COVID-19 debt payoff to take 2 generations

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MANILA, Philippines — It will take 40 years, or about two generations, to repay the P1.31 trillion in foreign debt that the Duterte administration incurred for the COVID-19 pandemic, the Department of Finance (DOF) said on Saturday.

Repaying the debts that piled up due to COVID-19 "will require a fiscal consolidation program and improved revenue collection," said retired Finance Undersecretary Gil Beltran, now the DOF's chief economist, in an economic bulletin.

As of January, the Philippines borrowed $25.7 billion (about P1.31 trillion) from banks and bilateral partners, but most of the P1.31-trillion debt were sovereign bonds, amounting to P559.1 billion, that will mature over the next years until 2060.

Recession reversed

Loans extended by the Asian Development Bank (ADB) reached P303.4

P66 billion; Japan International Cooperat[illegible] Française de Dévelopement, P28.9 billion; and the Export-Import Bank of Korea, P10.2 billion.

The Philippines also secured $54.1 billion, or P2.74 trillion, worth of grants, which it need not repay, from the Japanese government, ADB, European Union, and the World Bank, Beltran said.

"The loans and grants raised from bond auctions and grants helped the country in fighting the COVID-19 virus and were instrumental in restoring economic growth in 2021," Beltran said.

The Philippine economy grew by a better-than-expected 5.7 percent last year, reversing its worst annual recession post-war in 2022, when the gross domestic product (GDP), or the total goods and services produced in the country, slid by a record 9.6 percent at the height of the lockdowns.

High debt-to-GDP ratio

"The Filipino people are grateful to development partners who provided P2.7 billion in grants and 76.4 million doses of vaccines," Beltran added.

The 76.4 million vaccines came from the COVID-19 Vaccines Global Access facility, as well as China, Japan, Australia, United Kingdom, Poland, South Korea, Argentina, United Arab Emirates, Russia, and Brunei, Beltran added, citing data from the United Nations Children's Fund.

As of end-February, the national government's outstanding debt reached P12.09 trillion and was projected to hit P13.42 trillion by yearend.

Despite expectations of 7-percent to 9-percent GDP growth this year, the Philippines' debt-to-GDP ratio was expected to rise to 60.9 percent of GDP, from the 16-year high of 60.5 percent last year. For emerging markets like the Philippines, economists considered public debt ratio of 60 percent of GDP as manageable.

Finance Secretary Carlos Dominguez III said the DOF had almost finished a fiscal consolidation program, consisting mostly of new and higher taxes, that the Duterte administration will suggest to the next administration.

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