Resilient Legs for Economic Recovery in the Post-Pandemic Era
Closing Remarks
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Governor Benjamin Diokno, Dr. Felipe Medala, Dr. Gilbert Llanto, Dr. Myrna Austria, our distinguished presenters, good morning.

It is my privilege to close this public research forum which highlights some of the best ideas that we should consider as we move forward from the ongoing pandemic.

Before the pandemic, we were growing by more than 6 percent consistently for eight years. This is the primary reason for the unprecedented declines in our poverty incidence. However, with the pandemic, we expect a setback in our poverty reduction. In a paper released last year, my predecessor, former PIDS president Celia Reyes estimated that even with financial assistance or the social amelioration program, the poverty incidence in 2020 will shoot up to 19.4 percent from 12.1 percent in 2018, or an additional 2.8 million poor Filipinos.

Meanwhile, the unemployment rate has decreased from its peak of 17.6 percent in April 2020 to 6.9 percent in July 2021. This decrease in the number of unemployed Filipinos, coupled with the declining number of COVID-19 cases for days now, the increasing mobility, and the noticeable resumption of economic activities, bode well for our economic recovery amid this pandemic. But we must be proactive in sustaining these gains. The pandemic left a deep scar in our economy, and analysts predict that it will take years to return to our pre-pandemic growth levels. What can we do then to improve the chances of sustaining the nascent recovery?

As the title of this public research forum indicates, what we need are resilient legs on which the economy could stand. The presentations of our esteemed resource persons underscored three areas of growth and

resilience that we should take advantage of, namely, (1) capturing more foreign direct investments or FDIs, (2) moving towards higher-level business process outsourcing services such as information technology outsourcing and knowledge process outsourcing, and (3) promoting financial inclusion.

The presentation about FDIs underscored the latter's importance to economic growth as long-term investments that could generate business for the economy, create new jobs, and bring in technical know-how that could accelerate our innovation journey. But as Ms. Hazel Parcon Santos of BSP noted, our FDI outlook had been badly affected by the pandemic. Moreover, the deterioration in macroeconomic outlook and the shift to a negative credit rating have posed increased risks to the Philippines' credit profile, making the country less attractive to investors.

Meanwhile, Dr. Laura Fermo's presentation on IT-BPM emphasized how evolving and diversifying into knowledge process outsourcing services, which are among the most in-demand jobs in the Fourth Industrial Revolution, could increase labor productivity and real wages. She noted how this could be made possible via "upskilling and human capital investment and raising and maintaining our competitiveness in the global markets," among other strategies.

On the other hand, our macroeconomic expert at PIDS, Dr. Margarita Debuque-Gonzales, showed the opportunities presented by financial inclusion as a poverty and inequality-reducing strategy. Her presentation has filled a significant research gap, providing an empirical basis on the relationship between financial inclusion and economic growth and development, especially at the national and sub-national levels. Her research with Mr. John Paul Corpuz showed empirical evidence on the effects of factors, such as education, income, employment, and geographic location, on financial inclusion. They also underscored that "financial inclusion is positively associated with indicators of economic development, such as GDP per capita, electricity access, and literacy,

and negatively associated with poverty incidence and income inequality, to some extent."

Looking at all three presentations allows me to give my three essential takeaways.

First is the significance of improving our macroeconomic outlook and regaining the confidence of credit rating agencies. The presentation clearly showed that higher sovereign credit ratings are a decisive pull factor for foreign direct investors. Concerning this, we also need to have a good incentive package for businesses. The good news is we have already planted the seed with the CREATE Act, so far the most significant fiscal stimulus that we have developed for our business sector. With the considerable tax reduction that micro, small, and medium enterprises will enjoy and our large corporations, we envision that this will invigorate our economy, enable our businesses to expand, and stimulate new commercial ventures.

The second takeaway that I wish to emphasize is the value of education and training to enable our workforce to shift to higher-value BPO services that provide better wages and higher labor productivity. I have spent years researching education and labor policies. While we have instituted good programs, such as the K to 12 and market-driven and well-targeted skilling programs of TESDA, the test scores from International Large-Scale Assessments such as PISA and TIMMS indicate we fell short in ensuring that our students have quality education. In addition, the learning loss from relying on remote learning because of the pandemic adds to our education problems.

My third and last takeaway is the need to expand and deepen financial inclusion. We can do this by increasing access to schooling, expanding employment opportunities, making financial services more accessible, particularly to geographically isolated and disadvantaged areas, and enhancing financial literacy, particularly among the poor and the

marginalized. The Philippine ID system of PhilSys creates a window of opportunity for the unbanked to have access to financial services and be part of the financial system. At the same time, the *Pantawid Pamilyang Pilipino* Program or 4Ps facilitates the beneficiaries' inclusion into the formal financial system and raises their awareness of proper financial management.

We need to capitalize on these bright spots, but clearly, they are not enough. We need to strengthen our health system, build resilience and enhance the competitiveness of our agriculture sector, improve our physical infrastructure, and address the digital divide.

Let us all aim to help our country develop resilient legs for economic recovery in the post-pandemic era.

In closing, allow me to take this opportunity to express the Institute's most profound gratitude to BSP for collaborating with us on this timely research forum.

Thank you, and I wish all of you a safe and pleasant day.

REFERENCES

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