

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session

HOUSE BILL NO. **6619**



Introduced by **Representative JOEY SARTE SALCEDA**

**AN ACT PROVIDING A NATIONAL STIMULUS STRATEGY TO RESTORE
ECONOMIC GROWTH AND EMPLOYMENT, APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Philippine economy has been seriously disrupted by the global pandemic of the Coronavirus Disease 2019 (Covid-19) and the threat of a global recession is imminent, it is necessary to take agile interventions to boost Gross Domestic Product (GDP) levels and support a positive GDP growth rate which will ultimately provide positive implications for future recovery. Interventions must provide immediate relief to firms and individuals, reduce permanent damage to the economy, and maintain employment levels. Further, sustaining the critical components of our previous economic growth in this time of crisis will position the Philippines for a stronger recovery.

This measure proposes transitional and structural interventions. The transitional interventions aim at providing relief for firms and individuals through (a) ensuring the liquidity of firms; (b) reducing regulatory compliance costs while encouraging maintenance of the labor force; and (c) boosting aggregate demand at the household level to support firms through universal approaches for ease and speed of administration. Meanwhile, the structural interventions seek to reduce permanent structural damage caused by the Covid-19 crisis via (a) preventing widespread bankruptcies; (b) maintaining the employees of firms at a viable size; and (c) encouraging firm viability by empowering them to proceed with pre-Covid-19 expansion and productivity boosting plans.

This measure pursues a policy of full employment by boosting aggregate demand. It prefers spending to fiscal interventions that erode the tax base that will significantly affect the country's ability to sustain growth. Between a tax cut and increased spending, spending should be preferred.

This bill will be the centerpiece of a whole-of-government, whole-of-nation approach to restore the country's growth trajectory towards achieving high-income status.

NATIONAL STIMULUS STRATEGY

Economic outlook

1. **The economy is widely expected to contract, although there remains some possibility for slight growth.** Economic outcomes will depend largely on the strength of government response to Covid-19. The more credibly government can bring down infection rates to manageable levels, the sooner the economy can cautiously operate.

2. Estimates suggest that the economy may grow by as much as 3.00 percent and contract by as much as 0.8 percent.

Table 1. Philippine Economic Forecast by Source

Forecast Source	Date	Best	Base	Worst
Salceda estimates	4/10/2020	4.8	2.8	0.0
Moody's	4/10/2020		1.47	
Sec. Dominguez	4/8/2020	0.00	-0.40	-0.80
Asian Development Bank	4/3/2020		2.00	
World Bank	4/1/2020		3.00	-0.50
Nomura	3/31/2020	3.00	1.60	-1.90
CitiBank	3/30/2020		3.20	
IMF	3/27/2020	4.30		-0.60
IIF	3/27/2020		2.60	
AVERAGE		3.0	2.0	-0.8

3. The key driving forces to the resumption of growth will be the accessibility of **testing**, the availability of a **vaccine**, and the agility and strength of the **stimulus response**:

- While awaiting a vaccine, it is testing that would determine the gradual return to normal business operations and societal functions. We assume that the Philippines will make inroads starting May 2020.
- The discovery of a vaccine is the most critical determinant of recovery. We assume that a vaccine will be found later in 2021 and it would be implemented in 2022.
- Given Philippine fiscal, monetary and external balances, it is the agility and strength of the structural response that would shape the complexion and direction of Philippine socioeconomic prospects.

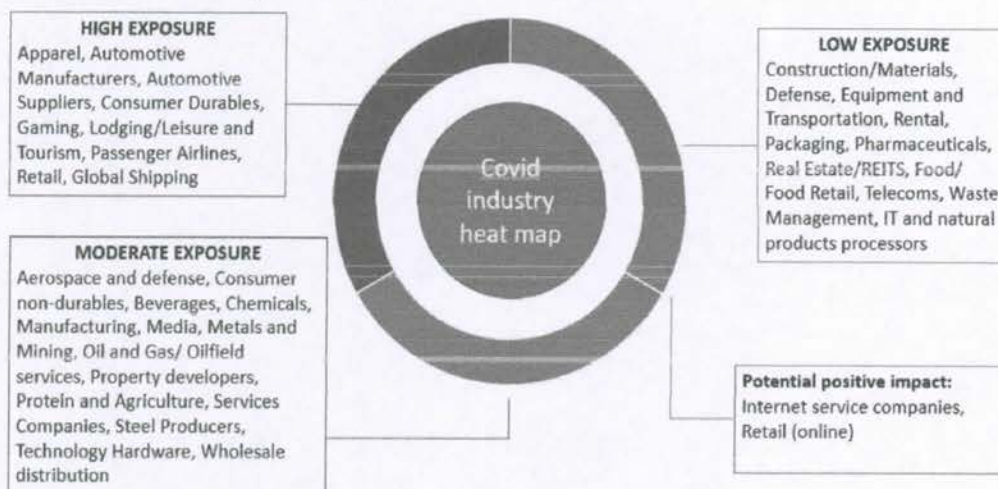
4. Because economic outcomes will be tied very closely to public health outcomes, the country's and the world's economic prospects will depend largely on the global effort to find a vaccine for Covid-19.

Table 2. Scenarios of GDP Growth

Year	Scenario	World GDP growth	Philippine GDP forecast	Philippine budget deficit-to-GDP ratio
2020	No vaccine, testing-based reopening, survival and transitional measures, non-fiscal reform measures (PSA, FIA, RTLA)	-5.0%	2.8%	8.0%
2021	No vaccine, transitional measures, unwind towards structural measures rollout	-3.0%	3.0%	7.0%
2021	Vaccine developed, transitional measures, unwind towards structural measures rollout	0.0%	3.0%	7.0%
2022	Recovery with vaccine, structural measures, new taxes, deficit reduction	3.0%	4.0%	4.5%
2023	Structural reforms, deficit reduction	3.0%	5.0%	3.5%

5. Sectors will have different levels of exposure to economic difficulty. Responses must be calibrated with due consideration to their specific characteristics, capital requirements, market complexion, and business structure.

Figure 1. Covid-19 Industry Heat Map



6. Some structural adjustment programs that can be administered to help exposed businesses include negative interest loans (for liquidity and labor retention); a bail-out system to rescue companies that will fail without support but would have been profitable without the temporary conditions brought about by Covid-19; an enhancement of the country's infrastructure program; and a Credit Mediation and Restructuring Service for those companies whose

financial position have been severely affected by this unprecedented (and therefore, likely, financially unconsidered) crisis.

Figure 2. Structural Adjustments Based on the Covid-19 Heat Map

NEIC	NIL	BBB+/CMRS
HIGH EXPOSURE Apparel, Automotive Manufacturers, Automotive Suppliers, Consumer Durables, Gaming, Lodging/Leisure and Tourism, Passenger Airlines, Retail, Global Shipping	MODERATE EXPOSURE Aerospace and defense, Consumer non-durables, Beverages, Chemicals, Manufacturing, Media, Metals and Mining, Oil and Gas/ Oilfield services, Property developers, Protein and Agriculture, Services Companies, Steel Producers, Technology Hardware, Wholesale distribution	LOW EXPOSURE Construction/Materials, Defense, Equipment and Transportation, Rental, Packaging, Pharmaceuticals, Real Estate/REITS, Food/ Food Retail, Telecoms, Waste Management, IT and natural products processors

Fiscal position

7. Revenue effort typically suffers a 1.6-1.8 pp reduction on the first year after a major economic crisis (equivalent to around P300 billion in lost potential revenue), and another 0.6 pp loss on the second year (around P120 billion). This can be mitigated as long as government maintains a position of spending support over tax cuts.

8. Philippine GDP in recent years has been around 3 percent higher than world average, with a margin of +/- 1 percent to account for local circumstances. A 1.3% GDP growth for the Philippines would be optimistic (and would require some stimulus), considering global growth prospect at -1.90% in 2020. Even without any additional spending, deficit to GDP for 2020 is likely to hit beyond 5.83 percent

9. Interventions can be structured such that one stage builds on the progress of the previous stage, and that one stage is not the prerequisite for the other. In most cases, these stages will have to coincide.

Figure 3. Phases of Interventions

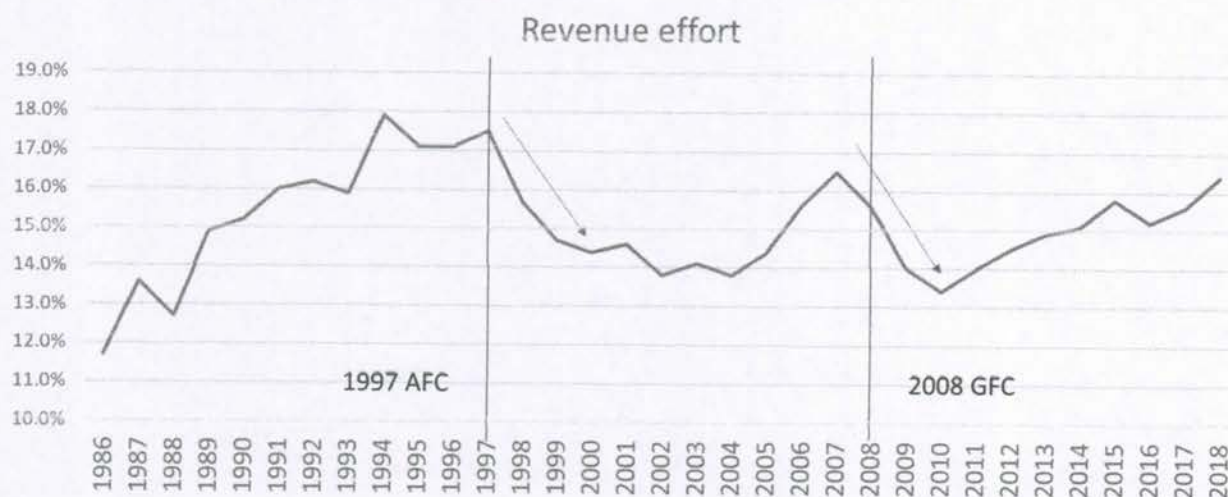


10. A key challenge, however, will be meeting the spending needs of the country without compromising its strong deficit-to-GDP and overall debt-to-GDP position. Maintaining our responses reasonably within a set framework for both will be critical to long-term growth.

11. Furthermore, revenue effort typically declines following economic shocks. Critical to our ability to pay for sound interventions will be our ability to arrest the potential fiscal bleeding.

- a) Revenue effort tends to go down drastically during economic crisis.
- b) Given the choice between spending measures and tax relief, spending is preferable. Spending can boost GDP and arrest the decline in revenue. Tax cuts are hard to rollback.

Figure 4. Revenue Effort (1986-2018)



Potential interventions and financing

12. The following is an outline of possible interventions. Project costs may be adjusted upon the advice of the implementing agencies.

Table 3. List of Potential Transitional Adjustments and Estimated Cost (in PhP billion)

TRANSITIONAL ADJUSTMENTS				
Sector	Program	Value	Recoverable Cost	Net Fiscal Cost
a. Wage earners on payroll	Enhanced CAMP (wage subsidies)	40	0	40
b. Gig and informal sectors	Enhanced TUPAD	78.4	0	78.4
c. Farmers and farmworkers	Direct Financial Assistance	41.5	0	41.5
d. Micro-enterprises	Regularization Seed Money	1.0	0.0	1.0
e. Private higher education teachers	Realignment of CHED travel tax share for assistance	2	0	2
f. Private basic education teachers	Inclusion in ESP	1.6	0	1.6
g. Troubled industries (aviation, hotels, etc.)	Temporary bridging loans	100	100	0

h. Hospitals and health care facilities	Expedited release of Philhealth obligations	0	0	0
i. MSMEs in general	Waiving of registration and other fees	12	0	12
j. Importers, exporters, logistics	Waiver of port demurrage and other port charges (arastre and wharfage)	12	0	12
k. Higher Education	Release Tertiary Education Subsidy and scholarship grants to HEIs*	18.4	0	0
	SUBTOTAL for Transitional Adjustments	306.9	100	188.5
STRUCTURAL ADJUSTMENTS				
a. Exposed industries at risk of layoffs	Negative Interest Loans	350.0	315.0	35.0
b. Firms at risk of bankruptcy	National Emergency Investment Corporation	350.0	350.0	0.0
c. MSMEs	Credit Mediation and Refinancing Service	300.0	300.0	0.0
d. Construction and allied sectors	Enhanced Build Build Build (BBB+)			
e. Other Sectors	<i>Health</i>	45.0	0.0	45.0
	<i>Creative Industries</i>	10.0	0.0	10.0
	<i>Education</i>	50.0	0.0	50.0
	SUBTOTAL for Structural Adjustments	1105	965	140
	<u>TOTAL</u>	1411.9	1065	328.5

* Note: Already in the 2020 budget

13. Below is a proposed schedule for rollout of additional spending or adjustments, taking into consideration deficit and financing issues.

Table 4. Schedule of Additional Expenditure

Item	Difference vs. original 2020 budget			
	2020	2021	2022	2023
I. EXPENDITURES	308.85	647.85	722.85	832.85
Operating Expense	556.00	345.00	270.00	230.00
MOOE for subsidies, mass testing	506.00	150.00	100.00	100.00
NIL, NEIC	100.00	200.00	150.00	50.00
MOOE Regular	- 50.00	-	50.00	150.00
Returns from NEIC, NIL	-	- 5.00	- 30.00	- 70.00
Capital Outlay	- 250.00	300.00	450.00	600.00
Capital Outlay Covid	50.00	50.00	50.00	50.00
Capital Outlay (Infra, others)	- 250.00	200.00	300.00	400.00
Capital Transfers to LGUs	- 50.00	50.00	100.00	150.00
Carrying Cost of Loans	2.85	2.85	2.85	2.85
II. REVENUES	- 295.11	- 251.93	- 38.03	261.27
III. RECURRING DEFICIT	- 852.78	- 637.61	- 408.44	- 164.39
IV. FINAL DEFICIT	- 1,456.74	- 1,537.38	- 1,169.32	- 735.97
Deficit to GDP	-7.83%	-7.44%	-5.23%	-3.02%

V. FINANCING	810.40	-	-	-
Dividends and remittances	220.00	0	0	0
BSP purchase of bonds	300.00	0	0	0
ADB, WB, AIIB Loan	285.00	0	0	0
Grants and TA	0.40	0	0	0
WB Loan Facility	5.00	0	0	0
VI. UNFINANCED EXPENDITURES	-646.34	-1537.38	-1169.32	-735.97

14. Summarized, the following are likely scenarios for our macro-fiscal position.

Table 5. Scenarios of Fiscal Position

	2020	2021	2022
<i>Growth-focused deficit spending on year 1 (Php 300 bn deficit spending)</i>			
GDP growth	1.3	4.5	6.0
Deficit to GDP	7.8	7.4	5.2
<i>Deficit minimization (no supplemental spending)</i>			
GDP growth	-0.3	2.5	4.5
Deficit to GDP	5.8	5.0	3.5
<i>Fix deficit at 5%-level</i>			
GDP growth	-0.3	2.5	5.7
Deficit to GDP	5.8	5.0	5.0

Overview of structural adjustment programs

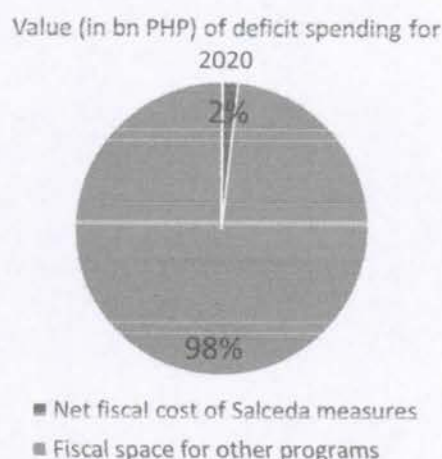
15. While the socioeconomic conditions of the country will require immediate transitional measures, the country's medium to long-term prospects will require significant, creative, agile, and strong structural adjustment measures. This is to preserve employment and economic structure and put the country back on the path of sustained growth.

Table 6. Structural Measures and Estimated Cost (in PhP billion)

Program	Value	Recoverable cost	Net fiscal cost (NFC)
Negative interest loans (NIL)	250	225	25
National Emergency Investment Corporation (NEIC)	150	150	0
Credit mediation and refinancing service (CMRS)	100	100	0
TOTAL	500	475	25

16. The fiscal implications of these proposed programs are:
- High initial cash outflow, but almost entirely recoverable over time.
 - Primarily outright or convertible loans, which would address the issue of moral hazard.
 - NEIC to assume obligations of firms that under normal circumstances would have been viable but underwent difficulty during the pandemic. This would make it a potential revenue earner under less difficult conditions.
 - Debts assumed by NEIC and CRMS can be counted as NG debt instead of being part of the year's deficit.
 - Government has the capacity to restructure private-sector obligations at an advantageous negotiating position with banks, as the government is a lower-risk borrower.
 - Obligations will be contained in vehicles, which would allow the National Government to insulate the NG fiscal position from the programs' obligations.
17. Being recoverable investments, these proposed structural programs take a small net fiscal cost compared to the overall fiscal space for other programs.

Figure 5. Comparison of fiscal space and the net fiscal cost of the proposed structural measures



18. The net fiscal cost of the proposed structural measures (NIL, NEIC, CRMS) would only be P25 billion, or 2 percent of an estimated P1,456 billion in spending for 2020. Some P265 billion (or 88 percent of deficit spending) can still be allotted for other measures.

Proposed structural measures

19. **Negative interest loans.** Negative interest loans will incentivize companies to continue investing in their companies, with some costs shared with the government. The maximum loanable amount shall be fifty (50) percent of the company's direct labor costs. The loan shall be payable for three to five years, with the corresponding interest rates as follows:

Term	Interest rate
3 years	9%
4 years	7%
5 years	5%

20. In return for what are essentially subsidized loans, the government shall set labor retention as the primary conditionality.

Table 7. Labor Conditionality and Negative Interest Rate

Percent of employees terminated within 12 months	Deduction from negative interest benefit of 10 percent
a. Less than 1%	3 percent
b. 1% to 5%	6 percent
c. more than 5% to 10%	9 percent
d. More than 10%	12 percent

21. To ensure that eligible micro, small, and medium enterprises (MSMEs) will have access to negative interest loans, LandBank and DBP shall open an MSME Safeguard Facility dedicated exclusively to these enterprises.

22. Credit refinancing and mediation service. To ensure that MSMEs are able to fulfill obligations under more favorable terms of credit, the Small Business Corporation (SBCorp) and the Philippine Guarantee Corporation (PGC) can provide a MSME Credit Mediation and Restructuring Service to:

- a) Assist MSMEs in negotiating more favorable credit terms with banks, lending institutions, and financial intermediaries;
- b) Provide technical advice and assistance with credit mediation; and
- c) Offer loans with favorable terms for refinancing the obligations of MSMEs.

23. National Emergency Investment Corporation (NEIC). We also propose a body similar to Power Sector Assets and Liabilities Management (PSALM) Corporation to minimize permanent damage to the economy by bailing out firms who would go bankrupt because of current Covid-19-driven difficulties, but which would otherwise be profitable under different conditions.

24. The NEIC shall have the following characteristics:

- a) Supervised by the Department of Finance (like GSIS and SSS);
- b) Fiscally comparable to Central Bank – Board of Liquidators or CB-BOL (P480bn Marcos bad loans of DBP-PNB) and PSALM (P1.2trn stranded costs and stranded debt); and
- c) Perform as capital allocation firm of the government

25. The NEIC will perform the following functions:

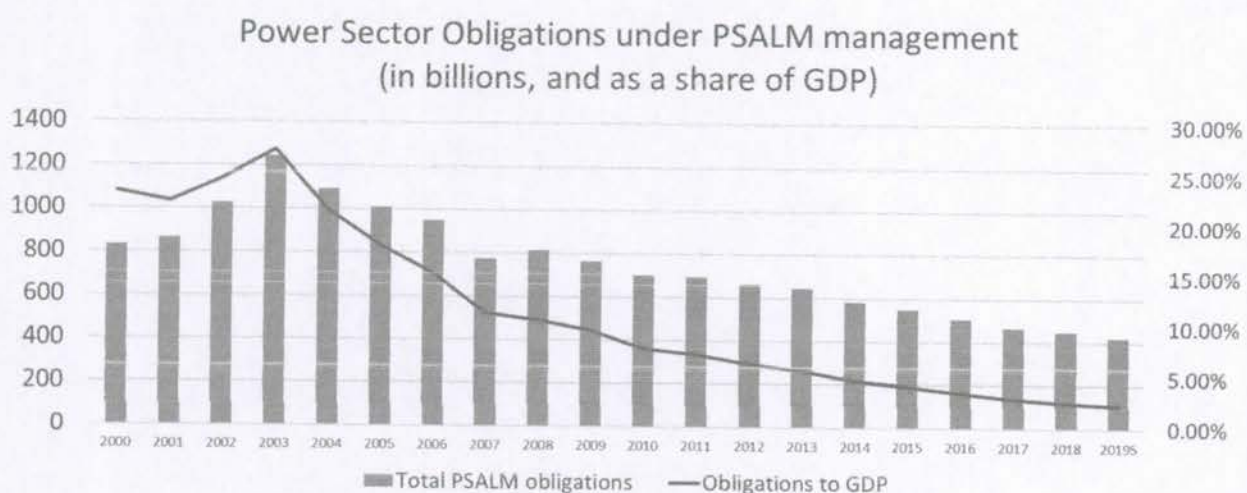
- a) Consolidate troubled businesses and decide simultaneously how these would be resolved in a common procedure;
- b) Offer loans in exchange for equity of the same value in corporations that would otherwise have continued operations but are at risk of bankruptcy due to the impacts of Covid-19;

- c) Assume in exchange for equity of the same value the financial obligations of corporations that would otherwise have continued operations but are at risk of bankruptcy due to the impacts of Covid-19;
- d) Evaluate the performance and ensure good corporate governance in the corporations where it invested;
- e) Perform due diligence activities inherent in its nature as a capital allocation firm of the Government; and
- f) Perform such other functions as may be inherent or necessary to dispense of its role as a capital allocation firm from which reasonable returns are expected.

26. Upon fulfilling all assumed obligations, the NEIC may either be dissolved, or may perform an institutional function as the government's bailout company for similar emergencies.

27. Parallel 1: Under the EPIRA, the PSALM Corporation assumed the obligations of the power sector and of electric cooperatives to the National Electrification Administration so that they can be financially viable and continue to provide rural electrification services. PSALM Corporation achieved this with considerable success, as shown below:

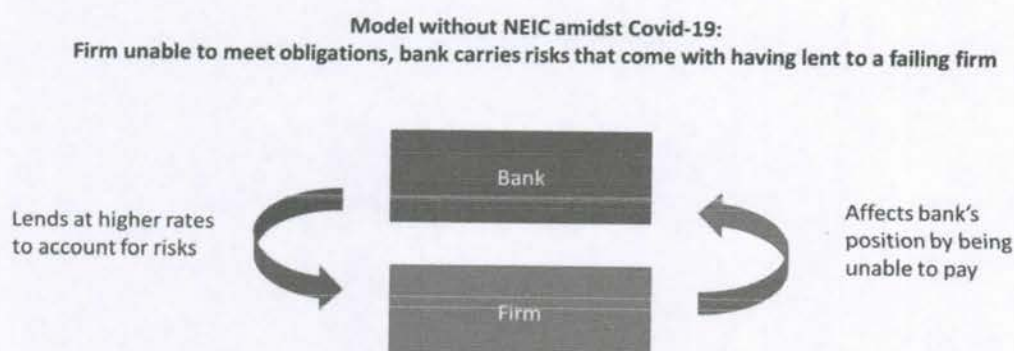
Figure 6. Comparison of PSALM Obligations and Obligations to GDP (2000 to 2019)



28. Parallel 2: The CB-BOL was created to insulate the new CB, the Bangko Sentral ng Pilipinas (BSP), from the bad assets and the obligations of the old central bank, which was much less independent and less prudently managed. The CB-BOL ensured that the BSP could run with a healthy balance sheet, while the NG serviced the CB-BOL obligations. NG servicing of CB-BOL debt were then owed by the CB-BOL to the NG. CB-BOL obligations were counted under the consolidated public sector financial position and not under the national government fiscal balance.

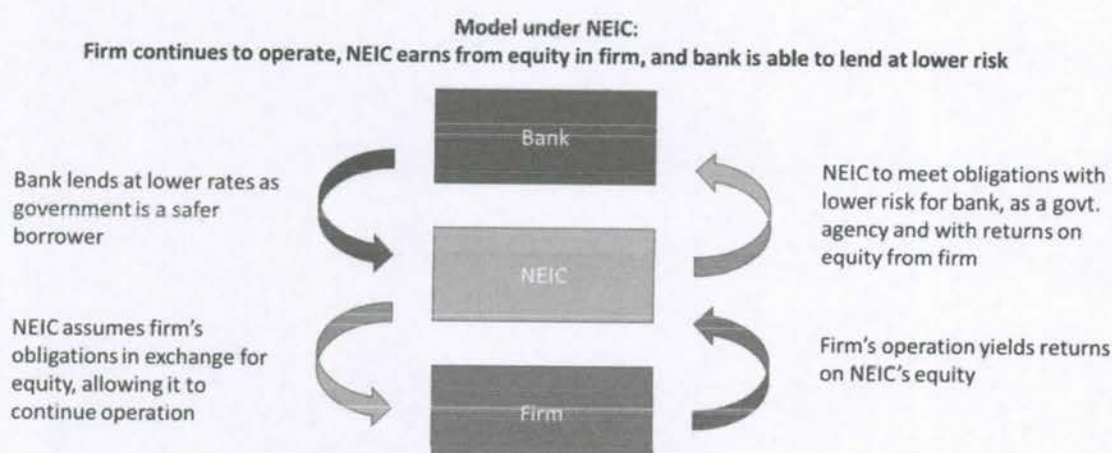
29. Theoretical framework without the NEIC.

Figure 7. Framework without NEIC



30. Theoretical framework with the introduction of the NEIC:

Figure 8. Framework with NEIC



31. A loan-based approach is mostly recoverable by the State. Further, loan-based interventions make deficit spending a loan from the future instead of being perpetually lost. These approaches are also essentially co-pay schemes that would incentivize the firm to invest wisely. A giveaway may distort the incentive to improve productivity.

32. Loan-based programs also reduce moral hazard as opposed to a total bailout and ensure liquidity and support going-concern when companies suffer losses. It is also preferable to tax cuts that will not be optimal for companies with very little, if any, income during the Covid-19 crisis.

33. Our preference for loan-based spending measures as opposed to tax relief measures come from the behaviorally-evidenced observation that tax cuts are difficult to withdraw politically and structurally once given. This may have negative implications on our long-term prospects.

Proposed transitional measures

34. **Wage subsidy.** A payroll support program will be necessary to support MSMEs, that will face liquidity issues in the wake of the enhanced community quarantine (ECQ), as well as their workers who are at risk of being terminated if these MSMEs are unable to pay their wages and maintain operations. Apart from supporting business, the program will also provide relief to formal economy workers, entrepreneurs, and self-employed individuals, who typically belong to the middle class. Income support will also be necessary for freelancers and those in the gig economy who were unable to earn income due to the ECQ.

35. MSME employees, sole proprietorships, and freelance workers comprise 5.98 million individuals. MSMEs employ around 4.1 million formal economy workers while some 380,000 entrepreneurs are sole proprietorships, per BIR data. About 1.5 million Filipinos are freelancers, according to the 2018 Global Freelancer Insights Report. The average monthly minimum wage is around Php 9,500 per month. We propose a wage subsidy that covers around a quarter to a third of this amount. The cost of supporting their income, at P2500 to P3000 per month for two months, is P44.85 billion to P53.82 billion.

36. The proposed distribution mechanism for formal economy workers is via the Social Security System (SSS), assisted by the Bureau of Internal Revenue (BIR) and the Department of Labor and Employment (DOLE). For freelancers, we propose an open-application window similar to the Covid-19 Adjustment Measures Program (CAMP) of DOLE. We propose that there be a central, updatable database to avoid duplication. We also propose that the program be coupled with fee-and-charge-free registration with the SSS and the BIR for freelance workers to initiate their regularization into the formal economy.

37. **MSME regularization.** To ensure that MSMEs are able to avail of programs, and to broaden the tax base and encourage business practices that are compliant with the law, we propose that for a period of not more than eighteen (18) months, the Commissioner of Internal Revenue shall have the power to relax revenue regulations and waive applicable registration and similar fees on registration and renewal of small and medium enterprises. The Secretary of the DTI shall also have the power to relax rules and regulations governing the registration of small and medium enterprises.

38. Local Government Units (LGUs) shall be encouraged by the Department of Interior and Local Government (DILG) and the Bureau of Local Government Finance (BLGF) to waive similar local registration and processing fees. Negosyo Centers established under Republic Act No. 10644 shall coordinate with national and local government agencies to ensure the widest dissemination of information and benefits under the National MSME Regularization Program.

39. The regularization of MSMEs is crucial to the broad dispersal of economic assistance. The size of the Philippine informal economy is significantly above the regional average. Informality is especially more pronounced in the disadvantaged sectors

Table 8. Comparison of Sizes of Informal Economies (1991 to 2015)

Size of informal economies, 1991-2015 (% of official GDP)		
Economy	Average	Standard deviation
Brunei	29.8	1.2
Cambodia	46.0	6.8
Indonesia	19.8	1.6
Lao PDR	30.3	3.8
Malaysia	31.5	2.8
Myanmar	51.4	6.9
Philippines	39.3	5.5
Singapore	11.9	1.3
Thailand	50.6	3.4
Viet Nam	15.1	2.3
ASEAN	32.6	3.6

Note: "The shadow economy" refers to all economic activities that are hidden from government authorities.

Source: Schneider and Medina (2018), <https://doi.org/10.5089/9781484338636.001>.

40. If interventions are loan-based (and therefore formal), a program to introduce MSMEs to the formal economy with lower cost barriers will help benefits of interventions cascade down to disadvantaged sectors. Such an effort will also increase tax base and help recover Year 1 deficit spending.

41. **Waiving of non-tax fees and charges.** To reduce friction costs in doing business and barriers to regularization, we propose that all national government agencies shall waive non-tax and non-duty fees and charges on all MSMEs for a period of six (6) months

42. **Temporary bridging loans.** We also propose transitional credit, or "bridging loans." Each borrowing enterprise or corporation, duly registered with the appropriate regulatory agency, may borrow not more than One Hundred Million Pesos (Php 100,000,000). The borrower shall pay only the interest for the first twelve (12) months of the loan, after which the principal and the interest shall be serviced for the remaining period of the loan tenor, which shall not exceed five (5) years. The loan shall be issued without collateral. Where applications exceed the funds available, priority shall be given to the aviation, tourism, transport, and hospitality sectors as defined jointly by the Department of Trade and Industry (DTI) and the National Economic and Development Authority (NEDA).

Non-Fiscal Reforms and Other Complementary Policies

43. **Enhanced Build, Build, Build (BBB+).** Prompt delivery of infrastructure projects. To enable the spillover effects of fully operational infrastructure sooner, the House of Representatives must consider passing some iteration of House Bill No. 5456, which grants the

President special powers to expedite Build, Build, Build. This representation is prepared to recalibrate the bill to better suit the needs of the infrastructure agencies.

44. We also emphasize the need for more programs around:

- a) Health investments, especially for Universal Health Care;
- b) Infrastructure supportive of creative industries; and
- c) Infrastructure for Public Schools of the Future

45. **Passage of the liberalization bills to infuse new capital to support industry.** The Philippines will be among the few countries with positive growth potential in 2020, when global growth is expected to take considerable damage. Passing the amendments to the Retail Trade Liberalization Act (RTLA), the Public Service Act (PSA), and the Foreign Investment Act (FIA) will serve as a market signal that the Philippines is open for those looking for more favorable market conditions and growth prospects.

46. **Immediate passage of the Corporate Income Tax and Incentives Rationalization Act (CITIRA).** The House Committee on Ways and Means will continue to encourage its Senate counterparts to pass CITIRA, which has the potential to generate as much as 1.0 percent incremental GDP growth on its first year. CITIRA will also be key to attracting enterprises seeking markets that perform better than global average.

47. **Agricultural revitalization.** Agricultural productivity remains extremely critical to holistic economic development for the Philippines. Congress must be prepared to employ its oversight powers to ensure that the executive delivers promptly on the programs under the Rice Competitiveness Enhancement Fund and the Rice Farmer Cash Transfers pursuant to Republic Act No. 11203 or the Rice Tariffication Law. Credit support, favorable policy environment and value-chain supporting programs will remain crucial to agricultural modernization.

48. **Passage of non-growth-eroding tax measures to ensure that there is fiscal space for expansionary spending.** Taxes on Philippine Offshore Gaming Operators (POGOs) and updating the motor vehicle users' charge combined are estimated to have less than 0.1 percent impact on inflation. Being very targeted taxes that will impact only a small portion of the population, these tax measures will provide at least P70 billion in additional revenues for the government.

49. **Approval of the Comprehensive Framework for Health Emergencies proposed under House Bill No. 6096.** Public health experts warn that Covid-19 will become a seasonal disease. The Comprehensive Framework for Health Emergencies proposed under House Bill No. 6096, which creates the Center for Disease Control and Prevention, will ensure that there is a clear, coordinated, and whole-of-government, whole-of-nation approach to dealing with sudden-onset health emergencies like Covid-19.

50. **In conclusion:** Interventions should provide immediate relief to firms and individuals, reduce permanent damage to the economy, and maintain employment levels. It is more difficult to expand an economy that has contracted, than to support an economy's existing productive capacities for future growth. To protect our growth, we must keep our base.

In view of the foregoing, to ensure the future of the Filipino people and to sustain long-term economic prospects, in line with the decisive measures taken to defeat the Covid-19 pandemic, as well as in preparation for the return to normalcy, the passage of this measure is urgently sought.



JOEY SARTE SALCEDA

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CHAPTER I

GENERAL PROVISIONS

SECTION 1. Short Title. – This Act shall be known as the “*National Stimulus Strategy Act.*”

SEC. 2. Declaration of Policy. – It shall be the policy of the State to protect Filipino families and jobs; assist workers and enterprises facing hardships due to the 2019 novel coronavirus disease (Covid-19) and the public health measures taken to fight the disease; and preserve the country’s trajectory to economic prosperity.

Towards these ends, the State shall set aside resources for programs and policies that support the country’s transition out of an economy adversely affected by Covid-19 and promote continued growth and development.

SEC. 3. General Principles. – Interventions to enterprises affected by Covid-19 should provide immediate relief to firms and individuals, reduce permanent damage to the economy,

1 and maintain employment levels as far as practicable. Interventions should have a demonstrable
2 capacity to support economic output and preserve the country's productive capacity.

3 **SEC. 4. Definition of Terms.** For purposes of this Act,

- 4 a. Freelancer – refers to a worker who is self-employed and is not necessarily committed
5 to a particular employer long-term;
- 6 b. Micro, Small and Medium Enterprises or MSMEs – refers to duly registered enterprises
7 which are not part of the Large Taxpayer Service (LTS) roster of the Bureau of Internal
8 Revenue (BIR), notwithstanding any other definition in other laws, rules, and
9 regulations;
- 10 c. *Negosyo Centers*- refers to one-stop shop centers established in provinces, cities, and
11 municipalities that are mandated to promote ease of doing business and access to
12 services for Micro, Small and Medium Enterprises (MSMEs), among others, pursuant
13 to Republic Act No. 10644.

14 **CHAPTER II**

15 **TRANSITIONAL MEASURES**

16 **SEC. 5. National MSME Regularization Program.** – To ensure that Micro, Small
17 and Medium Enterprises (MSMEs) are able to avail of programs, and to broaden the tax base
18 and encourage business practices that are compliant with the law, the Commissioner of Internal
19 Revenue shall have the power to relax revenue regulations and waive applicable registration
20 and similar fees of MSMEs for a period of not more than eighteen (18) months.

21 The Secretary of the Department of Trade and Industry (DTI) shall have the power to
22 relax rules and regulations governing the registration of MSMEs.

23 Local Government Units (LGUs) shall be encouraged by the Department of Interior
24 and Local Government (DILG) and the Department of Finance-Bureau of Local Government
25 Finance (DOF-BLGF) to waive similar local registration and processing fees.

1 *Negosyo Centers* shall coordinate with national and local government agencies to
2 ensure the widest dissemination of information and benefits under this program.

3 **SEC. 6. Administrative Relief.** – The DTI and the Anti-Red Tape Authority (ARTA)
4 shall complete a list of all non-tax and non-duty fees and charges imposed on enterprises,
5 including such fees and charges imposed for registration, licensing and permitting, inspection,
6 among others.

7 The President shall have the power to postpone, suspend, or entirely waive by Executive
8 Order the imposition of any fees and charges in the said list, for a period of six (6) months. The
9 DTI and the ARTA may recommend the extension of such Executive Order for no more than
10 six (6) months.

11 **SEC. 7. Temporary Bridging Loans.** – The government financial institutions (GFIs)
12 Landbank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) shall
13 establish loan facilities for duly-registered enterprises, including those registered under Section
14 5 of this Act, for temporary bridging loans, where the borrower shall service only the interest
15 of the loan for the first twelve (12) months of its term.

16 The loan shall be issued without collateral. Where applications exceed the funds
17 available, priority shall be given to the aviation, tourism, transport, and hospitality sectors as
18 defined jointly by the DTI and the National Economic and Development Authority (NEDA).

19 The Department of Finance (DOF) and the Bangko Sentral ng Pilipinas (BSP), in
20 consultation with the DBP and the LBP, shall jointly issue the rules and regulations necessary
21 for the implementation of this Section.

22 **SEC. 8. Wage Subsidies.** - The government shall provide a wage subsidy of Two
23 Thousand Five Hundred Pesos (Php2,500.00) to Three Thousand Pesos (Php3,000.00) per
24 month for at least two months. Distribution shall be done by the following agencies:

(a) the Social Security System (SSS), assisted by the Bureau of Internal Revenue (BIR) and the Department of Labor and Employment (DOLE) for formal economy workers; and

(b) DOLE for free-lancers and the self-employed through an open-application window system.

The SSS, BIR, and DOLE shall establish a central, updatable database to avoid duplication of applications and to track distribution, and for other purposes.

The SSS and the BIR shall also provide for free registration for freelance workers to promote their regularization into the formal economy.

CHAPTER III

STRUCTURAL MEASURES FOR ENTERPRISES

SEC. 9. Protecting Filipino Jobs through Negative Interest Loans. – The Land Bank of the Philippines and the Development Bank of the Philippines shall administer negative interest loans to incentivize companies to continue investing in their companies, apportioned among the banks equally, under such rules and regulations as the said banks may prescribe, *Provided*, that the loans shall be administered according to the following guidelines:

a) The maximum loanable amount shall be fifty (50) percent of the company's direct labor costs;

b) The loan shall be payable for three to five years, with the corresponding interest rates as follows:

i. 3 years, negative 9 percent;

ii. 4 years, negative 7 percent; and

iii. 5 years, negative 5 percent;

c) There shall be applicable labor-conditional penalties:

i. The termination of one percent or less of employees within twelve (12) months since incurring the loan shall result in a penalty of three (3) percent of the loan;

- 1 ii. The termination of one to five percent of employees within twelve (12) months
2 since incurring the loan shall result in a penalty of three (3) percent of the loan
3 on top of the 3 percent penalty under i;
4 iii. The termination of more than five percent to ten percent of employees within
5 twelve (12) months since incurring the loan shall result in a penalty of three (3)
6 percent of the loan on top of the 3 penalties under i and ii.
7 iv. The termination of more than ten percent of employees within twelve (12)
8 months since incurring the loan shall result in a penalty of three (3) percent of
9 the loan on top of the penalties under i, ii, and iii.

10 *Provided, Further,* that an MSME Safeguard Facility shall be provided for MSMEs.

11 *Provided, Finally,* The President shall have the power to declare moratoriums for
12 MSME loans provided hereunder, make available emergency loans to MSME's for additional
13 capital outlay under this Section, and relax regulations to ensure that MSMEs have facilitated
14 access to the loan facility provided herein.

15 The sum of Three Hundred Fifty Billion Pesos (Php 350,000,000,000.00) is hereby
16 appropriated to supplement the Fiscal Year 2020 budget under Republic Act No. 11465, or the
17 General Appropriations Act of 2020 to finance the negative interest loans provided under this
18 Section.

19 **SEC. 10. Establishment of the National Emergency Investment Corporation.** – To
20 minimize permanent damage to the economy, preserve its current productive capacity, and
21 enable faster recovery upon the return to more normal economic conditions, there shall be
22 established a National Emergency Investment Corporation (NEIC), a government owned,
23 operated, and controlled corporation (GOCC) supervised by the Department of Finance (DOF),
24 which shall have the following functions and powers:

- a) Consolidate troubled businesses and decide simultaneously how these would be resolved in a common procedure;
- b) Offer loans in exchange for equity of the same value in corporations that would otherwise have continued operations but are at risk of bankruptcy due to the impacts of Covid-19;
- c) Assume in exchange for equity of the same value the financial obligations of corporations that would otherwise have continued operations but are at risk of bankruptcy due to the impacts of Covid-19;
- d) Evaluate the performance and ensure good corporate governance in the corporations where the NEIC invested;
- e) Perform due diligence activities inherent in its nature as a capital allocation firm of the Government;
- f) Perform such other functions as may be inherent or necessary to dispense of its role as a capital allocation firm from whom reasonable returns are expected.

For equity acquisition activities under functions a and b of the NEIC, the NEIC shall be capitalized by the National Government with Three Hundred Billion Pesos (P300,000,000,000.00).

Upon meeting all assumed obligations, the NEIC may either be dissolved by the President at the recommendation of the Secretary of Finance or may perform an institutional function as the government's bailout company for similar emergencies.

SEC. 11. Credit Mediation and Refinancing Service. – To ensure that duly-registered enterprises remain able to fulfill obligations under more favorable terms of credit; to strengthen the liquidity and financial position of these enterprises; and to expedite the country's economic recovery, there shall be administered by the Small Business Corporation (SBCorp) and the Philippine Guarantee Corporation (PGC) a Credit Mediation and Restructuring Service

(CMRS) to assist enterprises in obtaining more favorable credit terms with banks, lending institutions, and financial intermediaries by providing technical advice and assisting with credit mediation and by offering loans with favorable terms for refinancing the obligations of MSMEs.

For this purpose, PGC shall be allowed to issue guarantees of up to Two Hundred Billion Pesos (Php 200,000,000,000.00) from the effectivity of this Act up to December 31, 2022, while the Small Business Corporation (SBCorp) shall be authorized to lend up to One Hundred Billion Pesos (Php 100,000,000,000.00) for the same period. For Fiscal Year 2020, there is hereby appropriated One Hundred Billion Pesos (Php 100,000,000,000.00) for CMRS concessional loans and guarantees that will allow MSMEs to refinance obligations that they are unable to fulfill due to the impacts of Covid-19.

Of the said appropriation there shall be allocated to the SBCorp such amount as will allow the corporation to lend at its maximum capitalization limits as specified under the law, while the remaining amount shall be allocated to the PGC. The DOF and the DBM shall determine such amount in the rules and regulations necessary for the implementation of this Section.

The DTI, the Department of Budget and Management (DBM), the DOF, and the BSP shall jointly issue the rules and regulations necessary for the implementation of this Section.

SEC. 12. Enhanced 'Build, Build, Build' Program – On top of Flagship Programs already in the portfolio of the Presidential Adviser for Flagship Projects, there shall be appropriated a sum of Six Hundred and Fifty Billion Pesos (Php 650,000,000,000) over three (3) years from the effectivity of this Act, for the following programs:

- a) The construction and development of modern health facilities that will complement the Universal Health Care Law and anticipate surges in demand for such cases as pandemics;

b) The construction and improvement of public-school facilities compatible with modern education suited for transferring 21st Century Skills and with the aim of creating “Schools for the Future,” or schools geared towards competitiveness in the Fourth Industrial Revolution;

c) The construction, improvement, and renovation of infrastructure supportive of creative industries, such as the arts.

These programs shall be part of the Flagship Projects for infrastructure, and shall be managed and prioritized as such.

There shall be created an Oversight Committee in each House of Congress to be composed of five (5) members each to be respectively designated by the Senate President and the Speaker of the House of Representatives, which committees shall be tasked with monitoring the implementation of this Section and the exercise of the authority granted hereunder.

CHAPTER IV

OTHER PROVISIONS

SEC. 13. Special Power to Reallocate and Realign Appropriations and to issue bonds and access financing. – Notwithstanding any law or provision thereof to the contrary, the President is hereby authorized to reallocate and realign any appropriation in the General Appropriations Act of 2019 and the General Appropriations Act of 2020; and to allocate, cash, funds, investments held by any government owned or controlled corporation (GOCC) or any national government agency to finance the requirements of this law.

Any law that reserves or earmarks any fund or collection by any national government agency or GOCC shall be, and is hereby expressly superseded by the foregoing authorization, and the President shall have authority and discretion to reallocate and realign such fund or collection for whatever purpose the President may deem necessary, beneficial, or desirable in

1 order to address the public health emergency as declared in Proclamation No. 929. This
2 authority shall be valid for six (6) months; Provided, however, that the President shall submit
3 a quarterly report on the reallocation to Congress.

4 The Secretary of Finance is also authorized to direct the Treasurer of the Philippines to
5 issue in the name and behalf of the Republic of the Philippines, bonds to finance programs
6 provided herein.

7 The bonds shall be issued in such amounts as will be needed at any one time taking into
8 account the rate at which said bonds may be absorbed by the buying public and the fund
9 requirements of projects ready and execution, and taking into consideration further a proper
10 balance between productive and non-productive projects so that inflation shall be held to the
11 minimum.

12 The Secretary of Finance, in consultation with the Monetary Board, shall prescribe the
13 form, the rate of interests, the denominations, maturities, negotiability, convertibility, call and
14 redemption features, and all other terms and conditions of issuance, placement, sale, servicing,
15 redemption, and payment of all bonds issued under the authority of this Act.

16 The bonds issued under the authority of this section may be made payable both as to
17 principal and interest, in Philippine currency or any readily convertible foreign currency.

18 Nothing in this section shall be interpreted to mean that the Secretary of Finance, in the
19 redemption of securities, is prevented from applying the lottery principle by which bonds,
20 drawn by lot, may be redeemed before maturity either at their face value or above.

21 The Secretary of Finance is also authorized to access such other financing facilities with
22 rates comparable to or more favorable than prevailing market rates, as may be necessary.

23 **SEC. 14. Economic Stimulus Coordinating Board** – There shall be established an
24 Economic Stimulus Coordinating Board (ESCB) which shall coordinate and oversee the
25 implementation of the programs and projects provided herein. The ESCB shall be Chaired by

1 the Head of the Economic Development Cabinet Cluster, with the DOF, DTI, NEDA, DBM,
2 DOLE, Bangko Sentral ng Pilipinas (BSP), Department of Public Works and Highways
3 (DPWH), and Department of Agriculture (DA) as members.

4 The President, or the ESCB through a resolution, may designate additional members of
5 the ESCB as may be necessary.

6 The ESCB shall perform the following functions and powers:

- 7 a) Evaluate the costs and benefits of programs and projects allowed or provided for
8 herein, and recommend their implementation and/or modification based on such
9 evaluation;
- 10 b) Study and recommend programs and projects that the government may undertake
11 to complement the implementation of programs and projects allowed or provided
12 for in this Act;
- 13 c) Oversee and spearhead the preparation of reports mandated under this Act;
- 14 d) Recommend to Congress such policies as may be necessary to expeditiously and
15 efficiently implement the programs and projects allowed or provided for herein;
- 16 e) Perform such other functions as may be necessary or as is inherent in its role as the
17 coordinating council for all programs and projects provided for in this Act;
- 18 f) Perform such other functions and powers as may be delegated by the President.

19 **SEC. 14. Use and Release of Funds.** – The amounts appropriated herein shall be used
20 exclusively for the purposes specified under the preceding chapters. Releases shall be made by
21 the Department of Budget and Management (DBM) directly to the appropriate implementing
22 departments/agencies in accordance with the approval of the President of the Philippines.

23 **SEC. 15. Availability of Appropriations.** – The appropriations authorized in this Act
24 shall be available for release and obligation for the purposes specified until December 31, 2020,
25 unless otherwise stated.

1 **SEC. 16. Submission of Reports.** – The DBM and the implementing department shall
2 submit, either in printed form or by way of electronic document, to the House Committee on
3 Appropriations, the Senate Committee on Finance and the Commission on Audit, the quarterly
4 accountability reports on the utilization of funds. The DBM and the DBM's web administrator
5 shall be responsible for ensuring that said quarterly reports are likewise posted on the official
6 website of the DBM and the implementing agency.

7 Releases from the appropriations made herein shall be subject to the submission of a
8 special budget pursuant to Section 35, Chapter 5, Book VI of Executive Order No. 292, series
9 of 1987.

10 **SEC. 17. Implementing Rules and Regulations.** – Unless otherwise indicated, the
11 rules and regulations necessary for the implementation of this Act shall be issued within thirty
12 (30) days upon the implementation of this Act by the President of the Philippines.

13 **SEC. 18. Separability Clause.** – If, for any reason or reasons, any part or provision of
14 this Act shall be declared as unconstitutional or invalid, the other parts or provisions hereof
15 which are not affected thereby shall continue to be in full force and effect.

16 **SEC. 19. Repealing Clause.** – All provisions of existing laws, orders, rules and
17 regulations or parts thereof which are in conflict or inconsistent with the provisions of this Act
18 are hereby repealed, amended or modified accordingly.

19 **SEC. 20. Effectivity.** – This Act shall take effect immediately upon its publication in
20 the Official Gazette or in at least two (2) newspapers of general circulation in the Philippines.

21 Approved,