POLICY BRIEF

REVIVING THE PHILIPPINE ECONOMY UNDER A RESPONSIBLE NEW NORMAL

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Statement of the Ateneo Center for Economic Research and Development (ACERD) and faculty members of the Department of Economics of Ateneo de Manila University; 5 May 2020. A longer version of this statement is available as an ADMU Economics-ACERD Working Paper.

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1 Massive resources into mass-testing, containment, and health systems

Controlling the spread of the virus demands identifying those infected by COVID-19 and then keeping them isolated, alongside prevention measures.

Expanding this capacity will require substantial investments not only in hospitals and testing centers, but also in the development of effective tracing, isolation, and quarantining.





2 Ensure survival of industries and workers

In both the modified ECQ and GCQ, the Philippine government has allowed certain industries to open— but workers in these industries will require ongoing testing for COVID-19.

At the same time, the Philippine government will need to provide assistance to industries that are affected by travel and physical distancing restrictions, but also too risky to neglect and allow to fail.

THESE INCLUDE

TRAVEL & HOSPITALITY INDUSTRIES

(e.g., air and sea transport, hotel, dine-in restaurants, etc.);



ENTERTAINMENT AND ART INDUSTRIES

(e.g. theater, dance, music, cinema, museum, literature, etc.)



RETAIL STORES

and other manufacturing and service industries (e.g. clothing, appliance, spa, gym, food court, etc.)





3 Change in the economic structure

COVID-19 exposed the structural weaknesses of the Philippines, such as the overdependence of the economy on Metro Manila. This weakness can be addressed by channeling investments outside of Metro Manila, and deliberately shifting our development efforts towards agricultural areas and growth centers other than Cebu and Davao.

THIS CAN BE ACHIEVED BY:

- Reviving supply chains by using other seaports (i.e. move shipments away from Manila to Subic and Batangas).

- Putting up the logistical infrastructure and trading facilities to enable agricultural products to move seamlessly to demand centers in the country.

- Transitioning from subsistence farming to surplus agriculture production, to shift to cash crops and upscale farming to take advantage of scale economies

4

Efficient but safe public transportation

As the ECQ is lifted, coordination between DOTr and the private sector is needed to provide transportation for workers in the essential sectors once the ECQ is lifted.

To control non-essential travel, the 'new normal' must also maximize work-from-home arrangements to keep people off the roads, while rationalizing public transport services to minimize congestion.

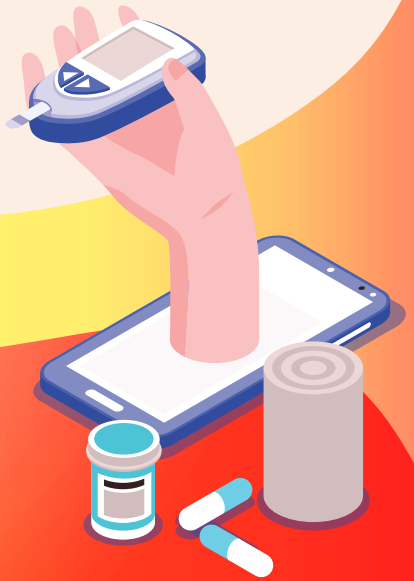


5 Improved Communications: ICT, Broadband Access and Coverage

Because physical distancing protocols will extend into the foreseeable future, the Build, Build, Build program of the Philippine government can be partly reoriented to expanding and upgrading the digital infrastructure of the country.

Digital technologies can also be adopted to address challenges in not only in the supply chain, but in the retail, delivery services, and educational sectors.





6 Upgraded social protection programs

Under the modified ECQ/GCQ, social protection programs have to be extended beyond income transfers to minimize the exposure of workers to COVID-19 health risks.

For poor communities, current social protection efforts can be improved by increasing flexibility with identification and qualification requirements, as well as harmonizing and unifying the fragmented delivery process of different social protection programs.



7 Empowered and accountable local governments units

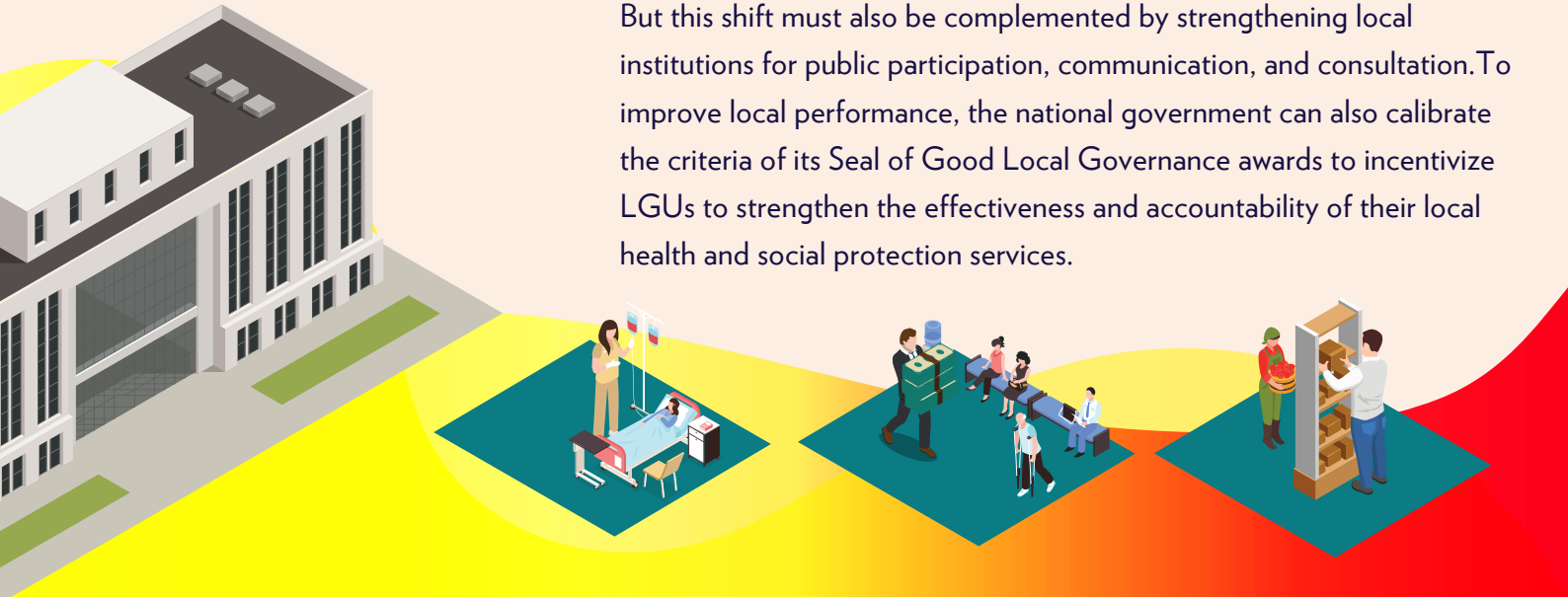
The national government should increasingly shift the implementation of its targeted programs to the local governments, since local governments can potentially be more effective in implementing:

A. Testing, contact tracing, and isolating the sick

B. Social amelioration programs

C. Delivery of goods-to-market measures.

But this shift must also be complemented by strengthening local institutions for public participation, communication, and consultation. To improve local performance, the national government can also calibrate the criteria of its Seal of Good Local Governance awards to incentivize LGUs to strengthen the effectiveness and accountability of their local health and social protection services.



8 A long-term stimulus program

To finance these requirements, the Philippine government will have to forego any growth targets, relax its deficit target, and borrow funds to augment its financial capacity. **The Philippine government will need to implement a debt-financed economic growth strategy over the next 2 or 3 years.**

To increase available public resources for protection and recovery, some large projects in the BBB portfolio for Public-Private Partnerships. Should tax reforms be pursued by government, their objective should be as an institutional reform for correcting incentives to help firms recover faster and facilitate improvement of revenue generation.

