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**Economic Bulletin on the Marathon Towards Inclusive
and Sustainable Development**

World Bank President David Malpass, in his foreword to the World Bank's January 2021 *Global Economic Prospects* [1], concluded that "Making the right investments now is vital both to support the recovery when it is urgently needed and foster resilience. Our response to the pandemic crisis today will shape our common future for years to come. We should seize the opportunity to lay the foundations for a durable, equitable, and sustainable global economy."

Even before the pandemic, the Philippines has been laying the grounds for inclusive and sustainable development. We have ramped up infrastructure investments and scaled up and institutionalized the Conditional Cash Transfer (CCT). Other important social services that have been institutionalized include Universal Health Care (UHC) and Universal Access to Quality Tertiary Education. National government's pre-pandemic capital outlay has been above 5% of GDP and has only slightly dipped to 4.9% of GDP last year. Figures will even be higher if we include PPP, LGU, and GOCC capital outlays.

The CCT program, meanwhile, had a budget of PHP89.4 billion in 2018, equivalent to 0.5% of GDP, benefitting more than 4 million families or 21% of the country's population, the third largest coverage in the world.[2] These programs, backed by the country's strong macro-economic fundamentals and further enhanced by game-changing reforms (e.g., TRAIN1, Sin Tax Reform, CREATE, and EODB) will help the country endure its marathon towards inclusive and sustainable development. The Philippines, clearly, will not be the "laggard in Asia" in this respect.

The marathon, however, took an unexpected turn as the COVID-19 pandemic exacted its toll on the world economy. Extraordinary measures had to be put in place to contain the virus and help steer the economy back on track and the IMF has compiled cross-country database [3] on extra-ordinary fiscal and monetary responses against the pandemic. The IMF, however, has been very clear in its caution against using this database for comparison across economies "as responses vary depending on country-specific circumstances, including the impact of the pandemic and other shocks. It focuses on government *discretionary* measures that supplement existing automatic stabilizers. These existing stabilizers differ across countries in

their breadth and scope... (emphasis added)” Discretionary fiscal policy measures (such as the Social Amelioration Program) are *ad hoc* and temporary responses to some event while automatic stabilizers are either expenditures and forgone revenues that are operationally incurred without need for Congressional authority. The latter include sums paid for by social security institutions (SSS, GSIS, and PhilHealth) and OWWA and the stabilizing effect of progressive taxation—economic downturn leads to lower paychecks and result in lower personal income tax brackets such that tax liability declines more than the decline in income.

When looking at the IMF’s compilation, therefore, one has to also bear in mind the country’s pre-pandemic fiscal policy design to improve inclusivity (e.g., the CCT program, owing to the high rate of poverty, UHC, and free college tuition fee) and pre-pandemic programs to enhance sustainability (e.g., the BBB Program) that have both immediate relief and stimulating effects during the pandemic. In other words, these programs are sauce both for goose and gander whereas the discretionary fiscal policy measures that the IMF has compiled are sauce only for the goose (or gander for that matter). Had we rolled out the BBB program only last year, as was done in the aftermath of the Global Financial Crisis a decade ago—PHP260 billion of the PHP330 billion Economic Resiliency Plan (ERP) was devoted to infrastructure [4]—our fiscal response against the pandemic would have artificially increased.

Nevertheless, the country has to cautiously and safely run through the unexpected pandemic leg of this marathon and be right back on track. With most of the health frontline workers inoculated first (as required by the COVAX facility), the country now could commence vaccinating economic workers. The 7-day moving average of daily inoculation already breached 170,000 less than three months after the first shots were administered, thanks to the efforts of local government units (LGUs). The vaccination rate could further be ramped up as more doses arrive and as more vaccination sites are set up.

[1] <https://www.worldbank.org/en/publication/global-economic-prospects>

[2] <https://documents1.worldbank.org/curated/en/457071570046480804/pdf/Pantawid-Pamilya-2017-Assessment-An-Update-of-the-Philippine-Conditional-Cash-Transfer-s-Implementation-Performance.pdf>

[3] <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>

[4] <https://www.adb.org/sites/default/files/publication/156143/adbi-wp288.pdf>

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