



# DOF REPORT ON COVID-19 SOCIO-ECONOMIC RESPONSE

April 14, 2020

# Outline of the Presentation

## **I. Overview of the Philippine Economy**

## **II. Economic Impact of COVID-19**

## **III. Four-Pillar Socio-Economic Strategy Against COVID-19**

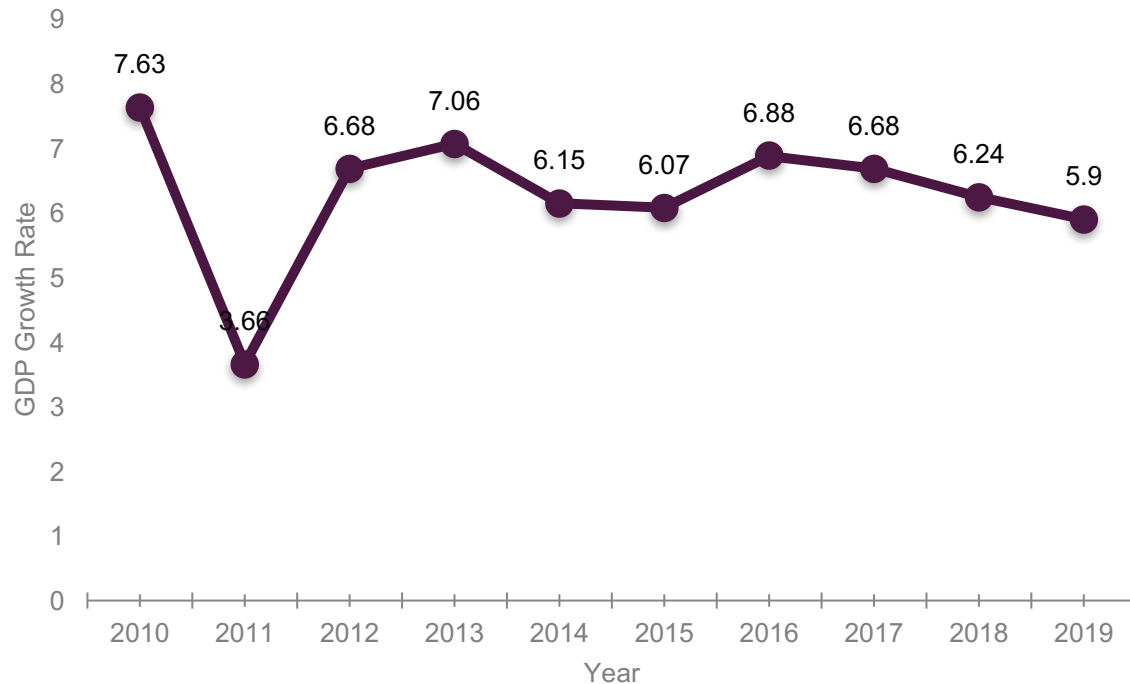
- a. Emergency support for vulnerable groups
- b. Marshalling resources to fight COVID-19
- c. Fiscal and monetary actions to finance emergency initiatives and keep the economy afloat
- d. An economic recovery plan to create jobs and sustain growth

## **IV. Support for Small Businesses**

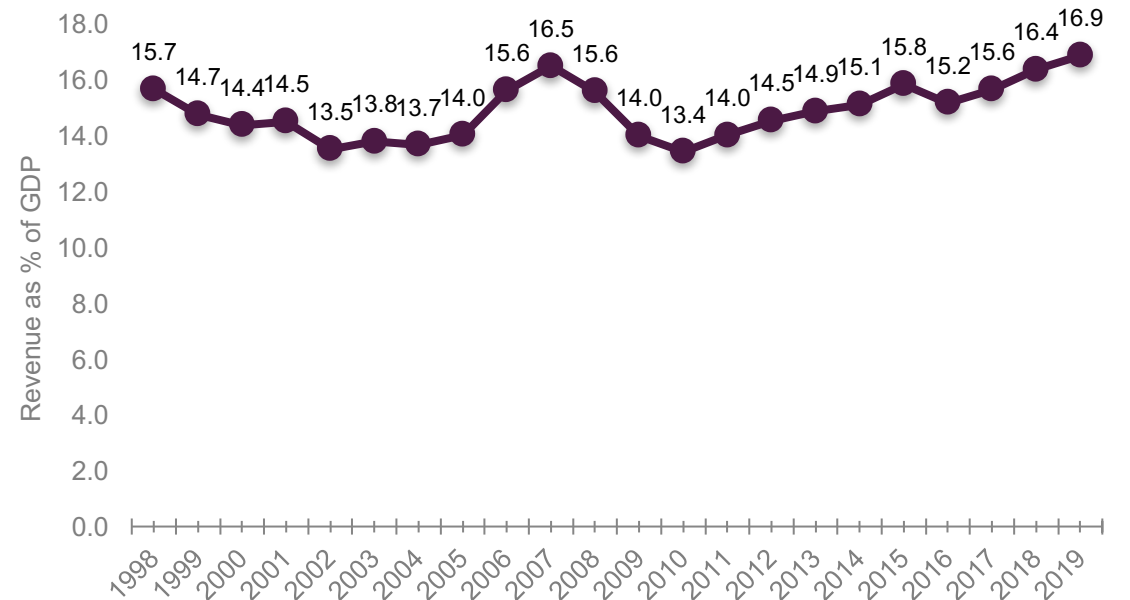
# I. OVERVIEW OF THE PHILIPPINE ECONOMY

# The Philippines' macroeconomic fundamentals are strong

**5.9% GDP growth in 2019;  
Average GDP growth from  
2016-2019 is 6.4%**

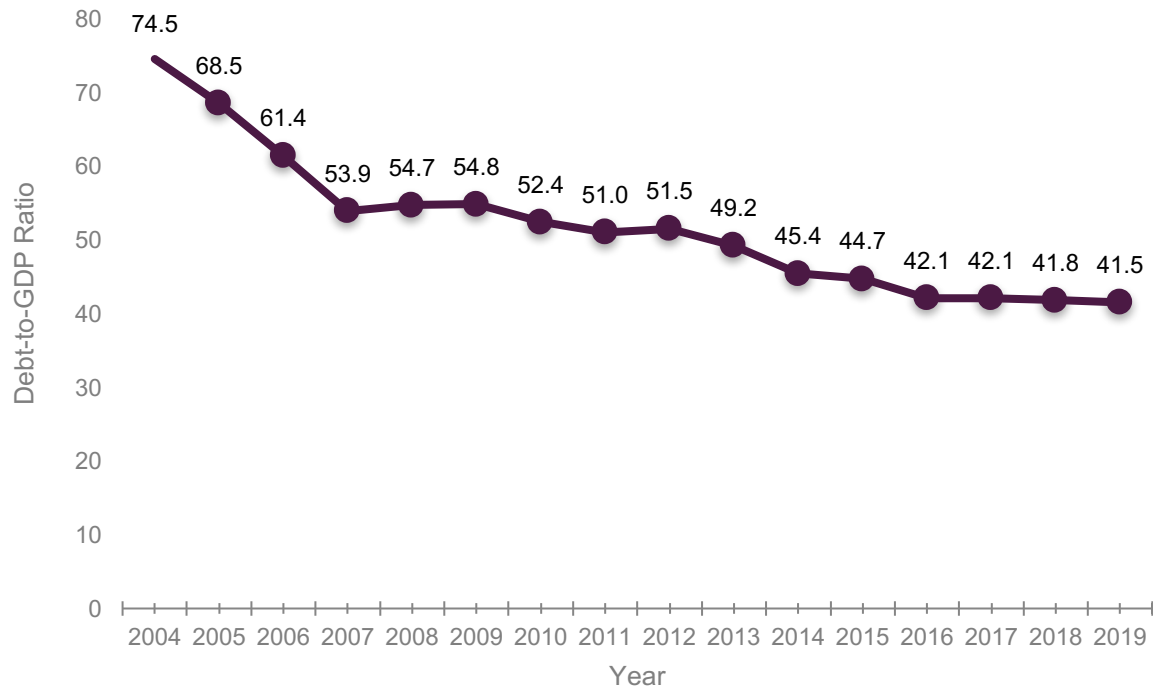


**Revenue effort of 16.9% in  
2019 is the highest rate  
in 22 years**

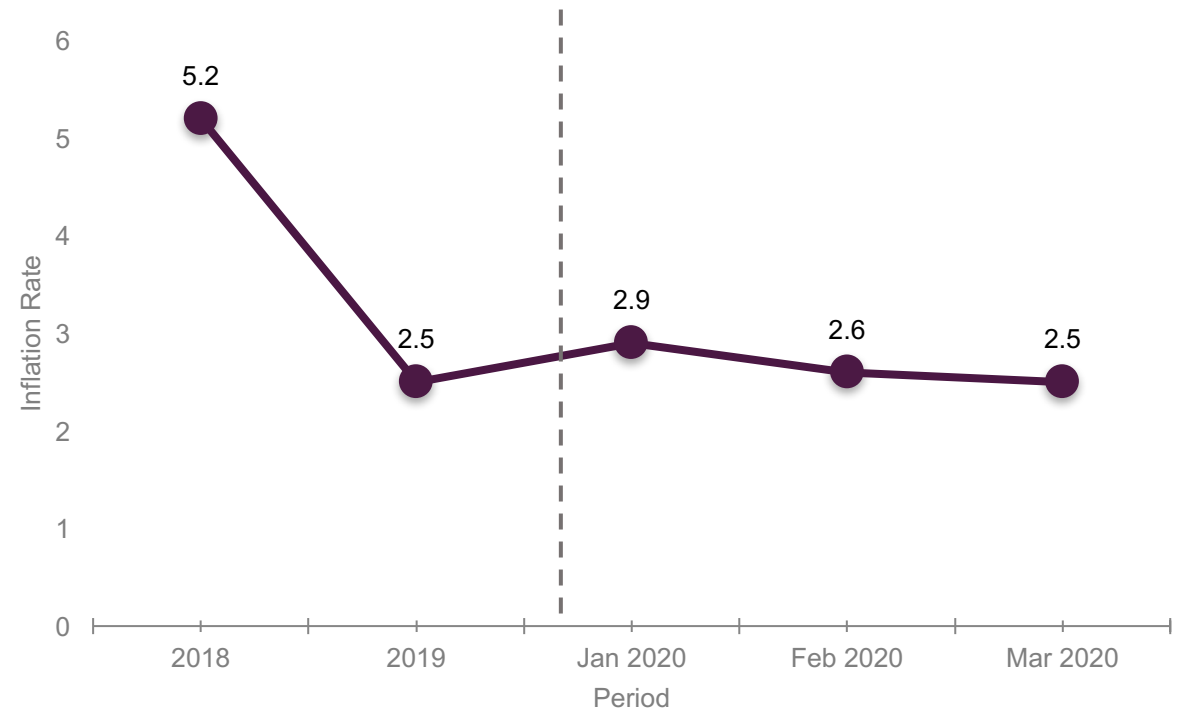


# The Philippines' macroeconomic fundamentals are strong

**Manageable Debt-to-GDP ratio  
of 41.5% in 2019**



**March 2020 inflation rate is  
2.5%, well within the target of  
2% to 4%**



## II. ECONOMIC IMPACT OF COVID-19

# Recent Estimates of Economic Impact of COVID-19\*

<b>2020 GDP Growth</b>	<b>-0.8% to 0.0%</b>
<b>Temporary Unemployment</b>	<b>1.2 Million Workers</b>
<b>Budget Deficit</b>	<b>5.3%</b>
<b>Debt-to-GDP</b>	<b>46.7%</b>

*\*Impact of COVID-19 on key economic sectors such as travel, tourism, exports, remittances, consumption, combined with the Enhanced Community Quarantine assuming that the pandemic will last until the middle of the year.*

*Based on the DBCC Ad Referendum Approval of the Revised Macroeconomic Assumptions and Fiscal Targets in line with the Impact of the COVID-19 Pandemic dated March 26.*

# III. FOUR-PILLAR SOCIO-ECONOMIC STRATEGY AGAINST COVID-19



# Four-Pillar Socio-Economic Strategy Against COVID-19

## PILLAR 1

**Emergency Support  
for Vulnerable Groups**



## PILLAR 2

**Resources to  
Fight COVID-19**



## PILLAR 3

**Fiscal and  
Monetary Actions**



## PILLAR 4

**An Economic  
Recovery Plan**



## Pillar 1: Emergency support for vulnerable groups *(initial estimate of USD 11.5 billion)*

Item	In PHP millions	In USD millions	% of GDP
• Emergency subsidy program for 18 million low-income families	205,000.0	4,033.1	1.1
• Wage subsidy for employees of small businesses	51,000.0	1,003.4	0.3
• Credit guarantee for affected small business	120,000.00	2,360.9	0.6
• Net operating loss carryover (NOLCO) of five years to help business cope with losses	139,596.10	2,746.4	0.7
• DTI loan program for MSMEs for enterprise development training and livelihood kits	1,203.00	23.7	0.0
• DA loan assistance for micro and small enterprises engaged in agriculture and fisheries production	15.00	0.3	0.0
• Additional LGU assistance to support vulnerable sectors	30,000.0	590.2	0.2
• DA and DTI rice programs to boost buffer stock	16,500.0	324.6	0.1
• LANDBANK loan program for LGUs to increase their emergency funding	10,000.0	196.7	0.1
• DA SURE Aid program additional funding for affected farmers and fishers	2,800.0	55.1	0.0
• DOLE assistance to support OFWs	1,500.0	29.5	0.0
• DOLE cash assistance programs to support displaced workers	2,000.0	39.3	0.0
• SSS assistance to cover unemployment benefits	1,200.0	23.6	0.0
• TESDA online programs to upskill workers	3,000.0	59.0	0.0
<b>SUBTOTAL</b>	<b>583,814.1</b>	<b>11,485.8</b>	<b>3.1</b>

## Pillar 2: Expanded medical resources to fight COVID-19 and ensure the safety of frontliners *(USD 702.8 million)*

Item	In PHP millions	In USD millions	% of GDP
• PAGCOR and PCSO assistance for purchase of medical equipment and supplies	2,900.0	57.1	0.0
• ADB grant to support health measures against COVID-19	150.0	3.0	0.0
• World Bank quick disbursing loan mechanism under the Fast Track COVID-19 Facility	5,000.0	98.4	0.0
• DOH procurement of 1 million pieces of PPE*	1,800.0	35.4	0.0
• PhilHealth medical expenses coverage for COVID-19 patients and assistance to health workers, which includes PhilHealth medical coverage, compensation for severe infection, and death benefit.*	22,185.6	436.5	0.1
• PCSO funding for COVID-19 medical coverage	420.6	8.3	0.0
• DOST and UP-NIH test kits production	53.2	1.0	0.0
• Expedited clearance and tax and duty-exempt importations of PPE and medical goods*	2,701.5	53.1	0.0
• Compensation for private facilities used for the purpose of fighting COVID-19	511.8	10.1	0.0
<b>SUBTOTAL</b>	<b>35,722.7</b>	<b>702.8</b>	<b>0.2</b>

\*Preliminary DOF staff estimates

## Pillar 3: Fiscal and monetary actions to finance emergency initiatives and keep the economy afloat (*USD 16.3 billion*)

Item	In PHP millions	In USD millions	% of GDP
• Additional financing from ADB, WB, and various multilateral and bilateral sources	310,000.0	6,098.9	1.7
• BSP purchase of government bonds to fund COVID-19 response measures	300,000.0	5,902.1	1.6
• BSP liquidity infusion into the economy as a result of lowering of interest rates and reserve requirement ratio	220,000.0	4,328.2	1.2
• Deferment of filing and payment of taxes	470.0	9.2	0.0
<b>SUBTOTAL</b>	<b>830,470.0</b>	<b>16,338.5</b>	<b>4.5</b>
<b>GRAND TOTAL</b>	<b>1,450,006.8</b>	<b>28,527.2</b>	<b>7.8</b>

## Updates on the Official Development Assistance from the World Bank and the Asian Development Bank to help cushion the economic fallout from the pandemic

Development Partner	Proposed Assistance (USD M)	Accelerated Disbursements & Additional Program Loans (USD M)	Total (USD M)
ADB	1,758	2,100	3,858 (68%)
World Bank	600	1,200	1,800 (32%)
<b>TOTAL</b>	<b>2,358</b>	<b>3,300</b>	<b>5,658 (100%)</b>

## Signed Official Development Assistance from the World Bank and ADB to address COVID-19

Project Name	Development Partner	Date Signed	Amount (In USD M)
Acceleration of disbursement for Social Welfare Development and Reform Project II*	World Bank	Nov 28, 2019	200.0
COVID-19 Emergency Response Project Grant	ADB	March 16, 2020	3.00
Rapid Emergency Supplies Provision Platform for COVID-19 Impact Areas in NCR**	ADB	N/A	5.00
Third Disaster Risk Management Development Policy Loan	World Bank	April 10, 2020	500.00
<b>TOTAL</b>			<b>708.00</b>

*\*Remaining USD200 Million may be disbursed in April to be used as budgetary support for COVID-19.*

*\*\*Through Public philanthropic partnership*

## Pillar 4: An economic recovery plan to create jobs and sustain growth

- Creation of an **interagency task force to design a bounce-back plan** for post quarantine scenario.
- Conduct of a **nationwide survey** (with +44,000 respondents) to assess damage to industries, especially micro, small, and medium enterprises (MSMEs). Results used in crafting a bounce-back program with differentiated interventions for various groups (MSMEs vs. large businesses; manufacturing; hospitality; etc.).
- Continued **investment in social and infrastructure programs** to help revive and sustain economic growth.

## IV. SUPPORT FOR SMALL BUSINESS



## The government has been helping small businesses cope with the health crisis

- Extension of various documents filing, and tax filing and payment deadlines by **at least 30 days**;
- Implementation of a minimum **30-day grace period** for payment of all loans, without incurring interest on interest, penalties, or other charges; and
- Implementation of a minimum **30-day grace period** for rental payments.

## The government will roll out the Small Business Wage Subsidy program which will help small businesses and workers affected by the ECQ.

- Provide a wage subsidy to up to **3.4 million ECQ-affected employees of small businesses.**
- This will cost from **38.1 to 51.0 billion pesos for two months.**
  - a) 38.1 billion for some 2.6 million workers whose employers are compliant
  - b) 12.5 billion for some 0.8 million workers whose employers are less compliant
- Small businesses are defined as those **not belonging to the BIR's Large Taxpayer Service (LTS) list.**
- The subsidy amount ranges from **5,000 to 8,000 pesos per worker per month for up to two months.** The amount is in proportion to the regional minimum wage.
- DOLE CAMP beneficiaries who already got 5,000 pesos will only be given one month of wage subsidy under the Small Business Wage Subsidy Program to avoid duplication.

# These efforts will also be complemented by other relief programs for small businesses.

- **Guarantee on small business loans**
  - To improve the cash position of affected small businesses to pay for fixed costs such as wages, rental, amortization and interest payment, we propose a credit guarantee to enable them to access bank financing more easily.
- **Enhanced net operating loss carryover of five years**
  - To help small businesses cope with their losses, we propose a longer net operating loss carryover (NOLCO) period of five years.
  - This requires legislation.



**Thank you.**