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Philippine Economic Resiliency Plan: Meeting the Global Crisis Head-on

In the face of the global meltdown, the Philippines intends to stay afloat and avoid negative growth through a stimulus package called the “Economic Resiliency Plan (ERP),” according to Socioeconomic Sec. Ralph G. Recto. The ERP will minimize the impact of the global economic downturn through measures aimed at stimulating positive performance in all sectors of society.

The ERP is being put in place as two-thirds of the world are in recession due to the global economic crunch. The Philippines has managed to sustain its growth because of past and ongoing reforms to ensure soundness of its macroeconomic fundamentals.

As Secretary Recto says, it is critical that government agencies “hit the ground running” and that fiscal and monetary policy adjustments be enforced alongside implementation of pump-priming programs and vital projects and activities (PPAs).

The ERP entails ensuring resources through better revenue collection; enhancement of cash liquidity, access to credit and low interest rates; and more effective spending. It seeks to ensure stable growth, save and create jobs, provide assistance to the most vulnerable sectors, ensure low and stable prices, and improve competitiveness in preparation for the global economic rebound.

Fiscal Stimulus

Simply put, the government intends to battle the present crisis by increasing spending. To do so, it

proposes a PhP330 billion stimulus package broken down as follows:

First, PhP160 billion is the increase in the 2009 budget over that of 2008. Secretary Recto said the fund would be used to hire needed personnel such as teachers, policemen, soldiers and doctors. He added that this is an opportune time to step up repair and rehabilitation of government buildings and fast-track purchases of supplies and equipment such as patrol cars and ambulances.

Secretary Recto said this fund would also strengthen government agriculture support through the FIELDS program. Initiated last year, FIELDS includes: (a) the provision of cheaper fertilizer and micronutrients; (b) rehabilitation and restoration of irrigation facilities; (c) extension, education and training; (d) loans for inputs, shallow tube wells, and surface water pumps; (e) the provision of dryers and other post harvest facilities; and (f) subsidy for seeds and adoption of quality genetic materials.

The NEDA chief also emphasized that agencies responsible for infrastructure development should implement and scale up quick-disbursing high impact projects. These projects, which are labor intensive and have high local value added, include accessibility facilities for the disabled; the construction, repair, or rehabilitation of irrigation systems; and the construction of local roads and asphalt overlay, among others. He said agencies should work with LGUs in implementing such projects and make sure that project implementation is closely monitored.

Furthermore, this fund would expand social protection. Recto said government would (a) realign resources to increase social welfare programs like conditional cash transfers; (b) ensure full national government contribution to the National Health Insurance Program (support program for the indigent); (c) increase scholarship/training allocation; and (d) augment funds for upgrading primary and secondary hospitals. In addition, government would also match grants to LGUs and make more educational loans available.

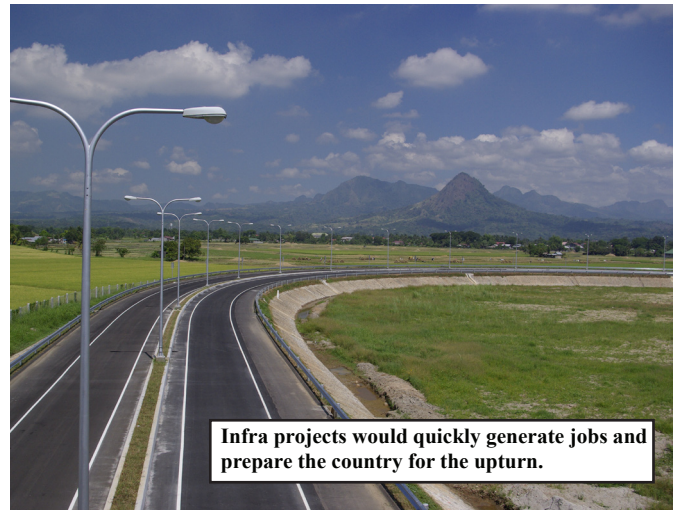
The expansion in social protection would not only provide essential services but also create jobs with the hiring of teachers, doctors, and nurses, among others.

For this portion of the ERP to be fully effective, Secretary Recto emphasized that 60 percent of the budget should be spent by the first semester of 2009 and resources should be shifted from slow to fast-moving projects. He added that, in implementing these PPAs, government should take advantage of the “window of opportunity” as presented by the declining inflation and interest rates and good weather conditions in the first half of the year.

Second, income tax adjustments during the year would circulate around PhP40 billion in the market. The scheduled reduction of corporate income taxes from 35 to 30 percent would allow firms to spend about PhP20 billion more in investments while the increase in tax exemption in personal income tax empowers individuals with an estimated PhP20 billion.

Third, the government will ask the Government Service Insurance System (GSIS), the Social Security System (SSS), and the government owned and controlled corporations (GOCCs) to use their investible funds and work with the private sector to invest in needed infrastructure. Recto said this PhP100 billion package would not only generate jobs, increase money in the market but also prepare the country for “the good times ahead.”

Fourth, the government also looks at pumping around PhP30 billion by improving the fund disbursement of SSS, GSIS and PhilHealth. Secretary Recto said he sees a very big gap between individuals’ mandatory contributions and their claims and benefits. For example, he said PhilHealth has annual contributions roughly amounting to PhP24-25 billion while yearly claims and benefits only total



about PhP15 billion. He said this may not only expand peoples’ access to health services but also provide business to private hospitals. In this light, he concludes that PhilHealth, GSIS and SSS can contribute PhP10 billion each for additional benefits to its members.

Other Measures

The government, business and labor sector are now working to implement coping mechanisms to prevent job and business closures. At present, some businesses and industries have already implemented (a) shortened work shifts and work weeks; (b) maximized vacation leaves; and (c) adopted rotating forced leaves, among others.

Recto also said that OFWs abroad and those returning would be assisted through enhanced reintegration services and livelihood assistance. In fact, there would be a “payback package” for OFWs which include the setting up of a PhP250 million support fund, skills training to avail of in-demand jobs in other parts of the world, and setting up of Department of Labor and Employment (DOLE) and Overseas Workers Welfare Administrations (OWWA) desks in the provinces to match OFWs’ skills with available jobs.

Also, government would expand trade, investment and tourism and accelerate lending to small and medium enterprises (SMEs). On the other hand, exporting firms are encouraged to diversify, innovate and technologically upgrade their products.

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[Sec. Recto speech/presentation during the PCCI business conference, January 16, 2009](#)
[Sec. Ralph G. Recto interview with media, January 12, 2009](#)