

03 June 2020

SENATOR AQUILINO M. PIMENTEL III

Chairperson

Committee on Trade, Commerce, and Entrepreneurship

Senate of the Philippines

Pasay City, Philippines

Dear **Senator Pimentel**:

We are pleased to submit the Department's position on Senate Resolution No. 405 entitled:

“Resolution Directing the Committee on Trade, Commerce, and Entrepreneurship and Other Appropriate Committees to Conduct a Hearing, in Aid of Legislation, on the Effects of COVID-10 on Philippine Trade, Commerce, and Entrepreneurship, and the Possible Ways to ‘Restart’ the Economy During the After the ‘COVID-19 Era’”

This is without prejudice to the Department's submission of additional inputs

With my best regards.

Very truly yours,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

03 June 2020

SENATOR IMEE R. MARCOS
Chairperson
Committee on Economic Affairs
Senate of the Philippines
Pasay City, Philippines

Dear **Senator Marcos**:

We are pleased to submit the Department's position on Senate Resolution No. 405 entitled:

“Resolution Directing the Committee on Trade, Commerce, and Entrepreneurship and Other Appropriate Committees to Conduct a Hearing, in Aid of Legislation, on the Effects of COVID-10 on Philippine Trade, Commerce, and Entrepreneurship, and the Possible Ways to ‘Restart’ the Economy During the After the ‘COVID-19 Era’”

This is without prejudice to the Department's submission of additional inputs

With my best regards.

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Secretary



OFFICE OF THE SECRETARY

DTI Position on

Senate Resolution No. 405

“Resolution Directing the Committee on Trade, Commerce, and Entrepreneurship and Other Appropriate Committees to Conduct a Hearing, in Aid of Legislation, on the Effects of COVID-19 on Philippine Trade, Commerce, and Entrepreneurship, and the Possible Ways to ‘Restart’ the Economy During and After the ‘COVID-19 Era’”

The Department supports the intention of the proposal to conduct an inquiry to assess the impact of the Corona Virus Disease 2019 (COVID-19) on the business sector and the consuming public, among others, towards creating innovative support measures to help mitigate its economic and social effects.

The severity of COVID-19's effects ushered government action to contain the transmission of the virus including the imposition of various forms of community quarantine (CQ) throughout the country and the implementation of Republic Act (RA) No. 11469 or the *Bayanihan to Heal as One Act of 2020* as interim interventions while the country is in the early stages of addressing the COVID-19 pandemic and its effects.

The DTI, in coordination and collaboration with other agencies, has been keen on providing the necessary support to facilitate the most feasible arrangements in fulfilling its mandate of enabling business, empowering consumers, and providing employment and livelihood amidst the pandemic.

While programs and policies that have been put in place address the immediate impact of the pandemic, the DTI recognizes the prolonged effects of COVID-19 on the economy and the necessity for continued government support especially with the Philippine economy's performance being projected to contract by 2.0% to 3.4% in 2020.¹ This becomes more pressing as the Philippine Statistics Authority's (PSA) latest national accounts report shows that the country's gross domestic product (GDP) contracted by 0.2% in the first quarter of 2020.² With the CQs covering the second quarter, further contraction is still expected, thus compelling immediate intervention to reverse this trend and possibly register positive growth for the full year.

These events have brought about numerous difficulties to businesses, including the overall slowdown in demand for goods and services, the halting of operations for those that were categorized to be non-essential during the CQ periods, and the necessary changes to their business plans post-CQs.

In addressing these, the DTI supports efforts to institutionalize an economic stimulus strategy that includes the agency's priorities.

¹ Development Budget Coordination Committee (DBCC) through the Department of Budget and Management's (DBM) National Budget Memorandum No. 136 as projected by the National Economic Development Authority (NEDA) and the Bangko Sentral ng Pilipinas (BSP).

² Philippine Statistics Authority: GDP declines by 0.2 percent in the first quarter of 2020; the first contraction since fourth quarter of 1998, accessed at <https://psa.gov.ph/system/files/Press-Release-%20Q1%202020%20NAP.pdf>

The DTI submits its specific current and proposed support mechanisms in support of the inquiry relative to its mandate, to wit:

Provisions Under Senate Resolution No. 405	Existing Initiatives/ Interventions	Proposed Interventions in the Economic Stimulus Strategy
<p>Paragraph 6. “WHEREAS, while a community quarantine is a way to reduce the transmission of the COVID-19 virus, it also adversely affects trade and commerce, as it restricts the movement of people and prohibits so-called “non-essential” businesses and activities;”</p> <p>Paragraph 7. “WHEREAS, during the past quarantine periods, we have seen sharp declines in domestic demand, lower tourism and business travel, trade and production linkages, and other supply disruptions;”</p>	<ul style="list-style-type: none"> • Memorandum Circular (MC) No. 20-04, s. 2020 – Guidelines for business operations amidst COVID-19. • MC No. 20-08, s. 2020/MC No. 20-16, s. 2020 – Guidelines for ensuring unhampered movement of cargo and transit of personnel. • MC No. 20-11, s. 2020 – Guidelines for additional business activities allowed to operate to ensure steady supply of basic necessities and prime commodities. • MC No. 20-22, s. 2020 – Guidelines for business establishments and activities allowed to operate in areas declared under Enhanced Community Quarantine (ECQ) and General Community Quarantine (GCQ). 	
<p>Paragraph 9 “WHEREAS, according to the March 2020 report of NEDA, although food and health related supply chains are sustained, most business sectors such as retail trade and manufacturing services will continue to bear losses;”</p>	<ul style="list-style-type: none"> • MC No. 20-14, s. 2020 – Guidelines for operations of business process outsourcing (BPOs), export enterprises, and their service providers throughout the extended ECQ. • MC No. 20-15, s.2020/MC No. 20-21, s. 2020 – Guidelines for operations 	<ul style="list-style-type: none"> • Grants to support industrial activities to help industries restart and recover from the crisis (e.g., research and development, repurposing, participation in promotional events, relocation, and education) towards

	<p>of malls and shopping centers in areas under GCQ.</p> <ul style="list-style-type: none"> • MC No. 20-30, s. 2020 – Guidelines on refund payments for events affected by the pandemic. 	<p>building industries that are more resilient to pandemics and other global challenges.</p> <ul style="list-style-type: none"> • Expansion of the coverage of qualified activities for incentives.
<p>Paragraph 10 “WHEREAS, the ECQ immensely caused delays in the supply chain management thereby burying importers and other businesses in unwanted fees and surcharges;”</p>	<ul style="list-style-type: none"> • Joint Administrative Order (JAO) No. 20-01, s. 2020 – Adoption of processes for the expedited release of refrigerated containers and dry vans. 	<ul style="list-style-type: none"> • Technical and financial assistance to logistics service providers to ensure a stable supply chain.
<p>Paragraph 11 “WHEREAS, despite DTI’s support to micro and small businesses through the COVID-19 Pondo sa Pagbabago at Pag-Asenso Enterprise Rehabilitation Fund, and DOF’s Small Business Wage Subsidy program, Micro, Small, and Medium businesses continue to decline, with some businesses already closing down;”</p>	<ul style="list-style-type: none"> • MC No. 20-12, s. 2020/MC No. 20-29, s. 2020 – Supporting micro, small, and medium enterprises (MSMEs) through concessions on residential rents and commercial rents. • COVID 19 Pondo sa Pagbabago at Pag-Asenso Enterprise Rehabilitation Fund (P3-ERF) – PhP1 billion funding allowing micro enterprises to borrow PhP10 thousand up to PhP200 thousand and small enterprises to borrow a higher loan amount not exceeding PhP500 thousand. • Livelihood Seeding Program-Negosyo sa Barangay (LSP-NSB) – PhP203 million funding to provide a package of livelihood kits and business advisory 	<ul style="list-style-type: none"> • Financial assistance to startups and MSMEs through loan programs. • As a result of the crisis, more than half of startups reduced their operations and at least 21% had to lay-off their workers. Though they can relaunch their operations faster than traditional businesses, 62% said they only have a cash runway of up to 6 months. 60% said that they need additional funding to normalize their operations. More than 20% experienced rising demand for products and services particularly logistics, educational technology

	<p>assistance and services, amounting to at least PhP5 thousand up to PhP8 thousand to MSMEs affected by natural and human-induced calamities including health disasters.</p> <ul style="list-style-type: none"> • Go Negosyo's Mentor Me Online Live – Offers free mentoring sessions through Facebook to discuss business issues and concerns as well as provide technical and practical know-how on managing MSMEs. • Free Website Development – EasyBuilder.Pro, a partner of DTI, waives the subscription fee for developing websites using their platform. 	<p>(Edtech), financial technology (Fintech), and healthcare but would still need government assistance to sustain their operations.³</p>
<p>Paragraph 12 “WHEREAS, to address and cushion the impact of COVID-19 on all sectors of the Philippine trade, commerce, and entrepreneurship, and to effectively “restart” the economy during and after the “COVID-19 era”, there is a need for government to come up with innovative and supportive measures to help mitigate its economic and social effects;”</p>	<ul style="list-style-type: none"> • Joint Memorandum Circular (JMC) No. 20-01, s. 2020 – Nationwide price freeze to intensify monitoring and enforcement of RA No. 7581, as amended by RA No. 10623, or the Price Act. • JMC No. 20-02, s. 2020 – Guidelines on the operations and incentives of enterprises engaged in the manufacture, importation, and distribution of certain products. • MC No. 20-07, s. 2020 – Anti-hoarding and anti-panic buying campaign to 	<ul style="list-style-type: none"> • Regulatory relief for business entities to ease the burden of certain non-tax and non-duty fees and charges. • Funding to extend loans and other forms of financial accommodation including equity investments to business entities affected by the pandemic. • Adoption of trade and industrial policy measures (e.g., zero tariff rates, suspension of

³PricewaterhouseCoopers (PWC) 2020 Survey on the Impact of Covid-19 on Startups, accessed at <https://www.pwc.com/ph/en/publications/startups-pwc-philippines/startups-covid19.html>

	<p>provide reasonable limits on the sale and purchase of essential and vital goods.</p> <ul style="list-style-type: none"> • Shared Service Facilities (SSFs) Project/Fabrication Laboratories (FabLabs) – SSFs and FabLabs are producing personal protective equipment (PPEs), ethyl alcohol, face shields, and aerosol boxes that can be made manually or using digital fabrication machines such as 3D printers and laser cutters. • Repurposing Manufacturing – Government assistance to encourage the re-purposing of facilities from miscellaneous goods to the manufacture of essential products including face masks, ventilators, coveralls, face shields, and alcohol. 	<p>export percentage requirements, preference for domestic bidders in public procurement, development of the information and communications technology infrastructure, and regulation of shipping charges).</p> <ul style="list-style-type: none"> • Promotion of E-commerce to facilitate digitalization.
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Further, continuing to pursue the necessary reforms on taxation, foreign ownership, and consumer rights, among others, enhanced in consideration of the post-pandemic environment, is seen to support efforts to stimulate the economy by attracting investments in key activities, creating a conducive business climate, and fostering business and consumer confidence.

The DTI reiterates its support for the proposed inquiry's objective of creating innovative support measures to help mitigate the pandemic's economic and social effects and emphasizes expediting the finalization of the interventions to enhance their effectiveness in sustaining the critical contributors to our economic growth.

Rajapinckay

Bureau of Trade and Industrial Policy Research
03 June 2020

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