PHILIPPINE ANTI-COVID FIGHT: WHERE IS THE CARING FOR THE PEOPLE?
Philippine anti-COVID19 fight: Where is the caring for the people?

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INTRODUCTION

In the end of December 2019, the Chinese government officially acknowledged that an infectious virus was circulating around Wuhan. In the end of January 2020, the World Health Organization (WHO) declared a "global health emergency" because of the rapid spread of the Wuhan virus across countries and continents. On March 11, the WHO rang the alarm: the Covid spread now a "global pandemic" (Ghebreyesus, March 11). By then, most countries had already closed their national borders and had imposed restrictions on the movement of their populations.

In the case of the Philippines, the first case of Covid infection involving a visiting Chinese national was reported January 30, 2020. However, it was only on March 16 that the government declared a lockdown for Metro Manila and the whole of Luzon (Baclig, 2021). Eventually, this lockdown was transformed into a national quarantine program composed of several types of quarantine: community quarantine (ECQ), modified community quarantine (MCO), general community quarantine (GCQ), modified ECQ and modified GCQ. The ECQ, the strictest lockdown, required the whole population to stay at home except those accessing essential goods and those allowed to work in critical industries such as hospital operations. The ECQ shut down factories, businesses, offices, schools, churches, and private transport. On the other hand, the MCO, GCQ and modified GCQ allowed graduated levels of business revival and mobility of the population, especially the workers.

The national quarantine program, with its variants (ECQ, MECQ, GCQ and MGCQ), became a rolling program from March 2020 to November 2021. It paralyzed the economy, with the GDP shrinking to minus 9.5 per cent in 2020 (Philippine Statistics Authority, 2021).

This paper is a critical review of the government’s socio-economic policy response to the Covid pandemic, with a special focus on the government’s efforts to mobilize resources needed to combat a full-blown health-economic crisis ushered in by the pandemic. The paper summarizes the key features of the implementing laws for the government’s socio-economic policy response, Bayanhan 1 (Republic Act 11469) and Bayanhan 2 (Republic Act 11494). This response is the basis of the government’s negotiation with the Asian Development (ADB) for supplementary budget support under the ADB’s Covid 19 Active Response and Expenditures Support (CARES). The paper then outlines the country’s progress in addressing the health-economic crisis. The paper concludes with key lessons from the Philippines’ battle against Covid and discusses the critical sustainability issues facing the nation in Covid times.

PHILIPPINE RESPONSE TO THE PANDEMIC: LOCKDOWN PLUS A “FOUR-PILLAR SOCIO-ECONOMIC STRATEGY”

The national community quarantine program

The Philippine government reacted to the Covid-19 threat a bit late. Europe, America and many Asian countries closed their national borders early on between January to March 2020, when the world learned how rapid the Covid-19 virus was crossing national borders and infecting all continents. The Philippines declared a lockdown in Metro Manila and the whole of Luzon middle of March 2020.

It was a harsh lockdown enforced by the Department of National Defense (DND), Department of Interior and Local Government (DILG) and Department of Social Work and Development (DSWD). All these three agencies, headed by retired military generals, have been reporting to the National Task Force (NTF) on the implementation of the national “community quarantine”, with four categories: ECQ, modified ECQ, GCQ and modified GCQ. The harshest is the ECQ, which forbids the movement of people except for those allowed to render essential services such as maintaining the operations of hospitals.

The enforcement by DND, DILG and DSWD is under the supervision of the National Task Force (NTF), also headed by a retired military general. The NTF is the enforcement arm of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF).

The government put Metro Manila, whole of Luzon and eventually other regions of the country under the ECQ from March to June 2020. Subsequently, a rolling system of community quarantines – from ECQ and MECQ to GCQ and MGCQ and back – was implemented across the country from March 2020 up to November 2021, or almost two years.

The national quarantine program, particularly the ECQ lockdown, is considered one of the strictest and longest in Asia.

It is also blamed for the general flattening of the economy, which registered a minus 9.5 per cent GDP growth rate in 2020 (Philippine Statistics Authority, 2021). This growth rate, the worst in Asia, is also the worst the country had experienced since the end of World War II. The quarantine program wiped out or subverted jobs en masse and crippled both the formal and informal sectors of the economy.

What then was the government’s socio-economic response to the pandemic?

Socio-economic response

The Department of Finance (DOF) and the National Economic Development Authority (NEDA) hurriedly cobbled a “four-pillar socio-economic strategy” against the pandemic and the negative impact of the lockdown on the economy and the population (DOF, 2020). The four pillars are: emergency support for vulnerable groups (with initial allocation of P583.8 billion), expanded medical resources to fight Covid-19 (initial P35.7 billion), fiscal and monetary action to keep the economy afloat (initial P610 billion plus P200 billions of liquidity infusion), and an economic recovery plan, which included small business wage subsidy. The total package amounted to over P1.4 trillion.

The “four-pillar socio-economic strategy” was submitted to Congress and was immediately baptized as “Bayanhan! To Heal as One” bill. Signed into law on March 26, 2020, the Bayanhan law (Republic Act 11469) adopted the four-pillar strategy and gave the President sweeping powers to act during the Covid emergency. Among the powers given to the President were the power to ensure that all local government units (LGUs) abide with the rules promulgated by the executive branch in relation to the implementation of the national community quarantine. The law also allowed the President to regulate transport, control certain business facilities for a limited time (example, hotels converted into isolation facilities), and relax existing rules on procurement to fast-track the purchase or acquisition of medical supplies and equipment.

Other major features of the law include the following: compulsory isolation and treatment of Covid patients, Philippine Health Insurance Corporation (PhilHealth) tasked to cover cost of Covid treatment, special risk allowance (SRA) to be given to health workers, compensation for health workers who contracted Covid (P100,000 for those infected and P1,000,000 for those who died), augmentation of the conditional cash transfer (CCT) for mothers with school-age children, and 30-day grace period for business loans and residential rents.

The law also provided emergency subsidy for 18 million low-income households (out of 23 million Filipino families). The subsidy amounted to P5,000 to P8,000 monthly (depending on the prevailing minimum wage in a region) for two months. The subsidy was dubbed “social amelioration” but was quickly called in Tagalog as “ayuda”.

Negotiation for ADB’s CARES loan

The government did not have the resources to cover the P1.4 trillion budgetary requirement of the Bayanhan law. The quick policy solution was to resort to borrowing, that is borrowing from domestic and external lenders.

For the DOF, the immediate target for borrowing was the Asian Development Bank (ADB), Asia’s regional development bank and the Philippines’ leading source of “development” loans for varied infrastructure projects since the 1970s. The Bank came up in March 2020 with a US$6.5 billion special anti-Covid fund to help Member States in the Asia-Pacific region. The said fund
was expanded in April 2020 into a US$20-billion program called the “Covid 19 Active Response and Expenditure Support” or CARES for short (ADB, April 13, 2020).

ADB lending was strategic for DOF. The Bank had a co-financing arrangement with the Asia Investment and Infrastructure Bank (AIIB) of China for the CARES program, which meant the AIIB could supplement the CARES loan granted by the ADB to a borrower (ADB, April 2021). Other external lenders, whether official or private, also look up to the ADB for signals on the creditworthiness of borrowing governments based on the “due diligence” conducted by the ADB on these borrowers.

The Philippines submitted to the ADB its four-point socio-economic development blueprint as the basis of its application for a CARES loan. The application was filed in April 2020 and was approved by the ADB within the same month. Accordingly, the ADB’s loan application complied with the six-point “access criteria” announced by the ADB based on the Bank’s “counter-cyclical” lending framework (Appendix 4 of ADB President’s Report and Recommendation, April 2020). The Bank summarized the compliance as follows:

- Adverse impacts of the exogenous shocks: The Philippine economy was badly hit and was projected to contract by minus one (-1.0) per cent in 2020 from the original estimate of 6.0 per cent.
- Counter-cyclical development expenditures: The government announced over P600 billion (over US$12 billion) spending for social protection for the vulnerable, health resources and other stimuli for the economy.
- Pre-shock record of macro-economic management: The economy was doing well in the pre-pandemic period, with the country registering a 6.3 per cent growth annually in 2010-2019.
- Structural reforms: The Bank noted the following Philippines’ anti-Covid efforts – cooperation with the World Health Organization (WHO) in crafting anti-Covid health measures, decisive enforcement of its lockdown or community quarantine program, and adoption of a four-point socio-economic strategy to address the health-economic crisis.
- Debt sustainability: The level of debt accumulation in 2020 and beyond was projected to remain at the “sustainable” level, with the debt-to-GDP ratio returning to pre-pandemic situation in 2024.

“Alignment” with the ADB’s Strategy 2030 and the UN’s SDG program

In recommending approval of the Philippine CARES loan application, the ADB President Matsuji Asakawa pointed out that the loan is aligned with the ADB’s guiding development framework, as reflected in the Bank’s “Strategy 2030”. The Strategy 2030, adopted in 2018, seeks to promote the Bank’s “vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty”. Strategy 2030 draws inspiration from two major UN agreements – a) the Paris Agreement of 2015 on building a sustainable world by limiting the rise of global temperature to 1.5 degree Celsius at pre-industrial period, and b) the 17 Sustainable Development Goals (SDGs), which succeeded the UN Millennium Development Goals (MDGs).

The total CARES loan for the Philippines was a hefty US$1.5 billion. ADB President Matsuji Asakawa wrote in his Report and Recommendation to the Board of Directors (2020) that the loan was meant for the Philippine anti-Covid socio-economic program, which “is fully aligned with ADB’s Strategy 2030, specifically on addressing poverty and reducing inequality (through its support to social protection measures and objective of containing the rise in poverty incidence), accelerating progress in gender equality (through support for cash transfers to women and marginalized groups under the ESP), and strengthening governance and institutional capacity (through support for strengthening medical institutions and health responses to Covid-19).” (underscoring supplied)

The ADB President also noted that the borrower, the Philippine government, had assured the Bank that the implementation of the CARES-supported program “shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender equality, procurement, consulting services, financial management, and disbursement” (underscoring supplied).

Surge in borrowings

After securing the ADB CARES loan of US$1.5 billion, the Philippines had no difficulty securing loans from other external sources as well as from lenders at home. In fact, there was a surge in borrowings. Table 1 was prepared by the DOF to show the list of foreign loans that the Department succeeded in securing from April to September 2020, or a period of just six months. The total amount of the loans was US$9.3 billion, augmented by US$959 million project loan financing. The DOF also included in Table 1 the “grant assistance” for the procurement of medical and emergency supplies. The assistance came from the ADB and the Japanese government.

There was also a surge in borrowing from domestic sources. The Bureau of Treasury reported a record of over P2 trillion debt acquired by the government in 2020 (Bureau of Treasury, February 2, 2021). The domestic side accounted for the bulk of national borrowings – a total of P1.57 trillion. The percentage share of domestic debt to the total debt stock was 68 per cent in end 2020. These domestic borrowings were secured through the weekly issuances of Treasury bills and government bonds, with the bidders consisting mainly of the big commercial banks and the two pension institutions, Social Security System and the Government Service Insurance System.

Due to the surge in borrowings, the total national debt of P7.7 trillion in 2019 swelled to P9.8 trillion in 2020. As a result, the debt-to-GDP ratio of 39.6 per cent, the lowest since the 1970s, increased to 54.5 per cent end of 2020.

| TABLE 1.DOF’s List of FINANCING FOR COVID-19 RESPONSE (AS OF OCTOBER 2, 2020) |
|-------------------------------|-------------------|---------------------|
| **Particulars**               | **Signing/issuance Date** | **In USD million** |
| **Budgetary Support Financing** |                               |                     |
| WB Third Disaster Risk Management Development Policy Loan | 10-Apr-2020 (Effective. 27-Apr-2020) | 500.00 |
| ADB COVID-19 Active Response and Expenditure Support Program | 23-Apr-2020 (Eff. 27-Apr-2020) | 1,500.00 |
| ADB Social Protection Support Project - Second Additional Financing | 28-Apr-2020 (Eff. 5-May-2020) | 200.00 |
| ROP Bonds Due 2045 with 2.950% coupon | 5-May-2020 | 1,350.00 |
| ROP Bonds Due 2030 with 2.457% coupon | 5-May-2020 | 1,000.00 |
| ADB Support to Capital Market Generated Infrastructure Financing, Subprogram 1 | 4-June-2020 (Eff. 29-Jun-2020) | 400.00 |
| AIIB CARES Program | 5-Jun-2020 (Eff. 30-Jun-2020) | 750.00 |
| AFD Expanding Private Participation in Infrastructure Program, Subprogram 2 | 9-Jun-2020 (Eff. 7-Aug-2020) | 165.42 |
| AFD Inclusive Finance Development Program, Subprogram 1 | 9-Jun-2020 (Eff. 7-Aug-2020) | 110.28 |
### ADB Expanded Social Assistance Program
- **Signing/Issuance Date**: 15-Jun-2020 (Eff. 21-Jul-2020)
- **Amount in USD million**: 500.00

### JICA COVID-19 Crisis Response Emergency Support Loan
- **Signing/Issuance Date**: 1-Jul-2020 (Effective: 11-Aug-2020)
- **Amount in USD million**: 458.95

### ADB Competitive and Inclusive Agriculture Development Program, Subprogram 1
- **Signing/Issuance Date**: 20-Aug-2020 (Eff. 16-Sep-2020)
- **Amount in USD million**: 400.00

### ADB Inclusive Finance Development Program, Subprogram 2
- **Signing/Issuance Date**: 27-Aug-2020
- **Amount in USD million**: 300.00

### JICA Post Disaster Standby Loan (Phase 2)
- **Signing/Issuance Date**: 15-Sep-2020
- **Amount in USD million**: 458.95

### ADB Disaster Resilience Improvement Program
- **Signing/Issuance Date**: 15-Sep-2020
- **Amount in USD million**: 500.00

### WB Social Welfare Development and Reform Project II - Additional Financing
- **Signing/Issuance Date**: 28-Nov-2019 (Eff. 6-Jan-2020)
- **Amount in USD million**: 200.00

### Subtotal, Budgetary Support Financing
- **Amount in USD million**: 9,293.60

### Grant Assistance
- **ADB COVID-19 Emergency Response Project**
  - **Signing/Issuance Date**: 16-Mar-2020
  - **Amount in USD million**: 3.00

- **ADB Rapid Emergency Supplies Provision**
  - **Signing/Issuance Date**: 27-Mar-2020
  - **Amount in USD million**: 5.00

- **Government of Japan Non-Project Grant Aid for the Provision of Medical Equipment to DOH**
  - **Signing/Issuance Date**: 8-Jun-2020
  - **Amount in USD million**: 18.36

### Subtotal, Grant Assistance
- **Amount in USD million**: 26.36

### Project Loan Financing
- **WB COVID-19 Emergency Response Project**
  - **Signing/Issuance Date**: 28-Apr-2020 (Eff. 6-May-2020)
  - **Amount in USD million**: 100.00

- **WB Support to Parcelization of Lands for Individual Titling Project**
  - **Signing/Issuance Date**: 14-Jul-2020
  - **Amount in USD million**: 370.00

- **ADB Health System Enhancement to Address and Limit COVID-19 Program**
  - **Signing/Issuance Date**: 8-Sep-2020
  - **Amount in USD million**: 125.00

### Subtotal, Project Loan Financing
- **Amount in USD million**: 595.00

### TOTAL
- **Amount in USD million**: 9,914.96

In 2021, more borrowings are recorded. As of September 2021, the total national debt reached P11.9 trillion, raising the debt-to-GDP ratio of the country ominously to 63 per cent. The Philippines is headed towards a debt-to-GDP ratio of 65 per cent or higher by the end of 2021.

How sustainable is this debt situation? This is a troubling question because debt sustainability depends on the sustainable growth of the economy. Meantime, there are other alarming figures which need to be monitored by the citizenry. These are as follows:

- National government debt service is surging. In 2020, the total was P962 billion, with P380 million going to interest payments. In 2021, the total debt service is projected to soar to over P1.5 trillion, and over P2 trillion in 2022 (from Bureau of Treasury website) – unless there are major negotiations being made with the lenders on possible debt service postponement, especially of the principal portion. Under Presidential Decree 1177, an old law enacted during the martial-law administration of President Ferdinand Marcos, the government is forced to "automatically" allocates a certain amount...
Due to Covid spending, rising debt service and weakening government revenues from taxes, the budget deficit is also surging. The budget deficit in 2020 reached P1.4 trillion, virtually the same amount of the budget for Bayanihan 1. This 2020 deficit was twice the 2019 shortfall of P660 billion. For 2021, the deficit for the year is bigger and is poised to put the budget deficit near the dangerous level of 10 per cent of the GDP (Rivas, 2021). This means more borrowings!

The surging debt, debt service and budget deficit are clearly worrisome. The country is sitting on a debt bomb. This is the reason why a rating agency, Fitch Ratings, downgraded the Philippine credit rating, from BBB to negative (Rivas, 2021). More downgrades mean more expensive loans and bad investment signals for the country.

The way out is for the Philippines to subdue the Covid health crisis and put the country’s economy back towards the sustainable path. But is the country doing well on the health and economic fronts?

Developments on the health front
As pointed out, the Philippine government has imposed one of the longest and strictest national quarantine programs in Asia. Despite this, the Philippines, compared to other Asian countries, fared badly in Covid management. In October 2021, the country joined the world’s list of top 20 countries with high rates of Covid infections (over 2.7 million) and deaths (45,000). It is number three (3) in Asia in the number of infections, after the populous India and Indonesia.5

What accounts for the poor Covid management of the Philippines? There are several explanations.

First, the government acted only in the middle of March 2020 on the threat of Covid spreading across the country. At this time, most countries in Asia and around the world had already erected fences to prevent the circulation of the virus and had set up national systems of monitoring, testing, contact tracing and treatment to stop the virus spread. In fact, the Duterte Administration was even dismissive of the threat during the first two and a half months of 2020, when most 703st countries were on red alert over Covid 19.

Second, the government had no clear program and system of how to deal with the contagion at the outset. The IATF, headed by the Secretary of Health, was issuing mainly general health advisories to the general public, e.g., importance of wearing protective masks and maintaining social distancing, at the beginning, while the IATF’s enforcers, the NTF, was singularly focused on the strict implementation of the quarantine or physical lockdown. There were debates among members of the IATF on how to implement quarantine implementation with the necessity of keeping the economy open. Officials in charge of economic revival naturally sought a speedy “return to the normal”, while the health and epidemic specialists advised caution in the relaxation of quarantine rules. The debates, unresolved, had persisted until the third quarter of 2021.

Third, the government approach was top-down and militaristic. A community quarantine requires community support and cooperation. But the military and the police simply imposed the strict rules on the movement of people and goods and services without regard to the sensitivity of the populace and the dire economic situation the immobilized poor were in. The role of the local government units (LGUs) and civil society organizations (CSOs) has also been ignored even in the formulation of community-level policies such as the crafting of solutions on how to deliver goods and social amelioration to poor families isolated by the lockdown.

The top-down militaristic approach angered many people on the ground. It triggered violations in social distancing, which intensified further the spread of the virus. For how can one stop desperate people from getting out of their homes to scrounge for food and other necessities in life? How can one stop stranded construction and ambulant workers from looking for ways to get home despite the transport lock-down?

Ironically, the militaristic approach of the government was further reinforced by the national government when it pushed for the enactment of the "Anti-Terrorism Act of 2020" (Republic Act No. 11479), which many CSOs deem as an effort to restrict the freedom of civic and community leaders in helping the populace organize against the pandemic.

Broken health sector
The fourth major explanation is the bad shape of the country’s health sector and the system of health governance. This is reflected in the limited number of health personnel, limited facilities and limited funds that the health sector had when the government declared a war against Covid. As the ADB President wrote in April 2020, the Philippines had extremely limited “treatment capacity” for Covid-19 patients. The Philippines had only one (1) doctor for every 2,000 people, one (1) bed for 984 people, and 2.2 critical care beds with ventilators for every 100,000 people, and 1,500 ventilators for a population of 110 million.

However, what the ADB President and his staff failed to recognize is that the bad shape of the health sector was due to decades of neglect by past Filipino Administrations, compounded by the twin economic policies of austerity and privatization under the IMF-WB’s “structural adjustment program” (SAP). The SAP was imposed by the IMF-World Bank group on the debt-ridden Philippines, beginning in the 1980s. The SAP’s twin programs of privatization and austerity meant less government support to public hospitals and facilities (Simbulan, 2001). On the other hand, the government technocrats implementing SAP are for the granting of incentives to private hospital investors. These investors are interested mainly in profits which can be generated by catering to the middle and upper classes of society. Thus, most of the private hospitals are located in developed urban areas of the country. The dominant privatization framework in health service is also reflected in the fact that Filipinos cover around 60 per cent or more of the medical and hospitalization expenses out of their own pockets despite the so-called universal health insurance coverage provided by the government-run PhilHealth.

Incidentally, the number of hospitals in the country is 1,436 (as of 2017). Almost 70 per cent (960) are in private hands (Inquirer Research, 2017). This makes the coordination work of IATF in the fight against Covid difficult because the DOH has limited powers over the operations of private hospitals while the less-developed public hospitals lack the medical professionals and facilities needed in the war against Covid.

The difficulty of managing the health sector given its weaknesses – fragmented, uneven development, private sector predominance, limited public support and so on – is also reflected in the non-implementation of the Universal Health Care (UHC) law, which was passed in 2019 as Republic Act No. 11223. The DOH was in a quandary on how to make a “universal health care” law truly universal in implementation. Eventually, the government came up with a compromise decision, deferring full implementation of the UHC and piloting instead UHC implementation in select regions of the country.

So overall, the DOH was clearly unprepared for the Covid spread given a broken health sector. Despite this, the DOH began working out and developing a comprehensive Covid containment program with the active guidance of WHO. Building up the system against Covid was not easy. For example, the tracking of cases nationwide was missing at the beginning. There were delays in setting up a “Dash Board” on Covid spread and infections. Alarmed over the information gaps on how the virus was spreading nationwide, researchers from the academe and private groups came up with their own mathematical models to project the trajectory of the virus spread.

Overall, it is a slow-by-slow progress of DOH and the IATF in the battle against Covid. The rollout for the vaccination of majority of the pop-
ulation was in uncertainty in the first half of 2021, with the government dependent on Sinovac donations from China and procurement assistance from the WHO. It was due to the intense pressure from various sectors (LGUs, business, CSOs, etc.) that the IATF and the NTF intensified efforts to secure and buy vaccines from all available sources in the second half of 2021. Thus, a feverish nationwide vaccination program succeeded in the inoculation of roughly 40 per cent of the population by November 2021 (Punzalan, 2021).

However, after almost two years of the quarantine program, the DOH is still being accused by some quarters of not having a reliable system of monitoring, testing and contact tracing. The DOH, a medical-civilian agency, is also critical for aping the NTF’s top-down militaristic approach. LGUs which want to do things their way without clearance from the DOH leaders get sweeping reprimand. An example: in Marikina City, the DOH stopped the opening of an LGU-initiated testing laboratory because the project allegedly fail to meet DOH standards (Servallos, 2020), standards which the DOH should have shared widely with the LGUs in the first place.

Protests of the health workers

In going to war, it is important for the generals to build up a strong esprit d’corps among the officers down to the lowly foot soldiers. In the Philippine war against Covid, the esprit d’corps among the health workers has been missing except for the strong commitment of the individual health workers to the salvation of the patients and the nation.

One reason for this is the failure of the Duterte Administration and its DOH officers in addressing the basic needs of the health workers – health protection, safe travel and accommodation, adequate compensation and so on. As early as May 2020, the outspoken among the “frontliners” were voicing out their collective complaints: shortage of hospital personnel, long hours of work, lack of PPEs, low salaries and non-fulfillment by DOH of the benefits due to the frontliners under the Bayanihan law 1. Most worrisome to them: over 1,200 doctors and nurses got infected during the early months of the ECQ.

Bayanihan 2 law, enacted in September 2020, sought to address the concerns of the health workers such as providing “dormitories” in Covid referral hospitals, allowance for transport and accommodation, and special compensation of P1,00,000 for an infected health worker and P1,00,000 in case of death. And yet, complaints on non-payment of benefits and “special risk allowance” (SRAs) for health workers keep surging. The anger and frustrations of health workers over the failure of the government to attend to their needs reached feverish high in September 2021 when they held widely-publicized street protests.

The Philippine Nurses Association and the Alliance of Health Workers (composed of orderlies and non-medical personnel) have been leading the protest actions. They have received the solidarity support of the medical professionals, the physicians and medical experts, including former DOH Secretaries, all of whom have denounced the ineptness and insensitivity of the Duterte Administration and the current DOH leadership. They have joined the nurses and non-medical staff in the protest over the misgovernance of the health sector and mistreatment of the health sector employees (Tan, 2021).

Corruption unlimited

The issue of corruption at the PhilHealth Corporation (PhilHealth) hogged the newspaper headlines in the months of August-September 2020, as a result of the online inquiries by the two chambers of Congress (Senate and House) on the operations of PhilHealth, the DOH’s financial partner in attending to Covid patients and in the implementation of the UHC law. Under the Bayanihan law, PhilHealth was given P22 billion or the lion’s share in the total P35.6 billion allocation for the health sector. This was on top of the regular budget of PhilHealth.

A whistleblower, Thorrsson Keith, reported the corrupt practices committed by top officials of PhilHealth. He claimed that PhilHealth lost as much as P15 billion due to fraudulent transactions of officers such as overpricing in the procurement of testing kits (Jalea and Peralta, 2020). The ensuing Congressional investigations found that the PhilHealth President and key officers defrauded the nation of billions of pesos through questionable practices such as the releasing of cash advances to various hospitals without sufficient documentation and justification.

The two chambers recommended the firing of all key PhilHealth officials, including DOH Secretary Francisco Duque. However, Duque was excluded by President Duterte from the list of those to be prosecuted by the Department of Justice (DOJ). This raises questions on how much influence Secretary Duque has over the President and why Duque’s poor management of the DOH’s Covid response has not received any serious rebuke from Malacanang (Ramos, September 8, 2020).

And then the year after, in August-October 2021, the nation was shocked with new corruption scandals – billion-peso procurement transactions involving the DOH and the Department of Budget and Management (DBM). This time, the focus was on the highly questionable act of the DOH in transferring P42 billion of its health procurement budget to an Undersecretary of DBM. In turn, this Undersecretary selected a number of companies as suppliers without any bidding and due diligence work. One of them is Pharmally, a small company with less than a million capital (P625,000) in the pre-Covid period. This company was given contracts worth P8 billion to supply the government personal masks, face shields, testing kits, surgical gowns, PPEs and so on. The Senate Blue Ribbon Committee accused Pharmally and the DBM Undersecretary of “swindling” the country through the overpricing of face shields and masks, tampering of medical-grade face shields, and anomalous delivery transactions (Perez-Rubio, October 19, 2021).

The Senate inquiry is not yet finished as of this writing. However, the latest development is that key personalities involved in the DOH-DBM-Pharmally scandal are now in hiding, a clear proof of guilt. The problem is: can they return the money they hijacked from a hapless nation facing multi-faceted health-economic crisis?

Developments on the economic front

The rolling quarantine program is an economic killer. The GDP, originally expected by the economic planners to grow to over six (6) per cent for 2020, shrunk by 16.5 per cent right in the second quarter. The average for the entire year of 2020 was 9.5 per cent, one of the worst in Asia (Mapa, 2021).

The lockdown locked out businesses and livelihoods, directly disrupting the lives and welfare of the majority. Those dependent on the economy’s life-savers – overseas employment and call center-BPO sector – have also been affected. The fast-growing service industries such as retail/distribution, education, tourism, entertainment, real estate/condominium, etc. were all severely disrupted by the ECQ/MCO/ GCQ/MEQ, as shown on Table 2. This shows that a remittance-driven and services-led economy cannot be sustained when the domestic market is shut down. Spending by the families of overseas Filipino workers (OFWs) has a multiplier effect in the economy, especially in service industries such as accommodation and food service, transport, education and so on. On the other hand, non-spending has a reverse multiplier effect on those industries.
Table 2. Growth rates by industrial sector, 2019-20

<table>
<thead>
<tr>
<th>Industry</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>1.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Industry</td>
<td>4.7</td>
<td>-13.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.2</td>
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<td>Services</td>
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<td>-9.1</td>
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<tr>
<td>Accommodation/food services</td>
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<td>-44.7</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>6.3</td>
<td>-31.2</td>
</tr>
<tr>
<td>Real estate &amp; dwellings</td>
<td>5.2</td>
<td>-17.0</td>
</tr>
<tr>
<td>Education</td>
<td>6.1</td>
<td>-11.9</td>
</tr>
<tr>
<td>GDP</td>
<td>6.0</td>
<td>-9.5</td>
</tr>
</tbody>
</table>

Source: Philippine Statistics Authority

As to the OFWs, the rate of deployment has been affected. Total deployment dropped from 2.2 million in 2019 to 549,800. But what is worrisome is the large number of displaced OFWs in various countries around the world, particularly in the Middle East. Over 600,000 were reported to have been displaced in 2020. Majority had sad stories to share: early termination of job contracts, non-payment of separation and final payments, and difficulties in arranging return to the Philippines (SEPO, 2021). As a result, many had to be repatriated and had to be given special assistance. For this purpose, the government allocated a one-time financial assistance worth US$200 per person called AboT-Kamay ang Pagtulong (AKP), as provided under Bayahan 1 and 2.

As to the amount of remittances, averaging a total of over US$30 billion a year, the Central Bank reported that the decline is only slight. One explanation for this is that OFWs tend to save more and remit more in crisis times in order to help their families who are in dire situation in the home country (SEPO, 2021).

As to the industrial sector, both the domestic and export-oriented industries were paralyzed. Although manufacturing was generally allowed to operate despite the quarantine, many shut down operations due to decline in demand (both domestic and export), disruptions in the value chains (for both domestic and export), prohibition on the movement of people when ECQs are declared and so on.

The micro, small and medium enterprises (MSMEs) all went into a tailspin right after the declaration of the ECQ in March. These MSMEs constitute 99 per cent of the one million registered enterprises in the country. What the government has failed to report is the status of the unregistered micro enterprises, most of which belong to the informal sector, and are often uncounted or not reflected in the official statistics.

It was only agriculture which registered minimal decline, minus 0.2 per cent. Due to the pandemic, many Filipinos realized the importance of growing plants. Note, however, that the sector, value-wise, is puny, accounting for less than nine (9) per cent of the GDP in 2019. The sector has been shrinking in terms of its contribution to employment and value addition since the 1980s, due to government neglect and the implementation by the government of the IMF-WB policy of "agricultural deregulation" (Ofrene et al., 2016).

Surge in unemployment, poverty, hunger

The adverse impact on employment is sweeping and immediate. The Philippine Statistics Authority (PSA) reported that the national unemployment rate reached 17.7 per cent in April 2020, the highest since the end of World War II. Officially, more than seven (7) million workers were displaced during the first half of 2020 (Mapa, 2021). But an independent polling agency, the Social Weather Station (SWS), gave a much higher figure – 45.5 per cent "adult joblessness" as of July 2020. This is equivalent to 27.3 million Filipino workers (Esguerra, 2020).

In April 2021, unemployment rate was 8.7 per cent or half of what the PSA recorded in April 2020. However, in terms of magnitude, the number of unemployed was still relatively high – 4.14 million. The PSA reported also that there were "employed persons with job but not at work", numbering 1.1 million.

The surge in unemployment means a surge too in poverty and hunger. The PSA still has to release data on poverty under Covid. But most studies suggest a doubling of poverty. The SWS, which measures poverty through "self-rated" surveys, puts the percentage of the population claiming to be poor to be around 50 per cent. But it reported in November 2020 that 48 per cent considered themselves poor, 36 per cent as near poor or "borderline poor", and 16 per cent as "non-poor". This means the poor and near poor constitute the overwhelming majority in the country (Vera-Ruiz, July 26, 2021). The upper and the imagined "middle class" represent less than a fifth of the population.

The SWS has also been reporting on the number of families experiencing hunger, which is defined as a situation arising from "lack of food to eat at least once in the past three days". For April to May 2021, the number of families experiencing hunger estimated by SWS to be 4.2 million (Marquez, July 13, 2021).

And yet, no surge in "ayuda" or social amelioration

With no jobs, no livelihoods and no incomes, hunger and malnourishment are bound to surge in the ranks of the poor – unless the government is able to provide ample social amelioration or "ayuda" to the vulnerable. The government economic planners are obviously aware of this. The four-point socio-economic strategy has a pillar on social protection and assistance to the vulnerable. The government has also come up with a long list of social amelioration programs (SAPs) or emergency subsidy programs (ESP) managed by different agencies.

The most important among the SAPs/ESP is the distribution of emergency subsidy for 18 million families (out of the total 23 million Filipino families), as provided by Bayahan 1 and 2. The subsidy program provides target families P5,000 to P8,000 monthly (depending on the minimum wage in the region) for two months.

The government claims that the said subsidy distribution was completed in May 2020. And yet, there were so many complaints in 2020 on the coverage and speed of distribution of the subsidy. A study of Social Watch shows that the April completion target was not achieved; instead, the completion was realized in June. As to the second tranche, the planned completion of May became December (Padilla, 2020).

The exclusion problem in the distribution of social amelioration packages was due to selective listing of beneficiaries based on a poorly-designed "means testing" scheme. First, the subsidy was too small for a family of five. Second, the program failed to consider that the quarantine program is a long-running one, which requires continuous distribution of emergency subsidy and not just for two months. Third, the government relied too much on the "lists" prepared by the barangays (barrios) and those managing the pre-Covid conditional cash transfer (CCT). These are people who are renting space or room in the houses of the barangay residents. Fourth, the lists can be the object of corruption by officials who handle the lists and who determine who should be in the list and who should be given subsidy (Abad, 2021).

A "universal" approach in giving assistance would have made more sense because the reality is that the poor -- urban poor, peri-urban poor, rural poor, coastal poor and upland poor – are just too many and can be found in all the 17 regions of the country. Also, many poor families do not live in officially-recognized villages or barangays, some live incognito in cemeteries, street pavements and unmapped narrow alleys or sidestreets.

The other SAPs/ESP include the Covid-19 Adjustment Measures Program (CAMP) and the Tulong Panghanapbuhay sa Ating Displaced/Disadvantaged Workers Program (TUPAD), both of which are managed by the Department of Labor and Employment. Like in the above emergency subsidy program, CAMP and TUPAD are being criticized for being too small to help a displaced worker and family survive.
In 2021, the Commission on Audit pointed out that the DSWD, DILG, DOLE, DOH and other agencies given the task to implement varied social amelioration programs have “deficiencies” in managing the allotted Covid funds. Foremost among these deficiencies is the failure to fully utilize the funds for the intended purposes (Ayalin, August 13, 2021).

**Above all, no economic surge**

The DOF and the National Economic Development Authority (NEDA) were gungho over the four-pillar socio-economic blueprint they drew up in March 2020, a blueprint which they submitted for supplementary funding by the ADB, AIIB and other creditors. They were projecting an early or quick “V” economic recovery. NEDA even came up with the 3 Rs – Reset, Rebound and Recover (Chua, 2020). As things turned out, the “V” became an “L”, with the horizontal line the government persevered for one and a half years. As cited earlier, the economy shrank by 9.5 per cent in 2020, and the shrinking continued to the first half of 2021.

Since the middle of 2020, the discourse within the economic policy circles is how to “go back to the old normal”, meaning how the deregulated economy could resume the old neoliberal way. This old neoliberal way assumes that the road to recovery depends on FDI coming in a liberalized market. Hence, the DOF and NEDA pushed for a new law, CREATE, reducing the corporate income tax.

Now, they are pushing for new laws further liberalizing a liberalized trade/investment regime. The target is not manufacturing where 100 per cent foreign equity has long been allowed. The main target: abolition of the requirement for Filipino participation the capitalization of businesses operating public utilities, owning land and extracting minerals. The CSOs are against such proposed liberalization. The Philippine experience in the liberalization and the privatization of the power sector (from generation to transmission and distribution) shows that big players, foreign and domestic, simply engage in oligopolistic business practices, content in capturing guaranteed profits at the expense of the consumers. As to mineral exploitation, these have serious implications on the environment, while land market liberalization can lead to more social and economic inequality.

Another target: further opening up of the retail market to foreigners up to the pop-and-mom level or neighborhood small stores. CSOs question how liberalization at such a low level in the highly competitive retail market infuse dynamism in the economy. The likely scenario is that the big players, foreign and domestic, will simply displace thousands of micro entrepreneurs in this market, as what has been happening.

The CSOs also bewail how the country lost some golden opportunities to use the pandemic to strengthen domestic agriculture and develop manufacturing capability in the production of certain medical supplies. At the height of the pandemic, the government liberalized the importation of rice (under the Rice Tarification law), pork, chicken, vegetables and fish, a certain volume of which is not even taxed because they are smuggled (under-declaration or mis-declaration by importers with the connivance of corrupt customs officials). The flood of rice imports in 2020-21 even forced a number of farmers, especially in the rice sector, to get out of farming. The projection by the lousy free-trade economists, the proponents of rice tariffication, that the rice farmers would become stronger and competitive did not happen. The rice farmers were simply clobbered by the bad tariffication law enacted by a government beholden to war against Covid with a shaky health sector. The problem of rice tariffication, that the rice farmers would be able to produce these materials. A number, especially those engaged in the automotive and electronics industries, indicated they are more than capable. And then the DOH turned around and instead openly supported the importation of the said medical supplies from the Chinese (Gascon, September 8, 2021). The questionable procurement policy of the DOH is what the Senate has been investigating in relation to the Pharmally scandal cited earlier.

So what in the economy has surged under the pandemic? As cited earlier, debt has surged, fiscal deficit has surged, unemployment has surged, poverty has surged, and so, is hunger. There are, however, some positive developments too. Online work-and-business-from-home arrangements have mushroomed all over the country, with the millennials and generations X-Y-Z taking the lead. Where will this development take the country is a matter that needs deeper study. In the meantime, the challenge to the next Administration is how to chart a sustainable Philippine economy in the post-Covid era.

**SUMMING UP**

This paper started with a discussion of the government’s response to the Covid pandemic – a long-running quarantine program and a “four-pillar socio-economic strategy”. The paper then zeroed in on what is happening in the health and economic sectors and the situation of the citizenry, with special focus on the situation of the Filipino working population and the country’s progress in containing the virus spread and in promoting resilient economic recovery.

The following are the reflections of the author on the government’s response and their impact on society and the economy. On paper, both the quarantine program and the four-pillar socio-economic strategy are comprehensive and cover the whole population. Government spokespersons use the term “whole-of-govern ment approach” in describing these programs. However, there are major weaknesses in the two responses.

**First**, they are top-down and militaristic responses. As a result, the role of the people in implementing these programs has been minimal. The absence of popular participation means limited cooperation in these initiatives.

**Second**, the crisis has fully revealed the reality: we have a broken health sector. We went to war against Covid with a shaky health sector. This is one reason for the recuring surges and rolling lockdowns, both of which prolonged and deepened the health-economic crisis of the country. The ADB’s analysis on how to strengthen the health sector in responding to the Covid pandemic was awfully simplistic. The health paper appended to the ADB President letter recommending approval of the Philippines’ CARES loan (see the “problem tree” analysis in ADB Sector Assessment [Health], April 2020) reduced the solution to a simple question of raising funds to finance procurement of necessary medical supplies, training of health personnel, treatment of the infected, establishment of testing facilities and so on. The problem brought across the board of government neglect and IMF-WB SAP-driven privatization are completely overlooked.

**Third**, bad health governance enabled the corrupt officials of PhilHealth, DOH and DBM to “swindle” the government and the people big time. Corruption could have been minimized had there been full participation by the rank and file health workers and professionals in the design and implementation of health programs. Full transparency and full reporting to the people, through the mass media, on the uses of health funds could have prevented the corrupt from engaging in nefarious and fraudulent activities such as overpricing of medical supplies, inking supply contracts with ghost companies and so on.

**Fourth**, the surge in unemployment, poverty and hunger could have been minimized had the design of the SAPs/ESPs been people-centered. The subsidies given were often too small to sustain a family of five. There were also complaints on the exclusion of the “unlist ed” poor in the CCT roster, corruption (again) by officials (top and below) in the distribution of “ayuda”, delays and so on. Somehow, the top-down militaristic approach in the implement
tation of the quarantine was not used in the efficient distribution of subsidies for the poor and vulnerable.

Fifth, the government’s success in accumulating so much debts, over P2 trillion alone in 2020, without succeeding in reviving a flattened economy puts the country’s future (immediate and long terms) at risk. The debt to GDP ratio is now over the dangerous 60 per cent and the annual debt service (principal and interest) is now over one-fifth of the national budget and growing because of the operation of the old Marcosian automatic debt servicing law (PD 1177). The solutions offered by the technocrats to grow the economy are old non-working solutions: more trade liberalization and importation (at a time when global distancing is the norm!), more red carpets to roll to welcome FDI (at a time when there is a decline in foreign investment worldwide, compounded further by the disruptions in the global value chains!), and more privatization of public utilities (at a time when the country needs universal and affordable public services that can only be delivered by not-for-profit public companies!). Farmers’ organizations continue to agitate why the government has been opening up the domestic market to a flood of agricultural imports when many in the countryside are facing bankruptcy and hunger.

Clearly, the main lesson that can be drawn from the Philippine failure in combating the health-economic crisis in 2020-21 is the importance of overhauling the dominant neo-liberal development framework that has been the guide of the key agencies engaged in this battle: the DOF, DOH, NEDA, DA, DTI, DILG and DSWD. We need a people-centered development framework.

This brings us then to the issue of SDG alignment, which the ADB has been trumpeting is its guide in Strategy 2030. A review of what has happened in the Philippines in 2020-21 shows a big gap between the act of granting a loan and the need to insure that the loan, together with other loans, is aligned or focused in meeting the SDG targets. What has happened is that the ADB simply releases loans and baptizes these loans as “SDG aligned” when, in reality, they have not fully examined if the programs being supported by the loans can contribute to the fulfilment of SDG targets.

The alignment problem could have been addressed, even partly, had the ADB insisted on DOF and other government agencies to take seriously one of the ADB loan requirements – establishment of a Policy program Committee for the purpose of engaging different stakeholders on the progress of the socio-economic program submitted by the DOF. This Committee is supposed to be co-chaired by the ADB. There are no known or published reports on the work of this “invisible” Committee. The engagement process is supposed to involved CSOs and other critical sectors. No such engagement with the CSOs and people’s organizations has taken place. At least, none in the farming sector.

At any rate, what is critically important is for the ADB and the government officials to accept the fact: the ADB CARES program is not working, the DOF’s socio-economic program is not working and majority of the working people are restless and angry. It is time to overhaul and replace the existing non-development framework in place.
REFERENCES


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ADB, April 2021. 2020 Development Effectiveness Review, Mandaluyong City: ADB. On co-financing of CARES, see p. 32.

ADB, April 2021. “Sector Assessment (Summary): Health”, document attached to the Philippine CARES loan application submitted by ADB President to the Board of Directors.


Endnotes

1 Bayanihan in Tagalog means uniting to help implement a common project
2 Spanish word for help. The Spanish colonialism of the Philippines have influenced much of the vernacular used in Tagalog and many Spanish words are still in use in the Philippines to date.
3 See data from https://www.worldometers.info/coronavirus/#countries
