

Achieving Economic Recovery in the Philippines Through REBUILD PH: Revitalizing Businesses, Investments, Livelihoods, and Domestic Demand



I. Background

Coronavirus disease 2019 (COVID-19) entered popular consciousness in the Philippines in the near-end of January 2020 through news and social media signaling concerns over an emerging pandemic by highlighting rising cases of a new type of illness in foreign countries, particularly China.¹ The primary concern then was the welfare of Filipinos residing in Wuhan, China². The Department of Health (DOH) promptly convened for the first time the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF-MEID) on 28 January 2020 given an increasing number of suspected cases in the Philippines that were under investigation. Within the succeeding days, the situation became more serious as the first confirmed COVID-19 case in the Philippines was reported, immediately followed by the first death due to the virus. By this time, the threat of COVID-19 dominated news and social media, sparking mass panic. The World Health Organization (WHO) (2020a, 2020b) declared the COVID-19 outbreak as a Public Health Emergency of International Concern on 30 January 2020, and as a Global Pandemic on 11 March 2020. With the confirmed outbreak of local transmissions in the Philippines, President Rodrigo Roa Duterte issued Proclamation No. 922, s.2020 on 08 March 2020, officially recognizing the COVID-19 threat and declaring a state of public health emergency throughout the country. The Philippine government then imposed an initial lockdown (eventually classified as “community quarantine”) in Metro Manila, which was expanded to the whole Luzon island group. Restrictions were also applied to other highly urbanized cities and provinces in Visayas and Mindanao.

Due to the COVID-19 pandemic and the community quarantine restrictions, the Philippine economy contracted, reversing the gains in previous years when the Philippines was recognized as one of the best performing economies of Asia with double-digit annual growth. The country was even poised to be an upper middle-income economy but then found itself in an economic recession³ due to the pandemic. Furthermore, the International Labour Organization (ILO), World Bank (WB), and the Asian Development Bank (ADB) also found various problems in the Philippines that emerged due to the pandemic or that the pandemic worsened. The ILO (2021) emphasized that the pandemic highlighted already existing socioeconomic problems in the Philippines, such as income inequality, decrease in working hours, and unemployment. With such gaps exposed and more pronounced, the ILO opined the possibility of a “K-shaped recovery⁴” in the Philippines given that marginalized sectors/vulnerable groups are still experiencing hardships while other sectors/groups that are more privileged or capable are already reporting improvements.

¹ For more information, CNN Philippines published a timeline of the COVID-19 pandemic in the Philippines by following their news headlines. The timeline starts from 31 December 2019 to 03 April 2021, and is accessible from: <https://cnnphilippines.com/news/2020/4/21/interactive-timeline-PH-handling-COVID-19.html>

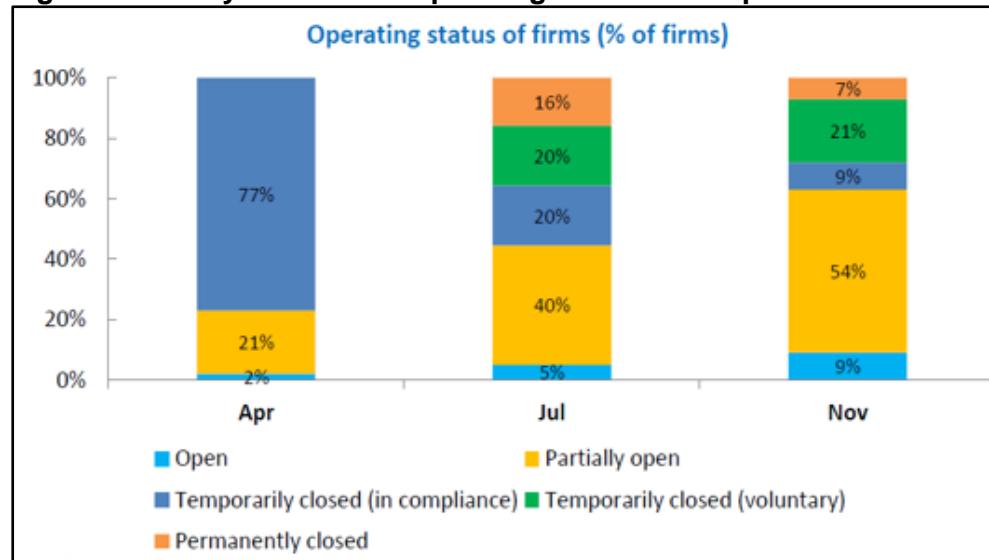
² The COVID-19 pandemic started in Wuhan, China following the WHO's timeline. Retrieved from: <https://www.who.int/news/item/29-06-2020-covidtimeline>

³ Although definitions may vary depending on the source, an economic recession is conventionally recognized when there is a period of significant decline in economic activity as identified by at least two consecutive quarters of negative real GDP growth (Mankiw, 2012).

⁴ K-shaped recovery is an uneven recovery wherein some economic participants bounce back and even expand while others face collapse and extreme poverty (Loayza et al., 2020).

On the other hand, referencing its 2020 surveys for firms in the Philippines⁵, the WB (2021a) noted that a peak 77 percent of firms were either temporarily or permanently closed in April 2020, which eased to 56 percent in July 2020, and then settled to 37 percent in November 2020 (see Figure 1).

Figure 1. Survey Results for Operating Status of Respondents in 2020



Source: World Bank (2021a)

Although majority of respondents were already in operation by November 2020, the operations were at below capacity with 54 percent of surveyed firms being partially open and only 9 percent (fully) open. Temporarily closed firms, representing 30 percent of surveyed firms, signified an expectation to reopen but were uncertain on the exact date when possible. Only 7percent of firms reported to have closed permanently as of November 2020. The WB (2021a) stated that the main reason for below capacity operations and closure was due to financial constraints with insufficient demand and mobility restrictions as the other reasons. Furthermore, large firms were more likely to be open than temporarily closed compared to micro firms, while the likelihood of permanent closure was similar across firm sizes. Most firms reported a reduction in sales but downward pressure on employment eased up eventually with slow rebounds in the service sector. The pandemic disrupted the supply chain with quarantine restrictions given the reduced availability of domestic suppliers. The stable liquidity of firms was also negatively affected with high responses in the WB surveys for unavailability of cash to pay for costs and wages, and delays in payments. Nearly half of the surveyed firms as of November 2020 were in arrears, with micro and small firms found to be more likely experiencing this. Moreover, the survey showed that access to finance has not improved with micro and small firms continuing to rely on informal sources and non-bank institutions (WB, 2021a). Only 13 percent of firms successfully obtained financing from banks in November 2020.

Lastly, the ADB (2021a) echoed that the Philippines was one of the best and fastest growing economies in Asia before the pandemic. However, when the pandemic did hit, the Philippine economy experienced its worst recession since the Asian Financial Crisis in the late 1990s. The ADB noted that there are various forecasts for the Philippine economy in 2021, ranging from 4.0 percent to 6.5 percent, but the ADB expects a fragile recovery overall due to further increases in COVID-19 cases and stagnant private investments. The pandemic's impact to the Philippine labor market have been: (i) the loss of 1.7 million wage jobs; (ii) workers shifting

⁵ The WB had 74,031 respondents for the July survey carried out on 07-14 July 2020, and 13,878 respondents for the November survey conducted on 26 November-10 December 2020. For more information, the survey results and summary of findings for both Round 1 (July 2020) and Round 2 (November 2020) are accessible from: <https://www.worldbank.org/en/country/philippines/brief/monitoring-covid-19-impacts-on-firms-and-families-in-the-philippines>

to informal, precarious jobs; (iii) unemployment remained elevated above long-term trend; and (iv) reduction in hours of work from 41.3 to 39.3 hours per week. The ADB opines that there is a possibility that these would persist in the future as *hysteresis* problems in the Philippine labor market.

New Normal Scenario

The COVID-19 pandemic resulted in the creation of a “new normal” scenario. Specific to the Philippines, this new normal is contextualized by sporadic lockdowns, more outdoor than indoor activities, physical distancing and face covering, and strict compliance to hygiene and sanitation protocols given that the COVID-19 threat will be an enduring foremost concern (National Economic and Development Authority, 2021a). Table 1 reflects the characteristics of the new normal in the Philippines, as identified by the National Economic and Development Authority (NEDA).

Table 1. The New Normal in the Philippines

| | |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic | <p><u>Agriculture and Fisheries</u></p> <ul style="list-style-type: none"> • Greater emphasis on food security • Agri-food supply chain disruptions • Greater demand for technologies that prolong shelf-life of food • Consumers will demand health foods • Reduced demand from institutional buyers <p><u>Industry and Services</u></p> <ul style="list-style-type: none"> • Production to favor essential goods • Reduced load factor in transport • Some travel restrictions to remain • Working arrangements need to be reconfigured • Strict hygiene and sanitation protocols including in transport vehicles • Greater role of e-commerce • Higher demand for internet • Higher demand for digital payment platforms • Intensified use of advances in medical research • Increased demand for health-related technologies and innovations • Increased demand for modern agricultural machineries • Innovative technologies on processing and packaging to increase shelf life of food • Need for cybersecurity |
| Technology | |
| Changes in Demand | <p><u>Household Expenses</u></p> <ul style="list-style-type: none"> • Higher household demand for: <ul style="list-style-type: none"> ○ Health products; health-boosting goods ○ Soap, hand sanitizer, alcohol ○ Face masks, face shields ○ Internet ○ Electronics ○ Utilities (electricity, gas, water) ○ Bikes, motorbikes • Lower household demand for: <ul style="list-style-type: none"> ○ Durables ○ Non-essentials ○ Tourism and travel <p><u>Investments</u></p> <ul style="list-style-type: none"> • Higher investment demand for: <ul style="list-style-type: none"> ○ Delivery vans, motorbikes ○ Digital connectivity ○ Electronics equipment ○ Storage facilities • Lower investment demand for: <ul style="list-style-type: none"> ○ Air transport ○ Office space |

⁶ Defined as “emerging behaviors, situations, and minimum public health standards that will be institutionalized in common or routine practices and remain even after the pandemic while the disease is not totally eradicated through means such as widespread immunization. These include actions that will become second nature to the general public as well as policies such as bans on large gatherings that will continue to remain in force” (IATF-MEID, 2021).

- Packaging materials
- Ventilation equipment
- Outdoor venues
- COVID-proofing materials

Government

- Higher demand for:
 - Digital connectivity
 - Electronics equipment
 - Healthcare services and personnel
 - Social protection
 - COVID-proofing materials
- Lower demand for:
 - Office space

Rest of the World/Exports

- Higher export demand for:
 - Electronics equipment
 - Healthcare services, personnel, supplies and equipment
 - Business process outsourcing
- Lower export demand for:
 - Tourism and travel

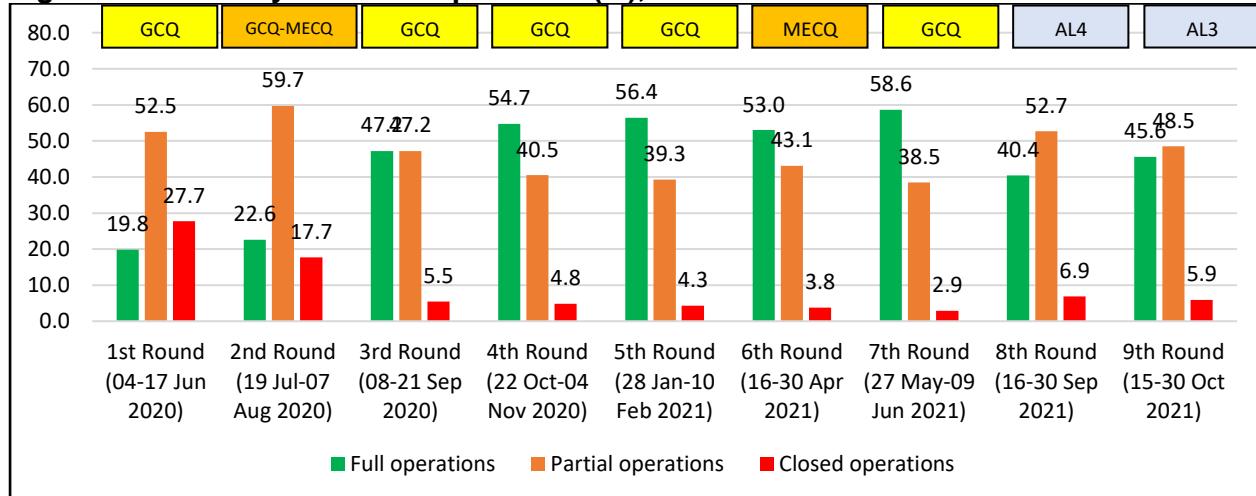
Source: National Economic and Development Authority (2021a)

The NEDA (2021) underscores that businesses and the workforce must transition and adapt to the new normal given the above characteristics and expected trends. Digital transformation and the development of service continuity strategies should be priorities. Furthermore, there is a huge focus on ensuring that the supply and value chains are more resilient.

II. Policy Issues

The main policy issues for consideration in economic recovery are: (i) the closure of micro, small and medium enterprises (MSMEs); (ii) supply chain gaps; and (iii) drop in household consumption.

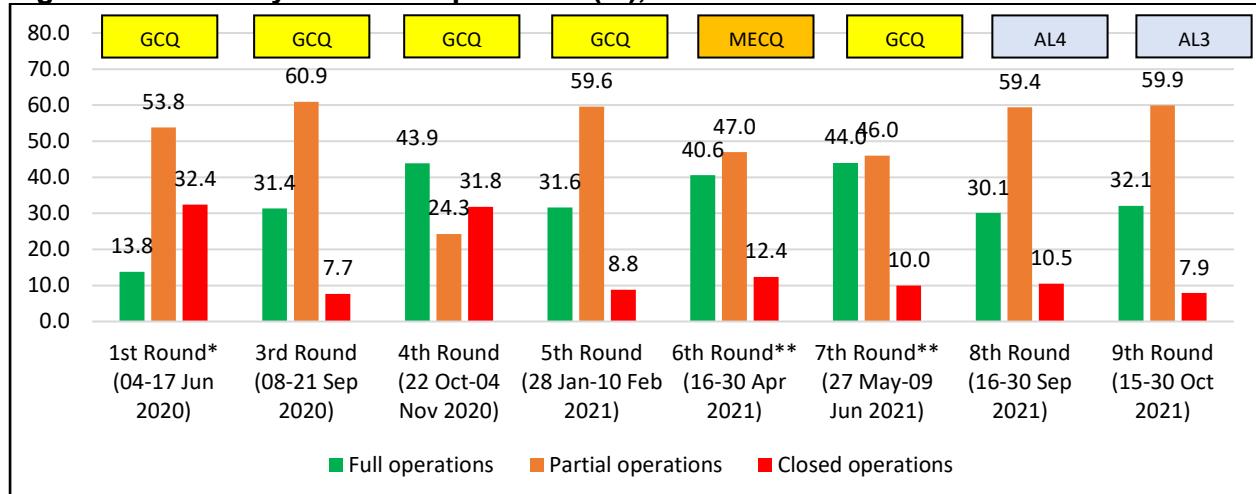
The COVID-19 pandemic in the Philippines pressured MSMEs to restrict operational capacity or to close down business, whether temporarily or permanently. The nationwide results of the DTI's survey, entitled "Impact Assessment Survey of COVID-19 on the MSME Sector" validate that the initial imposition of community quarantine restrictions during the first semester of 2020, as covered by the first survey round, prompted many businesses to close or reduce their operations (see Figure 2). On the other hand, the survey results in the later rounds substantiated signs of economic recovery in the Philippines given that businesses resumed operations, whether full or partial, and that responses for closed operations consistently decreased throughout the survey rounds. This trend is broken by the results of the eighth round that showed a simultaneous decrease in full operations, increase in partial operations, and increase in closed operations due to recently coming out of a period of enhanced community quarantine (ECQ) and modified enhanced community quarantine (MECQ) just before the dissemination of the survey. Notably, the sixth round also reflected business operational difficulties due to having an MECQ coinciding with the survey period and a re-imposition of ECQ just before it. However, despite the lockdown conditions, the survey results of the sixth round only saw a slight dip in full operations and an increase in partial operations, while the decline in closed operations was still sustained.

Figure 2. MSMEs by Status of Operations (%), Nationwide

Note: The number of respondents are as follows: 2,135 for 1st round; 2,171 for 2nd round; 4,213 for 3rd round; 3,053 for 4th round; 15,434 for 5th round; 24,087 for 6th round; 33,145 for 7th round; 1,636 for 8th round; and 1,496 for 9th round. Featured quarantine classifications are for NCR only.

Source: DTI (2021a)

According to the Philippine Statistics Authority (PSA)'s List of Establishments as of the latest 2020, the National Capital Region (NCR) hosts the most number of MSMEs in the Philippines. NCR also generated the highest gross regional domestic product (GRDP) according to the PSA as of the latest 2020. As such, a focused view of the status of MSMEs in NCR is featured below for further reference given the significance of NCR. Figure 3 shows that the MSME sector in NCR has less responses of full operations, and higher incidence of closed operations than the nationwide results. Most of the MSMEs in NCR are still in partial operations. The difference between the nationwide and NCR results of the status of operations of MSMEs parallels the difference in community quarantine classifications imposed. This also emphasizes that MSMEs are highly sensitive to the restrictions.

Figure 3. MSMEs by Status of Operations (%), NCR

*Data reflects responses from NCR, Region 3, and Region 4A

**Data reflects responses from NCR Plus7

Note: The number of respondents are as follows: 805 for 1st round; 156 for 3rd round; 148 for 4th round; 411 for 5th round; 1,025 for 6th round; 752 for 7th round; 342 for 8th round; and 302 for 9th round. 2nd round not included as it does not have disaggregated data.

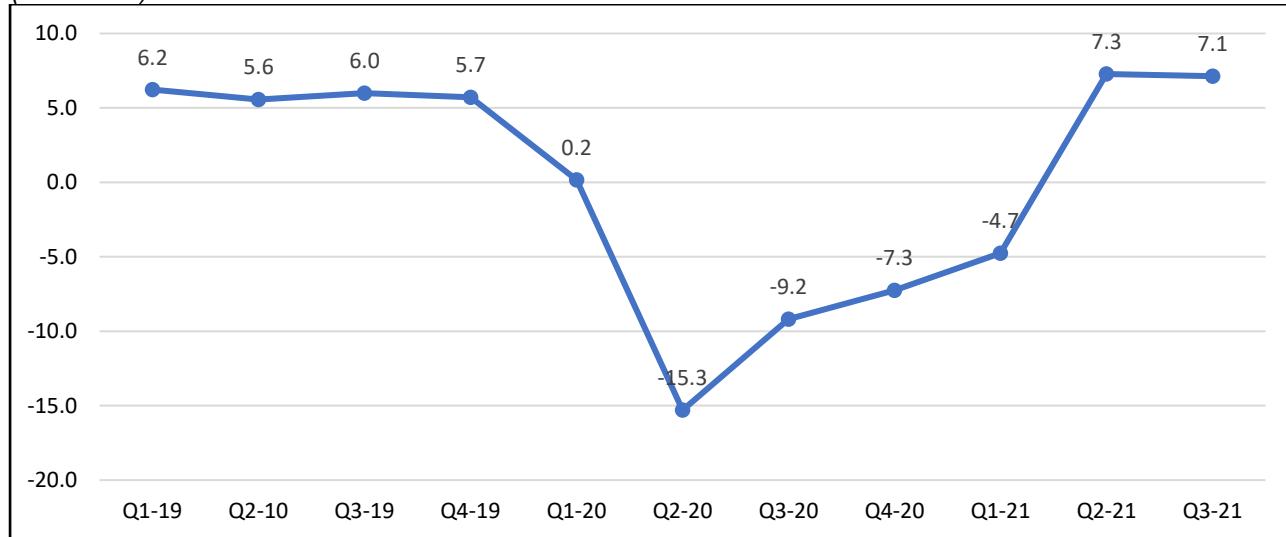
Source: DTI (2021a)

⁷ The Greater Manila Area composed of NCR and the provinces of Bulacan (from Region III Central Luzon), Rizal, Cavite, and Laguna (from Region IV-A CALABARZON), which have been clustered together by the IATF-MEID as a “bubble” with a common community quarantine classification. The NCR Plus represents a conurbated area with significant economic linkages that see heavy inter-zonal traffic.

Regardless of location, the DTI surveys also outlined that the reasons or difficulties of MSMEs contributing to partial and/or closed operations include decline in sales, depleted working capital, and difficulty in sourcing inputs/materials. The latter highlights supply chain gaps experienced during the pandemic that have been attributed as causes for price increases in the market as well as for downgraded outlook (see *Figures 5-7 for relevant indicators*). Mobility restrictions have disrupted the regular flow of goods and services in the country as echoed by industry stakeholders from the focused group discussions (FGDs) with various industries and the Pre-Summit Dialogue for Business, which were held virtually in April 2021 to finalize the National Employment Recovery Strategy (NERS) Business Sector Agenda. The supply chain gaps also manifest as unavailability of immediate and local sources of inputs and raw materials for manufacturing and domestic consumption, especially for personal protective equipment (PPE) and face masks, which became in-demand during the pandemic and had export restrictions in foreign countries.

The pandemic also led to a decrease in household demand and consumption (see Figure 4), which has been the main driver of Philippine economic growth. This is attested by the DTI surveys, which cited decline in sales as a reason for partial/closed operations, and by the consultations conducted for the NERS Business Sector Agenda.

**Figure 4. Household Final Consumption Expenditure, Q1 2019–Q3 2021
(in Percent)**



Source: PSA (2021a)

III. Philippine Economic Recovery

Frameworks, Strategies, and Initiatives

Following Proclamation No. 922, s.2020, the IATF-MEID formulated the National Action Plan Against COVID-19 (NAP) and the Prevent-Detect-Isolate-Treat-Reintegrate-Vaccinate (PDITRV) strategy. The NAP outlines the thematic focus and priorities of the government, while the PDITR is the underlying core set of actions simultaneously done throughout the various phases to control the pandemic. Republic Act (RA) Nos. 11469 and 11494, otherwise known as Bayanihan to Heal as One Act (Bayanihan I) and Bayanihan to Recover as One Act (Bayanihan II), respectively, support the implementation of the NAP and PDITR.

Table 2 shows the various phases of the NAP with the intended goals to be accomplished under each phase. Under Phase 1 (March-June 2020), the primary focus of the Philippine government was on health by controlling COVID-19. It was during this phase that “hard” lockdowns and enhanced community quarantine restrictions were imposed. On the other hand, the economy was relegated as a secondary priority. Under Phase 2 (July-September 2020), control mechanisms for the virus were continued with the target of lowering fatality

rates, but economic recovery was now more pronounced. Under Phase 3 (October 2020-January 2021), health measures were sustained and minimum public health standards (MPHS) for the new normal were finalized and concretized. The economy was also gradually and safely reopened, while a vaccination program was being prepared. The NAP's "Learn to live with the virus", highlights that economic activities would have to be resumed moving forward even with the threat of COVID-19 as part of the new normal. Under Phase 4 (February 2021 and beyond), the health and economic measures are going to be sustained and improved upon, and the vaccination program is executed.

Table 2. Phases of the NAP

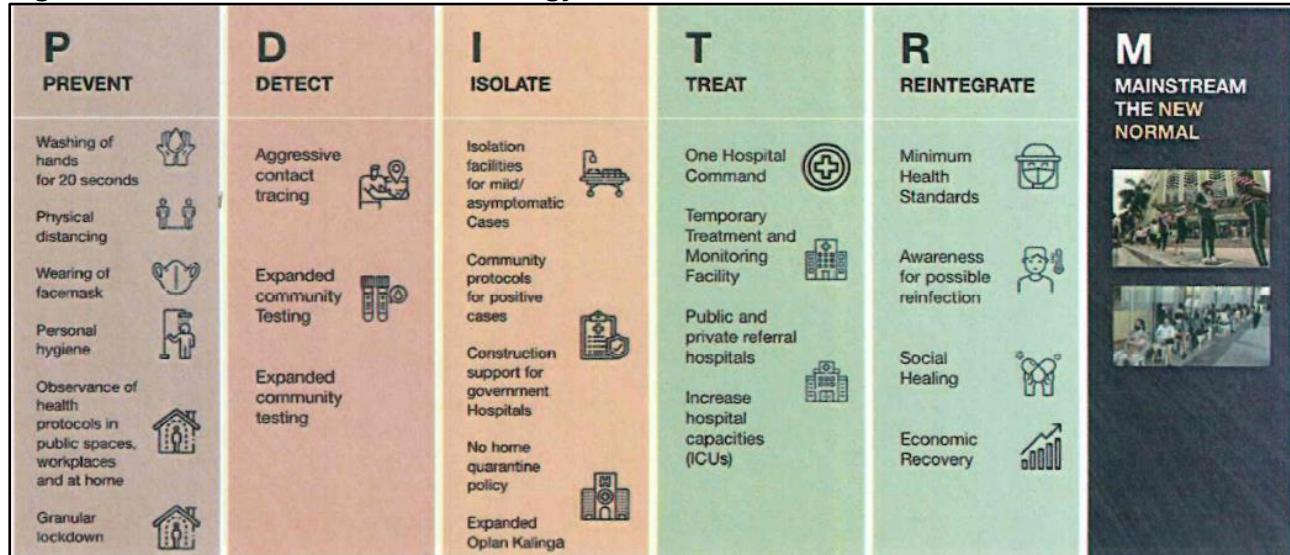
| FACTORS | PHASE 1 March to June 2020 | PHASE 2 July to September 2020 | PHASE 3 October 2020 to January 2021 | PHASE 4 2021 |
|---------------------|--------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------|
| HEALTH | Primary focus Prevent, contain, eliminate COVID-19 | Sustain Low fatality rate | Managing Health Risks | Improve or sustain |
| ECONOMY | Limited Mitigate economic impact | Primary Economic Recovery | Learn to live with the virus (compliance to minimum public health standards) | Improve or sustain |
| IMMUNIZATION | | | Assess, Plan and Prepare for vaccination | Plan, Prepare, Execute National Vaccine Roadmap |

Source: National Task Force Against COVID-19 (2020)

Figure 2 shows the PDITRV strategy under the NAP, to wit:

- **Prevent** – implementation of vigilant border control measures, aggressive promotion and enforcement of MPHS (e.g., physical distancing, wearing of face mask and face shield, hand washing and other hygienic practices, etc.), as well as application of timely and targeted community quarantine restrictions.
- **Detect** – extensive contact tracing and community testing enhanced by technology, use of data analytics, as well as the expansion of bio-surveillance protocols to detect variants-of-concern;
- **Isolate** – efficient triaging of cases depending on severity, effective observance of quarantine protocols, and establishment of quarantine facilities;
- **Treat** – provide effective care and treatment to positive cases with the end goal of eliminating fatality, improving health systems capacity, and including a contingency plan to handle surge in cases;
- **Reintegrate** – COVID-proofing of workplaces and public spaces, re-tooling and reskilling of workforce, digital transformation to ensure business and service continuity in both private and public sectors, as well as adapting to and mainstreaming the new normal; and
- **Vaccinate** – efficient procurement, storage, distribution, and actual jabs of COVID-19 vaccines to achieve herd immunity that would allow for the safe reopening of the country.

Figure 2. Overview of the PDITR Strategy



Note: The PDITR was updated in August 2021 to include Vaccination as "PDITRV" strategy

Source: National Task Force Against COVID-19 (2020)

Meanwhile, some national government agencies also formulated their own frameworks, strategies, and initiatives to further focus on their respective specific mandates. Examples include the NEDA's ReCharge PH⁸, which focuses on transitioning to the new normal, and the NERS⁹, which was initiated by the Department of Labor and Employment (DOLE) to preserve and generate jobs during and after the pandemic. The Department of Trade and Industry (DTI) also formulated its own economic recovery strategy targeting consumers, industries, micro, small, and medium enterprises (MSMEs), and individual entrepreneurs to create a better future for Filipinos in a modern, dynamic, and responsible Philippines.

DTI Response: REBUILD PH

In response to the negative economic impacts of the COVID-19 pandemic and the new normal scenario, the DTI created the Revitalizing Businesses, Investments, Livelihoods, and Domestic Demand (REBUILD) PH¹⁰ strategy. REBUILD PH's objectives are: (i) to contribute to socio-economic development, in particular on infrastructure, health, poverty, employment, and environment; (ii) to have a modernized and integrated industrial capacity; and (iii) to integrate Philippine high-value products and services in global value chains. Meanwhile, the more tangible and applicable goals are the: (i) reduction of trade deficit; (ii) increase in value creation; (iii) increase in backward and forward linkages; and (iv) modernization of Philippine industries.

The strategic framework of the REBUILD PH is anchored on a whole-of-society¹¹ approach towards creating and sustaining a virtuous cycle of economic stimulus wherein government supports businesses to retain and even generate jobs, thus strengthening demand with preserved household incomes and spending behaviors along with even more government

⁸ Retrieved from: <https://www.neda.gov.ph/tag/rechargeph/>

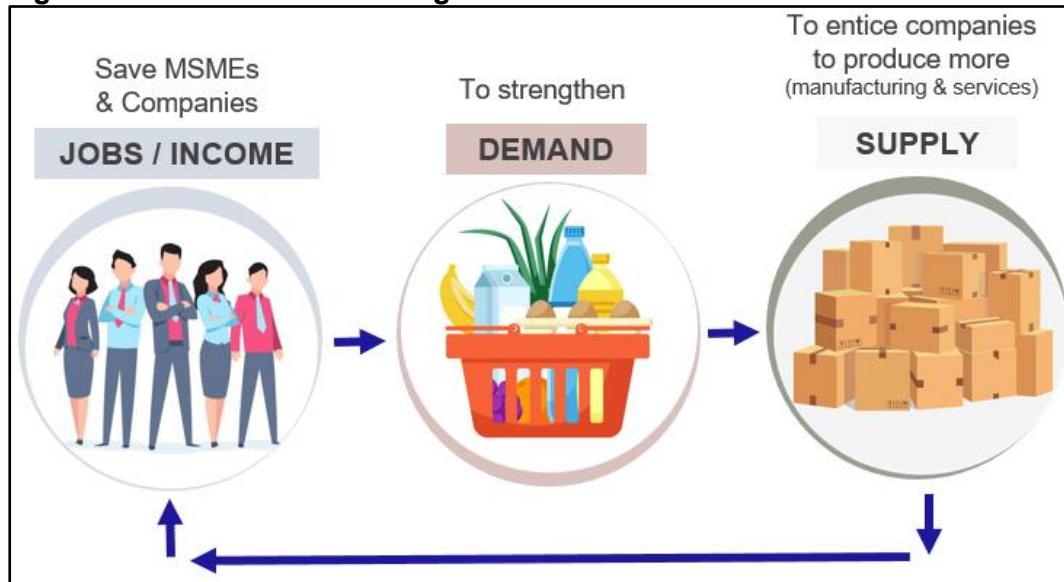
⁹ Executive Order (EO) No. 140, s.2021, entitled "Adopting the National Employment Recovery Strategy (NERS) 2021-2022 and Reinforcing Job-Generating Programs Through the NERS Task Force". More information from: http://www.ble.dole.gov.ph/downloads/Publications/LMT%20-%20DOLE-BLE%20-%20Job%20Summit_WholeofSocietyApproach_EmploymentRecovery.pdf

¹⁰ REBUILD PH was finalized in mid-July 2021, and was first publicly shown during the webinar presentation of DTI Secretary Ramon M. Lopez for the British Chamber of Commerce of the Philippines on 04 August 2020.

¹¹ A "whole-of-society" approach is generally defined as the inclusion of non-government organizations, agencies, entities, and individuals in the formulation of policies and/or implementation of programs. The World Health Organization (2016) understands whole-of-society as the acknowledgement of the role of non-state stakeholders and the further strengthening of coordination with these stakeholders to improve effectiveness of state efforts. Meanwhile, the National Economic and Development Authority (2021b) emphasizes the application of the whole-of-society approach through engagements with the private sector and civil sector as reflected in the Updated Philippine Development Plan 2017-2022.

interventions to further boost consumption. The revitalized domestic demand ultimately cycles back to support and buoy businesses through the pandemic, which may even entice them to expand. Figure 3 visualizes the aforementioned virtuous cycle as a sustainment of economic activities through government intervention or support of businesses, spurring of demand, and the facilitation of supply/production capacities.

Figure 3. REBUILD PH's Strategic Framework of Economic Stimulus



Source: DTI (2021b)

The REBUILD PH advocates for interventions in both the demand and supply sides by stimulating and revitalizing consumption, as well as empowering production capacities, respectively. Accordingly, the operational frameworks of REBUILD PH reflect such interventions following each component of GDP by expenditure and production. The REBUILD PH strategy is being advocated and monitored by the Office of the DTI Secretary but the various interventions of the strategy are individually implemented by the relevant functional groups and bureaus of the DTI. The REBUILD PH is meant to be pursued throughout the pandemic and for the immediate post-pandemic period until the Philippines has fully recovered economically and regained its pre-pandemic levels/position in various indicators.

Demand Side (C+I+G+X-M) Interventions of REBUILD PH

Table 3 reflects the support and facilitation programs for the demand side to revitalize consumption and investments, highlighting that the continuity of business activities and spending is necessary to stimulate the economy out of the recession.

Table 3. Interventions in the Demand Side (C+I+G+X-M) to Revitalize Consumption

| | |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer Expenditure (C) | <ul style="list-style-type: none"> Promote “Buy Local, Go Loka” Increase accessibility to markets (online platforms, contactless payments, logistics) Promote e-commerce Strengthen consumer protection Ensure safety of consumers/COVID-proofing of businesses |
| Investments (I) | <ul style="list-style-type: none"> Improve investment climate (incentives, structural reforms, infrastructure development) Promote intellectual property generation and commercialization Implement policies on rural development “Make It Happen in the Philippines” investment promotion campaign |
| Government Expenditure (G) | <ul style="list-style-type: none"> Continue Build, Build, Build (BBB) projects Implement strategic stockpiling Domestic preference in government procurement |
| Exports (X) | <ul style="list-style-type: none"> Maximize utilization of free trade agreements (FTAs) and generalized system of preferences (GSPs) |

Imports (M)

- Strengthen trade promotion/deepen integration in global value chains
- Enforce standards to ensure high quality
- Use appropriate trade remedy measures

Source: DTI (2021a)

Consumer Expenditure (C)

To this end, the DTI utilized existing programs to ease out demand constraints, reach out to consumers, and reconnect them to producers/suppliers that have been disrupted by community quarantine restrictions. The existing programs that have been redirected to address pandemic challenges include the Buy Local, Go *Lokal*, One Town, One Product (OTOP), and domestic trade and export promotions (e.g., trade fairs and other market access facilitation), among others¹². Additionally, the Department embarked on ad hoc programs for this pandemic, such as the *Bagsakan* Special Project and *Diskwento* Caravan, which seek to compensate for disruptions in the conventional connection between producers and consumers by establishing rolling stores and drop-off points for retail goods coming from the provinces. Moreover, given that the pandemic emphasized the need to adopt or transition to online platforms and digitalization, the DTI also increased its initiatives to promote e-commerce as an alternative to face-to-face or physical business transactions. This drive for e-commerce, online platforms, and digitalization is for both consumers and producers as the DTI capacitates them in innovating and exploring such new solutions. In light of the pandemic, the Department's market access facilitation and annual national trade fairs have also transitioned online with partnership spaces in existing online marketplaces like Lazada and Shopee, virtual trade fairs, and the development of new digital applications/online stores. Strengthened consumer protection, especially the monitoring of e-commerce complaints, are being done to sustain consumer confidence in the Philippine market. Another pandemic ad hoc program for consumer protection and confidence is the Safety Seal Certification program, which verifies that a business establishment has adopted COVID-proofing and complies with the MPHS.

Investments (I)

Interventions for investments during the pandemic and post-pandemic situations focus on the continued improvement of the investment climate of the Philippines through: (i) attractive and streamlined incentives under RA 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act; (ii) structural reforms relating to liberalization (e.g., amendments to the Public Service Act, Foreign Investments Act, and the Retail Trade Liberalization Act); and (iii) further infrastructure development to facilitate linkages and lowering of costs in utilities and logistics. Under the REBUILD PH, incentives are to also be used for the generation and commercialization of intellectual property, as well as to promote rural development. A review of the Foreign Investment Negative List (FINL) and the Strategic Investment Priorities Plan (SIPP) shall also be conducted with the view of further liberalizing the investments regime in the Philippines, spurring healthy and sustainable competition, as well as increasing foreign investment inflows, especially towards priority activities/industries¹³. Furthermore, the investment promotion efforts of various investment promotion agencies (IPAs) were unified under the “Make It Happen in the Philippines” campaign¹⁴.

Government Expenditure (G)

Aside from household consumption, REBUILD PH also recognizes government expenditure as a critical component for stimulating domestic demand and the economy in general. In this regard, BBB projects must continue even during the pandemic as a way of preserving jobs and household income given that these construction undertakings are substantial economic activities per se. Aside from the BBB, implementation of a strategic stockpiling scheme of critical goods is also being supported not just to ensure preparation for future pandemics but to also provide demand for local businesses. Moreover, the REBUILD PH advocates for government procurement to incorporate increased application of domestic preference to

¹² For more information, the DTI features its programs and projects in <https://www.dti.gov.ph/negosyo/>

¹³ Following the latest 2020 Investments Priority Plan and the Inclusive Filippinnovation and Entrepreneurship Roadmap.

¹⁴ For more information, the BOI provides a brochure from here: <https://boi.gov.ph/make-it-happen-in-the-philippines/>

generate and sustain jobs, productive activities, and opportunities. A review or even reform of the existing Domestic Bidder's Preference Certification program, along with the relevant enabling provisions of RA 9184, otherwise known as the Government Procurement Reform Act of 2003, is also being considered to further strengthen the applicable domestic preference mechanism. The desired outcome is to have a mechanism in government procurement that would address gaps in domestic preference, such as inconsistent application of terms and processes, uniform recognition, as well as compensation in the same amount as the lowest calculated domestic bid with preference. Moreover, the DTI is also advocating for government procurement to only allow for foreign bids when there are no domestic bids that can satisfy the quality and standard requirements of the procuring entity (in this case, it is no longer a domestic preference but rather domestic exclusivity).

Exports and Imports (X-M)

Lastly, REBUILD PH also considers management of Philippine exports and imports towards economic recovery. The DTI continues to implement its facilitative policies and programs to maximize utilization of the Philippines' existing FTAs and GSPs as well as to deepen integration of local industries into global value chains. The Regional Interactive Platform for Philippine Exporters (RIPPLES) program implements this integration of Philippine export goods and services into global value chains by boosting their competitiveness, network matching and promotion, and orientation to market entry requirements. The DTI also continues its monitoring of imports and enforcement of standards thereto to ensure that goods entering the country are of proper quality. Appropriate trade remedy measures, such as anti-dumping, safeguards, and countervailing duties, shall be applied to prevent unfair trading practices that would harm local industries. These efforts were already being employed even before the pandemic. The continued operations of exporting firms were also ensured with the intention of maintaining full capacity throughout the pandemic.

Supply Side (A+I+S) Interventions of REBUILD PH

For the supply side, the REBUILD PH seeks to empower the overall production capacities of the Philippines and its industries through an enabling business environment, improved access to finance, enhanced management and labor capacities, improved access to technology and innovation, as well as access to market. Policy interventions during the pandemic, especially the negative list of business operations and activities, were also calibrated to be balanced such that the private sector can sustain their capacities while still observing MPHS. Table 4 reflects the priority activities for each intervention on the supply side, which include the: (i) provision of basic necessities; (ii) support for the Fourth Industrial Revolution (4IR); (iii) addressing of supply chain gaps; (iv) modernizing Philippine industries; and (v) generating high value-addition and job creation. These priority activities should be established in the country with accelerated investments to further develop the Agriculture, Industry, and Services sectors.

Table 4. Priority Activities to Empower Production Capacities in the Supply Side (A+I+S)

| | Agriculture (A) | Industry (I) | Services (S) |
|---------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision of Basic Necessities | <ul style="list-style-type: none"> • Agri-business • Food processing/ packaging | <ul style="list-style-type: none"> • Healthcare products (PPE, medical devices, pharmaceuticals, hygiene products) | <ul style="list-style-type: none"> • Telecommunications and internet connectivity • Public transportation • Online education • Health services including online/telemedicine services • Construction of housing and special economic zones |
| Support for the 4IR | | <ul style="list-style-type: none"> • Electrical and electronics | |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Address Supply Chain Gaps Develop a More Modern Philippines <ul style="list-style-type: none"> • Urban farming, including hydroponics and aeroponics • Cold chain warehousing (launching of Philippine Cold Chain Industry Roadmap) • Agricultural technology and mechanization • Mechanically de-boned meat Generate High Value/Jobs <ul style="list-style-type: none"> • Innovation, Research & Development • Tool and Die • Iron and Steel • Chemicals • Cement • Personal mobility/transport (bicycles and electric vehicles) • Shipbuilding, RORO • Equipment for digital economy and trade (laptops, connectivity devices) • Furniture • Textile-Garments • Aerospace parts | <ul style="list-style-type: none"> • Logistics and delivery services (DELIVER-e platform) • Internet of things, smart manufacturing, artificial intelligence • Climate change, smart cities, mobility solutions • Sustainable and renewable energy <ul style="list-style-type: none"> • Tourism • Creatives (animation, software and game development, film) • IT-BPM |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: DTI (2021a)

As part of the early initiatives to address pandemic-borne market shocks and bolster the supply capacities of the Philippines, especially with healthcare-related essential goods, the DTI implemented the Manufacturing Repurposing Program that encouraged local manufacturing firms to repurpose their assets and business operations to produce essential goods, which had or was threatened by shortages in the Philippines due to high demand and exports control from traditional source countries. The repurposing program was envisioned to help local manufacturing firms to reorient from conventional products with lowered demand in the pandemic to sought-after essential goods (e.g., manufacturers of alcoholic drinks suffered from liquor bans and prohibition of non-essential activities such as clubs, events, and social gatherings, and were encouraged to produce rubbing alcohol and hand sanitizers instead during the pandemic). The program led to the establishment of the Confederation of Philippine Manufacturers of PPE (CPMP), which demonstrated the ability of the country's industries to adjust in the pandemic and help in reducing market vulnerabilities.

Moreover, the sustained implementation of existing DTI initiatives for industry development and promotion is reiterated, especially the Inclusive Innovation Industrial Strategy (i³S) and its companion Inclusive Filippino Innovation and Entrepreneurship Roadmap (IFER). The pandemic proved the need to accelerate innovation and economic upgrading in the Philippines as envisioned and outlined by the i³S and IFER, which cover industry clustering and linkages, addressing of supply chain gaps, modernization of Philippine industries to generate high value-addition and jobs, and creation of new industries and projects. The direction of such initiatives may be initially oriented to cater to local production of basic necessities and critical goods/services as needed during the pandemic but in the longer term, to grow and make these industries more competitive to be able to penetrate the bigger global market. Moreover, the REBUILD PH advocates the framework of the "7Ms Way of Uplifting MSMEs" (DTI, n.d.) that summarizes the various assistance and services provided by the DTI to capacitate and empower entrepreneurs and MSMEs, which could likewise be channeled to support local businesses during the pandemic, to wit:

- **Mindset Change** – instilling the right and positive entrepreneurial attitude/mindset that is success- and innovation-driven, collaborative, and proactive through the Negosyo Center seminars, the SME Roving Academy (SMERA), and the Kapatid Mentor ME (KMME).

- **Mastery** – facilitation of budding entrepreneurs in starting their businesses with ease of doing business (EODB) in *Negosyo* Centers, as well as providing relevant foundational knowledge (e.g., marketing, product development, basic business finance and planning, etc.), toolkits/start kits, awareness of business rules and regulations, and all other assistance, complemented by programs such as OTOP Next Gen.
- **Mentoring** – continued business guidance and free coaching for MSMEs through trainings, coaching, and seminars.
- **Money** – provision of access to funding through the *Pondo sa Pagbabago at Pag-Asenso* (P3) microfinance program or by connection to registered micro finance institutions (MFIs). MSMEs may also access higher assistance loans through the Bayanihan COVID-19 Assistance to Restart Enterprises (CARES), while repatriated Overseas Filipino Workers (OFWs) may avail of the Helping the Economy Recover thru OFW Enterprises Start-ups (HEROES), which is a combined training and starting capitalization program.
- **Machine** – access to equipment and machinery, as well as training to use such technologies, under the Shared Services Facility (SSF) program and shared fabrication laboratories to enhance product lines and increase productivity and operational efficiency.
- **Market Access** – promotion of MSME products through the OTOP, Go *Lokal!* retail store concepts, national trade fairs, and business matching opportunities.
- **Models of Negosyo** – further entrepreneurial education and training for innovation and expansion, including the digitalization of businesses with CTRL+BIZ: Reboot Now! and Pivot...Embrace Technology (PET).

The 7Ms Way are all capacity-building thrusts that seek to maximize the reach of the DTI's existing services and programs to existing MSMEs or individuals who wish to start a new livelihood during the pandemic. Furthermore, it also promotes programs specifically for assisting distressed MSMEs and individuals affected by the pandemic, such as the Livelihood Seeding Program – *Negosyo Serbisyo sa Barangay* (LSP-NSB) and the *Pangkabuhayan sa Pag-Bangon at Ginhawa* (PPG). Additional capacity-building may also be taken from the Philippine Trade Training Center – Global MSME Academy (PTTC-GMEA).

REBUILD PH Milestones

A summary of the initiatives and interventions of the REBUILD PH are shown in Table 5, covering the description of the programs, their targets, and accomplishments during the pandemic to provide a comprehensive narrative of the strategy's milestones.

Table 5. Milestones of REBUILD PH15

| Program/Project | Description | Target | Accomplishment |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advancement of Skills and Competencies of Entrepreneurs towards the iNternationalization agenDa (ASCEND) Program | ASCEND is a training program that will assist MSMEs in accessing the domestic and international markets. This program also equips the MSMEs in acquiring human capital and company and product quality requirements as they enter the market. | <ul style="list-style-type: none"> • 7,000 Unique MSMEs • 50,000 individual MSMEs • 6,000 new MSMEs • 1,250 Training Sessions • 500 MSMEs attending international courses | <p>As of 30 November 2021:</p> <ul style="list-style-type: none"> • 2,480 unique MSMEs • 33,020 individuals • 627 training sessions • 531 attending international programs • 75 training designs • 38 training modules <p>Enterprise Pathways developed for the ff. sectors/subsectors:</p> <ol style="list-style-type: none"> 1. Processed Food 2. Home |

¹⁵ Gathered from the accomplishment reports of the DTI, as well as the DTI's presentation for its 2022 Budget Hearings in Congress

| Program/Project | Description | Target | Accomplishment |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bagsakan Special Project | The <i>Bagsakan</i> Special Project aims to support MSMEs, local farmers, and cooperatives heavily affected by the pandemic. Through this project, the concerned producers are given an avenue to sell their fresh produce and products directly to their buyers. | <ul style="list-style-type: none"> • 100 Updated Modules | <ul style="list-style-type: none"> 3. Fashion 4. Film Production 5. Game Development 6. Animation 7. Health and Wellness 8. Tourism <p>March 2020 to August 2021:</p> <ul style="list-style-type: none"> • 53 <i>Bagsakan</i> events • 290 MSMEs assisted • Php 26.85M total sales |
| Buy Local, Go <i>Lokal</i> | Buy Local, Go <i>Lokal</i> is a national media campaign spearheaded by the DTI to promote Philippine MSMEs and their products. It is anchored to the Go <i>Lokal!</i> market access platform, retail concept store, brand management, and market acceleration program. | <ul style="list-style-type: none"> • | <p>2020:</p> <p>81 MSMEs have migrated online</p> |
| CTRL+BIZ: Reboot Now! | CTRL+Biz: Reboot Now! offers a series of free webinars that are targeted to MSMEs who need to transform their business digitally. Enablers across the entire e-commerce ecosystem provide their expertise and experiences to take advantage of the digital space. | <ul style="list-style-type: none"> • Target number of participants: 3,000 • Target percentage of certified participants: 75% • Total number of certified participants: 2,250 • Full disbursement of the CARES Program funding | <p>April 2020 to 24 September 2021:</p> <ul style="list-style-type: none"> • Total No. of Sessions: 183 • Total No. of Topics: 201 • ZOOM Participants: 40,395 <p>Total reach in Facebook: 1,467,544 with 575,105 views and 12,371 shares</p> |
| COVID-19 Assistance to Restart Enterprises (CARES) | The CARES program is an ad hoc lending facility established during the pandemic by virtue of Bayanihan II. It provides interest-free and collateral-free loans to aid distressed MSMEs and enable them to refinance existing loans, pay arrears, or repurpose/COVID-proof their businesses. | | <p>From the start of the program to 22 September 2021:</p> <ul style="list-style-type: none"> • Received 55,996 loan applications • Php 5.59 billion approved loans for 34,718 applicants |
| DELIVER-e platform | DELIVER-e is a digital platform that connects farmers to buyers through an efficient and transparent end-to-end market-based system. It operates through a sophisticated blockchain technology developed by a Filipino tech startup, Insight Supply Chain Solutions (InsightSCS), that integrates related e-commerce and logistics application services from consolidation point to central warehousing facility, and then to | <ul style="list-style-type: none"> • | Officially launched on 14 December 2020 |

| Program/Project | Description | Target | Accomplishment |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Digital Fabrication (DigiFab) | last-mile delivery services to reach end-clients. DigiFab is a Shared Service facility that offers workshops and services for aspiring and existing MSMEs. They have equipment and software which can be used for product development, packaging, label designs, product prototyping, and production training. | • 20 New Courses Developed • 50 New Prototypes Developed | As of 30 November 2021: <ul style="list-style-type: none">• 9 training modules• 55 prototypes developed• 29 consultation sessions conducted• 11 designs developed• 1 product improved |
| <i>Diskwento</i> Caravan | The <i>Diskwento</i> Caravan is a program implemented by DTI that offers consumers a minimum 10% discount on essential and prime commodities (e.g., noodles, milk, coffee, and sardines). | • | 2020 to 11 September 2021: <ul style="list-style-type: none">• 1,404 <i>Diskwento</i> Caravan runs• 7,026 barangays served• 654,878 households benefitted |
| Food Connect Program | This program features a series of training to educate food manufacturers on food safety and quality assurance procedures. | • 200 unique food processors | As of 30 November 2021: <ul style="list-style-type: none">• 396 MSMEs assisted for FDA-CPR/LTO alignment• 26 training sessions conducted |
| Helping the Economy Recover thru OFW Enterprises Start-ups (HEROES) | The HEROES program is an entrepreneurship program dedicated to repatriated OFWs returning during and/or due to the pandemic. PTTC-GMEA provides a package of training and mentoring on basic entrepreneurship for enrollees who are expected to formulate a Business Plan as a capstone output. The business plan is then evaluated and provided seed capitalization. | • Assist 10,000 OFWs | As of 30 November 2021: <ul style="list-style-type: none">• 1,543 attendees |
| Kapatid Mentor ME (KMME) | KMME is a module and mentorship program that seeks to enhance the entrepreneurial capacity of enrollees to sustain and upscale and provides access to other programs (e.g., SSF) and linkage opportunities into the supply value chain of large establishments. Due to the pandemic, the KMME Online was launched to continue the delivery of KMME services. | • Launch 36 batches with 1,616 graduates in 2021 | January to November 2021 <ul style="list-style-type: none">• 37 batches launched:<ul style="list-style-type: none">◦ 35 batches graduated◦ 2 ongoing batches• 1,635 mentees graduated |
| Livelihood Seeding Program – Negosyo Serbisyo sa Barangay (LSP-NSB) | LSP-NSB provides targeted assistance to identified beneficiaries, e.g., residents of Local Communist Armed Conflict (LCAC) affected areas, indigenous people communities, persons with concerns or refugees, and MSMEs affected by natural and human-induced calamities. This program aims to promote entrepreneurship | • Cover 3,754 barangays • Assist 28,208 entrepreneurs • Provide 24,601 livelihood kits | January to 07 December 2021: <ul style="list-style-type: none">• Covered 5,774 barangays• Provided 29,368 livelihood kits• Provided 350,523 individuals with training/information on various livelihood opportunities |

| Program/Project | Description | Target | Accomplishment |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Make It Happen in the Philippines (MIHP) | and bridge the income inequality gaps in the peripheries. Assistance includes training and provision of livelihood kits containing items that could aid qualified individuals to restore and improve their businesses. | • | <ul style="list-style-type: none"> Assisted 78,887 MSMEs |
| Manufacturing Repurposing Program | MIHP is a promotion campaign that aims to promote foreign direct investments (FDIs) in the Philippines. This campaign will highlight critical industries (automotive, aerospace, electronics, IT-BPM, and copper/nickel) with the most potential for foreign investments. | • | <ul style="list-style-type: none"> Launched on 24 November 2020 Approved foreign investments registered with the BOI for the first semester of 2021 (under the MIHP) amounted to PhP21.62 billion, which is 16.1% higher than the PhP18.62 billion registered for the first semester of 2020 |
| Negosyo Center (NC) | The Manufacturing Repurposing Program was recognized by the IATF Resolution No. 21. This was envisioned to help local manufacturing firms reorient the production of conventional products to sought-after essential goods during the pandemic. | <ul style="list-style-type: none"> Increase the local production capacity for internationally certified and medical-grade PPEs and medical equipment and supplies. | <p>April 2020 to June 2021:</p> <ul style="list-style-type: none"> Produced 9.481 million pieces of coveralls per month Produced 768,000 pieces of isolation gowns per month Produced 7.57 million pieces of N95 masks per month Produced 56.94 million pieces of N88 masks per month Produced 5,000 units of ventilators per month Launched the Negosyo Center Online Portal (NCOP) on 01 June 2021 and is linked to 263 LGUs with online business processing |
| One Town, One Product (OTOP) | Negosyo Centers promote EODB as well as assist and provide services to MSMEs and individual entrepreneurs. RA 10644, otherwise known as the Go Negosyo Act, institutionalizes the functions of Negosyo Centers and mandates their establishment in all provinces, cities, and municipalities. The OTOP initiative enables communities to develop products or services rooted in their local culture and resources. It is composed of the OTOP Next Gen (supply-side intervention for capacity-building of producers) and OTOP.PH or OTOP Philippines Hub (demand-side intervention that provides market access facilitation and promotion). | • | <p>As of 31 August 2021:</p> <ul style="list-style-type: none"> 65 OTOP hubs nationwide 53,785 MSME OTOPreneurs assisted 28,091 products developed Php 5.90 billion sales generated |
| Pangkabuhayan sa Pag-Bangon at Ginhawa (PPG) | PPG is a livelihood seeding and entrepreneurship development program for microenterprises, prioritizing areas affected by fire | <ul style="list-style-type: none"> At least 27,872 clients will be provided with entrepreneurs | January to November 2021: |

| Program/Project | Description | Target | Accomplishment |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | incidents and other calamities, including armed conflicts and health disasters (i.e., epidemic/pandemic). Beneficiaries of the <i>Balik Probinsya</i> program may also avail of PPG services. PPG restarts economic activities to affected entrepreneurs and communities and provides livelihood opportunities. | hip training and livelihood kits | Provided 3,179 livelihood kits to qualified beneficiaries |
| Philippine Skills Framework (PSFw) | The PSFw is an inter-agency initiative to build and enhance the skills and competencies of the Philippine human capital. This framework presents the development of sector-specific skills to guide the workers for specific job roles in a particular occupation. | <ul style="list-style-type: none"> • Develop 3 PSFw on (i) Supply Chain and Logistics; (ii) Business Development; and (iii) Operations Management | PSFw developed: <ul style="list-style-type: none"> (i) Supply Chain and Logistics (ii) Business Development- Marketing and Sales and Partnerships (iii) Operations Management |
| Pivot...Embrace Technology (PET) | PET aims to take proactive measures to improve the digital competence of all citizens of working age and equip them with basic, intermediate, and advanced digital skills to gain from the benefits of the growing number of jobs and opportunities that are enabled by information and communications technology, internet and digital communications, digital technologies, and digital tools. | <ul style="list-style-type: none"> • 2021 target beneficiaries for PET Component 2: 1,800 individuals • 2022 target beneficiaries for PET Component 2: 2,000 individuals | 26 April to 26 October 2021: <ul style="list-style-type: none"> • 1,000 participants attended PET Project Component 2 |
| Pondo sa Pagbabago at Pag-Asenso (P3) microfinance program | P3 is a financing initiative that aims to ease access to formal means of funding for micro-entrepreneurs and replace usurious, informal lending practices, such as "5-6" lending, and boost the development of the MSME sector. It provides affordable and cost-efficient microloans between PHP5,000.00 and PHP200,000.00 with a monthly interest of 2.5%. | <ul style="list-style-type: none"> • Provide Php 1 billion worth of financial subsidy to microenterprises | As of 06 September 2021 <ul style="list-style-type: none"> • Microenterprise Borrowers: 234,495 • Released Php 9.24 billion amount of loans • Accredited Credit Delivery Partners: 454 |
| Push Start Program (Business Skills Training Programs for Tech Startups) | Push Start Program is a training pathways program for Tech Startups. The courses for the program aim to enhance the business skills, operational efficiency, and productivity of Tech MSMEs. These would also assist interested individuals in developing tech-related solutions. | <ul style="list-style-type: none"> • 30 individual or partner entrepreneurs do startup • 20 new technology solutions introduced | As of 30 November 2021: <ul style="list-style-type: none"> • 25 incubates • 1 pathway program • 12 training modules • 7 training sessions conducted |
| Rebuilding the Sari-Sari Stores Through Access to Resources and Trade (ReSTART) | ReSTART is a multi-partnership program that aims to help restart the business and stimulate the economic recovery of the micro-retail sector post-COVID-19. | <ul style="list-style-type: none"> • Assist 20,000 sari-sari stores nationwide | |

| Program/Project | Description | Target | Accomplishment |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regional Interactive Platform for Philippine Exporters (RIPPLES) | The RIPPLES program implements the integration of Philippine export goods and services into global value chains. This program supports potential exporters through direct interventions, boosting their competitiveness, and network matching. | 2020 targets: • 200 enrolled digital technology-enabled companies • USD 125 million sales | 2020: • 143 enrolled digital technology-enabled company • Earned USD 23.51 million from 30 business matchings sessions |
| Safety Seal Certification program | The Safety Seal Certification is a voluntary initiative for business establishments to raise consumer confidence in physical stores. It is enabled by virtue of DOLE-DOH-DILG-DOT-DTI Joint Memorandum Circular No. 21-01, s.2021, entitled "Implementing Guidelines of the Safety Seal Certification Program." | • | June 2020 to August 2021: • 3,405 Safety Seals issued by DTI • 34,603 business establishments monitored for compliance with minimum public health standards |
| Shared Services Facility (SSF) program | The SSF program improves MSME competitiveness by providing machinery, equipment, tools, systems, accessories, and other auxiliary items, skills, and knowledge under a shared system. The facilities increase production capacities and improve product quality, intended to boost sales and job generation. | • Establish 400 SSFs in 2021 | January 2021 to November 2021: 290 SSFs established |
| Skills Training for Employment/Entrepreneurship Program (STEEP) | STEEP is a partnership program between TESDA and DTI, which aims to provide entrepreneurship training and skills development for graduates of the TESDA program. | • 4,400 beneficiaries in 2021 | As of 31 August 2021: 1,619 beneficiaries |
| Tatak: Matatag na Negosyo (TMN) | The TMN is a sustainable stores movement coalition of government agencies, microfinance institutions, civil society organizations, and business corporations to help micro retailers affected by the pandemic. This aspires to establish the sustainability and resiliency of the micro-stores in the country. Furthermore, the TMN targets to assist "micro-stores, particularly sari-sari stores, carinderia, mini bakeries, and stalls". | • Offer low-interest microcredits • Align better supply chain • Improve business sustainability | • Officially launched on 02 August 2021 with a coalition of thirteen (13) institutions from the government, private sector, and non-government organizations. |
| Youth Entrepreneurship Program (YEP) | YEP is a national program that aims to make the country's young demographics become productive individuals through entrepreneurship. This program offers young Filipinos a comprehensive package of interventions to develop their entrepreneurial skills. | • At least 4,000 existing young entrepreneurs assisted by the end of 2021 | As of 31 August 2021: 14,945 total no. of youth assisted Classification: • Youth Organizations: 62 • In-school youth: 6,520 • Indigenous youth: 368 • Youth with disabilities: 82 |

| Program/Project | Description | Target | Accomplishment |
|-----------------|-------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | <ul style="list-style-type: none"> • Not in Education, Employment, or Training (NEET): 322 • No. of Local Cooperators Engaged: 118 • No. of Youth Organizations Established: 8 • No. of Youth Joined Business Organizations: 11 |

The identified programs and projects under REBUILD PH, both ad hoc and continued/sustained activities, showcased the whole-of-society approach needed for the country's economic growth. These programs were able to approach the specific objectives of REBUILD PH and provide economic stimulus and training programs to support Philippine businesses in generating jobs and boosting consumer demand.

Economic Recovery Signs

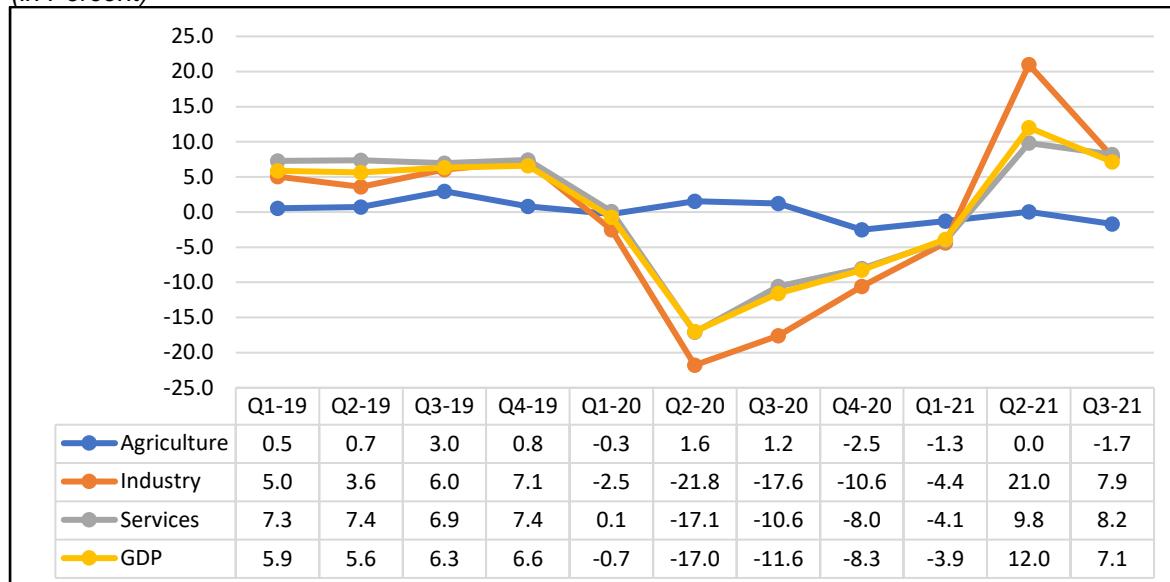
Throughout the pandemic in the Philippines, the private sector, government, and civil society did their part to stay afloat and survive resulting into the economy continuing to run albeit at a slower pace with new obstacles and uncertainties. Nevertheless, the strong macroeconomic fundamentals of the Philippines enabled some degree of stability, as affirmed by the maintenance of the country's credit ratings with S&P Global Ratings (BBB+), Fitch Ratings (BBB), and Japan Credit Rating Agency (A). Although, these credit rating agencies noted the increased market risks and potential hysteresis problems, the Philippines' economic recovery efforts have been marginally optimistic so far.

The DTI's REBUILD PH accelerates economic recovery and enables the private sector to adjust and sustain the growth performance before the pandemic. In this regard, the REBUILD PH synergizes and complements other pandemic-borne initiatives such as the PDITRV strategy and the NAP, NEDA's ReCharge PH, and the NERS. Together, through a whole-of-society approach, the Philippines has seen steady easing and improvements as reflected in the following figures:

Gross Domestic Product (GDP)

From a recovery perspective, Figure 4 shows the gradual easing of quarterly GDP contractions from its lowest point in Q2 2020 at -17.0 percent to the latest 7.1 percent as of Q3 2021. The quarterly GDP growth rates since the declaration of a State of Public Health Emergency on 08 March 2020 reflect an economic dip in Q2 2020 that started an economic recession. However, the quarterly GDP growth rates since then also show a crawl towards positive territory. The DTI emphasizes the need for more government interventions, support, and facilitation to accelerate economic recovery further and enable the private sector to expand.

**Figure 4. Growth Rate of GDP, Q1 2019–Q3 2021
(in Percent)**



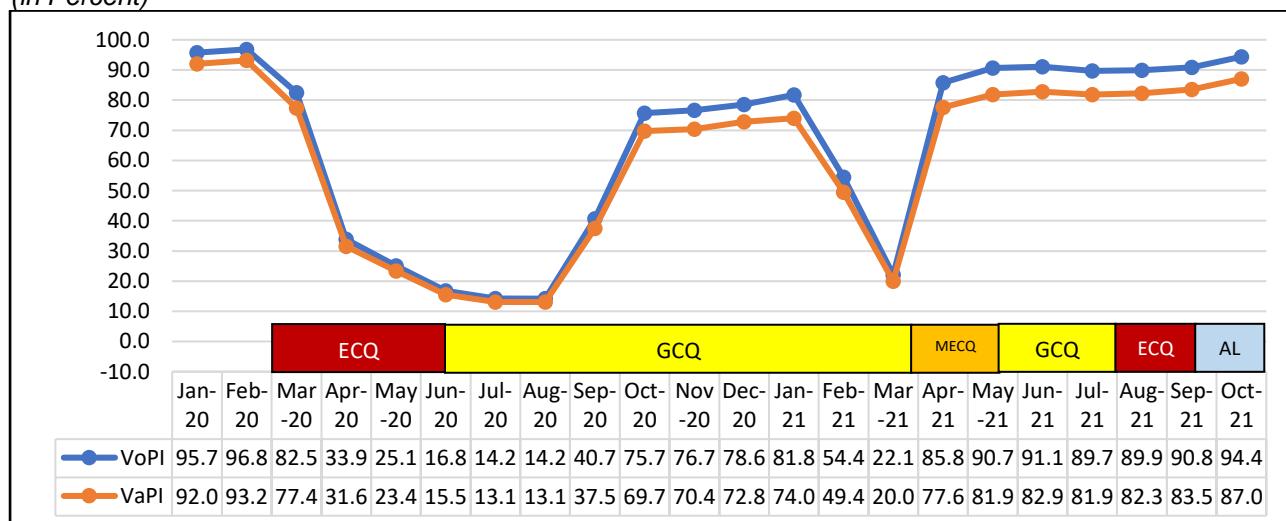
Source: PSA (2021a)

Volume and Value of Production Indexes (VoPI/VaPI)

Figure 5 shows that the volume of production index (VoPI)¹⁶ and value of production index (VaPI)¹⁷ had a steep decline since the declaration of a State of Public Health Emergency on 08 March 2020 until September 2020 when both indices recovered. The rebound of manufacturing output in Q2 2021, coincided with increased efforts to gradually and safely reopen the economy in compliance with minimum public health standards (MPHS), as well as the pursuit of the economic recovery frameworks, particularly the REBUILD PH strategy and its supply-side interventions to empower production capacities. As of July 2021, VoPI and VaPI registered year-on-year growth rates of 537.9 percent and 528.1 percent, respectively.

Figure 5. VoPI and VaPI, January 2020–October 2021

(in Percent)



Note: Featured quarantine classifications are for NCR only. There were brief durations of ECQ for 29 March-11 April 2021; of MECQ for 16-31 May 2020; 04-18 August 2020; and 21 August-15 September 2021. Alert Level 4 for 16 September-15 October 2021; Alert Level 3 for 16 October-14 November 2021

Source: PSA (2021b)

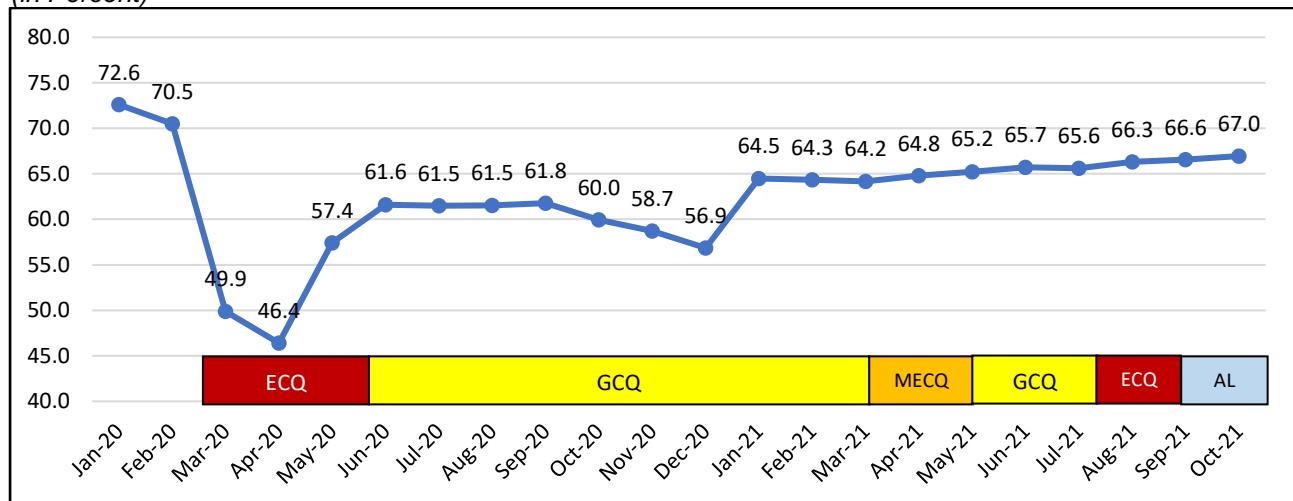
¹⁶ VoPI reflects the change in monthly production volume of manufacturing relative to the reference period and base year.

¹⁷ VaPI reflects the change in monthly production value of manufacturing relative to the reference period and base year.

Average Capacity Utilization in Manufacturing

Figure 6 shows that the average capacity utilization in manufacturing¹⁸ had been steady at the 61.0 percent mark from June to September 2020 before gradually dropping to 56.9 percent in December 2020. Capacity utilization then jumped to 63.8 percent in January 2021 with the latest as of October 2021 at 67.0 percent. The trend as of year-to-date 2021 shows a consistent monthly uptrend that moves closer to pre-pandemic levels at 70 percent. The higher capacity utilization in 2021 reflects the better performance of the manufacturing sector with resiliency adopted for the new normal. In further improving the capacity utilization, there is a need to intensify supply-side and demand-side interventions to stimulate consumption and encourage businesses to resume pre-pandemic operational capacity or even increase beyond it.

**Figure 6. Average Capacity Utilization in Manufacturing, January 2020–October 2021
(in Percent)**



Note: Featured quarantine classifications are for the National Capital Region (NCR). There were brief durations of ECQ for 29 March-11 April 2021; of MECQ for 16-31 May 2020; 04-18 August 2020; and 21 August-15 September 2021. Alert Level 4 for 16 September-15 October 2021; Alert Level 3 for 16 October-14 November 2021

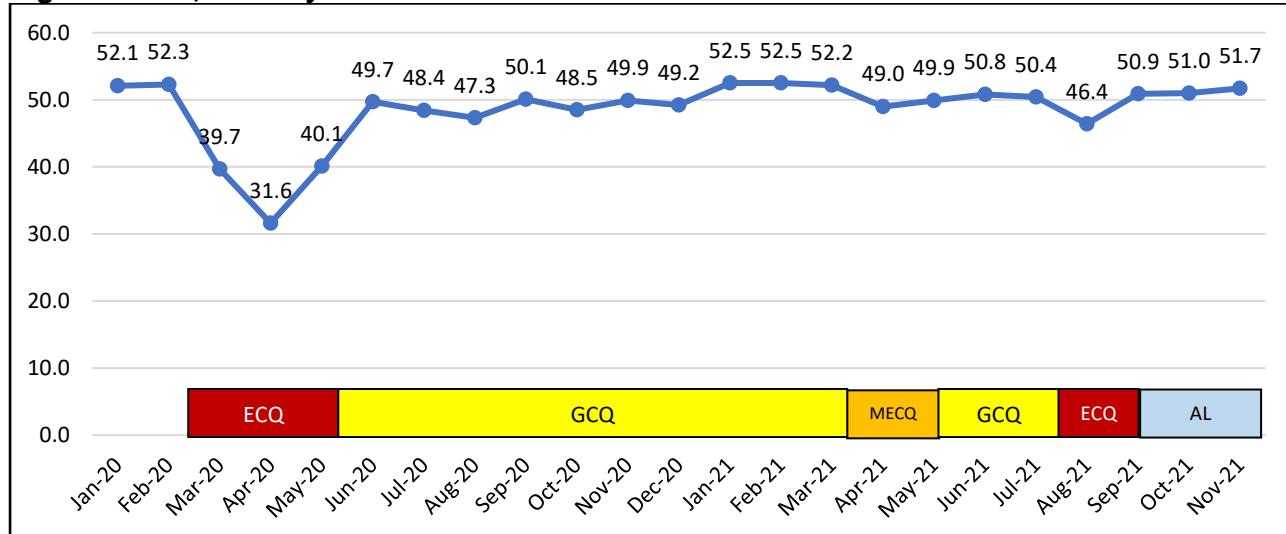
Source: PSA (2021b)

Purchasing Managers' Index (PMI)

Figure 7 shows a sharp dip in the Purchasing Managers' Index (PMI)¹⁹ between February 2020 and June 2020. This dip captured the disruption in economic activities and supply chains in the Philippines, as the initial lockdown/ECQ was effective from March to May 2020. The Philippines' PMI has risen up since June 2020, and went back to pre-pandemic levels for Q1 2021. However, another decline was registered in April 2021 due to the re-imposition of ECQ but unlike the sharp dip in April 2020, this setback was less pronounced reflecting that businesses and supply chains have already adapted and are better prepared to face the challenges of the new normal. Yet another dip occurred in August 2021, capturing the ECQ and MECQ re-imposed in NCR Plus. This highlights that the recovery of the Philippines would not be a smooth one but rather fragile and cautious depending on the state of mobility and operational capacity restrictions, which are based on the number of COVID-19 cases.

¹⁸ The average capacity utilization rate measures the rate of actual production vis-à-vis the maximum level of production that factories are designed for.

¹⁹ The PMI is a lead indicator that reflects the prevailing direction in manufacturing and supply chains. A PMI above 50 indicates expansion, under 50 suggests contraction, and a reading at 50 means no change.

Figure 7. PMI, January 2020–November 2021

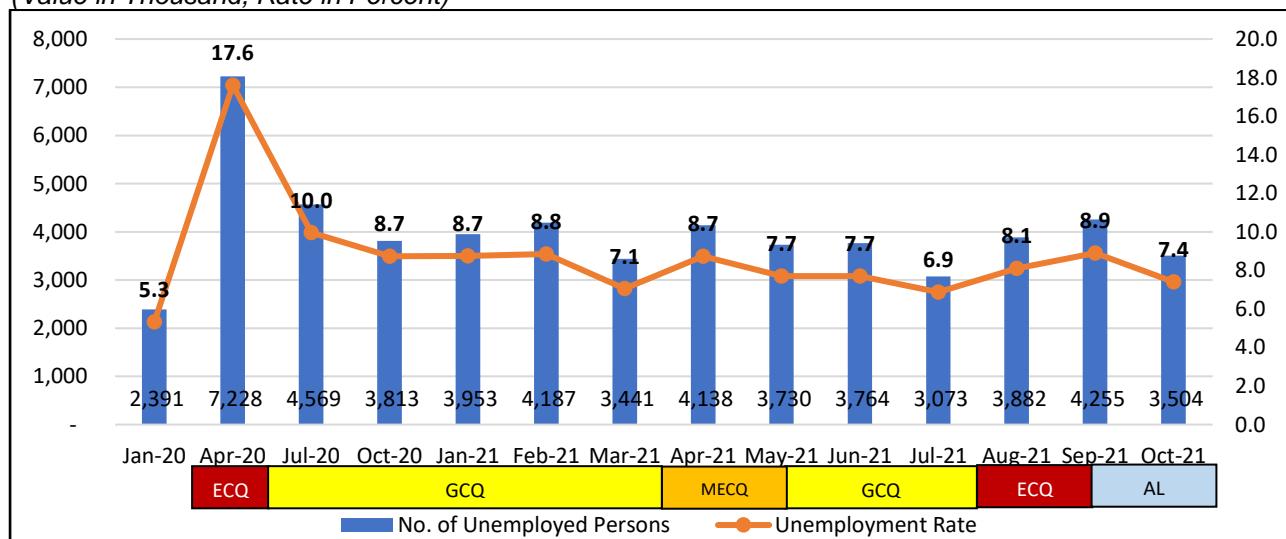
Note: Featured quarantine classifications are for NCR only. There were brief durations of ECQ for 29 March-11 April 2021; of MECQ for 16-31 May 2020; 04-18 August 2020; and 21 August-15 September 2021. Alert Level 4 for 16 September-15 October 2021; Alert Level 3 for 16 October-14 November 2021; Alert Level 2 for 15-30 November 2021.

Source: IHS Markit (2021)

Unemployment

Figure 8 shows that unemployment in the Philippines already stabilized with an average unemployment rate of 8.7 percent for the year-to-date as of October 2021. The latest reference period as of October 2021 registered a 7.4 percent unemployment rate that is equivalent to 3.5 million unemployed individuals. Although this is a huge reduction from the peak of 17.6 percent in April 2020 (or 7.23 unemployed individuals), this is still not the same as the pre-pandemic levels of 5.0 percent-5.5 percent. The heightened unemployment trend since the pandemic emphasizes the need for job generation as a necessary tool to re-stimulate the economy and household consumption. While the target in 2020 was controlling rampant unemployment, the goal should now be total employment recovery back to pre-pandemic levels.

Figure 8. Unemployed Persons and Unemployment Rate, January 2020–October 2021
(Value in Thousand, Rate in Percent)



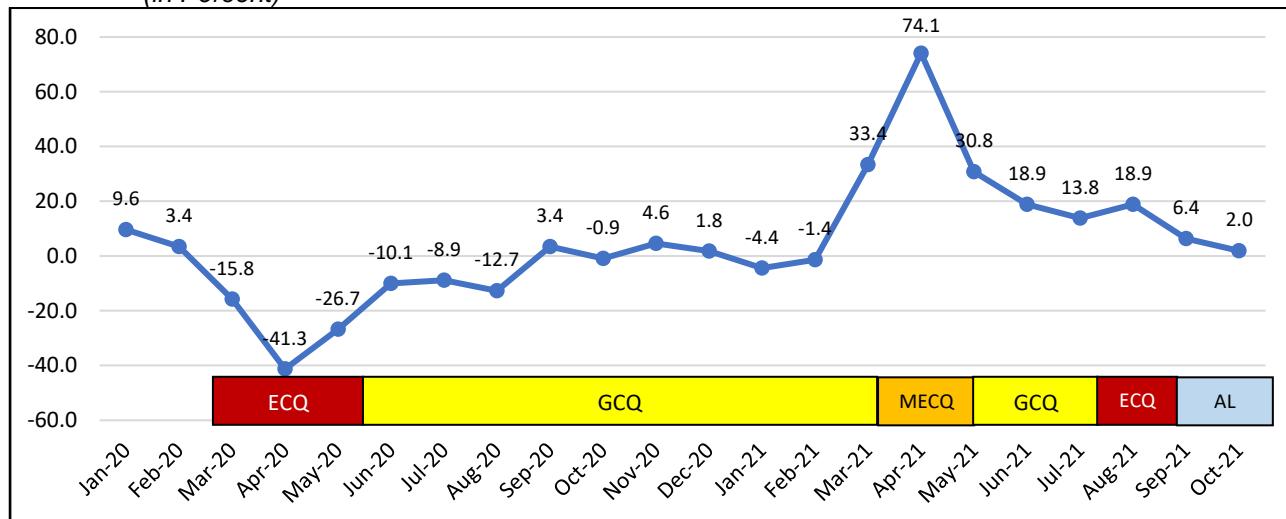
Note: Featured quarantine classifications are for NCR only. There were brief durations of ECQ for 29 March-11 April 2021; of MECQ for 16-31 May 2020; 04-18 August 2020; and 21 August-15 September 2021. Alert Level 4 for 16 September-15 October 2021; Alert Level 3 for 16 October-14 November 2021

Source: PSA (2021c)

Merchandise Exports

Figure 9 shows that Philippine merchandise exports decreased in various months of 2020 with only a few registering a marginal growth. However, since March 2021, exports have already recovered with consecutive growths recorded since then. Exports continued to rebound, recover, and accelerate in October 2021 with a 2.0 percent growth rate. Meanwhile, the cumulative year-to-date exports as of October 2021 posted a meaningful growth at 16.1 percent. While base effects may have somewhat contributed to such high growth rates, a look into the value of exports shows that there is indeed substantial growth. The Philippine merchandise exports in October 2021 were USD6.4 billion, while pre-pandemic exports back in October 2019 were USD6.3 billion. Similarly, the cumulative exports for January–October 2021 were USD62.1 billion, while pre-pandemic exports for the comparable period 2019 were USD59.6 billion.

**Figure 9. Growth Rate of Merchandise Exports, January 2020–October 2021
(in Percent)**



Note: Featured quarantine classifications are for NCR only. There were brief durations of ECQ for 29 March–11 April 2021; of MECQ for 16–31 May 2020; 04–18 August 2020; and 21 August–15 September 2021. Alert Level 4 for 16 September–15 October 2021; Alert Level 3 for 16 October–14 November 2021

Source: PSA (2021d)

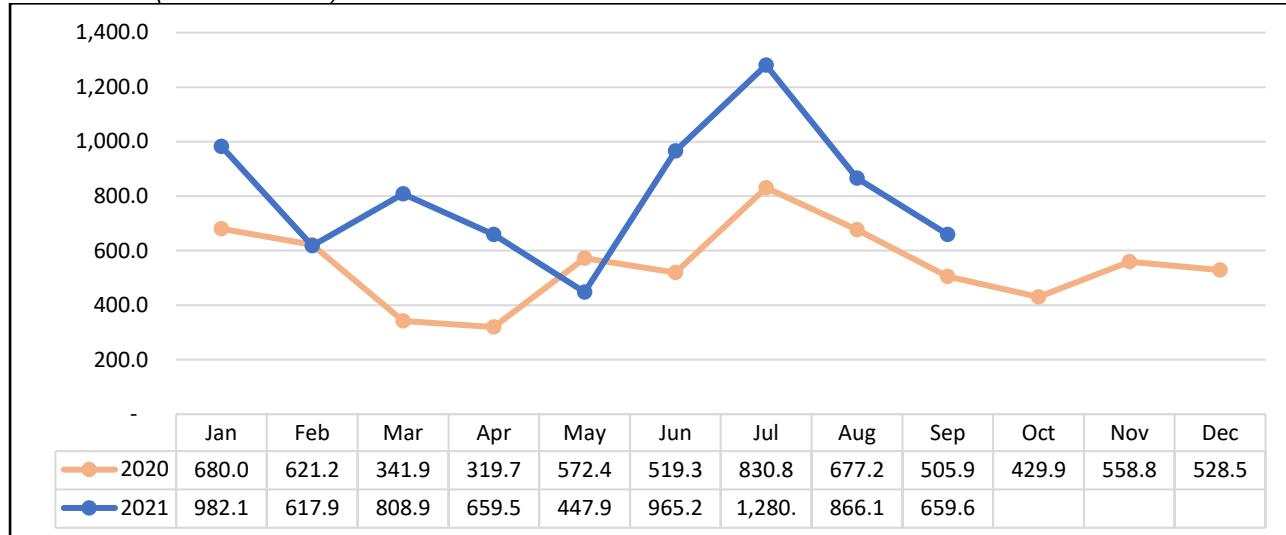
Furthermore, despite the pandemic, the Philippine Export Development Plan 2018–2022's high target of USD49.2 billion for 2020 was still surpassed with actual exports at USD65.2 billion. Filipino exporters excelled by not just demonstrating resilience but also expansion during such difficult times. It is the perspective of the DTI that exporters and the private sector in general are accelerating the economic and employment recovery of the Philippines by actively finding ways to cope with the pandemic as well as sustain and generate livelihood. This emphasizes that the government must augment its efforts as the exporters' continued productivity will translate to more economic activities, exports, and jobs. Even with such positive performance, there is no room for complacency and the DTI shall further strengthen its programs and advocacy in boosting exports. The development of export manufacturing is identified as one of the key strategies of the REBUILD PH.

Net Foreign Direct Investments (FDI)

Figure 10 shows that FDI inflows slumped in March–April 2020 matching the initial imposition of community quarantine. However, more recently, the Philippines was able to post gains with greater net FDI inflows for the period January–September 2021 at cumulative USD7.3 billion, which is 43.8 percent greater than the USD5.1 billion of the comparable period in 2020. This signals more optimism and confidence in the emerging economic rebound in 2021. Even considering the base effect, the growth of net FDI would not be possible without the increased resiliency and preparedness for the new normal, as facilitated by economic recovery efforts of the Philippine government. The Make It Happen in the Philippines investment promotion

campaign also spurred equity placements and allayed concerns regarding the country's business continuity.

**Figure 10. Net FDI, January 2020–September 2021
(in USD million)**



Source: Bangko Sentral ng Pilipinas (2021a)

IV. Challenges with Economic Recovery and Safe Reopening

Despite the positive news from the economic recovery signs, the DTI opines that this is no time to rest or be complacent especially since the Philippines is lagging behind in terms of economic recovery when compared with other Asian countries as shown by Table 6. The world is also reeling from the pandemic and the Philippines' regional neighbors in Asia-Pacific are competing, more than ever, for foreign investments and trade linkages. Hence, the Philippines must double its efforts just to maintain the country's current competitiveness. However, to outshine regional neighbors, the Philippines must go even further and triple such efforts.

Table 6. Comparative Statistics with Selected Asian Countries, 2020

| | GDP Growth Rate (%) | Exports Growth Rate (%) | Unemployment Rate (%) | Net FDI Inflows (in USD million) |
|--------------------|---------------------|-------------------------|-----------------------|----------------------------------|
| Brunei | 1.2 | -8.8 | 8.4 | 577.43 |
| Cambodia | -3.1 | 16.5 | 0.3 | 3,624.64 |
| China | 2.3 | 3.6 | 4.2 | 149,342.00 |
| India | -7.3 | -3.1 | 7.1 | 64,062.00 |
| Indonesia | -2.1 | -2.6 | 4.3 | 18,581.08 |
| Japan | -4.8 | -11.1 | 2.8 | 10,254.00 |
| Korea, Rep. | -0.9 | -5.5 | 4.0 | 9,224.00 |
| Laos | 3.3 | 6.6 | 1.0 | 967.69 |
| Malaysia | -5.6 | -1.4 | 4.5 | 3,483.00 |
| Myanmar | 3.3 | -7.3 | 1.8 | 1,834.00 |
| Philippines | -9.6 | -8.6 | 10.3 | 6,542.26 |
| Singapore | -5.4 | -3.2 | 3.8 | 90,562.00 |
| Taiwan | 3.1 | 0.2 | 3.9 | 8,802.00 |
| Thailand | -6.1 | -5.9 | 1.7 | -6,100.00 |
| Timor-Leste | -8.7 | 71.7 | 5.1 | 72.00 |
| Vietnam | 2.9 | 7.0 | 2.3 | 15,800.00 |

Source: Asian Development Bank (2021b), UNCTAD (2021), World Bank (2021b)

During the course of the pandemic so far, the DTI has learned that the obstacles to the successful achievement of economic recovery include gaps in contact tracing and data analysis, the low vaccination rate due to a combination of persistent vaccine hesitancy as well

as difficulties in scaling-up capacity, logistics, and supply, and the entry of more contagious COVID-19 variants. Without achieving herd immunity in the Philippines, there would be continued threats of COVID-19 and there would be continued community quarantine restrictions.

Furthermore, the widespread adoption of COVID-proofing, digitalization, and technology-enablement is being held back by fiscal liquidity challenges, especially for MSMEs, lack of skills or preparedness of the labor force, and overstresses on existing information technology infrastructure. Businesses have expressed reluctance to apply for preferential loans, even with zero-interest, no collaterals, and deferred payments, given outstanding concerns regarding the safe reopening and sustainability of demand, especially for MSMEs in tourism, accommodation, and food service, which would mean continued financial difficulties that would make it impossible to pay back the loan. In relation to this, it is also noted that the REBUILD PH's efforts focus on enhancing business environment amidst the pandemic, in preparation for safe reopening of the economy as well as in sustaining existing initiatives for EODB and supply chain improvement. However, businesses require immediate relief, and have asked for more attention in addressing short-term burdens during the pandemic, even if the assistance provided are mere stopgaps measures, such as suspending compliance to regulations, easing mobility restrictions, and providing direct subsidies instead of preferential loans.

Moreover, there are also gaps in government communications and alignment of efforts between and among agencies, which were cited by private sector stakeholders as obstacles during the pandemic, especially with conflicting guidelines and pronouncements made in piecemeal. The cross-cutting of programs, establishment of various interagency and task groups, as well as formulation and implementation of individual economic recovery strategies/frameworks have been also overwhelming for the general public to follow. The relationship of these pandemic-borne initiatives should be streamlined with a single overarching dashboard to avoid confusion and for the private sector to be able to engage and apply for the appropriate programs.

V. Ways Forward

The aforementioned challenges with the whole undertaking of economic recovery and safe reopening emphasize the need for more government support and constant vigilance to ensure that the Philippine economy recovers and expands as soon as possible. Achieving this means recognizing that there is dependence on fast tracking the implementation of the vaccination program and the safe reopening of the economy. From there, business activities and job generation can occur, spurred by targeted interventions. However, this is a balancing act between the health of the Filipino people and the health of the Philippine economy as both lives and livelihood must be simultaneously cared for. We cannot wait for the pandemic to end before tending to the economy. Instead, we must manage risks, not avoid them; we need to learn how to live with the virus in the new normal. It is also emphasized that the safe reopening of the economy would not be enough to achieve economic recovery as entrepreneurs and businesses would have to contend with more complex day-to-day challenges in the new normal scenario. Furthermore, those that are still in distress or closed down already exhausted their resources and could not fully participate in the reopening. Therefore, continued stimulus for MSMEs as well as interventions to address supply chain gaps and facilitate industry development must be undertaken.

In consideration of the balancing act, which is a sensitive and continuous learning activity, the DTI has fundamentally prioritized enabling the private sector to adjust and recover during the pandemic as businesses and entrepreneurs are the primary engines of the country's economy. The DTI learned how to effectively reorient available programs and resources to address the disruptions due to the pandemic. While new *ad hoc* programs have to be developed

specifically for immediate relief, it is emphasized that there is need in sustaining structural reforms, EODB and existing industrial policies/strategies, as these would solve the gaps in the underlying fundamental competencies and business environment that would facilitate the growth of the private sector, with or without a pandemic. In fact, the pandemic highlighted the need to intensify DTI efforts for modernization as already outlined by the i³S and the IFER. Moreover, the whole-of-society approach adopted by the Philippine government emphasized consultations with stakeholders as necessary to further refine government initiatives. Such consultations enable the government to adequately receive critical information and also know more on how to best enact effective policies and programs.

Further supplementing the interventions of REBUILD PH, the DTI is also advocating the following recommendations that would further supplement and enable the Philippines' economic recovery to build back better: (i) intensify implementation of the vaccination program; (ii) empower the private sector to adjust and recover; (iii) support the gradual reopening of the economy; and (iv) implement key recovery programs and reforms. Table 7 reflects the specific, concrete steps to be undertaken under each of the recommendations.

Table 7. Enabling Pillars for the Philippines' Recovery and to Build Back Better

| Intensify Implementation of the Vaccination Program | Empower the Private Sector to Adjust and Recover | Support the Gradual Reopening of the Economy | Implement Key Recovery Programs and Reforms |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Ensure timely arrival and secure enough supply of vaccines. • Allow onsite vaccination in company premises for workers and employees. • Continue to give privileges and incentives for vaccinated individuals. • Promote procedures on how to get the vaccine for eligible population in order to secure schedule/appointment for vaccination. • Scale up capacities, infrastructure, manpower, and other resources for vaccination service delivery across the country. • Continuous and heightened implementation of PDITRV strategy. | <ul style="list-style-type: none"> • Sustain telecommuting arrangements and encourage digitalization. • Ease regulatory burdens/observe EODB in every aspect of policy and implementation. • Provide temporary regulatory relief and reprieve from government fees/penalties both at the national and local levels. • Support implementation of REBUILD PH, ReCharge PH, 4IR readiness and innovation, as well as human capital enhancement. • Improve business climate through incentives availment, structural reforms, and infrastructure. • MSME support through financing, training/capacity-building, equipment (SSF), and market access | <ul style="list-style-type: none"> • Sustain implementation of granular lockdowns. • Enhance freedom of vaccinated individuals. • Adjust international and domestic travel protocols • Relax restrictions on economic activities and business operations/capacities. • Ensure the safety of consumers. • Ensure safe and sufficient resumption of public transportation. • Safe reopening of schools. • Strengthen food resiliency. • Enhance social recovery, mental health, and psycho-social support programs. | <ul style="list-style-type: none"> • Sustain/renew the provisions of Bayanihan I and II. • Efficient implementation of CREATE Act and FIST Act. • Continue pursuing the BBB program. • Highlight and fully implement spending priorities to reset, rebound, and recover in the National Budget. • Support the passage of LEDAC legislative priorities, plus the Pandemic Protection Act and the amendment to TRAIN law (i.e., remove exemptions to pick-ups). |

Source: DTI (2021c)

Moving forward, and in summary of what must be done for economic recovery as envisioned by the REBUILD PH strategy, the business environment must be improved by easing regulatory burdens and facilitating access to incentives under the CREATE Act. Policies and initiatives also have to be coherent and consistent, avoiding any unintended disrupting effects on the effective mechanisms already in place. In addition, the DTI supports the continuity of practices and programs adopted during the pandemic that have been working. Essentially, the Philippines must sustain its current momentum and provide “all-out” support to the private sector. The DTI opines that the COVID-19 virus is here to stay much like the influenza in the past decades. Hence, the Philippines needs to cope and mainstream the new normal through increased adoption of innovation and technology. Moreover, new products, services, and experiences with high growth potential will need to be developed and promoted, given the changing landscape of trade, GVCs, as well as investments. While the government undertakes the necessary steps towards economic recovery and enhance the business environment, the private sector and other stakeholders are highly encouraged to participate and collaborate in the identified priority activities/industries as part of the whole of society approach.

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