Philippine Chamber of Commerce and Industry

02 May 2020

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Co-Chairperson
ESRP Cluster

REP. SHARON GARIN
Co-Chairperson
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STELLA LUZ QUIMBO
Co-Chairperson
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Dear **Congressman Salceda, Congresswoman Garin and Congresswoman Quimbo:**

The Philippine Chamber of Commerce and Industry (PCCI) welcomes the opportunity to share its views on the proposed Philippine Economic Stimulus Act (PESA). As the largest umbrella of business organizations in the country representing large, medium, small and micro-enterprises (MSMEs) nationwide, we laud the overall objective of the bill whose proposed fiscal stimulus package is geared primarily toward reviving and protecting MSMEs amid the challenges wrought by the COVID-19 to business.

PCCI's Roadmap to Recovery

Two weeks ago, PCCI came up with a roadmap identifying priority sectors on the road to recovery. These are construction, agriculture, manufacturing, MSMEs and land transportation. The lockdown has provided the leeway to undertake maintenance work on our existing infrastructure. The pandemic has likewise gained the farming and fishery industries - as essential sectors - and micro and small enterprises (MSEs) - the lifeblood of the economy - the attention they rightfully deserve. Similarly, the lockdown has amplified the importance of automation in government processes and the use of digital technology among MSMEs.

The PESA, as it currently stands, strongly supports and concretizes our roadmap and it is for this reason that we support the enactment of the bill, subject to clarifications and enhancements.

Definition of "Critically-Impacted Industries"

Foremost, we would like to have a clear definition and possibly expansion of industries that are critically-impacted by COVID-19. The proposed bill refers to these enterprises as non-essential business entities related to tourism, air travel and trade. In fact the upstream and downstream of agriculture and aquaculture, considered essential sectors, are critically impacted as well. Because of different interpretation of logistics guidelines, highly perishable produce have found it difficult to move their way into markets such that they have to be thrown away, a significant loss of income to farmers. The downstream industries such as food processing, retailing and restaurants are similarly impacted having to operate only partially, if at all.

How is land transportation classified? The operation of taxis, transport network vehicle services (TNVS) and public utility vehicles (PUVs) have altogether stopped under the ECQ. Once we graduate to the GCQ, they can operate but below capacity because of physical distancing and limited workforce. There must be a means to subsidize them to ensure that they will continue to operate and service those who will go back to work.

Grants and Wage Subsidies for Workers

Our experience in the past month and a half has demonstrated our unpreparedness to face a large-scale disaster. Up until now, a number of members our local chambers continue to follow-up on the wage subsidies promised to workers of affected enterprises even as the COVID-19 Adjustment Measures Program (CAMP) under the Department of Labor and Employment (DOLE) has used up its allocation. Now, affected enterprises have to go to the Department of Finance (DOF) for the Small Business Wage Subsidy (SBWS) program. The transfer of operation and the tedious process to apply for the programs have given rise to frustrations.

All these processes would have been avoided had automation in government, the Philippine Business Registry (PBR) and the National ID system been fully in place. The PBR was conceptualized and implemented to interlink the business processing and licensing systems of related national and local government agencies. In more than 10 years, the project has yet to be fully integrated. The PBR would have systematically identified MSMEs without the need to go through the scrupulous systems checking. Two years have passed and the National ID system is still to be implemented. This would have assured seamless delivery of subsidies.

Now there is a new grant in the form of wage subsidy proposed under the PESA for workers in critically-impacted industries, free-lancers, self-employed and repatriated overseas Filipino workers (OFWs). It is easy to track workers in the formal sector and repatriated OFWs but how will the wage subsidy reach freelancers and the self-employed, commonly those in the informal sector?

There should be a system to ensure that the subsidy goes to the intended beneficiaries. We also want to see a distribution system and single entity accountability to avoid a confusing situation. Resources are limited; these wage subsidies should be efficiently distributed.

Needless to say, support provided to workers is good only for the short-term. Businesses need to re-start the earliest possible time to bring back consumer confidence and ensure the cycle of economic activity.

Regulatory Relief

Regulatory relief is a good start. In addition to the agencies identified in Section 8, we propose the inclusion of the Department of Health (DOH) and the Food and Drugs Administration (FDA). FDA approvals take years and high fees. Even during the ECQ, the DOH and the FDA have continued their normal processes, which, in the word of one of our members, is a snail pace action on applications for permits and licenses. Healthcare-related ventures have become even more essential under the COVID-19 threat. The DOH and the FDA need to step up.

Guarantees and Interest-free Loans to MSMEs

We also support the increase in loan guarantees under the Philippine Guarantee Corporation (Philguarantee). Again, because the definition of critically-impacted industries is limited to non-essential

industries, we propose the inclusion of essentials especially those related to agriculture and aquaculture. These are industries that keep rural economies running. The "Balik Probinsiya" supports our call to refocus growth priority to food production – farming and fishery - to bring development to the countryside.

While we appreciate the interest-free loan from government-owned Landbank and DBP, potential MSME borrowers mostly do not have the technical capacity to comply with the banking system's documentary requirements. The implementing rules and regulations to be jointly drafted by the DOF and the Bangko Sentral ng Pilipinas (BSP) on Section 17, Protecting Filipino Jobs through Interest-Free Loans, should provide more flexibility to make it easier for MSMEs to benefit from the program.

Grants and Loans to Agriculture, Tourism and Industry

Given the importance of farming and fishery to our economy, the P6-B loan allocation is minuscule in comparison with the assistance provided to other industries - P43-B to tourism and P66-B to industries – for activities that cannot be done within the short and medium terms, or until such time that there is already a vaccine for COVID 19.

Loans for Agri-Fishery Enterprises

We propose that aside from the allocation of P6-B loan, agri-fishery enterprises should be given grants commensurate to our need to achieve food sufficiency and security. The sector has been neglected in the past and it is only now, under crisis, that the sector has been put in the spotlight for its importance in feeding our people and reviving our economy. The loans and grants should be able to cover the sector's continuing needs for farm and fishery inputs such as seeds, fertilizers, crop protectants, feeds, irrigation and machinery, research and development and access to markets.

Grants and loans for tourism

We can hardly expect to see people travelling, to have government and private sector organizing pre-COVID-19 MICE activities (meetings, incentives, convention and exhibition) and tourism fairs. Furthermore, on the interest-free loans or issuance of loan guarantees with terms of up to 5-years for business improvements and rehabilitation in tourism - how did COVID-19 damage tourism businesses that require loans for improvement and rehabilitation? Resources for tourism can be better channeled to support the restructuring or reconfiguring of physical space for health related activities either as quarantine facilities for medical or health workers or repatriated OFWs, or temporary homes for workers in business processing and outsourcing industries.

Grants and Loans for Industries

We support grants and loans for industries and services, especially those in the downstream of agriculture such as food processing, canning, packaging, marketing and logistics where supply chain gaps can be addressed and forward and backward linkages in the agri-manufacturing-services can be strengthened.

Private Sector Representation in the Economic Stimulus Board

On the composition of the Economic Stimulus Board (ESB), we suggest that instead of putting it under the discretion of the President, to make the private sector representatives regular members of the Board and

for one of them to be a co-chair. The PCCI, can provide valuable inputs to economic resilience efforts due to its national and international reach, and the diversity of its membership base.

Importance of Innovation

A missing link that could accelerate our recovery is innovation. Along this line, we urge the inclusion and appropriation of funds for innovation. In a recent e-forum the PCCI had on innovation, we were quite surprised that the Department of Science and Technology (DOST) has developed practical technology related to healthcare and food production. We hope that funds be made available to help publicize and ensure the adoption of these technologies, while also helping the Department and other government agencies and educational institutions develop more innovation and technology that could improve business and other processes and systems.

Acceleration of the Passage of the Bill

Finally, we are hopeful that even at this early stage, coordination is already being done with the Senate to have a counterpart measure that is similar in design to fastrack the enactment of the bill.

Thank you very much.

With best regards,

AMB. BENEDICTO V. YUJUICO
President

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