

MAP Policy Recommendations for Economic Dynamism for the Marcos Jr. Administration

June 29, 2022

The Management Association of the Philippines (MAP) humbly submits the following recommendations for the consideration of the administration of incoming President Ferdinand Romualdez Marcos Jr., with the objective of achieving and sustaining a dynamic economy with widest participation of and benefits for Filipinos spanning all socio-economic classes, economic sectors, geographic areas and ethnic affiliations.

As the country emerges from the COVID-19 pandemic and the deep contraction it brought to our economy, policy and program support and public investments must prioritize the country's two most important but also most challenged assets: its **people** and its **lands**. **Health, nutrition and education**, especially of the young, are in crisis, and are interrelated problems that need to be urgently addressed because of their long-term consequences. The **productivity of our agricultural lands and coastal and inland waters** likewise urgently need a substantial boost, especially in the face of a looming food crisis now widely anticipated as a consequence of recent world events emphasizing the need to ensure food security.

1. EDUCATION CRISIS

To address the country's urgent **Education Crisis**:

1.1 Education Commission

Immediately mobilize the Second Education Commission created by the new Second Congressional Commission on Education (EDCOM II) Act and its multi-sectoral Advisory Council, to develop a clear roadmap out of the learning crisis that will pursue foundational reforms, ensure public-private complementarity, institutionalize lifelong learning/upskilling, and draw on international best practices and new knowledge in the neurosciences.

1.2 Face-to-Face Classes

Return to full face-to-face in all schools that are in non-high-risk areas, while adhering to the highest levels of health and safety guidelines by the start of SY 2022-2023.

1.3 Connectivity and Teacher Upskilling

Prioritize budgetary support for connectivity in all schools in the 2023 budget, and teachers' upskilling as learning facilitators, tapping on partnerships with business and civil society organizations domestically and internationally.

1.4 Cooperation among Academic Institutions

- Establish a program of cooperation among educational institutions to uplift quality of education;
- Adopt international best practices, especially towards improving quality of learning in English, Mathematics and Science.

1.5 Industry Participation in K-12 Senior Tracks

Harness industry associations, large companies or agencies to provide inputs and supervision in the curriculum and method of instructions in K-12 tracks (e.g., TESDA for Technical track, PICPA for Accountancy, Business and Management track, etc.)

2. QUALITY HEALTH CARE

To make **Quality Health Care** accessible to every Filipino:

2.1 Upgrade the Public Health System

- Overhaul PhilHealth's leadership and management, including investment in technology-enabled management systems and private outsourcing of certain functions;
- Substantially increase hospital bed and manpower capacity;
- Guarantee steady supply of vaccines and medicines across the country;
- Upgrade compensation of public doctors and nurses at all levels in the public and private sectors;
- Expand the role of clinics nationwide to give closer medical services to rural folk and take pressure off hospital out-patient care.

2.2 Curbing Malnutrition as a Public Health Priority

Scale up programs nationwide to combat hunger, malnutrition and child stunting, which lead to irreversible and permanent damage on learning, personal health, and economic productivity.

2.3 Institutional Reform

Establish a National Recovery and Resilience Council (NRRC) and a Health Security Council (HSC), ideally headed by NEDA and supported by a multi-stakeholder Advisory Committee, to effect more balanced and holistic management of job creation, social protection, public health promotion and pandemic control.

3. AGRICULTURE AND AGRIBUSINESS SECTOR

To achieve an **Agriculture and Agribusiness Sector** marked by high productivity and international competitiveness that ensures food security for all Filipinos:

3.1 Farm Consolidation

- Foster scale economies through stronger policies and programs for consolidation of management of smallholder farms (via, e.g., cooperatives, nucleus estate schemes, contract growing, corporate farming);
- Declare the completion of agrarian reform and lift land ownership ceilings on farm lands.

3.2 Strengthen Food Systems for Food Security

Improve food value chains through upgraded transport and logistics facilities (including cold storage and cold chain facilities), increased community-level value-adding, effective local government-enabled market matching, and mechanisms for food waste reduction (e.g., channeling unsold/surplus food to depressed communities).

3.3 Bureaucratic Reform

- Stamp out corruption and massive leakages in the agriculture budget;
- Pursue structural, functional and budgetary reform in the agriculture bureaucracy, including consolidation of all agri and agri-related agencies, whose functions encompass all elements of the agricultural value chain;
- Foster strong DA-provincial LGU collaboration in a province-led devolution of agricultural and fisheries services;
- Reaffirm the primary mandates of the Land Bank of the Philippines and the Development Bank of the Philippines to finance small farms and firms by: (1) phasing out deposits of private depositors to eliminate

the bank's fiduciary responsibility to private depositors, (2) applying appropriate regulatory metrics distinct from those applied to commercial banks, and (3) phasing out all non-agri-agra, LGU, infrastructure loans.

3.4 **Productivity of Indigenous Community Land**

Supplement the Indigenous Peoples Rights Act by instituting policies and programs to enable them to maximize productive use of their community properties with agricultural or other economic activities.

3.5 **Shared Facilities**

- Expand DTI's program to provide shared service facilities (e.g., tilling, drying, processing equipment) that can be provided to small producers at a low cost;
- Assist in streamlining supply chains to link producers more directly with their markets and eliminating unnecessary middlemen.

4. **TRADE AND INDUSTRY POLICY**

Ensure a **Trade and Industry Policy** environment that fosters level competition, lowers costs of doing business, and encourages productivity-enhancing innovation, to ensure Filipinos' wide access to quality goods and services at lower and stable prices:

4.1 **Trade Agreements**

Immediately ratify and actively participate in the Regional Comprehensive Economic Partnership (RCEP) Agreement and other trade agreements to tap wider market opportunities that will diversify the country's exports in terms of products/services and destinations, and enhance the country's attractiveness to foreign investments.

4.2 **Export Thrust**

Formulate an aggressive new Philippine Export Development Plan aimed to close the country's wide export gap relative to its ASEAN peers, which will examine and address the entire export ecosystem spanning the macroeconomic policy and governance environment down to sector and commodity-level strategies and programs.

4.3 **Industry Roadmaps**

Update or craft industry roadmaps in key industries/sectors with the greatest strategic importance and/or potential for massive job generation, including tourism, creative industries, agriculture and agribusiness, forestry, manufacturing, construction, responsible mining, BPO and MSMEs, among others.

4.4 **Inclusive Value Chains**

- Expand the scope of concern of the Department of Agriculture well beyond farm production to cover the entire agricultural value chains;
- Encourage development of expertise and quality in the various value chains and incentivize inclusive models that widen participation of MSMEs in the chain;
- Develop a high-level government body or a PPP arrangement that will facilitate stronger public-private sector collaboration in setting policies, initiatives, and programs to address constraints and improve supply chain performance of industries;
- Set up a national supply chain "control tower" to monitor demand and supply conditions, gain visibility on supply market analysis as it impacts health, livelihood and economy;
- Encourage businesses to adopt digitalization, and create PPPs to institutionalize supply chain digitalization;
- Promote sustainability knowledge sharing and best practices initiatives across the supply chain.

4.5 Recognition for Excellence and Competitiveness of Philippine-based firms

Promote and expand coverage for the recognition of globally competitive Philippines-based firms (business, education, government) through programs, such as the Philippine Quality Award (managed by DTI per RA 9013 in partnership with the private sector associations, such as MAP).

We need a favorable **enabling environment for investments** if we are to succeed in attracting greater and more diverse job-creating investments for more Filipinos to be gainfully and productively employed, so that overseas employment would merely be a choice for our workers, rather than a necessity. The enabling environment includes **infrastructure adequacy, labor market and employment policies, fiscal and financial sector policies, and justice and the rule of law**.

5. INFRASTRUCTURE ADEQUACY

Sustaining the gains of the Build, Build, Build program will be challenged by much tighter fiscal constraints that have been brought about by the massive costs of managing the pandemic and its impact on jobs and livelihoods. Thus, it will be necessary to **prioritize infrastructure** of greatest strategic importance, and to **resume active pursuit of Public-Private Partnerships (PPPs)** in infrastructure development.

5.1 Energy Development

- Prevent short-term power shortages by causing the immediate connection of stranded power capacity in Bataan, Negros, Panay, Northern Luzon Loop and Mindanao;
- Mandate energy efficiency programs in government and private sectors;
- Pursue nuclear energy as a clean source of reliable energy by establishing the technology, infrastructure, and regulatory framework following the International Atomic Energy Agency (IAEA) milestone approach;
- Vigorously pursue renewable energy (RE) while ensuring fair, orderly, and swift compliance to the Renewable Portfolio Standard, aiming for at least 30% by 2030;
- Support the expansion of baseload RE (geothermal and hydroelectric) by exploring how to de-risk these projects to encourage and enable private investment;
- Enhance the ability of the grid to absorb more intermittent RE by enforcing NGCP's obligations to contract ancillary services (including energy storage systems like batteries and pumped hydro) and build transmission lines//networks with adequate redundancies;
- Develop new indigenous and lower cost sources of natural gas with the necessary enabling infrastructure investments, invoking the Hague ruling to gain access to potential new gas fields in the West Philippine Sea;
- Encourage greater electrification in the transportation sector through effective incentives for public utility and private electric vehicles, including support infrastructure (e.g., charging stations);
- Widen access to energy for off-grid communities through hybrid energy systems - a combination of RE, storage, and conventional power generation technologies.

5.2 Digital Transformation

- Promote digital transformation through establishment of a secure National Broadband Network;
- Require digitalization of services of all agencies with high-volume front-line services, including LGUs;
- Ensure inter-operability of systems across government agencies and units at the national and local levels;
- Fully implement the National ID system as the basic platform for eGov services, such as the Land Registration Agency's E- Title Program;
- Further encourage the use of digital payments and digital documents as acceptable medium for compliance.

5.3 Water Adequacy and Security

- Adopt Integrated Water Resources Management Principles to ensure water security and access to clean water for all;
- Implement quality water impounding/dam projects on major rivers nationwide to optimize water use and avoid flooding;
- Encourage privatization of inefficient water distribution systems due to lack of funds and poor management.

5.4 Attractive PPP Policy Environment

- Revisit the BOT law, involving all stakeholders in drafting new revisions to ensure fair risk allocation that may require legislation to rectify overly stringent Material Adverse Government Action (MAGA) provisions that discourage PPP investments due to unacceptably high regulatory and political risks;
- Declare and commit to the sanctity of contracts through good faith adherence to PPP contract terms and decisions of international arbitration tribunals (e.g., MWSS concession contracts, automatic adjustments in rates in toll roads);
- Expand and extend current PPPs to ensure sustainability of the service and encourage current PPP partners to further invest technical infrastructure for long-term benefits of the general public (e.g., PSA - Birth Certificate, LRA - Land Titling program, LTO – Land Transportation Management System).

6. LABOR MARKET AND EMPLOYMENT POLICIES

Labor Market and Employment Policies are a critical ingredient in the enabling environment for investments:

6.1 Labor Flexibility

- Institutionalize labor flexibility and welfare through executive action and legislation for quick employment generation, especially in depressed areas, and provide for win-win solutions;
- Establish Special Employment Zones (SEZs) in high unemployment areas; minimum wages and labor security regulations relaxed as warranted, while maintaining social security protections;
- Make work-from-home arrangements available to all enterprises.

6.2 Pension Portability

As a win-win solution to the ENDO issue, allow for flexible employment arrangements, but require companies to fully fund and allow full portability of pensions that the employee had already accumulated to his/her next employer, rather than having it reset to zero when he/she changes jobs.

6.3 Revised Apprenticeship Law

Amend the Apprenticeship Law to provide more realistic conditions for apprenticeship arrangements, as the law is applicable only for technical industries, and the coverage is limited to six months, which is not enough time for an employer to properly train an apprentice and subsequently decide whether to engage the apprentice as full-time employee.

7. FISCAL AND FINANCIAL POLICIES

Fiscal and Financial Policies must be supportive of business enterprises, especially MSMEs, to promote wider job-generation:

7.1 Fiscal Consolidation

- Complete the Comprehensive Tax Reform Program, including taxation of profitable digital transactions still outside the tax net;

- Review the tax regime for micro and small enterprises to help their viability and thereby expand the tax base.

7.2 **Improved Tax Administration**

Institute measures to improve tax collection efficiency, curb tax evasion, and eliminate unwarranted tax exemptions.

7.3 **Adequate Small Farm and Small Business Finance**

- Promote financial inclusion via reform of small farm and firm finance institutions and mechanisms toward wider accessibility, including for start-ups and business expansion, drawing from successful models employed in Thailand, South Korea, Taiwan, and applying new financing mechanisms enabled by digital technology;
- Condone long delinquent agrarian loans and reinforce the rural banking system.

8. **JUSTICE AND THE RULE OF LAW**

Finally, **Justice and the Rule of Law** must always be upheld if business confidence is to be sustained, and the general population is to live in an atmosphere of peace security:

8.1 **Government Transparency**

- Ensure proper implementation of the intent and letter of Executive Order No. 2, s. 2016, which operationalizes the Constitutional provisions on the Filipino's right to information;
- Restore and strengthen faith in our institutions by upholding the rule of law through increased transparency in government, just and consistent prosecution of erring public servants.

8.2 **Zero Tolerance for Corruption**

- Aggressively pursue and swiftly decide on cases against officials and associates accused of corrupt practices (e.g., PhilHealth, Pharmally), with utmost adherence to the principles of justice and fairness while on trial or under investigation;
- Commit to a clear policy where erring public officials will not just be merely dismissed from their government posts (and even be simply moved to another agency), but will be disqualified from public office as the law provides, and prosecuted to the law's fullest extent.

8.3 **Faith in Institutions**

- Restore and subsequently strengthen faith in our institutions, particularly those that directly interface with the public (BIR, LTO, MMDA, NBI, PNP, etc.);
- As a start, reverse negative perceptions against the Philippine National Police (PNP) in the wake of the outgoing administration's drug war and persistent perceptions of corruption, through a genuine cleansing and restoration of honor of the ranks;
- Ensure that the conduct of institutions is rules-based, science-backed, and data-driven.