Public Health Emergency Benefits and Allowances (PHEBA) for Health Care Workers (HCWs) and Non-HCWs; and (iii) preparatory works of the Commission on Elections (COMELEC) for the upcoming 2025 Midterm Elections.

Meanwhile, higher interest payments in 2024 were driven by the elevated interest rates, additional issuances of Retail Treasury Bonds, foreign exchange fluctuations, and movements in the Secured Overnight Financing Rate (SOFR).

As the Administration continues to pursue the *Build Better More* Program, infrastructure and capital outlay spending for 2024 increased to ₱122.2 billion or by 10.1 percent YoY. This was mainly due to the better spending performance of the DPWH, which expedited the implementation of key infrastructure projects, including flagship initiatives under the FY 2024 GAA. Significant disbursements were contributed by the DPWH for completed projects and ongoing contracts from prior year's budget. Capital outlay projects of the Department of National Defense (DND) for its defense modernization projects were also instrumental in the higher infrastructure spending.

The growth in PS expenditures was mainly attributed to the implementation of the first tranche of salary adjustments of qualified civilian government employees pursuant to Executive Order (E.O.) No. 64 dated August 2, 2024,[12] inclusive of the payment of salary differentials with retroactive application of the pay hike from January 1, 2024.

25. Actual NG disbursements in 2024 exceeded the ₱5,754.3 billion program by ₱171.1 billion or 3.0 percent. This was driven mainly by higher infrastructure spending, as infrastructure disbursements reached ₱1,545.2 billion, surpassing the program by ₱72.4 billion or 4.9 percent. This also accounted for 5.8 percent of GDP, which is well within the target of 5.0 to 6.0 percent for 2024. The increase was due to the DPWH's accelerated construction activities, payments for ongoing and completed projects, and foreign-assisted rail projects under the DOTr.

Meanwhile, MOOE and PS spending exceeded the program by ₱81.1 billion or 8.1 percent and ₱72.6 billion or 5.0 percent, respectively. This was due to health benefits for non-plantilla

[11] Department of Budget and Management (DBM), National Government Disbursement Performance Report (as of December 2024), available at https://www.dbm.gov.ph/wp-content/uploads/DBCC/2024/NG-Disbursements_December-2024.pdf

[12] Entitled "Updating the Salary Schedule for Civilian Government Personnel and Authorizing the Grant of an Additional Allowance, and for Other Purposes".

workers and the implementation of the first tranche of salary increase under EO No. 64, funded through the Unprogrammed Appropriations (UA) of the FY 2024 General Appropriations Act (GAA). Additionally, tax expenditures exceeded the program due to higher documentary stamp taxes on debt issuances of the Bureau of the Treasury (BTr).

Outlook for 2025

26. The National Budget for FY 2025 amounted to ₱6.326 trillion, which is 9.7 percent higher than the FY 2024 National Budget and equivalent to 22.0 percent of the projected GDP for 2025.

Under the overarching theme of "Agenda for Prosperity: Fulfilling the Needs and Aspirations of the Filipino People", the enacted budget supports a comprehensive framework that seeks to enhance the quality of life and economic well-being of every Filipino and community based on the three foundational pillars of the PDP 2023-2028, to wit:

- **Pillar 1** aims to "*Develop and Protect the Capabilities of Individuals and Families*", including initiatives to promote human and social development, reduce vulnerabilities and protect purchasing power, and increase the income-earning ability of Filipinos.
- **Pillar 2** intends to "*Transform Production Sectors to Generate More Quality Jobs and Competitive Products"*. This involves modernizing agriculture and agri-business; revitalizing industry; reinvigorating services; and advancing research and development, technology, and innovation.
- **Pillar 3** seeks to "*Create an Enabling Environment"*. This involves the practice of good governance and the improvement of bureaucratic efficiency. It also aims to ensure peace and security, enhance the administration of justice, expand and upgrade infrastructure, ensure macroeconomic stability, expand inclusive and innovative finance, accelerate climate action, and strengthen disaster resilience.

The continued adherence to the current expenditure management framework and reforms, including the: (i) Budget Priorities Framework; (ii) Two-tier Budgeting Approach; (iii) Three-Year Rolling Infrastructure Program; and the (iv) Investment Coordination Committee process, ensure that the PAPs funded under the annual national budget are ready for implementation and deliver maximum benefit to the society and economy.

The FY 2025 National Budget builds on Marcos Jr. Administration's progress for the past two years – advancing a prosperous, inclusive, and resilient Philippines. This aligns with the PDP 2023-2028, focusing on key spending priorities for FY 2025 as follows:

Table 2. Philippines: Spending Priorities under the FY 2025 GAA[13]

Purpose	Programs Under the FY 2025 GAA
Develop and Protect the Capabilities of Individuals and Families	
Promote Human and Social Development	• Higher Education Program • Operations of DOH Regional Hospitals and Other Health Facilities • *Pambansang Pabahay Para sa Pilipino* Program
Reduce Vulnerabilities and Protect Purchasing Power	• *Pantawid Pamilyang Pilipino* Program • National Rice Program • Supplementary Feeding Program

[13] Department of Budget and Management (DBM), National Government Disbursement Performance Report (as of December 2024), *available* at https://www.dbm.gov.ph/wp-content/uploads/DBCC/2024/NG-Disbursements_December-2024.pdf

Purpose	Programs Under the FY 2025 GAA
Increase Income-earning Ability	• *Tulong Panghanapbuhay sa Ating* Disadvantaged Workers Program • Sustainable Livelihood Program • Training for Work Scholarship Program
Transforming Production Sectors to Generate More Quality Jobs and Competitive Products	
Modernize Agriculture and Agribusiness	• Irrigation Services • Rice Competitiveness Enhancement Program • Agricultural Credit Program
Revitalize Industry and Promote Trade and Investments	• *Pondo Para sa Pagbabago at Pag-Asenso* Program • Exports and Investments Development Program • MSME Development Program
Reinvigorate Services	• Tourism Policy Formation and Planning Program • Market Product and Development Program • Fostering the Revitalization of Nascent Textile Innovation Ecosystems in the Region
Advance Research and Development, Technology, and Innovation	• Grants-in-Aid Program • Research Program • Science for Change Program
Creating an Enabling Environment	
Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance	• Revenue Information Systems Development and Infrastructure Support Program • Philippine Identification System • Public Financial Management Program
Expand and Upgrade Infrastructure	• Convergence and Special Support Program • Network Development Program • ICT and Digitalization
Ensure Peace and Security, and Enhance Administration of Justice	• Defense Program (Land, Air Forces, and Naval Forces) • Revised AFP Modernization Program • Justice Sector Convergence Program
Practice Good Governance and Improve Bureaucratic Efficiency	• National Tax Allotment • BARMM's Annual Block Grant • Implementation of the salary adjustments under EO No. 64 • National and Local Elections
Accelerate Climate Action and Strengthen Disaster Resilience	• Climate Change Expenditures • Water Resources Program • Flood Management Program • Green Green Green Program

Sources of Fiscal Risks, Risks Mitigating Measures and Initiatives, and Other Accomplishments

27. Ballooning Pension Requirements of Military and Uniformed Personnel (MUP)

The need to reform the MUP pension system has consistently been identified as a significant risk observed by the NG throughout the various iterations of this report. Since MUP pensions are fully funded by the GAA, any fiscal and/or economic shock affecting the NG would directly impact not only the NG fiscal position but also MUP pensioners. Furthermore, it is acknowledged that the current MUP pension system could become increasingly unsustainable if certain features are not remedied. For instance, the current scheme does not require mandatory contributions from MUP, unlike civilians who mandatorily contribute a portion of their salary –which in turn ease the burden of financing from the government. Likewise, the current scheme of automatic indexation of pension benefits to match the base pay of active MUP, exacerbated by the absence of a cap on salary adjustments for active MUP, creates further pressure on the fiscal resources over time. In view of the foregoing, the risks to the fiscal position become more apparent.

In advocating for MUP pension reform, the NG does not discount the indispensable role of MUPs in public order and national security. Nevertheless, prudent fiscal management requires analyzing the impact of current and forthcoming policies, considering the NG's current fiscal realities and commitments. Thus, MUP pension reforms should endeavor to (i) limit the provision for guaranteed base pay adjustment; (ii) adopt a mandatory contribution scheme for new entrants; (iii) exclude riders that are unrelated to the goal of the pension system (e.g., medical insurance); and (iv) explore funding sources that are more sustainable in the long-term to ease financing constraints. These should be prioritized over the current proposals, which include, but are not limited to, leftover assets and funds from the AFP Retirement and Separation Benefits System (RSBS), military reservations, income from PPPs entered into by the DND or AFP, and non-strategic real estate assets of the DND or AFP.

Finally, emerging issues and policies concerning MUPs also serve as additional factors which could exacerbate the status of the country's fiscal position, namely: (i) the recent increase in the subsistence allowance from P150 to P350 for officers and enlisted personnel of the Armed Forces of Philippines through Executive Order (E.O.) No. 84, s. 2025; and (ii) the grant of base pay increases for civilian government personnel through E.O. No. 64, s. 2024, which may induce clamor among MUP for equivalent adjustments in pay.

Status: The MUP pension reform bill, Senate Bill No. 2501, is pending second reading in the Senate and has been under interpellation since May 8, 2024. The bill is among the second-priority measures of the Legislative Executive Development Advisory Council (LEDAC).

28. Geopolitical Uncertainties due to the Trump Administration's Tariff and Economic Policy

On January 20, 2025, President Donald Trump of the United States of America (USA) issued the America First Trade Policy, promising "*a robust and reinvigorated trade policy that promotes investments and productivity, enhances [the USA's] industrial and technological advantages, defends [its] economic and national security, and – above all – benefits American workers, manufacturers, farmers, ranchers, entrepreneurs, and businesses*."[14] On the same day, he issued an Executive Order which directs a foreign policy dedicated to "*champion core American interests and always put America and American Citizens first.*"[15]

[14] Section 1, para. 3 of *America First Trade Policy*, January 20, 2025, The White House website, at https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/ (last visited March 25, 2025).
[15] Section 1 of *America First Policy Directive to the Secretary of State*, The White House website, at https://www.whitehouse.gov/presidential-actions/2025/01/america-first-policy-directive-to-the-secretary-of-state/ (last visited March 25, 2025).

On July 22, 2025, the Philippines received a downward revision to 19 percent on tariffs for goods coming into the US as a result of the trade negotiations of the current administration. Nevertheless, the impact on the Philippines is expected to be minimal. The relatively minimal impact of the new reciprocal tariffs and potential additional tariffs on transshipped goods from China reflects the low contribution of trade to the country's GDP. Additionally, the tariffs are expected to be less severe than those faced by other ASEAN economies such as Thailand and Vietnam, which are more heavily integrated into global trade networks.

Changes in foreign policy typically affect trade, supply chain composition, remittance flows, and foreign direct investment flows. However, the specific character and extent of the impact on the domestic economy may vary according to the domestic economy's dependence and/or sensitivity to foreign policy, the resilience of domestic industries and institutions, and subsequent actions by the domestic economy (*i.e.*, to relent or retaliate). Unless there are explicit withdrawals of budgetary support for local programs and projects, foreign policy does not appear to have immediate or direct budgetary impacts. The effect on the domestic economy is either tempered or otherwise exacerbated depending on the level of resilience of industries and the strength of the country's institutions. Thus, it may be difficult to ascertain if there has been any damage done without first hearing from the industries and sectors themselves. Nevertheless, areas and sectors which may be affected by adverse trade policies shall be supported by the NG through existing social protection mechanisms. Likewise, the NG shall continue engaging and negotiating free trade agreements with its trade and economic partners to pursue and advance Philippine trade interests.

Further, on July 4, 2025, the US' One Big Beautiful Bill (OBBB) was signed into law. One of the provisions under the law levies a 1.0 percent federal tax on remittances from all non-US citizens and US citizens/nationals using non-bank remittance methods. The DOF estimates that the decrease in remittances will only be US$19.1 million to US$148.4 million, out of the US$36.5 billion projected remittances in 2026. This could cut remittances growth by 0.1 to 0.4 percentage points from the 3.0 percent projected growth by the BSP.

29. Inflationary Pressures / Social Subsidies

To counteract the adverse impact of inflation on the purchasing power of vulnerable sectors, a total of ₱39.7 billion[16] in the FY 2024 GAA and ₱28.8 billion in the FY 2025 GAA was allocated for the following inflation-related subsidy programs under the DOTr, DA, and the DSWD, as follows:

Table 3. Philippines: Inflation-related Subsidy Programs under the FY 2024 GAA and FY 2025

Program	Amount (in million ₱)		Purpose	Remarks
	2024 GAA	2025 GAA		
Fuel Subsidy Program (DOTr-LTFRB, but lodged under	2,500.0	2,500.0	Financial assistance/fuel vouchers to qualified public utility vehicle (PUV), taxi, tricycle, and full-time ride-hailing and delivery services drivers nationwide.	Beneficiaries as validated by the LTFRB, subject to the issuance by the DOE of a certification that the actual average price, for one (1) calendar month of Dubai crude oil based on Mean of Platts Singapore per barrel

[16] Includes appropriations for the Fertilizer Discount Voucher Program under the DA-OSEC amounting to P9.6 billion.

Program	Amount (in million ₱)		Purpose	Remarks
	2024 GAA	2025 GAA		
DOTr-OSEC)			**Pantawid Pasada Program (DOTr, along with LTFRB, DICT, and DILG):** The Pantawid Pasada Program under the Department of Transportation (DOTr) covers several segments. The Land Transportation Franchising and Regulatory Board (LTFRB) oversees public utility vehicles (PUVs), the Department of Information and Communications Technology (DICT) handles support for parcel and delivery riders, and the Department of the Interior and Local Government (DILG) covers subsidies for tricycle drivers.	has reached eighty dollars (US$80). In 2024, the fuel subsidy program stands to benefit 288,108 beneficiaries. The subsidy rate typically varies depending on the type of service offered. Likewise, the amount of subsidy to be given per beneficiary may change and vary depending on the fuel price for the covered period. **Pantawid Pasada Program (DOTr, along with LTFRB, DICT, and DILG):** As of 31 January 2025, only LTFRB has started their roll-out of subsidies for FY 2024, with ₱947.35 million of the ₱2.5 billion allocation has been credited, equivalent to a 37.89 percent disbursement rate. As of March 2025, the DOTr already obligated ₱1.5 million out of ₱2.5 billion, leaving around ₱1 billion that could potentially be transferred from the DOTr to DSWD.
Fuel Assistance to Farmers (DA-OSEC)	510.4	75.0	Fuel assistance to farmers. **Fuel Assistance for Farmers Program under the DA-BAFE:** The Department of Agriculture's (DA) Bureau of Agricultural and Fisheries Engineering (BAFE) is implementing the Fuel Assistance for Farmers Program, where farmers are entitled to receive fuel cards	Inclusive of the operating expenses incurred in the distribution, subject to the issuance by the DOE of a certification that the average actual price, for one (1) calendar month of Dubai crude oil based on Mean of Platts Singapore per barrel has reached eighty dollars (US$80). A qualified farmer beneficiary must own or rent agricultural machinery and must be listed in the

Program	Amount (in million ₱)		Purpose	Remarks
	2024 GAA	2025 GAA		
			with a cap of ₱3,000 per beneficiary.	Registry System for the Basic Sectors in Agriculture (RSBSA). In 2024, this program covers around 159,617 beneficiaries, with each receiving fuel assistance amounting to P3,000. In 2025, the proposed allocation was reduced due to the DA's reprioritization of programs. **Fuel Assistance for Farmers Program under the DA-BAFE:** As of March 2025, 33,389 out of 159,626 farmers for FY 2024 have been submitted to the Information and Communication Technology Service (ICTS) office for processing, equivalent to 20.9 percent, after which it shall be uploaded to the Interventions Management Platform (IMP).
Fuel Assistance to Fisherfolks (DA-BFAR)	469.6	75.0	Fuel assistance to fisherfolks. The DA's Bureau of Fisheries and Aquatic Resources (BFAR) is also implementing the Fuel Subsidy for Fisherfolk Project, where fisherfolk are also entitled to receive fuel cards with a cap of ₱3,000 per beneficiary.	Inclusive of the operating expenses incurred in the distribution, subject to the issuance by the DOE of a certification that the actual average price, for one (1) calendar month of Dubai crude oil based on Mean of Platts Singapore per barrel has reached eighty dollars (US$80). A qualified fisherfolk beneficiary must own and operate a motorized fishing vessel individually or through a fisherfolk organization, cooperative, or association, and must be listed in the

Program	Amount (in million ₱)		Purpose	Remarks
	2024 GAA	2025 GAA		
				RSBSA. Further, their fishing vessels are duly registered in the integrated boat beneficiary system or the BFAR's Boat Registration or LGU boat registry system. In 2024, this program covers around 146,828 beneficiaries, with each receiving fuel assistance amounting to P3,000. For FY 2024, BFAR has yet to begin distributing fuel cards. Challenges such as delays in the approval of the Supplemental Agreement between DA-BFAR and the Development Bank of the Philippines (DBP) have hindered fund transfers. In 2025, the proposed allocation was reduced due to the DA's reprioritization of programs.
Ayuda sa Kapos Ang Kita Program (AKAP) (DSWD)	26,700.0	26,159.0	The program shall provide financial assistance to minimum wage earners falling under the category of low-income that were severely affected by rising inflation. The implementation of this provision shall be subject to guidelines to be issued by the DSWD and the existing budgeting, accounting, and auditing rules and regulations.	The FY 2025 appropriation is subject to the convergence of efforts of the DSWD, the DOLE, and the NEDA, geared towards more strategic interventions leading to the long-term improvement of the lives of the qualified beneficiaries, while guarding against misuse, and duplicative and fragmented benefits.[17]

As for 2026, the budget for fuel subsidies will be removed from the FY 2026 General Appropriations Act (GAA).[18]

[17] President's Veto Message, page 755-56, available at https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2025/VolumeIB/Veto.pdf (last visited March 25, 2025).

[18] This agreement was approved during the Joint Economic Development Committee (EDCom) and Sub-Committee on Inflation Monitoring and Market Outlook (SC-IMMO) on 17 June 2025.

Risk Mitigation Measures and Long-term Solutions

As first advocated in the previous year's Statement, the NG has pursued long-term solutions that increase productivity, competence, and resilience of vulnerable sectors so that instabilities in the fiscal and macroeconomic environment will not result in overly adverse impacts thereon. Legislators and policymakers may direct their efforts to pursue new and/or intensify current strategies such as decreasing dependence on nonrenewable energy sources in favor of renewable energy, increasing labor productivity through education, capacity development, and mechanization, strengthening linkages between the Executive and Legislative branches through the various stages of the budget cycle while respecting the healthy separation of powers, and revisiting current policy through the lens of a whole-of-government approach.

Likewise, while Congress Introduced Changes/Adjustments (CICAs) in the national budget are within their constitutional power of the purse, these measures come with risks of their own, e.g., efficiency and implementation bottlenecks. Timely inquiries and consultations by Congress with implementing agencies, regulatory bodies, and stakeholders alike, aimed at identifying initiatives that have already been studied but have yet to be implemented and given a line item in the budget, could be a starting point for better coordination between the co-equal branches of government.

30. Capacity and Transition Issues / Devolution Efforts Post-Mandanas

It may be recalled that the Supreme Court (SC) in *Mandanas, et al. v. Executive Secretary, et al.* (G.R. Nos. 199802 and 208488) held that the just share of LGUs shall be based on all national taxes, subject to allowable exclusions as provided by law. This effectively expanded the volume of resources available to LGUs for the performance of their functions and rendition of services, which shall be slated for full devolution to LGUs to support their decentralization and to allow the NG to take on more strategic and steering functions to address persistent development issues in the national scale. To facilitate the transition, E.O. No. 138, s. 2021 was issued on June 1, 2021.

Due to various issues and concerns on the full devolution initiative, the President directed that the full devolution of functions and services to LGUs be further studied based on their respective absorptive capacities. The results thereof were intended to serve as inputs to the draft E.O. amending E.O. No. 138, s. 2021.

Status: In line with the directive of the President to conduct a sensitivity analysis on the assigning of functions and services devolved to LGUs, DEPDev conducted the study and presented the results and recommendations to the President in April 2024. As of July 2025, the draft EO amending EO 138 prepared by the Committee on Devolution is still being reviewed by the Office of the President.

Meanwhile, recognizing that the levels of expertise and capabilities of LGUs vary widely, the provision of continuous capacity development interventions for the LGUs by the NGAs and the formulation of a long-term capacity development strategy and program for the LGUs are continually being pursued to enable them to effectively undertake the basic functions and services to be devolved to them. In this regard, the DBM has continued to align its Public Financial Management (PFM) training programs with its mandate under E.O. No. 138. As such, since September 2023, a series of trainings under the PFM Competency Program for LGUs has been conducted to promote good governance, financial accountability, and effective resource management among local government institutions. As of October 2024, the DBM has completed the conduct of the PFM Competency Program in 14 regions.

31. Supreme Court (SC) Petitions on the Unconstitutionality of S.P. No. 1 (d) of the Unprogrammed Appropriations in the FY 2024 GAA and DOF Circular No. 003-2024 and the Unconstitutionality of Republic Act (RA) No. 12166, or the FY 2025 General Appropriations Act

Various petitions currently are being heard at the SC, namely those on (i) the unconstitutionality of Special Provision (S.P.) No. 1 (d) of the Unprogrammed Appropriations in the FY 2024 GAA,[19] and DOF Circular No. 003-2024 which implements this S.P. particularly for PhilHealth funds; and (ii) the unconstitutionality of the FY 2025 GAA for various reasons, such as the existence of blank items in the Bicameral Conference Committee Report on the 2025 General Appropriations Bill, and for violating constitutional requirements pertaining to the budgetary appropriations to the education sector, and the realignment of appropriations, among others.

Notwithstanding the NG position on the two petitions, it is important to underscore that an adverse judgment against the NG on the petitions on the validity of the transfer of PhilHealth funds would entail that any funds that have already been transferred would be returned to PhilHealth. As such, whether or not the impact will affect the fiscal deficit would depend on whether the UA purpose for which the initially transferred funds were used is deficitary in nature.

Meanwhile, for the petitions challenging the constitutionality of the FY 2025 GAA, an adverse judgment may result in a declaration that the FY 2025 GAA in its entirety is void, implying, for instance, that it was as if it were not enacted. Inevitably, this would mean that the government would be operating under a reenacted budget for 2025, constraining the ceiling for appropriations and limiting the implementation of program and projects to those purposes provided in the FY 2024 GAA, subject to the operative fact doctrine.

Status: The SC has concluded hearing the oral arguments on the petitions seeking to block the transfer of excess funds from PhilHealth to the Bureau of the Treasury (BTr) in April 2025. Meanwhile, the oral arguments for petitions against the FY 2025 GAA is yet to be rescheduled by the SC. Moreover, the President has ordered the return of the ₱60 billion excess funds to the PhilHealth. The returned funds shall form part oof the PhilHealth's 2026 Budget.

Risk Mitigation Measures, Initiatives, and Other Accomplishments

32. Review of the Medium-Term Fiscal Framework

The 2022-2028 Medium-Term Fiscal Framework (MTFF) is a six (6)-year fiscal planning document jointly acknowledged and adopted by the Executive and Legislative Branches of the government. The MTFF espouses the NG's fiscal consolidation strategy founded upon the need to address the fiscal strain brought about by external shocks in recent years (e.g., COVID-19 pandemic, elevated inflation environment, tight monetary conditions, and global economic slowdown), as well as the need and aspiration to transform the economy. This document serves as the blueprint by which laws and policies are crafted and implemented to achieve the goals of macro-fiscal stability in the short term, and robust economic growth and fiscal sustainability in the medium term. It is slated for comprehensive review and/or update

[19] **Special Provision(s)**

1. Availment of the Unprogrammed Appropriations. The amounts authorized herein for Purpose Nos. 1, 3-5, and 7-51 may be used when any of the following exists:

   xxx xxx xxx

   (d) Fund balance of the Government-Owned or -Controlled Corporations (GOCCs) from any remainder resulting from the review and reduction of their reserve funds to reasonable levels taking into account the disbursement from prior years.

xxx xxx xxx

every three (3) years to ensure that it accurately reflects prevailing macroeconomic and fiscal conditions and their impact on the MTFF.

It is noted that the DBCC has proactively undertaken steps to calibrate the debt and deficit targets relative to GDP since March 2024, a year ahead of the scheduled comprehensive review. This move is in response to significant domestic and external developments in the macro-fiscal sector, such as, but are not limited to: (i) slower global economic growth, (ii) supply shocks due to geopolitical tensions; (iii) domestic natural disasters, (iv) delays in the implementation of planned fiscal reforms, and (v) uncertainties in global trade, labor, and foreign investment policies due to political and economic developments in the United States of America (USA). The following table presents the original targets vis-à-vis revisions as of August 2025.

Table 4. Philippines: Macroeconomic and Fiscal Targets under the MTFF

Original Targets [1/]	Updated Targets [2/]
6.5-7.5 percent real GDP growth in 2022	-
6.5-8.0 percent real GDP growth annually from 2023 to 2028	5.5-6.5 percent in 2025 6.0-7.0 percent in 2026 to 2030
9.0 percent or single-digit poverty rate by 2028	retained
3.0 percent NG deficit-to-GDP ratio by 2028	3.1 percent by 2030
Less than 60 percent NG debt-to-GDP ratio by 2025	Less than 60.0 percent by 2029
At least US$4,256 income (GNI) per capita (attainment of upper-middle income status) /3	At least $4,496[4/] income per capita
1/ As adopted through Concurrent Resolution No. 4 dated September 19, 2022. 2/ Consistent with medium-term growth, macroeconomic assumptions, and fiscal program approved by the DBCC during its 191st Meeting on June 23, 2025 (for 2025-2028 assumptions), and via Ad Referendum on August 27, 2025 (for 2029-2030 assumptions) 3/ Based on the World Bank classification as of July 1, 2022. For the period July 1, 2024 to June 30, 2025, the World Bank defines upper middle-income (UMIC) economies as those with gross national income (GNI) per capital between US$4,516 and US$14,005. 4/ Based on the minimum income threshold for upper-middle income countries using the World Bank Group's updated country income classifications for Fiscal Year 2026 (July 1, 2025 – June 2026).	

33. Enactment of the New Government Procurement Act (NGPA)

One of the milestone reforms that was enacted recently is RA No. 12009[20] or the New Government Procurement Act (NGPA), which aims to make the government procurement process more transparent, efficient, and accountable with the use of modern technology. Some of its key features are: (i) the use of the Most Economically Advantageous and Responsive Bid (MEARB), a new award criterion that prioritizes not only the economic value, but also quality, sustainability, and social impact[21], and (ii) the eMarketplace which, modeled after online shopping outlets, is a platform where government agencies can place orders for common-use supplies and equipment (CSE) through the Procurement Service of the Department of Budget and Management (PS-DBM).[22] Under the NGPA, the procurement period of action will be shortened from ninety (90) days to sixty (60) days from the opening of bids to the awarding of contracts. The NGPA has, likewise, institutionalized the existing conduct of early procurement

[20] Enacted on July 20, 2024.
[21] DBM Press Release dated July 22, 2024. Pangandaman: NGPA, the biggest anti-corruption law in modern times. Available at https://www.dbm.gov.ph/index.php/management-2/2886-pangandaman-ngpa-the-biggest-anti-corruption-law-in-modern-times
[22] DBM Press Release dated July 23, 2024. ADD TO CART— Pangandaman highlights fusion of technology, sustainable and modern techniques in new gov't procurement law. Available at https://www.dbm.gov.ph/index.php/management-2/2889-add-to-cart-pangandaman-highlights-fusion-of-technology-sustainable-and-modern-techniques-in-new-gov-t-procurement-law

activities (EPA) which facilitates the prompt and timely implementation of infrastructure projects, as construction activities and other infrastructure works are maximized during the dry season during the earlier part of the year. The NGPA Implementing Rules and Regulations (IRR), which will serve as guidelines for the implementation of the law, was approved on February 4, 2025.

34. Institutionalization of Cash Budgeting System and Key Public Financial Management (PFM) Reforms

The NG is also currently undertaking legislative coordination work for the institutionalization of the Cash Budgeting System (CBS) and key PFM reforms, such as the adoption of an Integrated Financial Management Information System (IFMIS);[23] through the Progressive Budgeting for Better and Modernized (PBBM) Governance Bill;[24]; which advances the digitalization of PFM systems and promotes fiscal discipline. Complemented by the conduct of early procurement activities (EPA), the CBS transforms the behavior and outlook of spending agencies towards the budget by enjoining them to strategically plan their proposed PAPs, ensure that these are operationally possible and implementation-ready, and maximize the fastest possible time these can be executed.

Meanwhile, in accordance with E.O. No. 29 dated June 1, 2023, the PFM Committee has developed the Philippine PFM Reforms Roadmap 2024-2028 as approved on June 10, 2024[25] which was subsequently endorsed to the President on September 17, 2024. The Philippine PFM Reforms Roadmap 2024-2028 will serve as a blueprint for the modernization of the PFM system, which includes a strategic plan to expedite the development of an IFMIS and ensure seamless and efficient government transactions. The Roadmap outlines forty-one (41) PFM reform interventions across eleven (11) strategic focus areas as follows: (1) Planning and Budgeting Linkage; (2) Cash Management; (3) Public Asset Management; (4) Accounting and Auditing; (5) PFM Capacity Development; (6) Digital PFM; (7) PFM Policy and Legal Framework; (8) Public Procurement; (9) Disaster Risk Reduction and Management (DRRM); (10) PFM for LGUs; and (11) Monitoring and Evaluation for Public Expenditure.

The conduct of the Public Expenditure and Financial Accountability (PEFA)++ and DRR-PFM Assessment also commenced in October 2024. The Asian Development Bank (ADB) serves as the lead Official Development Assistance (ODA) partner of this initiative together with Agence Française de Développement, the Global Fund, UNDP, UNICEF, UNRCO, IFAD, the Global Fund, and the World Bank. The PEFA Launch and Technical Discussion Workshops were conducted on October 7-11, 2024. Following the Technical Discussion Workshops, validation interviews with select agencies namely: DBM, DOF, Commission on Audit (COA), Government Procurement Policy Board – Technical Support Office (GPPB-TSO), PS-DBM, DOTr, DPWH, DSWD, DepEd, Philippine Commission on Women (PCW), and Council for the Welfare of Children (CWC) were undertaken between October 14 and 31, 2024.

The result of the PEFA ++ and DRR-PFM Assessment is targeted to be published by the first quarter of 2025. This shall serve as the basis for the mid-term review and updating of the Philippine PFM Reforms Roadmap 2024-2028 and the preparation of PFM Reform Action Plan (PFM-RAP).

As part of the government's commitment to transparency and accountability, the PFM Committee formally launched the results of the PEFA ++ and DRR-PFM Assessment on June 10, 2025. This assessment shall serve as the basis for the mid-term review and updating of

[23] On June 1, 2023, the President signed the Executive Order No. 29, s. 2023 directing the full adoption of IFMIS in government agencies.
[24] The PBBM bill was identified by the President as one of the priority legislative measures in his State-of-the-Nation-Address (SONA) and subsequently included under the Legislative-Executive Development Advisory Council (LEDAC) endorsed measures; and the Philippine Development Plan (PDP) 2023-2028 Legislative Agenda.
[25] During the PFM Committee Principals Meeting and further documented through PFM Resolution 1-2024-Approval of the Philippine Public Financial Management Reforms Roadmap 2024 to 2028.

the Philippine PFM Reforms Roadmap 2024-2028, which is scheduled for the second half of 2025; and will also guide the development of the PFM Reform Action Plan (PFM-RAP) thereafter.

35. Government Optimization Act

The Government Optimization Act, or what is known as the National Government Rightsizing Program (NGRP), was signed into law on 4 August 2025. The law aims to improve government efficiency and institutional capacity. This is achieved by i) designing an organizational structure with appropriate staffing mix; ii) improving agency performance by focusing on their core functions; iii) and simplifying systems and processes across agencies. This initiative will assess approximately two (2) million authorized positions across 187 government agencies and government-owned and controlled corporations (GOCCs) to determine which roles can be streamlined through merging, restructuring, or abolition.[26] Nonetheless, it is important to emphasize that this optimization effort is not equivalent to mass layoffs. Instead, the focus is on strengthening government operations to create an agile, efficient, responsive and technology-driven workforce.

Based on the study conducted by the DBM, the implementation of this reform will generate an estimated net savings of ₱2.0 billion to ₱2.4 billion per year, over a 25-year period, with expected positive returns starting in the fourth year of implementation.

As a parallel initiative, the government has partnered with ADB to undertake small-scale technical assistance under the National Government Governance Reform (NGGR) Program. This initiative seeks to support the development of the Philippine government's NGGR agenda by providing valuable inputs to strengthen institutional capacity and enhance productivity across government agencies and facilitate the implementation of the proposed optimization program.

Revenue Performance

36. In 2024, the National Government (NG) posted a deficit of ₱1.51 trillion, equivalent to 5.7 percent of GDP – an improvement from the 6.2 percent deficit in the previous year. This was mainly driven by the strong revenue growth that outpaced the increase in government spending. In Q1 2025, the NG deficit stood at ₱446.0 billion, equivalent to 6.8 percent of GDP, reflecting sustained expansion in both revenue collection and public spending.

37. Total revenue collection grew by 15.6 percent YoY to reach ₱4.42 trillion. Tax revenues, which accounted for 86 percent of total revenues, grew by 10.8 percent, while non-tax revenues, which accounted for the remaining 14 percent, registered a 56.6 percent growth. In Q1 2025, total revenue collections remain on track at ₱998.16 billion primarily driven by the strong performance of the tax collecting agencies.

38. Tax revenues reached ₱3.80 trillion, 10.8 percent or ₱371.40 billion higher than the ₱3.43 trillion collection in 2023. This is equivalent to 14.4 percent of the GDP, a 0.3 percentage point increase from 14.1 percent in 2023. This increase is mainly due to more efficient tax collection as a result of tax administration reforms implemented by the BIR, BOC, and other offices, given that there were no tax policy measures implemented in 2024. On the other hand, non-tax revenues amounted to ₱618.33 billion, which is 56.6 percent or ₱223.52 billion higher compared to the ₱394.81 billion collection in 2023. In Q1 2025, tax revenue grew by 14.1 percent, while non-tax revenue recorded a more modest increase of 1.0 percent.

[26] The NGRP excludes teaching and teaching-related positions, medical and allied medical positions or those in the health sector, and the military as well as other uniformed personnel. Further, it is noted that the NGRP is not equivalent to general abolition of offices and mass layoff, but rather, it focuses on strengthening the entire government structure in to help the bureaucracy to have an agile, efficient, responsive and technology-driven workforce.

39. The BIR collected 75.0 percent or ₱2.85 trillion of the total tax revenues in 2024, registering a 13.3 percent increase compared to the 2023 collection of ₱2.52 trillion. The YoY growth in 2024 was faster than the nominal GDP growth of 8.7 percent, resulting in BIR buoyancy of more than 1, indicating improved collection efficiency. The double-digit growth could be attributed to the rise in collections of value-added tax (VAT), personal income tax (PIT), corporate income tax (CIT), final withholding taxes on bank deposits, final withholding tax on government securities, other taxes, excise taxes, and percentage taxes. VAT recorded the biggest increase among all the taxes, registering a 35.5 percent (₱168.60 billion) YoY increase, partly due to the enforcement of the Run After Fake Transactions (RAFT) program and the impact of the shift from monthly to quarterly payment. The cash flow effect of the shift from monthly to quarterly payment of VAT resulted in higher collections in 2024, equivalent to 12 months, as 2023 collections were only equivalent to 10 months. However, if adjusted to exclude the impact of this policy, the VAT collections in 2024 still recorded a positive YoY growth of 18.0 percent (₱85.43 billion), which is still more than twice the nominal GDP growth of 8.7 percent, reflecting improved VAT administration.

On the other hand, PIT collection, particularly from withholding on wages and withholding at source, increased by 9.3 percent (₱65.15 billion) owing to enhanced job market conditions and the rise in salaries of government workers.[27] In particular, the unemployment rate (3.8 percent) and underemployment rate (11.9 percent) in 2024 were at their lowest levels since 2005[28]. Moreover, the implementation of Executive Order No. 64, series of 2024, increased the salaries of government workers. These two factors contributed to the growth in PIT collections. This is followed by CIT collections, which increased by six percent (₱32.79 billion). Meanwhile, the government's push for financial inclusion drove the 7.0 percent growth in total deposits to ₱20.37 trillion in 2024[29], resulting in a 21.4 percent (₱18.93 billion) increase in tax on bank deposits.

Furthermore, interest rates for savings and time deposits increased by 15.9 percent and 7.2 percent, respectively. The combined impact of higher volume and interest rates on treasury bills, and increased volume but lower interest rates in treasury bonds yielded a 17.8 percent (₱11.65 billion) increase in taxes on government securities. Other taxes grew by 8.8 percent (₱18.96 billion), attributed to the increase in documentary stamp tax (DST), transfer taxes, and miscellaneous taxes.

Total excise tax collections also increased by 3.9 percent (₱11.29 billion) due to higher excise taxes on alcohol, sweetened beverages, mining and mineral products, non-essentials, automobiles, and cosmetic procedures. Excise tax collections on alcohol and sweetened beverages grew by 7.3 percent and 8.7 percent YoY, respectively. In contrast, the tobacco excise taxes fell slightly, but the decline slowed to 0.4 percent following intensified measures against illicit trade and regulatory efforts for electronic cigarettes.

Lastly, percentage taxes posted a 5.6 percent increase (₱7.25 billion) YoY, largely due to a significant 305.7 percent surge in taxes from insurance premiums. This sharp growth significantly exceeded the 12.6 percent increase in insurance value added reported in the National Accounts for the entire year, potentially reflecting a one-time payment or non-recurring collection in 2024.

As of Q1 2025, the BIR posted a 16.7 percent increase to reach ₱690.4 billion, driven by the ongoing revenue enhancement measures and improvements in tax payment facilitation.

[27] Executive Order No. 64, series of 2024

[28] Gonzales, A.L. (2025, February 6). 2024 unemployment, underemployment rate lowest since 2005. Philippine News Agency. https://www.pna.gov.ph/articles/1243452.

[29] Cigaral, I.N.P. (25 February 2025). PH banking system deposits breach P20T. Inquirer.net. https://business.inquirer.net/508135/ph-banking-system-deposits-breach-p20t

40. Meanwhile, BOC collections contributed 24.1 percent or ₱916.67 billion of the total tax collection in 2024, up by 3.8 percent or approximately ₱33.46 billion more than 2023's collection. This performance is credited to the growth in collection across all import taxes - duties, VAT, excise, and others on the back of favorable macroeconomic indicators and on the bureau's enhanced digitization, inspection, and border protection efforts introduced in 2024.[30] This was despite the implementation of Executive Order No. 62 (EO 62), effective July 2024, which reduced the tariff rate on rice from 35 percent to 15 percent and expanded the coverage of zero import duty for electric vehicles to include battery electric vehicles (BEVs), hybrid vehicles, and other parts and components.

More specifically, the improvement in the collection was primarily driven by the 4.7 percent (₱25.09 billion) increase in VAT collections, a 4.9 percent (₱5.18 billion) growth in duties, 1.4 percent (₱3.09 billion) increase in excise collections, and 0.6 percent (₱103.87 million) increase in other import tax collections.

Observably, the positive 3.8 percent YoY revenue performance of the BOC in 2024 was reinforced by consistently more favorable macroeconomic conditions than in 2023. Among these factors was the positive growth in the total value of imports. The positive growth in the value of imports was fueled by a peso depreciation of 3.0 percent and a 9.1 percent growth in the total volume of imports. On the other hand, the Dubai crude oil in 2024 was relatively flat compared to the 2023 level. This can be attributed to the sluggish global demand in the latter part of the year, while the US and other non-OPEC producers injected more crude into a well-supplied global market. However, with the higher volume of oil imports, as domestic demand remained robust due to the country's continued infrastructure development and economic expansion, the total value of oil imports still posted positive growth.

As of Q1 2025, the BOC posted a 5.72 percent increase, amounting to ₱231.4 billion, due to higher VAR from non-oil imports and excise tax collections from oil and non-oil imports.

41. Tax collections from other offices were at ₱32.42 billion, equivalent to 0.9 percent of the total tax collections in 2024. This is 11.4 percent higher than the 2023 collection of ₱29.09 billion. This growth was largely driven by higher revenues from motor vehicle road user's tax, combined higher shares of the Commission on Higher Education (CHED) and National Commission for Culture and Arts (NCAA) from the travel tax collected by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), fire code tax, and forest charges, which rose by ₱1.78 billion, ₱1.16 billion, ₱0.39 billion, and ₱0.01 billion, respectively. However, this gain was marginally tempered by a ₱0.01 billion drop in immigration tax collections. As of Q1 2025, tax collections from other offices reached ₱9.72 billion, slightly lower by -0.2 percent than the Q1 2024 collection of ₱9.75.

42. Non-tax collections, including privatization and grants, amounted to ₱618.33 billion in 2024, increasing by ₱223.52 billion compared to 2023. This growth was primarily attributed to significant growth in collections by the BTr, higher fees and charges, and higher other non-tax collections, which saw an increase of 24.5 percent (₱ 55.72 billion), 15.9 percent (₱8.94 billion), 143.2 percent (₱156.61 billion), respectively. On the other hand, total proceeds from privatization and grants amounted to ₱3.76 billion, 148.3 percent higher than the 2023 level of ₱1.51 billion.

The strong performance of non-tax revenues in 2024 was also driven by enhanced efforts to secure windfall revenues, including a ₱30.0 billion Public-Private Partnership (PPP) concession fee and ₱167.2 billion in fund balance transfers from the Philippine Health Insurance

[30] BIR, BOC ramp up digitalization and strict enforcement initiatives in 2024, drive higher revenue collections. (2024, December 27). Department of Finance. Retrieved from https://www.dof.gov.ph/bir-boc-ramp-up-digitalization-and-strict-enforcement-initiatives-in-2024-drive-higher-revenue-collections/

Corporation (PHIC) and Philippine Deposit Insurance Corporation (PDIC)[31]. Moreover, the positive YoY increase in BTr income came from the higher dividend remittances, interest advances from GOCCs, guarantee fees, and NG share from PAGCOR profits.

Meanwhile, non-tax revenues in Q1 2025, reached ₱66.66 billion, lower than last year's level by 41.21 percent (₱113.37 billion), largely due to timing as 18 GOCCs remitted ₱28.23 billion in early Q1 dividends back in 2024 compared with only 3 GOCCs with ₱0.027 billion early dividends this year. Nevertheless, non-tax revenues are expected to improve in the succeeding months, with dividends from the GOCCs set to be remitted to the BTr starting May 2025.

Outlook for 2024-2028

43. In 2024, the Philippine economy grew by 5.6 percent GDP growth, making it the second fastest-growing economy in Southeast Asia and among the most dynamic economies in the Asia-Pacific.[32] Such sustained momentum is primarily driven by the expansion of services and industry sectors. Apart from this, domestic demand also sustained its strength as it was bolstered by the recorded growth across household consumption, government spending, and gross capital formation.[33] However, the growth in 2024 fell short of its targets, mainly attributed to the decline in output of the agriculture sector and higher global prices during the fourth quarter of the year. With this, the Development Budget Coordination Committee (DBCC) revised the growth targets, 5.5 to 6.5 percent for 2025 and 6.0 to 7.0 percent for 2026 to 2028, considering heightened global uncertainties, such as the unforeseen escalation of tensions in the Middle East and the imposition of US tariffs. Despite these headwinds, the DBCC remains vigilant and ready to deploy timely and targeted measures to mitigate their potential impact on the Philippine economy. Moreover, international reserves remain ample, providing an adequate buffer to help absorb these external shocks.

Expectedly, the growth for 2025 would be driven by a robust domestic economy. This is supported by recent structural reforms such as the CREATE MORE Act and the PPP Code, that position the country as a competitive hub for trade and investment. Apart from this, since 2025 is an election year, household consumption will be fueled by election spending, which could slightly compensate the negative impacts that will possibly be brought by unstable global conditions. Meanwhile, the DBCC narrows its inflation assumption of 2.0 to 3.0 percent in 2025 while maintaining 2.0 to 4.0 percent from 2026 until 2028, as the government is determined to maintain price stability by counterbalancing the eased monetary conditions with improved labor market conditions and enacting structural reforms.

Although there are constant threats to the stability of the global market, the country's economic team is optimistic about meeting the set targets for the medium term, as the government remains firm in implementing growth-enhancing strategies to meet its set goals under the Philippine Development Plan 2023-2028.

44. On average, revenue collections are expected to remain at around 16.1 percent of GDP from 2025 to 2028, reaching ₱5.91 trillion (16.3 percent of GDP) by the end of the administration. This translates to a billion more additional revenues a day over the medium term. These initiatives will be supported by updated legislative measures, such as the recently implemented VAT on Digital Services Act, and the Capital Market Efficiency Promotion Act (CMEPA), as well

[31] Full-Year 2024 Total Revenues Surpassed Target at PHP 4.419 Trillion, Bringing Revenue Effort to 16.72%—The Highest in the Last 27 Years. (27 February 2025). Bureau of the Treasury. Retrieved from https://www.treasury.gov.ph/wp-content/uploads/2025/02/COR-Press-Release-FY-2024.pdf

[32] Carlos, R. (2025). DBM: 2024 gdp growth still puts ph among 'fastest-growing' economies. *Philippine News Agency*'. Retrieved from https://www.pna.gov.ph/articles/1243036.

[33] PH economy maintained steady growth in 2024 despite challenges; outlook for 2025 remains bullish driven by lower inflation, higher consumption, and investments. (2025). *Department of Finance*. Retrieved from https://www.dof.gov.ph/ph-economy-maintained-steady-growth-in-2024-despite-challenges-outlook-for-2025-remains-bullish-driven-by-lower-inflation-higher-consumption-and-investments/.

as sustained improvements in tax administration, compliance enforcement, and digitalization initiatives.

Revenue projections in the medium term are expected to reach ₱4.52 trillion in 2025, ₱4.98 trillion in 2026, ₱5.37 trillion in 2027, and eventually reach ₱5.91 trillion in 2028.

Tax collection, which averagely consists of around 95.1 percent of the total revenue, is projected to hit ₱4.33 trillion, equivalent to 15.1 percent of GDP, in 2025. This is expected to increase to ₱4.84 trillion, or 15.5 percent of GDP, in 2026, and further rise to almost ₱6.00 trillion, or 16.3 percent of GDP, in 2028.

Table 5. Philippines: Medium Term Revenue Program, 2025 – 2028
(in billion pesos)

Particulars	2023 Actual	2024 Actual	2025 Emerging	2026 Program	2027 Program	2028 Program
Total revenues	**3,824.11**	**4,419.02**	**4,520.42**	**4,983,41**	**5,366.44**	**5,914.79**
% of GDP	*15.7%*	*16.7%*	*15.9%*	*16.2%*	*16.0%*	*16.3%*
Tax revenues	**3,429.29**	**3,800.69**	**4,213.94**	**4,633.36**	**5,019.34**	**5,612.21**
% of GDP	*14.1%*	*14.4%*	*14.9%*	*15.0%*	*15.2%*	*15.5%*
BIR	2,516.99	2,851.60	3,219.46	3,579.91	3,975.03	4,423.77
BOC	883.21	916.67	958.71	1,013.82	1,072.45	1,139.88
Other offices	29.09	32.42	35.77	39.62	43.86	48.55
Non-tax revenues	**394.81**	**618.33**	**306.48**	**350.05**	**275.10**	**302.58**
BTr	227.64	283.36	179.24	113.70	123.10	133.67
Other non-tax	167.18	334.98	127.24	236.35	152.00	168.92
Nominal GDP	*24,318.61*	*26,446.37*	*28,355.94*	*30,848.05*	*33,461.09*	*36,295.47*

Notes: a) Totals may not add-up due to rounding, b) Levels for 2025 onwards were approved during the 191st DBCC meeting on June 23, 2025.
Sources: DBCC and BTr

Table 6. Philippines: Medium-Term Revenue Program, 2025 – 2028
(growth rates)

Particulars	2024 Actual	2025 Emerging	2026 Program	2027 Program	2028 Program
Total revenues	**15.6%**	**2.3%**	**10.2%**	**7.7%**	**10.2%**
Tax revenues	**10.8%**	**10.9%**	**10.0%**	**9.9%**	**10.2%**
BIR	13.3%	12.9%	11.2%	11.0%	11.3%
BOC	3.8%	4.6%	5.7%	5.8%	6.3%
Other offices	11.4%	10.3%	10.8%	10.7%	10.7%
Non-tax revenues	**56.6%**	**-50.4%**	**14.2%**	**-21.4%**	**10.0%**
BTr	24.5%	-36.7%	-36.6%	8.3%	8.6%
Other non-tax	100.4%	-62.0%	85.8%	-35.7%	11.1%

Notes: a) Totals may not add-up due to rounding. b) Ratios for 2025 onwards were approved during the 191st DBCC meeting on June 23, 2025.
Sources: DBCC and DOF - FPPO

45. Some of the possible risks to the 2025 and 2026 revenue outlook are the following:

a. The ongoing trade war, triggered by the increasing inclination of dominant global economic players towards protectionist policies such as the 19 percent tariff imposed by the Trump administration on Philippine exports to the United States, is expected to dampen global growth. Against higher and broader trade barriers, global growth is expected to slow down, and prices are expected to be increasingly volatile.[34] Trade shocks are then also expected to be more frequent, which easily destabilize oil prices, inevitably exerting pressure on domestic inflation.

b. An increasingly turbulent geopolitical in the Middle East and between Russia and Ukraine may continue to disrupt the global markets. If these conflicts expand, this may pressure inflation as the prices of basic commodities will rise due to disturbances in the global supply chain.[35] With this, the NG should implement policies that will bring immediate relief, which could potentially impact long-term sustainability.

c. Due to tariff risks, the peso is expected to remain volatile in 2025 and 2026.[36] Even though the peso is relatively more insulated from risks compared to other countries in Southeast Asia, a weak peso can drive costs due to the increase in import prices. Debt servicing will also be costlier, which may increase the fiscal burden.

d. As the climate problem is further exacerbated, significant losses will be incurred, especially within natural resource-based sectors. Apart from this, the increasing number of weather disasters experienced by the country severely disrupts economic activities and costs the government millions in damage, reducing revenues and raising expenditure, which hampers fiscal stability.[37]

e. Since disputes over the West Philippine Sea escalated, economic activities like the fisheries of coastline communities in that region have been heavily disrupted. Apart from this, tensions have obstructed trade routes, increasing shipping costs and rendering unattainable possibilities for investment, energy exploration, and tourism.[38]

f. Relatedly, domestic political issues and tensions may stall the pace of legislation of the DOF's priority bills.

g. The 20th Congress convened on July 28, 2025, which can also mean a possible surge in revenue-eroding proposals, including tax breaks, tax exemptions or deductions, and subsidy programs intended to fulfill campaign promises.

h. The prevalence of illicit trade on tobacco and vapor products will continue to contribute to revenue losses for the government and undermine the profitability of legitimate businesses due to unfair competition, while also posing a threat to public health and safety.

i. Proliferation of e-commerce transactions continues to pose an administrative challenge for the BIR to capture.

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[34] Goldberg, P., & Reed, T. (2023, June 1). Growing threats to Global Trade. IMF. https://www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed

[35] Edwards, A., & Wilkin, S. (2025, January 16). *Elections and conflicts: The growing impact on global supply chains*. WTW. https://www.wtwco.com/en-ch/insights/2025/01/elections-and-conflicts-the-growing-impact-on-global-supply-chains

[36] Tsang , A. (2025, February 4). *Peso depreciation: The culprit driving up Philippine inflation?*. ASEAN+3 Macroeconomic Research Office - AMRO ASIA. https://amro-asia.org/peso-depreciation-culprit-driving-up-philippine-inflation#:~:text=Looking%20ahead%2C%20the%20peso%20is,weigh%20heavily%20on%20the%20currency.

[37] Rivera, J. P., Miral, R. M., & Ruiz, M. G. (2024). *Estimating the Impacts of Climate Change on Fiscal Health in the Philippines: Designing a Policy toward a Climate-Resilient Fiscal Sector*. https://doi.org/10.62986/dp2024.34

[38] Mendoza, R. U., Siriban, C., & Ty, T. J. (2019). Survey of economic implications of maritime and territorial disputes. *Journal of Economic Surveys*, *33*(3), 1028–1049. https://doi.org/10.1111/joes.12311

j. Similarly, the prevalence of fake persons with disabilities (PWD) IDs, and possible abuse of the use of Senior Citizen and PWD IDs, if not eliminated, will continue to yield significant revenue loss for the government and private establishments.[39]

Tax Administration and Policy Reforms

46. DOF priority tax administration and policy measures passed under the 19th Congress

Through the Medium-Term Fiscal Framework, measures that will modernize and improve tax policy and tax administration are continuously pushed for. These reforms will enhance the effectiveness and efficiency of the NG's tax administration, enabling the administration to strengthen the country's fiscal resilience against uncertainties in the global economy and achieve fiscal consolidation. From 2024, several of the DOF's priority reforms were passed into law.

a. First, the passage into law of the Real Property Valuation and Assessment Reform Act (RPVARA) on June 13, 2024, shall attract more investments in the real estate market and provide additional revenues for local governments.

b. Second, the enactment of RA No. 12023, or the VAT on Digital Services Act, was signed on October 2, 2024, and took effect on June 1, 2025. The law aims to equalize taxation between digital service providers located overseas and local players while boosting revenues.

c. Third, the enactment of the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act or RA No. 12066 on November 11, 2024, and took effect on November 28, 2024, will enhance the country's taxation and incentive framework to encourage both local and international investors to invest in the Philippines, especially in strategic industries.

d. Lastly, the Capital Markets Efficiency Promotion Act (CMEPA)[40] or RA No. 12214 on July 1, 2025, is designed to invigorate market activity and attract investment through reforms that help boost trading in the Philippine capital market. The CMEPA also removes the excise tax exemption for pickup trucks, which was previously granted under the Tax Reform for Acceleration and Inclusion (TRAIN) Law.

e. Meanwhile, the Rationalization of the Mining Fiscal Regime was enacted on September 5, 2025, as RA No. 12253. The bicameral committee report of the Enhanced Fiscal Regime for Large-Scale Mining Act was ratified on June 11, 2025. The bill imposes a five-tier margin-based royalty for mines operating outside mineral reservation and a windfall profit tax. Furthermore, it introduces ring fencing and thin capitalization mechanisms and strengthened transparency and accountability in the Extractive sector. Ultimately, it aims to develop the mining industry and promote the competitiveness of the domestic mining industry

f. As for tax administration, the BIR and the BOC maintain aggressive implementation of tax administration efforts that will sustain growth in revenue collection by enhancing transparency and preventing leakages. Apart from this, these efforts ensure that tax compliance is easy, efficient, and accessible.

[39] Cayabyab, M. (2024). 'P88 billion in taxes lost from 8.5 million fake PWD cards'. *PhilStar*. https://www.philstar.com/headlines/2024/12/06/2405344/p88-billion-taxes-lost-85-million-fake-pwd-cards

[40] An alternate bill to Package 4 (formerly known as the Passive Income and Financial Intermediary Taxation).

i. The Ease of Paying Taxes (EOPT) was signed into law on January 7, 2024, and all revenue regulations have already been issued and implemented. With its implementation, we expect higher compliance from taxpayers.

ii. Starting June 1, 2024, tax stamps on vapor products became mandatory under Revenue Memorandum Circular No. 59-2024, ensuring proper excise tax collection and strengthening the BIR's efforts to combat smuggling of these products.

iii. From July 15, 2024, online platforms are required to withhold and remit 1.0 percent from half of the income earned by online sellers, as mandated by BIR Revenue Regulations No. 16-2023. This levels the playing field between brick-and-mortar shops and those that have moved to the digital space.

iv. The BIR, through its Run After Fake Transactions (RAFT) program, enabled the bureau to identify ghost or fake receipts faster through data analytics and can now easily hold tax evaders accountable. Apart from this, the BIR also intensified its compliance enforcement by inspecting and verifying more than 300,00 establishments.[41] Both efforts have allowed the bureau to recover a significant amount in revenues by ensuring strict compliance. Ultimately, RAFT is one of the 27 initiatives under the bureau's Digital Transformation (DX) program that aims to improve tax administration and taxpayer services through a digitally empowered workforce and robust digital infrastructure.

v. In 2024, the BOC achieved a 96.99 percent digitalization rate, which improved trade facilitation. Among these digitalization initiatives are the Overstaying Cargo Tracking System, the Enhanced e-Travel System, and the Admission Temporaire/Temporary Admission (ATA) Carnet Monitoring System, which all contribute to increasing efficiency through expediting cargo flow.[42] Additionally, the bureau intensified its efforts to combat smuggling and illicit trade by strengthening border protection and ramping up anti-smuggling operations. Finally, the BOC was also able to curb fuel smuggling and generate a significant amount of revenue through its Fuel Marking program.

g. Finally, we will continue to push for the passage of priority tax reforms that respond to the current fiscal demands while being aware of the current fiscal environment in the 20th Congress. These reforms will help ensure that the targets set by the administration will be fulfilled.

i. Excise Tax on single-use plastics proposes a ₱100.00 per kilogram tax with a 4 percent annual indexation. The proposal is the Philippines' contribution to the global movement to reduce pollution and adopt more sustainable practices, while also raising much-needed revenues to spur the country's economic recovery.

ii. Excise tax on single-use plastics (SUPs) which seeks to address the pressing problem of plastic pollution;

iii. General tax amnesty which aims to provide a one-time comprehensive relief to taxpayers, generating immediate revenue while fostering a culture of good tax citizenship and long-term voluntary compliance; and

[41] BIR collected record P2.85 trillion tax in 2024 – PBBM. (2025). Retrieved from https://pco.gov.ph/news_releases/bir-collected-record-p2-85-trillion-tax-in-2024-pbbm/.

[42] BOC's Digitalization Efforts Highlighted at the Asia-Pacific Trade Conference 2025. (2025). Retrieved from https://customs.gov.ph/bocs-digitalization-efforts-highlighted-at-the-asia-pacific-trade-conference-2025/.

iv. Extension of the estate tax amnesty provided under RA No. 11213 to allow more taxpayers to settle obligations at the reducted rate, converting outstanding liabilities into revenue, and facilitate property transfer that contribute to expanding fiscal space and stimulating economic activity.

Box 1. Flood Control Crisis: Challenges and Government Response

The flood control situation gained national attention after no less than the President himself, during his 4th State of the Nation Address, ordered the investigation of the allegedly anomalous flood control projects. This directive set off a wave of reviews by oversight agencies and opened the door for formal inquiries in Congress.

The impact of these developments was felt by the country's economy. GDP growth in the third quarter of 2025 slowed down to 4.0 percent, from the 5.4 and 5.5 percent growth in the first and second quarters, respectively. This was also evidently seen in the disbursement performance as of end-September 2025, wherein spending for capital outlays fell short by ₱111.3 billion (9.4 percent) from the ₱1,181.4 billion program for the period. This was due mainly to the contraction in the spending of the Department of Public Works and Highways (DPWH). The slower Department spending was attributed to the following:

i. Delays or non-submission of billings by contractors due to the ongoing inspection of DPWH Implementing Offices to verify project implementation and progress;
ii. Heightened scrutiny from oversight agencies, resulting in more conservative and cautious processing of payment claims; and
iii. Freeze order for some bank accounts of DPWH offices under investigation.

Over the medium to long term, these factors pose some risks to the government's ability to hit its targeted infrastructure-to-GDP ratio of 5.0 to 6.0 percent.

Risk Mitigating Measures

Strengthening Oversight and Efficiency

The government took immediate action to address the matter by creating the Independent Commission for Infrastructure (ICI) in September 2025 through Executive Order No. 94[1], which aim to respond to growing concerns about the quality and management of public infrastructure projects, particularly flood control works. The Commission is mandated to conduct a comprehensive fact-finding review of government infrastructure programs, assess project implementation, procurement practices, and compliance with technical and environmental standards. This covers the review and investigation of flood control and other infrastructure projects within the last ten (10) years, aiming to identify lapses, recommend corrective measures, recommend or request hold departure orders, as well as recommend the filing of appropriate criminal, civil, or administrative cases before the appropriate disciplinary, prosecutorial, and administrative bodies.

The New Government Procurement Reform Act also introduced measures to improve transparency and fairness in government contracting. Notable reforms include: (i) *Open Contracting,* which requires full disclosure of all procurement data and documents, including bid results and contract information, through online platforms like *PhilGEPS*, ensuring full transparency and public accountability; and (ii) *Beneficial Ownership Disclosure,* which requires bidders to disclose their beneficial owners, preventing conflicts of interest and blocking attempts to circumvent blacklisting rules.

Additionally, the project Digital Imaging for Monitoring and Evaluation (DIME) also adds a technological oversight, with the use of satellites, drones, and geotagging to track the implementation of government infrastructure projects in real time. It publishes project

information, including the project location, completion status and the corresponding budget, allowing both agencies and the public to verify actual progress. By detecting “ghost projects” and ensuring that disbursed funds correspond to real work, DIME reduces risks of corruption and inefficiency. The system also integrates citizen feedback and disaster resilience data, promoting accountability and informed decision-making for budget allocations. Overall, DIME strengthens transparency, oversight, and the effective use of public resources.

Strategic Flood Control Measures

To reinforce ongoing flood control initiatives, the government may pursue strategic measures, including:

i. *Enhancing public-private partnerships (PPPs) Coordination and Investment*. Improving coordination among agencies involved in PPPs to attract greater private sector participation and funding, ensuring timely and efficient delivery of flood control infrastructure; and

ii. *Developing a Flood Control Masterplan*. Formulating a comprehensive Flood Control Masterplan that clusters projects according to major river basins and risk areas. The plan ensures that interventions are integrated with hydrological realities, maximizes project impact, and reduces overlaps. By designing projects to meet the Investment Coordination Committee (ICC) thresholds, the government can enhance oversight, strengthen project gatekeeping, and increase eligibility for foreign-assisted funding, providing additional resources for sustainable flood management.

Moreover, the President also instructs the DPWH to align project costs with market rates and that public funds are spent efficiently. This is seen to reduce material costs by up to 50 percent, generating savings in capital outlay spending, which can be used to fund other priority programs of the government.

The government emphasizes that the fight against corruption requires whole-of-society effort. While it takes the lead in holding wrongdoers accountable and strengthening its systems and processes, the private sector also plays a vital role in promoting good governance. At the same time, an engaged and vigilant civil society serves as an essential partner in reporting irregularities and ensuring accountability.

PUBLIC DEBT

47. **In 2024, the National Government (NG) successfully raised its ₱2.57 trillion target, while maintaining a 75 percent preference for domestic funding.** Nearly half of the borrowing program covered refinancing obligations, including those originally incurred at the time of the pandemic. Offshore borrowings totaled ₱641.2 billion (approximately US$11.2 billion), wherein ₱271.34 billion (US$4.65 billion) were program loan disbursements intended for major infrastructure initiatives and targeted social protection programs. The still-elevated deficit contributed to a modest uptick in the NG debt-to-GDP ratio, rising from 60.1 percent in 2023 to 60.7 percent in 2024. Nevertheless, this level remains consistent with fiscal viability and long-term sustainability, supported by the favorable and resilient structure of the NG's debt profile.

48. **For 2025, the NG borrowing program targets a slightly higher gross financing level of ₱2.60 trillion (approximately US$46.0 billion).** This is based on a fiscal deficit assumption of ₱1.56 trillion, equivalent to 5.5 percent of GDP, which will enable a public infrastructure outlay target of 5.4 percent of the GDP needed to sustain the country's growth momentum and expand its long-term growth potential. The funding split will also feature an increased domestic bias at 81 percent or ₱2.11 trillion in domestic financing, and 19 percent or ₱488.17 billion (US$8.6 billion) in offshore borrowings. In the first quarter of the year, the NG has raised 28.7 percent of its financing program, with 60 percent of the borrowings sourced locally.

49. **For 2026, the NG is set to raise ₱2.68 trillion on a domestic-external mix of 77:23, anchored on a fiscal deficit program of ₱1.65 trillion, or 5.3 percent of GDP.** External funding of ₱627.1 billion (US$ 11.0 billion) will be raised through ODA loans and global bond issuances, while ₱2.05 trillion will be sourced from the domestic market, consistent with efforts to manage foreign exposure risks and minimize potential crowding out of private sector credit.

Table 7. National Government Financing Actual vs. Program FY 2024 to 2026
(in million pesos)

Particulars	2024P	2024A	% of Program	2025P	2025A (Q1)[1/]	% of Program		2026P
Fiscal Balance	**-1,484,337**	**-1,506,358**	**101.5%**	**-1,561,705**	**-446,029**	**28.6%**		**-1,646,633**
% of GDP	-5.6%	-5.7%	--	-5.5%	--	--		-5.3%
Gross Financing	**2,570,000**	**2,564,515**	**99.8%**	**2,600,000**	**745,142**	**28.7%**		**2,682,000**
Net Financing	**1,306,783**	**1,307,186**	**100.0%**	**1,393,856**	**644,120**	**46.2%**		**1,626,390**
External	**646,084**	**641,171**	**99.2%**	**488,174**	**294,342**	**60.3%**		**627,104**
Project Loans	68,731	113,593	165.3%	74,203	17,177	23.1%		61,712
Program Loans	306,603	271,343	88.5%	226,725	85,200	37.6%		263,292
Global Bonds	270,750	256,235	94.6%	187,245	191,965	102.5%		302,100
Domestic	**1,923,916**	**1,923,344**	**100.0%**	**2,111,826**	**450,800**	**21.3%**		**2,054,896**
Financing Mix	**75:25**	**75:25**	**--**	**81:19**	**60:40**	**--**		**77:23**
Foreign in USD	**11,335**	**11,102**	**97.9%**	**8,565**	**5,047**	**58.9%**	*	**11,002**
t Loans[2/]	1,206	1,948	161.5%	1,302	297	22.8%	*	1,083
Program Loans	5,379	4,654	86.5%	3,978	1,465	36.8%	*	4,619
Global Bonds	4,750	4,500	94.7%	3,285	3,285	100.0%	*	5,300

Notes:

1/ Based on 191st DBCC USD/PHP assumptions

2/ BTr staff estimates

** discrepancy with PHP is partly due to conversions as PHP is based on actual exchange rate at day of receipt, while USD equivalent is based on estimates using USD/PHP period averages*

50. **In January 2025, the Republic of the Philippines (ROP) successfully executed a triple-tranche, dual-currency global bond issuance in USD and EUR denominations.** ESG-linked issuances through the 7Y EUR and 25Y USD formed part of the US$3.25 billion raised under the US$3.5 billion external bond program. The issuance was well-received by a diverse and high-quality group of global investors ahead of potential uncertainties, and outperformed ASEAN peer issuances that launched within same window. This exercise demonstrates the NG's ability to maintain a foothold across several hard currency markets while ensuring cost-effective borrowing.

51. **In April 2025, the NG successfully raised ₱300 billion through a 10-year benchmark issuance,** which attracted healthy bids of more than 10 times the original ₱30-billion offer size at its rate-setting auction. This issuance highlights the commitment of the NG to deepen capital while supporting critical government initiatives in agriculture, infrastructure, education, and healthcare. Moreover, the strong demand for government securities (GS) reflects the resilience of the domestic fixed-income market and sustained investor confidence.

52. **Strong economic performance remained a key anchor for the Philippines' debt sustainability, with the country recording the third-highest real economic growth among ASEAN peers at 5.7 percent in 2024**, with the real effective interest rate of NG debt of only 2.0 percent, which is well below the country's real GDP growth rate. The NG has headroom to accommodate significant fiscal support while keeping the long-term debt level at a sustainable path. Moreover, this favorable differential, in combination with resilient debt indicators, such as the 68.1 percent denomination in local currency and the 7.4 years average residual maturity, reinforce investor confidence in NG debt, allowing continued access to financing at reasonable cost.

53. **A broader perspective of the country's debt burden is reflected in General Government (GG) debt, which consolidates the obligations of the national government, local governments, and social security institutions.** In 2024, GG debt was estimated at 53.9 percent of GDP. This reflects a 2.8 percentage points reduction in the NG debt-to-GDP ratio, arising from the netting out of obligations owed by the NG to itself through investment operations, while a further 4.9 percentage points were deducted to account for liabilities held by other government institutions such as GSIS, SSS, and PHIC.

54. **The NG remains steadfast in managing the country's debt with a high degree of prudence, consistently employing strategic issuance practices and active liability management operations to minimize vulnerability to movements in macro-financial variables.** A critical pillar supporting this approach is the firm adherence of the country's economic managers to the MTFF, which provides a clear and credible roadmap for fiscal consolidation. Under this framework, the government is committed to reducing the fiscal deficit and the debt-to-GDP ratio to 3.7 percent of GDP and 56.9 percent by 2028, respectively.

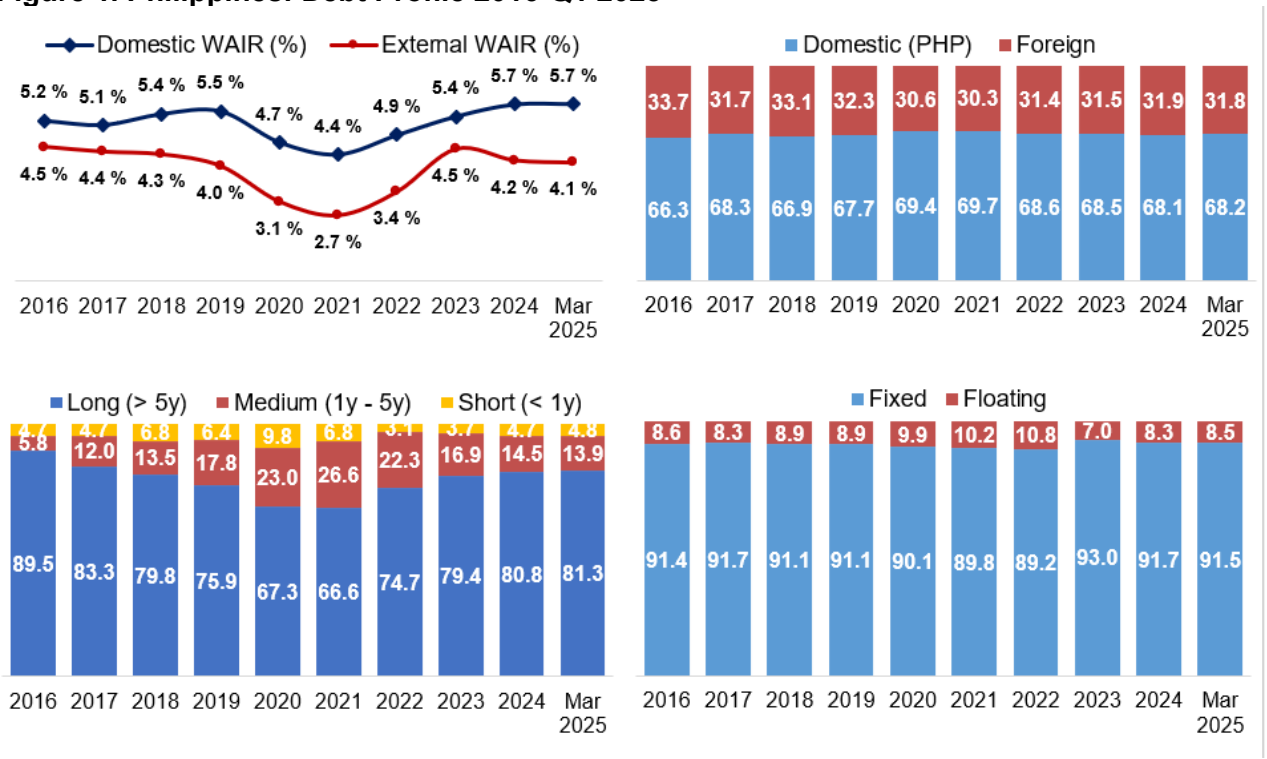
55. **Domestic funding costs started to decline in the second half of 2024 as risks to domestic inflation eased, largely driven by slower increases in food prices and lower transportation costs.** Although the second quarter of 2024 saw an uptick in interest rates amid persistent global inflation pressures, central banks worldwide began shifting toward policy rate cuts by the third quarter of 2024. The BSP commenced its rate cut cycle in August 2024.

56. **Strong support from local financial institutions and the continued deepening of domestic capital markets provided ample liquidity to finance growth-focused projects, despite budgetary constraints.** The continued broadening of the investor base and the sustained demand for government securities not only provide financing stability but also

contribute to the overall resilience of the domestic financial system. Taken together, these efforts underpin the government's broader strategy of promoting inclusive and sustainable economic growth, while safeguarding fiscal and debt sustainability over the medium term.

Debt Profile

Figure 1. Philippines: Debt Profile 2016-Q1 2025



57. The NG's continued strategy of maintaining a strong bias toward domestic financing helped mitigate foreign exchange (FX) risks and limit exposure to external shocks. In 2024, the share of foreign-currency-denominated debt slightly increased to 31.9 percent from 31.5 percent in 2023, amid heightened global financial volatility. Of which, the US dollar dominated the external debt portfolio, comprising 88.2 percent, followed by the Euro and Japanese Yen at 7.7 percent and 2.08 percent, respectively. Nonetheless, the larger share of peso-denominated debt at 68.1 percent provided a buffer against currency fluctuations, particularly as the peso depreciated to an average of US$/₱ 57.85 in 2024 from US$/₱ 55.42 in 2023 due to persistent dollar strengthening and geopolitical tensions.

58. The country's debt maturity profile reflected low refinancing risks. In 2024, the NG maintained an average time to maturity (ATM) of 7.4 years, which is within the internal target of 7 to 10 years (see Box 1: Medium-Term Debt Management Strategy, 2025–2028). This was supported by active issuance of government securities along the intermediate to long end of the yield curve and bond exchange transactions that extended the repayment schedule.

59. Around 91.7 percent of the NG's debt portfolio was in fixed interest rate terms, significantly reducing exposure to interest rate volatility. This composition helped shield borrowing costs from the impact of elevated global interest rates in the first half of 2024, when the US Fed delayed rate cuts amid persistent inflation risks. It also contributed to keeping interest expenses within the allocated budget.

60. The NG navigated rate volatility in 2024, maintaining the weighted average interest rate (WAIR) on the overall NG debt portfolio at 5.20 percent. Domestically, WAIR increased to 5.67 percent from 5.35 percent, driven by higher rates on government

securities issued during the first half of 2024. This was partially offset by improved market conditions and moderated interest rates toward year-end, aided by the NG's strategic issuance across maturities. On the external front, WAIR eased slightly to 4.18 percent from 4.40 percent, supported by continued access to concessional financing.

61. **ODA loans continued to play a central role in financing NG's infrastructure program, offering the most favorable terms in cost and maturity.** These loans provide the cheapest and longest-tenor financing instruments available, making them ideal for supporting the NG's commitment to allocate 5-6 percent of GDP annually to infrastructure spending. The infrastructure program is a major component of the NG's fiscal strategy, with much of the programmed deficit channeled toward capital outlays. These investments are expected to yield high economic returns, with lasting productivity gains that will help drive sustained growth beyond the horizon of the MTFF.

62. **The debt servicing burden remains manageable, reflecting sufficient repayment capacity and minimal impact on productive spending.** Interest payments as a share of government revenue and government expenditure slightly rose to 17.3 percent and 12.9 percent, respectively–still reflecting the effects of emergency borrowing undertaken during the COVID-19 pandemic, consistent with global trends. Nevertheless, these ratios remain broadly stable and do not pose a threat to debt sustainability or constrain funding for growth-enhancing public programs and investments. Notably, current levels remain significantly lower than the historical highs recorded in the early 2000s.

Outlook and Sources of Fiscal Risks

63. **The Market Access Country-Debt Stability Analysis (MAC-DSA) for the Philippines in FY 2025 (Figure 2) confirms that debt is sustainable under the baseline, though not without risks.** NG debt is projected to peak at 61.7 percent of GDP in FY 2026 and will gradually decline under the baseline. While this ratio remains above the pre-pandemic level of 39.6 percent in 2019, the projected decline in the coming years suggests debt sustainability under current fiscal policy settings as economic growth gains momentum alongside recovering revenues. However, the debt trajectory remains sensitive to growth shocks and real interest rate increases, which could raise gross financing needs and rollover risks, thus necessitating the need for disciplined fiscal policy, targeted structural reforms, and prudent debt management.

Figure 2. Philippines: NG Debt-to-GDP Ratio 2023-2030
(in percent)

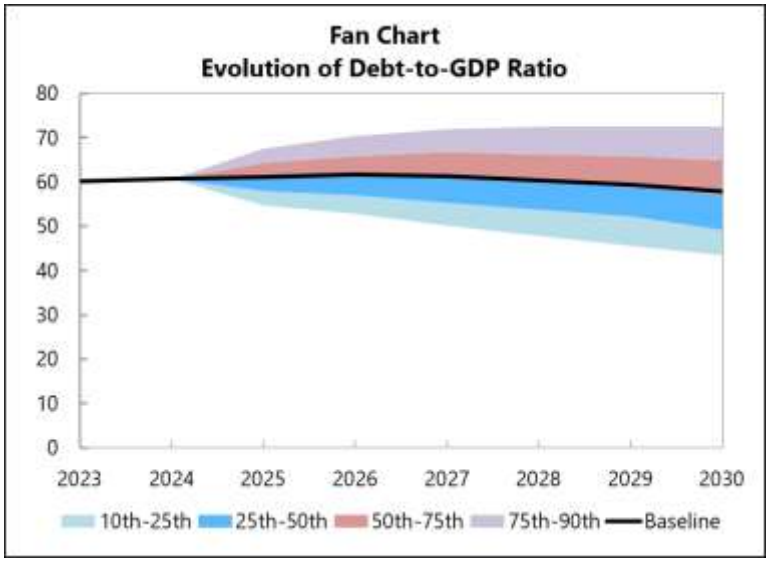
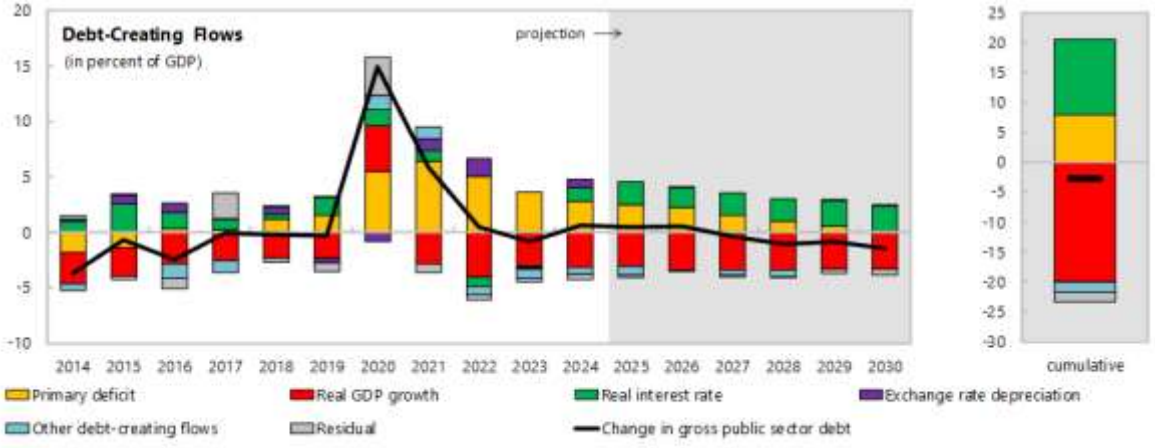


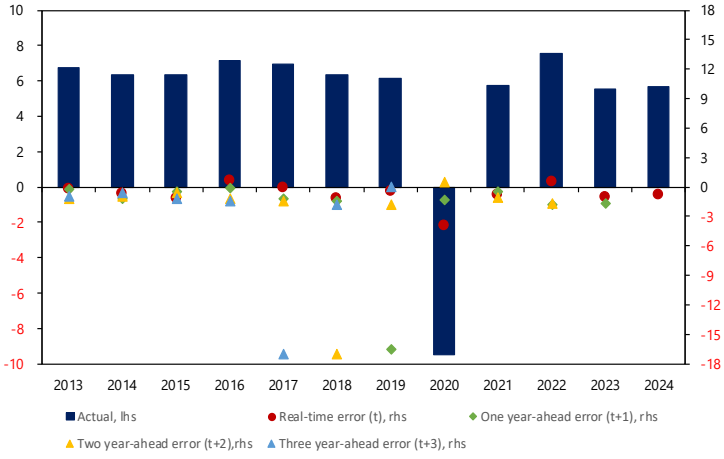
Figure 3. Philippines: Public Debt Sustainability (DSA) – Baseline Scenario
(in percent of GDP)



Source: IMF staff for the analytical framework; BTr staff estimates.
1/ Public sector is defined as central government.
2/ Based on available data.
3/ Long-term bond spread over U.S. bonds (bp).
4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.
5/ Derived as $[r - \pi(1+g) - g + ae(1+r)]/(1+g+\pi+gr)$ times previous period debt ratio, with r = effective nominal interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).
6/ The real interest rate contribution is derived from the numerator in footnote 5 as $r - \pi (1+g)$ and the real growth contribution as -g.
7/ The exchange rate contribution is derived from the numerator in footnote 5 as $ae(1+r)$.
8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

64. **Adverse deviations from the NG's baseline growth targets remain a significant threat to the debt trajectory.** In the DSA's simulated growth shock, a sharp economic slowdown from 5.5 percent to 0.9 percent could push the debt-to-GDP ratio to around 70.0 percent. While the likelihood of such a severe shock is low, the simulation highlights how sudden declines in growth, combined with weaker revenues and higher government spending, can disproportionately impact debt metrics. An analysis of the forecast errors for growth (Figure 4) illustrates a risk to the projections and justifies a precautionary approach amid heightened uncertainties from external demand shocks, climate-related disasters, and broader macroeconomic risks.

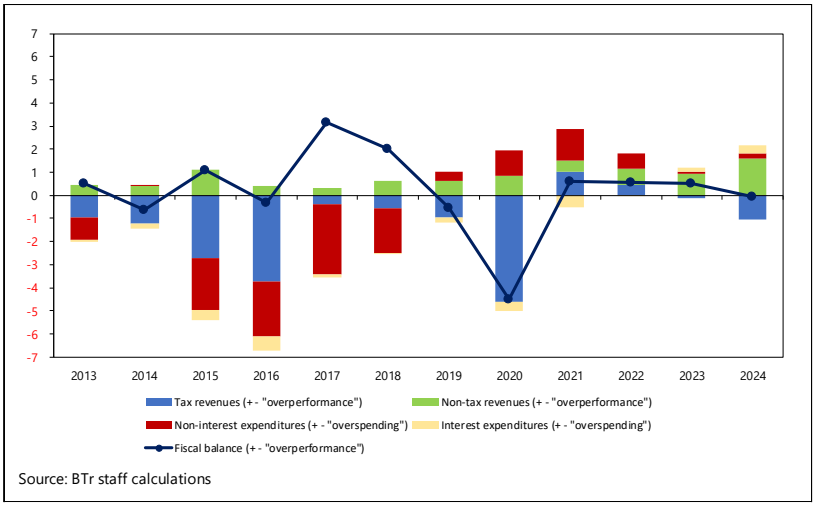
Figure 4. Philippines: Estimation of Real GDP Growth
(in percentage points of GDP)



Note: The forecast errors are based on the mid-point of the real GDP growth assumptions in the BESF adopted for the year.
Source: BTr staff calculations

65. **Risks to the NG fiscal performance remain manageable but stem from both revenue and expenditure pressures (Figure 5).** On the revenue side, collections have generally improved due to stronger tax administration and favorable economic conditions, alongside higher non-tax revenues supported by higher dividend remittances and one-off receipts. However, challenges persist, including the delayed implementation of tax measures and revenue losses from recent legislation introducing exemptions or rate reductions. On the expenditure side, pressures have risen due to increasing interest payments, unprogrammed appropriations, and newly legislated spending. These underscore the importance of maintaining fiscal discipline and securing more sustainable revenue sources to support long-term fiscal stability.

Figure 5. Philippines: Estimation Errors of NG Overall Balance
(in percentage points of GDP)



Source: BTr staff calculations

66. **The Philippines' external public debt profile remains manageable, with favorable concessional terms and elongated amortization schedules.** The modest external debt, alongside a medium-term borrowing program that is skewed towards local debt, attenuates external risks, particularly in light of volatile international trade policy developments and uncertain timing of Fed policy easing commencement.

67. **Although liquidity risks are contained, the continued lengthening of debt maturities and broadening of investor base works toward reducing rollover risk.** The Gross Financing Needs (GFN) of the NG hovering between 9-10 percent of GDP in the medium term, while technically below high-risk thresholds, signals a possible liquidity burden. In a high-interest-rate environment, this could potentially expose the NG to moderate interest rate shocks. At the same time, the level also presents the opportunity to re-price debt at a lower cost should interest rate conditions continue to ameliorate over the medium term.

Risk Mitigation Measures

Debt Management Strategies

68. **The NG actively calibrates its financing program in response to evolving macro-fiscal conditions.** Strategies for the issuance of debt instruments are formulated within the framework of the NG's overall cash flow requirements and guided by risk management and cost-efficiency objectives. This integrated approach to debt management ensures the timely mobilization of resources to meet financing needs and debt service obligations, while minimizing cost of cash carry, consistent with reasonable level of risk to events that may diminish liquidity.

69. **To mitigate foreign exchange risk, the NG continues to strategically rebalance its debt portfolio toward greater local currency denomination.** As part of this effort, the target annual funding mix has been adjusted to increase the share of domestic sources from 75 percent to 80 percent over the medium term. This shift enhances the predictability of debt servicing costs and reduces the exposure to valuation changes arising from adverse currency movements.

70. **The NG employs a proactive approach to manage its debt portfolio, aiming to safeguard against refinancing and market risks.** Continuous monitoring of debt maturities enables the NG to anticipate funding pressures and implement timely refinancing strategies, thus avoiding the bunching of obligations. To further mitigate rollover risks, the NG concentrates its issuances in longer tenor buckets to extend the average maturity of the debt portfolio. Moreover, ongoing improvements in the depth and liquidity of the domestic capital markets support the swift and reliable execution of NG funding operations, ensuring uninterrupted market access and sustaining investor confidence.

71. **Liability management exercises remain a strategic tool in the NG's debt strategy to reduce risks and optimize debt servicing costs.** These include fixing benchmark rates on floating-rate obligations to manage exposure to interest rate volatility, conducting bond exchanges to reduce maturity bunching and smooth the debt redemption profile, and actively engaging with Primary Dealers to secure efficient pricing and ensure continuous market access.

72. **To institutionalize its strategic approach, the NG recently published the medium-term debt management strategy (MTDS), which serves as a formal framework for guiding debt management decisions and initiatives (Box 1).** The MTDS reinforces transparency and accountability through sustained communication with investors, helping to reassure markets of the government's fiscal anchor credibility and mitigate potential uncertainties surrounding the debt program.

Box 2. Medium Term Debt Management Strategy, 2025-2028

The National Government's Medium-Term Debt Management Strategy (MTDS) provides a framework for ensuring that financing needs are met at the lowest possible cost while maintaining a prudent degree of risk. Aligned with the MTFF and macroeconomic assumptions set by the DBCC, the MTDS 2025–2028 strategy focuses on reducing key debt-related risks through the following strategic pillars:

- **Refinancing Risk**: Maintain the share of debt maturing within one year at manageable levels and extend debt maturity through the issuance of medium- to long-term securities and proactive liability management.
- **Interest Rate Risk**: Favor fixed-rate instruments to maintain a stable debt service burden and limit exposure to rising interest rates.
- **Foreign Exchange (FX) Risk**: Minimize FX exposure by prioritizing domestic borrowings while preserving access to diverse external financing markets.
- **Capital Market Development**: Consolidate issuances to improve benchmark bond building and enhance pricing efficiency; expand retail participation and digital access to government securities.
- **Debt Sustainability**: Support the objective of a declining debt-to-GDP ratio through cost-effective and risk-sensitive financing.

Key Risk Management Targets (By End-2028)			
Risk Type	**Indicator**	**Actual 2024**	**Target**
Refinancing Risk	Debt maturing in 1 year	12%	≤ 15%
	Average time to maturity	7.43 years	7–10 years
Interest Rate Risk	Share of fixed-rate debt	92%	≥ 90%
	Average time to re-fixing	6.6 years	≥ 6.5 years
FX Risk	Share of FX-denominated debt	32%	≤ 35%

Through these calibrated targets and risk mitigation strategies, the MTDS reinforces the government’s commitment to prudent debt management, capital market development, and long-term fiscal resilience.

Capital Market Development

73. **The local bond market has undergone substantial expansion and deepening over the past decade.** Outstanding local currency bonds grew from ₱4 trillion in 2014 to over ₱12 trillion in 2024, with government securities comprising 83 percent of the total.[43] Recent key issuances include the ₱300 billion benchmark bond in April 2025 and the reintroduction of a 25-year tenor tailored for insurance and pension funds. To avoid displacement of corporate borrowers, the NG has continually developed the retail segment, allowing small savers and non-conventional investors such as cooperatives to invest through accessible online platforms.

74. **Improving non-resident participation offers the potential to further expand and diversify the investor base**. Non-resident holdings in the GS market doubled from 2.06 percent in 2023 to 4.2 percent in 2024, with nominal investments increasing nearly ₱250 billion, though foreign participation remains low relative to regional peers. This limited non-resident demand reduces the market's absorptive capacity and drives greater dependence on domestic banks and local institutional investors, which can potentially create a sovereign-bank nexus, wherein stress in the banking sector may constrain the sovereign's ability to roll over debt while sovereign risks simultaneously feed back into the financial system. Against this backdrop, the NG has placed capital market reforms at the forefront of its agenda, particularly those aimed at reducing friction costs and enhancing the tradability of government securities.

75. **To attract more non-resident investors and enhance the marketability of government securities, the NG is actively pursuing inclusion in the JP Morgan Government Bond Index-Emerging Markets (GBI-EM).** GBI-EM inclusion is expected to broaden the investor base and improve liquidity through enhanced demand from global institutional investors in domestic GS, though it also entails exposure to capital flow volatility in response to shifts in global sentiment. However, most GBI-EM participation comes from long-term institutional investors, providing a more stable source of demand and mitigating risks of abrupt capital outflows.

76. **The NG is making headway in advancing its capital market development agenda by modernizing market infrastructure, adopting fintech solutions, and addressing policy and regulatory gaps.** Among these reforms, the process for availing of tax treaty benefits on GS income has been streamlined through one-time registration and integration with the registry system, thus simplifying requirements and reducing turnaround time. The NG has also introduced recent initiatives which include the launch of GBonds, a digital platform on GCash developed with Philippine Digital Asset Exchange (PDAX) to expand retail investor access; the support on the rollout of an enhanced GS Repo program and a strengthened Primary Dealer System to promote transparency and market-making; and the benchmark bond program with Money Market Association of the Philippines (MART), which builds up designated tenors through sustained issuance and two-way quoting to improve price discovery, broaden participation, and deepen market liquidity.

[43] AsianBondsOnline, Asian Development Bank, https://asianbondsonline.adb.org/

MONETARY PERFORMANCE

Domestic Liquidity

77. **Preliminary data showed that domestic liquidity (M3) grew by 6.1 percent YoY in March 2025.** Domestic claims rose by 10.4 percent, with claims in the private sector growing by 11.5 percent, driven by the continued expansion in bank lending to non-financial private corporations and households. Meanwhile, net claims on the central government increased by 8.0 percent due to higher borrowings by the National Government. Net foreign assets (NFA) in peso terms rose by 2.5 percent. The BSP's NFA expanded by 4.5 percent, reflecting the increase in gross international reserves (GIR). Meanwhile, the banks' NFA declined on account of higher foreign currency-denominated bills payable.

78. **Bank lending expanded in March 2025.** Preliminary data indicated that outstanding loans from universal and commercial banks (UKBs), net of reverse repurchase (RRP) placements with the BSP, rose by 11.8 percent YoY in March 2025, slower than the 12.2-percent expansion in February 2025.

79. Loans meant to fund business activities increased by 10.9 percent in March from 11.2 percent in February. Loan growth eased due to the slower expansion in lending to key industries such as: real estate activities (9.6 percent); wholesale and retail trade, repair of motor vehicles and motorcycles (11.6 percent); information and communication (8.9 percent); construction (1.8 percent); arts, entertainment and recreation (12.6 percent); water supply, sewerage, waste management and remediation activities (12.9 percent); and accommodation and food service activities (19.3 percent). Similarly, consumer loans to residents grew by 23.6 percent (from 24.1 percent), driven by the increase in credit card loans, motor vehicle loans, and general-purpose salary loans.

Monetary Policy Assessment

80. **In 2024, the BSP held seven monetary policy meetings, adjusting its policy rate or the Target Reverse Repurchase (RRP) Rate by a cumulative reduction of 75 bps: 25 bps each in August, October and December 2024**. The within-target inflation outlook and well-anchored inflation expectations, along with the continued deceleration in actual headline and core inflation supported the BSP's shift toward a less restrictive monetary policy. Nonetheless, the balance of risks to the inflation outlook continued to lean to the upside due to potential upward adjustments in transport and electricity charges, while the impact of lower import tariffs on rice was the main downside risk to inflation. Moving forward, the BSP will maintain a measured approach to monetary policy easing to ensure a stable price environment conducive to sustainable economic growth and employment.

81. **As of Q1 2025, the BSP held the Target RRP Rate steady at 5.75 percent during its monetary policy meeting on 13 February 2025, with interest rates for overnight deposit (ODF) and lending (OLF) facilities maintained at 5.25 percent and 6.25 percent, respectively.** The decision to maintain the Target RRP Rate came about as uncertainty over global economic policies and their impact on the domestic economy has increased significantly, despite firm domestic growth prospects. Nonetheless, the latest inflation forecasts are not materially different from the December 2024 estimates, however, the risk-adjusted inflation forecast increased to 3.5 percent from 3.4 percent in the previous meeting. Inflation expectations also remain within the target range. The risks to the inflation outlook have become broadly balanced for 2025 and 2026, with upside pressures from the utilities sector offsetting the impact of lower import tariffs on rice. Domestic growth prospects also continue to be firm.

82. **The BSP resumed easing its monetary policy settings in April and June 2025. Specifically, the BSP reduced the Target RRP rate by a total of 50 bps (25 bps each in April and June) to 5.25 percent, with ODF and OLF rates lowered to 4.75 percent and 5.75 percent, respectively.** The decision to implement policy rate cuts during the monetary policy meetings on 10 April 2025 and 19 June 2025 stems from lower inflation forecasts and within-target inflation expectations over the policy horizon. The Monetary Board also considered the deceleration in global economic activity due to uncertainty over US trade policy and the conflict in the Middle East in its April and June decision. The Monetary Board also accounted for inflationary pressures such as higher oil prices, electricity adjustments, and rice tariffs in its June pronouncement.

83. **On balance, the Monetary Board sees the need for a more accommodative monetary policy stance.** Emerging risks to inflation from rising geopolitical tensions and external policy uncertainty require closer monitoring. The Monetary Board will also continue to assess the impact of prior monetary policy adjustments. Going forward, the BSP will safeguard price stability by ensuring monetary policy settings are conducive to sustainable economic growth and employment.

Reserve Requirement Ratio Cuts

84. **The BSP reduced the reserve requirement ratios (RRRs) by 250 bps for UKBs and non-bank financial institutions with quasi-banking functions (NBQBs); 200 bps for digital banks; and 100 bps for thrift banks (TBs) and rural banks and cooperative banks (RCBs) on the reserve week beginning on 25 October 2024. Further reduction in the RRR by 200 bps for UKBs and NBQBs; 150 bps for digital banks; and 100 bps for thrift banks was effective on 28 March 2025.** Thus, the RRRs for UKBs and NBQBs stand at 5.0 percent and at 2.5 percent for digital banks. The RRRs for TBs and RCBs were brought down to 0.0 percent. The decision to reduce RRRs in September 2024 and February 2025 aims to lessen frictions in the financial system that hinder financial intermediation. This also aligns with the BSP's shift to more active monetary operations, bringing the country's RRR closer to regional norms.

85. **The BSP reiterates its long-run goal of enabling banks to channel their funds more efficiently toward productive loans and investments.** Hence, a reduction in the RRR does not constitute a change in the BSP's monetary policy stance—it is primarily a structural measure, rather than a cyclical measure.

EXTERNAL SECTOR

86. **In 2024, the Philippines posted a current account deficit of US$17.5 billion, equivalent to 3.8 percent of GDP, which is larger than the previous year's deficit of 2.8 percent of GDP.** This was primarily due to a wider trade in goods deficit as exports fell by 0.4 percent, notably in electronics, copper metal, and mineral products. Meanwhile, goods imports rose by 2.0 percent led by stronger inflows of rice, iron and steel, and office and electronic machines. Net receipts from services also decreased, driven mainly by a surge in outbound travel. Higher net primary income (from interest earnings) and robust remittance inflows partly offset the wider trade gap. In Q1 2025, the current account deficit reached US$4.2 billion (3.7 percent of GDP), reflecting a 14.7 percent expansion in the trade in goods deficit. Goods imports grew by 8.0 percent, supported by resilient domestic demand. This growth outpaced the 1.2 percent increase in goods exports, which was constrained by persistent global uncertainties and new U.S. tariff policies. Net receipts from services fell by 9.3 percent, mainly due to lower transport receipts and increased spending by residents on overseas travel.

87. **The country's GIR remained adequate to cover unforeseen foreign exchange obligations.** As of end-March 2025, the GIR rose to US$106.7 billion from US$106.3 billion at end-December 2024. This level provides a more than adequate external liquidity buffer, equivalent to 7.2 months' worth of imports of goods and payments of services and primary income. Moreover, it is about 3.3 times the country's short-term external debt based on residual maturity.

88. **The external debt-to-GDP ratio also remained at prudent levels, underscoring the country's continued capacity to service foreign borrowings in the medium and long term.** As of end-2024, external debt stood at 29.8 percent of GDP, among the lowest in the region. In addition, 79.7 percent of outstanding obligations were medium- to long-term in nature (under remaining maturity concept), spreading out loan repayments and easing foreign exchange requirements for debt servicing. By end-March 2025, the external debt-to-GDP ratio was 31.5 percent, still among the lowest in the region, with 77.7 percent of obligations being medium- to long-term.

FINANCIAL SECTOR

Performance and Outlook of the Philippine Financial System

Overall Condition and Performance of the Philippine Banking System

89. The Philippine banking system capped the first five months of 2025 with positive outcomes. Key performance indicators showed a stronger balance sheet, profitable operations, as well as adequate capital and liquidity buffers. The banking system achieved sustained resilience on improved macroeconomic conditions, positive business sentiment, and BSP's steady implementation of financial sector reforms.

Philippine banks[44] are at the center of the country's financial system, providing banking services to important economic sectors, including households. As of May 2025, total assets of the system reached ₱27.3 trillion, marking a notable 6.4 percent YoY increase, funded mainly by domestic deposits and channeled mostly to loans and investments.[45] This remains lower than the pre-pandemic growth rate of 11.0 percent as well as the 10-year compound annual growth rate (CAGR) of 8.5 percent.

UKBs comprised 93.5 percent of the total assets of the banking system, underscoring the influence of established players in shaping the financial landscape. The share of other types of banks, in terms of asset size, stood at 4.6 percent (₱1.3 trillion) for thrift banks (TBs), 1.8 percent (₱500.0 billion) for rural and cooperative banks (RCBs), and 0.5 percent (₱133.5 billion) for digital banks (DGBs).

As of end-June 2025, there are 44 universal/commercial banks with 7,063 branches/other offices, 42 thrift banks with 3,224 branches/other offices, 375 rural/cooperative banks with 3,265 branches/other offices, and six digital banks, operating in the Philippines.

Overall, banks continue to support economic activities, as the banking system's gross loan portfolio (TLP) expanded by 12.4 percent to ₱15.6 trillion. This can be attributed to strong domestic demand and an improved economic environment. Further, this also aligns with the latest business, consumer, and bank officers' survey, which indicated steady borrowing plans among households and businesses.[46]

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[44] Banks comprised around 82.8 percent share (₱28.2 trillion) of the total resources of the Philippine financial system while non-bank financial institutions (NBFIs) held the remaining 17.2 percent share (₱5.9 trillion). NBFIs are composed of BSP-supervised financial institutions such as investment houses, financing companies, investment companies, securities dealers/brokers, pawnshops, lending investors, non-stock savings and loans associations, credit card companies, government NBFIs and forex corporations. NBFIs also include Social Security System, Government Service Insurance System as well as private insurance companies. (Source: BSP website)

[45] The expansion in banks' assets facilitated lending (55.5 percent share or about ₱15.1 trillion) and investments (29.2 percent share or about ₱8.0 trillion) activities. Market analysts and economists also see that the continued easing of BSP policy rates, upbeat outlook on the domestic economy, and the reduction in reserve requirement ratio could further boost consumption and investments in the country (Source: https://wealthinsights.metrobank.com.ph/bsps-rate-cuts-promise-relief-amid-economic-challenges/)

[46] The BSP Q2 2025 Consumer Expectations Survey (CES) shows that the proportion of households intending to apply for a loan in the next 12 months stood at 14.8, while the BSP Q2 2025 Business Expectations Survey (BES) showed that the percentage of businesses in the industry sector with expansion plans for Q3 2025 and the next 12 months fell from 19.4 percent and 22.4 percent in the Q1 2025 survey to 15.9 percent and 20.9 percent in Q2, respectively. Further, the BSP Q1 2025 Senior Loan Officers' Survey (SLOS) also shows a net tightening of credit standards for business loans and households under the diffusion index approach. Banks tightened their loan standards for enterprises due to the deterioration in borrowers' profile and profitability of bank's portfolio. The DI method showed a net increase in firms' loan demand in Q1 2025 due to higher customer inventory financing needs and clients' more optimistic economic expectations. The DI results indicated that surveyed banks anticipate a net rise in loan demand from businesses in the next quarter, driven by higher customer inventory financing needs, clients' more optimistic economic outlook, and an increase in borrowers' short-term financing needs

Banks' diversified asset mix[47], coupled with a stable funding structure from resident deposits (73.2 percent), positioned banks for balanced growth.

Moreover, banks' risk-taking activities were backed by adequate capital, which is composed mainly of core capital, such as paid-up capital and accumulated earnings. As of end-March 2025, the banking system's solo and consolidated capital adequacy ratios (CARs) were 16.2 and 16.6 percent, respectively, comfortably above the BSP's minimum threshold of 10 percent and the international standard of 8 percent.

Overall, the robust performance of the banking system reflected not only strong public confidence but also improved credit demand, which together propelled the banking system's growth story throughout the first five months of 2025.

90. Credit growth continued and remained broad-based. Improved macroeconomic environment, positive business and investment climate as well as BSP's steady implementation of financial sector reforms, provided strong anchors for banks' sustained lending across key economic sectors. As of end-May 2025, the top 5 loans recipients by economic sector include the real estate sector at 18.2 percent (₱2.8 trillion), household sector at 15.3 percent share (₱2.4 trillion), wholesale and retail trade sector at 10.5 percent share (₱1.6 trillion), electricity, gas, steam, and air-conditioning supply sector at 10.5 percent share (₱1.5 trillion), and the manufacturing sector at 8.1 percent share (₱1.3 trillion). Loans extended to these sectors expanded in 2025, with loans for household consumption consistently exhibiting the highest growth at 28.1 percent (₱524.0 billion), a reflection of strong demand for credit spurred by upbeat investor sentiment, business activity and improved consumer confidence.

Real estate lending continued to increase despite reduced demand in the property market.[48] The muted demand in the condominium market was also reflected in the latest Residential Real Estate Price Index (RREPI), showing decline in prices of condominium units.[49]

As real estate activities remain an integral component of the country's domestic economy, the BSP regularly conducts monitoring and surveillance of the banking system's exposures to the sector. This helps identify emerging risks and vulnerabilities in the banking system. The latest BSP real estate stress test (REST) indicated the continued resilience of the banking system under an assumed downturn in the property market. Bank's RELs also remained below the 25.0-percent REL limit.[50] Total consumer loans (CLs) of UKBs and TBs, on a solo basis, expanded by 18.1 percent in end-March 2025 (18.0 percent in December 2024). This growth, which was mainly driven by credit card receivables (CCRs) and Residential Real Estate Loans (RRELs),[51] translated to 20.4 percent (20.1 percent in December 2024) of the banking system's total loans during the same period and consistent with improved consumer sentiment and preference to avail these loan products.

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[47] Net Loans accounted for more than half of the total assets of the banking system at 55.5 percent (₱15.1 trillion), while investments and cash and due from banks accounted for 29.2 percent (₱8.0 trillion) and 7.3 percent (₱2.0 trillion), respectively.

[48] According to Colliers' Property Market Report–Office for Q1 2025, Metro Manila's office sector posted an early recovery in the first quarter of 2025, with transaction volumes improving quarter-on-quarter after 2024's subdued performance. Net take-up re-entered positive territory as the pace of vacated space slowed during the first three months of the year. Meanwhile, Collier's Property Market Report–Residential for Q4 2024 indicated challenges faced by the ready-for-occupancy condominium market in Metro Manila wherein unsold units may not be fully absorbed for at least 8 years.

[49] Based on the Q4 2024 RREPI, residential real estate prices for various types of new housing units in the Philippines recovered in Q4 2024. Following a contraction of 2.3 percent in Q3 2024, residential property prices rebounded with a YoY growth of 6.7 percent.

[50] The REL limit, which applies to all UKBs, covers commercial RELs extended to finance the acquisition and development of land and the construction of buildings and structures, including housing units for sale/lease, for income-generating purposes.

[51] As of end-December 2024, all loan types recorded growth with CCRs (up by 29.4 percent, or ₱212.2 billion) and MVLs (up by 18.5 percent, or ₱93.8 billion) primarily driving the growth of CLs. Other types, such as RRELs, SBGPCLs, and OCLs grew by 9.6 percent (or ₱95.9 billion), 17.5 percent (or ₱58.3 billion), and 23.1 percent (or ₱10.8 billion), respectively.

91. Notwithstanding the increase in the levels of NPLs, banks maintained satisfactory loan quality with a manageable NPL ratio and ample reserves for potential losses. The banking system's non-performing loan (NPL) ratio of 3.4 percent in end-May 2025 was relatively low but still slightly higher than the pre-pandemic level of 2.2 percent recorded in end-March 2020, and slightly lower than the previous year's NPL ratio of 3.6 percent. The overall level of NPLs increased by 6.4 percent (₱31.8 billion) as of end-May 2025 due to relatively high-interest rate environment and inflationary pressures, which have impacted borrowers' ability to repay their loans. Meanwhile, the past due ratio[52] of the banking system improved to 4.2 percent in end-May 2025 vis-à-vis the 4.4 percent recorded in end-May 2024.

By economic sector, the real estate sector recorded the highest level of NPL with ₱90.9 billion as of end-May 2025. NPL ratios for trade-oriented sectors, such as wholesale and retail trade and manufacturing sectors, show contrasting trends for the period. The manufacturing sector experienced a rise in NPL ratio, increasing from 3.6 percent in end-May 2024 to 4.0 percent in end-May 2025. This increment in the banking system's NPL ratio is possibly due to persistent challenges such as rising production costs, supply chain disruptions, or weaker demand in both domestic and international markets. Nonetheless, the NPL ratio remained at the single-digit level and manageable.

For the real estate sector, banks maintained the quality of their loan portfolio amidst the growth in RELs. The non-performing loan (NPL) ratio for commercial RELs remains low at 2.1 percent in end-March 2025, from 2.3 percent in end-March 2024. Meanwhile, the NPL ratio for residential RELs improved to 6.4 percent in end-March 2025 from 7.0 percent in end-March 2024.

Further, consumer loans (CLs) quality remained satisfactory even with the increase in non-performing CLs (NPCLs). As of end-March 2025, the 10.5 percent (₱16.3 billion) increase in NPCLs was largely due to the double-digit expansion in non-performing CCRs (43.5 percent, or ₱13.4 billion) and non-performing SBGPCLs (11.6 percent, or ₱ 2.2 billion).[53] The industry experts view that the consumers' growing reliance on credit cards and salary loans to extend their purchasing power contributed to the rise in NPCLs. Meanwhile, the level of MVLs slid during the period (2.4 percent or ₱0.8 billion). As of end-March 2025, the NPCL ratio remained steady at 5.4 percent.

During end-May 2025, total restructured loans increased by 5.9 percent to ₱313.4 billion and constituted about 2.0 percent of the banking system's total loan portfolio.

To cushion against potential loan defaults, banks remained prudent and maintained a high NPL coverage ratio of 94.6 percent. This ratio is higher compared to the pre-pandemic ratio of 91.4 percent at end-March 2020. Further, banks' strong risk management oversight, including prudent credit underwriting practices, and sound provisioning have ensured stable and diversified credit portfolios and prudent provisioning culture, bolstering resilience against unexpected market shocks.

Also, the BSP conducts stress tests to evaluate the banking sector's resilience to credit and market shocks. Banks were found to have sufficient capital buffers to absorb a twenty (20.0) percent stand-alone write-off (net of allowances) in credit exposures across economic industries, consumer portfolio types and conglomerates[54] and a twenty-five (25.0) percent write-off in their commercial RELs and real estate investments;[55]

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52 This refers to the ratio of past due loans to gross TLP.

53 As of end-March 2025, NPCL ratio per type is as follows: CCRs: 4.6 percent; MVLs: 4.9 percent; SBGPCLs: 5.2 percent; RRELs: 6.3 percent; and OCLs: 7.7 percent. Except for CCRs, NPL ratios across all other types slowed.

54 As of end-December 2024 (latest data).

55 As of end-December 2024 (latest data).

Liquidity Coverage Ratio (LCR) stress tests of banks indicated ample liquidity buffers.[56] The results showed that both industry and bank-level stressed LCR ratios remain well-above the 100 percent regulatory minimum after assuming twenty percent write-offs in credit exposures across economic industries, consumer finance types and conglomerates.

Moreover, the reverse stress test pointed to significantly large loan quality buffers. The BSP conducted periodic assessments to determine the NPL ratio at which a bank's existing CAR would drop to the 10 percent regulatory minimum or the breakeven NPL ratio. The reverse credit risk stress test results in end-April 2025, assuming a 75.0 percent provisioning rate[57] and a CAR threshold of 10 percent, estimated the industry's breakeven NPL ratio well-above both the current and maximum potential NPL ratios, indicating large loan quality buffers.[58]

The BSP anticipates the quality of loans to improve, driven by the continued easing of domestic policy rates and a robust outlook for the domestic economy. This perspective is corroborated by the industry outlook, wherein majority of respondent banks foresee an enhancement in loan quality. This is expected to occur alongside the continuous augmentation of loan loss reserves amid market uncertainty, persistent inflationary pressures, and a high-interest rate environment.[59]

The BSP continues to closely monitor other indicators on credit risk exposures of the banks and remains ready to pursue necessary supervisory intervention.

92. Mandated lending to micro, small, and medium enterprises (MSMEs), and for agriculture, fisheries, and rural development (AFRD) continued in 2024.

Loans extended to MSMEs reached ₱545.7 billion in end-May 2025, reflecting an 11.5 percent growth and accounting for 3.5 percent of the total banking system's loans. This growth underscores the strong commitment of banks to continually support the development of MSMEs. Loans to MSMEs were predominantly directed towards the wholesale and retail trade sector, which received 42.1 percent (₱229.9 billion) of the total, and were primarily provided by UKBs, which accounted for 70.4 percent (₱384.1 billion) of the total industry's MSMEs.

Meanwhile, banks allocated a total of ₱2.2 trillion of their loanable funds for AFRD financing as of end-March 2025. This was equivalent to 113.3 percent of banks' total loanable funds to AFRD, and significantly above the 25.0 percent mandatory allocation under the law. [60]

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[56] As of end-December 2024. A follow-through liquidity stress test was conducted using inputs from the uniform credit risk stress tests. LCR positions of universal and commercial banks (UKBs), which already assumes a 30-day liquidity squeeze, were subjected to credit write-off from the assumed stand-alone stress across different loan types and conglomerates. Said write-off was deducted from banks' expected cash inflows – a conservative assumption that all assumed impaired loans are due and demandable in the next 30 days – resulting to potentially higher net cash outflow or denominator for UKB's LCR ratios.

[57] Based on the historical ratio of the banking system's specific loan loss provisions (SLLP) to gross NPLs ratio.

[58] The breakeven NPL ratio is compared with the baseline NPL ratio and two forward-looking asset quality indicators, namely the Loans-at-Risk ratio and Distressed Loans ratio, at the system and institutional level. The distance between the breakeven NPL ratio and the baseline NPL ratio is the BSP's estimate of loan quality or NPL buffer.

[59] Source: The BSP 2023 Banking Sector Outlook Survey (BSOS).

[60] The high percentage of compliance is on account of a shorter reference cut-off date in computing the TLF as provided under Republic Act (R.A.) No. 11901, i.e., from 18 August 2023 to the reporting date as of end-March 2025 and end-June 2024 and from 20 April 2010 to the reporting date prior end-September 2023. Under the law, starting the 2nd year of effectivity of R.A. No. 11901 on 18 August 2023, the TLF shall be computed as the net increase of the same accounts from 18 August 2023 to the reporting date. This shortens the reference cut-off date in computing the TLF which resulted in lower TLF (in amount), resulting in higher compliance ratio. (Source: BSP Report on the Philippine Financial System Second Semester 2024) Additionally, banks' compliance improved due to the expansion of eligible activities and modes of compliance, granting them greater flexibility in meeting the mandatory AFRD financing requirements.

93. Deposits remained a reliable funding source for the bank's operations. Deposits grew steadily throughout the year, accelerating by 5.0 percent to reach ₱20.1 trillion in end-May 2025, reflecting continued depositor confidence in the banking system. The steady inflow of deposits from the private sector, predominantly from resident individuals (49.1 percent) and private corporations (31.9 percent), strengthened the banking system's funding base and supported its ability to supply credit to the economy. Bank deposits were mostly sourced from resident depositors and mainly denominated in peso. Peso denominated deposits constituted 82.7 percent (₱16.6 trillion) of the total deposit liabilities.

Deposits were mostly in the form of savings deposit at 43.1 percent (₱8.6 trillion) of total deposit liabilities. This was followed by time deposits at 29.4 percent (₱5.9 trillion), demand and NOW at 27.5 percent (₱5.5 trillion), and long-term negotiable certificate of deposits or LTNCDs at 0.1 percent (₱9.4 billion).

Across these deposit products, savings deposits posted the highest annual growth of 6.0 percent (₱485.5 billion) as depositors optimized their savings yield amid high-interest rate environment. This year's 5.3 percent growth in time deposit was lower than its pre-pandemic compounded annual growth rate (CAGR) of 10.6 percent.

94. Banks maintained more than adequate capital levels, with sizeable headroom over regulatory limits and international standards. Total capital accounts expanded by 11.3 percent to ₱3.5 trillion as of end-May 2025, propelled by increases in both retained earnings (up by 16.4 percent or around ₱248.2 billion) and capital stock (up by 1.8 percent or around ₱27.3 billion).

The strong growth in capital accounts translated to a well-capitalized banking sector, with both risk-based capital adequacy ratio (CARs) and common equity tier 1 (CET1) ratio that are well above the BSP regulatory minimum and international standard. As of end-March 2025, the banking system's solo and consolidated CAR stood at 16.2 percent and 16.6 percent, respectively.[61]

Similarly, the UKB industry's Basel III Leverage ratio revealed a strong ratio of 9.9 percent and 9.4 percent, respectively, as of end-March 2025 on consolidated and solo bases. These exceeded both the BSP's minimum regulatory requirement of 5.0 percent and the international standard of 3.0 percent, indicating that the banking sector remained well equipped to absorb unforeseen market losses and support business operations expansion.

95. Philippine banks have strong liquidity ratios. As of end-April 2025, UKBs maintained liquidity coverage ratios (LCRs) of 176.7 percent and 176.2 percent, in solo and consolidated bases, respectively, well above the BSP's 100 percent minimum. Moreover, the net stable funding ratio (NSFR) of the UKB industry stood at 134.1 percent and 134.4 percent, on a solo and consolidated basis, respectively, in end-March 2025.

Standalone thrift, rural, and cooperative banks (TBs, RBs, and CBs) also maintained an adequate level of liquid assets over their liabilities, exceeding the 20 percent minimum liquidity ratio (MLR) requirement of the BSP. The solo MLRs of stand-alone TBs, RBs, and CBs were 24.3 percent, 56.3 percent, and 37.1 percent, respectively, in end-May 2025

These robust liquidity ratios underscored the sound risk management practices and prudent liquidity management strategies adopted by banks. These also reinforced the industry's ability to fund requirements during short- and medium-term liquidity shocks.

[61] As of end-March 2024, solo and consolidated CARs of the banking system stood at 16.3 percent and 16.8 percent, respectively.

96. Operations remained profitable, with double-digit growth in net earnings. Banks generated strong net profit growth, rising by 10.6 percent to reach ₱101.9 billion in the first quarter of 2025 on the back of a sizeable increase in interest income (up by 11.1 percent or around ₱39.6 billion). Net interest margins for the same period benefited from higher interest rates, increasing to 4.4 percent from the 4.2 percent recorded a year ago.

Income from fees and commissions, which grew by 19.2 percent (₱7.2 billion), also contributed to banks' profitability. This helped banks to cover operating costs, particularly compensation and administrative expenses.[62]

Other profitability metrics also showed improvement, with annualized return on assets (RoA) and annualized return on equity (RoE) of 1.5 percent and 12.2 percent, respectively, during the period.

Meanwhile, banks' annualized cost-to-income (CTI) was at 56.1 percent in end-March 2025, slightly lower than the 56.7 percent recorded in end-March 2024 due to slight uptick in non-interest expenses.[63]

97. The extensive network supported banks' operations, with an increasing number of branches and branch light units (BLUs) nationwide. The total number of bank offices increased from 13,367 in end-June 2024 to 13,406 in end-June 2025, making banking services accessible to more Filipinos. This growth was primarily driven by the increase in the number of branches and BLUs. In end-June 2025, there were additional 50 units, bringing the total number of other offices from 12,889 in end-June 2024 to 12,939 in end-June 2025. Meanwhile, the number of head offices declined from 478 in end-June 2024 to 467 in end-June 2025 due to mergers, consolidations, and closures.

Bank Outlook for 2025 and 2026

98. Overall outlook for the banking sector remains optimistic with double-digit growth projections in assets, loans, deposits, and net income. The 2023 Banking Sector Outlook Survey (BSOS)[64] indicates higher demand for credit from both firms and households. Further, respondent banks foresee an improvement in loan quality as well as continuous strengthening of loan loss reserves amid the potential impact of elevated inflation and the high-interest rate environment on their portfolios.

Surveyed banks also indicated their intention to maintain capital and liquidity buffers at levels higher than domestic and global standards to promote institutional stability.

The industry's positive outlook confirms the Philippine banking system's robust performance based on latest available data, highlighting banks' strength and agility in navigating the constantly evolving market landscape.

99. In terms of risks, respondent banks indicated that mitigating credit risk is their topmost concern. Other risks commonly cited by the respondent banks are macroeconomic risks, operational risks, and cybersecurity threats. Cognizant of these risks, respondent banks continuously work on strengthening various aspects of their risk governance to protect depositors, investors, and their institutions against internal and external shocks.

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62 Total non-interest expenses grew by 13.1 percent (₱22.1 billion) to ₱191.1 billion in end-March 2025. The increase was driven by compensation/fringe benefits, other administrative expenses, and taxes and licenses, which grew by 12.4 percent (₱6.7 billion), 11.8 percent (₱7.5 billion), and 14.7 percent (₱3.3 billion), respectively. Collectively, these accounts comprised 82.7 percent (₱158.1 billion) of the total non-interest expense.

63 Annualized CTI which refers to the ratio of annualized non-interest expenses to annualized total operating income, indicates operational efficiency. For the past years, the CTI of the system has been maintained below 60.0 percent.

64 Latest available

Relatedly, respondent banks identified credit expansion, operational efficiency, and digitalization as their top three strategic priorities.

100. In 2025, credit rating agencies affirm the positive or stable outlook of the Philippines' credit rating, citing the country's effective policy making, favorable fiscal outlook, prudent debt management, improved infrastructure and policy environment and robust macroeconomic fundamentals. They also highlighted the strong external position, easing inflation, stable and well-capitalized banking sector, sufficient foreign exchange reserves, low external debt as key factors contributing to the improved credit rating outlook. The country is also expected to leverage its high growth potential, driven largely by stronger domestic demand and increased public and private investment, supported by favorable demographics and ongoing fiscal consolidation efforts that are improving government revenue and spending efficiency.[65] [66] [67] [68] [69]

Risks from the Banking Sector

101. Overall exposure of the Philippine Government to banks is limited. These were mainly in the form of deposit placements in banks. The Philippine Government's total deposits in the banking system stood at ₱2.4 trillion, which represented 12.1 percent of the deposit liabilities of the banking system as of end-May 2025. The level of government deposits contracted by 0.5 percent YoY in end-May 2025, which was offset by faster growth in deposits from resident individuals and private corporations.

102. Meanwhile, banking system's exposures to the Philippine Government were mainly in the form of investments in government-issued securities. As of end-May 2025, banks' investments in government securities reached ₱5.9 trillion, representing 78.5 percent of the banking system's investment portfolio and 21.8 percent of total assets. This was 11.0 percent higher than the ₱5.4 trillion government debt holdings last year. The growth may be attributed to the shift in investment mix due to banks' strategy to manage liquidity amid volatilities brought about by market expectations of easing interest rates and risk-free government securities.

103. Banks' investments in NG debt securities denominated in foreign currency, which includes the ROPs and debt issuances of other government corporations, amounting to US$16.2 billion (₱904.2 billion[70]) in end-May 2025. This represented 50.5 percent of the banking system's investments in foreign currency-denominated debt securities. The BSP is closely monitoring developments in the banking sector given the strong interaction or linkage with the Philippine government.

104. The BSP continues its surveillance and monitoring of interconnected counterparties, such as conglomerates, to identify vulnerabilities and assess banks' resilience to conglomerate distress. This active monitoring and oversight are essential given the context of the country's economy as well as the breadth and depth of credit exposures among conglomerates. These can expose the system to contagion during periods of financial distress.

Results of the end-December 2024 stress tests indicated that banks generally had sufficient capital buffers to withstand up to 50.0 percent write-off in loan and investment exposures (net of allowances) to each monitored conglomerate.

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65 S&P Raises Philippine Credit Rating Outlook to Positive [Press Release], 26 November 2024.
66 Moody's Affirms Philippines' Investment-Grade 'Baa2' Credit Rating with Stable Outlook [Press Release], 23 August 2024.
67 R&I Upgrades Phl Credit Rating to "A- ". [Press Release], 14 August 2024.
68 Fitch Affirms Phil's 'BBB' Investment-Grade Credit Rating, 'Stable' Outlook. [Press Release], 8 June 2024
69 Japan Credit Rating Agency Affirms Phil Credit Rating at A-, Stable Outlook. [Press Release], 6 March 2024.
70 Computed at forex rate P55.744/US$1

Similarly, banks were resilient to the simultaneous 20 percent write-off in their loans and investments to the top five conglomerates after posting an estimated post-shock CAR of above 10.0 percent. The same can be observed after a 20 percent write-off to the top 5 conglomerates taken collectively.

105. As digital innovations continue to reshape the banking landscape, the BSP recognizes the increasing complexity and sophistication of cybersecurity and fraud-related incidents. Financial institutions face heightened and evolving risks of data breaches, financial theft/fraud, and disruptions to their operations with the emergence of advanced cyber threats, including AI-driven attacks, hacking-as-a-service, and evolving phishing schemes.

106. Parallel to this, the rise of digital banking, electronic wallets and remote client onboarding can also lead to an increase in financial crimes, including fraud and money laundering, if weaknesses in customer identification processes (KYC rules) and monitoring systems for detecting suspicious transactions are not properly managed. Artificial Intelligence[71] may also amplify certain financial sector vulnerabilities. The Financial Stability Board (FSB)[72] highlighted various AI-related vulnerabilities with potential financial stability implications such as third-party dependencies and service provider concentration, market correlations, increased cyber and model risk. On this note, the BSP recently completed a thematic review on AI adoption among BSFIs to gauge their level of adoption as well as to inform development of appropriate risk management frameworks to address risks that are specific to AI, such as data quality and ethical issues.

107. In addition, geopolitical risks and the growing dependence on complex technology also heightened cybersecurity threats in the Philippine financial sector. Banks and financial institutions are particularly vulnerable due to their connections to global markets. Research indicates that geopolitical risks lead to investor caution and reduced capital inflows, which negatively impact bank stability, resulting in slower credit growth, increased profit volatility, and a higher chance of defaults.

108. Strengthening measures against money laundering/terrorist and proliferation financing (ML/TPF) risk is imperative as it erodes not only the trust in the integrity of the financial system but also poses financial cost to banks and customers. Following the Financial Action Task Force's (FATF) statement on 21 February 2025[73], the Philippines is no longer subject to increased monitoring or "grey list". This serves as strong impetus for the Philippines to continue pursuing a "whole-of-country approach" to enhance the effectiveness of the country's anti-money laundering, counterterrorism, and proliferation financing (AML/CTPF) measures.

In line with this, the BSP remains committed to strengthen AML/CTPF supervisory strategies to sustain reforms that will promote the integrity and resilience of the Philippines' financial system. Specifically, the BSP has implemented various reforms to strengthen the AML/CTPF posture of the BSP-supervised financial institutions (BSFIs). These include issuing regulations, guidelines, and advisories to improve BSFIs' understanding of AML/CTPF requirements and enhance their policies and systems. Notable initiatives include the adoption of enhanced Customer Due Diligence (CDD) regulations, including electronic Know Your Customer (e-KYC) for remote identity verification, and stronger regulations on Targeted Financial Sanctions (TFS) related to terrorism, proliferation financing, and weapons of mass destruction.

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[71] The rapid adoption of new or emerging technologies and generative AI also provide cybercriminals with enhanced capabilities. Generative AI is augmenting cybercriminal capabilities, leading to an increase in social engineering attacks.

[72] Financial Stability Board. (November 2024). *The Financial Stability Implications of Artificial Intelligence.* Source: https://www.fsb.org/uploads/P14112024.pdf

[73] Jurisdictions No Longer Subject to Increased Monitoring by the FATF - 21 February 2025 (https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-february-2025.html)

109. The Philippines' geographical location makes it highly vulnerable to adverse effects of climate change, with significant implications to the banking sector due to its exposure to climate-sensitive economic sectors such as agriculture, fisheries, and forestry. The National Adaptation Plan (NAP) 2023-2050 underscores the importance of integrating climate adaptation into national and local development planning, identifying high-risk areas, and strengthening institutional and financial systems to support resilience.

In the 2022 Philippine Country Climate and Development Report of the World Bank, it was disclosed that based on model simulations, potential economic damages due to climate change in the Philippines could increase by up to 7.6 percent of gross domestic product by 2030 and 13.6 percent by 2040. The Philippine NAP 2023-2050 projects that delayed climate action could cost up to 25 percent of GDP by 2050, driven by mounting damage to infrastructure, productivity, businesses, and displaced communities.

110. The increasing frequency and severity of climate-related events can lead to significant financial losses, affecting the financial system. Businesses affected by extreme weather may face operational disruptions, which can reduce revenue and increase default risks. Transitioning to greener economies also poses challenges, particularly for high-emission industries, as stricter environmental regulations can diminish the value of fossil fuel reserves and affect financial performance.

Risk Mitigation Measures

111. The BSP continues to introduce progressive reforms and prudential standards to maintain institutional stability, foster inclusive and sustainable finance, and bolster the digital transformation of the financial system. In support of these efforts, the BSP's roadmap highlights a range of reforms aimed at fostering a resilient, dynamic, and inclusive financial system. These reforms are specifically intended to tackle emerging risks and opportunities while ensuring the stability, security, and efficiency of the banking sector.

112. On institutional stability, the BSP has issued guidelines for all BSFIs to develop an operational resilience framework to strengthen their capacity to manage and reduce the impact of disruptions on their critical operations due to frequent natural disasters and rapid technological changes. This ensures continuity of critical operations through disruptions. The guidelines require BSFIs to align operational resilience with their existing governance structures and risk management processes, such as operational risk management, business continuity management, cyber resilience, third-party risk management, and recovery plans. In developing an operational resilience framework, these BSFIs must identify critical operations that, if disrupted, could cause significant harm to their customers, business, or the financial system.[74]

113. Further, the BSP is prioritizing certain aspects of the Basel III standards including the adoption in domestic regulation of the revised calculation for credit risk standardized approach. The standardized approach for credit risk will require granular information of certain asset classes, which include, among others, residential and commercial real estates, corporate specialized lending, and regulatory retail to properly capture risk weighted exposures on the same. The revised calculation will also reduce the mechanistic reliance on credit ratings, by requiring banks to conduct sufficient due diligence, and by developing a sufficiently granular non-ratings-based approach for authorities that cannot or do not wish to rely on external credit ratings. Reforms are also underway for the full implementation of centralized credit information system.

114. As part of its ongoing efforts to enhance anti-money laundering/countering terrorism and proliferation financing (AML/CTPF) regulations, the BSP also strengthened its risk surveillance measures. This includes the requirement for the submission of the ML/TF/PF Risk Event Report

[74] Circular No. 1203 refers to Guidelines on Operational Resilience dated 26 October 2024.

(RER), wherein BSFIs are directed to promptly report significant risk events arising from ML/TF/PF-related activities and transactions that may present material and adverse impact on the BSFI or the financial system. This regulation is fundamental in ensuring the sustained resilience and integrity of the financial system, enabling the BSP to receive timely and accurate information on significant risk events related to ML/TF/PF activities and transactions, which is crucial for risk-based supervision.[75]

115. Moreover, the BSP actively supervises and assesses credit risk faced by banks and the banking system towards interconnected counterparties such as large corporate groups of conglomerates. This oversight is essential given the interconnectedness among these entities, which can expose the system to contagion during financial distress. The BSP also regularly monitors exposures of the banking system to major loan segments such as the real estate and household sectors.

116. For coordinated supervisory actions across financial supervisors, the BSP conducts Supervisory Colleges (SC) together with other supervisory and regulatory agencies under the Financial Sector Forum. The SC allows for periodic monitoring of financial conglomerates to holistically assess the impact of emerging risks, both financial and non-financial, and adopt harmonized supervisory responses pursuant to their mandate of promoting financial stability.[76] The BSP also performs conglomerate mapping exercise in coordination with other member agencies of the FSF.

117. In line with its commitment to operational resilience and financial stability, the BSP implemented additional regulatory relief measures for banks affected by calamities, as detailed in BSP Memorandum No. M-2025-003 which was issued in January 2025. These measures include (i) temporary grace periods of up to six months for loan repayments, (ii) exemption from penalties on legal reserve deficiencies for affected banks, (iii) flexibility in credit accommodations for bank officers impacted by the disasters, and (iv) enhanced reckoning dates of relief application based on the respective landfall dates of Tropical Storm “Kristine” and Super Typhoons “Leon,” “Ofel,” and “Pepito” in the affected areas.

Since 2018, the BSP institutionalized a framework for granting regulatory relief to banks affected by calamities.[77] This policy is currently being amended to adopt the above measures, along with select interventions implemented during the COVID-19 pandemic. The updated regulatory relief policy reinforces banks’ ability to recover swiftly and maintain financial services amid calamities. It also reflects the BSP’s broader sustainability agenda, ensuring that regulatory responses are aligned with the national strategies for climate resilience and disaster risk reduction.

118. On digital transformation and responsible innovation, the BSP introduced the Financial Services Cyber Resilience Plan (FSCRP) [78] to enhance the protection of banks and other financial institutions against cyber threats. The plan outlines strategies to improve coordinated

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[75] Circular No. 1193 on Money Laundering (ML)/Terrorist Financing (TF)/Proliferation Financing (PF) Risk Reporting and Notification Requirements dated 29 April 2024.

[76] The Financial Sector Forum (FSF) through the Financial Conglomerate Supervision Committee initiative, executed a Memorandum of Understanding to establish a Supervisory College (SC) for financial conglomerate supervision on January 25, 2022. The SC will provide a common platform for supervisory cooperation and coordination between FSF-member agencies to align their practices and address gaps in the effective supervision of financial conglomerates. The FSF, composed of the BSP, Insurance Commission (IC), Securities and Exchange Commission (SEC), and Philippine Deposit Insurance Corporation (PDIC), aims to foster focus group discussions and the exchange of information related to the supervision and regulation of financial institutions within their respective mandates.

[77] Section 1151 of the Manual of Regulations for Banks (MORB)

[78] The 2024-2029 Financial Services Cyber Resilience Plan (FSCRP) dated 06 August 2024. The FSCRP will play a key role in equipping financial institutions with the necessary tools and strategies to combat cyber threats. This initiative will be reinforced by the Financial Cyber Resilience Governance Council (FCRGC), ensuring coordinated responses to cyber risks and enhancing industry-wide defenses.

incident response, promote active information sharing, strengthen cybersecurity culture and awareness, and encourage the adoption of best practices across different cybersecurity areas. The FSCRP supports and aligns with the National Cybersecurity Plan 2028, led by the Department of Information and Communications Technology (DICT).

Through the FSCRP, the BSP reaffirms its commitment to national cybersecurity goals. The strategies outlined in the FSCRP will be rolled out in phases from 2024 to 2029, allowing for ongoing improvements and adaptability to the evolving cyber threat landscape. The launch of the FSCRP highlights the BSP's proactive approach to strengthening cybersecurity within the financial sector. As cyber threats continue to develop, the FSCRP represents a forward-looking strategy to protect and foster public trust and confidence in the financial system.

119. A key component of the FSCRP's implementation is the Anti-Financial Scamming Act (AFASA), which was enacted in July 2024. The AFASA aims to, among others, improve information sharing and collaboration within the financial community while combating financial crimes, including social engineering schemes and the activities of money mules. In line with AFASA, the BSP has already established clear procedures for investigating financial accounts and sharing related information. Toward this end, the BSP has issued Circular Nos. 1213, 1214, and 1215, each targeting critical aspects of digital fraud prevention and consumer protection.

120. Building on the AFASA and the BSP's fintech policies, both the government and financial regulators are implementing strategic measures to enhance financial stability, resilience, and inclusivity. In addition to the FSCRP, other key initiatives include the expansion of RegTech and SupTech through Project ASTERisC*[79], the scaling up of the Regulatory Sandbox Framework for testing financial innovations[80], the advancement of Open Finance via Project OFxPERA for seamless digital account integration[81], and the enhancement of technology risk management and cloud adoption through the BSP's Technology Outsourcing and IT Risk Management Framework[82]. The BSP has also issued coordinated measures for banks, e-wallets, and other financial institutions to combat mule accounts, phishing, and digital fraud, strengthening regulations and enhancing compliances with the AFASA.

121. Moving forward, the BSP will continue enhancing regulatory frameworks, strengthening industry collaboration, and promoting the adoption of robust cybersecurity measures to safeguard the financial system.

[79] Expanding the Use of RegTech and SupTech: BSP's Project ASTERisC* aims to improve cybersecurity risk assessments through automation and advanced analytics. This aligns with global best practices in cybersecurity supervision and regulatory technology.

[80] The BSP's regulatory sandbox provides a structured approach to testing emerging financial innovations. With 19 applications received as of 30 July 2025, the framework is expected to expand further, encouraging safe experimentation with crypto staking, MSME-focused e-money issuance, financial marketplaces, and other fintech solutions.

[81] Project OFxPERA is a joint pilot led by the BSP and ten (10) BSFIs which aims to enable seamless PERA account onboarding through consent-based data sharing of personal information. On 29 July 2025, a go-live launch event and ceremonial signing of the Memorandum of Agreement (MOA) promoting Open Finance for PERA was held at the BSP Assembly Hall.

[82] The BSP's Technology Outsourcing and IT Risk Management Framework provides a risk-based approach to outsourcing, particularly cloud-based solutions. This allows financial institutions to leverage cloud computing for efficiency, scalability, and security, while ensuring compliance with BSP standards.

OTHER CONTINGENT CENTRAL GOVERNMENT OBLIGATIONS

Government-Owned or -Controlled Corporations (GOCCs)

122. The DOF continues to uphold its mandate to rigorously pursue fiscal and policy initiatives to instill financial discipline among GOCCs. Given the size of the government-corporate sector, the DOF closely monitors 24[83] major financial and non-financial GOCCs, which include the Government Financial Institutions (GFIs) and SSIs, referred to herein as the Government Corporate Sector.

123. The record-high dividend remittance of the GOCCs of ₱137.26 billion in 2024 since the enactment of the Dividend Law in 1994, which requires the state firms to remit at least 50 percent of their net earnings, substantiates the effort of the GOCCs to become efficient partners of the NG in the acceleration of infrastructure development and the provision of social services. The GOCCs provide increased government revenue which is used to lessen the need to inflict higher taxes.

124. The total assets of the 24 major GOCCs comprise 82.19 percent of the total assets of the government corporate sector.[84] Of the assets of the 24 major GOCCs, 72.38 percent pertain to GFIs and SSIs. The GFIs and SSIs are in the bracket of large government corporations in terms of assets and revenue size, considering the magnitude of funds they manage.

Impact of Philippine Financial Reporting Standards (PFRS) Adjustment on Insurance Contract Liability

125. The results of operations in the 24 major GOCCs posted a net loss of ₱865.02 billion in 2024. This is primarily due to the continuing changes in assumptions relative to the recognition of Insurance Contract Liability by SSIs to promote a fair and transparent presentation of the SSIs' financial performance.

126. The recognition of the PFRS 4-Insurance Contracts in the financial reporting by the SSIs, namely, the Government Service Insurance System (GSIS), the Philippine Health Insurance System (PhilHealth), and the Social Security System (SSS) of future claims from these institutions continues to be prominent in their results of operations. Based on 2024 data, the GSIS recognized an increase in Insurance Contract Liability of ₱741.19 billion in 2024, while PhilHealth, given its wider coverage, contributed an increase of ₱524.57 billion in the same year. The SSS, on the other hand, recognized an increase in Insurance Contract Liability of ₱3,094.37 billion in 2024.

127. The adjustments for Insurance Contract Liability, however, do not affect the institutions' current cash flows. These institutions can still meet their current obligations to their members. Additionally, according to the charters of these corporations, the fulfillment of these obligations is assured by the Republic.

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[83] This refers to the 24 major financial and non-financial government owned or –controlled corporations (GOCCs), namely, Bases Conversion Development Authority (BCDA), Civil Aviation Authority of the Philippines (CAAP), Development Bank of the Philippines (DBP), Government Service and Insurance System (GSIS), Land Bank of the Philippines (LBP), Light Rail Transit Authority (LRTA), Local Water Utilities Administration (LWUA), Manila International Airport Authority (MIAA), Metropolitan Waterworks and Sewerage System (MWSS), National Development Corporation (NDC), National Electric Administration (NEA), National Food Authority (NFA), National Housing Authority (NHA), National Irrigation Administration (NIA), National Power Corporation (NPC), National Transmission Corporation (TRANSCO), Philippine Guarantee Corporation (PGC), Philippine Health Insurance Corporation (PhilHealth), Philippine National Oil Company (PNOC), Philippine National Railways (PNR), Philippine Ports Authority (PPA), Philippine Economic Zone (PEZA), Power Sector Assets and Liabilities Management Corporation (PSALM), and Social Security System (SSS)

[84] This does not include Bangko Sentral ng Pilipinas (BSP)

GOCCs Financial Performance

128. With the adjustments in Insurance Contract Liability in the SSIs' accounts, started in 2020, there was a major turnaround in the financial performance of the 24 major GOCCs to a net income before tax and government subsidies of ₱1,596.51 billion in 2024 from a total net loss of ₱979.14 billion in 2023. The largest growth was primarily attributed to the SSIs. The significant growth in SSS' financial performance amounted to ₱1,309 billion as a result of the increase in contribution rates, while PhilHealth's financial performance increased to ₱249.76 billion as a result of the increase in the contribution rate by one percent and monthly salary credit starting January 1, 2024. Meanwhile, the GSIS' financial performance decreased to ₱31.14 billion from ₱94.50 billion in the same period last year, primarily because of higher disbursements on GSIS Financial Assistance Loan and net financing disbursements, along with a loss from the revaluation of financial instruments. In addition to the SSIs, the three GFIs, namely, Land Bank of the Philippines (LBP), and Development Bank of the Philippines (DBP), and Philippine Guarantee Corporation (PGC), posted increases to ₱97.25 billion, ₱8.27 billion, and ₱2.28 billion, respectively, due to the loan and investment expansion and increase in guarantee portfolios.

Table 8. Philippines: Liabilities of the Government Corporate Sector
(in billion pesos)

				2024		
Particulars	**Audited 2021**	**Audited 2022**	**Audited 2023**	**Unaudited**	**% of Total Liabilities**	**% of GDP**
Total GOCCs	**16,356.62**	**17,016.95**	**18,059.24**	**21,168.93**		**80.04%**
Share of the 24 Major GOCCs (in %)	96.80%	96.64%	98.42%	96.37%		
TOTAL OF 24 MAJOR GOCCS	**15,832.50**	**16,444.76**	**17,773.58**	**20,400.60**	**96.37%**	**77.14%**
MNFGCs	*1,438.74*	*1,844.87*	*1,763.83*	*1,852.03*	*8.75%*	*7.00%*
TRANSCO	164.40	503.60	523.06	550.88	2.60%	2.08%
PSALM	578.34	568.19	486.04	455.13	2.15%	1.72%
MWSS	200.21	251.84	267.11	313.13	1.48%	1.18%
NFA	165.92	142.04	138.96	132.85	0.63%	0.50%
NIA	115.90	91.15	93.26	83.15	0.39%	0.31%
LRTA	59.50	60.94	61.55	62.12	0.29%	0.23%
PPA	9.60	67.96	62.15	59.98	0.28%	0.23%
PNR	34.98	36.15	0.77	44.33	0.21%	0.17%
BCDA	43.64	37.23	34.85	34.01	0.16%	0.13%
NHA	20.15	20.09	23.97	23.64	0.11%	0.09%
NPC	19.08	20.15	24.46	25.42	0.12%	0.10%
CAAP	3.74	10.51	16.55	18.24	0.09%	0.07%
NDC	5.64	6.99	8.13	8.47	0.04%	0.03%
NEA	1.19	8.00	8.00	11.68	0.06%	0.04%
LWUA	5.55	8.24	7.49	7.89	0.04%	0.03%

				2024		
Particulars	**Audited 2021**	**Audited 2022**	**Audited 2023**	**Unaudited**	**% of Total Liabilities**	**% of GDP**
Total GOCCs	**16,356.62**	**17,016.95**	**18,059.24**	**21,168.93**		**80.04%**
Share of the 24 Major GOCCs (in %)	96.80%	96.64%	98.42%	96.37%		
TOTAL OF 24 MAJOR GOCCS	**15,832.50**	**16,444.76**	**17,773.58**	**20,400.60**	**96.37%**	**77.14%**
MNFGCs	*1,438.74*	*1,844.87*	*1,763.83*	*1,852.03*	*8.75%*	*7.00%*
TRANSCO	164.40	503.60	523.06	550.88	2.60%	2.08%
PSALM	578.34	568.19	486.04	455.13	2.15%	1.72%
MWSS	200.21	251.84	267.11	313.13	1.48%	1.18%
NFA	165.92	142.04	138.96	132.85	0.63%	0.50%
NIA	115.90	91.15	93.26	83.15	0.39%	0.31%
LRTA	59.50	60.94	61.55	62.12	0.29%	0.23%
PPA	9.60	67.96	62.15	59.98	0.28%	0.23%
PNR	34.98	36.15	0.77	44.33	0.21%	0.17%
BCDA	43.64	37.23	34.85	34.01	0.16%	0.13%
NHA	20.15	20.09	23.97	23.64	0.11%	0.09%
NPC	19.08	20.15	24.46	25.42	0.12%	0.10%
CAAP	3.74	10.51	16.55	18.24	0.09%	0.07%
MIAA	5.34	4.81	0.00	14.42	0.07%	0.05%
PNOC and Subsidiaries	3.85	5.32	5.53	4.97	0.02%	0.02%
PEZA	1.71	1.67	1.95	1.72	0.01%	0.01%
GFIs/SSIs	*14,393.76*	*14,599.90*	*16,009.75*	*18,548.57*	*87.35%*	*64.94%*
SSS	7,639.27	8,155.65	8,731.26	10,007.51	44.71%	33.24%
LBP	2,374.19	2,920.50	3,000.66	3,155.93	16.05%	11.93%
GSIS	2,100.67	2,097.44	2,114.58	2,790.56	14.19%	10.55%
Philhealth	1,163.49	425.39	1,252.25	1,692.98	7.91%	5.88%
DBP	1,082.44	965.91	899.30	871.43	4.43%	3.29%
PGC	33.70	35.00	11.70	30.16	0.06%	0.04%

Source: COA Audited Report and GOCC Unaudited Financial Statements
GDP (2024): ₱26,446 Billion

129. Based on the latest financial statements as of December 31, 2024, the 24 major GOCCs listed above had aggregate domestic and external liabilities of approximately ₱20.40 trillion which represented 96.37 percent of the liabilities owed by GOCCs and 77.14 percent of GDP (Table 8). The Insurance Contract Liability of the SSIs represents 66.85 percent of the total liabilities, while GFIs' deposit liabilities held to its bank creditors represent 17.74 percent of the total liabilities in the government corporate sector. Total NG-guaranteed debt amounts to ₱290.12 billion or 1.10 percent of GDP.

130. Contingent liabilities of the NG to the GOCCs emanating from guaranteed obligations remain manageable as the NG continues to monitor and scrutinize GOCC obligations prior to issuing sovereign guarantees. The guaranteed debt of the GOCCs was covered through their respective charters or RA No. 4860, as amended (Foreign Borrowing Act). The NG extended guarantees to GOCCs' obligations to support the bankability of their investment, or as required by bilateral and multilateral lending institutions. The outstanding guaranteed debt of all GOCCs as a percentage of total liabilities in the Sector and GDP is 1.29 percent as of the end of 2024 compared to 1.44 percent as of the end of 2023.

Table 9. Philippines: Outstanding Government Guarantee Debt to GOCCs, 2021-2024
(in billion pesos)

	2021	2022	2023	2024		
				Amount	% of Total	% of GDP
MNFGCs	*339.37*	*328.27*	*292.87*	*290.12*	*84.96%*	*1.10%*
PSALM	249.34	266.66	249.29	252.21	73.86%	0.95%
BCDA	16.82	15.12	13.48	11.90	3.48%	0.04%
MWSS	8.34	9.46	10.83	11.00	3.22%	0.04%
NFA	57.07	30.38	6.72	1.51	0.44%	0.01%
NPC	0.47	0.44	7.41	9.62	2.82%	0.04%
LWUA	1.71	1.95	1.84	2.14	0.63%	0.01%
PPA	2.31	1.88	1.50	1.14	0.33%	0.00%
LRTA	2.01	1.47	0.98	0.55	0.16%	0.00%
PNR	0.99	0.87	0.77	0.01	0.00%	0.00%
PEZA	0.06	0.04	0.03	0.02	0.01%	0.00%
MIAA	0.25	0.00	0.00	0.00	0.00%	0.00%
GFIs	*63.75*	*50.96*	*43.74*	*37.95*	*11.11%*	*0.14%*
DBP	40.17	35.66	30.28	25.90	7.59%	0.10%
LBP	23.58	15.30	13.46	12.05	3.53%	0.05%
Others	*15.26*	*14.53*	*13.93*	*13.39*	*3.92%*	*0.05%*
NHMFC	10.73	10.52	10.39	10.30	3.02%	0.04%
SBMA	4.40	3.93	3.49	3.05	0.89%	0.01%
TIEZA	0.12	0.08	0.05	0.02	0.01%	0.00%
AFAB	0.01	0.00	0.00	0.00	0.00%	0.00%
TOTAL	**418.38**	**393.76**	**350.54**	**341.45**	**100.00%**	**1.29%**

Source: GOCs via GOCCs Liabilities and Monitoring System (GLaMS); GDP (2024): ₱26,446 Billion

Of the total NG-guaranteed debt to the Sector, 73.86 percent or ₱252.21 billion refers to PSALM's NG-guaranteed domestic and external borrowings. Under RA No. 12179, the life of PSALM is extended for 10 more years. Initially, the Electric Power Industry Reform Act of 2001 (EPIRA), stated that all the assets and outstanding debt of PSALM will be absorbed by the NG by June 2026.

The decline in outstanding NG-guaranteed debt by 2.59 percent or ₱ 9.09 billion from ₱ 350.54 in 2023 to ₱341.45 billion in 2024 is mainly attributed to the conversion of NFA's NG-guaranteed debts to NG advances (Table 9). The provision of NG advances to NFA and the conversion of these NG advances into subsidies are mechanisms under Administrative Order No. 10, s. 1998 to financially restructure NFA and reduce its financing cost, following the passage of the Rice Tariffication Law (RTL).

131. As provided under Presidential Decree No. 1967 and Administrative Order No. 10, series of 1998, NG provides advances for the debt servicing of the guaranteed GOCC obligations to avoid defaulting on guaranteed commitments (Table 10). Total outstanding advances from the NG to the GOCCs, inclusive of interest, comprise 1.74 percent or ₱307.34 billion of the total liabilities in the Sector as of the end of 2024. The outstanding NG advances, inclusive of interest, decreased by 3.44 percent or ₱10.95 billion from ₱318.28 billion in 2023 to ₱307.34 billion in 2024, primarily to repay foreign and domestic debts of NFA, NIA and LRTA given their financial difficulties. In addition, to guarantee GOCCs' borrowings, the NG had provided performance undertakings on GOCCs' obligations under Build-Operate-Transfer (BOT) projects. These BOT projects included the power projects of the NPC/PSALM (e.g. Mindanao Coal, CBK). Notably, the PGC has completed their outstanding debt obligations by repaying the remaining balance to the NG for the pabahay bonds.

Table 10. Philippines: Philippines Outstanding NG Advances to GOCCs, 2021- 2024
(in billion pesos)

Particulars	**2021**	**2022**	**2023**	**2024**
24 Major GOCCs	236.27	264.37	285.37	276.62
NFA	71.36	94.58	107.99	107.48
NIA	70.77	71.86	74.74	64.31
LRTA	39.65	42.57	46.79	48.48
PNR	27.65	28.04	28.98	29.99
PSALM	23.37	23.73	24.68	25.68
PGC	3.05	3.07	2.07	0.00
NDC	0.37	0.46	0.46	0.60
MWSS	0.07	0.07	0.07	0.07
LWUA	0	0	0	0
Other GOCCs	31.26	31.5	32.51	30.72
TOTAL	**267.53**	**295.88**	**318.29**	**307.34**

Source: BTr Consolidated Report as of December 31, 2024

Net Budgetary Flows

132. Budgetary support is extended to GOCCs for the implementation of government priority programs such as health insurance, irrigation, and social housing programs (Table 11).

Table 11. Philippines: Net Budgetary Flows to GOCCs, 2021 2024
(in billion pesos)

Particulars	2021	2022	2023	2024
I. Dividend	**57.55**	**68.34**	**100.74**	**137.26**
II. NG Flows from GOCCs	**20.18**	**29.23**	**41.87**	**85.45**
Interest on NG Advances	1.56	0.23	0.24	13.77
Guarantee Fees Collected	1.72	1.57	3.94	13.98
Forex Risk Cover Fee	1.32	1.16	1.11	1.09
NG Share on Net Income_*a/*	15.52	25.98	35.75	46.94
Airport Terminal Fee_*b/*	0.06	0.29	0.83	1.00
Other forms of remittances _*c/*				8.66
III. NG Flows to GOCCs	**258.17**	**238.78**	**190.86**	**146.72**
Subsidy	192.77	200.41	163.54	138.76
Equity	47.52	11.16	0.51	1.02
Net Lending	17.88	27.21	26.81	6.93
NET NG FLOWS (I-II)	**(180.44)**	**(141.21)**	**(48.25)**	**75.99**

a/ Included NG Share in PAGCOR's Income and MIAA Profits
b/ For the year 2024, the report is as of December 2024
c/ Includes other collections from BCDA, MIAA, PCSO, and TIEZA, among others
d/ Remittance of PHIC and PDIC re: Fund Balance under DOF Circular No. 003-2024 amounting to P60 billion and P107.23 billion, respectively. Included as Other Non-tax Revenue from NG-COR
e/ For BTr's revision on the monthly consolidated report as of December 31, 2024

133. The NIA and NFA comprise 59.42 percent or ₱ 82.46 billion of the total NG subsidy. These GOCCs are targeted towards ensuring national food security. The NIA is focused on improved irrigation for agriculture, while the NFA is focused on the supply of rice. With their continuous projects, the government aims to promote food security and stability. On the other hand, subsidies handed to Philhealth have decreased from ₱50.75 billion in 2023 to ₱9.60 billion in 2024.

Table 12. Philippines: Subsidies to the Government Corporate Sector and the 24 Major GOCCs, 2021-2024
(in billion pesos)

	2021	2022	2023	2024
TOTAL GOCCS	**192.77**	**200.41**	**163.54**	**138.76**
Share of the 24 Major GOCCS (in %)	89.51	86.29	84.54	82.93
TOTAL 24 Major GOCCs	**172.55**	**172.92**	**138.26**	**115.07**
MNFGCs	*91.09*	*92.53*	*87.20*	*105.48*
NIA	38.31	40.66	40.74	71.21
NHA	25.71	17.13	18.27	5.53
NFA	7.00	7.00	10.18	11.25
PSALM	8.00	8.00	8.00	8.00
BCDA	4.85	4.58	4.41	2.23
NEA	0.78	3.61	1.73	4.00

NPC	1.21	6.59	1.57	1.24
LRTA	1.02	1.02	1.05	0.86
PNR	1.94	1.02	1.11	0.79
CAAP	1.53	2.44	0.10	0.00
PPA		0.27	0.04	0.00
LWUA	0.74	0.22	0	0.36
GFIs/SSIs	*81.46*	*80.39*	*51.05*	*9.60*
LBP	0.48	0.01	0	0
PhilHealth	80.98	80.05	50.75	9.60
SSS	0	0.34	0.30	0

Source: GAA/COR

134. Direct support still outweighs the GOCC contributions/remittance to the NG in 2024 with net inflows of ₱ 75.99 billion. On the other hand, despite the economic and global challenges facing the government-corporate sector, the NG continues to receive GOCC remittances in the form of dividends, NG share on income, and guarantee fees, among others. GOCCs' contribution of ₱419.94 billion to the revenue generation efforts of the NG formed part of its total remittances and represented 67.92 percent of total non-tax revenues in 2024. Out of the ₱419.94 billion remittances from GOCCs, 32.69 percent represents dividend remittances.

Table 13. Philippines: Top 20 Dividend Remittances from GOCCs, 2021-2024
(in billion pesos)

GOCCS		**2021**	**2022**	**2023**	**2024**
1	Bangko Sentral ng Pilipinas	15.90	17.41	55.61	53.23
2	Land Bank of the Philippines	0.00	8.45	0.00	32.12
3	Philippine Deposit Insurance Corporation	7.11	12.84	14.05	10.68
4	Philippine Ports Authority	3.76	4.08	4.44	5.06
5	Philippine Amusement and Gaming Corporation	6.00	6.00	6.96	4.60
6	Manila International Airport Authority	0.00	0.00	0.15	3.46
7	Subic Bay Metropolitan Authority	1.21	1.13	1.52	3.07
8	Philippine Charity Sweepstakes Office	1.24	1.57	2.67	2.68
9	Philippine National Oil Company	0.50	0.46	1.68	2.65
10	Metropolitan Waterworks and Sewerage System	0.62	1.54	0.75	2.60
11	National Transmission Corporation	10.78	2.23	1.48	2.17
12	Philippine Reclamation Authority	2.20	0.25	1.35	2.03
13	PNOC Exploration Corporation	1.00	0.31	0.71	2.00
14	Clark Development Corporation	0.86	0.72	1.21	1.80
15	Bases Conversion Development Authority	1.72	0.89	0.53	1.56
16	Philippine Guarantee Corporation	0.00	0.51	1.10	1.48
17	Philippine Economic Zone Authority	0.70	0.91	0.90	1.40
18	Philippine Crop Insurance Corporation	0.32	0.51	0.07	0.77

19	Civil Aviation Authority of the Philippines	0.00	0.00	0.00	0.65
20	Cebu Port Authority	0.36	0.41	0.39	0.50
Total		**54.28**	**60.21**	**95.57**	**134.02**

Source: BTr Report

Box 3. The Role of the STATE-OWNED ENTERPRISE (SOE) Health Check Tool in the rationalization and streamlining of GOCCs.

The Government Controlled Corporations (GOCCs) serve as public enterprises tasked with promoting national development and increasing government income. One of their roles is to undertake service delivery, especially in sectors not commonly pursued by the private sector. In 2024, the liabilities of GOCCs comprised 74.34 percent of the GDP. While many GOCCs contribute to both the country's development and income, some may underperform, thereby creating a financial risk to the national government. Moreover, this poses a hindrance to social and national development as the government incurs losses.

The International Monetary Fund has created the State-Owned Enterprise (SOE) Health Check Tool to detect risks and assess the financial vulnerability of GOCCs. The tool provides comprehensive access to data from balance sheets and income statements. It can be used to analyze trends, enable early prediction, and allow for monitoring, thereby increasing the chances for timely government intervention and reduction of financial risks in the fiscal management of the government corporate sector.

Analyzing Financial Risk

Currently, the Corporate Sector and Strategic Infrastructure Group (CSSIG) of the Department of Finance is exploring the use of this tool to monitor the viability, stability, and profitability of GOCCs (e.g., assessment of dividends and taxes), while aiming to generate higher revenues with lower costs. Data provided by the tool will significantly contribute to the fiscal monitoring and management of the national government's revenue. By identifying which GOCCs pose a financial risk, deeper analyses can be conducted to determine indicators of financial health. In the future, further actions may be undertaken to mitigate these risks and strengthen fiscal policy implementation in the government corporate sector.

Social Security Institutions (SSIs)

135. The total assets of the Government Service Insurance System (GSIS) as of 31 December 2024 are valued at ₱1,828,034,254,418 with a net income from operations amounting to ₱135,700,095,818. The GSIS posted a negative surplus of ₱393,613,662,908 in 2024.[85] This is primarily due to the booking of the social benefit liabilities under the PFRS 4. It does not affect the GSIS's cash flow and funding requirements.

136. The GSIS, by virtue of RA No. 656, as amended by Presidential Decree No. 245, is mandated to insure all government properties and assets, except those owned by a municipal government below first class, in which the government has insurable interest. For the period 1 January 2024 to 31 December 2024, the total sum insured (TSI) across all insurance lines of the GSIS is at ₱3.54 trillion.

In CY 2024, the GSIS posted ₱10.66 billion in gross premiums written (GPW), a 9.29 percent increase from the GPW posted in CY 2023.

137. National Indemnity Insurance Program (NIIP). In 2023, the BTr initiated the insurance protection of Department of Education (DepEd) school buildings through the National Indemnity Insurance Program (NIIP). To boost the resilience of the nation's educational infrastructure, the GSIS provided fire insurance coverage to safeguard over 132,000 public school buildings nationwide with a TSI of ₱843.11 billion.

In 2024, the fire insurance policy for 144,664 public school buildings was renewed for ~~a~~ one-year starting January to comprehensively cover fire, lightning, and natural catastrophes.

138. Parametric Insurance. In 2020, the ADB approved a US$500 million contingent disaster financing (CDF) under its Disaster Resilience Improvement Program (DRIP). It aims to provide the government with rapid access to resources for immediate disaster response and early recovery efforts. It also seeks to address the health and economic impacts of health-related emergencies with minimal delay.

Under DRIP, a parametric insurance program for local government units was developed to offer pre-specified payouts on a trigger event, usually a natural disaster or a weather-related phenomenon that can be measured objectively, without need for verifying actual losses. Instead, it disburses payouts once specific criteria or parameters are met. The GSIS and ADB have engaged with pilot cities[86] and launched the Parametric Insurance in 2024.

Risk Position on Pending Bills

139. Lowering of Mandatory and Optional Retirement Ages. The GSIS has reservations on lowering the optional retirement age from 60 to 56 years old. This adjustment would significantly reduce the contribution paying period, resulting in less collection, while also extending the period of benefit payments, leading to more and earlier disbursements. As a consequence, it would exert significant strain on the fund.

[85] As submitted to COA on 14 February 2025. Effective 2020, GSIS implemented PFRS4. Insurance Contract Liabilities/ Reserve is under liabilities.

[86] Angeles, Bacolod, Baguio, Butuan, Calapan City, Caloocan, Cavite, Dagupan, Davao, Iloilo, Iriga, Marikina, Paranaque, Pasig, Quezon City, Tacloban, Tagaytay and Trece Martires

From the latest study on the lowering of optional retirement age, the following scenarios were considered:

- ***Scenario 1:*** A survey was conducted to gauge the inclination of GSIS employees to avail of the proposed optional retirement ages. The resulting rate was used and adjusted to determine the impact of the proposed lowering of optional retirement age.
- ***Scenario 2:*** The historical rate of new retirees at age 60 was used as rate of retirement for the first projection year for ages 56 to 59. On the other hand, the retirement rates from ages 60 to 63 were used as retirement rates of the proposed optional retirement ages for the rest of the projection period.
- ***Scenario 3:*** Only the service table retirement rates from 60 to 63 were used as retirement rates from 56 to 59 for the entire projection period.

Table 14 shows the estimated additional insurance contract liability (ICL) of the GSIS Social Insurance Fund (SIF) 2 upon lowering the retirement age to 56:

Table 14. Philippines: Summary of Results on Lowering the Optional Retirement Age 2022 SIF Closed Group Valuation as of 31 December, 2022
(in billion pesos)

Scenario	Retirement Age		Insurance Contract Liability (ICL)	Inc/(Dec) in ICL from Base Case	SIF Assets[87]	SIF Deficit	Inc/(Dec) SIF Deficit
	Optional	Compulsory					
Base Case	60	65	2,069.09		1,420.12	648.97	
1	56	65	2,987.34	918.25	1,420.12	1,567.22	918.25
2	56	65	2,651.47	582.38	1,420.12	1,231.35	582.38
3	56	65	2,635.98	566.89	1,420.12	1,215.86	566.89

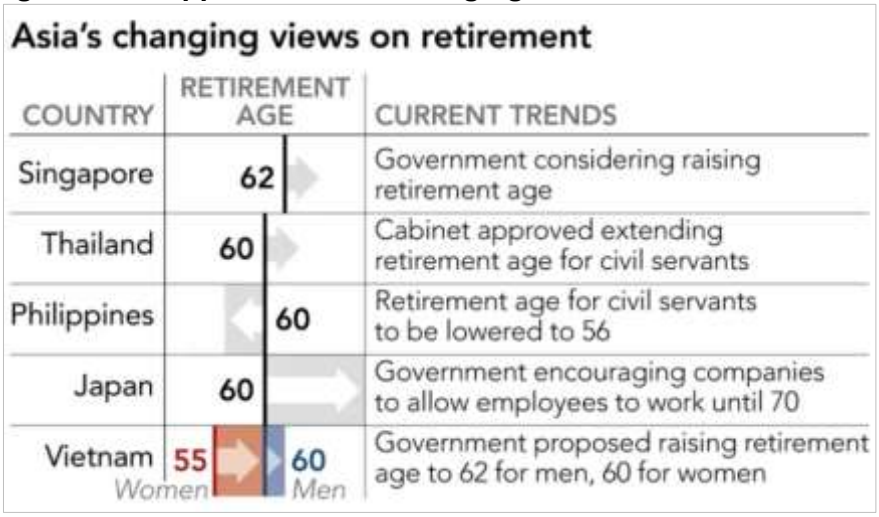
Setting the optional retirement age at 56 allows for the potential simultaneous exit of active members aged 56 to 59, alongside the immediate pension or lump sum for separated members within the same age range. The cumulative effects of these two factors amplify the impact of the anticipated retirement of individuals aged 60 to 65.

Note that based on the scenarios, early retirement could cost the GSIS an additional ₱567 billion to as high as ₱919 billion, provided that the assumptions accurately captured the future availment under such retirement options.

Moreover, ASEAN policymakers are already beginning to address the ageing issue, a stark contrast to the proposal in the Philippines. Population aging has made it imperative for Asia to develop pension reforms. The governments of Singapore, Thailand, Japan, and Vietnam have taken the initiative of raising their retirement ages. The Philippines is the only one deviating from the trend.

[87] Based on GSIS SIF Financial Statement as of December 31, 2022

Figure 6. Philippines: Asia's Changing Views on Retirement [88]



While early retirement is indeed an attractive proposition to the general public, it should be emphasized that the financial viability of a government-administered defined benefit pension system, such as the GSIS, will be compromised.

The retirement age is a major factor in the disbursement of retirement benefits and, because of the improvement in life expectancy and the demographic ageing of the covered population, the trend is towards the increase in such. Thus, lowering the retirement age will be detrimental to the sustainability of the pension fund.

While the GSIS recognizes the intention of the proposed bills to provide government employees with the option to retire early in order to enjoy their well-deserved benefits, the need to protect and sustain the GSIS SIF must also be ensured. Any change in the law must be financially feasible. Thus, it is recommended that additional funding sources be identified. Only through careful stewardship can the fund's solvency be assured, enabling continued service to future members, pensioners and beneficiaries.

The current retirement policies of the GSIS under RA No. 8291 (GSIS Act of 1997) provide that unless the service is extended by appropriate authorities, retirement shall be compulsory for an employee of sixty-five (65) years of age with at least fifteen (15) years of service. Optional retirement is likewise provided to GSIS members of age sixty (60) years and below provided they have rendered at least fifteen (15) years of government service.

The various bill propositions significantly differ from the cited GSIS policies since they lower the compulsory retirement age to sixty (60) from age sixty-five (65), and reduce optional retirement age to fifty-five (55) or fifty-six (56), from sixty (60) years. The proposed lowering of compulsory and optional retirement ages of government if enacted into law, shall result in the amendment of existing policies on membership, electronic services, claims, individual reconciliation and loans administration, among others.

Moreover, the bills are contrary to the global trend towards increasing the age of retirement along with the improvement in the life expectancy. When RA No. 8291 was enacted in 1997, the average life expectancy of Filipinos was only 67 years old. It has since increased to 72 years old, which is the same as the world average, with East Asia and the Pacific at

[88] https://asia.nikkei.com/Spotlight/Asia-Insight/Aging-Asia-rethinks-retirement-to-pursue-productive-longevity

77 years old.[89] In the United Kingdom, retirement age would be 67 by 2028 and is expected to go up in line with the increase in life expectancy. Meanwhile, in the United States, the mandatory retirement age was abolished by congress as early as 1986 by amending their Age Discrimination in Employment Act.[90] Also, more and more elderly are staying in the work force especially in Asian economies mired by ageing population, such as Japan, Hong Kong, and Taiwan.

These examples are in line with the established premise in retirement theory that the longer the life expectancy, the higher the retirement age. Thanks to advances in the medical field, life expectancies are improving to an extent that people who are in their 60s, and even 70s, are still very active and productive.

Furthermore, the bills pose an adverse impact on sustainability of the GSIS SIF and are opposed to the GSIS mandate to enhance its long-term financial sustainability for current members and pensioners but also for future pensioners as well.

Lowering the optional retirement age under Sec. 13-A of RA No. 8291 by four (4) to five (5) years will significantly reduce the actuarial life of the SIF.

If said bills are enacted into law, there is a twofold impact on the GSIS fund. Members will contribute less to the SIF, while the fund is expected to dispense pension over a longer period. Specifically, this proposal reduces the average period that members would contribute premiums to the SIF by four to five (4-5) years and yet they will be entitled to a pension four to five (4-5 years) ahead. With shorter period for contributions, combined with longer period for benefit availment, the GSIS may have to increase the contribution rates or decrease the benefit accrual rates to maintain its current solvency ratio and actuarial life.

140. Granting Additional Benefits to Barangay Health Workers (BHWs). Senate Bill No. (SBN) 2838 entitled, "MAGNA CARTA OF BARANGAY HEALTH WORKERS".

Legislative Status: House of Representatives adopted SBN 2838 as an amendment to House Bill No. 6557 on 5 February 2025.

Section 522 of RA No. 7160 [Local Government Code (LGC) of 1991] mandates the GSIS to establish and administer an appropriate system under which barangay officials shall enjoy insurance coverage. Hence, the national government, through the DBM, is supposed to remit premium contributions to the GSIS, which in turn, manages these contributions known as Barangay Officials Insurance Fund (BOIF).

However, the national government has been delinquent in remitting the required premium contributions to the BOIF since 1995. The national government has not settled the unpaid premium contributions to the BOIF Fund despite due notice given by the GSIS. As a result of the huge amount of premium deficiencies and the national government's failure to settle these despite due notices, the GSIS has suspended payment of the claims for benefits in November 2001 under GSIS Board Resolution No. 332 until such time that the BOIF insurance premiums have been remitted to the GSIS. The suspension was also due to the fact that the BOIF no longer has the funds to pay out the claims and benefits to the concerned barangay officials.

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[89] The World Bank. *Life expectancy at birth, total (years)*. Accessed from https://data.worldbank.org/indicator/SP.DYN.LE00.IN on 17 February 2023.

[90] Hannon, Kerry (2015). *Is It Time To Abolish Mandatory Retirement?* Accessed from https://www.forbes.com/sites/nextavenue/2015/08/02/is-it-time-to-abolish-mandatory-retirement/#3181bd9b40db on 17 January 2019.

As of 31 December 2024, the total premium receivables from DBM amount to at least ₱1,221,685,935.54, including interest receivable from agencies with memoranda of agreement (MOA) of ₱831,210,352.50. Relative thereto, the principal amount owed by the BOIF to the Optional Life Insurance Fund is ₱161,051,094.34 while it owes another ₱4,538,689.19 to the GSIS General Insurance Fund.

Per GSIS Controller Group, payment of claims under the BOIF is still suspended as of this writing. Extending compulsory membership to BHWs would mean that their corresponding life and retirement premiums, including EC contributions, should be correctly, regularly, and promptly remitted to the GSIS.

It should also be mentioned that should these BHWs be considered as GSIS compulsory members, their premium payments will amount to twenty one percent (21%) of the health worker's total compensation. Nine percent (9%) shall be paid by the employee, while the employer shoulders the remaining twelve percent (12%). Also, under the GSIS pension scheme, a minimum service requirement of 15 years, and age of 60 years are required for pension entitlement of BHWs RA No. 8291 (GSIS Charter).

It is therefore recommended that proposals to extend compulsory membership to BHWs be coupled with a thorough examination of the budgetary requirements and how the benefits will be funded to ensure sustainability. It is further recommended that a provision identifying the government agency responsible for the collection and remittance of premium payments of the of the health workers be included.

141. Pension Reform for Military and Uniformed (MUP) Personnel. Senate Bill No. (SBN) 2501 entitled, "NEW SEPARATION, RETIREMENT AND PENSION SYSTEM FOR THE MILITARY AND THE UNIFORMED PERSONNEL (MUP)" [In substitution of SBNs 284, 1421, 2434 and 2446, taking into consideration House Bill No. (HBN) 8969].

Legislative Status: Senate Plenary / Pending Second Reading / Last Interpellation - 15 May 2024.

The GSIS suggests that existing retirement and other laws on the MUP be amended to cover the pension system for all other MUPs. Instead of a new retirement and pension law, revisions and amendments to the following laws and issuances can be considered:

AFP Pension System	AFP Retirement Age Laws
• Presidential Decree (PD) No. 361, as amended by PD No. 1656 • Executive Order (EO) No. 590-A • Memorandum Order No. 9	• Republic Act (RA) No. 11709 • RA No. 11939 (amended RA No. 11709)

On the other hand, should Congress wish that the MUP Fund be managed by the GSIS, the GSIS hereby continues to echo its comments on previous position papers on various MUP bills particularly on the following:

1. *The GSIS should not be held accountable for the financial sustainability or actuarial risk.*

2. *The GSIS should not administer the benefits and pension scheme of the MUP.*

3. *No commingling of the MUP Funds with the GSIS Administered Funds, in keeping with the spirit of RA No. 8291[91] (GSIS Act of 1997) that the funds of the GSIS shall be used solely to finance the benefits of its members.*

4. *The MUP system should ideally be contributory in nature.*

5. *The GSIS shall not advance funds and grant any form of loans to the MUP Trust Fund Committee from GSIS administered funds.*

6. *The MUP retirement and pension system should ideally be a unified and common system of all the agencies and units of military and uniformed personnel.*

7. *Additionally, we propose the inclusion of the following provision on sovereign guarantee in the MUP Bill:*

   "Government Guarantee Clause - The Government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations MUP system and the MUP Trust Fund Committee as and when they fall due and accepts general responsibility for the solvency of the MUP system."

8. *The Government Service Insurance System (GSIS), as an institution and MUP Trust Fund Manager should not be under the coverage and oversight of the Governance Commission for Government-Owned or -Controlled Corporations (GCG). The GSIS should have the authority to create positions and hire personnel without the need for GCG approval. Hence, there should be exemption from THE COVERAGE OF THE GCG AND RA NO. 10149 OR THE GOCC ACT OF 2011 including the requirements and approval on the organizational set-up, manpower complement, organizational structure, hiring of personnel, etc. relative to the transitory provisions of the MUP to the GSIS.*

9. *Personnel costs of the MUP system should not be borne by the GSIS.*

While some of these concerns raised by the GSIS have been resolved by either inclusion, amendment or deletion of particular items, i.e. the non-comingling of funds and retention of role as fund manager, no version has fully reflected all of GSIS' positions which are necessary to promulgate of a more responsive law for the MUP.

142. Automatic Promotion of Government Officials and Employees upon Retirement. Senate Bill No. (SBN) 297 entitled, "AUTOMATIC PROMOTION OF GOVERNMENT OFFICIALS AND EMPLOYEES" and SBN 1568 entitled, "AUTOMATIC PROMOTION OF GOVERNMENT OFFICIALS AND EMPLOYEES UPON RETIREMENT FROM GOVERNMENT SERVICE".

Legislative Status: Pending in the Senate Civil Service, Government Reorganization and Professional Regulation.

Unnumbered House Substitute Bill (in substitution for House Bill Nos. (HBNs) 6733 and 2389).

[91] R. A. No. 8291, "AN ACT AMENDING PRESIDENTIAL DECREE NO. 1146, AS AMENDED, EXPANDING AND INCREASING THE COVERAGE AND BENEFITS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM, INSTITUTING REFORMS THEREIN AND FOR OTHER PURPOSES", May 30, 1997.

Legislative Status: Pending in the House Committee on Civil Service and Professional Regulation.

Senate Bill Nos. 297 and 1568 proposes that all government officials and employees who are eligible for compulsory retirement (age 65) shall be granted an automatic promotion equivalent to **one (1) grade level higher than the position being held at the time of retirement**.

The unnumbered HBN (in substitution for HBNs 6733 and 2389) further provides that "… Applying this, the **basis** for the computation of one's **retirement benefits** shall be the **adjusted salary grade level".**

A plain reading of the preceding paragraph and from the House Committee deliberations, it appears that under the proposed bill, the basis for the computation of the retirement benefits is the adjusted salary grade level and not the average monthly compensation (AMC) and other factors the present GSIS Charter (RA No. 8291).

It is suggested that the proposed automatic increase in benefits should not cover heads of agencies who already get the highest salary grade (SG) of their respective agencies. Please note that the maximum limit on the proposed increase in benefits should only be within the highest SG of the concerned agency.

In 2024, an actuarial report[92] undertaken by the GSIS Actuary Office to consider the unnumbered house bill, entitled "*An Act Providing an Automatic Promotion of One Grade Level Higher to Government Officials and Employees Upon Retirement from Government Service*". Below is the salient feature of the substitute bill that was considered in this study:

> ***"Section 2. Automatic Promotion.*** *– All government officials and employees who are* ***eligible for compulsory retirement*** *shall be granted an automatic promotion equivalent to* ***one grade level higher than the position being held at the time of the retirement****. Applying this, the basis for the computation of one's retirement benefits shall be the adjusted salary grade level."*

Based on the said actuarial study, the proposed automatic promotion will have financial impact as it will increase the insurance contract liability of the Social Insurance Fund (SIF). The highest growth in liability from the scenarios (scenario 3) is at 1.59 percent. Furthermore, it must be emphasized that the abovementioned effect might be more severe than initially anticipated due to anti-selection, as more employees may defer retirement to age 65.

The automatic promotion will also be unjust for the younger government employees who anticipate advancement following the natural departure from service of the members eligible for optional retirement. This is due to the continuation of employment until the optional retirement eligible personnel reach the age of 65 to be able to avail of the automatic promotion benefit. In addition to this, former members who have separated from service may be incentivized to re-enter the service when they are nearing the age 65 to avail of the automatic promotion benefit.

The GSIS acknowledges the intent of the proposed automatic promotion to the men and women who have committed most of their lifetime as government servants. However, a balance between the interest of the young and old generations of public employees must

[92] GSIS Actuary Office: "*It is important to acknowledge that the findings presented in this actuarial study are contingent upon a predetermined set of assumptions. Consequently, the validity of these results is directly linked to the reliability and completeness of the underlying data."*

be reached. Also, prudence in construction of any program must also be applied to avoid anti-selection. Lastly, any additional benefit will exert further pressure on the GSIS SIF. Hence, it is best to identify the source of funding for the amount required for any additional pension benefits to be granted.

In sum, the GSIS strongly opposes the proposed legislative measure, particularly the replacement of the AMC in the pension formula with the salary of the next higher rank (Scenario 3).

Section 9 of RA No. 8291 (GSIS Charter) states that:

> *"Section 9 (Computation of the Basic Monthly Pension) —*
>
> *(a) the basic monthly pension is equal to:*
>
> *1) thirty-seven and one-half percent (37.5%) of the revalued average monthly compensation; plus*
>
> *2) two and one-half percent (2.5%) of said revalued average monthly compensation for each year of service in excess of fifteen (15) years: Provided, That the basic monthly pension shall not exceed ninety percent (90%) of the average monthly compensation".*

While AMC [Section 2 (l) (Definition of Terms) of R.A. No. 8291] is defined as:

> *"The quotient arrived at after dividing the aggregate compensation received by the member during his last thirty-six (36) months of service preceding his separation/retirement/disability/death by thirty-six (36), or by the number of months he received such compensation if he has less than thirty-six (36) months of service: Provided, That the average monthly compensation shall in no case exceed the amount and rate as may be respectively set by the Board under the rules and regulations implementing this Act as determined by the actuary of the GSIS: Provided, further, That initially the average monthly compensation shall not exceed Ten thousand pesos (P10,000.00), and premium shall be nine percent (9%) and twelve percent (12%) for employee and employer covering the AMC limit and below; and two percent (2%) and twelve percent (12%) for employee and employer covering the compensation above the AMC limit;"*

At present, Section 20.11 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 8291 provides that, the basic monthly pension (BMP) shall be computed based on the percentage of the revalued AMC. The AMC in turn, is defined as the average salary received by a member during the last 36 months with premium payments (creditable service) preceding his or her separation, retirement, disability or death, or, if, with less than 36 months with premium payments, the actual number of months with premium payments.[93] Giving an automatic promotion upon retirement without the corresponding premium payment will render the increment moot.

The proposal may potentially provide an opportunity for retention of government employees as they will be motivated to work or they may be more likely to stay and retire in the government service. However, this could ultimately pose a risk of straining GSIS's

[93] GSIS Policy and Procedural Guidelines (PPG) No. 322-18 (Guidelines on the Application of AMC Limits on Retirement or Separation Benefits).

funds or have adverse impact on its solvency, as this would raise the pension payouts without the corresponding accumulated contributions to compensate for the said increase.

The proposed replacement of the AMC in the pension formula with the salary of the next higher rank (scenario 3), with respect to GSIS's premium-based policy, may also have a direct effect in the monetization of accrued leave credits. Moreover, compared to scenario 1 (automatic promotion implemented on the last day of active service) and scenario 2 (automatic promotion implemented on the last month of service), scenario 3 has the highest SIF deficit.

GSIS likewise wishes to emphasize the negative impact on the actuarial life of the GSIS. Based on the result of the actuarial study submitted to the senate and house committees on 24 January 2024, the GSIS Fund Life is up to 2058.

Should the bills become laws, the GSIS is amenable to either scenario 1 (automatic promotion implemented on the last day of active service) or scenario 2 (automatic promotion implemented on the last month of service). The financial health of the GSIS SIF depends heavily on the adequacy of the premium contributions vis-à-vis the future benefits members will receive. Hence, legislating for increased benefits that have no corresponding premium contributions is not financially sustainable.

While the GSIS understands the noble intent of the proposed bills, in the interest of equity and given the limited resources of the GSIS SIF, it is best to identify the source of funding for the amount required for any additional pension benefits to be granted. As such, the GSIS suggests that the following:

1. The required funding based on the foregoing actuarial study and scenarios should be included in the GAA.
2. Use the term "increase in benefit" instead of "promotion," on the proposed legislative measure considering that there is no promotion in rank. GSIS proposes the provision to read as follows:

   *"SEC. 2. Automatic **Increase in Benefit**. - All government officials and employees who are eligible for compulsory retirement shall be granted an automatic **increase in benefit** equivalent to one grade level higher than the position being held at the time of the retirement. Applying this, the basis for the computation of one's retirement benefits shall be the adjusted salary grade level. **The automatic increase in benefits shall not cover heads of agencies who already get the highest salary grade (SG) of their respective agencies. The maximum limit on the proposed increase in benefits shall only be within the highest SG of the concerned agency".** (Emphasis supplied)*

3. GSIS's participation in crafting the implementing rules and regulations of the legislative measures once the bills become law is also ensured in section 3 of the proposed House Substitute Bill, as follows.

   "SEC. 3. Implementing Rules and Regulations. - The Civil Service Commission in coordination with the Department of Budget and Management and Government Service Insurance System shall formulate the necessary rules and regulations for the effective implementation of this Act".

143. **Enacted on 4 August 2025, Republic Act No. 12231, or the Government Optimization Act, seeks to enhance bureaucratic efficiency and productivity through structural and procedural reforms.** These include the restructuring of agencies, elimination of unnecessary and/or duplicate functions, and streamlining of government processes. The program also provides retooling and reskilling opportunities for affected personnel to help them transition into new positions created through rightsizing, while those who opt to retire will receive appropriate retirement benefits.

144. **GSIS TOUCH ENHANCEMENTS.** The GSIS Touch Mobile App has reached significant achievements in 2024, with 73 percent of the 2 million active members and 16 percent of the 600,000 pensioners registered on the platform.

Over the past years, GSIS has continually made strides in digital transformation. Out of 98 percent of member transactions on member inquiry, loan application and APIR conducted through digital channels, 85 percent of those were done through the GSIS Touch.

In line with the GSIS commitment to streamline processes and enhance customer experience using digital platform, GSIS launched in May 2024 its online enrollment through the GSIS Touch Mobile App. Out of the 77,397 active members who enrolled for eCard ATM from May to December 2024, 86 percent enrolled through the GSIS Touch Online Enrollment while 14 percent were enrolled manually.

The GSIS Touch has continuously offered various digital transformations designed to increase operational efficiency and financial sustainability, strengthen security, and drive growth. These enhancements include among others, the implementation of the GSIS Digital ID and the generation of QR Code in April 2024. Out of the total registered members and pensioners, 95 percent have been issued with digital IDs. The GSIS Touch was also made available on tablets in May 2024 in preparation for the launch of the Digital Business Center project. Moreover, the mobile app was enhanced to adopt an AI-driven solution to perform Liveness and Facial Authentication for the Annual Pensioners Information Revalidation (APIR) in June 2024 and subsequently for the GSIS Pension Loan and Pensioners' Emergency Loan application in July 2024. This advanced technology ensures the systems' agility and security.

Last October 2024, GSIS launched its newest loan product, the Multi-purpose Loan Lite through the GSIS Touch. As of 2024, GSIS processed more than 261,000 MPL Lite applications with ₱5.7 billion gross amount released in 60 days. In addition, the availability of Emergency Loan in GSIS Touch is one of the most significant offerings of the GSIS to meet the needs and demands of the members in times of calamity. During typhoon 'Kristine', around 320,000 members accessed the mobile app to apply for a loan. In 2024, around 700,000 emergency loan applications were processed via GSIS Touch.

As GSIS strives to fully transform to digital service, the GSIS Touch was further enhanced to accept loan payments directly within the app through collaboration with banks such as the Land Bank of the Philippines and UnionBank of the Philippines, and partnerships with Maya and DragonPay. The enhancement supports transactions via a broad network of banks and eWallets connected through Maya and DragonPay like Gcash and QRPh. As a result, members can conveniently pay anytime, enhancing the flexibility and efficiency of managing their financial commitments.

These achievements mark a major step toward the digitalization of GSIS services. The digital transformations through GSIS Touch underscore the platform's growing capabilities and its role in improving service accessibility for members and pensioners.

145. PROPERTY INVENTORY APPLICATION (PIA). In May 2024, GSIS launched the PIA, a digital tool designed to improve the management of government properties. PIA is part of GSIS's effort to strengthen the protection and stability of government infrastructure.

Developed in-house by the GSIS, PIA simplifies the traditionally slow and error-prone process of manually completing and submitting property inventory forms, as required by both the GSIS and the COA. The tool ensures that government properties are accurately documented and efficiently managed, enabling government agencies to respond more swiftly and effectively during emergencies or calamities.

In June 2024, PIA was enhanced to include a facility to export inventory data for analysis and recordkeeping purposes.

GSIS property officers were the first users of PIA. The application will be rolled in 2025 LGUs and other government offices.

Insurance coverage for government assets must be pursued. This strategic direction aims to provide comprehensive risk protection for public sector developments, ensuring financial security and stability for vital government initiatives. Through this focus, GSIS reaffirms its commitment to safeguarding national projects and supporting the continued growth of public infrastructure.

Public-Private Partnerships (PPPs) and other contingent liabilities (CLs)

Monitoring of Financial Liabilities in PPP Contracts

146. As part of its monitoring activities, the Public-Private Partnership Center of the Philippines (PPP Center) looks into the financial liabilities and obligations of the Government, through its Implementing Agencies (IA), and the Private Partner in a PPP contract, including the foreseeable and definite financial liabilities as described in the contract (e.g., availability payments, monetary government undertakings, equity contributions, and revenue shares) and the contingent liabilities (CL) arising from risks therein (e.g., liquidated damages, termination payments, and force majeure-related payments). IAs are required to submit quarterly updates to the PPP Center on the payment of the liabilities of the government and the private partner. The IAs must also submit copies of all notices and claims for compensation received by either party during the quarter, if any.

147. By the end of December 2024, the PPP Center was able to cover a total of 52[94] PPP contracts in its monitoring and analysis of financial liabilities *(see Annex B for the list of contracts).* Compared to last year's report, the list now includes the Tagum Water District Bulk Water Supply Project (Bulk Water Sales and Purchase Agreement Project) which contract was executed in 2016 and the following national PPP Projects which contracts were executed in 2024: Bohol-Panglao International Airport Project, Laguindingan International Airport Project, Ninoy Aquino International Airport PPP Project, Philippine Economic Zone Authority Central System Project, and Tarlac-Pangasinan-La Union Expressway (TPLEX) Extension Project. Moreover, the list excludes the Alien Certificate of Registration Identity Card Project, whose Concession Agreement expired in December 2024.

Updates on the Financial Liabilities in PPP contracts

148. The PPP Center reached the following findings after analyzing project information submitted by IAs, which cover liabilities starting from the issuance of notices of award up to project conclusion, and which were based on documents available to the PPP Center as of December 31, 2024. Hence, the actual liabilities could be higher.

149. Based on available data, the 52 PPP contracts have a combined project cost[95] of ₱2.06 trillion. This is higher than last year's total amounting to ₱1.84 trillion, following the addition of the six (6) new projects and the exclusion of one (1) concluded project.

On the government's liabilities as of December 31, 2024

150. Based on available data, the total foreseeable and definite liabilities of the IAs to the Private Partners in 40 out of the 52 PPP contracts amount to at least ₱424.22 billion over the life of the contracts. The ₱17.92 billion increase from the previous report is due to updates in the total amount of some liabilities under one contract such as payment for Right-of-Way acquisition, Light Rail Vehicle procurement, and Depot works, among others.

Of the total amount of foreseeable and definite liabilities, at least ₱188.36 billion has been confirmed paid.

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[94] *As of December 31, 2024, there are a total of 275 awarded PPP projects, 218 of which are ongoing, and 57 are either terminated or concluded. Of the 218 ongoing projects, 134 are national projects and 84 are local projects. The PPP Center's analysis of financial liabilities covers 52 of the 134 national projects; the PPP Center is currently working on the inclusion of water district PPP contracts, which constitute most of the national projects that have yet to be covered, and local PPP contracts.*

[95] *Estimated project cost during project approval*

151. Based on available data, the total unpaid CLs of the IAs arising from the claims of the private partners in 5 out of 52 PPP contracts are approximately ₱16.64 billion as of December 31, 2024, which is a ₱2.85 billion increase from last year's report due to additional claims filed. The following provides information on the government's CLs, depending on the source, e.g. Material Adverse Government Action (MAGA), Force Majeure, and the government's failure to fulfill obligations, among others:

a) No new claim for compensation due to MAGA was received by the IAs in 2024.

b) No new notice of force majeure was received by either party in 2024.

c) A total of five new claims for compensation were filed by two Private Partners due to the government's failure to fulfill its obligations. The new claims amount to ₱2.85 billion.

d) Other claims for compensation added in this report are the two variation-related claims amounting to ₱0.42 billion filed by two Private Partners with the Construction Industry Arbitration Commission. The two claims previously filed by the same Private Partners with the COA for the same variation works and for the same amounts were already rejected by the COA and were excluded from this report.

152. As of December 31, 2024, no notice of default has been filed by any of the Private Partners of the 52 PPP contracts. The PPP Center does not foresee any of these contracts being terminated in 2025.

On the private partners' liabilities as of December 2024

153. Aside from government liabilities, the PPP Center monitors and reviews the liabilities of private partners. The foreseeable and definite liabilities of Private Partners could include concession fees, lease payments, payment of loans of the IA, and reimbursement of IA expenses, among others. Based on available data as of December 31, 2024, the total foreseeable and definite liabilities of the Private Partners to the IAs in 40 out of 51 contracts amount to at least ₱138.03 billion over the life of the contracts. Of this amount, at least ₱57.80 billion has been confirmed paid.

154. The private partners may also incur CLs from their failure to fulfill an obligation, and failure to achieve Key Performance Indicators (KPI), among others. Based on available data as of December 31, 2024, the cumulative amount of claims for compensation filed by IAs is ₱556.43 million. This amount does not include the approximately ₱971.97 million in penalties owed by the Private Partner for failure to meet KPIs and which can be offset through balancing payments. Of the total claims, Private Partners already paid ₱32.10 million.

<u>Policy developments and initiatives</u>

155. Since the effectivity of RA No. 11966 or the PPP Code of the Philippines and its IRR on December 23, 2023 and April 6, 2024, respectively, a number of related policies have been issued to update existing guidelines and establish new ones that align with the PPP Code's objective of promoting stability and predictability in PPP processes and procedures.

156. Some of these policies are geared towards improving the management of the government's fiscal risks arising from PPPs, particularly those that relate to the management of risks and contingent liabilities (CLs) in PPPs, to wit:

- **Guidelines on the management of CLs and the use of the Risk Management Fund (RMF) established under the PPP Code**, which aims to ensure fiscal sustainability and negotiate better financing terms for PPP Projects;
- **Implementing Guidelines for the Risk Management Program (RMP)**, which shall operationalize the use of the RMP under the Unprogrammed Fund so that IAs may tap the fund to cover unexpected payment obligations that may arise from PPP contracts pending the issuance of the more comprehensive RMF guidelines;
- **PPP Project Monitoring Framework and Protocols**, which shall consolidate all reporting requirements for PPP projects and provide a streamlined monitoring and reporting system for PPP projects, including the monitoring of the government's fiscal exposure; and
- **Frameworks of regulatory bodies charged with approval of initial tolls, fares, fees, rentals, and other charges, and adjustments thereof**, which shall provide the mechanisms for the consultation, application, review, and approval of said tariff and adjustments in order to minimize regulatory risks.

157. With the abovementioned policies being targeted for issuance between 2025 to 2026, the PPP Center continuously collaborates and consults with relevant agencies and bodies such as the Contingent Liabilities – Technical Working Group (CL-TWG), Regulatory Bodies, Implementing Agencies, and even Private Sector representatives to ensure substantial insights and experiences in managing fiscal risks are captured and reflected in these policies.

Local Government Units (LGUs)

Fiscal Performance and Medium-Term Outlook

158. The total local revenue collections, including Other Receipts, reached ₱365.27 billion in FY 2024. Local tax revenues accounted for 71.36 percent of the collections, amounting to ₱260.66 billion, wherein ₱145.21 billion was derived from local business tax collections. Meanwhile, 28.64 percent of the collections, or ₱104.61 billion was sourced from non-tax revenues.

159. The total current operating income of LGUs, composed of both local and external sources, reached ₱1,126.80 billion in FY 2024, an increase of 10.06 percent or ₱103.01 billion from FY 2023. However, the majority or 61.76 percent of this income came from the National Tax Allotment (NTA) received by provinces, cities, and municipalities amounting to ₱695.87 billion. Other shares from National Tax Collections also significantly increased by 112.60 percent from ₱26.49 billion to ₱56.32 billion.

160. On the Local Development Fund, preliminary data for FY 2024 show that LGUs have total disbursements at 56.80 percent. Municipalities have the highest disbursement rate at 70.78 percent, followed by cities at 55.11 percent, and by provinces at 41.88 percent.

161. In terms of surplus, preliminary reports for FY 2024 show that LGUs have an aggregate amount available for appropriations/operations[96] or investable funds amounting to ₱387.81 billion, 88 percent from the General Fund and 12 percent from the Special Education Fund. Cities have the most investable funds amounting to ₱160.36 billion, representing 42.45 percent of the total amount.

162. The Bureau of Local Government Finance (BLGF) issues Certificates of Net Debt Service Ceiling and Borrowing Capacity (CNDSC/BC) to the borrowing LGUs to ensure that the statutory limit for borrowing set under RA no. 7160, or the Local Government Code of 1991, is not breached.

For FY 2024, the BLGF issued 361 CNDSC/BC compared to 313 certificates issued in FY 2023, indicating an increase of 15.33 percent. The increase in the number of LGU borrowings is attributable to the continuing programs undertaken by the new administrations following the 2022 local elections, and the financing of long-term development projects aimed at stimulating economic growth and improving local infrastructure. In FY 2024, the total borrowing capacity of LGUs was at ₱255.37 billion, while the total amount of proposed loan was at ₱118.19 billion. The average borrowing capacity utilization for the past three years is 43.95 percent.

163. Most of the certificates issued are for loans to finance infrastructure projects. Out of the 361 certificates, 62.88 percent or 227 certificates include infrastructure projects, indicating that LGUs borrow for long-term developments aimed at stimulating economic growth.

In terms of regional activity, LGUs in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) recorded a sharp rise in the issuance of certificates from a mere 3 in 2023 to 25 in 2024, showing increased interest or participation in local borrowing schemes.

In terms of LGU level, cities recorded the highest loan requirement at ₱53.77 billion and the largest borrowing capacity of ₱115.51 billion, reflecting substantial demand for

[96] The amount available for appropriations represents the "free cash" of the LGUs after deducting the following: 1) prior year's accounts payables; 2) obligations not yet due and demandable; and 3) obligations for projects charged to continuing appropriations.

financial resources to support urban infrastructure, transportation, housing, and public services.

164. As per the preliminary data for FY 2024, 99.53 percent of LGUs or 1,708 out of 1,716 LGUs are within the prescribed statutory limit in terms of debt servicing.

165. The BLGF is set to adjust its medium-term forecast of at least 10 percent increase in local revenues for FY 2025 to FY 2028, following the 10.22 percent increase from FY 2023 to FY 2024, and taking into consideration the impact of the implementation of RA No. 12001, or the Real Property Valuation and Assessment Reform Act (RPVARA).

Sources of Fiscal Risk

166. In terms of surplus, the surplus of LGUs increased by 16.60 percent, from ₱332.61 billion in FY 2023 to ₱387.81 billion in FY 2024. Despite this, the total outstanding loans of LGUs from government and private financial institutions is ₱219.48 billion as of Q3 FY 2024, a 9.23 percent increase from the ₱200.94 billion balance in FY 2023.

167. LGUs will have incremental NTA shares in FY2026, following the expiration of earmarking provisions under the Tax Reform for Acceleration and Inclusion Act (TRAIN) Law. This would lead to increased dependency of LGUs on national transfers and further contribute to the surplus of LGUs, following the suspension of the implementation of Executive Order No. 138, on the full devolution of functions to LGUs.

168. Natural calamities such as typhoons and floods are perennial risks to LGUs, being at the forefront of government response. In FY 2024, the total allocated budget of LGUs for local disaster risk reduction and management amounted to ₱56.22 billion. This is ₱3.06 billion higher than the mandated allocation of 5 percent of the estimated regular revenues, under the Philippine Disaster Risk Reduction and Management Act of 2010.

169. The passage of the RPVARA is expected to impact positively on valuation and assessment of real properties for tax purposes at the local level. So much foregone revenues due to undervaluation or outdated values of real properties will be addressed by the RPARA. However, the 6 percent tax cap on the increase in real property taxes and the amnesty granted in the RPVARA will reduce the estimated medium-term increase in real property tax collections of LGUs, which was set at ₱37.96 billion.

170. The Magna Carta for Barangay Health Workers (BHWs) aims to acknowledge and reward the critical role of health workers in underserved areas. It provides incentives and benefits for BHWs, with the funding to be shared by the LGUs and the National Government. However, concerns thereon have been raised about the fiscal impact, as many LGUs are already facing financial challenges. Additionally, it is equally noteworthy that this legislative proposal would also affect the fiscal position of the National Government considering the many other priority programs to be funded.

171. Joint Memorandum Circular (JMC) No. 2024-12-001, by the Department of Energy and the Department of Finance sets the guidelines and standards on the eligibility of electric cooperatives for local tax exemptions, as determined by the National Electrification Administration. Currently, 114 electric cooperatives are compliant with these standards and eligible for the exemption. Electric cooperatives remain to be subjected to the regulatory and reasonable administrative fees imposed by the LGUs, as outlined in DILG-DOF JMC No. 2019-01. Fees are intended to cover the costs of regulation by the LGUs.

Risk-Mitigating Measures and Initiatives

172. With the challenges confronting LGUs in the implementation of the devolved functions, the President has directed national government agencies to evaluate the impact and review these functions vis-a-vis the LGUs' capacity and preparedness.

173. The BLGF has issued BLGF Memorandum Circular No. 022. 2024, pertaining to the Guidelines on Local Treasury Operations Evaluation Process and Reporting Formats to ensure compliance of Local Treasury Offices with the existing rules and regulations for efficient and effective local government revenue generation, resource mobilization, fiscal administration and fund management. The evaluation of local treasury operations is a monitoring tool of the BLGF that aims to (i) identify areas for improvement and recommend appropriate interventions, (ii) provide technical assistance to LGUs, and (iii) gather information on LGU fiscal and financial operations for policy and decision making.

174. The BLGF closely monitors LGU compliance with the 20 percent statutory limitation on debt services through the evaluation and simulation of their existing loans and proposed loan applications. LGUs with loan proposals exceeding their borrowing capacities are accordingly advised to review their loan proposals.

175. The valuation and assessment reforms legislatively institutionalized under the RPVARA will translate into increased local revenues derived from the real property taxes. These reforms include: (i) improved real property valuation practice by the use of uniform valuation standards embodied in the Philippine Valuation Standards benchmarked from the International Valuation Standards; (ii) synchronized updating of the Schedule of Market Values (SMVs); (iii) transferring the approval of the SMVs from the local councils to the Secretary of Finance to insulate real property valuation from undue political influence and ensure SMV regular updating and revision to reflect the true market value; (iv) with the expanded role of the BLGF, efficiency and credibility of real property valuation and assessment are ensured and strengthened; (v) the separation of the technical function of valuation from the political function of taxation, wherein valuation is undertaken by the local assessors who are licensed appraisers and the determination of the assessment levels and tax rates which are political functions remain in the local councils; and (vi) the grant of tax amnesty provides a fresh start for delinquent real property owners.

176. In support of the RPVARA and its IRR, the following operational manuals are set to be updated and accomplished under the Local Governance Reform Project (LGRP) funded by the ADS: (i) Local Assessment Manual, (ii) Philippine Valuation Standards, (iii) Mass Appraisal Guidebook; (iv) Real Property Tax Compliance and Impact Study Report Manual and (iv) Assessment, Evaluation, Examination Monitoring Manual.

Natural Disasters

Brief Country Profile: A Country at Risk

177. **The Philippines, located in the Pacific Ring of Fire and the Northwest Pacific Basin, is consistently ranked among the top vulnerable countries, based on global risk indices and international reports analyzing disaster and climate events**. In the August 2024 Notre Dame-Global Adaptation (ND-GAIN) Index[97], the Philippines ranked 115th out of 182 countries and is one of the countries with a high level of vulnerability to climate change and a low level of readiness.[98] Additionally, the country tops the 2024 World Risk Index (WRI) for the third consecutive year with the highest exposure to disaster risks (46.91) among 193 countries.[99]

178. **The Philippines' vulnerability is due to its geographical location and archipelagic structure.** Its position within the Pacific Ring of Fire indicates that the country is located along the boundaries of major tectonic plates, rendering it highly vulnerable to powerful earthquakes. It also experiences a high frequency of typhoons, accompanied by damaging winds, heavy rainfall, and storm surges due to its location in the Northwest Pacific Basin. Most localities in the country and 74 percent of the population are at risk and vulnerable to climate-induced disasters.[100]

179. **Sixth phase of the Coupled Model Intercomparison Project (CMIP6) Climate Change Projections in the Philippines.[101]** The Department of Science and Technology (DOST) Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA)'s report provides new narratives about future societal development and assessment on the relationship between climate dynamics and socio-economic factors such as population dynamics, economic trends, land use patterns, and energy consumption.

- ***Seasonal Temperature Change.*** A significant increase in the annual mean temperature has been observed across the country over the past 30 years, with some regions experiencing slight decreases while others see notable rises. Monthly temperature trends show a consistent increase nationwide, with higher rates observed in central and northern Luzon and Mindanao.

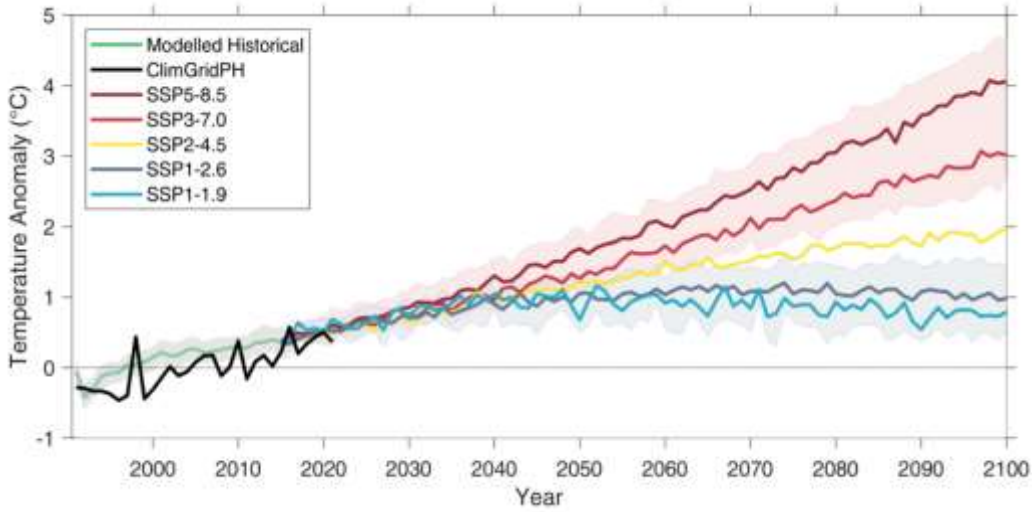
  Future projections indicate a warmer climate by the end of the 21st century, with potential temperature increases of up to 3.5°C under the SSP3-7.0 pathway[102], and up to 4.4°C under the SSP5-8.5. Most regions in the country are expected to experience temperature changes around 0.8°C above average by 2050 (mid-21st century), with mountainous areas seeing increases of roughly 1°C in specific months (Figure 7).

  In addition, the short-run marginal impact of a 1-degree Celsius increase in the country's annual mean temperature reduces aggregate output growth by 0.37

[97] The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience.
[98] University of Notre Dame. (2024, August). Philippines Ranking.
[99] Bündnis Entwicklung Hilft. (2024, September). World Risk Report 2024. https://reliefweb.int/report/world/worldriskreport-2024-focus-multiple-crises
[100] Climate Change Commission & Department of Environment and Natural Resources. (2024). National Adaptation Plan of the Philippines 2023-2050. https://unfccc.int/sites/default/files/resource/NAP_Philippines_2024.pdf
[101] Philippine Atmospheric, Geophysical and Astronomical Services Administration. (2024). Sixth phase of the Coupled Model Intercomparison Project (CMIP6) Climate Change Projections in the Philippines. https://www.pagasa.dost.gov.ph/climate/climate-change/dynamic-downscaling
[102] Shared Socio-Economic Pathways (SSPs) are a set of scenarios exploring plausible futures based on different social, economic, and environmental conditions. SSP-based scenarios contain a range of baseline scenarios expanding on RCPs, which describe socio-economic characteristics that affect greenhouse gas emissions, providing pathways associated with future levels of climate change.

percentage point. [103]

Figure 7. Philippines: Time series of the annual mean temperature anomalies in Philippines
(2000 to 2100)



Source: *Philippine Atmospheric, Geophysical and Astronomical Services Administration*
Note: *The ClimGridPh mean temperature dataset, with a baseline period of 1991-2020, was used to represent the observed data. The inter-model range is shown by the shadings. Included for comparison are the observed values (thick black line) from 1991 to 2020. The modeled historical values (green line) are derived from the multi-model ensemble of global climate models (GCMs).*

- ***Seasonal Rainfall Change.*** The observed changes suggest that rainfall patterns in the Philippines exhibit spatial and seasonal variability. Over the past decades, there have been significant increases in rainfall in certain areas of Luzon and Visayas, while Mindanao generally experiences decreases.

  Seasonally, rainfall trends vary, with notable increases during the southwest monsoon season and drying trends in March and May. Future projections indicate a wide range of potential changes in rainfall, with some areas expected to become wetter while others drier. Additionally, the median estimate suggests a marginally wetter climate in 2021–2050, necessitating adaptation actions. Monthly projections show varying patterns, with potential decreases in rainfall over some parts of Luzon and increases in other regions, highlighting the complexity of future rainfall trends in the Philippines.

  Moreover, geographic mapping of poverty and flood risk in the Philippines shows that 59.6 percent of the analyzed land area of the country simultaneously exceeded national poverty rates and was exposed to medium-to-high risk of riverine flooding, while 51.0 percent of the said land area had a confluence of poverty and medium to high risk of coastal flooding.[104]

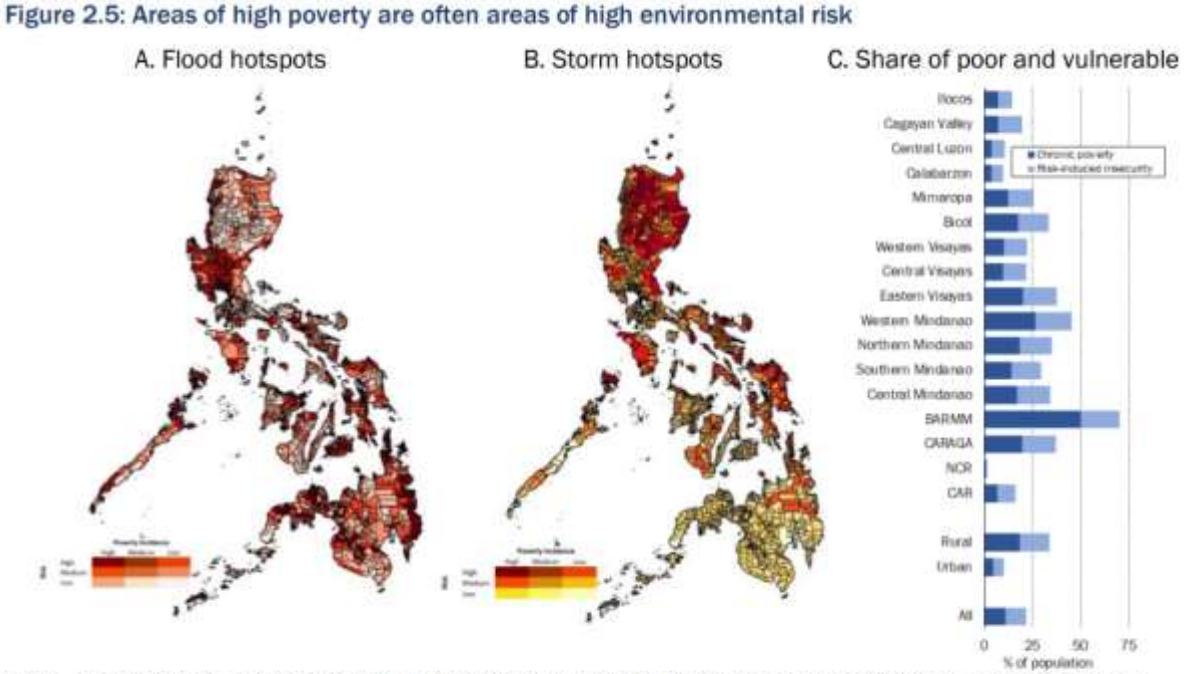
180. The implications of climate change. The Philippines ranks highest in terms of climate risk according to the WRI due to its low level of prevention and preparedness. The cost of inaction to extreme weather, slow-onset events and other climate-change related scenarios can grow as much as ₱1.4 trillion by 2030. This figure can increase up to 13.6 percent and 18 percent of the country's Gross Domestic Product by 2040 and 2050, respectively. The World Bank identified that significant losses will be incurred in

[103] Armas, J. C., Asi, R. J., Mandap, D. R., & Moral, G. R. (2024, March). Macroeconomic effects of temperature shocks in the Philippines: Evidence from impulse responses by local projections. https://www.bsp.gov.ph/Sites/researchsite/Publications/BSP-Discussion-Papers/DP202402.pdf
[104] Asian Development Bank. (2024). Key Indicators: For Asia and the Pacific 2024 Data for Climate Action. https://www.adb.org/sites/default/files/publication/984521/ki2024.pdf

infrastructure damage, decreased output, disrupted business operations, and relocation of local communities.[105]

181. Impact on the poor and vulnerable sectors. The increasing risk of climate change in the Philippines poses a significant threat to its objective of reaching upper middle-income status by 2040 and to be a high-income economy by 2045. Furthermore, it is important to note that impacts of climate change will hardly hit the poor and vulnerable sectors due to their limited capacity and extreme dependence on livelihoods that are highly susceptible to natural hazards and disasters. The nexus of environmental risk and poverty is further explained in Figure 8.

Figure 8. Philippines: Areas of High Poverty and High Environmental Risk



Notes: Poverty incidence – Low (<14 percent), Medium (14-27 percent), High (28 percent and above); Storm risk – Low (below median), Medium (50th to 89th percentile), High (90th percentile and above). Chronic poverty refers to people whose income is consistently below the official poverty line; Vulnerable refers to people vulnerable to falling below this line sometimes due to a shock

Source: Poverty incidence: PSA. Panel C is computed using the World Bank Vulnerability Tool applied to 2018 FIES data.

Source: World Bank (2022)

Impact of Disasters

182. There were eighteen (18) tropical cyclones (TCs) that entered the Philippine Area of Responsibility (PAR) in 2024, six (6) reached super typhoon strength, according to PAGASA: Carina, Enteng, Julian, Leon, Ofel, and Pepito. TCs Kristine (International name: Trami) and Leon (International name: Kong-rey) are those that caused great damage and losses amounting to a total of ₱18.40 billion.

Apart from these, the country was also affected by the shearline weather system, in January and December 2024, resulting in the displacement of some families in Regions 2, 4A, 4B, 5, 8, and 11. Davao Region (11) incurred the most damage and losses, amounting to ₱11.98 billion, due to severe flooding and landslide incidents and the effects of the Northeast Monsoon and the Low Pressure Area (LPA) that followed, aggravating the initial impact of the shearline.

Regions 2, 5, and CAR have completed the Post-Disaster Needs Assessment (PDNA) for areas affected by TCs Kristine, Leon, Marce, Nika, Ofel, and Pepito, while assessments in Regions 1 and 4A are still ongoing. The Rehabilitation and Recovery Programs (RRPs)

[105] See Philippines Country Climate and Development Report

for these affected regions, which provide the investment requirements for implementing short-, medium-, and long-term recovery and reconstruction interventions, are also being crafted.

Table 15. Philippines: Summary of Damage and Losses by Region
(in million pesos)

REGION	Damages	Losses	TOTAL
1	150.50	636.56	**787.06**
2	5,846.44	10,757.47	**16,603.91**
3	1,567.07	455.03	**2,022.10**
4A	2,704.25	553.95	**3,258.20**
4B	397.97	759.79	**1,157.75**
5	10,790.02	13,038.99	**23,829.02**
6	-	544.53	**544.53**
7	0.23	-	**0.23**
8	-	342.79	**342.79**
9	0.66	-	**0.66**
10	4.72	-	**4.72**
11*	8,757.39	3,219.64	**11,977.03**
12	15.00	22.90	**37.90**
CARAGA	0.07	-	**0.07**
CAR	2,013.96	693.07	**2,707.03**
TOTAL	**32,372.07**	**30,900.92**	**63,272.99**

Source: Post-Disaster Needs Assessment (PDNA) report for Regions 2, 5, CAR, and 11 and NDRRMC Situational Report no. 37 as of 05 December 2024 for the rest of the regions
Note: Totals may not add up due to rounding up

183. On 09 December 2024, Kanlaon Volcano erupted, prompting DOST-PHIVOLCS to raise the alert level to Level 3, warning of possible further explosive eruptions and advising the evacuation of communities located within the 6-km radius from the summit. Based on the NDRRMC Situational Report No. 57 (dated 25 March 2025), the eruption affected 12,630 families or 48,528 individuals. The agriculture sector suffered significant losses amounting to ₱129.39 million, primarily in rice, corn, and high-value crops, with an estimated production loss of 5,420.17 metric tons.

The President issued Administrative Order No. 32, creating the National Task Force Kanlaon. It will coordinate the government's response and rehabilitation efforts for the affected areas, particularly to address volcanic threats, safeguard communities in the Negros Island Region, and lead the planning and implementation of the government's recovery and rehabilitation programs.

National Disaster Risk Reduction and Management Fund

184. The National Disaster Risk Reduction and Management Fund (NDRRMF) is being made available for aid, relief and rehabilitation services to communities/areas affected by human-induced and natural calamities, and repair and reconstruction of permanent structures, including other capital expenditures for disaster operation, and rehabilitation activities.[106] For FY 2025, the approved NDRRMF amounts to **₱21 billion**[107], broken down as follows:

- **₱20 billion under the NDRRM Program**, which may be used for reconstruction, rehabilitation, repair of essential infrastructures, as well as aid, relief, and other works or services, including pre-disaster activities, relative to natural or human-induced calamities, epidemics as declared by the DOH, crises resulting from armed conflicts, insurgency, terrorism, and other catastrophes occurring in the current or two (2) preceding years. This fund may also be used to replenish the Quick Response Fund (QRF) when the remaining balance of the implementing agency has reached 50 percent.

- **₱1 billion under the People's Survival Fund**, which may be used in support of the adaptation projects and activities of LGUs and community organizations as may be approved by the People's Survival Fund Board[108].

Table 16. Philippines: National Disaster Risk Reduction and Management Fund
(in million pesos)

Particulars	FY 2025 Appropriations
NDRRM Program	20,000.00
People's Survival Fund[109]	1,000.00
Total	**21,000.00**

185. In addition to the ₱21.0 billion current appropriations for NDRRMF, ₱7.7 billion Quick Response Fund (QRF)[110] was also provided in the 2025 budget of the following agencies:

Table 17. Philippines: FY 2025 GAA QRF Allocation by Agency
(in million pesos)

Particulars	Allocation
DA-OSEC	1,000
DepEd-OSEC	3,000
DOH-OSEC	500
DILG-BFP	50
DILG-PNP	50
DND-OCD	500

[106] National Disaster Risk Reduction and Management Fund, Rep. Act No. 12116, available at https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2025/VolumeIB/NDRRMC/NDRRMC.pdf (last accessed 24 March 2025).
[107] FY 2025 General Appropriations Act (GAA) RA 12116, page 714-716
[108] The PSF Board is created for strategic fund management, project oversight and independent auditing for transparency and accountability, RA 10174 Section 21
[109] Republic Act No. 12116 or the General Appropriations Act of 2025, XL. National Disaster Risk Reduction and Management Fund Special Provision No. 3 to wit: the amount appropriated shall be used in support of the adaptation projects and activities of LGUs and community organization as may be approved by the People's Survival Fund Board in accordance with Sections 20 and 21 of R.A. No. 9729, as amended. *Available at* https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2025/VolumeIB/NDRRMC/NDRRMC.pdf
[110] Ibid.

Particulars	Allocation
DPWH-OSEC	1,000
DSWD-OSEC	1,250
DOTr-PCG	75
BSGC-OEO-NIA	300
Total	**7,725**

Marawi Siege Victims Compensation Fund[111]

186. For FY 2025, the approved Marawi Siege Victims Compensation Fund amounts to **₱1 billion,**[112] lodged under the Marawi Compensation Board[113] (MCB) budget, to be used for the compensation of:

- owners or legal heirs of damaged residential, cultural, commercial structures, and other properties (e.g., house appliances, pieces of jewelry, machinery, rice mills, and other equipment of value);
- owners of private properties demolished pursuant to the implementation of the Marawi Recovery, Rehabilitation, and Reconstruction Program; or
- heirs of those who died or are legally presumed dead.

187. The MCB is mandated by law to determine the monetary compensation and award to eligible claimants. Based on the IRR, the following amounts were identified:

- ₱300,000 for each loss of civilian life
- Replacement costs or repair costs per storey for residential, cultural, commercial structures, or other real properties:

	Pure concrete	Mixed concrete and wood	Light or pure wooden
Totally damaged	₱18,000/sqm	₱13,500/sqm	₱9,000/sqm
Partially damaged	₱12,000/sqm	₱9,000/sqm	₱6,000/sqm

188. The MCB has an operating budget amounting to **₱154.73 million** to include ₱50 million for MOOE and ₱104.73 million for PS, including retirement and life insurance premiums. The MCB shall function within 5 years from the effectivity of the IRR (June 2023). Thereafter, the Department of Human Settlements and Urban Development shall continue to exercise the powers and functions of the Board to disburse and process pending compensation and qualified claims.

Climate Change Expenditure

189. **The Philippines stands on the frontline of nature's fury, with 60 percent of its land and 74 percent of its people exposed to powerful disasters like floods, cyclones, earthquakes, and landslides.** Sitting in the world's most active tropical cyclone basin, the country braces for even more extreme weather events as climate change accelerates, making resilience and preparedness more critical than ever. [114]

[111] The Marawi Siege Compensation Act (RA 11696), signed into law last 2022, provides the basis for the provision of monetary compensation due to damaged properties in the barangays affected and resulting deaths due to the Marawi Siege in 2017.
[112] Compensations covers the 24 barangays of the Main Affected Area (MAA) and 8 other barangays affected by the Marawi Siege.
[113] The MCB was created to evaluate, process and investigate applications; approve claims and resolve disputes over claims; and disburse compensation.
[114] World Bank, Historical Hazards of the Philippines, available at https://climateknowledgeportal.worldbank.org/country/philippines/vulnerability (last accessed 13 March 2024)

190. To address climate challenges through a whole-of-government approach, the Philippines enacted the Climate Change Act of 2009 and developed the National Framework Strategy on Climate Change (2010-2022) and National Climate Change Action Plan (2011-2028). The NCCAP prioritizes food and water security, environmental stability, human security, sustainable energy, and climate-friendly industries. In 2017, the country ratified the Paris Agreement, committing to climate action and periodic updates to its Nationally Determined Contributions (NDCs). Under its 2021 NDC, the Philippines pledged a 75 percent GHG emission reduction (2020-2030), with 2.71 percent unconditional and 72.29 percent conditional, relying on international support. [115]

More recently, the national government also came up with the National Adaptation Plan (NAP) 2023-2050.[116] The NAP aims to strengthen the country's resilience against climate change by setting clear adaptation priorities. It seeks to protect communities, ecosystems, and the economy by integrating adaptation into policies, enhancing capacities, and reducing climate-related losses. As a strategic roadmap, the NAP guides investments, optimizes public spending, unlocks global funding, and encourages private sector support, paving the way for a sustainable and climate-resilient future.

The NAP identifies eight key sectors for climate adaptation: (1) agriculture, fisheries, and food security; (2) water resources; (3) health; (4) ecosystems and biodiversity; (5) cultural heritage, population displacement and migration; (6) land use and human settlements; (7) livelihoods and industries; and (8) energy, transport, and communications. The NAP highlights sectoral adaptation priorities while emphasizing their interconnections. It advocates an integrated approach to prevent cascading impacts and maximize co-benefits across sectors.

The Philippines' adaptation strategy focuses on five key themes:

- **Strengthening infrastructure resilience** – Reinforcing critical infrastructure to withstand climate impacts across various sectors.

- **Safeguarding livelihoods** – Protecting livelihoods from the impact of climate change through social safety nets and regulations.

- **Empowering local governments and communities to take adaptation action** – Providing resources, data, and tools for local government and communities adaptation efforts.

- **Mainstreaming integrated adaptation governance** – Enhancing coordination among stakeholders and policymakers.

- **Scaling up nature-based solutions** – Prioritizing nature-based approaches for climate resilience and protect vulnerable populations.

191. The tracking and reporting of the climate change budget through the Climate Change Expenditure Tagging (CCET) process is led by the DBM and the Climate Change Commission (CCC). In the FY 2025 budget preparation process, increased participation of NGAs in the CCET process has been observed, noting 76.8 percent compliance rate from the submission of 284 out of 370 monitored NGAs in the CCET tagging exercise. This is significantly higher compared to 268 of 364 or a 73.6 percent compliance rate in FY 2024.

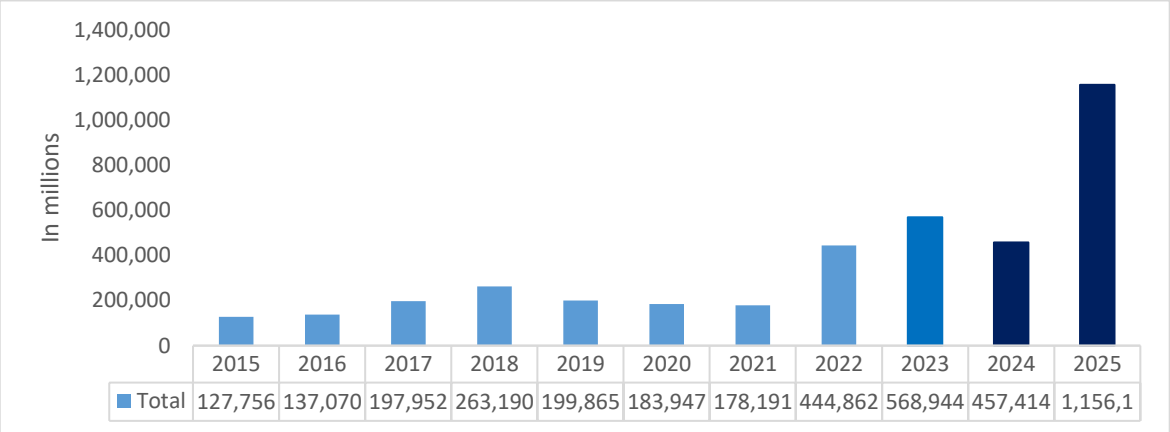
[115] Asuncion, X. V., & Cortel, E. D. (2024). A baseline study on the state of local climate Change Expenditure tagging (CCET) in the Philippines. Zenodo. https://doi.org/10.5281/zenodo.14263442

[116] The National Adaptation Plan 2023-2050, *available at* https://unfccc.int/sites/default/files/resource/NAP_Philippines_2024.pdf

To ensure data quality, the CCC conducts a Quality Assurance and Review (QAR) process, requiring agencies to use the CCC-approved QAR Form when tagging climate change expenditures in the DBM's Online Submission of Budget Proposal Systems (OSBPS). The QAR is a process of checking the basis for tagging the climate-responsive PAPs. It identifies the climate risks addressed by PAPs, and the scientific or factual basis for pursuing the PAPs (for example, a map showing the areas prone to landslides during heavy rains).

192. **Appropriations for climate change expenditures have more than doubled in 2025 compared to the previous year.** The total climate change expenditure reached ₱1.156 trillion in 2025, which is ₱698.7 billion or 152.7 percent higher than in the FY 2024 GAA.

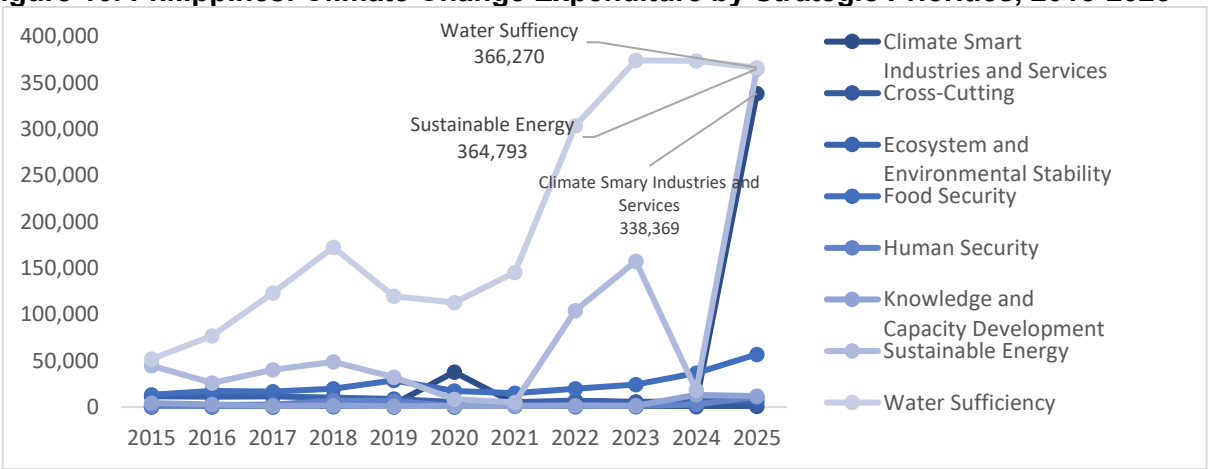
Figure 9. Philippines: Climate Change Expenditure, 2015-2025



Source: *BESF Tables on Climate Change Expenditures*
Note: Amounts presented from 2015-2023 are actual obligation levels while from 2024-2025 are GAA levels.

In terms of strategic priorities, Water Sufficiency (₱366 million), Sustainable Energy (₱364 million), and Climate Smart Industries and Services (₱338 million) composed the bulk of climate change expenditure totaling to ₱1,069 million or 92.5 percent of the total expenditure for the year.

Figure 10. Philippines: Climate Change Expenditure by Strategic Priorities, 2015-2025

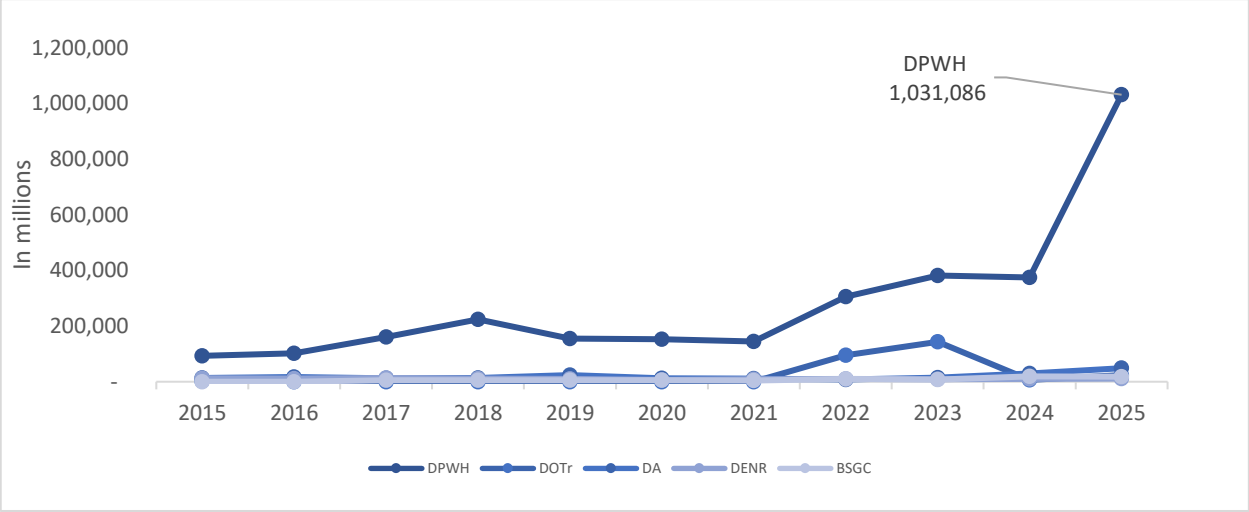


Source: BESF Tables on Climate Change Expenditures, By National Climate Change Action Plan (NCCAP) Strategic Priorities
Note: Amounts presented from 2015-2023 are actual obligation levels while from 2024-2025 are GAA levels.

Meanwhile, by Department, the DPWH has the highest climate change budget, amounting to ₱1,031.1 billion in FY 2025 which is mainly for the construction, rehabilitation, and maintenance of various flood mitigation and control structures. This is followed by the Department of Agriculture with ₱48.7 billion, which is mostly allocated for the construction of farm to market roads under the food security strategic priority of the NCCAP.

Meanwhile, The Department of Transportation received CC expenditures amounting to ₱24.2 billion for low-greenhouse gases (GHGs) emission transport systems.

Figure 11. Philippines: Top 5 Agencies with Highest Climate Change Expenditure, 2015-2025 (in million pesos)



Source: BESF Tables on Climate Change Expenditures, By Department and Special Purpose Fund
Note: Amounts presented from 2015-2023 are actual obligation levels while from 2024-2025 are GAA levels

193. **The Philippine Development Plan 2023-2028, Chapter 15 outlines the strategy framework for climate action and disaster resilience.** This aims to achieve the following outcomes: (a) increase climate and disaster risk resilience of communities and institutions; (b) increase ecosystem resilience; and (c) enable transition to low carbon economy.

Meanwhile, the Philippine Development Report (PDR) 2024[117] released by the Department of Economy, Planning and Development (DEPDev) is a forward-looking document that contains the report on the progress and achievement in the implementation of the PDP for FY 2024, as well as the ways forward to keep the government on track in the attainment of goals set forth in the PDP. Relatedly, results for the assessment of climate action and disaster resilience strategy of the PDP were comprehensively discussed in Chapter 5 of the said report.

[117] Philippine Development Report 2024 available at https://pdp.neda.gov.ph/pdr-2024/

Box 4. PFM REFORM ROADMAP ON DISASTER RISK REDUCTION AND MANAGEMENT [1]

The Philippines is vulnerable to natural hazards such as earthquakes and typhoons, being located in the Northwestern Pacific Basin, which is the most active tropical cyclone basin in the world. This results to an estimated annual average loss of ₱177 billion or US$3.2 billion. The Philippine Disaster Risk Reduction and Management Act of 2010 (RA No. 10121) was enacted to serve as a legal foundation for shifting the focus from disaster preparedness and response to a more comprehensive approach that includes disaster risk reduction and management (DRRM). The law highlights the importance of proactive disaster preparedness and response in minimizing community vulnerability to disasters. To support this, a national DRRM Plan is developed as a strategic guide to achieving sustainable development and enhancing community resilience.

For this purpose, the National DRRM Fund, a Special Purpose Fund was created to help communities affected by natural and man-made disasters. It provides aid, relief, and rehabilitation services, as well as funding for rebuilding damaged infrastructure and other necessary expenses to support disaster recovery efforts.

Disaster financing is provided to ensure the fiscal health of the economy during disasters. It is aimed at: (i) maintaining fiscal stability at the national government level to support to support long-term rebuilding efforts; (ii) providing LGUs necessary access to funds for immediate disaster response; and (iii) reducing the impact to the poorest and most vulnerable communities.

The following key challenges with regard to the DRRM Fund are as follows: (i) The annual allocation for NDRRMF is fluctuating and insufficient with the need for augmentation every year, amounting to more than P19.3 billion from 2016-2021; (ii) Majority of the funds for FY2016–2021 were allocated for the same types of projects, including those that cover post-disaster reconstruction and rehabilitation efforts, which are already regularly funded by implementing agencies and LGUs; (iii) Continued efforts are needed to ensure that LGUs' share is fairly distributed, while it is evident that the LGUs' has accessed more than half of the total budget from 2016–2021; (iv) Meantime, there are no mechanisms to monitor and ascertain the existence of adequately funded programs that supports the commitments in the Sendai Framework for DRR and the outcomes in the National DRRM Plan.

To enhance the efficiency and transparency of Disaster Risk Reduction and Management (DRRM) funding, the 2024–2028 strategy will focus on improving the allocation and tracking of resources through two key interventions: (1) monitoring of the overall budget for DRRM and its allocations to agencies, regions, and the GOCCs; and (2) monitoring agency performance and utilization on DRRM Funds.

[1]Philippines: Public Financial Management Reform Roadmap 2024 to 2028 available at https://www.dbm.gov.ph/wp-content/uploads/DBM%20Publications/PFM-Reforms/PFM_roadmap-110624.pdf

Disaster-risk and Non-Financial Asset Management

Impacts of Natural and Human-Induced Disasters

194. On a long-term average basis, the Philippines is expected to incur ₱177 billion per year in losses to public and private assets due to typhoons and earthquakes. In the next 50 years, the Philippines has a 40 percent chance of experiencing a loss exceeding ₱989 billion and a 20 percent chance of experiencing a loss exceeding ₱1,525 billion.[118]

195. **Tropical Cyclones**. From 2018 to 2024, 110 tropical cyclones were tracked by PAG-ASA. Out of which, 39 are categorized as Typhoons while 13 are classified as Super Typhoons (Table 18).

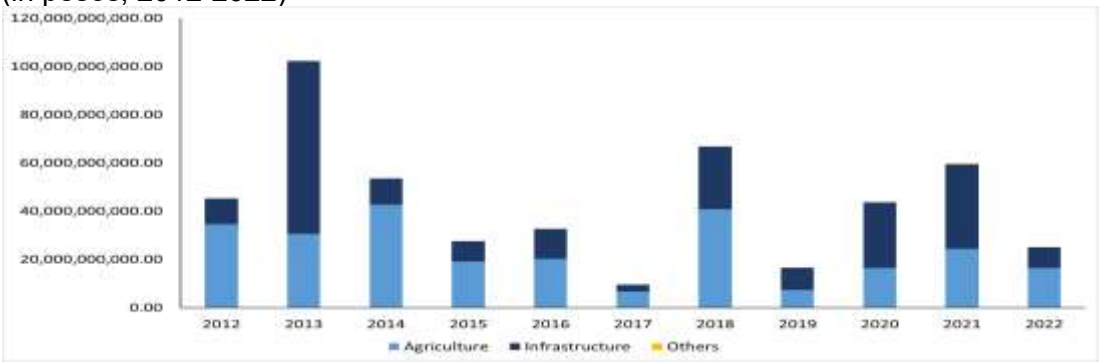
Table 18. Philippines: Annual Tropical Cyclone Tracks (2018-2024)

Year	Number of Recorded Tropical Cyclone	Of which, Typhoon or Super Typhoon
2018	21	8 (8 - Typhoon; 0 - Super Typhoon)
2019	21	8 (8 - Typhoon; 0 - Super Typhoon)
2020	22	7 (6 - Typhoon; 1 - Super Typhoon)
2021	15	5 (5- Typhoon; - 0 Super Typhoon)
2022	6	6 (3 - Typhoon; 3 Super Typhoon)
2023	7	7 (4-Typhoon; 3 Super Typhoon)
2024	18	11 (5 - Typhoon; 6 Super Typhoon)
Total	**110**	**52 (39 Typhoons; 13 Super Typhoon)**

Source: DOST PAGASA

196. **Cost of Damage due to Tropical Cyclones**. Data from the Philippine Statistics Authority (PSA) suggest that damages due to tropical cyclones from 2012 to 2022 amounted to ₱482.39 billion (Figure 12). In 2024, the total cost of damages due to tropical cyclones amounted to ₱39.04 billion (Table 19).

Figure 12. Philippines: Damages due to Tropical Cyclones in the Philippines
(in pesos, 2012-2022)



Source: *Philippine Statistics Authority (PSA), Compendium of Philippine Environment Statistics Component 4: Extreme Events and Disasters (Table 4.13.2)*

[118] Philippine Catastrophe Risk Assessment and Modeling (June 2017)

Table 19. Philippines: 2024 Cost of Damage Due to Tropical Cyclones and Other Weather Systems
(in pesos)

HAZARD EVENT	COST OF DAMAGE (₱)					
	HOUSE	AGRICULTURE	INFRASTRUCTURE	PRIVATE	OTHER DAMAGED ASSETS	TOTAL
GRAND TOTAL	**13,281,300.00**	**16,710,639,295.83**	**22,317,793,775.09**	**2,120,000.00**	**323,000.00**	**39,044,157,370.92**
TC AGHON	-	85,627,965.00	942,546,193.82	-	-	**1,028,174,158.82**
Combined Effects of Southwest Monsoon and TCs BUTCHOY and CARINA	3,661,100.00	4,386,277,061.46	5,981,729,416.40	520,000.00	120,000.00	**10,372,307,577.86**
TC ENTENG and Southwest Monsoon	100,000.00	1,907,626,468.43	704,101,168.65	-	-	**2,611,827,637.08**
Combined Effects of the Enhanced Southwest Monsoon and TCs FERDIE, GENER, HELEN, and IGME	6,135,430.00	1,091,969,692.52	22,687,500.00	-	-	**1,120,792,622.52**
TC JULIAN	-	607,376,361.80	965,183,010.27	-	-	**1,572,559,372.07**
Combined Effects of TCs KRISTINE and LEON	3,384,770.00	7,830,837,503.56	10,564,559,542.62	1,500,000.00	203,000.00	**18,400,484,816.18**
TC MARCE	-	16,247,830.58	176,378,600.00	100,000.00	-	**192,726,430.58**
Combined Effects of TCs NIKA, OFEL, and PEPITO	-	784,676,412.48	2,960,608,343.33	-	-	**3,745,284,755.81**

Source: *Office of Civil Defense*
Note: *All figures are still subject to change as reports are yet to be finalized (As of March 25, 2025)*

197. Frequent extreme rainfall days adversely affect the welfare of households in both the formal and informal sectors of the Philippines.[119] Given their higher incomes, the negative impact on the former is bigger, but the adverse impact on the informal households may be irreversible, given their weak capability to recover and limited ability to smooth out consumption even during normal times. In addition, there is a potential for near poor households in both sectors to slide down and deeper into poverty when they are affected by extreme weather events.[120]

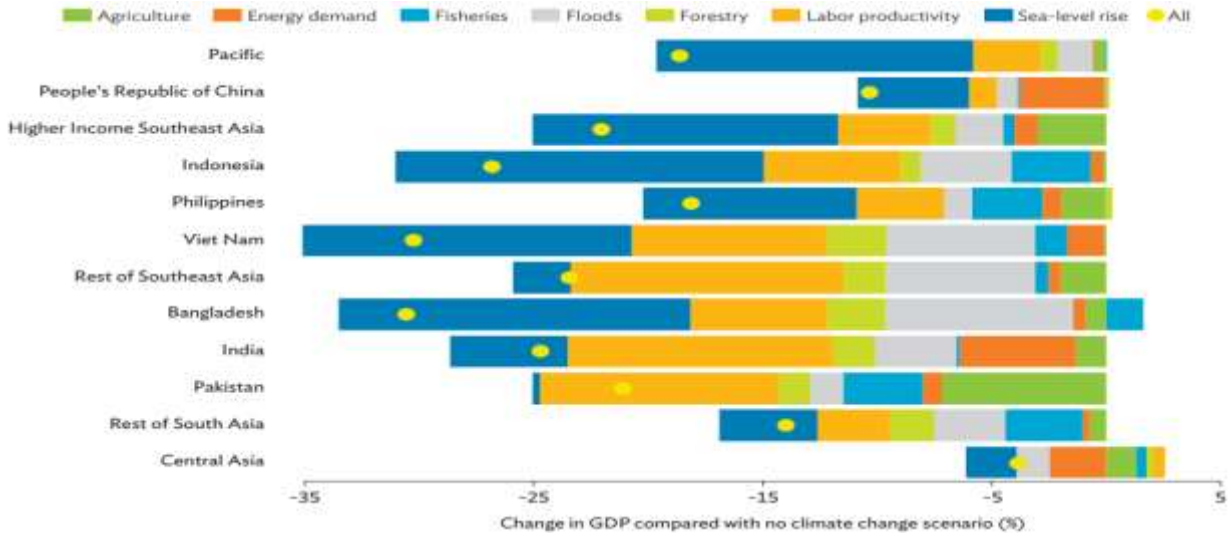
198. Slow-onset events. In contrast to rapid-onset and quick-impact events such as tropical cyclones and floods, the slow-onset events from climatic changes remain a threat and will likely strain economic activities and resource production, especially in agriculture, fishery, and forestry areas.

199. Based on the climate outlook of the PAGASA[121] in 2025, La Niña conditions remain present in the Tropical Pacific and are expected to persist through the February-April 2025 period. However, transitioning towards ENSO-neutral may start from March to May 2025.

200. About 60 percent of the country's population and over 50 percent of the municipalities, including Metro Manila, are in the coastal zone.[122] In the 2024 ADB Asia-Pacific Climate Report (Figure 13), sea-level rise due to climate change under a high-end emissions scenario is considered the dominant driver of economic losses in the Philippines by 2070.[123]

[119]Ravago, M.-L., Pascua, G. G., Aceron, L. D., Gozo, E., Cruz, F., & Narisma, G. (2025, March). Impact of Extreme Rainfall Days on the Welfare of Households in the Formal and Informal Sectors. The Journal of Development Studies. https://www.tandfonline.com/action/showCitFormats?doi=10.1080/00220388.2025.2474978
[120] Ibid.
[121] Philippine Atmospheric, Geophysical and Astronomical Services Administration. (2025). ENSO Advisory: El Niño Advisory No. 12 (Final) / La Niña Watch. https://bagong.pagasa.dost.gov.ph/climate/el-nino-la-nina/monitoring
[122] Climate Change Commission & Department of Environment and Natural Resources. (2024). National Adaptation Plan of the Philippines 2023-2050. https://unfccc.int/sites/default/files/resource/NAP_Philippines_2024.pdf
[123] Asian Development Bank. (2024). Asia-Pacific Climate Report 2024: Catalyzing Finance and Policy Solutions. https://www.adb.org/sites/default/files/publication/1008086/asia-pacific-climate-report-2024.pdf

Figure 13 . Philippines: Composition of Losses in Gross Domestic Product in 2070 due to Climate Change Under a High-End Emissions Scenario



Source: Campagnolo, L., G. Mansi, F. Bosello, and D. A. Raitzer. 2024. Quantifying the Economic Costs of Climate Change Inaction for the Asia-Pacific Region. Background paper for the Asia–Pacific Climate Report 2024: Catalyzing Finance and Policy Solutions. Asian Development Bank.
Notes: The scenario depicted is SSP5-8.5. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan. Higher Income Southeast Asia comprises Brunei Darussalam, Malaysia, Singapore, and Thailand. The Pacific comprises the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Rest of South Asia comprises Afghanistan, Bhutan, Maldives, Nepal, and Sri Lanka. Rest of Southeast Asia comprises Cambodia, the Lao People's Democratic Republic, Myanmar, and Timor-Leste

201. **Geological Hazards: Volcanic Eruptions.** Currently, the country has 24 active volcanoes, with 13 located in Luzon, 3 situated in Visayas, and 8 located in Mindanao. As of March 25, 2025, Kanlaon Volcano[124] is at alert level 3 (Intensified Unrest/ Magmatic Unrest), while Mayon Volcano[125] and Taal Volcano[126] is at Alert Level 1 (Low Level of Unrest).

202. **Geological Hazards: Earthquakes.** From January 2024 to March 2024, seismic events were recorded with various intensities based on the Philippine Institute of Volcanology and Seismology (PHIVOLCS) Earthquake Intensity Scale. Below are some of the earthquakes monitored by the PHIVOLCS.

Table 20. Philippines: Earthquakes in January 2025 to March 2025 (Magnitude 5 and above)[127]

Date	Mag	Location
January 2025		
Jan 05	5.2	066 km S 24° E of Tarragona (Davao Oriental)
Jan 13	5.1	008 km S 02° E of Kalamansig (Sultan Kudarat)
Jan 20	5.5	024 km N 64° W of Calatagan (Batangas)
Jan 22	5.0	083 km N 65° W of Itbayat (Batanes)

[124] Philippine Institute of Volcanology and Seismology. (2025). Kanlaon Volcano Summary of 24Hr Observation 25 March 2025 12:00 AM. https://www.phivolcs.dost.gov.ph/index.php/volcano-hazard/volcano-bulletin2/kanlaon-volcano/30253-kanlaon-volcano-summary-of-24hr-observation-25-march-2025-12-00-am
[125] Philippine Institute of Volcanology and Seismology. (2025). Mayon Volcano Summary of 24Hr Observation 25 March 2025 12:00 AM. https://www.phivolcs.dost.gov.ph/index.php/volcano-hazard/volcano-bulletin2/mayon-volcano/30257-mayon-volcano-summary-of-24hr-observation-25-march-2025-12-00-am
[126] Philippine Institute of Volcanology and Seismology. (n.d.). Taal Volcano Summary of 24Hr Observation 25 March 2025 12:00 AM. https://www.phivolcs.dost.gov.ph/index.php/volcano-hazard/volcano-bulletin2/taal-volcano/30261-taal-volcano-summary-of-24hr-observation-25-march-2025-12-00-am
[127] Philippine Institute of Volcanology and Seismology. (n.d.). Earthquake Information. Phivolcs. https://www.phivolcs.dost.gov.ph/index.php/earthquake/earthquake-information3

Jan 23	5.8	006 km S 22° E of San Francisco (Southern Leyte)
	5.4	002 km S 34° W of Siocon (Zamboanga Del Norte)
February 2025		
Feb 02	5.0	008 km N 74° E of Libjo (Dinagat Islands)
Feb 04	5.9	431 km S 51° E of Balut Island (Municipality Of Sarangani) (Davao Occidental)
Feb 06	5.0	255 km S 41° E of Balut Island (Municipality Of Sarangani) (Davao Occidental)
Feb 14	5.3	045 km N 58° E of Hernani (Eastern Samar)
Feb 15	5.2	043 km N 60° E of Hernani (Eastern Samar)
March 2025		
Mar 04	5.0	000 km N 56° W of Matanao (Davao Del Sur)
Mar 12	5.6	131 km N 72° E of Lingig (Surigao Del Sur)
Mar 17	5.0	029 km N 66° E of Cateel (Davao Oriental)

Source: DOST PHIVOLCS (as of Mar 26, 2025)

Policies and Institutional Measures and Initiatives

203. The Philippine Government is committed to developing and implementing new policies, plans, and programs to mitigate the impact of natural and human-induced disasters and adapt to the increasing frequency and severity of climate-induced disasters.

204. **Philippine Development Plan (PDP) 2023-2028**. The overarching goal of the PDP is to achieve economic and social transformation for a prosperous, inclusive, and resilient society. More specifically, it outlines a comprehensive strategy to enhance climate and disaster resilience while facilitating the transition to a low carbon economy. In order to achieve this, the strategy framework focuses on building the resilience of communities and institutions by strengthening capacities in disaster preparedness and climate action.

205. **Nationally Determined Contribution (NDC) Implementation Plan (IP) 2020-2030**.[128] In 2021, the Philippines submitted its NDC to the Nations Framework Convention on Climate Change (UNFCCC). The country committed to a projected cumulative GHG emission reduction and avoidance from business-as-usual scenario of 75 percent, of which 2.71 percent will be unconditional and 72.29 percent conditional, representing the country's ambition for GHG mitigation from 2020 to 2030 for the sectors of agriculture, waste, industry, transport, and energy. The NDCIP sets out a roadmap and actions for implementing the said NDC and outlines the policies and measures (PAMs) to reduce or avoid emissions in five sectors: agriculture, waste, industry, transport, and energy.

206. **National Adaptation Plan (NAP) 2023-2050**. It establishes the country's adaptation priorities at a national level, with the goal of enhancing adaptive capacities and increasing resilience in communities, ecosystems and the economy against natural hazards and climate change. It further aims to steadily reduce climate-related losses and damages and optimize opportunities for mitigation, facilitate transformative adaptation, and promote resilient, sustainable development. The NAP identified eight (8) key sectors that will serve as pillars for adaptation actions, driving societal well-being and stability as well as economic resilience.[129] Furthermore, the NAP has also provided a list of eighteen (18)

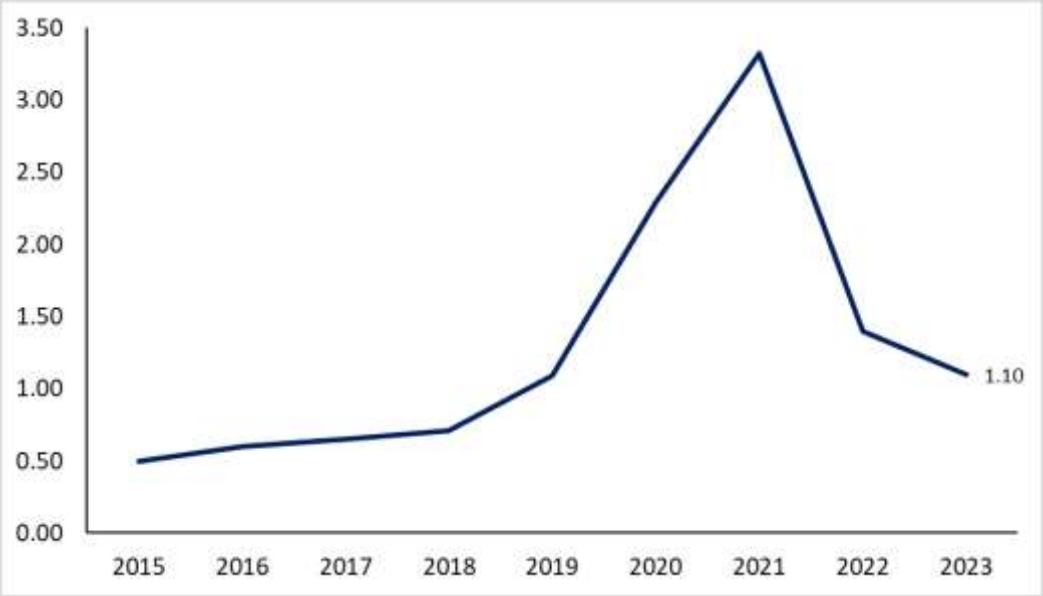
[128] Department of Environment and Natural Resources & Climate Change Commission. (2023). Implementation Plan for the Republic of the Philippines Nationally Determined Contribution (NDC) 2020-2030. https://www.climate.gov.ph/public/ckfinder/userfiles/files/Knowledge/The%20Philippines'%20NDC%20Implementation%20Plan%20-%20072024.pdf

[129] The eight priority sectors include Agriculture and Fisheries and Food Security; Water Resources; Health; Ecosystems and Biodiversity; Cultural Heritage, Population Displacement and Migration; Land Use and Human Settlements; Livelihoods and Industries; and Energy, Transport and Communications

most vulnerable provinces in the Philippines[130] based on the climate impact drivers including rising temperatures, sea level rise, extreme precipitation, and extreme winds and tropical cyclones.[131]

207. Philippines Disaster Risk Financing and Insurance (DRFI) Strategy. As a response to the increasing frequency and intensity of natural disasters that are hitting the country, the Philippines - Department of Finance formulated in 2015[132] the Philippines DRFI Strategy, which constitutes 3 main Development Objectives: (i) maintain sound fiscal health; (ii) develop sustainable financing mechanisms; and (iii) reduce the impact on the poorest and most vulnerable, and shield the near-poor. The DRFI Strategy aims to provide a comprehensive framework for the implementation of financial protection solutions against the onslaught of natural disasters at the national, local, and individual levels. Total Disaster Risk Reduction Expenditure (DRRE) to Gross Domestic Product is estimated at 1.10 percent in 2023.

Figure 14. Philippines: Share of total DRRE to GDP
(in percent, 2015 - 2023)



Source: Philippine Statistics Authority

Given that the DRFI strategy is in place for a decade already and that the Catastrophe Risk Assessment and Modeling data requires updating, the DOF is currently working with the WB to do stocktaking of the DRFI strategy and its associated activities to identify remaining gaps, assess progress, and outline key actions to enhance financial resilience in the short, medium, and long - term.

208. The following are the Government's ongoing disaster risk resilience initiatives in pursuit of the Philippines DRFI Strategy:

- **2025 Allocation for the National Disaster Management Fund (NDRRMF).** The NDRRMF is one of the annually appropriated budgets that covers aid, relief, and rehabilitation services to communities and areas affected by human-induced and natural calamities, as well as the repair and reconstruction of permanent structures, including other capital expenditures for disaster operation, and rehabilitation activities. For Fiscal

[130] These provinces include Albay, Bulacan, Cagayan, Camarines Norte, Camarines Sur, Capiz, Cebu, Eastern Samar, Iloilo, Leyte, Masbate, Negros Occidental, Pampanga, Pangasinan, Quezon, Samar,
Sorsogon, and Zamboanga del Sur. The NAP also categorizes other provinces based on climate drivers
and vulnerability.
[131] See NAP page 70 - 71
[132] Strategic Priorities of the DOF in Managing Disaster Risk signed by former Finance Secretary Purisima dated July 16, 2015

Year (FY) 2025[133], Congress approved an allocation of ₱21 billion under the NDRRMF. The DBM specifies that the allocation may be used for reconstruction, rehabilitation, and repair of essential infrastructures following natural and human-induced calamities, an additional funding source for the QRF amounting to ₱7.72 billion, and ₱1.0 billion for the People's Survival Fund (PSF).

- **City-Level Parametric Insurance Scheme**. As one of the reforms under the Philippine Disaster Resilience Improvement Program with the ADB, and supported through ADB Technical Assistance 9766, the GSIS approved establishing a voluntary city-level parametric insurance scheme. The scheme aims to address the need for rapid access to early recovery financing and to support the government's disaster risk finance and insurance strategy by providing Local Government Units (LGUs) with rapid liquidity following the occurrence of an impactful event. Currently, consultations with potential beneficiary LGUs are still ongoing.

- **Philippine Catastrophe Insurance Facility (PCIF).** On April 17, 2024, the Insurance Commission (IC) reinstated Circular Letter No. 2016-55, which mandates the strict enforcement of minimum rates for earthquake, typhoon, and flood coverage. The revised rates in 2024 show a notable adjustment compared to the 2022 schedule of minimum catastrophe rates issued under Circular Letter No. 2022-34. This Circular underscores the importance of standardized pricing to ensure that catastrophe insurance is accessible and affordable for all sectors of society. In addition to enforcing minimum rate guidelines, the Circular encourages the active participation of members of the Philippine Insurers and Reinsurers Association (PIRA) in the PCIF. This initiative aims to foster a collaborative and sustainable mechanism for addressing the financial challenges posed by natural disasters. While participation in the PCIF remains voluntary, the Circular emphasizes the critical role the facility plays in ensuring the stability and resilience of the country's insurance market against the increasing frequency of natural catastrophes. The PCIF is seen as an essential tool for pooling risks and reducing the financial burden on individual insurers, thereby ensuring that the insurance sector can adequately respond to large-scale disaster events. In compliance with the reinstatement of Circular Letter No. 2016-55, all non-life insurance companies and intermediaries are required to adhere to the schedule of minimum catastrophe rates previously outlined in the Circular. This schedule applies to all new and renewal policies covering risks from earthquakes, typhoons, and floods, with the exclusion of motor car risks, which are subject to separate tariff guidelines. This reinstatement signifies the IC's continued commitment to enhancing the country's disaster risk financing framework, making sure that insurers can provide comprehensive coverage while maintaining their financial stability.

- **Southeast Asia Disaster Risk Insurance Facility (SEADRIF).** The SEADRIF is designed to be a platform to offer climate and disaster risk financing solutions, responding to the needs of the ASEAN member countries. The DOF is exploring the feasibility of signing a Memorandum of Understanding (MOU) with the SEADRIF Initiative to better facilitate the country's collaboration with SEADRIF. A work plan will be part of the MOU, laying out prospective engagements between SEADRIF and relevant Philippine agencies, aimed at strengthening the country's financial resilience against disasters.

- **Asia Pacific Economic Cooperation (APEC) Working Group on Disaster Risk Financing Solutions**. The Philippines and Japan co-chair the APEC Working Group (WG) on Disaster Risk Financing Solutions, which aims to advance policies and implement solutions to strengthen the financial resilience of the APEC economies to natural disasters. During the APEC DRFI-WG Meeting last February 18, 2025, APEC

[133] Department of Budget and Management. (2025). National Disaster Risk Reduction and Management Fund (Calamity Fund). https://www.dbm.gov.ph/wp-content/uploads/GAA/GAA2025/VolumeIB/NDRRMC/NDRRMC.pdf

member economies approved the APEC Workplan for 2025 and discussed the proposed activities for the year which includes, among others: (i) WB's 2nd Phase of the Analytics for Financial Risk Management of Critical Infrastructure in Southeast Asia, (ii) APEC Business Advisory Council (ABAC)'s webinars and multi-sectoral dialogues on catastrophe bonds, and (iii) Organization for Economic Co-operation and Development (OECD)'s work on Public-Private Insurance Programmes (PPIP) against Natural Hazards.

- **Philippines Disaster Risk Management and Climate Development Policy Loan with a Catastrophe Deferred Drawdown Option (CATDDO V).** On December 15, 2023, the GPH, through the DOF, signed the Loan Agreement with the WB, putting in place a US$500 million (about ₱27.9 billion) contingent financing facility that the Philippine government can immediately draw upon the Presidential declaration of a state of calamity or public health emergency. This supports the Government in mitigating the impacts of disasters and health crises on the economy through providing immediate liquidity. As a development policy loan, the CAT DDO V likewise supported a program of reforms aimed at strengthening the GPH capacity to manage disaster and climate risks, including those in the education, human settlements, and health systems.

- **WB Rapid Response Option (RRO)**. The RRO was introduced by the World Bank in 2024 as part of its Expanded Crisis Preparedness and Response Toolkit. It allows borrowers, such as the GPH, to rapidly access up to ten percent of undisbursed and uncommitted balances under their respective IBRD project loans portfolio. The DOF signed an Omnibus Amendment Agreement with the WB-IBRD on April 20, 2024 to incorporate the RRO into active loan agreements as a new disbursement category. Upon occurrence of an eligible emergency, the RRO may be activated and repurposed funds can be used to top-up an existing CAT-DDO.

- **Second Disaster Resilience Improvement Program (DRIP 2)**. On February 25, 2025, the GPH, through the DOF, also signed with ADB a US$500 million loan (about ₱27.9 billion) similar to the CAT-DDO, which can be drawn immediately upon the occurrence of a natural disaster or health emergency. It likewise supported a program of reforms aimed at strengthening GPH policies and institutional frameworks on disaster risk reduction and management (DRRM), including disaster response, at national and subnational levels.

- **Post Disaster Stand-by Loan (PDSL).** PDSL, a contingent credit facility (budget support, program loan financing) provided by the Government of Japan through the Japan International Cooperation Agency (JICA), is designed to offer financial support for rapid recovery after natural and health-related disasters.

    i. The loan aims to promote policy actions focused on disaster risk reduction, enhance disaster management, and strengthen preparedness by providing quick-disbursing budgetary assistance based on pre-agreed triggers between the Philippine Government, through DOF, and JICA.

    ii. Since 2014, the Philippine Government tapped the concessional financing facility thrice from JICA and has secured a total of JPY 130 billion (approximately US$867.36 million).

    iii. The Phase 1 of the loan, amounting to JPY 50 billion (US$333.60 million), signed in March 2014, aims to support the budgetary requirements of the National Government (through contingent credit), strengthening the government's capacity for disaster risk reduction and management, offering financial support for urgent recovery and reconstruction efforts following national calamities.

iv. The JPY50 billion (US$333.60 million) for Phase 2 and JPY30 billion (US$200.16 million) for Phase 3 signed in September 2020 and August 2023, respectively, focused on providing quick-disbursing budget support to aid in swift recovery following natural and health-related disasters (e.g., COVID-19), triggered by a formal declaration of a State of Calamity.

Select Climate Finance Initiatives in the Philippines

209. Interagency Task Force on Sustainable Finance (ITSF) - The ITSF, co-chaired by the DOF and the CCC, is taking a proactive approach in mainstreaming sustainable finance to ensure the mobilization of resources to implement the plans, activities, and programs of the Sustainable Finance Roadmap, NAP and the Policies and Measures amounting to US$72 Billion for the NDCIP, among others. This includes:

a **Developing a sustainable pipeline of projects**: The DOF and CCC, as co-chairs of the ITSF, initiated a call for member agencies to submit their priority projects, programs, and technical assistance needs related to the NAP and the NDCIP. These are vital for the creation of a sustainable finance platform that will house NAP and NDCIP-aligned ongoing and pipeline projects and technical assistance. This initiative will enable potential funders to identify suitable projects for investment and funding, preventing duplication of efforts. In relation to this, the ITSF is also developing and mobilizing resources to fund the sustainable project pipeline.

b **Establishing a Forum for the participation of the private sector and other stakeholders.** This forum will facilitate stakeholder engagement with discussions, updates, and developments related to sustainable finance policies.

c **Developing the ITSF's Center of Excellence** that will serve as a central hub for capacity building, policy support, and market development in sustainable finance. It highlights the critical need for knowledge dissemination and expertise-building across the financial sector ecosystem. The center will offer a wide range of capacity-building sessions targeting both the public and private sectors and an avenue for developing market-related policies and sustainable finance products.

210. In order to further the efforts of the ITSF, the DOF is leading sectoral partnerships with the public and private sectors to deliver its objective of mainstreaming sustainable finance in the Philippines. Examples of foreign grant-funded projects and international cooperation initiatives that support the objectives of the ITSF and/or the mandates of the DOF relating to climate and sustainability finance are as follows:

a **Accelerating Green Climate Finance (AGCF)** - This grant-funded project is implemented by the United Nations Development Programme (UNDP), funded by the Government of Canada. It aims to contribute to strengthening the Philippines' resiliency against natural hazards by advancing gender-responsive policies and Nature-based Solutions (NbS). The AGCF has supported the Philippines various activities including the following:

- Securities and Exchange Commission Small and Medium Industries and Large Enterprises Embracing Sustainability (SMILEES) Roadshow by providing capacity building to Small and Medium-sized Enterprises and the Publicly Listed Companies in embedding sustainability within their business operations and developing tools for enhanced reporting;
- Support in the development of policy frameworks and roadmap for NbS and Voluntary Forest Carbon;
- Advancing NbS in Public-Private Partnership projects for sustainable development;
- Development of the Climate Finance Dashboard that will serve as the one-stop shop platform to match priority projects for NAP and NDCIP with the various financing instruments. This will provide the public and the private sector with a tool to identify investable project areas;

- Development of the Stakeholder Partnership Accelerator for Convergence and Engagement (SPACE) web application to serve as a one-stop shop hub for updating information on projects and investments towards implementation of the Philippines' Sustainable Development Goals (SDGs); and
- Updating of the Climate Change Expenditure Tagging for better decision-making and transparency on public financial management on climate change adaptation and mitigation.

b **Strengthening Institutions and Empowering Localities Against Disasters and Climate Change in the Philippines (SHIELD)**, grant-funded by the Australian Embassy in the Philippines and implemented by UNDP. This provides assistance in building community resilience to climate change through various undertakings such as unlocking finance for inclusive resilience actions, capacity building, and enhancing climate science for data-driven decision making.

c **Climate Finance Network (CFN)** is a programme supported by the UNDP to deliver impactful projects through innovative climate finance mechanisms across the **Asia Pacific region**. In the Philippines, it supports various projects of the national government in mainstreaming climate finance:

- Support for the accreditation of the DOF as a direct access entity to the Adaptation Fund. This will provide additional support to the national government in mobilizing resources for climate change adaptation aligned with the NAP;
- Development of the Climate Finance Strategy that will serve as the blueprint for reaching the country's climate-related agenda. It has initially identified six (6) strategies namely to accelerate the implementation of the NAP, NDCIP, and Philippine Sustainable Finance Roadmap; strengthen stakeholder capacity for climate finance stewardship; unlock financing from international mechanisms; maximize domestic budget allocations for climate action; advance climate outcome vis-a-vis public-private partnerships; and to increase transparency and accountability in climate action. The Climate Finance Strategy is targeted to be launched by the second quarter of 2025 and is co-funded through the AGCF programme; and
- Institutionalization of the DOF's Climate Finance Policy Group to effectively mobilize and manage climate finance resources, strengthening the strategies to support climate actions, solutions, and investments and contribute in achieving the country's sustainable development.

d **United Kingdom - Foreign, Commonwealth & Development Office (FCDO) and the Climate Action for a Resilient Asia (CARA).** Development of seven (7) projects for Adaptation and Resilience in food and water systems in Negros Occidental and Iloilo to support the implementation of the NAP;

- Development of enabling policies in sustainable finance to stimulate private capital towards waste and transportation in line with the implementation of the NDCIP; and
- Other key areas of support as led by national government agencies in the Philippines that promote biodiversity conservation, sustainable livelihoods, and enablement of a just transition.

211. Carbon Markets - In 2024, the Technical Working Group on Carbon Pricing Instruments[134] engaged the technical assistance of the World Bank to conduct a socio-economic impact assessment of carbon pricing instruments in the Philippines. In evaluating the results of

[134] With members from Department of Finance, Climate Change Commission, Department of Environment and Natural Resources, Department of Energy, Department of Trade and Industry/ Board of Investments, Department of Transportation, and the National Economic and Development Authority. Observers include ADB, UNDP, United Nations Office for Project Services, World Bank, Japan International Cooperation Agency, and Bangko Sentral ng Pilipinas.

the study, the TWG carefully considered the potential socio-economic impacts of carbon pricing instruments to ensure that the eventual carbon policy will be non-inflationary, conducive for investment, and well-suited for the country.

Recognizing the potential economic benefits of carbon credits and its potential to mobilize and scale up finance for policies and programs under the NDCIP, for 2025 the TWG will be focusing on preparing the necessary institutional arrangements, infrastructure, registry, and robust monitoring, reporting, and verification measures to send clear policy signals to the domestic and international market that the Philippines produces high-integrity carbon credits.

In addition to the TWG's ongoing work, the DENR is developing a policy strategy document with the technical assistance of the ADB to enable the Philippines to engage in international carbon markets through parallel with the development of Article 6 policy, the DENR is also developing a Forest Carbon Roadmap with the assistance of the UNDP.

212. Bond issuance under the Philippines Sustainable Finance Framework - One of the key instruments for raising capital to finance the country's sustainable development goals is through the issuance of bonds. The BTr serves as the lead agency in implementing the Sustainable Finance Framework (SFF) through the assistance of the Technical Working Group on Sustainable Finance under the inter-agency Development Budget Coordination Committee. As of January 2025, the NG's total issuance of sustainable bonds is at US$7.50 billion across international markets such as USD, JPY, and EUR since 2022.

Innovative financing instruments such as sustainable bonds enable the country to implement social and green projects that directly contribute to environmental and economic transformation. The Sustainability Bond Allocation and Impact Report released in 2023 revealed that proceeds from the issuances have been fully allocated to Social (53 percent) and Green (47 percent) Projects that promote renewable energy, healthcare, climate resilience, and education.[135] Building on its success, the national government will expand activities to be eligible for the use of proceeds and explore other sustainable finance structures.

This will strengthen synergy with the private sector in attracting investments from both domestic and international markets to finance climate-related projects and support the government's own bond issuances which likewise fund public sector investment in green infrastructure and social projects.

213. People's Survival Fund (PSF) - PSF is an innovative financing mechanism that provides financing to empower local communities in implementing and developing climate adaptation projects. The Fund is managed by a multi-sectoral board, with the DOF as the Chair and Head of the Secretariat.

In 2023, the PSF Board approved five (5) climate change adaptation projects[136]; one (1) Project Development Grant for Besao, Mountain Province; and the additional fund for on-going projects of the Municipality of Kitcharao, Agusan del Norte and the Province of Sarangani. These approvals represent an increased utilization of the fund amounting to ₱569,312,654.38.

During the 21st Board Meeting held on 10 May 2024, the PSF Board approved two (2) additional climate change adaptation projects worth a total of ₱431,976,756.00 for the Province of Ilocos Norte and the Municipality of Cortes, Surigao del Sur, respectively. **This**

[135] See ROP's Sustainability Bond Allocation and Impact Report 2023

[136] These projects are allocated towards climate adaptation projects of Borongan, Eastern Samar; Cabagan, Isabela; Catanauan, Quezon; Maramag, Bukidnon; and Mountain Province.

allowed for the full allocation of the ₱1 billion fund of the PSF to thirteen (13) adaptation projects and six (6) project development grants.

Under the General Appropriations Act Fiscal Year 2025, the PSF has been replenished with ₱1,000,000.00 (One Billion Pesos), which will be allocated to enhance the capacity of local communities in the increasing risk of climate change. The PSF intends to directly contribute to the implementation of the NAP in ensuring local communities, which are at the forefront of climate change, are equipped with resources and adaptive capacity.

The DOF continues to explore other opportunities to scale up the PSF from international sources and in partnership with the private sector and other stakeholders. Under the leadership and guidance of the PSF Board, the Secretariat will continue to implement policy reform enhancements to achieve Fund operational efficiency and comply with governance requirements set under the law.

Access to International Climate Funds

214. **Green Climate Fund -** The DOF Undersecretary Maria Luwalhati Dorotan Tiuseco has been selected as an Alternate Board Member under the Asia Pacific Group constituency for 2025 - 2027.

215. **Adaptation Fund -** The DOF Undersecretary Maria Luwalhati Dorotan Tiuseco has likewise been appointed as a member of the Adaptation Fund (AF) Board, representing the Non-Annex I Parties from 2025 to 2027. In addition, the DOF is currently advancing its application to be a national implementing entity of the AF, to allow it to receive direct financial transfers to implement adaptation projects and programmes.

216. **Fund Responding to Loss and Damage -** The Philippines passed RA No. 12019, or the Loss and Damage Fund Board Act to grant juridical personality and legal capacity to the Board of the Fund for Responding to Loss and Damage (FRLD) on August 28, 2024. In addition, the Host Country Agreement between the Government of the Philippines[137] and the Board of the FRLD was signed on November 12, 2024, during COP 29 in Baku, Azerbaijan. The 4th meeting of the FRLD was hosted in Manila, Philippines from 02 - 05 December 2024. During the 6th meeting of the Board held in Cebu, Philippines, from 09 – 11 July 2025, the members agreed on how to operationalize the FRLD.

International Cooperation on Climate Finance

217. **The Vulnerable Twenty Group of Finance Ministers (V20) -** The (V20 Group was established with the inaugural meeting of the V20 Ministers of Finance of the Climate Vulnerable Forum (CVF) chaired by then Secretary Cesar V. Purisima, Secretary of Finance of the Philippines, on 08 October 2015 at Lima, Peru.

The CVF-V20 represents **70 member-countries** from small island developing states (SIDS), least developed countries (LDCs), low-to-middle income countries (LMICs), landlocked developing countries (LLDCs), and fragile and conflict-affected states (FCS)[138].

The Philippines' DOF remains active in the discussions of the group such as co-chairing a thematic area under its Senior Officials Meeting and engaging in the Ministerial Dialogue processes.

[137] DENR, DOF, DFA, CCC and DBM served as members of the Philippine Negotiation Team of the Host Country Agreement.
[138] Updated list of members may be accessed at https://cvfv20.org/membership/

Working together, the CVF-V20 aims to achieve climate justice through the realization of Climate Prosperity Plans (CPP), which contain ambitious economic and financial resilience strategies designed to attract investment and resources that advance the attainment of the SSDGs, 30×30 Global Biodiversity, and help keep the average global temperatures to the Paris Agreement's threshold of 1.5° Celsius.

With support from the CVF V20 Secretariat, the Philippines is currently drafting its Climate Prosperity Plan in alignment with the NAP and NDCIP, among other country plans and strategies. The CPP aims to mobilize resources for CPPs including climate risk management, technology innovation, economic trade and cooperation, and new funding options.

218. V20-G7 Global Shield against Climate Risks. In addition to the CPP, the V20 together with G7 leads the **Global Shield Against Climate Risk**. The Global Shield (GS) has been established in response to the aim of the G7 in partnership with the Vulnerable Twenty Group (V20) to protect the poor and vulnerable people against loss and damages related to climate. Through evidence-based, systematic, and inclusive analyses of countries' protection gaps, the program shall enable to design, fund, and facilitate interventions to resolve vulnerability gaps through establishing a better pre-arranged finance mechanism.

The Philippines is currently considered as a "pathfinder" country and is undergoing an In-country process (ICP). Through the ICP, the GS provides tailor-made support to scale up pre-arranged finance and address urgent protection gaps upon request of the country for GS support.

The GS Secretariat is currently conducting the stocktake and gap analysis in the climate and disaster risk financing and insurance initiatives of the country, to identify the needs and areas of potential support, such as in financial protection. This will serve as the basis for developing a project/program proposal for GS funding.

219. The DOF is an active member of the **Coalition of Finance Ministers for Climate Action (CFMCA).** The CFMCA has over ninety-five (95) member countries and serves as an international platform for fiscal and economic policymakers to lead the global climate response and to secure a just transition towards low-carbon resilient development.

The **Inaugural Asia-Pacific CFMCA Regional Meeting**, with the support of the ADB, UNDP, United Nations Environment Programme (UNEP), NDC Partnership, and World Bank was held in Manila, Philippines last August 24 - 25, 2025.

Led by the Netherlands and Indonesia co-chairs, delegates from the Ministries of Finance from Azerbaijan, Bangladesh, Bhutan, Cambodia, India, Kazakhstan, Kyrgyz Republic, Lao PDR, Mongolia, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Tajikistan, Thailand, The Marshall Islands, and Vietnam gathered to discuss the role of finance ministries in the development of the NDC for 2025, mobilizing funds for adaptation and resilience, nature finance, and national transition planning. The delegates participated in knowledge sharing sessions and exchanges of best practices and emerging trends in public climate finance policy.

ADB'S **ASEAN Climate Finance Policy Platform** was also launched during the Regional Meeting. The platform is designed to provide technical assistance and support to finance ministries in Southeast Asia in strengthening their roles in mobilizing climate finance and making finance flows consistent with climate-resilient development pathways. It will also provide assistance in implementing concrete solutions to address climate risks in fiscal and economic planning.

The coalition also holds capacity building sessions. This includes a fossil fuel subsidy reform training session in collaboration with the International Institute for Sustainable Development, International Monetary Fund, Climate Economics and Policy, Climate Investment Funds, and the Rockefeller Foundation on October 24, 2024. The session covered topics such as the types and estimation of fossil fuel subsidies, international frameworks, and strategies for successful reform where the DOF participated in interactive discussions and practical exercises, focusing on the role of Ministries of Finance in driving these reforms.

Annex A. Public DSA - Baseline Scenario and Stress Tests

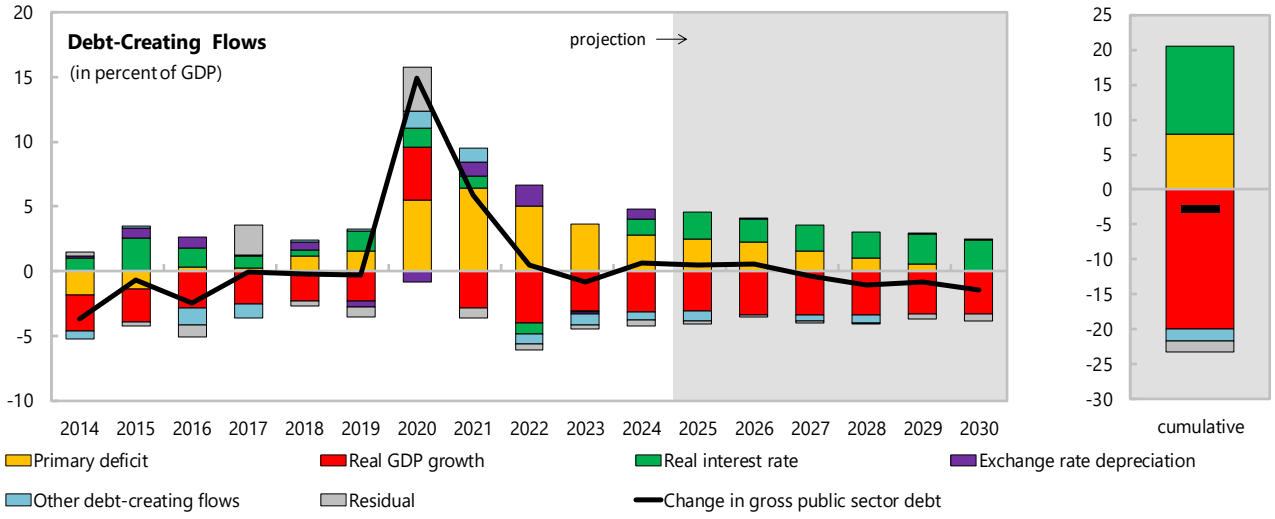
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2014-2022 [2/]	2023	2024	2025	2026	2027	2028	2029	2030
Nominal gross public debt	46.9	60.1	60.7	61.2	61.7	61.3	60.3	59.5	58.0
Public gross financing needs	7.1	10.2	10.5	9.8	9.1	9.8	9.2	9.4	6.6
Real GDP growth (in percent)	4.8	5.6	5.6	5.5	6.0	6.0	6.0	6.0	6.0
Inflation (GDP deflator, in percent)	2.2	4.6	2.9	1.7	2.6	2.3	2.3	2.0	2.0
Nominal GDP growth (in percent)	7.1	10.4	8.7	7.3	8.8	8.5	8.5	8.1	8.1
Effective interest rate (in percent) [4/]	5.0	4.7	5.2	5.4	6.0	6.0	6.0	6.3	6.4

As of August 31, 2025		
Sovereign Spreads		
Bond Spread (bp) 3/		179
5Y CDS (bp)		59
Ratings	Foreign	Local
Moody's	Baa2	Baa2
S&Ps	BBB+	BBB+
Fitch	BBB	BBB

Contribution to Changes in Public Debt

	Actual			Projections							
	2014-2022	2023	2024	2025	2026	2027	2028	2029	2030	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	1.5	-0.8	0.6	0.5	0.6	-0.4	-1.1	-0.8	-1.5	-2.8	
Identified debt-creating flows	1.3	-0.5	1.0	0.7	0.7	-0.3	-0.9	-0.5	-0.9	-1.2	
Primary deficit	1.9	3.6	2.8	2.5	2.3	1.6	1.0	0.6	0.0	8.0	-0.9
Primary (noninterest) revenue and grants	15.4	15.7	16.7	15.9	16.2	16.0	16.3	16.5	16.8	97.7	
Primary (noninterest) expenditure	17.2	19.4	19.5	18.5	18.4	17.6	17.3	17.0	16.8	105.7	
Automatic debt dynamics [5/]	-0.5	-3.3	-1.1	-1.1	-1.6	-1.4	-1.4	-1.0	-1.0	-7.4	
Interest rate/growth differential [6/]	-0.9	-3.2	-1.9	-1.1	-1.6	-1.4	-1.4	-1.0	-1.0	-7.4	
Of which: real interest rate	1.1	-0.1	1.2	2.0	1.8	2.0	2.0	2.3	2.3	12.5	
Of which: real GDP growth	-2.0	-3.1	-3.1	-3.1	-3.4	-3.4	-3.4	-3.3	-3.3	-19.9	
Exchange rate depreciation [7/]	0.4	-0.1	0.8	...	...	...	...	...	...	...	
Other identified debt-creating flows	-0.1	-0.9	-0.7	-0.7	0.0	-0.4	-0.6	0.0	0.0	-1.7	
Residual, including asset changes [8/]	0.3	-0.3	-0.4	-0.3	-0.1	-0.1	-0.1	-0.4	-0.6	-1.6	



Source: IMF staff for the analytical framework; BTr staff estimates.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ Long-term bond spread over U.S. bonds (bp).

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ) times previous period debt ratio, with r = effective nominal interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

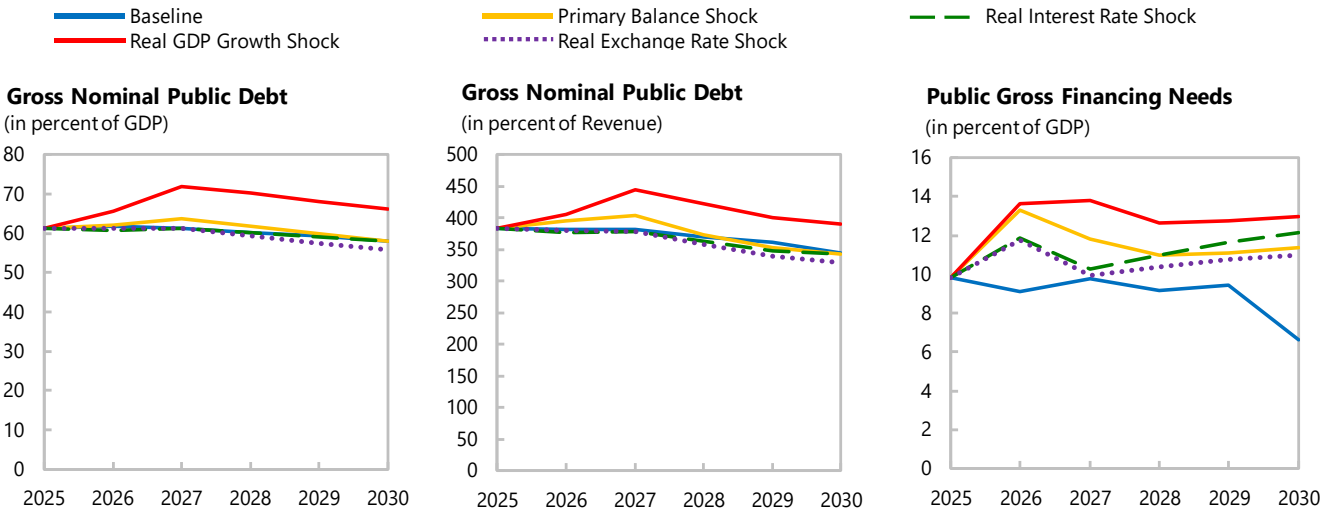
6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

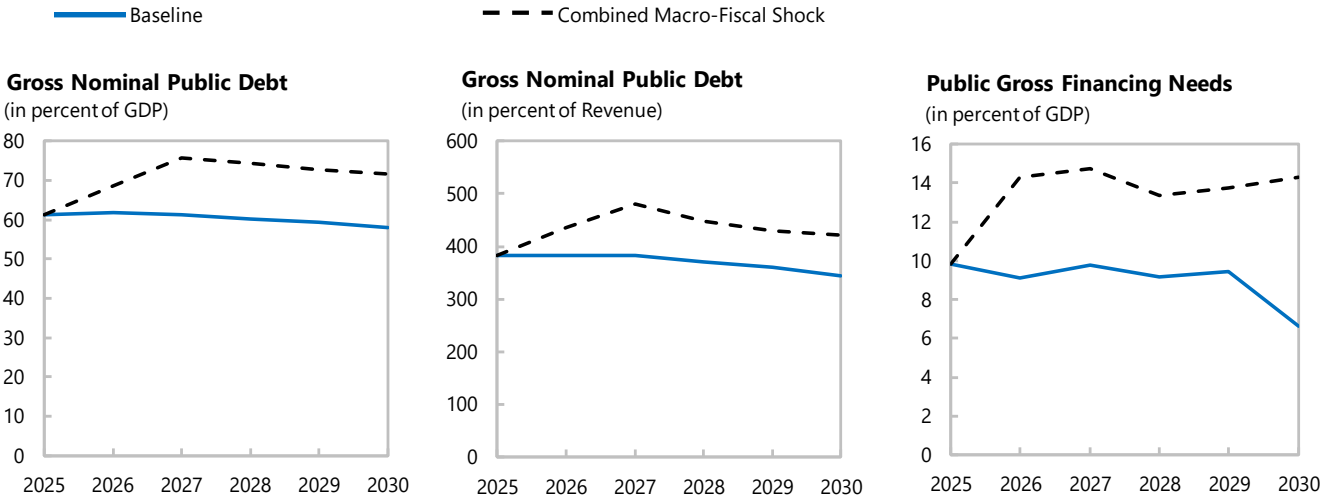
8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

Primary Balance Shock	2025	2026	2027	2028	2029	2030
Real GDP growth	5.5	6.0	6.0	6.0	6.0	6.0
Inflation	1.7	2.6	2.3	2.3	2.0	2.0
Primary balance	-2.5	-3.5	-2.9	-1.0	-0.6	0.0
Effective interest rate	5.4	5.9	6.0	5.9	6.0	5.9
Real Interest Rate Shock						
Real GDP growth	5.5	5.7	5.7	5.7	5.7	5.7
Inflation	1.7	2.6	2.2	2.0	1.8	1.9
Primary balance	-2.5	-2.3	-1.6	-1.0	-0.6	0.0
Effective interest rate	5.4	5.9	6.4	6.6	6.9	7.2
Combined Shock						
Real GDP growth	5.5	0.9	0.9	5.7	5.7	5.7
Inflation	1.7	1.4	1.1	2.0	1.8	1.9
Primary balance	-2.5	-3.8	-4.3	-1.0	-0.6	0.0
Effective interest rate	5.4	6.1	6.4	6.6	6.9	7.2

Real GDP Growth Shock	2025	2026	2027	2028	2029	2030
Real GDP growth	5.5	0.9	0.9	6.0	6.0	6.0
Inflation	1.7	1.4	1.1	2.3	2.0	2.0
Primary balance	-2.5	-3.4	-3.9	-1.0	-0.6	0.0
Effective interest rate	5.4	5.9	6.1	6.4	6.4	6.3
Real Exchange Rate Shock						
Real GDP growth	5.5	6.0	6.0	6.0	6.0	6.0
Inflation	1.7	5.8	2.3	2.3	2.0	2.0
Primary balance	-2.5	-2.3	-1.6	-1.0	-0.6	0.0
Effective interest rate	5.4	6.1	5.9	5.8	5.9	5.8

Source: IMF staff for the analytical framework; BTr staff estimates.

Annex B. List of PPP Contracts

No.	Project	Implementing Agency
1	Automatic Fare Collection System	DOTr
2	Bakun A/B and C Hydroelectric Power Plant	NPC
3	Bohol-Panglao International Airport Project	DOTr/CAAP
4	Boracay Water Joint-Venture Project	TIEZA
5	Bulacan Bulk Water Supply Project	MWSS
6	Cagayan North International Airport	CEZA
7	Caliraya-Botocan-Kalayaan (CBK) Power Plant Project	NPC
8	Caticlan Airport Development Project	CAAP
9	Cavite-Laguna Expressway	DPWH
10	Civil Registry System - Information Technology Project (Phase II)	PSA
11	Clark International Airport Expansion Project - Engineering, Procurement and Construction	BCDA
12	Clark International Airport Expansion Project - Operation and Maintenance	BCDA
13	Clark Water Supply and Sewerage	CDC
14	Davao Sasa Port Project	PPA
15	Laguindingan International Airport Project	DOTr/CAAP
16	Land Titling Computerization Project	LRA
17	Light Rail Transit Line No. 3 (MRT 3)	DOTr
18	LRT Line 1 Cavite Extension Operations and Maintenance	DOTr/LRTA
19	Mactan-Cebu International Airport Passenger Terminal Building	DOTr/MCIAA
20	Manila-Cavite Toll Expressway Project	PRA/TRB
21	Manila-North Expressway (NLEX) Project including NLEX North Harbor Link (Segments 8.1, 8.2, 9, and 10)	PNCC/TRB
22	Metro Manila Expressway C6	PNCC/TRB
23	Metro Manila Skyway Stage 1 & 2 Project	PNCC/TRB
24	Metro Manila Skyway Stage 3 Project	PNCC/TRB
25	Mindanao Coal-Fired Thermal Power Plant	NPC
26	MRT Line 7	DOTr
27	Muntinlupa-Cavite Expressway	DPWH
28	MWSS Privatization (East)	MWSS
29	MWSS Privatization (West)	MWSS
30	NAIA Expressway Project	DPWH
31	Ninoy Aquino International Airport PPP Project	
32	New Clark City - Mixed Use Industrial Real Estate Development	BCDA
33	New Clark City National Government Administrative Center (NCC NGAC)	BCDA
34	New Manila International Airport	DOTr
35	NLEx-SLEx Connector Road Project	DPWH
36	Pagbilao Coal-Fired Power Plant	NPC
37	Parañaque Integrated Terminal Exchange	DOTr
38	Philippine Economic Zone Authority Central System Project	
39	PPP for School Infrastructure Project Phase I - Package A	DepEd
40	PPP for School Infrastructure Project Phase I - Package B	DepEd
41	PPP for School Infrastructure Project Phase I - Package C	DepEd
42	PPP for School Infrastructure Project Phase II - Package A	DepEd
43	PPP for School Infrastructure Project Phase II - Package E	DepEd
44	San Roque Multi-purpose Hydroelectric Powerplant	NPC
45	South Luzon Expressway (SLEX) Toll Roads 1, 2, 3, 4	PNCC/TRB
46	Southern Tagalog Arterial Road (STAR)	DPWH
47	Sual Coal-Fired Thermal Power Plant	NPC
48	Subic Water and Sewerage Project	MWSS

No.	Project	Implementing Agency
49	Taguig City Integrated Terminal Exchange	DOTr
50	Tagum Water District Bulk Water Supply Project (Bulk Water Sales and Purchase Agreement Project)	Tagum Water District
51	Tarlac-Pangasinan-La Union Expressway Project (TPLEX)	DPWH
52	Tarlac-Pangasinan-La Union Expressway Project (TPLEX) Extension Project	DPWH

Republic of the Philippines
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