International Labour Office
Policy Integration Department

Crafting Coherent Policy Responses to the Crisis in the Philippines

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Overcoming the jobs crisis and shaping an inclusive recovery:
The Philippines in the Aftermath of the global economic turmoil
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[1] The responsibility for opinions expressed in this paper rests solely with the author

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ABBREVIATIONS

4Ps	Pantawid Pamilyang Pilipino Program
ADB	Asian Development Bank
APL	Alliance of Progressive Labour
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
CLEEP	Comprehensive Livelihood and Emergency Employment Program
CAS	Cabinet Assistance System
CFO	Commission on Filipinos Overseas
DepEd	Department of Education
DILG	Department of the Interior and Local Government
DOH	Department of Health
DOLE	Department of Labour and Employment
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
ERP	Economic Resiliency Plan
FFW	Federation of Free Workers
FGD	Focus group discussion
FIES	Family Income and Expenditure Survey
GFC	Global Financial Crisis
GDP	gross domestic product
GNP	gross national product
GRIM	Global Recession Impact Monitor
GRIN	Global Recession Impact News
ILO	International Labour Organization
IPD	Institute for Popular Democracy
KALAHI-CIDDS	KALAHI Comprehensive and Integrated Delivery of Social Services Project
LBES	labor-based, equipment supported system
LGU	local government unit
MDG	Millennium Development Goal
MFI	Microfinance Institutions
NAPC	National Anti-Poverty Commission
NCR	National Capital Region (i.e., Metro Manila)
NEDA	National Economic and Development Authority
NFA	National Food Authority
NGO	nongovernment organization
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
OFW	Overseas Filipino Workers
PHILEXPORT	Philippine Exporter Association
PIDS	Philippine Institute for Development Studies
PPI	Producer Price Index
PSE	Philippine Stock Exchange
SMEs	Small and Medium Enterprises
TESDA	Technical Education and Skills Development Authority
TUCP	Trade Union Congress of the Philippines

I. Introduction

The onslaught of the global economic crisis has thrown many workers in different parts of the world out of their jobs and many in the developing economies have fallen into situations of poverty. In search for the proper response to the crisis, various governments have turned to stimulus spending as a strategy to preserve and create jobs for their affected citizenry.

The ILO tripartite constituents – government, workers and employers – designed a Global Jobs Pact (GJP) during the International Labour Conference in 2009. The GJP serves as a guiding framework to national and international policies aimed at stimulating economic recovery, generating jobs and providing protection to working people and their families. It seeks to promote a job-intensive recovery from the crisis.

The Pact is built around the principles of the ILO's Decent Work agenda. It looks at the issues of employment generation and sustainable enterprises. It emphasizes the need for a basic social protection floor. It calls attention to the importance of protecting and promoting rights at work in a crisis situation. It encourages the practice of social dialogue and collective bargaining as critical tools to identify priorities and assist in policy design and implementation. It calls for implementing measures quickly in a coordinated manner, and for integrating gender concerns throughout. The GJP is the response of the ILO and its tripartite constituency to the global crisis.

The Pact contains a package of crisis-response and recovery measures. It is not a one-size-fits-all solution, but a portfolio of policy options that countries can adapt to their specific needs and situation. Indeed, a coherent and credible agenda for a rich-job recovery can only result from an in-depth national policy debate and consultation among policy makers and key stakeholders.

Since 2001, the Philippines has adopted the Decent Work Common Agenda outlining projects and activities that will help workers, employers and government, achieve the major objectives of Decent Work. The current global crisis could be seen as an opportunity to craft stronger short term and long term responses that can incorporate key elements from the framework of the Global Jobs Pact and help the country restore viable economic growth, employment generation and poverty eradication.

II. Background and Objectives of the Study

This study is part of an ILO-Norway project on Policy Coherence for Growth, Employment and Decent Work – Promoting Decent Work responses to the global economic crisis, managed by the Policy Integration Department of ILO Headquarters. The project is supporting the design of decent work intensive, gender-responsive programmes in a few selected developing countries affected by the global crisis. In particular, the study hopes to provide (i.) a rapid robust assessment of the social and labour market impact of the crisis, (ii.) a review of the policy measures taken by government to address critical Decent Work deficits resulting from the crisis or those already existing even before the crisis (iii.) proposals for the engagement of the ILO constituents, national agencies and development partners in developing suitable policy responses and/or reorienting existing Decent Work Country Programmes and other development frameworks. The project will also emphasize issues of policy coherence between economic and social ministerial portfolios and the agencies of the multilateral system, building on work on policy coherence done under a previous phase.

In the context of the Philippines, the study will give an overview of the macroeconomy and how the global crisis affected it including the labour market. How the government responded and also, the preliminary outcomes and impact of its intervention will also be examined. During the last quarter of 2008, the Philippine Government prepared an Economic Resiliency Plan (ERP) that aimed to create new jobs and focus on quick spending of the 2009 national budget as a stimulus package that will hopefully also address the needs in health, infrastructure, agriculture, education, livelihoods and social protection. Early ILO commissioned studies i.e. "A Rapid Assessment on the Impact of the Crisis" and "A Preliminary Snapshot on the Impact of Crisis" highlighted the institutional challenges in delivering a coherent policy and programme response to both the economic and social impact of the crisis. The paper will also examine the government response in terms of policy and program measures which address critical Decent Work deficits as a result of the crisis and also those already existing even before the crisis. Finally, it will also discuss issues of timeliness, policy coherence, and institutional coordination in terms of the government's response.

III. A Framework for Analysis: Transmission Channels and the Response

The chart below shows a simple framework in assessing the government response to the global financial crisis. It specifically illustrates how the current crisis will affect the Philippine economy through various transmission channels, the impacts of the crisis and how the government responds through monetary, fiscal and social policies. The criteria for assessing the government response are also shown in the chart.

A. The Transmission Channels of the Crisis

The Global Financial Crisis (GFC) will affect the country through:

- **Asset Markets:** Real estate, bond and stock prices plunge as risks increase and investor appetites decrease
- **Banking System**: Problems arise in local banks exposed to the toxic products sold in the financial markets in the US; this is very limited though in the case of the Philippines; credit becomes tight as banks become selective in lending
- **Prices and Exchange Rates**: Instability in the financial sector may also create instability in the exchange rates and prices
- **Trade**: Exports and imports decrease because of weak demand from developed economies resulting to closure of companies or temporary shutdowns
- **Overseas employment**: Value of remittances sent has also declined as OFWs get laid off from their jobs
- **Foreign Direct Investments:** Inflows slow down as the crisis heightens and as investors avoid risks

B. Government Response

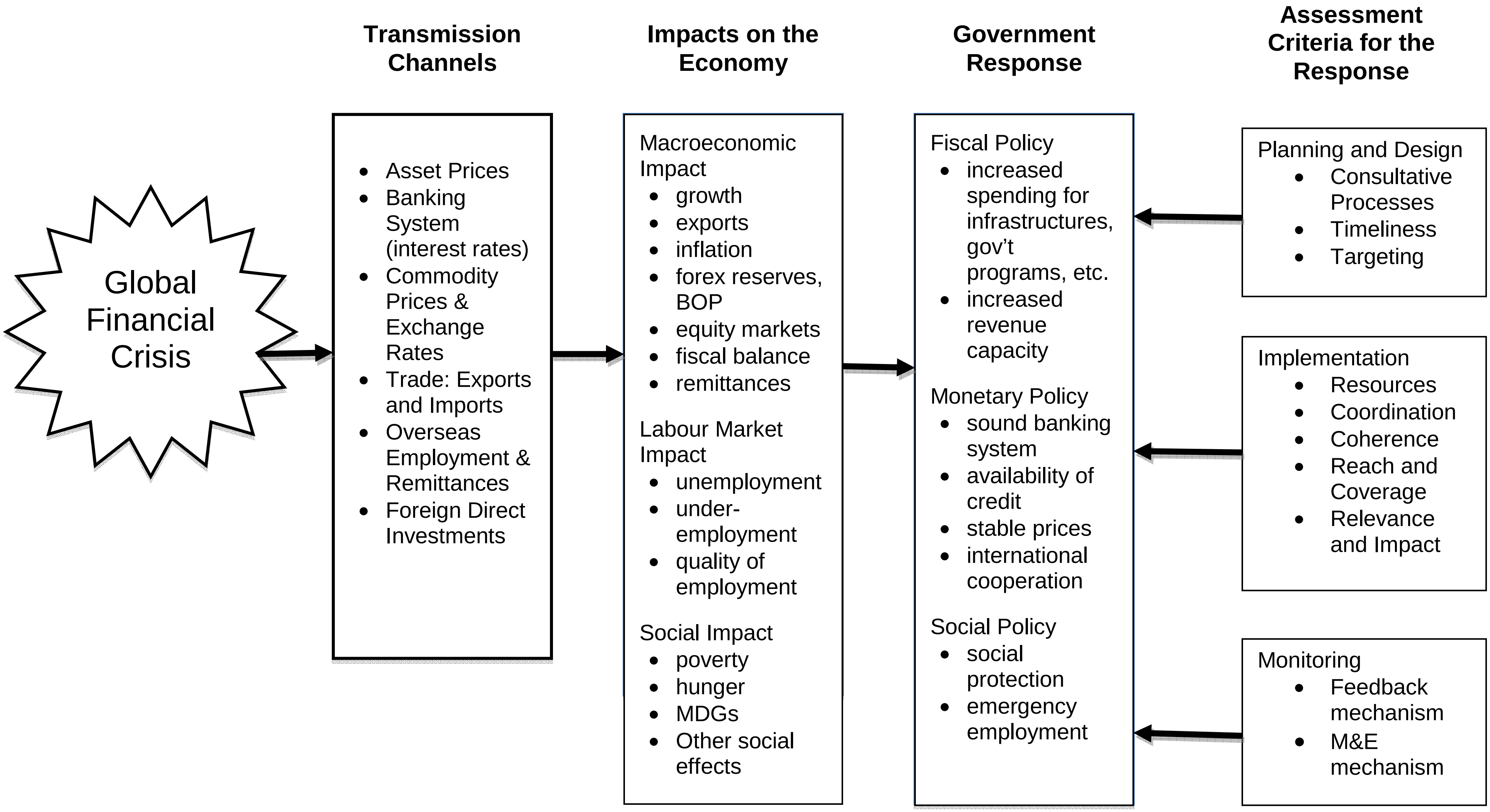
The government's strategy for mitigating the impact of the crisis includes:

- **Monetary Policy:** Ensuring that the banking system is sound and credit continues to flow in the economy**;** loosening monetary policy by decreasing interest rates and using other tools available to the Central Bank and maintaining stability of prices and exchange rates

- **Fiscal Policy:** Stimulating the economy through increased government spending in key areas of the economy e.g. infrastructure and other services; these will generate jobs for unemployed and displaced workers and ensure vulnerable sectors survive the crisis

- **Social Policy:** Implementing social protection measures which include various safety nets, insurance and employment schemes for the formal and informal sectors and most especially for the vulnerable and poor sectors.

Chart 1 A Framework for Assessing the Government's Response to the Crisis



C. Assessing the Response

- **Planning and Design Stage:**
  Consultative Processes: How government solicited inputs from various takeholders
  Timeliness: How quick the government is able to respond to the crisis*;* How fast the programmes are put in place which specifically target the affected sectors
  Tageting: How the government is able to determine the affected sectors

- **Implementation Stage**
  Resources Mobilized: Whether the resources mobilized by government was adequate and sufficient and whether it was able to mobilize resources from other stakeholders
  Institutional Coordination: Whether government was able to successfully coordinate the various agencies (national and local) and stakeholders in responding to the response and whether the coordination mechanism actually worked during the crisis
  Policy Coherence: Whether the major programs and policies for the response are coherent and do not negate/contradict each other
  Reach and Coverage of Programmes
  Relevance and Impact of the Programs for the Affected Sectors and the Economy as a Whole: How the programs actually mitigate the negative impact of the crisis – impact on economic growth, employment, poverty incidence, etc.

- **Monitoring Stage**
  Mechanisms for Getting Feedback from Households: Whether government has set up mechanisms for immediate feedback among ordinary households aside from mechanisms that consult organized sectors and stakeholders
  M&E mechanism: How the government assesses its programmes and adopt necessary changes for underperforming ones

IV. The Macroeconomic and Labour Impact of the Crisis

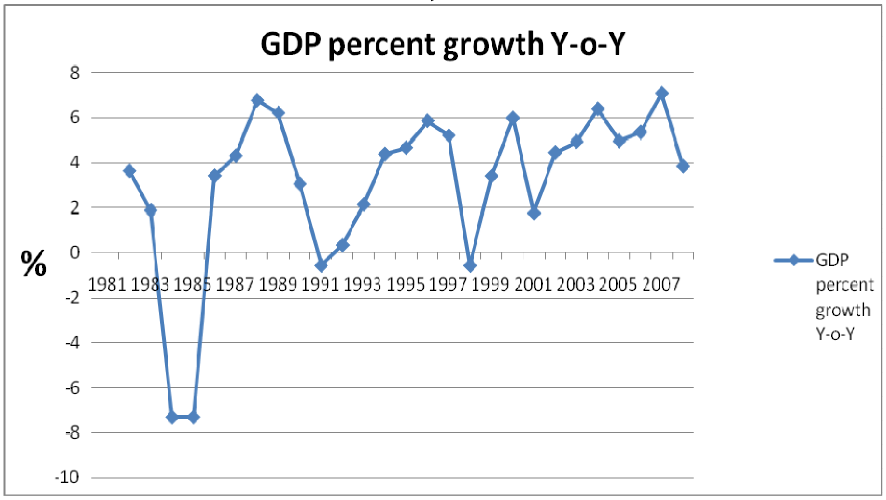
A. The Philippine Macroeconomy Prior to the Crisis: Some Structural Issues

The Philippine macroeconomy has been confronted with several structural problems in recent years. It will be important to discuss this before examining the impact of the crisis as some of the effects of the GFC simply exacerbate what the economy is currently going through. In addition, some vulnerabilities of the economy have been highlighted because of the crisis.

1. Boom and Bust Cycles

In its recent economic history, the Philippines has suffered from boom and bust cycles where the latter has always been associated with economic or political crises, natural or man-made disasters and internal and external triggers. In the graph below, the troughs are always related to a certain type of crisis. The Latin American debt crisis aggravated by the Aquino assassination leading to the EDSA uprising were the key factors that caused of the downturn from 1983-85. The natural disasters, the various coup attempts and the energy crisis were major reasons for the economic slump from 1990-1992. The East Asian financial crisis meanwhile effected another big decline in output from 1998-1999. Yet another political crisis, the ouster of Estrada in 2000-2001 again affected the macroeconomy severely.

Chart 2 GDP Growth Rates, 1981-2008



Source: ADB Outlook Indicators 2009

To make a long story short, the Philippine economy has always been vulnerable to these various crises starting especially in the 1980s. The economy was on the upturn during the 1960s and 1970s with a 5%–6% growth rate, its economy slumped in the 1980s and mid-1990s when average real GDP growth was around 2%. Only recently has the Philippines returned to its moderate expansion trend of around 5%. However, its average rate during 2001–2007 is still among the lowest in ASEAN.

Table 1: Average Gross Domestic Product Growth Rates, 1960 - 2007

Country	Average 1961–1970	Average 1971–1980	Average 1981–1990	Average 1991–1995	Average 1996–2000	Average 2001–2007
Cambodia	…	…		7.77	7.34	9.68
Indonesia	4.18	7.87	6.41	7.87	0.98	5.07
Lao PDR	NA	NA	4.54	6.42	6.17	6.56
Malaysia	6.49	7.87	6.03	9.47	4.99	4.79
Philippines	4.93	5.92	**1.80**	**2.19**	3.96	5.02
Singapore	9.88	8.83	7.49	8.87	6.40	5.34
Thailand	8.17	6.89	7.89	8.62	0.64	5.05
Viet Nam	NA	NA	4.63	8.21	6.96	7.74

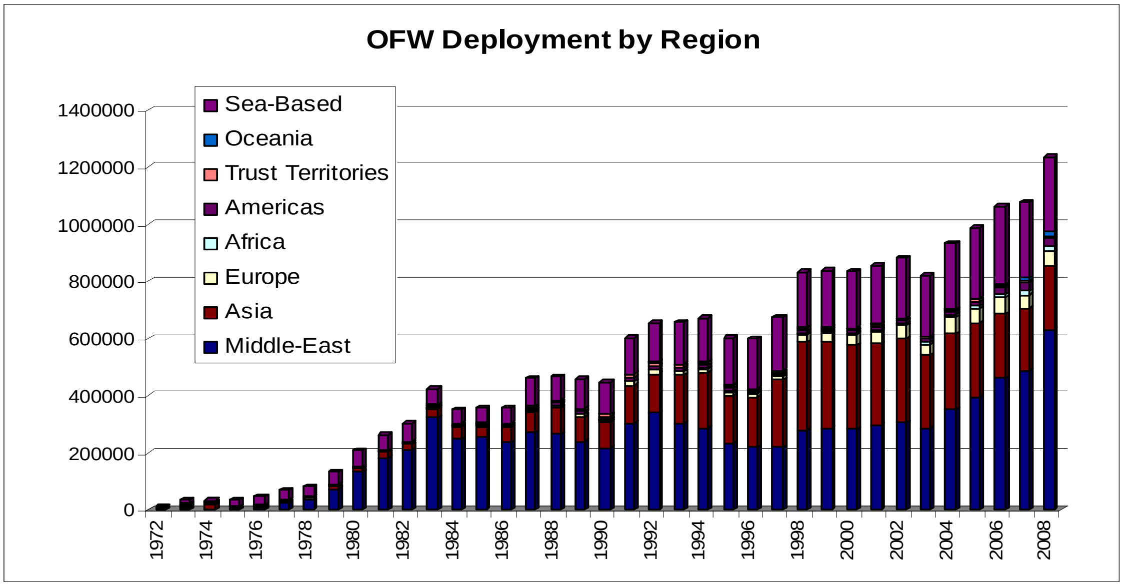
Lao PDR = Lao People's Democratic Republic
Source: World Bank Development Indicators; author's computations

2. A Consumption Driven Economy

The Philippine economy has been driven by private consumption expenditures (PCE) in the last several years. From 2000 till the present, PCE has averaged almost 70% of GDP. This is a relatively large proportion compared to that of the other ASEAN countries except Cambodia (see Table 2). PCE meanwhile are catalyzed by remittances from overseas workers. From 2006 to

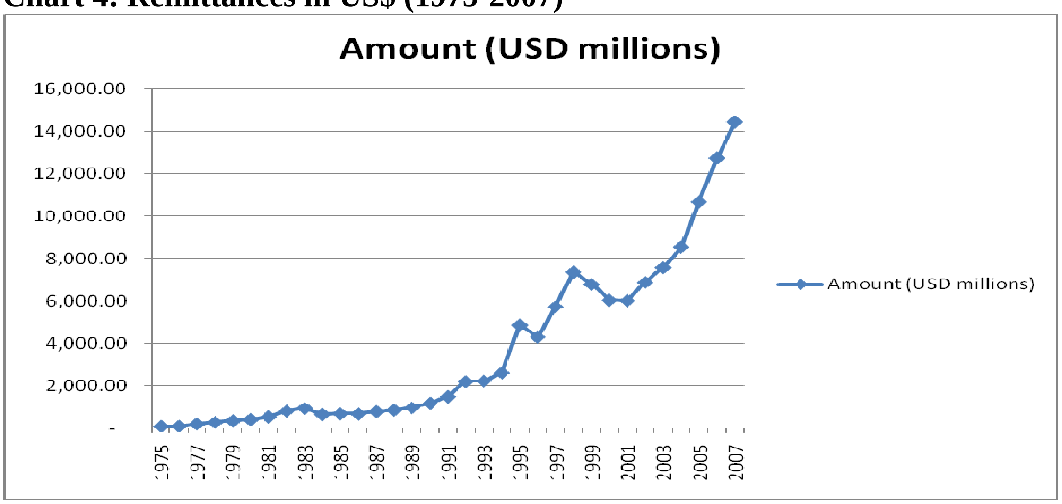
2008, deployment of overseas workers have breached the 1.2 million mark (see Chart 3). A recent estimate by the Commission on Filipinos Overseas (CFO) on the stock of overseas Filipinos shows that around 8.7 million are working abroad. About 47.36% or 4.13 million are temporary workers while permanent residents account for 42.31% or 3.69 million. Irregular[2] workers meanwhile comprise 10.32% of the total or .9 million. These workers are scattered across all continents (see Chart 3). Remittances have also been rising rapidly from 1975 (see Chart 4) and has reached more than US$ 14 billion in 2007. Sectors that are driven by remittances include wholesale and retail trade, telecommunications, housing, construction, and real estate.

Chart 3: OFW Deployment by Destination



Source: Philippine Migration and Development Statistical Almanac (2009)

Chart 4: Remittances in US$ (1975-2007)



Source: Philippine Migration and Development Statistical Almanac (2009)

[2] These are workers without valid visas or those who entered host countries illegally

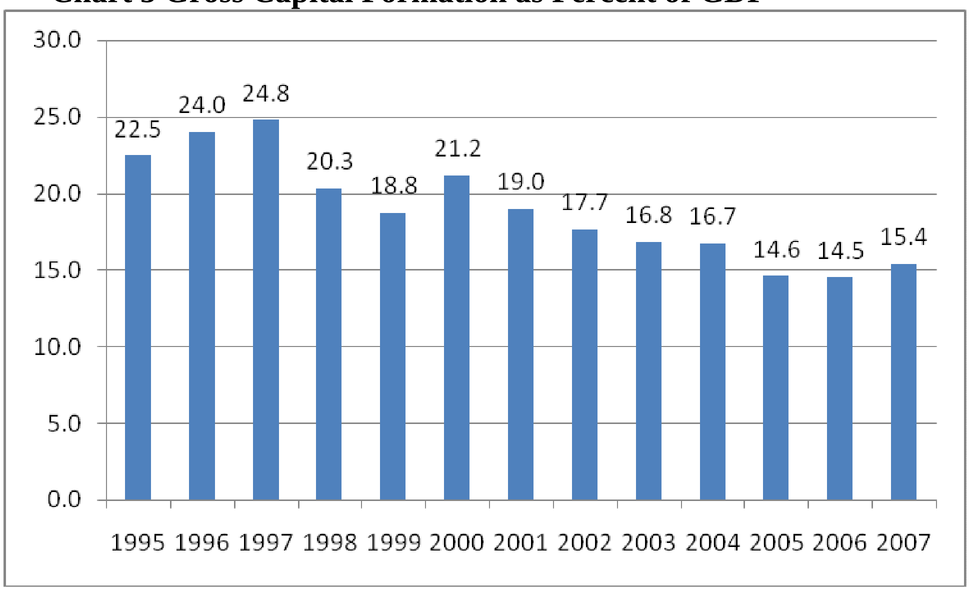
Table 2: Private Consumption Expenditures as Percentage of GDP, 1995-2007

Southeast Asia	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brunei Darussalam [a]	36.6	38.7	39.3	40.3	34.5	24.8	26.3	25.6	27.3	26.6	22.5	19.8	20.1
Cambodia	92.6	95.2	88.2	92.9	87.5	86.7	83.1	83.9	83.6	85.1	84.3	81.0	78.2
Indonesia	61.6	62.4	61.7	67.8	73.9	61.7	61.7	67.6	68.1	66.8	64.4	62.7	63.6
Lao PDR	…	…	…	…	…	…	…	…	…	…	…	…	…
Malaysia	47.9	46.0	45.3	41.6	41.6	43.8	46.1	45.0	44.6	44.0	44.8	45.0	45.8
Myanmar	…	…	…	…	…	…	…	…	…	…	…	…	…
Philippines	**74.1**	**73.5**	**72.6**	**74.3**	**72.6**	**69.6**	**70.6**	**69.4**	**69.2**	**68.7**	**69.3**	**70.1**	**69.4**
Singapore	42.3	41.6	41.0	40.0	42.2	42.2	46.0	46.6	46.1	42.4	40.6	39.5	38.6
Thailand	53.2	53.8	54.7	54.2	56.0	56.1	57.3	57.2	57.2	57.2	57.2	55.8	53.7
Viet Nam	73.6	74.4	71.8	70.9	68.6	66.5	64.9	65.1	66.3	65.1	63.5	63.3	64.8

3. An Economy with Declining Investments

Another important characteristic of the Philippine economy is the continuing decline in investments despite recent moderate growth. Chart 5 shows the decline of Gross Capital Formation as percent of GDP from a high of 24.8 in 1997 to a low of 14.5 in 2006. Again this is relatively low as compared to the other ASEAN countries except for Brunei. Reasons for such downtrend include high costs of doing business, poor quality of key infrastructure services, a fragile and underdeveloped financial system, and strong perceptions of contracting and regulatory uncertainty. The private sector has time and again identified corruption and macroeconomic instability as two major impediments to a good investment climate in the Philippines. Costs of electricity and security issues are also important factors.

Chart 5 Gross Capital Formation as Percent of GDP



Aside from local investments experiencing a down trend, the country has also not fared well in terms of foreign direct investments. Chart 6 compares FDI inflows to the Philippines with flows to Singapore, Thailand, Malaysia, Indonesia, and Vietnam from the mid-1970s up to the year 2007. The figure shows that huge differences are evident in FDI inflows to the ASEAN 6 countries with the Philippines receiving the lowest level of FDI inflows particularly in the 1990s and the 2000s. Table 5 present FDI as percentage of GDP in these countries. Except for Indonesia, the Philippines again fared badly. FDI studies show that the most important determinants on the ability of countries to attract FDI relate to the investment climate (particularly the FDI regime and the effectiveness of FDI promotion), the economic competitiveness of the country, and its growth prospects (FIAS, WB, and IFC, 2005). The Philippines has lagged behind in many competitiveness indicators. Table 6 shows the country's performance in the Global Competitiveness report where it failed to improve its ranking in two of three major indicators.

Table 4 Gross Capital Formation as Percentage of GDP

Southeast Asia	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brunei Darussalam [a]	…	…	…	…	…	13.1	14.4	21.3	15.1	13.5	11.4	10.4	12.9
Cambodia	14.3	14.5	14.8	11.8	16.7	16.9	18.5	18.1	20.1	16.2	18.5	20.6	20.8
Indonesia	31.9	30.7	31.8	16.8	11.4	22.2	22.0	21.4	25.6	24.1	25.1	25.4	24.9
Lao PDR	…	…	…	…	…	…	…	…	…	…	…	…	…
Malaysia	43.6	41.5	43.0	26.7	22.4	26.9	24.4	24.8	22.8	23.0	20.0	20.5	21.7
Myanmar	14.2	12.3	12.5	12.4	13.4	12.4	11.6	10.1	11.0	12.2	13.2	13.8	…
Philippines	22.5	24.0	24.8	20.3	18.8	21.2	19.0	17.7	16.8	16.7	14.6	14.5	15.4
Singapore	34.5	35.4	38.7	31.1	32.2	33.3	26.5	23.7	16.0	21.8	20.2	20.1	20.7
Thailand	42.1	41.8	33.7	20.4	20.5	22.8	24.1	23.8	25.0	26.8	31.4	28.4	26.6
Viet Nam	27.1	28.1	28.3	29.0	27.6	29.6	31.2	33.2	35.4	35.5	35.6	36.8	43.1

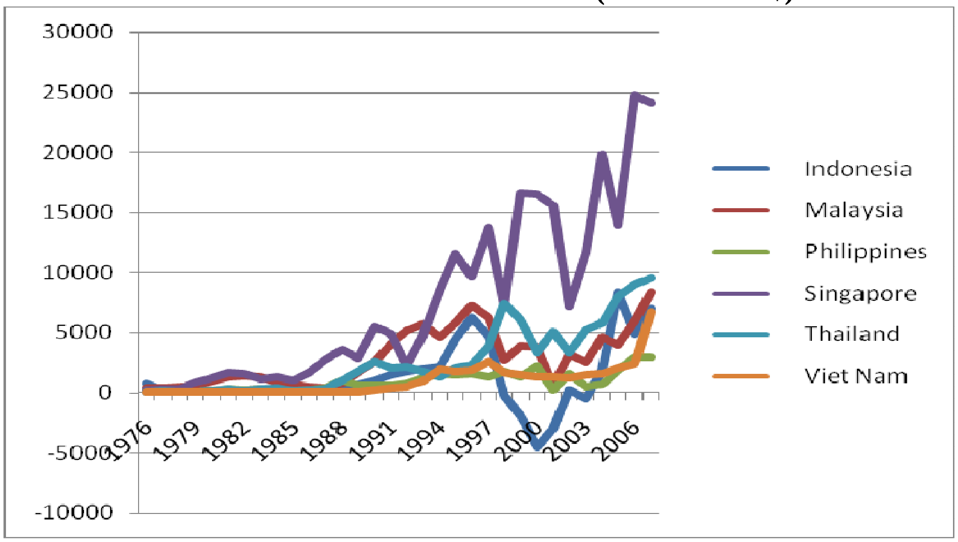
Source: ADB Outlook Indicators 2009

Table 5: ASEAN: FDI as percentage of GDP

Southeast Asia	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brunei Darussalam [a]	…	…	…	…	…	…	1.3	4.0	1.7	1.0	1.8	0.8	…
Cambodia	4.7	8.3	5.5	7.0	6.4	4.0	3.7	3.5	1.8	2.4	5.9	6.6	10.0
Indonesia	2.2	2.7	2.2	-0.3	-1.3	-2.8	-1.9	0.1	-0.3	0.7	2.9	1.3	1.6
Lao PDR	5.4	8.5	4.9	3.5	3.5	2.0	1.4	1.4	0.9	0.7	1.0	5.4	7.9
Malaysia	4.7	5.0	5.1	3.0	4.9	4.0	0.6	3.2	2.2	3.7	2.9	3.9	4.5
Myanmar	…	…	…	…	…	…	…	…	…	…	…	…	…
Philippines	2.0	1.8	1.5	3.5	1.6	3.0	0.3	2.0	0.6	0.8	1.9	2.5	2.0
Singapore	13.7	10.5	14.3	8.9	20.1	17.8	18.2	8.2	12.5	18.2	11.6	18.1	15.0
Thailand	1.2	1.3	2.6	6.5	5.0	2.7	4.4	2.6	3.7	3.6	4.6	4.6	4.6
Viet Nam	8.6	9.7	8.3	6.1	4.9	4.2	4.0	4.0	3.7	3.5	3.7	4.0	9.8

Source: ADB Outlook Indicators 2009

Chart 6: FDI Inflows to ASEAN 6 (in million US$)



Source: UNCTAD FDI Indicators (World Investment Report 2008) as cited by Aldaba &Aldaba (2009)

Table 6: Competitiveness Indicators Rankings for Selected Southeast Asian Countries

Country	Growth Competitiveness Index		Macro Environment Index		Public Institution Index	
	2004	2009	2004	2009	2004	2009
Malaysia	29	21	27	38	34	30
Thailand	32	34	26	41	37	57
Philippines	66	71	60	53	85	105
Indonesia	72	55	64	72	76	68

Source: World Economic Forum, Global Competitiveness Report, 2003-2004 and 2008-2009 as cited by Aldaba & Aldaba (2009)

The World Bank's doing business indicators showed the same concerns on costs, complexity, and uncertainty in contract enforcement. Table 7 shows a comparison of the business costs indicators for the Philippines and its East Asian neighbors. The table reveals that in general, the Philippines along with Indonesia, performed significantly below the other East Asian countries in terms of corruption-related indicators. Between 2004 and 2009, improvements are observed for time to start a business and time to enforce a contract for the Philippines and number of start-up procedures, time to start a business and cost to register business for Indonesia.

Table 7: Cost of Doing Business Indicators

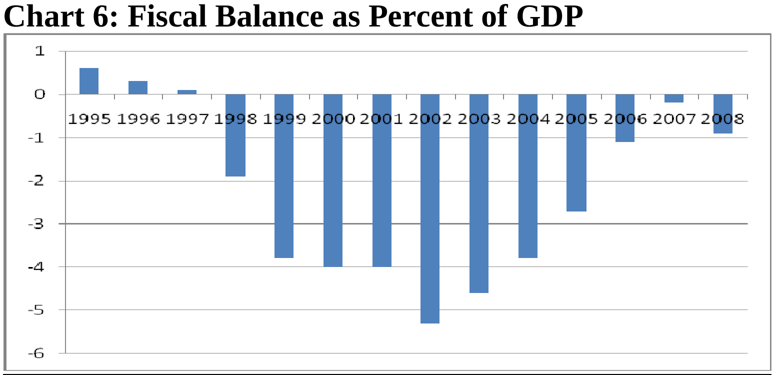
Country	Number of start-up procedures		Time to start a business (days)		Cost to register business (% of GNI pc)		Procedures to enforce a contract		Time to enforce a contract (days)		Rigidity of employment index: 0 (less rigid) to 100 (very rigid)	
	2004	2009	2004	2009	2004	2009	2004	2009	2004	2009	2004	2009
Philippines	15	15	60	52	25.4	28.2	37	37	862	842	29	29
PRChina	13	14	48	37	15.9	4.9	35	34	406	406	28	31
Malaysia	9	9	30	11	25.1	11.9	30	30	600	585	10	10
Hong Kong	5	3	11	6	3.4	1.8	24	24	211	280	0	0
Indonesia	12	9	151	60	131	26	39	39	570	570	40	40
S Korea	10	8	17	14	15.7	14.7	35	35	230	230	27	38
Singapore	7	3	8	3	1	0.7	21	21	120	150	0	0
Thailand	8	7	33	32	6.7	6.3	35	35	479	479	11	11
Vietnam	11	11	56	50	30.6	13.3	34	34	356	295	33	21

Source: World Bank, Doing Business 2005 and 2010 (http://www.doingbusiness.org)

4. Perennial Fiscal Deficits

The government has been confronted by fiscal deficits since the East Asian Financial crisis. It only recovered in 2005 when it reformed the valued added tax system. Because of this fiscal situation, government's provision of infrastructure and social services had been immensely affected. Table 8 and Chart 6 show that since 1998, the government has failed to balance the budget. Table 9 shows the Outstanding debt of government as percentage of GDP. It was in a fragile position in 2003 and 2004 when the ratio reached around 80%. The gravity of the fiscal problem is due to the fact that the post-Asian crisis economic recovery from 1999 to 2005 had surprisingly failed to improve tax effort, and conversely worsened it (Lim 2009). The tax effort peaked at more than 17% of GDP in 1996 and 1997 consistently fell after that and bottomed at 12.4% in 2004 (Table 9). This improved to around 14.3% in 2006 mainly due to the expanded coverage and higher value-added tax rate (raised from 10% to 12%). But the tax effort deteriorated again in 2007 to the present.

Chart 6: Fiscal Balance as Percent of GDP



Source: Asian Development Bank Outlook Indicators 2009

Table 8: National Government Cash Budget: Revenues, Expenditure and National Government Balance

Item	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
In million pesos													
Revenues	410449	471843	462515	478502	514762	567481	578406	639737	706718	816159	979638	1136560	1202905
of which: Tax Revenues	367894	412165	416585	431686	460034	493608	507637	550468	604964	705615	859857	932937	1049179
Expenditures	404193	470279	512496	590160	648974	714504	789147	839605	893775	962937	1044429	1149001	1271022
of which: Interest Payments	76522	77971	99792	106290	140894	181601	185861	226408	260901	299800	310108	267800	272218
Surplus (Deficit)	6256	1564	-49981	-111658	-134212	-147023	-210741	-199868	-187057	-146778	-64791	-12441	-68117
as % of GDP													
Revenues	18.90	19.44	17.35	16.07	15.34	15.63	14.59	14.82	14.51	14.99	16.24	17.07	16.04
of which: Tax Revenues	16.94	16.98	15.63	14.50	13.71	13.59	12.81	12.75	12.42	12.96	14.25	14.01	13.99
Expenditures	18.61	19.38	19.23	19.82	19.35	19.68	19.91	19.45	18.35	17.69	17.31	17.26	16.95
of which: Interest Payments	3.52	3.21	3.74	3.57	4.20	5.00	4.69	5.25	5.36	5.51	5.14	4.02	3.63
Surplus (Deficit)	0.29	0.06	-1.88	-3.75	-4.00	-4.05	-5.32	-4.63	-3.84	-2.70	-1.07	-0.19	-0.91
Source: Bureau of Treasury													

Table 9: National Government Outstanding Debt

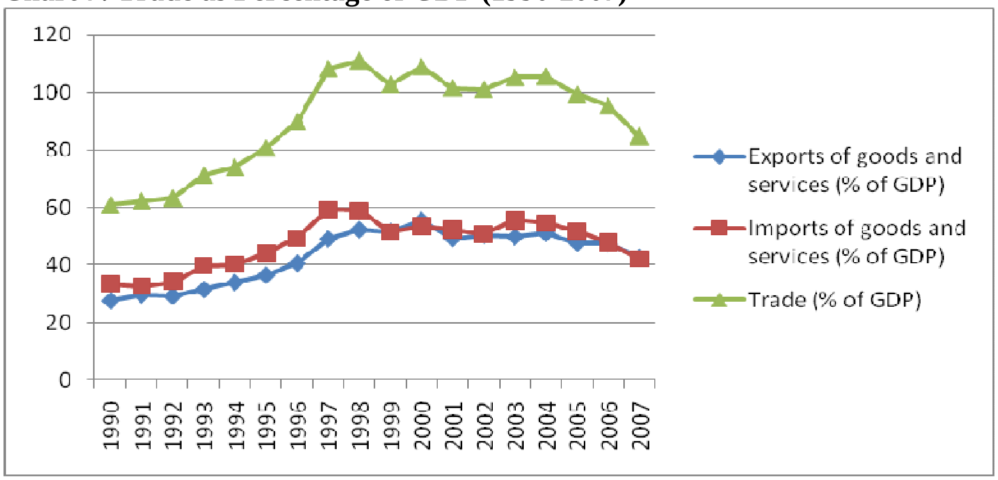
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total (in Billion Pesos)	1155.2	1350.6	1496.2	1775.4	2166.7	2384.9	2815.5	3355.1	3812.0	3888.2	3851.5	3712.5	4220.9
As % of GDP													
T O T A L	53.19	55.65	56.14	59.64	64.59	65.67	71.03	77.73	78.25	71.42	63.84	55.77	56.30
Domestic Debt	34.17	30.89	31.93	32.87	31.84	34.36	37.12	39.47	41.08	39.76	35.71	33.07	32.20
NG Direct	33.12	29.67	31.02	32.18	31.27	33.98	36.91	39.42	41.03	39.71	35.67	33.03	32.17
of which Gov't Securities	32.44	29.06	29.56	30.85	30.81	33.55	36.51	39.06	40.45	39.20	35.33	32.73	31.99
Assumed	1.05	1.22	0.91	0.68	0.57	0.38	0.21	0.05	0.05	0.04	0.04	0.03	0.03
Foreign Debt	19.02	24.76	24.21	26.77	32.75	31.32	33.91	38.26	37.17	31.67	28.14	22.70	24.09
NG Direct	14.31	18.70	18.21	18.19	19.30	17.26	17.80	18.90	17.27	12.92	11.18	9.22	10.58
Assumed	0.72	0.75	0.57	0.44	0.40	0.32	0.25	0.18	0.12	0.06	0.02	0.00	0.00
Foreign Denom. Securities	3.99	5.31	5.43	8.14	13.04	13.73	15.87	19.17	19.79	18.68	16.94	13.48	13.51

Source: Bureau of Treasury

5. Exports getting to be less diversified

While exports still comprise the largest component of GDP at around 42% in 2007, this has declined in recent years from a high of 55% in 2000. In addition, exports have become less diversified as can be seen in Chart 8, making the economy more vulnerable to crisis situations in export destination countries.

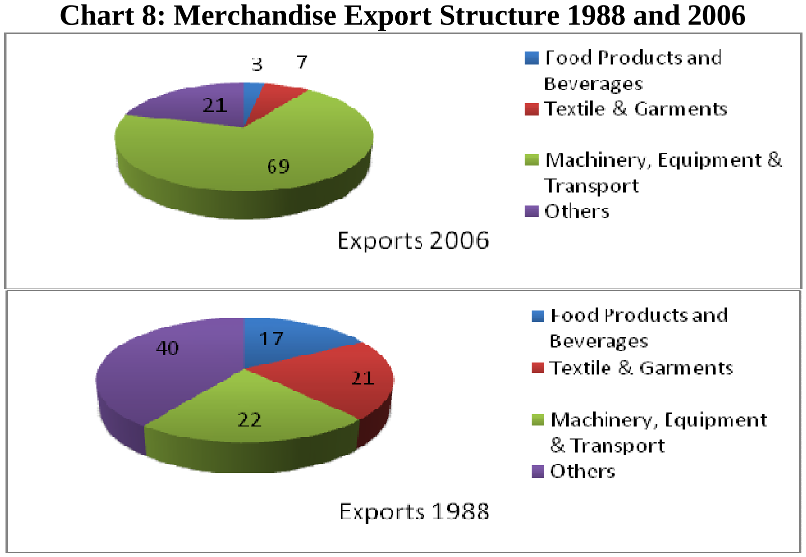
Chart 7: Trade as Percentage of GDP (1990-2007)



Source: World Development Indicators 2009, World Bank as cited in Aldaba (forthcoming)

Chart 8 presents the structure of exports by 2-digit level PSIC. In 1988, 60% of our exports consisted of electrical machinery & apparatus (22%), food and beverages (17%), and wearing apparel and textile (21%). Over the years, however, the Philippine export base has become less diversified. In 2006, 69% of the country's exports relied on only one sector: machinery equipment & transport which in 2006. Meanwhile, the shares of traditional exports such as food and beverages along with wearing apparel and textile declined to 3% and 7%, respectively.

Chart 8: Merchandise Export Structure 1988 and 2006



Source: Foreign Trade Statistics, National Statistics Office as cited in Aldaba (forthcoming)

Table 10: Exports as Percentage of GDP

Southeast Asia	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brunei Darussalam [a]	59.7	59.9	57.2	50.5	55.8	67.4	69.5	67.1	69.3	68.8	70.2	71.8	67.7
Cambodia	31.2	25.4	33.7	31.8	37.2	49.9	52.7	55.4	56.5	63.6	64.1	68.6	65.3
Indonesia	26.3	25.8	27.9	53.0	35.5	41.0	38.2	32.7	30.5	32.2	34.1	31.0	29.4
Lao PDR	…	…	…	…	…	…	…	…	…	…	…	…	…
Malaysia	94.1	91.6	93.3	115.7	121.3	119.8	110.4	108.3	106.9	115.4	117.5	116.5	110.5
Myanmar	0.8	0.7	0.6	0.4	0.3	0.5	0.5	0.4	0.2	0.2	0.2	0.2	…
Philippines	**36.4**	**40.5**	**49.0**	**52.2**	**51.5**	**55.4**	**49.2**	**50.2**	**49.6**	**50.9**	**47.6**	**47.3**	**42.5**
Singapore	187.0	181.6	175.2	172.7	183.9	195.6	191.6	192.3	212.5	224.4	236.4	243.4	230.2
Thailand	41.8	39.3	48.0	58.9	58.3	66.8	65.9	64.2	65.7	70.7	73.6	73.7	73.2
Viet Nam	32.8	40.9	43.1	44.8	50.0	55.0	54.6	56.8	59.3	65.7	69.4	73.6	76.9

Source: ADB Outlook Indicators 2009

6. Poverty and Labour Market Woes Amidst Moderate Growth

For the past twenty years, the twin problems of unemployment and underemployment have haunted the economy. Some 1.3 to 1.5 million Filipinos join the labor force every year. Despite the exodus of Filipinos to work abroad, official unemployment rates remain high by East Asian standards. Indonesia is the only other country with unemployment rates in the higher single digits as the Philippines (Table 11).

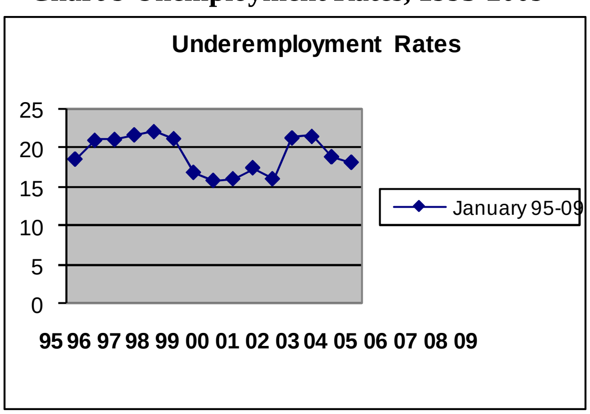
Table 11: Unemployment Rates in East Asia, 2003-2007

Country	*2003*	*2004*	*2005*	*2006*	*2007*
China	4.3	4.2	4.2	4.1	4.0
Hongkong	7.9	6.8	5.6	4.8	4.0
Indonesia	**9.5**	**9.9**	**11.2**	**10.3**	**9.1**
Malaysia	3.6	3.5	3.5	3.4	3.1
Philippines*	**11.3**	**11.8**	**11.5**	**8.0**	**7.3**
Singapore	4.0	3.4	3.1	2.7	2.1
South Korea	3.6	3.7	3.7	3.5	3.2
Taiwan	5.0	4.4	4.1	3.9	3.9
Thailand	2.2	2.1	1.8	1.5	1.4

* The official definition of unemployment was changed in 2006 resulting in lower rates
Source: *ADB Outlook 2008*

Official underemployment rates are seen to reflect the existence of low quality jobs and they have remained relatively high for the past fifteen years hovering from 16-22% (see figure below). This is consistent with the results of the 2008 Informal Sector Survey of the National Statistics Office (NSO) which showed that there were about 10.5 million informal sector operators in the country with almost 90% as self employed workers. Not surprisingly, ADB researchers Hasan and Jandoc (2009) note that the share of employment in manufacturing, the sector where most quality permanent jobs are generated has been stagnant and it is the services sector that has "absorbed" the shift of employment from agriculture. The fastest-growing job type is not permanent wage employment but casual wage jobs and that there is weak growth in wages and earnings for workers in general.

Chart 9 Unemployment Rates, 1995-2009



Source: National Statistics Office

Unemployment and underemployment of the vast majority of our citizens contribute greatly to their impoverishment. Poverty incidence among households increased from 24.4% in 2003 to 26.9% in 2006 and the number of poor families increased from 4.02 million in 2003 to 4.68 million in 2006. The headcount index increased from 30.0% in 2003 to 32.9% in 2006 and the number of poor people from 23.8 million in 2003 to 27.6 million in 2006. Self-Rated Poverty[3] has ranged from 50%-52% for most of 2008, peaking at 59% (estimated 10.6 million people) in the 2nd quarter. Aside from high unemployment and underemployment rates, the labour market is also experiencing a high rate of overseas migration. This is a rationale response of a segment of the labour force to the unavailable supply of quality jobs in the country as discussed above.

B. Macroeconomic Impact of the Global Crisis

The immediate impact of the tight liquidity in global capital markets was a rise in the price of risk measured by bond spreads and a sharp drop in equity prices. Foreign currency denominated government bond spread for the Philippines jumped from 155 basis points in June 2007 to 549 basis points in November 2008 and the Philippine stock exchange index fell by 24 percent between July 2008 and January 2009 (Yap et al, 2009). The following discusses the medium term macroeconomic impact of the GFC:

1. The Impact on Over-all Economic Growth

The more insidious, long-term consequence of the Global Financial Crisis has been the downsizing of the real economy as the economies of the biggest trading partners like the United States, Japan, and Europe underwent contraction. This has had profound effects on the Philippine manufacturing sector, particularly the export sub-sector. Running data for 2009 indicate some contractionary pressures on the Philippine economy, especially in the manufacturing sector. Table 12 shows a decline in the Producer Price Index (PPI) from 2008 to the first half of 2009.

Table 12. Producer Price Index for Manufacturing, Philippines (2000=100)

Particulars	2007	2008	2009*
Total manufacturing	168.40	175.25	172.3
Annual percentage change	0.8	4.1	(0.2)

*Running data from January to July 2009.
Source: Monthly Integrated Survey of Selected Industries (MISSI), National Statistics Office (NSO)

[3] An approach measuring poverty incidence through a random survey of households (heads) which identify themselves as being poor; in the Philippines, this was pioneered by the Social Weather Stations

Table 13. National Accounts of the Philippines, at constant 1985 prices, Q-on-Q changes, Q1 2007~Q3 2009

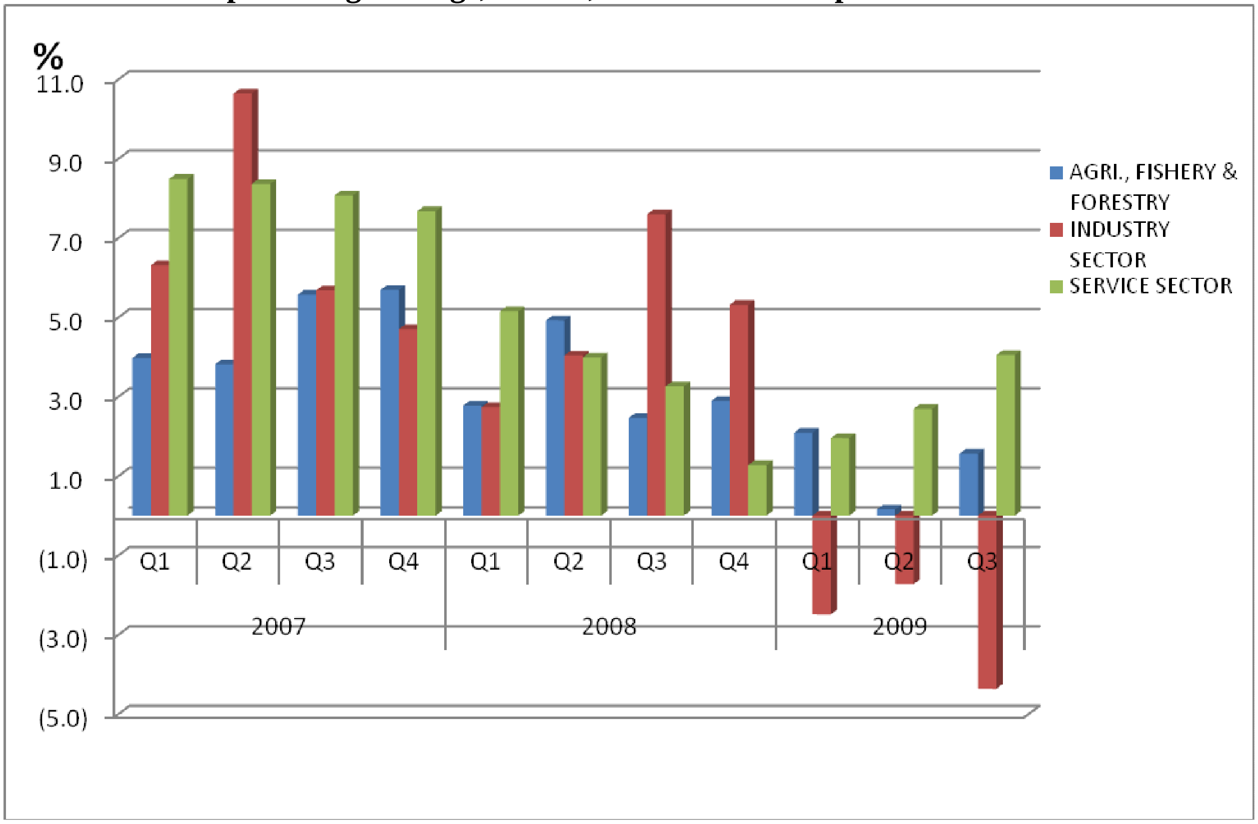
Particulars	**2007**				**2008**				**2009**			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross National Product	6.4	9.8	9.1	6.0	6.4	5.3	6.2	6.7	3.1	3.2	3.5	2.4
Gross Domestic Product	6.9	8.3	7.1	6.4	3.9	4.2	4.6	2.9	0.6	0.8	0.8	1.8
Gross National Product (in millions of PhP)	347,192	375,026	362,466	410,905	369,494	394,787	385,063	438,454	380,901	407,432	398,422	449,173
Gross Domestic Product (in millions of PhP)	320,326	339,218	328,795	378,154	332,890	353,331	343,784	388,948	334,866	356,050	346,405	395,942

Source: National Statistical Coordination Board, February 2010

Both Gross National Product (GNP) and Gross Domestic Product (GDP) exhibit a general downward trend over the last three (3) full years from Q1 2007 save for the spike in Q2 2007 (Table 13). But while growth in 2009 was remarkably weak in Q1 as the world economy began to feel the effects of the Global Financial Crisis, it was still positive, unlike that of many other countries in Asia. Admittedly, though, were it not for remittances – a major item in GNP (which treads a higher growth path than GDP) – it is likely that the economy would have fared much worse.

After a relatively strong performance in the third quarter of 2008 the industrial sector registered negative growth for the first three quarters of 2009. Agriculture, fishery and forestry, while still in positive territory, went down to almost zero growth in Q2 2009 although it recovered to above 1% in the following quarter. This would impact most adversely on rural poverty and hunger, as the majority of the population are still found in the countryside and where rural families are dependent on farm-based incomes. The service sector has started to grow after a dip in the last quarter 2008 which tends to confirm the consumption-driven nature of the Philippine economy, as more jobs open up in the service sector, which deals largely with traded goods and services, in contrast with production-related activities in industry and agriculture. Overall, however, the Philippine economy registered positive growth in 2008 at 4.6% and 2009 at 0.9%, at a time when a contraction was considered inevitable in many places in the world.

Chart 10. National Income Accounts (GNP, GDP) by source or industry sector, percentage change, Y-O-Y, at constant 1985 prices



Source: National Statistical Coordination Board, August 2009

2. Prices and Inflation

Table 14 shows that inflationary pressures were built up during early 2008 even before the crisis erupted, as oil and food prices fuelled the increase in prices. Significant reductions in inflation were realized though in 2009, as it went down to single digits at the beginning of that year after reaching double digits in 2008. Headline inflation settled at 3.35% in 2009 from a high of 9.29% in 2008. The low inflation in 2009 mainly due to base effects and partially to the downturn of economic activity gave the monetary authorities enough flexibility to continually reduce interest rates.

Table 14. Simple (Headline) Inflation, Philippines, 2000=100, % changes Y-o-Y, 2007~2009

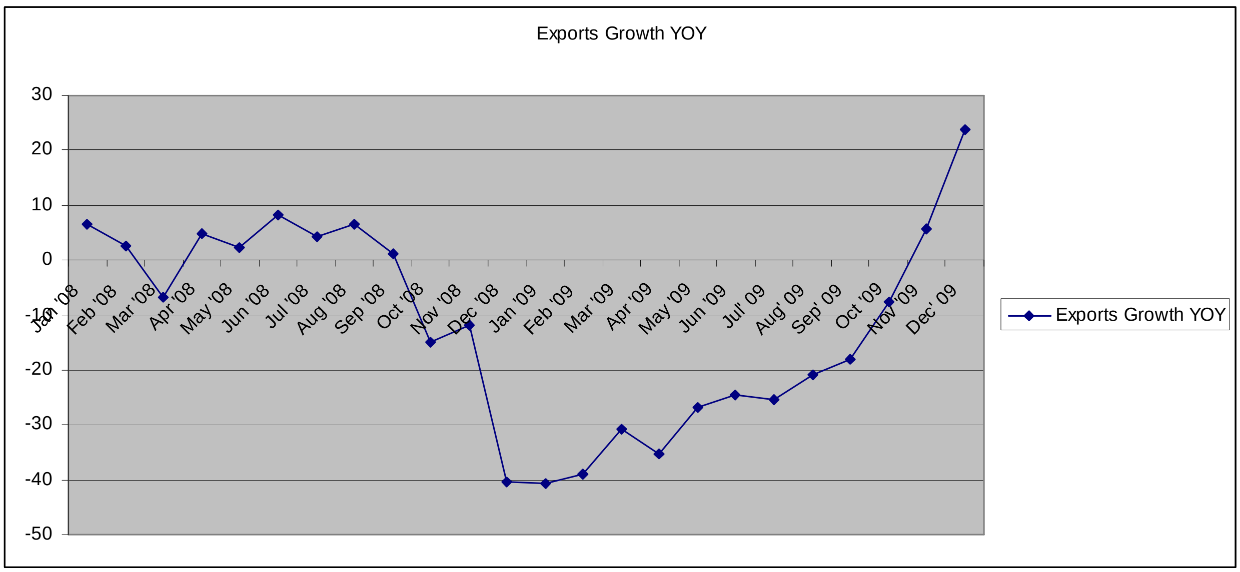
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2007	3.90	2.60	2.20	2.30	2.40	2.30	2.60	2.40	2.70	2.70	3.20	3.90	2.77
2008	4.90	5.40	6.40	8.30	9.50	11.40	12.30	12.40	11.80	11.20	9.90	8.00	9.29
2009	7.10	7.30	6.40	4.80	3.30	1.50	0.20	0.10	0.70	1.60	2.80	4.40	3.35

Source of basic data: NSO, BSP-DER.

3. Trade (Exports and Imports)

As early as end-2008, when the Crisis began to unfold, many observers had correctly predicted that the Philippines, particularly its export sector, would suffer as a result. The country's exports plunged by 21.9 percent to $38.33 billion in 2009 from $49.078 billion in 2008 as demand for locally-made products declined substantially due to the global financial crisis. Philippine exports started to decelerate in September 2008 and reached its lowest point in December of that year, decreasing to -40.3%. Electronic products, the country's top export fell 22% in 2009 and apparel and clothing, the second top export declined 17.8%. However, total exports recovered in November 2009, with a positive growth of 5.7 percent and then surged 23.6% in December.

Chart 11.Exports Growth, Philippines, January 2008 ~ December 2009



Source: National Statistics Office

4. FDI and Balance of Payments

The balance-of-payments (BOP) position registered an overall surplus of US$4.17 billion for Q3 2009. For the month of October 2009 alone, the figure is double that of the same period from the previous year, reversing a deficit of US$1.2 billion and posting a surplus of US$896 million. This latest BOP figure also represents an improvement from that of the previous month of September 2009, which was recorded at US$502 million, The surplus was created in part by the sale of US$1 billion in global bonds, the proceeds of which will be used to help the government fill in an estimated PhP300 billion budget gap for 2009 and settle maturing obligations. The Philippines had also borrowed US$250 million from the Asian Development Bank (ADB) to meet increased spending needs as a pump-priming measure in the wake of the twin disasters of typhoons "Ondoy" and "Pepeng" that visited the country in September.[4] These measures have helped to improve net capital inflows. However, in November, the country incurred a BOP deficit of $93 million, a reversal of the previous month's $896-

[4] "10-month BOP surplus hits $4.17B," by Michelle Remo, in Philippine Daily *Inquirer*,17 November 2009.

million surplus. Because of this, the 11-month surplus was reduced to $4.080 billion from the end-October's $4.173-billion.

The Philippines' net inflow of foreign direct investments (FDI) amounting to US$82 million was posted in November 2009. On a cumulative basis, the eleven-month FDI level amounted to US$1.4 billion, higher by 5.5 percent than the year-ago level. Net equity capital inflows, totalling nearly US$1.4 billion, were up by 12.8 percent compared to the US$1.2 billion level recorded in the same period in 2008. In particular, gross equity capital placements from January to November 2009 reached US$1.5 billion, with the bulk of investments coming from the U.S., Japan, Hong Kong, and the Netherlands. Recipient industries included manufacturing, real estate, construction, services, financial intermediation, mining, trade/commerce, and transportation/ storage/communications.

5. *Exchange Rates and Gross International Reserves*

The Philippine peso normally tracks the weakening or strengthening of the US dollar in the global market. After much volatility from 2004 to early 2007, a relatively stable exchange-rate regime has been in place from mid-2007 to the present, fluctuating in the ranges from P45 to P47 per US dollar. This relative stability in the exchange rate has helped the Philippines keep inflationary pressures in check. Table 17 summarizes the exchange rate averages and end-of-period numbers against the US dollar throughout the years of the Arroyo administration's second term in office.

Table 16 shows the country's international reserve position at the close of each period indicated. To its credit, the BSP under the guidance of the Monetary Board enacted policies to ensure a steady build-up of the reserve position even prior to the start of the Crisis. The central bank's gross international reserves (GIR), which serve as the country's premier line of defense against foreign exchange shocks, grew to a fresh record high of $42.3 billion. At its end-September level, the foreign exchange stock was enough to cover 7.8 months worth of imports and payments of services and income. It was also equivalent to 7.6 times the country's short-term external debt based on original maturity.

Lim (2009) notes that in 2008, the net outflows from portfolio investments and the trade deficit were outpaced by overseas remittances of OFWs. He adds that these remittance inflows usually went beyond 10% of GDP, so that when the global financial and economic meltdown started, the massive capital outflows did not lead to a very strong reduction in foreign exchange reserves in 2008.

Table 15. Foreign Direct Investment (BOP concept), in millions of US dollars, 2008~2009

Item	2008									2009*									Cumulative (Jan-Sep)			Y-o-Y Growth rate**	
	J	*F*	*M*	*A*	*M*	*J*	*J*	*A*	*S*	*J*	*F*	*M*	*A*	*M*	*J*	*J*	*A*	*S*	*2007*	*2008*	*2009**	*2008*	*2009*
Non-resident investment in RP	**-4**	**88**	**135**	**217**	**23**	**146**	**321**	**51**	**211**	**33**	**231**	**-226**	**599**	**388**	**-133**	**347**	**36**	**-6**	**2617**	**1188**	**1269**	**-54.6**	**6.8**
Equity capital	**45**	**35**	**97**	**36**	**15**	**154**	**600**	**19**	**43**	**6**	**10**	**32**	**627**	**319**	**2**	**315**	**22**	**-14**	**1856**	**1044**	**1319**	**-43.8**	**26.3**
Placements	78	68	103	51	42	167	606	39	54	26	14	33	632	322	34	326	53	17	1980	1208	1457	-39.0	20.6
Withdrawals	33	33	6	15	27	13	6	20	11	20	4	1	5	3	32	11	31	31	124	164	138	32.3	-15.9
Reinvested earnings, net	**-83**	**-73**	**-89**	**16**	**21**	**24**	**92**	**16**	**1**	**17**	**13**	**10**	**17**	**13**	**18**	**-14**	**30**	**10**	**412**	**-75**	**114**	**-118.2**	**252.0**
Other capital, net	**34**	**126**	**127**	**165**	**-13**	**-32**	**-371**	**16**	**167**	**10**	**208**	**-268**	**-45**	**56**	**-153**	**46**	**-16**	**-2**	**349**	**219**	**-164**	**-37.2**	**-174.9**

**Preliminary*
***Year-to-date (September)*
Source: BSP

Table 16. International Reserve Levels, Philippines, at end of period indicated (in millions of US dollars)

	2008										2009					
	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June
Reserve Position in the Fund	144.06	142.32	141.97	143.20	142.08	137.61	135.55	130.46	130.03	135.02	130.78	128.63	131.06	131.31	135.70	136.15
Gold	3,834.39	3,584.75	3,795.61	3,962.94	3,904.11	3,568.84	3,848.44	3,516.51	3,808.98	4,357.93	4,567.67	4,687.30	4,547.47	4,422.69	4,879.20	4,711.71
SDRs	0.08	13.37	12.61	12.71	12.61	11.49	11.32	10.90	10.25	10.65	10.31	9.91	10.10	10.11	10.33	10.35
Foreign Investments	32,274.85	32,228.27	31,884.16	32,223.58	32,545.36	32,672.28	32,292.70	31,832.29	32,374.42	32,065.86	33,682.15	33,213.97	33,414.96	33,941.45	33,810.59	33,937.41
Foreign Exchange	370.63	386.86	398.77	369.85	296.83	352.50	409.44	461.42	504.47	981.36	857.30	884.76	937.69	810.69	753.56	693.92
GIR	**36,624.01**	**36,355.57**	**36,233.12**	**36,712.28**	**36,900.99**	**36,742.72**	**36,697.45**	**35,951.58**	**36,828.15**	**37,550.82**	**39,248.21**	**38,924.57**	**39,041.28**	**39,316.25**	**39,589.38**	**39,489.54**
Annual Growth Rate (in %)	48.4	44.9	41.5	39.2	31.7	20.5	18.8	10.6	12.6	11.3	12.8	7.3	6.6	8.1	9.3	7.6
Less:																

Liabilities	21.44	27.46	21.84	506.01	510.19	715.19	921.37	1,528.39	1,527.97	1,514.68	1,521.05	1,027.24	1,534.73	1,543.39	1,045.26	1,023.97
NIR [1]	**36,602.57**	**36,328.11**	**36,211.28**	**36,206.27**	**36,390.80**	**36,027.53**	**35,776.08**	**34,423.19**	**35,300.18**	**36,036.14**	**37,727.16**	**37,897.33**	**37,506.55**	**37,772.86**	**38,544.12**	**38,465.57**
Reserve Adequacy Measures																
Import Cover [2]	5.96	5.86	5.78	5.77	5.69	5.62	5.56	5.47	5.68	5.95	6.36	6.46	6.66	6.91	7.14	7.29
Short-Term External Debt Cover																
Original Maturity	550.65	546.62	544.78	417.33	419.47	408.39	442.19	404.00	413.85	536.36	560.61	598.75	600.64	604.87	609.07	686.42
Residual Maturity [3]	289.88	296.20	299.08	263.74	264.83	264.30	283.05	260.33	269.05	324.16	337.71	318.09	315.56	315.49	317.20	344.32
Memo Item																
Percent Share to Total GIR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Reserve Position in the Fund	0.39	0.39	0.39	0.39	0.39	0.37	0.37	0.36	0.35	0.36	0.33	0.33	0.34	0.33	0.34	0.34
Gold	10.47	9.86	10.48	10.79	10.58	9.71	10.49	9.78	10.34	11.61	11.64	12.04	11.65	11.25	12.32	11.93
SDRs	0.00	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Foreign Investments	88.12	88.65	88.00	87.77	88.20	88.92	88.00	88.54	87.91	85.39	85.82	85.33	85.59	86.33	85.40	85.94
Foreign Exchange	1.01	1.06	1.10	1.01	0.80	0.96	1.12	1.28	1.37	2.61	2.18	2.27	2.40	2.06	1.90	1.76

[1] *Inclusive of gold monetization and revaluation of reserve assets and reserve-related liabilties which are excluded in the calculation of the balance of payments (BOP). Net International Reserves (NIR) refer to the difference between Gross International Reserves (GIR) and the total of the Bangko Sentral's short-term liabilities and the Use of Fund Credits (UFC). UFC refers to the sum of outstanding drawings from the IMF under various policies the reserve tranche.*

[2] *Number of months of average imports of goods and payment of services and income that can be financed by reserves.*

[3] *Refers to adequacy of reserves to cover outstanding short-term external debt based on original maturity plus principal payments on medium- and long-term loans of the public and private sectors falling duein the next 12 months.*

[r] *Revised based on the final International Reserves (IR) report as of end-September 2009.*

Table 17. Philippine pesos per US dollar, daily average per month and end-of-period, 2004~ 2009

Daily average per month	2004	2005	2006	2007	2008	2009
January	55.5261	55.7662	52.6171	48.9143	40.9381	47.2072
February	56.0696	54.8128	51.8168	48.3814	40.6711	47.5846
March	56.3029	54.4402	51.2189	48.5172	41.2524	48.4580
April	55.9039	54.4918	51.3597	47.8224	41.8196	48.2165
May	55.8453	54.3411	52.1273	46.8141	42.9020	47.5242
June	55.9848	55.1790	53.1567	46.1602	44.2806	47.9053
July	55.9527	56.0062	52.3976	45.6251	44.9563	48.1460
August	55.8342	55.9523	51.3618	46.0737	44.8769	48.1607
September	56.2132	56.1562	50.4012	46.1315	46.6922	48.1394
October	56.3414	55.7077	50.0038	44.3803	48.0252	46.8513
November	56.3221	54.5606	49.8434	43.2176	49.1862	47.0324
December	56.1828	53.6118	49.4670	41.7429	48.0942	
Average	56.0399	55.0855	51.3143	46.1484	44.4746	47.7478
%Appreciation(+)/Depreciation(-)	-3.2800	1.7300	7.3500	11.1900	3.7600	-9.9600
*Volatility** *	0.2801	0.8396	1.1536	2.0991	2.9141	0.5244

Year	2004	2005	2006	2007	2008	2009
End-of-Period						
January	56.0850	55.1120	52.3360	49.0270	40.6500	47.0760
February	56.2750	54.7170	54.0880	48.2870	40.3600	48.2360
March	56.3570	54.7930	51.2840	48.2620	41.8680	48.4190
April	55.8580	54.3540	51.8260	47.5100	41.1920	48.7040
May	55.8370	54.3670	52.6540	46.2690	43.8820	47.5480
June	56.1810	55.9190	53.5870	46.3290	44.7560	48.3080
July	56.0090	56.1050	51.6240	45.6110	44.1400	48.1210
August	56.2160	56.1600	50.9370	46.6950	45.6850	48.9060
September	56.3360	56.0550	50.3870	45.0630	46.9170	47.5920
October	56.3510	55.0600	49.8050	43.9470	48.7460	47.7320
November	56.2310	53.9990	49.7630	42.7980	48.8800	46.7520
December	56.2670	53.0670	49.1320	41.4010	47.4850	

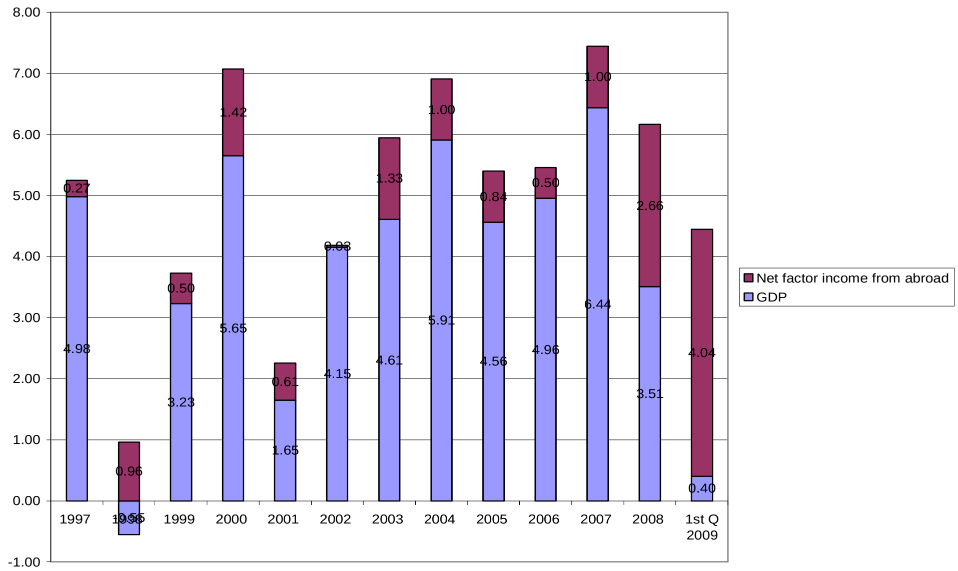
Source: BSP, 2009

6. Remittances

Remittances by overseas Filipino workers (OFW) grew 5.6% in 2009 proving its resilience to the global economic downturn. Data from the BSP showed that money sent reached a record $1.6 billion in December, an 11.4% growth from the same month in 2008. This was the highest growth recorded for 2009 and the highest year-on-year expansion since October 2008.This brought the country's total remittance inflows for 2009 to $17.3 billion. According to the the BSP, the country's major sources of remittances were the United States, Canada, Saudi Arabia, United Kingdom, Japan, Singapore, United Arab Emirates, Italy, and Germany. It also credited the steady growth in remittances to the sustained deployment of skilled Filipino workers and increased access of OFWs to formal money transfer channels. Last year there was increased demand for engineers, medical practitioners, and teachers. As OFWs are spread around the globe, this diversification has also contributed to the resilience of remittance flows. The downside of remittances is some evidence of growing dependency among the youth in migrant households. (PIMA Foundation, 2009).

Net factor Income from Abroad (NFIA) which are mostly remittances has kept the economy afloat in 2008 and early 2009 as could be seen in the chart below from Lim (2009).

Chart 13 Contribution to GNP: GDP and NFIA



Source: NSCB as cited by Lim (2009)

7. *Equity Markets and Portfolio Investments*

Other economic indicators highlight the Philippines' resilience in the current adverse environment. BSP reported "hot money" inflows totalling US$229.14 million in the first nine months alone of 2009, a reversal from year-ago net outflows of US$889.15 million. Updated figures show that in the first two weeks of October 2009, the foreign fund managers opted to stay invested in the Philippines as hot-money inflows totalled US$162.65 million, also a reversal from year-ago net outflows of US$42.70 million. This resulted in net hot-money an inflow of US$389.94 million from year-to-date and a turnaround from year-ago outflows reaching US$897.83 million. BSP data showed that 82 percent of the gross portfolio investment inflows reported in September entered the stock market, the rest into peso-denominated securities and time deposits. Gross portfolio inflows totalled $685.30 million in September, outflows were $638.35 million. Foreign portfolio investment inflows hit US$4.024 billion in the eight-month period against outflows of US$3.842 billion. A month earlier, the BSP reported that foreign portfolio inflows amounted to $384.96 million in August against outflows of $467.87 million. The investments, which came from the United States, the United Kingdom, Japan, Singapore and Luxembourg, were invested mainly in the stock market.

In a related development, companies listed on the Philippine Stock Exchange (PSE) saw aggregate profits grow significantly during the first six months of the current year, and analysts said the rest of 2009 will likely be better. The PSE, in a statement, said the combined net earnings of 229 listed firms increased by 46.3% to P193.43 billion from a year earlier. Total revenues likewise went up by 4.8% to P1.32 trillion. A total of 164 companies ended the January-June period in the black while 65 firms recorded net losses, the PSE added. Ultimately, the improved real corporate performance – as opposed to stock price appreciation and increased market capitalization – of PSE-listed firms will result in improved investor-confidence in the local issuances, as evidenced by the stronger upward momentum of the Philippine Stock Index (PhiSIx) beginning in December of 2008 (Chart 14).

Chart 14. Philippine Stock Index (PhiSIx), June 2007 ~ October 2009

Image source: DB Knowledge Services, 2009 (http://www.dbresearch.de)

8. Fiscal Balance

The fiscal deficit of the National Government for 2009 was recorded at P298.5 billion, higher by P48.5 billion than the target of P250 billion and around 3.9 percent of GDP. The National Government incurred a deficit in December amounting to P26.0 billion. For the full year of 2009, revenue collections reached to P1,123.2 billion or P115.9 billion lower than program. The shortfall in revenue collections is due to the underperformance by the Bureau of Internal Revenue by P48.2 billion, Bureau of Customs by P53.0 billion, and Other Offices by P24.6 billion. The Bureau of the Treasury, on the other hand, exceeded its collection target by P9.8 billion and registered a growth of 9.8% compared to the same period last year. The fall in revenues can also be attributed to slower economic activities and lower profitability of companies as a result of the GFC. National Government expenditures reached P1,421.7 billion for the year or 67.4 billion below than program and grew by 12% over the same period last year. This is despite the P 330 billion stimulus spending that it supposedly incurred for the year.

Table 18 Fiscal Performance of the Republic of the Philippines
January to December 2009
(In Billion Pesos)

	Jan – Dec Actual		Jan – Dec 2009 Programmed	Program vs. Actual	Percent Growth 2008/2009
	2008	2009			
Surplus/(Deficit)	(68.1)	(298.5)	(250.0)	(48.5)	338.3
Revenues	1,202.9	1,123.2	1,239.2	(115.9)	(6.6)
Cash	1,144.2	1,071.3	1,183.9	(112.6)	(6.4)
Non-Cash	58.7	51.9	55.3	(3.3)	(11.5)
Expenditures	1,271.0	1,421.7	1,489.2	(67.4)	11.9
Cash	1,212.3	1,369.8	1,433.9	(64.1)	13.0
Non-Cash	58.7	51.9	55.3	(3.3)	(11.5)

Source :Bureau of Treasury

C. Labour and Social Impact of the Global Financial Crisis

1. Unemployment

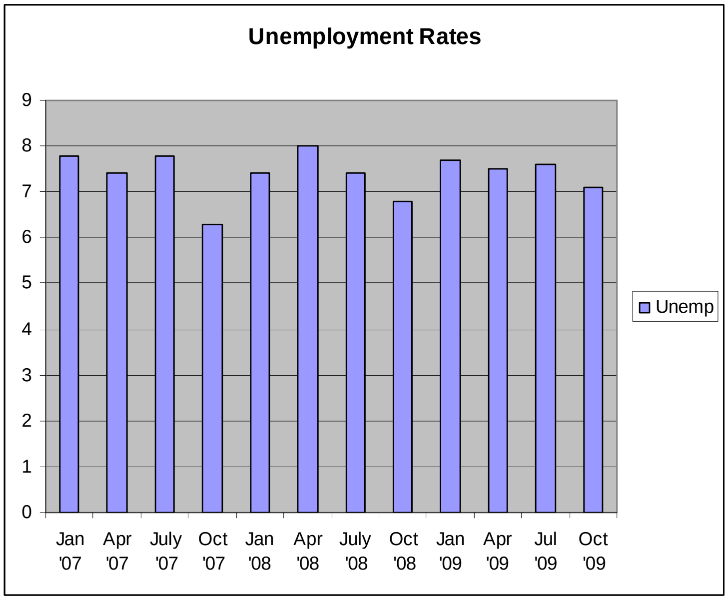
Even before the onslaught of the GFC, the country already experienced a relatively high unemployment rate in April 2008. During the crisis i.e. after September 2008, unemployment peaked in January 2009 but eventually eased up in October 2009 as signs of recovery emerged.

Table 19: Key Indicators

	LFPR	Unemp	Underemp
Jan '07	64.8	7.8	**21.5**
Apr '07	64.5	7.4	18.9
July '07	63.6	7.8	22
Oct '07	63.2	6.3	18.1
Jan '08	63.4	7.4	18.9
Apr '08	63.2	**8.0**	19.8
July '08	64.3	7.4	21.0
Oct '08	63.7	6.8	17.5
Jan '09	**63.3**	**7.7**	18.2
Apr '09	64.0	7.5	18.9
Jul '09	64.6	7.6	**19.8**
Oct '09	64.0	7.1	19.4

Source: National Statistics Office

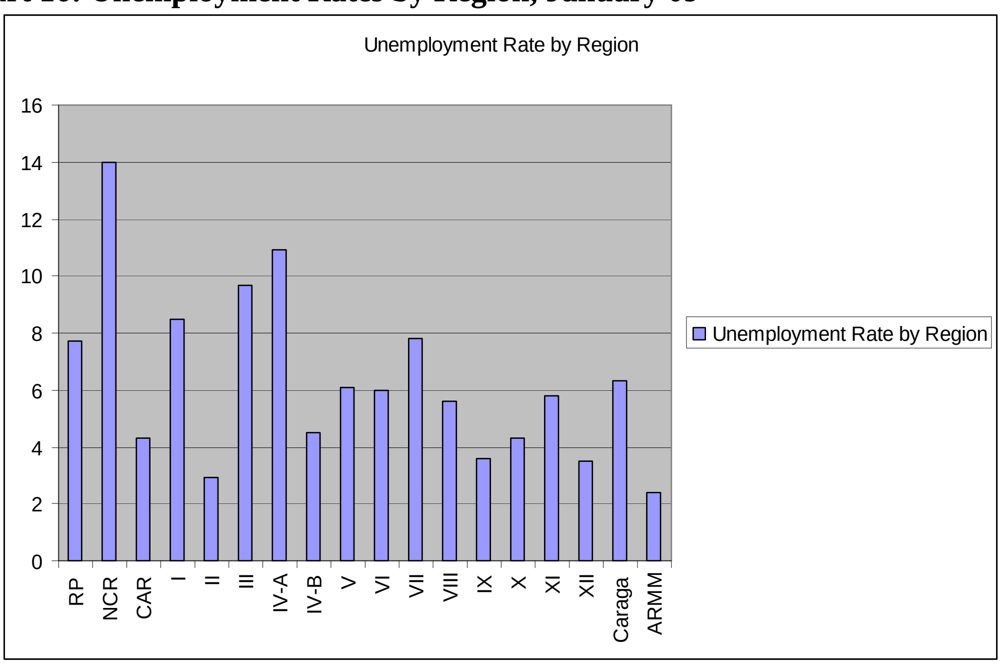
Chart 15: Unemployment rates, January 07 to October 09



Source: National Statistics Office

In terms of regions, the National Capital Region, Calabarzon (IV-A) and Central Luzon (III), Ilocos (I) and Cebu (VII) were the ones hit with relatively high unemployment rates. Some of the export-oriented firms are based in these regions especially those within the export processing zones. This is confirmed by anecdotes and case studies of workers retrenched from such firms as gathered by the ILO and ADB in Cavite, Batangas, Laguna and Cebu. (Lopez, 2009 and PIMA Foundation, 2009)

Chart 16: Unemployment Rates by Region, January 09



Source: National Statistics Office

These unemployment statistics can be further bolstered by administrative data from the Department of Labour and Employment in terms of establishments reporting their displaced workers. Table 20 shows that CALABARZON, NCR, Central Visayas and Central Luzon contributed more than 90% of the displaced workers from affected firms from Jauary to June 2009.

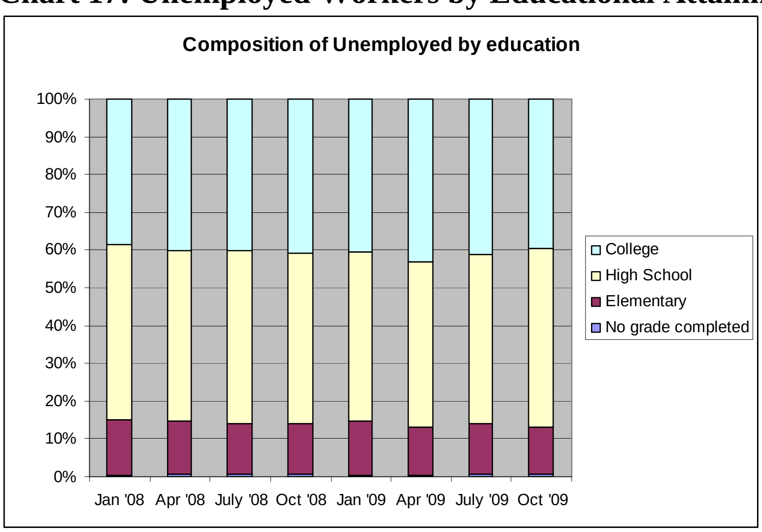
Table 20: Establishments Reporting Permanently Displaced Workers, January – June 2009

REGION	2007		2008		January - June 2009	
	Establishments Reporting	Permanently Displaced Workers	Establishments Reporting	Permanently Displaced Workers	Establishments Reporting	Permanently Displaced Workers
PHILIPPINES	**2,468**	**51,125**	**2,436**	**52,863**	**1,438**	**37,925**
National Capital Region	1,643	26,152	1,625	27,761	1,029	12,666
Cordillera Administrative Region	5	37	10	494	7	688
Region I - Ilocos Region	23	283	5	328	-	-
Region II - Cagayan Valley	5	131	2	4	1	304
Region III - Central Luzon	88	2,785	137	6,937	69	2,965
Region IV- A - CALABARZON	229	12,040	228	8,374	56	13,867
Region IV- B - MIMAROPA	-	-	8	599	2	36
Region V - Bicol Region	20	213	16	200	12	147
Region VI - Western Visayas	75	1,408	74	890	19	470
Region VII - Central Visayas	220	4,443	263	6,175	210	6,114
Region VIII - Eastern Visayas	10	126	6	44	-	-
Region IX - Zamboanga Peninsula	15	243	13	235	6	60
Region X - Northern Mindanao	25	430	15	559	16	423
Region XI - Davao Region	109	2,832	24	134	-	-
Region XII - SOCCSKSARGEN	-	-	9	123	6	103
Caraga	1	2	1	6	5	82

Source of basic data: DOLE Regional Offices, Employer's Monthly Report on Termination.

In terms of educational attainment, workers having high school and college level education comprise more than 80% of the unemployed during the crisis period. Unemployed college level workers increased its proportion faster relative to others in April 2009 as new graduates entered the labour force.

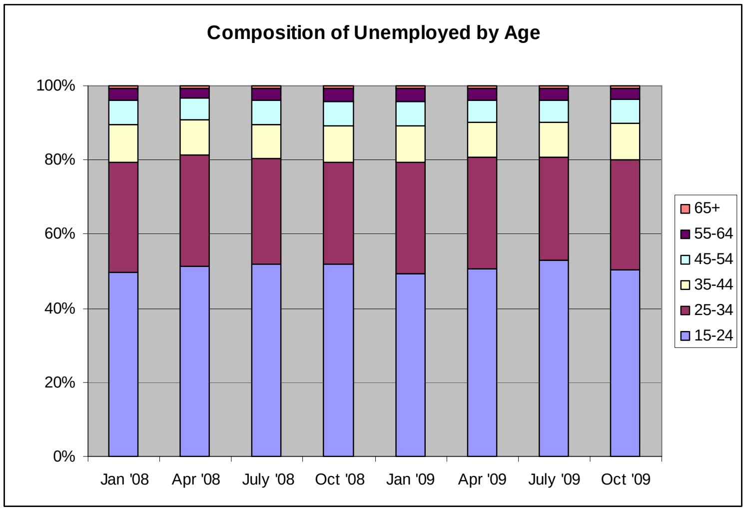
Chart 17: Unemployed Workers by Educational Attainment



Source: National Statistics Office

With regard to age brackets, the youth, especially those aged 15-24 increased their share in the unemployed workforce during the crisis months January to July 2009. While there are examples of teen-agers dropping out of school to help out their families in the FGDs conducted by PIMA foundation and ILO, many were also unsuccessful in finding work.

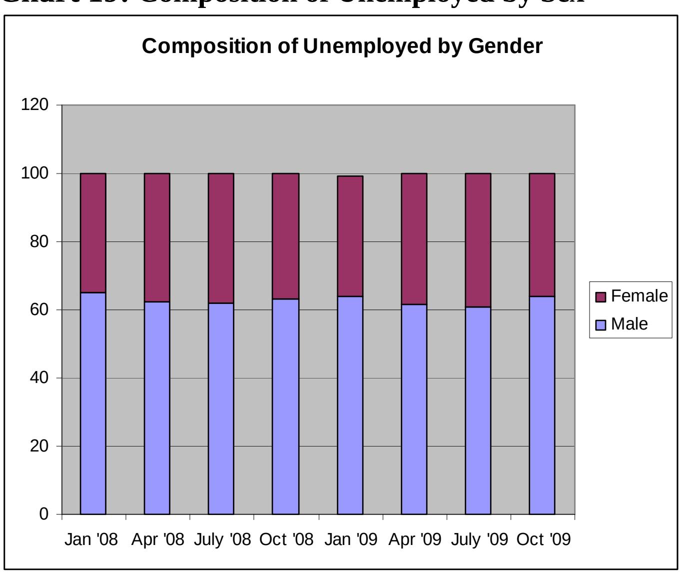
Chart 18: Composition of Unemployed by Age



Source: National Statistics Office

The female share in the jobless population also increased during the crisis months, January to July 2009. Many workers from the semi-conductor industry gravely affected by the crisis were women. Again this was confirmed by the various female displaced workers in the FGDs conducted by PIMA-ILO and the ADB.

Chart 19: Composition of Unemployed by Sex

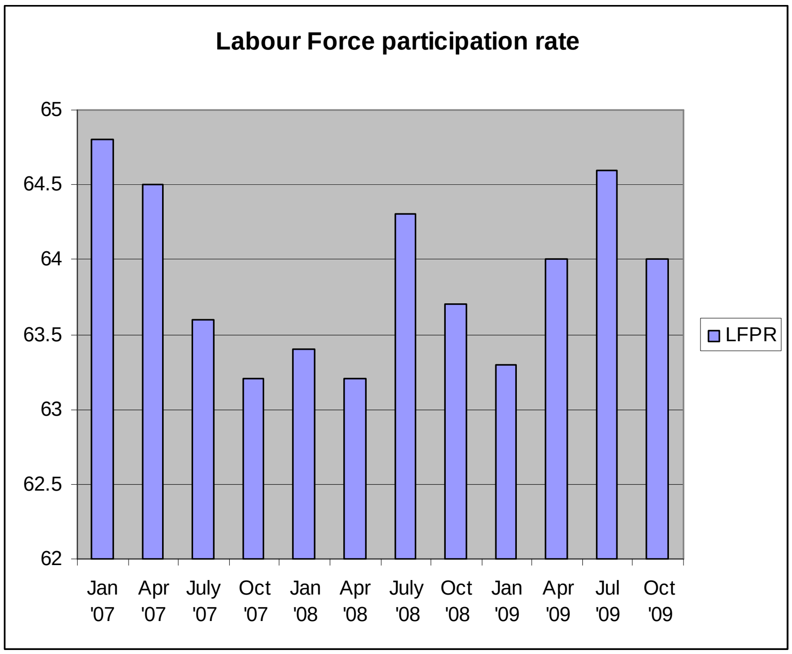


Source: National Statistics Office

2. The Discouraged Workers and Underemployment

It is also noticeable that the LFPR also substantially declined in January 2009. This might probably be due to the *discouraged worker effect* when workers displaced during the crisis continuously fail to find alternative work. Most eventually would become self-employed and find jobs in the informal sector. This is evidenced by the increase in underemployment from a low of 17.5% in October 2008 to a high of 19.8% in July 2009 (See Chart 21). Pulse Asia even claims that underemployment reached 35% in March 20008 during a media briefing done for the Institute for Development and Econometric Analysis (Ideas).

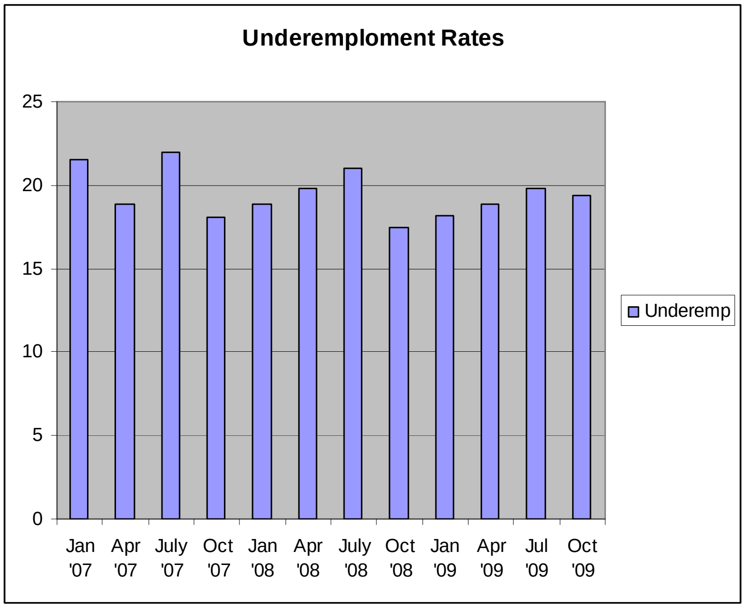
Chart 20: Labour Force Participation Rate



Source: National Statistics Office

Thus, underemployment was actually a bigger problem as many workers had no choice but to accept lower quality jobs if they want to avoid being jobless. Notice that underemployment has plagued the labour market even before the crisis exploded. However, from October 2008 to July 2009, underemployment increased. This can be confirmed by anecdotes from the FGDs where the displaced workers turned to micro businesses, part time jobs like driving tricycles, becoming painters or engaging in laundry services (PIMA-ILO, 2009)

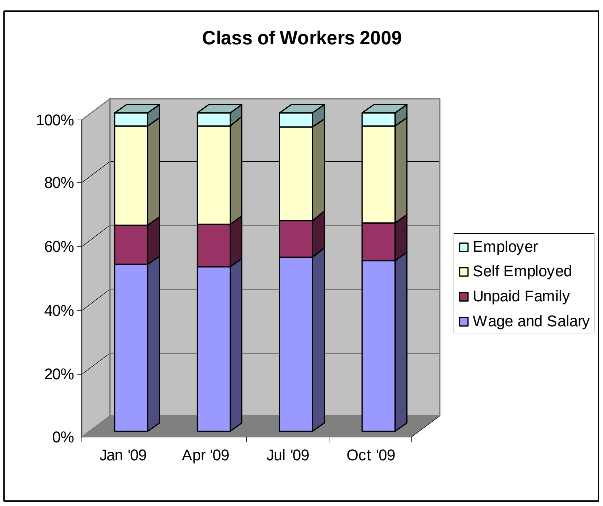
Chart 21: Underemployment Rates January 2007 – October 09



Source: National Statistics Office

The quality of employment can also be gleaned from the composition of the employed in terms of the class of workers. Note that during the crisis months from January to October 2009 almost 40% of the employed were unpaid family workers and the self employed. Women who were laid off from their previous jobs usually supplemented their income by engaging in home-based businesses or part-time employment in jobs requiring lower skills than what they were trained for, i.e., domestic help, laundry services, baby-sitting, etc.. Men, on the other hand, were more likely to be able to find a job or engage in a business that utilized their skills i.e. tricycle driver, carpenter, painter, etc.

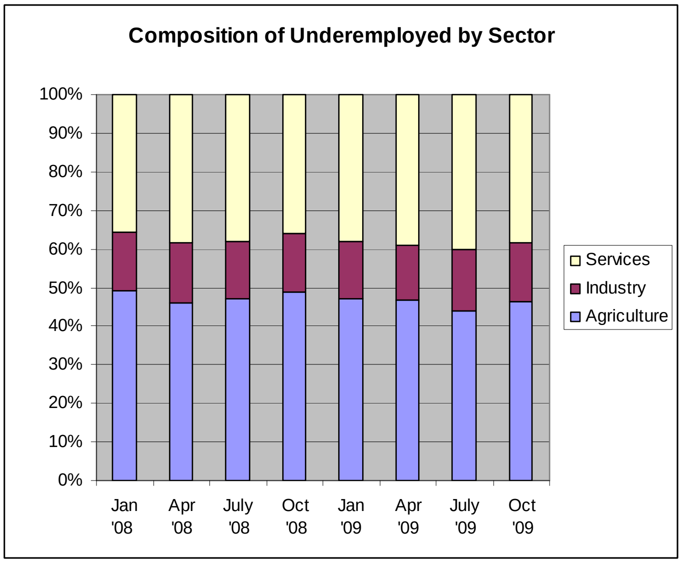
Chart 22: Class of Workers 2009



Source: National Statistics Office

In terms of sectors, most of the underemployed are found in the agriculture but during the crisis months, the services sector increased its share among the ranks of the underemployed. The services sector encompasses a diversity of sub-sectors, many of which are characterized by their nature of being micro-businesses and by their informality. Some of the micro businesses in the informal sector also suffered during the crisis especially those catering to the employees and workers of affected industries like Business Process Outsourcing and semi-conductors (Lopez, 2009)

Chart 23: Underemployment in the Major Sectors



Source: National Statistics Office

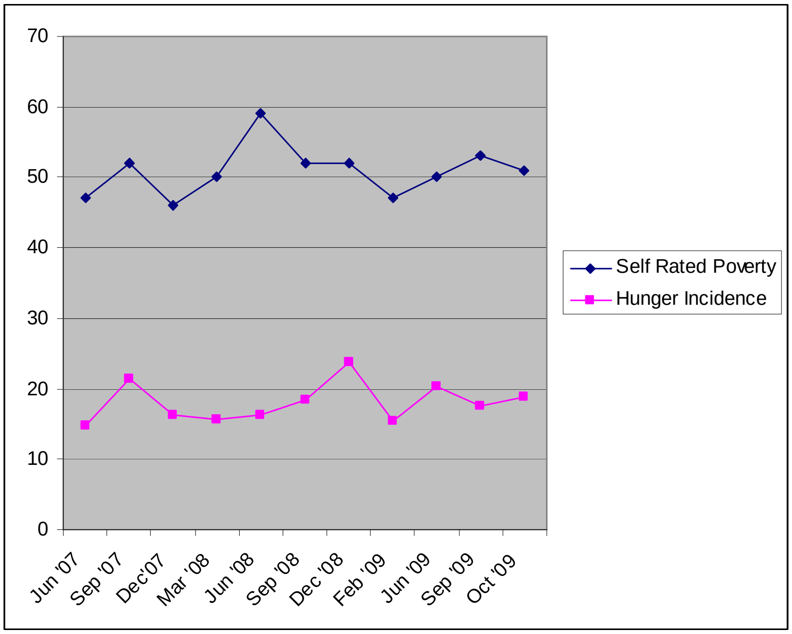
3. Poverty, Hunger and Risks of not Attaining MDG Targets

Self Rated Poverty still at high levels

Increased unemployment and underemployment among the labour force will eventually lead to higher poverty incidence. According to the World Bank in its November Quarterly Report, poverty incidence is projected to increase by 1 to 1.5% at the minimum. Crisis situations impoverish vulnerable workers already near the threshold as they lose their jobs or their incomes markedly decline. Household surveys by government to ascertain poverty levels are done every three years and the most recent one administered was last year. However, processed results will be released only late this year.

Using a smaller sample size and self rating, the Social Weather Stations (SWS) is able to track down poverty quicker. The following chart shows self rated poverty during the crisis months. Self rated poverty has actually hovered around 50% although it reached a peak of 59% in June 2008 during a period of double digit inflation resulting from the rice crisis and increasing prices of oil.

Chart 24: SWS Self Rated Poverty and Hunger Incidence, June 2007 to October 2009



Source: National Statistics Office

Because of the GFC, affected households devised various strategies to cope with displacement or decreased incomes. One way of riding through the crisis was to reduce expenditures. For example, another polling firm, Pulse Asia found that two in three Filipino households (66%) were spending less on food during the height of double digit inflation rates during mid-2008. The immediate impact of reduced food consumption is hunger in the short run and malnutrition in the medium term. Hunger incidence according to the SWS survey (see Chart 24) peaked in December 2008, dipped in February 2009 but increased again to around 20% in June 2009.

Other ways of belt tightening include cutting back on rice spending, electricity use, transportation costs, transport fuel, liquefied petroleum gas for cooking and cellphone loads. These were all mentioned in the various FGDs and local surveys done to assess the impact of the crisis. (Lopez, 2009; PIMA-ILO, 2009 and Yap et al, 2009). The GFC has further dampened the likelihood that the country will be able to achieve targets 1 and 2 of the Millennium Development Goals i.e.eradicate extreme hunger and poverty. Another important coping mechanism utilized by households as confirmed by various studies is to reduce spending on education and health. As a consequence, the MDG targets of achieving universal primary education and those related with achieving good health outcomes will be significantly affected.

4. Other Social Impacts

The various FGDs and local surveys also mention cases of increased indebtedness of households as they try to smoothen consumption by borrowing from loan sharks and other informal lending institutions**.** A household in a debt trap becomes more vulnerable to being poor. Often not mentioned in the literature are changes in “well- being” of the workers. For example, females in the support service sector in Cavite experienced anxiety and disruptions in their sleeping patterns. In several FGDs in Cavite, however, incidences of heavier drinking, gambling and truancy among teen-aged children were shared (Lopez, 2009)

V. Government Responses to the Crisis

After the crash of Lehman Brothers on September 15, 2008, emergency meetings within NEDA and among the Economic Managers provided the inputs towards the formulation of an Economic Resiliency Plan as instructed by President Arroyo. In a major policy speech on October 22, 2008, she outlined the key strategies and specific programmes that aim to cushion the economy from the Global Crisis particularly in terms of stimulus spending. The over-all track was to pump prime the economy by frontloading infrastructure projects, expand social protection through the Pantawid Pamilyang Pilipino Programme (4Ps) and already current social programmes (SSS, GSIS, Philhealth), and assist the most affected sectors i.e. export firms and their workers and displaced OFWs. (The timeline of the Government’s response is elaborated in Annex A)

The Economic Resiliency Plan or ERP is the country’s key response to the global financial crisis. Its aim was to cushion the impact of the GFC and jumpstart the economy through a mix of accelerated government spending, tax cuts and public-private sector investments in infrastructure projects. The ERP also hope to prepare the country for the eventual global upturn. The objectives were:

- Ensure sustainable growth and attain the higher end of the growth targets;
- Save and create as many jobs as possible
- Protect the most vulnerable sectors – the poorest of the poor, returning OFWs, and workers in the export industries;
- Ensure low and stable prices; and
- Improve competitiveness in preparation for the global economic rebound.
- Ensure sustainable growth and attain the higher end of the growth targets;

In the early part of 2009, the President again delivered a policy speech (February, 9, 2009) which gave her audience more details of the Economic Resiliency Plan:

- SSS to condone penalties and surcharges on loans of affected workers.
- DOLE and OWWA to establish a stand-by fund for displaced seafarers and land-based OFWs as well as workers being laid off in export-oriented industries.
- TESDA will implement training programs, training interventions specifically targeted for workers displaced in CALABARZON, Subic, Clark and Mactan.

- The Philippine Economic Zone Authority (PEZA) will provide fuel subsidy to firms operating in the export processing zones that transport their workers to and from the zones.
- The BSP also through the national government's representative in the Monetary Board[5] to provide liberal terms for rediscounting windows and allow the banks particularly the government financial institutions (GFIs) some flexibility on regulatory financial ratio compliance.
- Government and industries to share information on industry employment, number of companies affected, number of workers affected either through retrenchment or flexible work arrangements, and other related information in order to come up with an accurate and reliable picture of the actual impact of the financial crisis to allow both government and industry to develop appropriate responses and interventions. DOLE will coordinate and share information with major industries and the business sector[6].
- Investments in infrastructure and social projects including those that will create "Green Collar Jobs"
- Launching of NARS or mobilizing new and young nurses to rural areas

The specific government responses were anchored on the following key policies and programmes:

1. *Monetary Policy*

A major objective is to ensure that there is enough liquidity and access to credit for firms to be able to survive the Crisis. At the same time, inflation must be tempered so as not to add to the burden of vulnerable sectors in coping with the negative effects of the crisis. The key agency responsible for this objective is the BSP, the regulatory body overseeing the banking and much of the financial services industries. The BSP reduced its policy rates by a total of 200 basis points from December 2008[7] aided by easing inflation which brought the overnight borrowing or reverse repurchase rate to 4% and the overnight lending or repurchase rate to 6%. The BSP also reduced the regular reserve requirement by two percentage points and increased the rediscounting budget from P20 billion to P60 billion and liberalized access to the facility. It also maintained a policy of promoting a market-determined exchange rate with room for intervention to address sharp volatilities, maintaining a comfortable level of reserves and ensuring sustainability of the country's external debt. Finally, it has also been actively engaging with its regional peers in ASEAN and East Asia to share information, discuss emerging developments and pool resources particularly foreign exchange reserves.

2. *Emergency Employment*

The government as an employer of last resort, implemented policies and programmes to create jobs for targeted displaced workers. It issued Executive Order 782, s 2009 mandating the allotment of 1.5% of the Maintenance and Other Operating Expenses (MOOE) of agency

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[5] The BSP is autonomous from the Executive branch of government.

[6] This was actually confirmed by Assistant Secretary Teresa Soriano who said that the President asked for the actual list of workers displaced and their profiles

[7] The rates were reduced on the following dates: 18 December 2008; 29 January 2009; 12 February 2009; 5 March 2009, 16 April 2009, 28 May 2009, 9 July 2009

budget for hiring of displaced workers or their dependents. It has also “frontloaded” the infrastructure budget i.e. National agencies involved in building infrastructure must quickly spend the bulk of their budget, shift resources from slow to fast moving projects, and implement or scale up quick disbursing high impact projects. These agencies include the Department of Public Works and Highways, Department of Transportation and Communication, Department of Agriculture and the Department of Education. These projects are labour 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. Finally, the government launched the Comprehensive Livelihood and Emergency Program (CLEEP) which consisted of various programmes aimed at protecting the following vulnerable sectors: the poor and the hungry, returning OFWs who were laid off from work, workers in the export industry, and out-of school youth from the threats and consequences of reduced or lost income as a result of the economic crisis, by providing them with emergency employment, cash-for-work and other income-generating services and funding for livelihood projects.

3. Social Protection Programs[8]

The government also expanded several existing social protection programmes to mitigate the impact of the crisis on poor households. Foremost among these is the Pantawid Pamilyang Pilipino Programme (4Ps). The 4Ps which started in 2008 is a conditional cash transfer programme in which the national government provides cash grant to extremely poor households to allow them to meet certain human development goals contingent on compliance with core responsibilities. The government is spending P15 billion for this programme which targets one million poor households nationwide. Complementary to 4Ps is the National Household Targeting System for Poverty Reduction (NHTS-PR) which aims to establish a socio-economic database of poor households who will be beneficiaries of social protection programmes. This system hopes to facilitate high quality information with public and private social protection stakeholders to prevent inclusion of non-poor and undercoverage or exclusion of the poor in social protection programmes.

Another major social protection programme is the Philippine Health Insurance (PhilHealth) is the largest social protection institution in the Philippines. Around 66 % of the population is covered with the formal sector by almost 100% and the informal sector by only 50% (Weber and Piechulek, 2009). Its mandate is to provide all citizens with the mechanism to gain financial access to health services, in combination with other government health programs. For the Crisis response, PhilHealth was mandated to increase its coverage and to improve its benefits to its members. Other existing programmes which government claims to be part of the response include the Self-Employment Assistance-Kaunlaran (SEA-K) Programme, the Food for School Program and the *Tindahan Natin* and Family Access Cards. (a complete description of these programmes is found in Annex B).

[8] Based on the replies of Undersecretary Alice Bala of DSWD and a paper by Undersecretary Lualhati Pablo of DSWD

4. Training for Work Scholarship Programs

Spearheaded by TESDA, these scholarship programs targeted displaced workers within the country and OFWs and their dependents. A prime example is the Pangulong Gloria Scholarship, formerly known as the PGMA Training for Work Scholarship Program (PGMA-TWSP) which was originally launched in May 2006. It was expanded under the ERP to cater to poor but deserving Filipinos. Trainings are related to the following sectors - business process outsourcing, call centers, medical and legal transcription, animation, software development, health care, etc.

5. Assistance to Displaced Overseas Filipino Workers

The Department of Labor and Employment (DOLE), has striven to guarantee safety nets for workers affected by the global crisis especially displaced overseas Filipino workers (OFWs). This program includes: a) counseling and advisory programs to guide laid-off workers on their re-entry to productive employment; b) employment services to reconnect them with productive employment; and c) training, negotiation, and legal services that ensure workers recover unpaid salaries, benefits, and other monetary claims. POEA gave legal assistance and employment facilitation services. OWWA was responsible for repatriation services and TESDA for training and scholarships. DOLE also actively participated in international dialogues to promote the welfare of overseas and migrant workers.

6. Housing Programmes

The government through the Housing and Urban Development Coordinating Council (HUDCC) targeted to disburse PhP 85 billion loans to both institutional (developers and LGUs) and individual users. Having a large multiplier effect throughout the economy, housing activities were expected to mitigate the impact of the Crisis.

7. Multi-stakeholder Conferences and Consultations[9]

The Department of Labour and Employment (DOLE) also spearheaded national and international consultations among tripartite and other social partners which led to the commitment of key stakeholders in saving and preserving jobs and in supporting business growth and workers' safety nets:

- Multi-sectoral Conference on the Global Financial Crisis: responding to the Employment Challenge, January 30, 2009, OSHC, Diliman, Quezon City
- Multi-sectoral Summit on Business Growth and Employment, Safety Nets Group Pre-Conference, February 5, 2009, Bayview Park Hotel, Manila
- Multi-sectoral Job Summit: Joining Hands Against the Global Crisis, February 9, 2009, Malacanang Palace, Manila

[9] From the Planning Service of DOLE, "Government Safety Nets: Responding to Workers Affected by the Global Financial Crisis", 16 November 2009

- Multi-sectroal Conference for GFC Affected Workers in Selected Agri-based Industries, February 13-14, Apo View Hotel, Davao City
- Overseas Employment Jobs Forum, March 02, 2009, Malacanag, Manila
- Employment and Business Opportunities: The Middle east Forum, April 12-13, Dubai, United Arab Emirates

The DOLE also sponsored various job fairs for displaced and unemployed workers. One of these was held during Labour Day, May 1, 2009.

8. *Export Support Fund(ESF)*

Since export-oriented companies were severely hit by the crisis, the ESF was established to provide some assistance to these firms. 70 % of the ESF was to be allocated to export development and promotion projects of small and medium enterprises, while the remaining 30 % will be distributed among large-scale exporters, such as those from the business process outsourcing, information technology, and semiconductors and electronics manufacturing industries. However, proposals need to be submitted and then approved by the Export Development Council.

9. *Local Government Assistance*

Most of the programmes discussed above were usually implemented in coordination with the local governments of affected areas as the latter were usually in the forefront of basic services delivered to their constituents. Most of the LGUs also put up their own counterpart funds for the various programmes, e.g. CLEEP. Some programmes and projects implemented by LGUs include job fairs, counselling and placements, livelihood and training programmes, trade fairs and cash assistance to vulnerable sectors.

VI. Assessing the Government Responses

A. Planning and Design Stage

1. *Timeliness*

The national government was already in a "crisis" mode when the Global Financial Crisis unfolded mainly because of the rapid increase in inflation in 2008 brought about by the increase in fuel (around June/July) and rice prices (around March/April). There were already anti-poverty programmes that were also being implemented to counter the effects of high inflation on vulnerable sectors e.g. Food for school Programme, *Tindahan Natin* Programme, Accelerated Hunger Mitigation Programme.

In a certain sense, the national government was already primed for another set of crises starting with the financial crisis that would emanate from the United States particularly after the collapse of the financial giant, Lehman Brothers in September 2008. As could be seen in Annex A (Timeline of the Government Response), the government was relatively quick in the formulation of a plan to cushion the negative effects of the crisis. The national planning agency spearheaded the preparatory meetings which came up with concrete plans to respond to the crisis. The preparatory meetings involved other key economic-related agencies like the Bankgo Sentral ng Pilipinas, the Department of Finance, and the Department of Budget and Management. This group usually met as the Economic Managers Team or as the Development Budget Coordination Committee which discusses and resolves monetary and fiscal issues. The official Economic Resiliency Plan emerged early in January 2009 although the budget strategy was already in place in December as the Executive branch expected the Legislative to approve the budget before the year ended. However, the National Budget was only approved during the last week of January.

Monetary authorities were the quickest to react as the BSP first reduced policy rates in December 2008. Most of the fiscal stimulus packages had to wait before the budget was finally enacted. Also, such spending usually incur some lags because of the bureaucratic processes of fund requests, allocations and releases. While the monetary environment preserved liquidity in the early stages, the fiscal stimulus lagged in implementation. This would be seen basically in the GDP figures for the three quarters of the year where the Q1 growth in 2009 was only .6%, while the next two quarters registered only .8%. The implementation of ESF which was to help exporters hit by the crisis was much delayed with projects being approved only in November 2009. Unfortunately also, when the additional spending was already in place, two major disasters occurred which also affected similar areas hit by the financial crisis[10].

2. *Institutional Mechanism for Coordination*[11]

The early responses were coordinated through several institutions, such as the Development Budget Coordinating Committee (DBCC) and the Economic Managers' Meeting. The DBCC is composed of the Department of Finance (DOF), Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), the Bangko Sentral ng Pilipinas (BSP), and the Office of the President (OP). The Economic Managers' Meeting includes the DOF, DBM, NEDA, BSP, Department of Agriculture (DA), Department of Trade and Industry (DTI), and Department of Energy (DOE).

The National Economic Development Authority (NEDA) served as the focal point in terms of gathering key reports and information on activities related to the national response and also on the developments at the global level. The NEDA gives fortnightly updates to the President and the Cabinet which was coined as "GRIM" (Global Recession Impact Monitor) during the early months of the crisis which eventually became "GRIN" (Global Recession Impact News) when there appeared to be signs of recovery. Meanwhile, the Cabinet assistance System (CAS) which serves as Secretariat for the Cabinet would meet every week to monitor and follow up agreements made during the said meetings. These include status of

[10] Typhoon "Ondoy" dumped a record amount of rainfall on Metro Manila and Southern Luzon in late September 2009, while typhoon "Pepeng" brought huge rains that triggered landslides and floods throughout northern Luzon about a week later.
[11] Based on Director Dennis Arroyo's response to the author's questionnaire

programs and projects related to GRIM/GRIN reports. At the grassroot levels, monitoring was done through implementing agencies and their satellites, which report to the CAS and in the Cabinet meetings through their heads. The NEDA is a regular participant to the CAS meetings to anticipate and include in the NEDA reports and GRIN reports the latest presidential directives. The National Statistics Coordination Board was tasked to monitor global trends while the Bureau of Labour and Employment Statistics of DOLE was tasked to monitor job displacements i.e. domestic and overseas workers and also those which were assisted by government agencies.

There were also specific agencies who led the response for certain sectors. For example, for the poorest and most vulnerable sectors, it was the Department of Social Welfare and Development (with their 4Ps as the flagship programme), the Department of Labour and Employment and attached agencies (with various programmes) for displaced formal sector and overseas workers and for the affected exporters, the Department of Trade and Industry. The National Anti-Poverty Commission was given the responsibility to monitor the developments for CLEEP. A positive indicator of the coordination occurring among these agencies was the presence of updated reports on the status of interventions which can be accessed by the public including researchers. The GRIN and GRIM reports are also accessible in the NEDA website.

However, much better coordination could be done in terms of the implementation of social protection measures. While there is already a Social Protection sub-committee under Social Development, coordination in the implantation of the varied programmes should further be strengthened. A common definition and framework have been adopted by the key agencies but hopefully there will be consensus in the targeting and monitoring system.[12]

3. Targeting

Early on, the government was already sure that export firms and their workers, overseas workers in hardly hit countries and already poor households will be most likely hit by the crisis. However, which specific firms in case of exporters or what specific countries in the case of OFWs will be greatly affected was the major preoccupation of government agencies. The DOLE and POEA in late 2008 were keenly gathering information form their attaches to be able to anticipate displacements. DOLE also kept watch in key export zones and sent key personnel to deal with brewing labour issues[13]. However, there seem to have been no mechanism in ascertaining the specific sub sectors that were experiencing decline in production due to weakening global demand. For the poor households, the government relied on the targeting system of the 4Ps. However, the NHTS-PR was still being implemented during the crisis months.

[12] The DSWD has its NHTS-PR while the DILG and NEDA mandated CBMS for local governments.
[13] One interviewee even said that the President wanted lists of specific names of workers affected in the Export Zones.

B. Implementation Stage

1. *Budget/Financial allocation for the response*

The government has committed to a P330 billion ($6.3 billion) stimulus package called the Philippine Economy Resiliency Plan, which includes the following:

- P160 billion to fund small, community-level infrastructure;
- P40 billion tax relief arising from an increase in personal exemptions (P20 billion) and the scheduled reduction in corporate tax rates (P20 billion) as provided in the Restructured Value Added Tax law;
- P100 billion for large infrastructure from government financial institutions and private commercial banks; and
- P30 billion from social security institutions in the form of additional benefits to members; this will be taken from the gap between contributions and claims.

Indonesia and the Philippines have each earmarked about $6.3 billion for such a package. The Philippine allocation was equivalent to 4.0% of its 2008 GDP, while that of Indonesia was only 1.4%.

An effective stimulus package would need greater resources beyond the planned government budget. One view was that of the P330 billion (US $6.92 billion based on current exchange rate of USD 1 = PhP47.672) allocated for the ERP, only P50 billion ($1.85 billion) can be considered as new funds (Pineda, 2009). According to this view, the said amount represents the sum realigned from the P252 billion allotted for servicing debt interest payments in the P1.41-trillion ($ 29.58 billion) national budget for 2009. However, other critics of the Plan assert that most of the stimulus funds were only realigned budgets and there was only between 7 billion – 70 billion in new money for the programmes.[14] The P100 billion private-public partnership for large infrastructure never took off and there was really no cash outlay for the tax relief of P40 billion. The World Bank however, in its November 2009 East Asia Report said that many countries including the Philippines spent more than the programmed fiscal stimulus packages. It cannot be denied though that the government embarked on many large scale infrastructure projects during the crisis months.

2. *Policy Coherence*

The national government was very much aware of the need to have coherent policies and strategies to maximize the positive impact of their response to the crisis. However, as policies have varied objectives, they are not always aligned with each other. For example, stimulus spending through the various social protection and emergency employment programmes may worsen the fiscal situation of the country. While the former hopes to give some breathing space for affected sectors it may cause a medium and long run negative impact on the economy as the credit standing of the country deteriorates because of the

[14] The 7 billion figure came from Governor Jose Salceda, the Presidential Economic Adviser, the 70 billion came from Dr. Benjamin Diokno, former Budget Secretary while former National Treasurer Leonor Briones said it was only 10 billion.

growing fiscal deficit. Such was the dilemma of the Economic Managers Team when it was discussing the Economic Resiliency Plan. The monetary authorities were ready to loosen liquidity but the fiscal authorities were bent on showing fiscal discipline. This was probably the reason why the actual amounts for the fiscal stimulus were criticized as being relatively small. A major bottleneck for a strong economic stimulus package is really this lack of fiscal capacity and revenue collection to come up with sufficient funds to spend. If the government goes for higher fiscal deficits, the credit rating agencies and multilateral institutions may penalize it by downgrading Philippine credit worthiness which may result into loss of confidence and cause massive capital flight and currency depreciation. An Ateneo colleague Joseph Y. Lim notes:

> "The Philippines must therefore be astute in tackling this problem. One reason why many countries are facing a fiscal problem in trying to stimulate the economy is because mainstream economics continue to hold on to the false claim of monetarism that too much money will cause inflation. In a period of very high excess capacity, low commodity prices and deflation, this just is a fictitious danger. There is much room for the Philippines and many other developing countries to monetize the deficit. This will avoid increasing the public and external debt burden and at the same time will not cause inflation. Thus the Philippines should allow the BSP to buy treasury bills in order to finance the deficit spending of the government."

Other attempts at policy coherence were the initiatives undertaken in the social protection sector. The National Household Targeting System for Poverty Reduction (NHTS-PR) of the DSWD hopes to centralize household information on poor and vulnerable households accessible to other social protection programmes like Philhealth. Before this the NAPC, NEDA and the DILG had mandated among LGUs the Community Based Monitoring System as the vehicle for collecting information on poor and vulnerable households. The DSWD meanwhile explains that the CBMs should be complementary to the NHTS-PR. The success of the 4Ps will also require policy coordination and coherence among key agencies like the DSWD, DOH and DEPED as the conditionalities for the cash grant require adequate education and health facilities in targeted areas. Another positive step towards policy coherence in the social protection sectors is the adoption of a common framework as well as the creation of the National Social Protection and Welfare Program Cluster through Administrative Order no. 232 which aims to rationalize, group and strengthen existing programs and services of government agencies dealing with social welfare and protection. This cluster also commissioned the Development Academy of the Philippines to do a study entitled "Review and Strengthening of the National Social Protection and Welfare Program" in February 2009. This is a good start but a lot has still to be done to rationalize and expand social protection especially for the poorest and vulnerable sectors.

3. Relevance and Impact

The caveat in assessing the impact of the government response is that there were other compounding or mitigating factors accompanying the global financial crisis. For example, even before the fall of Lehman Brothers in September 2008, the country had already experienced price volatility due to the rapid increases in rice and fuel prices. Also, after the global economy was showing early signs of recovery in September 2009, two disastrous typhoons hit the country. It must also be mentioned that the unexpected resilience of remittances from overseas workers also tended to cushion the impact of the Crisis.

a. Economic growth

The fiscal stimulus-cum-accommodative monetary policy was able to prevent the economy from falling into a recession. While GDP growth in Q1 of this year fell markedly to .6% (revised figure), the next two quarters saw a slight increase in growth to .8%. It is now expected that the full year GDP growth rate will fall in the lower end of the government's target of .8-1.8%. Son and San Andres (2009) comparing the country with Thailand and Korea notes that the Crisis' impact on growth in the Philippines was rather small, although it has become significant since the first quarter of 2009. They add that economic growth in the Philippines has held up relatively well because it is not highly integrated with global financial markets and the broader global economy and remittances from overseas workers did not fall sharply as initially expected. The continued increase in overseas workers' remittances is seen at 4% for the full year. This defies expectations which saw the IMF and the World Bank predicting negative growth. In part, government's interventions for redeployment and seeking new markets compensated for the lost income of displaced overseas workers. As mentioned above, growth could have been higher if not for the negative impact of two devastating disasters, typhoons *Ondoy* and *Pepeng* which surely dampened economic activity in this last quarter.

b. Employment and Quality of Jobs Generated

The government's various programmes for emergency employment (CLEEP, etc.) were able to generate 375,000 jobs as of October 2009. However, as these are mostly short-term low income jobs, better jobs should be available as soon as the recovery comes into in full swing. It is surprising though that in July 2009, the percentage of wage workers increased to 55.3% from 51% in April 2009, clear signs of a possible recovery in the offing.

c. Prices

From a peak of 12.4% in August 2008, headline inflation began a general downtrend until it reached 0.1% in August this year, the lowest in 22 years[15]. Lower inflation for food (particularly for rice, meat and miscellaneous food items) and base effects from extremely high fuel and food prices accounted for the sustained decline in inflation rates. With diminishing base effects, inflation began to rise 0.7% in September, 1.6% in October and 2.6% in November.

d. Credit

Bank lending continued to post an increase in 2009 as the liquidity enhancing measures earlier undertaken by the BSP supported credit activity in the system. Outstanding loans of commercial banks including reverse repurchase agreements (RRPs) grew by 6.1% year on year to reach P2.2 trillion in September 2009, an acceleration from a previous month's growth of 3.1%. Although YOY, bank lending growth slowed down to single digit levels

[15] This is also because of the so called "base effect" since inflation rates were very high a year before. Inflation rates are quoted year on year (YOY).

beginning July, credit growth remained positive and continued to be directed towards the productive sectors of the economy.

Banks' non-performing loans ratio remained at single digit levels. As end of September 2009, NPL ratio for universal and commercial banks eased to 3.25% from the previous month's 3.5% and from last year's 4.03%. This is the lowest from a peak of 18.81% at end October 2001.

e. Social protection and targeted vulnerable sectors

The major social protection programme of the country, the *Pantawid Pamilyang Pilipino* Programme implemented by the Department of Social Welfare and Development (DSWD) have two sets of beneficiaries identified in 2008 and 2009. For the former, the 4Ps was implemented in 28 provinces covering 148 municipalities and 12 key cities. 375,829 household beneficiaries received cash grants amounting to P 2,668,917,000.00 while 21,615 pregnant women and 381,789 children age 0-5 years received health grants. For the latter, 4Ps was implemented in 28 provinces covering 107 municipalities and 3 key cities. 324,171 households received cash grants amounting to P472,348,900.00[16]. For the National Household Targeting System for Poverty Reduction (as of September, 2009), 489,870 households were identified as poor.

Many of the social protection programs are hindered by low coverage and inadequate benefits, poor targeting, and operational constraints due to lack of coordination among program implementers. Low coverage incurred through the years and overreliance on foreign grants meant lower government spending on social services and a higher risk of program discontinuation. Lack of funding support is exacerbated by poor targeting, causing leakages and wastage of resources on the non-poor and the near-poor (Manasan 2009, Aldaba, 2008)

Furthermore, social protection programs are in most cases implemented on a piece-meal basis, due to differing mandates of program implementers. As a result, overlaps and redundancies in sectoral and geographical beneficiaries abound, causing additional strain on scarce resources (Manasan 2009). For example the objectives and the intended beneficiaries of the Food-for School Program and the 4Ps overlap. These two programs have very similar objectives and run in the same geographical areas. Manasan's study emphasizes that "the capacity of the transient poor and the near poor, many of whom belong to the informal sector, to cope with the income risk arising from loss of employment or reduction in earnings that are typically associated with a macro-economic crisis is limited." At present, at least 33% of the total number of poor households are not covered under the Sponsored Program. Moreover, there are indications that some of the so-called poor households who are currently enrolled in the program are not poor, bringing the undercoverage rate up to 50% or more (Yap, Reyes and Cuenca, 2009)

[16] As of July 2009

4. National - Local Coordination

Most of the programmes implemented on the ground were done through the local government units. What happened was that each national agency was given a responsibility to assist specific local governments in implementing programmes in the response[17]. The local governments also raised their counterpart resources for these programmes given the limited funds allotted to them. However, the official channel for local government supervision is through the Department of the Interior and Local Government (DILG). The package of interventions to assist select LGUs mitigate the impact of the crisis to local economies is called the Local Economic Assistance Programme (LEAP)[18]. The programme shall provide assistance to these LGUs in steering local economic activities and creating opportunities supportive of employment generation and economic growth. The programme covers immediate measures and the institutionalization of medium and long term economic foundation.

The sustained growth and development of local economies will be the best insurance for them to be able to survive the next crisis. This will also strengthen their capacity to develop effective mechanisms to respond to any crisis whether economic or disaster related[19]. Esguerra (2009) describes various initiatives at the local levels to mitigate and cushion the impact of the Global Financial Crisis. For example, in Agusan del Sur, the Sub-contracting Partners Innovation Programme (SPIN) matches large exporters with small suppliers and subcontractors. The DTI assists the latter (usually micro, small and medium enterprises) in terms of capacity building and trainings to teach skills and or improve the quality of their products. A similar example is in Davao de Norte where rice and banana farmers are collectively organized into "corporatives" and enter into long-term fixed contracts with multinational corporations. This in turn enables them to access collateral free long term financing.

C. Mechanisms for Monitoring and Evaluation

1. M&E Mechanism

It could be assumed that the mechanisms for coordination (i.e. DBCC, Economic Managers' team and NEDA) will also be utilized for monitoring and evaluation of the response. However, it would seem that the specific tasks of monitoring were delegated to specific agencies concerned with the programme responses e.g. DSWD for 4Ps or the DOLE for assistance to OFWs. There was no clear oversight inter-agency group responsible for monitoring and evaluating the key programmes. In employment generation, particularly the CLEEP, it was the National Anti-Poverty Commission which was in charge of monitoring the various agencies involved in the implementation of the programme.

[17] This was confirmed by most of the interviewees. Their Secretaries were given specific assignments.
[18] This was supplied by Director Dennis Arroyo of the National Economic and Development Authority (NEDA)
[19] This was the same opinion by Undersecretary Austere Panadero of the Department of the Interior and Local Government

1. *Pulse from the Households*[20]

- The skills training programs of TESDA under DOLE and micro-finance and livelihood programs of DSWD i.e. SEA-K seems to be successful in generating support for laid-off employees and households. It would be beneficial to have these programs made more accessible and replicated particularly in areas affected by the Economic Crisis.

- At the same time, it seems that only a few have availed of support programs and assistance from the government in the sectors analyzed. It is possible that many are not aware of these programs, particularly among the informal service support providers in the cities. It also seems that most information comes from being a member of organized groups, being active in the community or having a social network. The local government units particularly *barangay* communities can be pivotal in being able to share information and in increasing awareness of available support and assistance.

- Financial literacy and management skills among employees, small businessmen and their households seems to be an important cushion to address unexpected changes in a household's economic situation. Savings and other investments proved to be an edge among some retrenched employees and some small businesses that were better able to adjust to the Crisis.

- In the FGDs, household meal expenses were greatly assisted by the availability of the "NFA rice" or the subsidized rice sold at much lower prices by the government's National Food Authority (NFA) under the Department of Agriculture (DA). Continuous availability for the duration of the economic crisis was requested for this subsidy.

- While the DOLE seems to be the more visible agency tasked to address the loss of employment and corresponding changes in lifestyle among laid-off employees, it seems that most of their resources and assistance are availed of by OFWs and their dependents. As gathered in the study, the existing programs of DSWD and DA seem to have been beneficial to the households and dependents of the employees. It is obvious that there are more government agencies which can provide assistance, i.e. DTI for small businesses affected by the Global Crisis.

- There is a need to coordinate and possibly institutionalize action plans across national and local government agencies. DSWD for instance, seems to be a key agency in organizing community-based programs. Related to this, DSWD seems to be in a position to address the socio-psychological effects of the global economic crisis on affected households.

- The participants from various FGDs had several specific recommendations like:

[20] From Lopez (2009) and PIMA (2009)

- revising the age limit for employment in Philippine manufacturing or service companies (e.g., 18-50 years old) so that displaced employees can still get another employment,
- government ensuring that displaced employees from abroad will have a Job Continuation Program by automatically assisting and actively searching for employment opportunities for displaced OFWs,
- removing age limits for training programs such s those for TESDA
- removing “Contractual” arrangements so that Filipino workers are given job assurance and security of tenure,
- employ direct hiring and remove the use of “agency arrangement”,
- studying the possibility of having pension plans for OFWs and
- removing placement fees for ease in applying abroad to work
- more access to credit for microentrepreneurs

D. Some Important Lessons Learned

1. On the Timeliness of the Response

The positive impact of the response could have been maximized if the fiscal stimulus was implemented earlier in consonance with the monetary responses. These could have happened if the government already had the budget for the additional spending. To remedy this, government needs to have an emergency budget allocation process. Better still, it should have some adequate contingency funds when confronted by a major crises which can easily be mobilized without congressional approval but with necessary safeguards for transparency and accountability. In line with this, bidding and contract processes must also be devised to hasten approvals for quick disbursements. However, adequate safeguards ensure transparency in the requisition and disbursement process and accountability in the reportorial and audit process should also be in place.

2. On the Components of the Response

The government must have in place a group of experts and technical people who will be able to identify the likely sectors and areas to be hit by the crisis. This group must be able to access the most recent economic data and statistics from the global and national economies. This could probably be led or lodged in the national economic planning agency (e.g. NEDA) or the primary economic think tank (i.e. PIDS). The former actually played this role in the government’s response. This group will also be responsible in tracking whether the affected sectors were actually reached by the programme responses and could possible recommend how to plug leakages in programmes. This group can have a multi-stakeholder composition that may include representatives from the private sector and NGO think tanks.

From the experience, the response could have been quicker if the government has a ready database of poor households at the national and local levels to facilitate targeting. The government has started implementing this but it should further be refined to align existing systems i.e. CBMS alongside with the national targeting system. Related to this is the establishment of a comprehensive social protection which will include the informal sector and the very poor. Unemployment insurance for the formal sector can now be mulled while emergency employment programmes must be attuned towards future productivity e.g. relevant infrastructure.

With some signs for a recovery in the economy, an exit strategy might soon be needed soon that will again align monetary and fiscal policy. However, what will be important is the continuation of key governance and economic reforms that will gear the economy towards full recovery and higher levels of sustained growth (see recommendations below).

3. On the Funding of the Response

Aside from a permanent budget line as proposed above, government must be able to mobilize resources from other sectors – donors, NGOs and the private sector. This will require a government to be transparent and accountable in allocating resources raised from these sectors of society. Mobilizing resources from other sectors will minimize the risk of government in incurring very wide budget deficits. But revenue capacity is important to be able to improve collection efficiency. As the economy is weak and thus the potential revenues also decreased, this could be mitigated if the collection efficiency will be greatly improved. In addition, the absorptive capacity of implementing agencies must also be increased while at the same time minimizing leakages and corruption in the expenditures.

A permanent budget line may be one solution for an immediate availability of resources for an emergency response. But this budget must be lodged with an agency responsible for the response. This could be under the NEDA or DSWD or another agency that will be the lead in implementing the response. This is important so that emergency resources shall already have been allocated way ahead of the occurrence of the crisis or disaster such that the magnitude of fiscal deficits can actually be foreseen so that the government can have a manageable debt strategy.

4. On the Institutional Mechanisms for Coordination and Coherence

In a certain sense, this is in place already i.e., NEDA, DBCC. It is actually the NEDA which is the lead agency in coordinating the response although a multi-agency group, the DBCC or the Economic Managers team act as some sort of an executive committee to the Cabinet which makes the key policy decisions on the response. Improvements can still be made wherein key implementing agencies like the DSWD and the DOLE would be members of these mechanisms.

5. On National and Local Coordination

In the actual response, the national agencies still took the lead. LGUs acted as implementing partners and recipients of assistance. Some LGUs were even asked to raise counterpart funding for the response. Since some are resource constrained, they had to rely on national agencies alone for the response. However, in the long run capacities of LGUs to respond to various crises must be strengthened. For example, their ability to mobilize local resources in particular, remittances as suggested by Esguerra (2009) and to access donor funding must be further enhanced. Of course, strengthening their ability to promote local economic development will help them become less vulnerable to crises and disasters.

6. On Monitoring and Feedback Mechanisms

While there are mechanisms to consult organized groups like trade unions or NGOs, it would still be relevant if government is able to get immediate feedback from affected households. This could be incorporated in the national targeting mechanism so that current government responses may be tweaked or nuanced for greater positive impact on households. An M&E mechanism must be built as a sub-committee in the institutional coordination mechanism i.e. the DBCC or the Economic Managers Team.

7. On the Over-all Strategy

The crisis has exposed further the vulnerabilities and structural issues of the Philippine economy – dependence on a few export products and remittances, being consumption driven amidst declining investments and increasing poverty despite moderate growth. The country then has a real chance to deal with both the short-term issues brought about by the 2008 crisis and such unresolved structural problems. The current crisis can thus be turned into an opportunity to undertake more fundamental reforms in the economy. Chapter VIII will further discuss these possibilities.

VII. Responses from Other Major Stakeholders

A. Private Sector

The private sector responded to the Crisis at various levels. At the firm level, companies tried to delay retrenchments and lay-offs by reducing workdays or by time-sharing among the workforce or other types of flexible workweek schedules. They have also been proposing to government practical approaches to reducing business costs through temporary suspension of benefits or the relaxation of rules on tenure and deployment. When lay-offs are inevitable; some companies such as Intel gave assistance for job search and even gave resources for its workers to be able to find alternative jobs or livelihood activities. In addition some companies involved their workers in transition programs like training and re-training programs offered by government agencies like TESDA and NGOs like Go-*Negosyo*. Some also helped in finding jobs for displaced overseas workers. At the macro level, the private sector pledged counterpart resources for infrastructure of around P 100 billion. They have also identified with government key growth sectors which the country could focus on while on the way to economic recovery.

B. NGOs and MFIs

NGOs meanwhile have organized various forums to present their own analyses of the Crisis and its impact on the economy. They have also given critiques of the government response in these various forums and articulated the needs and interests of sectors who were greatly affected by the Crisis.[21] They usually emphasize the need for government to deliver immediate economic relief measures and advocate their regular menu of proposals which include the following: removal of the regressive RVAT on oil products, implementation of a nationwide across-the-board wage hike, increase the budget for social services, and suspension debt payments.

Specific to the crisis, the Institute for Popular Democracy (IPD) and the National Urban Poor Coalition (NUPCO) have urged lawmakers to push for the implementation of existing laws and orders mandating the adoption of labour-based, equipment supported (LBES) methods in infrastructure programs to be funded by the stimulus package. The current economic stimulus program will be more effective if it creates more jobs for the unemployed and the underemployed through LBES projects. This is an approach supported by the ILO as it dramatically increases the number of workers employed in infrastructure programs. Under this approach, the cost-share of labor can rise up to an average of 30%. Traditional methods are more intensive on the use of capital and equipment, and labor very seldom makes up more than 10% of the project cost. The idea is to replace machines with labor power, especially in earth moving and small infrastructure tasks, but without sacrificing quality and without introducing undue delays in project implementation. "We believe it can become the major mode for the participation of local government units in national programs for responding to the economic crisis," according to Jude Esguerra, Executive Director of IPD.

NGOs also highlight the need for genuine social protection which goes beyond the concept of social security and insurance programs. According to a joint statement of various civil society groups[22] social protection is about "claiming the most vulnerable people's basic right to food, shelter, water, health, jobs, and other essential services….these are not only the people who have lost homes and jobs as a result of the crisis, but also the millions of families in developing countries that have long been living in crisis conditions, neglected by their governments and denied their basic rights and access to services and resources". They also called on developed country donors to increase their ODA commitment to 0.7% of gross national income.

NGOs and other microfinance institutions meanwhile have expanded their credit services to displaced workers here and from abroad. The leading microfinance institution in the Philippines, CARD Bank, noted that amid the global financial turmoil, there was a significant rise in the number of its microfinance borrowers, which more than doubled from 50,990 in 2007 to 121,752 in 2008 (Llanto and Badiola, 2009).

C. Trade Unions

Trade unions meanwhile have increased their advocacy for Decent Work as the proper response to the ongoing Global Financial Crisis. They have also called attention to the following labour

[21] Examples of NGOs who give critiques of the response include Ibon Foundation, Freedom from Debt Coalition and the Institute for Popular Democracy, Global Call to Action against Poverty, CODE-NGO, etc.
[22] "Civil Society Statement on the ASEM Development Conference: Towards Sustainable Development" April 23, 2009

market issues related to the crisis: worsened child labour situation, increased vulnerabilities of overseas workers, union busting incidents, the need for unemployment insurance, low unionization of the BPO industry and increased poverty among the working class. Through the World Day of Decent Work (WDDW) Campaign various unions highlighted the Call to Action's eight key demands: protection of fundamental labor rights; changing unfair trade rules and reforming the World Bank and the IMF; improving the situation of women and men working in the informal economy; providing social protection to the majority of the world's population who live without it; increasing development assistance; and ratifying and implementing the UN and ILO conventions around the protection of migrant workers and their families[23]. In addition, they noted that the key to rebalancing growth is Decent Work through full and productive employment, respect for workers' rights, broadened social protection, reduction of exploitation of migrant workers and changes in unfair trade rules.

Other unions like the Alliance of Progressive Labor (APL) want to put in place a strategic and coherent national framework of development, not only to respond to the crises, but to ensure an economic thrust that will revive the local economy, invigorate the domestic market, and create jobs and livelihoods in the country, in accordance with the principles of equity, sustainability and justice. They also warned that the stimulus packages may again be subject to leakages and corruption as what happened to several projects and programs in the past.[24] The APL also scored the suggestion of the private sector on a flexible work week and asserted that workers should not single-handedly bear the brunt of dealing with the Crisis by "blackmailing" them to accept "voluntarily" flexible work arrangements lest they swiftly become jobless and penniless. They also note that the crisis itself is a crisis of capitalism and that government must generate jobs, and not to use the illusion of creating jobs through jobs fairs. Some unions though like FFW and TUCP have implemented programs that directly assist displaced workers through training/re-training (in coordination with TESDA) and job placements.

VIII. Recommendations for Coherent Policy Response and Addressing Decent Work Deficits

While the government tried to do its best in responding to the Crisis despite its various constraints, the country remains vulnerable to many types of risks given the structural problems inherent in the macroeoconomy. In addition, the government response has also exposed the areas where it needs to improve in tackling various types of crises and in addressing Decent Work deficits. In particular, providing the population with sustainable quality jobs remain the most pressing concern of the government. A second priority is the further development and improvement of a feasible social protection system to lift an increasing number of Filipinos out of chronic poverty. But underlying both of this is the provision of an adequate political and economic environment for sustainable growth to occur in the next few years.

A.
B.
C.

[23] Philippine ITUC-AP affiliates, the Trade Union Congress of the Philippines (TUCP) and Federation of Free Workers (FFW)
[24] The fertilizer scam and the NBN-ZTE deals

D. The Economy Remains Vulnerable

The Philippines is still highly vulnerable despite its positive growth rate this year. As was discussed in the introduction, the Philippines has suffered from boom and bust cycles where the latter have always been associated with economic or political crises and natural or man made disasters. Currently, the areas of vulnerability include:

1. Fiscal risks related to the growing budget deficit. This year, the fiscal gap reached P 298 billion or roughly about 4% of GDP. With still a moderately low growth expected this year, the tax take may not be enough to get the country out of this trend of increasing deficits. In addition government is bent on continuing the implementation of the fiscal stimulus as advised by multilateral and bilateral institutions. With a fresh administration next year, new reform measures to increase revenues may still have to wait e.g. sin taxes, Simplified Net Income Tax System (SNIT) and redundant fiscal incentives. Aside from the fiscal stimulus, there will be salary increases for most government employee which will be a big bulk of expenditure in the coming years. This will also affect the delivery of services at the community levels as the IRA of local governments may drastically decrease as weak collection in the past three years will be the basis for next year's allocation.

2. Political Risks: With the Maguindanao massacre, political uncertainty has been heightened especially after the declaration of a localized Martial Law. Even with a scheduled presidential elections in May, talks abound about the possibility of either elections not being held (because of the presence of private armies) or having election failure (as the Commission on Elections, COMELEC may be unprepared for the automated elections). This uncertainty coupled with a yawning fiscal deficit may further weaken investor confidence which has deteriorated in the last years of the Arroyo regime. Political uncertainty coupled with increased economic difficulties in the lower strata of society may also result in increased peace-and-order problems.

3. Macroeconomic Risks: While some green shoots may already be seen today, recovery in developed economies may still be slow and this may dampen demand for Filipino workers abroad and for exports from the country. FDI may still be low as investors remain cautious. The Dubai crisis that unravelled in November 2009 may have a negative impact on the employment of Filipinos and also on the remittances they are sending. A slow growth in remittances may greatly affect GDP growth since at its peak, they consisted almost 12% of GDP.

4. Disaster risks: since the Philippines is in the Rim of Fire, it is inevitable that natural disasters may strike the country. The "Ondoy" and "Pepeng" experience has actually exacerbated the negative effect of the Global Economic crisis. Typhoons and earthquakes, depending on their strengths and magnitude, may destroy infrastructure, property and decrease economic activities.

5. Conflict Risks: the two ongoing rebellions i.e. of the Moro Islamic Liberation Front in Mindanao and the Communist Party of the Philippines-National Democratic Front in

various parts of the country remain unresolved. The combined armed strength of the two forces is still enough to affect economic activity in selected areas of the country.

E. Key Recommendations[25]

The best example of policy incoherence is probably growth that does not reduce employment or poverty. Inclusive growth means growth where the citizenry participates in creating that growth and benefiting from it. This means a growth that increases employment and reduces poverty. Crafting such a strategy would require a thorough analysis of the structural roots of Philippine underdevelopment (including governance failure and institutional weaknesses) and an openness towards alternative development strategies. In a crisis period, it is very difficult to make strategies and programmes coherent. For instance, emergency employment cannot create high quality jobs as these are aimed primarily for consumption smoothing or poverty alleviation. In fact, the design of such jobs is to pay workers below market rates so that self selection occurs in favour of those who are unemployed and targeted by the programme. Thus, in times of recovery and growth periods, the flexibility of government to adopt more coherent strategies become wider. With more revenues and with the private sector enjoying high profitability, government can readily formulate social protection and poverty alleviation programmes to be able to increase the capacity of marginalized sectors to participate in the process of wealth creation. But how then can we generate more quality jobs for our people in the local economy and address decent work deficits in this phase of a fledgling and fragile recovery?

A. Understanding the Critical Constraints to Sustained Economic Growth

The demand for labour is a derived demand i.e. it follows from increased demand for goods and services from outside or inside the country. Thus, any type of constraint that decreases the growth potential of the country is also a hurdle for job creation. Most of the reasons outlined below are related to critical constraints to growth of the Philippine economy. The ADB (2007) study on Philippine Critical Development Constraints uses a variety of evidence to determine the critical constraints to growth in the Philippines, among which are: a tight fiscal situation, inadequate infrastructure, weak investor confidence (mainly due to governance and institutions failure) and an inefficient labour market. All these constraints were eventually accentuated during the GFC.

Many of these critical constraints are interlinked. Only when the fiscal situation sufficiently improves will the Government be in a position to allocate more resources to infrastructure investment. However, improved infrastructure alone is not enough to lower the cost of doing business and to stimulate private investment. Better infrastructure has to be accompanied by significant improvements in investor confidence, which can be done through the Government adequately addressing governance concerns by implementing initiatives aimed at reducing corruption and improving political stability.

[25] This section borrows heavily from Aldaba (2009)

Removing these three constraints (e.g., tight fiscal space, inadequate infrastructure, and weak investor confidence) will result in increased private investments from domestic and foreign sources. But, to ensure that growth can be sustained at a high level similar to that achieved by many Southeast and East Asian economies in recent decades, the Government will also need to address the market failures (such as information and coordination externalities) in order to encourage investments for diversifying and expanding the manufacturing sector/exports, and in upgrading the level of technology. Sustained high growth, resulting from removing the critical constraints, will create more productive employment opportunities. This is essential because insufficient and low quality employment is the most critical constraint to poverty reduction in the Philippines.

B. Specific Recommendations:

1. Governance and institutional reforms: a new government hopefully takes over and improve governance in the country by June 2010 and at the very least minimize corruption at the high echelons of government. Peace negotiations with rebel groups must be continued towards full political settlement and lasting peace.

2. Continuing fiscal reforms: In the immediate run, there must be increased tax effort through changes in the sin taxes, implementation of the Simplified Net Income Tax System (SNIT), abolition of redundant fiscal incentives and increased excise taxes on other luxury goods and on gasoline products. In the long run, reforming the revenue collecting agencies for better tax collection ill be a must.

3. Attracting both foreign and local investors in the economy by solving key investment constraints particularly the high cost of doing business in the country. Essentially, these include reducing bureaucratic red tape and corruption in the bureaucracy, improving infrastructure services (seaports, airports, energy, etc.) and ensuring security among investors.

4. Crafting and implementing a sound industrial policy for job creation

These should be founded on a strategic collaboration between the government and the private sector with the aim of identifying where the constraints and obstacles for industrial restructuring lie and what type of interventions most likely will remove them. These would entail:

- Providing venues of collaboration and support for sunrise and potential industries where the country is competitive and has comparative advantage especially for highly labor intensive sectors or for those that create multiple linkages (backward and forward) in the economy; this collaboration should bring about more growth drivers for the economy so that it can be weaned from its dependence on semi-conductor exports and remittances
- Strategic Assessment of sunrise and potential industries and sectors – examining their strengths and weakness and looking at how government will be able to assist in improving the global competitiveness of such sectors in terms of basic infrastructure

support to industrial clusters, market information, linkage and networking, research & development and favorable policy environment.

The lesson of the global near-depression is that industrial policy also requires a good balance between domestic demand and external demand. A new development strategy should boost investments and create a strong domestic demand and production sector. A strong domestic demand can only be created if problems of inequity are addressed and if benefits of economic growth are distributed broadly among the population. A strong domestic sector with strong domestic demand has been the one shielding China, India, Indonesia and Vietnam from entering a recession in the current turmoil (Lim 2009).

5. Helping small and medium enterprises to flourish (as they are the main generators of jobs in the country)

In the country, the lack of access to financing has severely constrained the growth of SMEs as private banks are reluctant to lend to SMEs because of their general aversion to dealing with a large number of small accounts. Many SMEs cannot access available funds due to their limited track record, limited acceptable collateral, and inadequate financial statements and business plans. Thus any serious job creation strategy must include:

- Access to credit and finance - Some private banks were able to overcome these challenges by providing assistance in preparing accounting records, business advice, and simplifying loan documentation and tailor fitting loans to match the borrower's cash flow
- Institutions to monitor and diffuse new technologies and provide technological services e.g. material testing, inspection, certification of quality, instrument calibration, establishment of repositories of technical information, patent registration, research and design, and technical training
- Programs for the provision of information exchange to local firms to make strategic linkages with multinational corporations (MNCs) – like the Singapore model

6. Assisting local governments to create an adequate environment to attract and sustain investments especially labor intensive ones. Local governments have been focused more on their regulatory function in terms of private sector investments. Their paradigm must be shifted towards the promotion of local economic development and investments in their areas[26].

7. Development of financial markets to tap domestic savings and harness remittances into productive investments especially in local rural economies (to provide both in farm and off farm employment):

- Creation of a variety of financial instruments that would attract savings from the middle and upper classes including remittances from OFWs which could then be channeled to various private sector initiatives especially in the rural areas.

[26] This is also the view of Undersecretary Austere Panadero of DILG

- Enhancement of the equity markets and open access to such by capable and efficient SMEs

8. Improving the capability of our workforce

- Continue implementing substantial reforms in all stages of the education and training system[27]
- Skills upgrading and training for out of school youth and those who drop out of school
- Strengthening of vocational and technical training especially for in-demand jobs and occupation
- Solving labor market information and mismatch problems (through more efficient information) and labor mismatch issues (through better demand and supply coordination)

9. Providing an explicit policy on labour migration

An explicit labour migration policy must be established to ensure that Filipinos leaving to work abroad get quality jobs and that they are amply protected in the host countries. This should be complementary to the labour migration management programmes of government through the POEA and OWWA.

10. Implementation of a comprehensive social protection that covers both the formal and informal sector especially the poorest of the poor or the chronic poor.

- Formal Sector: unemployment insurance, Philhealth policy on unemployment
- Informal sector (entrepreneurial poor): micro finance and microinsurance (MBAs)
- Poorest of the Poor: Conditional Cash transfers; 100 day guaranteed employment
- Continued implementation of National targeting system towards a comprehensive database on poor households which is regularly updated.
- Rationalization of remaining social protection programmes to avoid duplication and wastage.

The successful implementation of a comprehensive social protection programme and the impetus towards higher growth and economic activity are important components of rebalancing in the country where the reliance on exports and outward flows can be decreased. Again, an efficient social safety net which was earlier proposed by Lamberte (2001) in the aftermath of the East Asian Crisis should also be incorporated in this system

11. Putting in place a permanent and multi-stakeholder coordinative mechanism to address crisis and emergency situations because of any origin whether economic, political, conflicts or natural disasters. This mechanism must also integrate a monitoring system that will immediately inform policy makers of increasing vulnerabilities of the economy. This has already been proposed by Lamberte (2001) after the East Asian Crisis. Lessons from the current response to the crisis and the past two typhoons should be taken into account for this

[27] This includes Deped's ongoing BESRA

proposal. A mechanism must also be put in place to get immediate feedback and recommendations from households themselves; this can be incorporated in the National Household Targeting System currently being implemented by the DSWD.

12. Strong international reserves position of Asian countries had been crucial in shielding them from an Asian-crisis type of financial and balance of payment crisis that had hit other developing countries. Thus, at the regional and international levels, the government needs to continue participating in the discussions and implementation of mechanisms that will reduce the vulnerability of the country to various types of risks e.g. Currency swaps The region may need its own "Asian Monetary Fund" that not only saves countries from foreign reserves depletion, potential debt default and currency attacks but also one that provides budgetary support for fiscal stimulus and for social and safety net spending vitally needed during crises and recessions (Lim, 2009)

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Annex A: Timeline of the Government Response

October 8, 2008: The President instructed her economic managers to draw up a contingency plan to address the impact of a possible recession of the developed economies on ordinary people in the Philippines.

October 14, 2008: A Joint NEDA Cabinet Group and National Anti-Poverty Commission Cabinet Group meeting was held in Malacanang. During the meeting, NEDA and DOLE crafted their respective contingency plans for the country. The plans identified strategies to boost growth and to mitigate the possible impact of the crisis on vulnerable sectors.

October 15, 2008. NEDA and DOLE presented before the President and the Cabinet the joint contingency Plan for a possible recession in developed economies and how the country could respond to the challenges. It identifies as particularly vulnerable overseas Filipino workers and workers in the export sector.

November 11, 2008: During the Development Budget Coordination Committee (DBCC) meeting, a new set of strategies to improve the economy in the midst of the crisis was formulated together with the new DBCC macro-assumptions for 2008 and 2009. These were presented in the Senate DBCC budget hearing on November 12, 2008, stressing the policies that would position the country for "the morning after "the global rebound.

December 9, 2008: SSS President and CEO Romulo Neri presented a proposal in response to the crisis involving P100 billion worth of infrastructure projects. This anti-crisis fund was originally recommended by the Philippine Chamber of Commerce and Industries (PCCI).

December 16, 2008: NEDA presented before the President and the Cabinet the Economic Sustainability Plan which was an update on the crisis response plans. Added to the contingency plan were budget strategy principles, off budget interventions and other measures such as intensified monitoring of prices, continuing a low inflation regime and possible reduction of import duties for certain industries. The plan also included a communication program with an overarching theme of economic patriotism.

January 6, 2009: The plan emerged as the Economic Resiliency Plan, stressing the need for the government implementing agencies to frontload resources. Agencies that dealt with infrastructure were to pursue full and quick spending of their budgets, shift resources from slow to fast moving projects, and implement /scale up quick disbursing high impact projects (i.e. labour intensive and with high local value added)

From February 2009, the President required NEDA to provide her and the Cabinet fortnightly updates of the global crisis coined as the GRIM report (Global Recession Impact Monitor) which later was renamed to GRIN report (Global Recession Impact News) when the economic landscape started to improve. The reporting includes surveillance of global and domestic macroeconomic developments related to the Crisis. The latter includes, summaries of green shoots phenomena or improvements occurring in different segments of the global economy as well as opportunities for the Philippine economy in relation to international developments. Latest reports on ERP and GRIN can be downloaded from the NEDA website.

Annex B: Key Policies and Programmes in the Government Response

1. Monetary Policies

A major objective of the response is to ensure that there is enough liquidity and access to credit for firms to be able to survive the Crisis. This is important especially because the exact duration of the Crisis cannot easily be determined. At the same time, inflation must be tempered so as not to add to the burden of vulnerable sectors in coping with the negative effects of the crisis. The key agency responsible for this objective is the BSP, the regulatory body overseeing the banking and much of the financial services industries. However, in this crisis, the BSP's response through monetary policies were coordinated closely with other national agencies to mitigate the impact of the Crisis. The following were the significant components of the response[28]:

a. Liquidity Provision

The BSP reduced its policy rates by a total of 200 basis points from December 2008[29] aided by easing inflation which brought the overnight borrowing or reverse repurchase rate to 4% and the overnight lending or repurchase rate to 6%. Also, the BSP was ready to extend its standing facilities to banks and even introduced a new facility i.e. the US dollar repurchase agreement to ensure the normal functioning of credit and financial markets and the availability of funds for import requirements. The BSP also reduced the regular reserve requirement by two percentage points and increased the rediscounting budget from P20 billion to P60 billion and liberalized access to the facility.

b. Strengthening Confidence

Through timely policy issuances and communicating these immediately, the BSP has been quick to assure market participants of the adequate supply of liquidity and the limited exposure of the banking system to the troubled financial markets of the U.S.. Because of these interventions, confidence in the financial markets was maintained.

c. Vigilance Against Inflation

The BSP continued its vigilance over price developments as this is its primary mandate and to support economic activity to the extent that the inflation outlook allows. There was also a favourable external environment because of the gradual easing of the global prices of oil during the crisis.

d. Continued Banking Reforms

[28] Based mostly on the written response of Diwa Guinigundo, Deputy Governor, BSP to the author's questionnaire
[29] The rates were reduced on the following dates: 18 December 2008; 29 January 2009; 12 February 2009; 5 March 2009, 16 April 2009, 28 May 2009, 9 July 2009

The BSP remained committed to sustain key financial and banking sector reforms that will lead to greater efficiency, effective risk management, stronger capital base and improved governance standards among banks. These reforms hopefully would create the enabling environment for higher savings to boost financing for investment activities. Several policies were implemented to strengthen prudential and regulatory framework for banks i.e. amendment of rules on derivatives activities of banks; guidelines on internal capital adequacy assessment and supervisory review processes, amendment of financial reporting package for trust institutions; simplification of financial reporting package for rural and cooperative banks, etc.

e. External Sector Policies

The BSP's policies continued to be directed towards maintaining a market-determined exchange rate with room for intervention to address sharp volatilities, maintaining a comfortable level of reserves and ensuring sustainability of the country's external debt. Examples of such policies include the liberalization/streamlining of rules on foreign borrowings of private banks for relending purposes and registration of inward foreign portfolio investments and streamlining of the documentation requirements on the sale of foreign exchange by dealers and money changers.

f. Heightened Regional Cooperation

The BSP has been actively engaging with its regional peers in ASEAN and East Asia to share information, discuss emerging developments and pool resources particularly foreign exchange reserves.

1. *Emergency Employment*

   a. MOOE budget for hiring displaced workers – Executive Order 782, s 2009
   Allotment of 1.5% of the Maintenance and Other Operating Expenses (MOOE) of agency budget for hiring of displaced workers or their dependents.

   b. Frontloading of infrastructure budget – National agencies involved in building infrastructure must quickly spend the bulk of their budget, shift resources from slow to fast moving projects, and implement /scale up quick disbursing high impact projects. These agencies include the Department of Public Works and Highways, Department of Transportation and Communication, Department of Agriculture and the Department of Education. These projects, which are labour 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. National agencies should work with LGUs in implementing such projects.

   c. Comprehensive Livelihood and Emergency Program (CLEEP)- consists of various government sponsored programs which aims to protect the following vulnerable sectors: the poor and the hungry, returning OFWs who were laid off from work, workers in the export industry, and out-of school youth from the threats and consequences of reduced or lost income as a result of the economic crisis, by providing them with emergency employment, cash-for-work and other income-generating services and funding for livelihood projects. Programs under CLEEP include[30]:

- Out of School Youth Serving Towards Economic Recovery (OYSTER) for road maintenance and flood control
- One Town One Product (OTOP)
- Kapit-bisig Laban sa Kahirapan (KALAHI) Cash for work to repair health facilities
- Tulong Panghanap buhay sa Ating Disadvantaged Workers (TUPAD) for community works
- Integrated Service for Livelihood Advancement of the Fisherfolk (ISLA) in the coastal communities
- Grassroots Entrepreneurship for Employment in Tourism (GREET)
- Farm to Market Roads (FMR)
- Financial Assistance and Micro Financing for Entrepreneurship (FAME) for returning OFWs and family dependents
- Adjustment Measures Program (AMP), Workers Income Augmentation Program (WIN AP) and DOLE Integrated Livelihood Programs for displaced and low income workers
- Nurses Assigned in Rural Services (NARS) training cum development project mobilizing nurses to poorest communities

2. *Social Protection Programs*[31]

a. Pantawid Pamilyang Pilipino Programme (4Ps)

The 4Ps which started in 2008 is a conditional cash transfer programme in which the national government provides cash grant to extremely poor households to allow them to meet certain human development goals contingent on compliance with core responsibilities. The programme aims to contribute to poverty reduction programme through improvement in health, nutrition and education among poor families. The 4Ps is aligned with the fulfillment of the country's commitment in meeting the following Millennium Development Goals: a) The eradication of extreme poverty and hunger; b) The achievement of universal primary education; c) the reduction of child mortality; d) the improvement of maternal health, and e) the promotion of gender equality[13]

b. Katas ng VAT Para Kay Lolo at Lola (Elderly)

[30] Most of these programs were already existing even before the crisis but were given additional budget during the crisis
[31] Based on the replies of Undersecretary Alice Bala of DSWD and a paper by Undersecetary Lualhati Pablo of DSWD

This project is a one time PhP 500.00 cash subsidy to 1,000,000 qualified senior citizens funded through a National Government allocation from its oil VAT collection. This was implemented nationwide in coordination with Local Government Units (LGUs) and the Office of the Senior Citizens Affairs (OSCA).

c. SEA-K

The Self-Employment Assistance-Kaunlaran (SEA-K) Program is a capability-building program in coordination with the LGUs, designed to enhance the socio-economic skills of poor families in establishing and managing a sustainable community-based microcredit organization for entrepreneurial development. Its components include social preparation, the formation of groups and associations, capital assistance, savings mobilization, and access to other social services.

d. Food for School Program

This is part of the Accelerated Hunger-Mitigation Program (AHMP) of the Philippine Government. This aims to address hunger among families through a food subsidy of a daily ration of one (1) kilo of iron-fortified rice per family. It is a food subsidy per child/student providing daily ration of one (1) kilo of iron-fortified rice per child from first to sixth grade in actual attendance at Department of Education- supervised day care centers and elementary schools. Its target areas are the “hot-spots in National Capital Region.

e. *Tindahan Natin* and Family Access Cards

Tindahan Natin Project is a national government initiative for job generation, livelihood, and food security. The project provides low-priced quality rice and noodles to low income families through a store jointly identified and endorsed by the DSWD and the local government units (LGUs).

The Family Access Cards is the Government Rice Assistance Program that allows poor families in Metro Manila to purchase National Food Authority rice at very low prices. Both are pro-poor poverty alleviation projects implemented in Metro Manila and 49 provinces with high incidences of poverty and hunger.

f. National Household Targeting System for Poverty Reduction (NHTS-PR)

The NHTS-PR aims to establish a socio-economic database of poor households who will be beneficiaries of social protection programmes. This system hopes to facilitate high quality information with public and private social protection stakeholders to prevent inclusion of non-poor and undercoverage or exclusion of the poor in social protection programmes.

3. *Training for Work Scholarship Programs*

Spearheaded by TESDA, these scholarship programs targeted displaced workers within the country and OFWs and their dependents. A prime example is the Pangulong Gloria Scholarship, formerly known as the PGMA Training for Work Scholarship Program (PGMA-TWSP) which was originally launched in May 2006. It was expanded under the ERP to cater to poor but deserving Filipinos. Trainings are related to the following sectors - business process outsourcing, call centers, medical and legal transcription, animation, software development, health care, etc..

4. *Assistance to Displaced Overseas Filipino Workers*

The Department of Labor and Employment (DOLE), has striven to guarantee safety nets for workers affected by the global crisis including displaced overseas Filipino workers (OFWs). This program includes: a) counseling and advisory programs to guide laid-off workers on their re-entry to productive employment; b) employment services to reconnect them with productive employment; and c) training, negotiation, and legal services that ensure workers recover unpaid salaries, benefits, and other monetary claims. POEA gave legal assistance and employment facilitation services. OWWA was responsible for repatriation services and TESDA for training and scholarships. DOLE also actively participated in international dialogues to promote the welfare of overseas and migrant workers.

5. *Social Insurance through PhilHealth*

The Philippine Health Insurance (PhilHealth) is the largest social protection institution in the Philippines. Around 66 % of the population is covered with the formal sector being covered almost 100% and the informal sector, 50% (Weber and Piechulek, 2009). The Philippine Health Insurance Corporation or PhilHealth, a government agency, implements the National Health Insurance Act of 1995 (Republic Act 7875) through the National Health Insurance Program (NHIP). NHIP replaced and improved the old Medicare Program introduced 23 years earlier. Its mandate is to provide all citizens with the mechanism to gain financial access to health services, in combination with other government health programs. For the Crisis response, PhilHealth was mandated to increase its coverage and to improve its benefits to its members.

Benefits include:

- Inpatient coverage. PhilHealth provides subsidy for room and board, drugs and medicines, laboratories, operating room and professional fees for confinements of not less than 24 hours.
- Outpatient coverage. Day surgeries, dialysis and cancer treatment procedures such as chemotheraphy and radiotheraphy in accredited hospitals and free-standing clinics.
- Special benefit packages. Coverage for up to the fourth normal delivery, Newborn Care, Package, TB treatment through DOTS, etc.

6. *Housing Programmes*

The government through the Housing and Urban Development Coordinating Council (HUDCC) targeted to disburse PhP 85 billion loans to both institutional (developers and LGUs) and individual users. As housing has a large multiplier effect throughout the economy, an expansion of housing activities will help mitigate the impact of the Crisis.

7. *Multi-stakeholder Conferences and Consultations*[32]

The Department of Labour and Employment (DOLE) also spearheaded national and international consultations among tripartite and other social partners which led to the commitment of key stakeholders in saving and preserving jobs and in supporting business growth and workers safety nets:

- Multi-sectoral Conference on the Global Financial Crisis: responding to the Employment Challenge, January 30, 2009, OSHC, Diliman, Quezon City
- Multi-sectoral Summit on Business Growth and Employment, Safety Nets Group Pre-Conference, February 5, 2009, Bayview Park Hotel, Manila
- Multi-sectoral Job Summit: Joining Hands Against the Global Crisis, February 9, 2009, Malacanang Palace, Manila
- Multi-sectroal Conference for GFC Affected Workers in Selected Agri-based Industries, February 13-14, Apo View Hotel, Davao City
- Overseas Employment Jobs Forum, March 02, 2009, Malacanag, Manila
- Employment and Business Opportunities: The Middle east Forum, April 12-13, Dubai, United Arab Emirates

The DOLE also sponsored various job fairs for displaced and unemployed workers. One of these was held during Labour Day, May 1, 2009.

8. *Export Support Fund*

The Department of Trade and Industry (DTI) has already received a fifth of the Export Support Fund (ESF) of P1 billion. 70 % of the ESF will be allocated to export development and promotion projects of small and medium enterprises, while the remaining 30 % will be distributed among large-scale exporters, such as those from the business process out-sourcing, information technology, and semiconductors and electronics manufacturing industries. The Export Development Council is currently reviewing the viability of the submitted proposals availing of this fund. The government has approved 19 proposals totaling P288.4 million for financing under the Export Support Fund (ESF) only in November 2009. 17 of these projects were marketing and promotions initiatives of industry groups, such as the Buy *Pinoy* Movement Foundation, Chamber of Furniture Industries in the Philippines (CFIP), Confederation of Philippine Jewelers Inc. (CPJI), Home Accents Group of the Philippines Inc. (HAPI), PHILEXPORT-Davao, Philippine Chamber of Handicrafts Industries (PCHI), Philippine Food Processors and Exporters Organization Inc. (Philfodex), and the association of natural and organic product manufacturers. The Center for International Trade Expositions and Missions (CITEM), Cebu Fashion Accessories

[32] From the Planning Service of DOLE, "Government Safety Nets: Responding to Workers Affected by the Global Financial Crisis", 16 November 2009

Manufacturers and Exporters Foundation (Cebu FAME), and Philippine Coconut Authority (PCA) were also granted funding for their marketing and promotions projects. A program to train designers, and the establishment of a common service facility, were also approved for funding.

9. Local Government Assistance

Most of the programmes discussed above were usually implemented in coordination with the local governments of affected areas as the latter are usually in the forefront of basic services delivered to their constituents. Most of the LGUs also put up their own counterpart funds for the various programmes, e.g. CLEEP. Some programmes and projects implemented by LGUs include the following:

- Job Fairs, Counselling and Placements - usually these are referral systems implemented by local Public Employment Service Offices (PESO) e.g. Laguna
- Livelihood and Trainings – usually implemented in coordination with TESDA and other concerned national agencies. An example was a Trapaulin-making project uder the Rizal Province led by Governor Ynares.
- Trade Fairs – The provincial government of Cebu assisted exporters to exhibit their products and wares by sponsoring such fairs in their edifices
- Assistance to Vulnerable Sectors – provincial and city governments usually have funds for cash assistance to very poor households