

ADDRESSING THE COVID-19 ECONOMIC IMPACT THROUGH PPP

Good morning.

Governments and their economic managers the world over face a major dilemma today. Should one spend as much as is necessary to save the economy from collapse? Or should one pull its punches so as to preserve its fiscal position and credit-worthiness.

I am no economist, but it seems to me that countries with the means, like Japan and Singapore, and even Malaysia and Thailand, have not hesitated in opting for the former approach. For if the economy does indeed collapse, will not the bill for its resuscitation be larger than what it might cost to prevent the collapse? Or, as they say here, isn't a Centavo of prevention worth more than a Peso of cure?

But perhaps we need not get into that debate here. Perhaps there is a way of minimizing the costs of the said trade-off.

A large part of our government's rescue plan consists of accelerating its long-delayed Build-Build-Build Program. This, in my view, is a sound idea and pretty much takes off from the blueprint of China's response to the Global Financial Crisis, wherein it built roads and bridges all over the country -- even in areas where there was no traffic -- if just to keep its companies busy and its workers employed.

This I believe brings forth an opportunity to revive a previously discarded concept that potentially reduces the trade-off between saving the economy and preserving our fiscal health -- Public-Private Partnership, or what we have come to know as PPP.

The Department of Finance has stated that its fiscal response to the COVID pandemic adds up to 9% of GDP, or thereabouts, depending on how you count it. It says that this puts us squarely at the middle of the pack, when compared with the fiscal packages of other countries. Its reluctance to spend more, despite the higher incidence of joblessness and hunger that will result in an economy with the size of our "No-Work, No-Pay" sector, rests on a desire to preserve our credit rating, and our ability to keep spending should a second wave of infections occur.

So therein lies the opportunity to remind policymakers of the financial advantages of PPP over government-funded projects – the shifting of project costs from the taxpayer to the user of the project's services.

A senator with my pro-poor advocacies needs no convincing. By contracting out the undertaking of large projects that are commercially viable, the government can free up funds to spend on health care and poverty alleviation projects.

However, unlike China, we need not build unused infrastructure to stimulate the economy, to create employment opportunities, and improve the day to day lives of our fellow Filipinos.

For example, in the transport sector not only must we do our best to save the jobs of our transport services providers, but there are also opportunities to build useful and relevant infrastructure projects which will decongest EDSA and provide opportunities for PPPs right here at the heart of the economic crisis.

The *"Move as One Coalition"* proposes engaging 3,000 bus operators and 15,000 other PUVs through service contracts. They also propose projects to improve the walking and cycling infrastructure so that we aren't so dependent on our traffic causing vehicles. Lastly, they propose infrastructure projects like bus stops, bus only lanes, depots, and terminals. This amounts to 110 Billion in costs, but the coalition projects 373 billion in returns over three years, which includes 34 billion pesos in transport jobs retained and 78 Billion pesos in avoided job losses for commuters.

However, I am also well aware of the old maxim in public policy – that if a private sector project becomes unprofitable, it is shareholders' money that will be lost. If a government corporation becomes unprofitable, it is the taxpayer who will pay. We all know what happens here - the GOCC will simply ask for a bigger budget next year.

I will go no further into detail on the merits of PPP here, as well as the conditions under which the arrangement can work to satisfy the criteria of efficiency and fairness. There are experts in this forum. Off the top of my head I can already name two who could easily contribute on the nuances of the matter. Namely, Romy Bernardo and Cosette Canilao, who used to head the PPP Center.

Honestly, I could spend all day pointing out all the movers and shakers in attendance who could contribute to our economic revival, but I will say:

Our government has so far been reluctant to back PPP due to the perception that the private sector has abused the system by corrupting regulators and negotiating for itself terms that are overly favorable to its shareholders and onerous to the consuming public. Justified or otherwise, the brouhaha over the water crisis, is but one example of how the public will no longer stand for such abuses.

On this note, I would just like to appeal to the private sector and ask that should it succeed in persuading government to embrace the PPP mode of financing, please take on the responsibility of behaving in a socially responsible manner.

Play fair, play by the rules, and keep the public interest in mind. I understand that your shareholders need to make a return on their investment, but if the consuming public loses out in the end, it will only reinforce the government's suspicions towards PPP and take us back to the default alternative – government-undertaken projects and all the inefficiencies and frustrations that come with the territory.

However, even if we were to encourage PPPs there is still one major economic stumbling block. With every sector of the economy needing credit extensions and even bail-outs, local capital **may not be enough**. Banks are constrained in lending by many regulations. Recovering from this crisis, may require opening up our country to more foreign direct investments.

These investments will provide the capital infusion needed by several industries including manufacturing, transportation, logistics, and telecoms.

Take for example internet access. Internet access used to be considered a luxury; but now that physical contact can be life-threatening, it has become a necessity. In order to create competition, drive down the financial burden on consumers, and increase the speed of the internet, we may need to explore more options.

Another example is transportation. I just mentioned earlier the potential for PPPs in the transport sector, but even in this sector access to quality and efficient services remains limited.

What I'm trying to get at is at the moment, our laws restrict foreign ownership in public services. Hence, I filed a bill amending the Public Services Act. This bill seeks to liberalize the economy. This would encourage the entry of more players and capital investments; this in turn, will enhance competition, leading to better consumer service.

Naturally, there are those who fear that foreign ownership of vital industries could pose threats to national security. However, increasing FDIs and promoting national security are not conflicting goals. The country can have both as long as proper safeguards are observed.

Under our bill, the National Security Council has the power to review, and the President may suspend or prohibit FDI transactions if they involve critical infrastructure that threatens to impair the national security of our country.

Change is indeed a scary thought, but if we do not move forward we will get left behind. However, more importantly, for the batch of students who just graduated online, for your sons and daughters who are now first time job seekers, a liberalized economy may keep them from leaving home. The PSA might just provide the market diversification needed so that our best and our brightest need not leave our beloved country.

Before I end my speech today, I would just like to say thank you. Thank you to all the companies that have kept their employees despite the uncertainty. Thank you to all the entrepreneurs who are continuing to create jobs and opportunities despite the pandemic. And last but not least, all the private sector donors, and volunteers who remain anonymous but give with open hearts. You are the true heroes; we public servants are merely just doing our jobs. Thank you for rising above and beyond the call of duty.

Thank you for having me.