

**2008 Philippines Development Forum
Angeles City, Pampanga, Philippines, 26-27 March 2008**

REPORT OF PROCEEDINGS BY THE CHAIRMAN

Introduction

1. The fourth Philippines Development Forum (PDF) was held during March 26-27, 2008 at the Fontana Convention Center in Clark Field, Pampanga, Philippines. The PDF is the primary mechanism of the Government for facilitating substantive policy dialogue among stakeholders on the country's development agenda. It also serves as a process for developing consensus and generating commitments among different stakeholders toward critical actionable items of the Government's reform agenda.

2. The PDF evolved from the Consultative Group (CG) Meetings, which was expanded from the traditional government-donors circle to bring in other stakeholders (such as civil society, academe, private sector, and legislative representatives) into the dialogue. It was also agreed that the PDF should be more a an ongoing dialogue rather than just an annual event..

3. The PDF process involves continuous dialogue on thematic areas through working groups, which are expected to hold meetings in between the formal PDF meetings to follow-up on the issues and agreements at the last meeting. Currently, the PDF has seven working groups, each focused on one of the following themes: i) MDGs and social progress; ii) growth and investment climate; iii) economic and fiscal reforms; iv) governance and anti-corruption; v) decentralization and local government; vi) sustainable rural development; and vii) Mindanao. The last PDF formal meeting was held during March 8-9, 2007 in Cebu with around 250 participants from Government, international development partners, and other stakeholders.

4. This year's PDF carried the theme, "*Accelerating Inclusive Growth and Deepening Fiscal Stability*". The theme was timely as the country has been striving to maintain its strong macroeconomic performance in recent years, and to step up serious efforts in making economic growth more broad-based and inclusive. Around 300 participants from national and local government units, civil society, private sector, and the international development partners, joined together and recognized the importance of sustaining fiscal stability and making economic opportunities available to all, particularly the poor. The meeting was chaired by the Government (represented by Finance Secretary Margarito Teves) and co-chaired by the World Bank (represented by Country Director for the Philippines, Mr. Bert Hofman).

5. Like the past PDFs, this year's Forum focused on substantive policy dialogue among the various stakeholders, with the objective of developing a consensus on ways forward and harmonizing support towards a defined set of actions that are aimed at sustaining the gains made on the reform agenda. This year's PDF again consisted of plenary and break-out sessions over a day-and-a-half. The break-out sessions had three sub-themes: i) Accelerating Growth through Improved Competitiveness, coordinated by the WGs on Growth and Investment Climate and on Sustainable Rural Development; ii) Creating Opportunities for More Inclusive Growth, coordinated by the WG on MDGs and Social Progress, with a special session on Mindanao; and,

iii) Deepening Macro-Fiscal Stability and Improving Governance, coordinated by the WGs on Economic and Fiscal Reforms and on Governance and Anti-Corruption. Local government issues were integrated into each break-out group as a cross-cutting theme.

6. The Government of the Philippines was represented by the Secretaries of the Departments of Finance, Budget and Management, Agriculture, Agrarian Reform, Education, Environment and Natural Resources, Health, Social Welfare and Development, Trade and Industry; the National Economic Development Authority; the Office of the Presidential Adviser to the Peace Process; and the National Ant-Poverty Commission as well as other high officials from the Departments of Energy, Interior and Local Government, Public Works and Highways, Transportation and Communication, and other Government agencies. Local Government was represented by local government officials as well as representatives from the various leagues of local government units. Her Excellency Gloria Macapagal-Arroyo and Vice- President Noli de Castro delivered separate addresses, which served as highlights of the Forum.

7. The development partners included delegations from Australia, Austria, Canada, China, Czech Republic, Finland, France, Germany, Japan, Korea, Netherlands, New Zealand, Spain, Sweden, United Kingdom, and the United States of America. Multilateral and other organizations that participated in the meeting included the Asian Development Bank (ADB), European Commission (EU), International Monetary Fund (IMF), the United Nations (UN) agencies, and the World Bank Group.

Representatives from civil society, the academe, and the private sector, who were invited based on recommendations by the various working groups, also attended the meeting.

The 2008 Philippines Development Forum gears toward “accelerating inclusive growth and deepening fiscal stability.”

Opening Session

8. The PDF’s Co-chair, Mr. Bert Hoffman opened the Forum by welcoming the participants. He said that the number of stakeholders present indicates that the development debate in the Philippines is very much alive. He was hopeful the meeting would find new ways of solving some of the development challenges that the Philippines is facing. Mr. Hoffman said the theme of this year’s PDF reflects very well the Philippines’ situation at this time, where macroeconomic stability is settling in but poverty numbers are not looking so good and fair. He remarked that the challenge for the Government is to sustain the revenue efforts and improve infrastructure spending to achieve more sustainable growth.

9. Mr. Hoffman clarified that the PDF is more than a meeting, but a results-oriented process where all development partners are working together for the whole year to meet the commitments on a number of reform areas. He said that from last year, the results on the macroeconomic issues are good, while other areas need to be further worked on. He proceeded by presenting the agenda of the meeting and acknowledging the presence of Vice President Honorable Noli de Castro, who would deliver the Opening Statement. The Chairman, Secretary Margarito Teves of the DOF, formally introduced the Vice President.

Opening Statement by the Honorable Noli de Castro, Vice President of the Republic of the Philippines

10. The Honorable Vice-President Noli “Kabayan” de Castro graced the opening session of the PDF. He welcomed the international community, government representatives and other important stakeholders present in the Forum. The Vice President reported that the country’s state of development is best described by recent positive economic growth, increase in foreign investments, and instituted modern and advanced political processes. He indicated, however, that poverty among the population is still prevalent, and as a result, more than one million Filipinos have to seek better-paying jobs abroad to provide for the needs of their families.

11. To be able to address the country’s poverty situation, the Vice President underscored the need for strong and direct anti-poverty programs, as well as the continued support of development partners in implementing meaningful anti-poverty efforts. He mentioned that the Government is currently undertaking anti-poverty interventions including the Accelerated Hunger Mitigation Program, KALAHI-CIDDS Project, Food for School Program, Microfinance Program and Community-Based Monitoring System. The Vice President also presented the Government’s “8 by 08 Social Payback Agenda,” which aims at pulling more investments on priority areas and creating more stable jobs for the poor.

12. The Vice President emphasized that the Millennium Development Goals (MDGs) serve as the overall framework of the Government’s anti-poverty agenda. He said that the Government is working seriously to i) refocus programs away from welfare activities and towards sustainable income generation; ii) institute mechanisms to address the reality of globalization and its impact on food prices; iii) ensure strong fiscal performance; iv) build up on good practices in governance; and v) work meaningfully together as partners, whose key objective is to deliver results in the most efficient, effective and sustainable manner. In closing, he urged the development partners to adhere to the key principles of the 2005 Paris Declaration on Aid Effectiveness and support the Philippines’ Harmonization Agenda. He said there is a need to work together to be able to achieve shared aspirations.

The Government hopes to maintain its strong macroeconomic performance and improve investment climate, infrastructure spending and ensure social inclusion.

Session I: Plenary Session

Philippine Fiscal Program by Secretary Margarito Teves, Department of Finance

13. The Chairman, Secretary Teves, started his presentation by saying that fiscal policy, if managed well, could be the lever that supports higher growth and rapid poverty reduction. He likened the Arroyo administration’s fiscal management to the popular TV show the *Amazing Race*, where the Government have had to overcome roadblocks, take detours, carefully analyze clues, and calibrate actions to prudently manage public finances and fast forward to the next target. Secretary Teves reported that the country’s fiscal performance in 2007 was better than

programmed with lower budget deficit, increase in the total revenue program and more savings in interest payments. He said the Government also managed to generate more non-tax revenues to fund essential expenditures, and cut down on borrowings.

14. Secretary Teves stressed that the Government's 2008 fiscal program would focus on generating revenues to fully finance the P1.2 trillion expenditure program, which prioritizes infrastructure and social services. He said that Government's performance in January this year is notable, with revenue collections, both tax and non-tax, better than last year. He noted though that there are downside risks, including the emerging U.S. slowdown and rising food and energy prices that threaten the country's economic sustainability.

15. Secretary Teves outlined the key challenges that the Government anticipates this year: i) improving collection efficiency; ii) increasing infrastructure and social sector spending; iii) enhancing consolidated public sector viability; and iv) further reducing the debt burden. He said that Government efforts would be geared toward the following: i) monitoring the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) to see to it that they intensify the implementation of their action plans; ii) adoption of technology-based measures allowing the BOC to detect misdeclaration and undervaluation of imports; iii) more focused approach under the Run After Tax Evaders (RATE) and Run After The Smugglers (RATS) programs; iv) implementation of new initiatives to curb smuggling and tax evasion; v) replicating the Procurement Transparency Group and establishing a joint Government-civil society body to monitor collection efforts, gather lifestyle and corruption information, and follow up major evasion and smuggling cases; vi) working closely with Congress on legislative measures particularly to compensate for the reduction in corporate income tax from 35% to 30% next year which will result in a P15 billion revenue loss; and, vii) rationalization of fiscal incentives, seeking the exemption of the BIR and BOC from the salary standardization law and simplifying the structure of sin taxes.

16. The Chair further said that in 2008, the Government would raise capital spending particularly for vital investments in infrastructure, trim down debt to GDP ratio, lower interest payments, and favor domestic borrowings over external financing. He encouraged the donors to lend in the local currency to be able to contribute dynamism and confidence to the domestic capital market. He also mentioned that the Government would continue to oversee the public sector including government-owned-and-controlled corporations (GOCCs), government financial institutions (GFIs), and LGUs to ensure their sustained financial viability while at the same time complementing the National Government resources in addressing infrastructure bottlenecks and improving access to better social services.

17. In conclusion, Secretary Teves, shared the virtues that he has learned in managing the country's fiscal program: i) the courage to make difficult decisions and to push for unpopular but necessary reforms; ii) the need to build stamina and endurance; and iii) the need to be calm and patient when environment becomes volatile. He said Philippines has had an amazing fiscal race so far but still needs to accelerate the momentum and push further on with more creative but practical initiatives and reforms.

The Philippines: Rising to the Challenge of Improving the Investment Climate, by Secretary Peter Favila, Department of Trade and Industry

18. Secretary Peter Favila presented the highlights of the country's economic performance. He stressed that the numbers paint a picture of a stronger economy, with improved real GNP and GDP growth, declining inflation and interest rates, increase in domestic investments and rising merchandise exports. Despite these gains, Secretary Favila admitted that the Philippines is not attracting comparable FDIs among Southeast Asian countries.

19. Secretary Favila expressed optimism that the investment climate in the Philippines would improve as some strong foreign investors continue to recognize the Philippines' competitive advantage as a business destination. He also stressed that the country attracted "beyond the usual" kind of investments in various sectors. According to him, the country's strong macroeconomic fundamentals and the Government's serious commitment to further improving business environment are among the reasons that boost investors' confidence. Secretary Favila said that in order to improve investment climate, the Government would further strengthen its macroeconomic environment, improve infrastructure spending, and uphold good governance measures, particularly those on curbing corruption and red tape. He reported that the DTI would implement the following key investment thrusts and strategies: i) pursue higher quality investments; ii) make investments sector-focused and company-directed; iii) continue policy reforms to improve investment climate and reduce cost of doing business; iv) promote investments in infrastructure under the Super Regions Framework; and, v) the Strategic Investment Aftercare Program. Secretary Favila further said that priority investment sectors would be on off-shoring and outsourcing; infrastructure; tourism, including health and wellness; mining; and agribusiness.

20. Secretary Favila concluded by outlining the National Competitiveness Council's focus areas, as well as the strategic thrusts of the PDF Working Group on Growth and Investment Climate.

Remarks from Mr. Jaime Augusto Zobel de Ayala, Chairman, Ayala Corporation and private sector participant

21. Mr. Jaime de Zobel de Ayala shared a comprehensive private sector's perspective that aimed at guiding the Government in setting the country's long-term development agenda. He focused his intervention on the following key issues. First was the fundamental issue of governance and strengthening the value of trust in private and public institutions. Mr. Zobel de Ayala argued that good governance lays the foundation for economic development, just as it lays the foundation for growth and value creation of any private enterprise. He suggested that the Philippines should build on the fundamental issue of a progressive governance standard. He emphasized that clear adherence and enforcement of the rule of law, transparency, respect for the sanctity of contracts, consistency in policies are all essential ingredients to establishing an investor-friendly climate that lead to economic growth.

22. Second, Mr. Zobel de Ayala underscored the need for an economic roadmap to set the long-term growth strategy for the country and to provide a basis for resource allocation, given

the scarce resources available. He said, focused public sector investment is imperative, particularly in raising the quality and productivity of labor and lowering the cost of doing business in the country. He said that by doing this, returns to private sector investment in the Philippines could be competitive compared to other investment destinations.

23. As his last point, Mr. Zobel de Ayala recommended that the Government must invest in basic education system at both the elementary and secondary level to prepare students adequately to cope with the needs of the global market. He reasoned this is the key to developing and strengthening the country's competitive advantage in indigenous industries such as the business processing space. He said there is a need to ensure that the country remain relevant and competitive within the global economy and work hard to encourage industries that could build a sustainable model for success in this changing economic landscape.

Comments from Development Partners and Other Participants

24. After the presentations, the Co-chair invited the participants to share their comments on the key issues discussed, particularly on the Philippines' fiscal performance and investment climate. Comments are summarized as follows:

- The International Monetary Fund (IMF) congratulated the Chairman for successfully managing, together with other members of the economic team, the economic turnaround in the Philippines over the past three years. It emphasized that the recent economic progress has only been a partial victory as poverty levels are still high, investments are low compared to other countries, and serious efforts are still needed to sustain fiscal stability. IMF stressed the need for Government to make progress on revenue enhancement measures such as the rationalization of fiscal incentives and tax reforms and reduce the levels of public debt to protect itself from financial turmoil in the months ahead.
- Japan expressed its appreciation on the Government's substantial progress in implementing fiscal reforms. As an active development partner, Japan said it would continue providing continuous support for the country's development in a wide range of areas through its official development assistance (ODA). Japan also underscored the importance of both ODA and private sector activities in the country's development, and stated that it has invested in several projects involving the private sector. Japan mentioned that while it commends the Government for its fiscal reforms, the Government should be able to achieve a balanced budget and increased infrastructure spending through sustainable revenue measures. Lastly, Japan appreciated the Government's initiatives in meeting the commitments under the Paris Declaration. It assured the Government of Japan's cooperation in further harmonizing its ODA assistance and Government's planning procedures.
- The World Bank thanked the Government for convening the PDF and appreciated its being a successful example of how to build stronger cooperation between the Government and the donor community. World Bank underlined the country's impressive growth performance but raised the issue on rising poverty levels. It stressed that poverty

alleviation results would depend on the quality of Government's programs and on sound implementation of these programs. World Bank vowed to work closely with both the Government and other development partners in identifying stronger infrastructure programs and providing the measures on how to improve growth and poverty reduction in the long term. World Bank also commended the Government's leadership in further implementing the Harmonization agenda. Finally, World Bank welcomed Government's strong commitment to addressing the problems in Mindanao.

- Australia likewise acknowledged the Government on its fiscal management and macroeconomic successes achieved in the recent years. It informed that Australia plays a significant role in supporting the Government with its fiscal reform agenda particularly in the areas of expenditure allocation and formulation of budget strategy. Australia also highlighted the importance of tax reforms to be able to sustain the Government's public spending. It emphasized the importance of improving the Philippines' investment climate to be able to attract foreign companies.
- A civil society participant shared with the Forum her views on the relevance of political corruption to economic development, citing the NBN-ZTE deal as a possible example of the result of a political corruption process. She highlighted the need for vigilance against systemic corruption that may escape the existing control mechanisms that are mainly geared to control administrative corruption. She also urged the donor community to consider the integrity and the effectiveness of their assistance programs.
- ADB attributed the country's macroeconomic success to i) a shared sense of responsibility and accountability among Filipinos and development partners; ii) commitment and competence of the economic management team; and iii) right priorities and right courses of action. ADB highlighted that the success is a dividend of sound management and robust partnerships which honor the Paris Declaration of Aid Effectiveness. ADB recognized the link between economic success and the ADB-Philippines operational partnership, under which ADB has moved to its high-case lending scenario. In conclusion ADB emphasized that while high growth is good, sustainable high growth is better, and growth that is high, sustained and inclusive is best of all.
- Korea noted the Philippine Government's efforts in achieving a balanced budget, improving revenue collection and spending, and implementing appropriate procurement procedures. It also lauded the Government's efforts to mitigate poverty, bring about equitable growth nationwide, and improve infrastructure to reduce the cost of doing business in the Philippines. Korea suggested that the Government direct its foreign currency, particularly those from OFW remittances, to manufacturing and investment sectors rather than to the services sector. It recommended that the Government address the poverty gap particularly in Mindanao and other parts of the country, and strengthen transportation infrastructure in order to reduce the cost of doing business in the country. In closing, Korea encouraged the Philippines to cooperate with OECD in the area of economic development and social policies and said that Korea is willing to inter-mediate for such cooperation.

- Speaking on behalf of the EU, France reaffirmed EU's partnership with the Philippines in achieving the MDGs and fighting poverty on the basis of inclusive growth. EU underlined the importance of not only strengthening the social services but also ensuring that additional efforts are targeted to the poor. EU also accentuated that political stability and eradication of corruption are prerequisites for sustainable development. It raised the issue on the persistent allegation of irregularities in public procurement and urged the Government to step up efforts to combat it. EU also highlighted the need for Government to improve its revenue effort and to match it with effective measures to reduce social inequality.
- Referring to Mr. Zobel de Ayala's statement, Germany said good governance is very important as potential foreign investors would look for transparency and trust in the Government before doing business in the country. It also raised the issue of corruption being a major impediment to business and therefore aggravates poverty. Germany assured the Government of its continued commitment in helping the country fight poverty and in developing strategies to reduce corruption.
- UN commended the Government for achieving respectable economic growth, reducing the budget deficit, and raising additional revenues that went to increased social spending for health, education and infrastructure. However, it said that efforts need to be intensified to be able to achieve the MDGs by 2015. UN supported the call for inclusive growth as it is a means to achieve the MDGs and ultimately attain human development. UN also emphasized that addressing issues of social inclusion and gender equality are preconditions for inclusive growth. It said good governance, justice and peace are necessary for development. UN also stressed that stable population growth and increased resources are essentials for inclusive growth. It said there is also a need for convergence of efforts and intervention of development partners to ensure the maximum impact of development on women and indigenous peoples. UN assured the Government of its commitment to assisting the country in achieving the MDGs.
- The Co-Chair (speaking as a representative of the World Bank) commented that World Bank takes note of the point raised by the civil society participant, which is the importance of ensuring that development partners take part in fighting corruption especially in ODA projects.

25. Secretary Teves recognized the common observations made by the development partners. He agreed that there is a need to continuously work on generating more resources, improving tax efforts and improving the country's fiscal health. Secretary Teves said the support of Congress to help generate additional revenues is needed, especially in the likely decrease in the corporate tax next year from 35% to 30%, which would mean a revenue forgone of about 15 billion. He stated that it is also very important to reduce the power cost to improve the country's competitiveness. Secretary Teves welcomed the support of development partners in implementing the Government's infrastructure program.

26. Secretary Teves further said there is consensus on the need to be more effective and to work harder in improving governance. He remarked that good governance in the private sector,

which leads to profitability, should also apply in Government so it results to more revenue collections and therefore more resources to support the requirements of the economy. He informed the PDF that the President made instructions to create an alliance in the BOC, with private sector and civil society participation, to monitor collection efforts, gather lifestyle and corruption information and follow up on major smuggling cases. He said the same system would also be created for BIR.

27. Secretary Favila expressed concern over the issues raised on corruption in Government. He urged development partners to help the Government look for measures and doable solutions to stop corruption. He said it would be beneficial if discussions would be veered away from criticisms on Government and be focused on attaining development for the country.

Arrival of Her Excellency Gloria Macapagal-Arroyo, President of the Republic of the Philippines

28. Led by the Chair and Co-Chair, the participants of the PDF welcomed Her Excellency President Gloria Macapagal-Arroyo to the Forum. In his statement, the Co-Chair, reported to the President that the development partners acknowledged the progress made by the Philippine Government in its reform program and reiterated their commitment to helping the Government in implementing quality programs to alleviate poverty and sustain inclusive growth.

Keynote Address by Her Excellency President Gloria Macapagal-Arroyo

29. In her keynote address, Her Excellency Gloria Macapagal-Arroyo thanked the development partners and all the other participants for holding a productive and insightful dialogue on Philippine development. She then outlined the Philippines' recent economic successes, which she said would help the country weather an expected global economic slowdown. She said that for 2008, the country's macroeconomic fundamentals would be stronger than ever due to Government's efforts on boosting revenues, cracking down on tax cheats, reforming revenue collection, modernizing the banking and financial sector, and balancing the budget before 2010.

30. The President vowed that she would stay focused on further economic reforms while providing peace, order and stability to the nation. As the instrument to implement reforms, the President highlighted that the national budget for 2008 invests in the three "Es"-- the economy, education and the environment. She said the budget also represents fiscal discipline, and the valuable work and cooperation of the members of Congress despite the political noise. She added that the budget would invest in physical and human infrastructure and address corruption.

31. The President stressed that the Philippine Reform Agenda up to 2010 would include legislative efforts to improve the banking and finance system, to strengthen tax collection and broaden taxpayer base, and fight corruption and red tape. She urged the international community to work with Government in standardizing ODA loan conditionalities and to direct their assistance toward the Government's priority areas.

Investing in Infrastructure: A Sure Way to Progress, by Director-General Augusto Santos,
National Economic and Development Authority

32. Director-General Santos presented the highlights of the updated Medium-term Philippine Development Plan (MTPDP), 2004-2010. He reported that the updated MTPDP focuses on economic growth and job creation, energy, social justice and basic needs, education and youth opportunity, and anti-corruption and good governance. The MTPDP targets poverty incidence of 17-20%, GDP growth of 6-7%, and investment (% of GDP) of 25-28% by 2010. DG Santos then expounded on the country's Comprehensive Infrastructure Investment Program (CIIP), which would operationalize the priorities under the updated MTPDP. Under the CIIP, specific sectoral thrusts and priorities would be supported, particularly in the transportation, power, water resources, communications, and social infrastructure sectors. DG Santos mentioned that in formulating the CIIP, Government considered the programs' responsiveness to the Government's development agenda, and the urgency of the projects in addressing immediate needs, and the appropriateness of financing strategy.

33. DG Santos reported that for 2007 and beyond, a total of P2 billion worth of investments would be implemented across various sectors and from different financing sources. The NG budget is expected to finance bulk of the requirement, supplemented with funding support from the private sector, GOCCs, GFIs and LGUs. The programs and projects would also be distributed equitably to support the country's super regions. DG Santos also enumerated the ten priority investment projects that would be up for private sector financing. The projects would help address the gaps in transport, water supply, and power sectors. At the end of his presentation, DG Santos suggested that a PDF Working Group on Infrastructure be created to look into the country's infrastructure needs.

Creating Opportunities for More Inclusive Growth by Secretary Esperanza Cabral, Department of Social Welfare and Development

34. Secretary Cabral commenced her presentation by defining inclusive growth as ‘the broad-based equitable distribution of economic gains to society.’ She said that investing in inclusive growth would enhance human capacities, produce a quality work force, and build a strong knowledge base. She mentioned that inclusive growth is a worthwhile end towards which people should work and which should be pursued in conjunction with economic gains. Secretary Cabral reported that in the Philippines, gains have been achieved in both economic and social development in the recent years. In 2007 particularly: i) GNP and GDP growth rates increased; ii) national budget reached a trillion for the first time; iii) investment in education and health yielded positive results; and iv) Philippine definition of social protection was adopted and guided the sectoral reform agenda of DSWD, Department of Education (DepEd), and Department of Health (DOH).

35. Notwithstanding the gains, Secretary Cabral stressed that the Government needs to do more to be able to address the worsening problem of poverty. She said that the Family Income and Expenditure Survey for 2006 indicated increasing levels of poverty, and that there is a problem of equity in terms of income and capital investments distribution. She added that Government should intensify efforts to address the problem of weakening human resources in health and education, ballooning population and the long-running armed conflict in Mindanao.

36. Secretary Cabral underlined that achieving inclusive growth should begin with investing in the MDGs. And more importantly, she said the returns of investing in inclusive growth could only be maximized by working together. In concluding, Secretary Cabral outlined the actions that the Government plan to do as a way forward: i) invest the country’s economic gains in socially inclusive programs to increase incomes for poorer households, improve delivery of social services, and improve social protection for the poor; ii) increase income of poorer households; iii) improve delivery of social services; and iv) improve social protection for the poor. Secretary Cabral also suggested that the PDF identify social inclusion areas, commit financial and technical support for impact evaluation of programs, and support more consistent application of the Harmonized Gender and Development (GAD) Guidelines in programs and projects.

Remarks by Fr. Francis Lucas, Chairman, Asian NGO Coalition (ANGOC) and CSO participant

37. In Fr. Lucas’ perspective, inclusive growth means making the fruits of development available and accessible to all, particularly the poor. He said that the key principle in creating better opportunities for the rural poor is through better access to land and improved delivery of basic social services, particularly education and healthcare. He stressed the importance of achieving the MDGs and increase financing for development, with the joint efforts of the Government and the international community. Fr. Lucas emphasized that Government should prioritize investments for basic services and rural development.

38. Fr. Lucas opined that for inclusive growth to be realized, rural development must be a priority in public plans and funds. This is because poverty in the Philippines is prevalent mostly

among the rural population. In accelerating inclusive growth with focus poor and underdeveloped rural areas, he proposed the following courses of action: i) support the passage of a National Land Use Act; ii) review resource extractive policies such as mining for infrastructure, industrial, and urban development; iii) repeal the automatic appropriations of debt servicing in the budget towards better financing for development or MDGs; iv) support food self-sufficiency using the localization of agriculture approach followed by the philosophy and praxis of the community based approach; v) stop corruption, initiate the right-to-information policy and provide more avenues for civil society to function in demanding accountability from government; and vi) continue mechanisms of partnership among various stakeholders.

Comments from Development Partners and Other Participants

39. The Co-Chair invited the participants to express their views and comments on the Government presentations on the Philippine infrastructure program and social inclusion. The comments are as follows:

- Japan assured the Government of its continuous support for the development of fundamental infrastructure facilities in the country, and supported NEDA's proposal to have an independent PDF Working Group on Infrastructure. Japan also expressed its commitment in supporting the Government on the ongoing peace process with the Moro Islamic Liberation Front (MILF) and the reconstruction and development of Mindanao.
- Speaking on behalf of the ODA on Gender Development Network, ILO reported the agreed conclusions on financing for gender equality and the empowerment of women at the Commission on the Status of Women assembly. It stressed the importance of incorporating gender perspective in policy-making to increase the participation of women in economic governance; and doing gender analysis of the policies and programs related to macroeconomic stability, structural adjustment, external debts problems, taxations, investments and employment and market. ILO said the Commission also encouraged the integration of gender perspectives in aid modalities and efforts to enhance to aid mechanisms.
- A civil society participant asserted that in discussing development, there is also a need to talk about governance and corruption. He raised concern over the increasing poverty levels despite the economic growth. He also said that aside from the economic exclusion of the poor, there is also exclusion from governance because of Government's recent moves to limit CSO participation in Government anti-poverty programs. The civil society participant urged the development partners to ensure that their programs and projects adhere to the laws and standards of good governance including transparency, accountability and meaningful civil society participation.
- EU raised the issue of rapid population growth being a major contributor to poverty in the Philippines. It inquired on the extent to which the national budget supports measures to address population problems. EU also underlined the importance of addressing poverty in Mindanao. It encouraged the national and local governments and the donor community in

providing the necessary support in delivering basic services, infrastructure, agriculture and jobs to poor communities in the region.

- UNFPA emphasized the importance of addressing population, maternal mortality, and reproductive health issues in the perspective of inclusive growth.

40. Some Government representatives responded to the key points raised by the development partners. Secretary Cabral remarked that the Government considers the issue of gender equality in its poverty reduction programs, such as the *Ahon Pamilyang Pilipino* and the KALAHI-CIDSS. She also agreed on the call to consider gender issues in all development activities and promised to work with the ODA-GAD network in pursuing the gender agenda. Secretary Duque of the Department of Health suggested to defer discussions on population as the Government is still awaiting results of the ongoing population census. Secretary Jesus Dureza, Presidential Adviser on the Peace Process, thanked the development partners for supporting the Government in its peace and development efforts in Mindanao. He reported that the Government is working on the peace process with the MILF, and implementing the peace agreement with the Moro National Liberation Front (MNLF).

41. Moving on with the agenda, the Co-Chair encouraged the participants to have productive discussions in the break-out sessions. He thanked all the participants for their valuable contributions during the earlier discussion, and the Government partners for their comprehensive presentations.

Working Groups focus discussions on specific themes and reach convergence on key priority actions in respective areas.

Session II: Parallel Break-out Sessions

Deepening Macro-Fiscal Stability and Improving Governance

42. The session was moderated Mr. Romy Bernardo of the Economic Freedom Foundation. It covered presentations from several Government agencies. DOF Undersecretary Gil Beltran reported the recommendations of the Working Group on Fiscal and Economic Reform on improving tax policy, particularly the following priority legislations: i) simplified sin taxes; ii) rationalization of fiscal incentives; iii) simplified net income taxation scheme; iii) fiscal responsibility bill; and, iv) capital market bill with neutral revenue impact.

43. BIR Commissioner Lilian Hefti articulated the Commission's priority programs focusing on the enhancement of voluntary compliance and intensification of enforcement. BOC Commissioner Napoleon Morales outlined revenue enhancement measures being undertaken by the Bureau to increase collections.

44. Undersecretary Laura Pascua of the Department of Budget and Management (DBM) made a presentation on improving the quality of Government spending. She reported that the Government has been working for greater budget transparency through the Organizational

Performance Indicator Framework (OPIF). In terms of financial management, Undersecretary Pascua said COA is leading the efforts in pursuing the harmonization of financial management processes within the government and with the development partners. She also reported that the harmonization of local planning, investment programming, revenue generation, and expenditure management in the LGUs is now being implemented.

45. On the topic of combating corruption, Assistant Ombudsman Evelyn Baliton reported the Government's anti-corruption initiatives in revenue-generating agencies and informed that the Government has adopted a three-pronged strategy to fight corruption in a sustainable manner - enforcement, prevention and anti-corruption promotion. Lastly, DBM Secretary Rolando Andaya made a brief presentation on procurement harmonization. He informed the Group of the progress in developing the Implementing Rules and Regulations on foreign-funded procurement activities (IRR-B).

Accelerating Growth through Improved Competitiveness

46. The session was chaired by Secretary Favila and moderated by Ms. Anja Gomm of the German Technical Cooperation (GTZ). The highlight of the session was the discussion of the common agenda identified by the Working Groups on Growth and Investment Climate and on Sustainable Rural Development (GIC-SRD), toward pursuing a competitive and broad-based and sustainable Philippine economy.

47. Professor Cielito Habito from the academe presented the GIC-SRD common agenda. He commenced by noting the strengths of the economy during the past year and described the remaining challenges that the country needs to face. He underscored the need to achieve development that involves and benefits all sectors in all areas. Professor Habito mentioned that policy and regulatory reforms, administrative improvements and public investments are the instruments needed to achieve broad-based development. He outlined the specific measures needed toward i) addressing infrastructure bottlenecks; ii) widening investment and entrepreneurship; iii) raising quality and productivity; iv) expanding domestic and international trade; and, v) strengthening institutions and governance. In closing, Professor Habito stressed the need for a comprehensive support and incentive program to mobilize the rural and SME sector, promote and replicate good practices, and expand islands of good governance.

48. The synthesis paper summarized by Professor Habito, which covered topics relevant to growth, investment climate and sustainable rural development was circulated to the Group before the meeting. The stakeholders were made to react on the thrusts and topics presented. The small groups then discussed the topics and suggested priorities for policy direction, particularly on how to best accelerate growth and improve competitiveness in a sustainable and broad-based economy.

Creating Opportunities for More Inclusive Growth

49. The session was chaired by Secretary Cabral and moderated by Secretary Jesli Lapus of the Department of Education (DepEd). She presented the cluster of issues to be discussed and reacted upon by the participants: i) enhanced financing for basic education and primary and

public health and social protection; ii) improved governance and harmonization and coordination across all sectors; iii) effective implementation of social protection and risk mitigation strategies; iv) increased efforts to address the MDGs least likely to be achieved; and v) advocacy for low-hanging fruits and quick wins.

50. Secretary Dureza presented the outcomes of the work undertaken of the Mindanao Working Group after going through consultations with Mindanao stakeholders. He said the group identified four challenges that still need to be addressed: i) the ongoing peace efforts with the MILF and the implementation of the peace agreement with MNLF; ii) high incidence of poverty in the region; iii) need for sustainable agricultural development; and iv) need for good governance and strengthening of institutions.

51. Following the presentation on Mindanao, resource persons made comprehensive presentations on the topics at hand.

52. The comments, issues and recommendations made by the break-out group participants are captured in the summarized reports in the succeeding section.

Working groups report on specific recommendations, and development partners express their continued support to the country's development agenda.

Session III: Reporting Back of Break-Out Groups to the Plenary

53. Before proceeding with the break-out groups' reports, DBM Secretary Andaya presented procurement harmonization before the plenary as the topic would interest other participants not present in the break-out session. After the brief presentation, the Chair called on the three groups to present the highlights and the identified next steps of their respective sessions.

54. Secretary Rolando Anday articulated that while many experts see the Republic Act 9184 or the Government Procurement Reform Act as a 'world class law', there is a need for definite and clear rules on foreign-funded procurement activities. He reported that to date, Government is moving toward the drafting and completion of the Implementing Rules and Regulations (IRR) on foreign-funded procurement activities or IRR-B. Secretary Andaya remarked that due to recent controversies on public procurement, Congress is discussing plans to amend RA 9184. He opined that there is no need to amend such a strong law but there is urgency in coming up with the IRR-B. In completing the IRR-B, Secretary Andaya said it would require the three bodies to work together: i) the Government Procurement Policy Board (GPPB) to prepare the initial draft; ii) the Joint Congressional Oversight Committee to guide in developing the IRR; and, iii) the development partners to work with Government in coming up with harmonized rules for foreign-funded procurement. He said the IRR-B is would be completed within a year.

Deepening Macro-Fiscal Stability and Improving Governance

55. The summary of discussions of the Group was presented by Mr. Romy Bernardo who acted as facilitator for the group. He reported that the participants noted the progress in fiscal

consolidation but agreed that challenges need to be surmounted to: i) reverse tax effort decline last year and further reduce public debt, which is still markedly higher compared to peers; ii) improve the quality of government expenditures; iii) minimize corruption; and iv) prioritize pending financial sector legislations. He said these measures are needed to ensure that the country is able to compete more effectively in attracting investments, reduce poverty and sustain growth, as well as minimize vulnerabilities to global financial turbulence and growth slowdown, and heightened risk aversion. The Group agreed that in order to enhance revenue sustainability, the Government should: i) increase in tax effort needed to raise spending for infrastructure and social spending; ii) improve tax structure through legislation, i.e., fiscal incentives rationalization, and excise tax reforms to improve buoyancy of collections; and iii) accelerate tax administration reform by investing in BIR and BOC and re-allocate resources to upgrade skills mix structure, pursuing technology based tax administration, and improving tax filing and compliance management.

56. In terms of enhancing transparency and budget execution, Mr. Bernardo said the Group recommended the following: i) base budget allocation on performance targets; ii) institutionalize Internal Control Audit units in departments; iii) improve budget reporting for greater transparency and pursue harmonization of financial management and reporting requirements; iv) through IRR-B, move towards harmonized rules of procurement that reconciles RA 9184 with requirements of development partners, both international and local, adhering to principles of transparency, competitiveness, accountability and public monitoring underpinning the law; v) implement unified procurement process to apply to all public sector procurement; and vi) adopt an explicit strategy for strengthening budgeting and financial management capacity of selective line agencies.

57. Finally, Mr. Bernardo outlined the Group's consensus in pursuing anti-corruption initiatives, as follows: i) recognize anti-corruption as the platform for development; ii) curb corruption in revenue agencies through RATE , RATS and RIPS, emphasizing pursuit of convictions, and through joint government, private sector, and civil society watchdogs similar to the Procurement Transparency Group ; iii) widen anti-corruption focus to include budget execution and procurement; iv) expand IDR exercise to LGUs; v) address corruption up to the lowest level of the bureaucracy; and vi) enjoin executive and judiciary branches to work together to address corruption, strengthen rule of law, with the support of development partners.

Accelerating Growth through Improved Competitiveness

58. Secretary Favila presented the outcome of the Group's discussion. He stated that in terms of infrastructure, the Group agreed on the following priorities for policy direction: i) pursue transparency in the bidding, construction and maintenance of priority projects; ii) implement clear competition policies; and iii) undertake capability building for infrastructure planning to be undertaken within institutions, ensuring improved planning-budgeting-funding linkages at national and local levels.

59. In the area of investment and entrepreneurship, Secretary Favila said the Group agreed that the Government needs to: i) complete agrarian reform and formulate land use policy; ii) ensure integrated development of the diversification of agri-based, tourism and manufacturing

products; iii) improve farmers' access to credit and provide innovative mechanisms for small-and-medium enterprises (SMEs); iv) pursue competition policy; and v) streamline Government processes and focus on investment promotion in priority sectors.

60. Secretary Favila then shared the Group's recommendations in improving quality and productivity: i) create a demand-driven curriculum; ii) intensify human capital development in urban and rural areas; iii) address productivity gaps; and iv) strengthen market confidence through good governance. The Group also supported the need for a separate Working Group on Infrastructure. In conclusion, Secretary Favila said the Group has the following views: i) when focusing on reduction of poverty incidence and more inclusive growth, it implies a focus on agri-business value chains; ii) broad based growth is based on infrastructure development; iii) competitiveness relies on good governance (including streamlined procedures in regulation and trade facilitation) and human capital; iv) mainstreaming the environmental dimension in all investment projects should be of primary concern to attain sustainable development.

Creating Opportunities for More Inclusive Growth

61. As reported by Secretary Cabral, the Group agreed to come up with tangible action plans toward the succeeding cluster of issues. To enhance financing for basic education, primary public health and social protection, there needs to be: i) real increased funding towards international benchmarks; ii) pro-poor orientation through the development and proper implementation of a national targeting system; iii) efficient spending and budget execution; iv) predictable and sustained medium-term budgeting; v) multi-stakeholder participation in all stages of the budget process; and vi) strengthening of public-private sector partnership for financing and implementing MDG-responsive programs.

62. Secretary Cabral reported that in order to have improved governance and harmonization coordination across all sectors and levels of government, it would entail i) reduction of corruption through transparency and accountability; ii) clear delineation of roles and responsibilities in terms of direction setting, policy formulation, and service delivery of the different levels; iii) commitment of government and development partners to common development objectives and strategic frameworks; iv) harmonization of planning instruments and cycles, as well as targeting and monitoring systems for poverty and MDGs; v) working towards achieving the MDGs through its localization, tracking of LGU performance and providing incentives to high performing LGUs, especially those in poorer regions; and vi) conduct of impact assessment to assess efficacy of pro-poor programs. In terms of achieving effective implementation of social protection, risk mitigation and comprehensive peace and development strategies, there is a need to: i) support the development of a comprehensive social protection strategy; ii) encourage government, civil society and development partners to tie objectives of their social protection programs to the MDGs; iii) review the existing disaster risk management strategies and address shortfalls in its implementation; iv) ensure that effective demand-side interventions are harmonized with social sector programs.

63. According to Secretary Cabral, the Group also agreed on the need to increase efforts to address the MDGs, which are less likely to be achieved, by: i) intensifying advocacy for more effective population management; ii) promoting informed choice for family planning; iii)

frontloading of information materials and supplies for family planning and responsible parenthood; and iv) advocating for more consistent implementation of the Harmonized GAD Guidelines. Lastly, in terms of having harmonized development programming in Mindanao, the Group suggested to: i) facilitate sustainable rural development and affirm the peace process by creating and implementing a comprehensive strategic poverty program for conflict-affected areas like ARMM, based on principles of good governance and anti-corruption; and, ii) encourage development partners to work together towards a common strategic framework, and share knowledge on strategies and approaches that work best in conflict setting. Secretary Cabral concluded by saying that investing in inclusive growth means investing in social programs that improve human capacities.

Comments on the Various Group Reports and Recommendations

64. Undersecretary Austere Panadero of the Department of Interior and Local Government (DILG) spoke on behalf of the Working Group on Decentralization and Local Government. He said that this year's PDF highlights the greater role that the LGUs play in enhancing competitiveness, accelerating inclusive growth, and deepening fiscal stability. He explained the need for increased collaboration among Working Groups and stakeholders to support the priorities identified by the LGUs. Recognizing the benefits achieved by harmonizing the efforts by its members and the anticipated collaborative work with other working groups, the Decentralization Working Group proposed for the establishment of a joint trust fund facility. Undersecretary Panadero said the proposed trust fund is aimed at implementing the Working Group's goals and objectives on the basis of this year's PDFs agreements. He explained that the trust fund could be used to support policy dialogues, capacity building, knowledge development and awareness-raising activities. He further elaborated that the trust fund should be limited to supporting the PDF's mandate, and work toward the goals set out under the Paris Declaration of Aid Effectiveness. Undersecretary Panadero informed the PDF that a preliminary proposal has been prepared for discussion, taking into account the experiences from similar facilities in other countries.

65. The Chair invited the PDF participants to share their views on the various recommendations made the by the break-out groups.

- The Union of the Local Authorities of the Philippines (ULAP) commended the Working Group on Decentralization and Local Government for taking the lead and promoting local economic development and decentralization. It underscored the critical factors needed to promote a competitive LGU, which are infrastructure, financing and competitive human resources. ULAP emphasized that there is a strong need to build the capacity of LGUs so it could be a driving force of the country's economic growth and sustainable development.
- The Joint Chambers of Commerce talked about the need to seriously push for the country's major infrastructure projects in order to boost tourism and generate more jobs, as well as attract more private sector investments. He advised Government to strengthen its competition policies; continue with its anti-corruption strategies, particularly on

curbing smuggling; push priority legislations to sustain fiscal stability; and invest more in education.

- In the area of investment and entrepreneurship, World Bank suggested the need to create a credit Bureau, and the need for Congress to pass the Credit Information Act to improve SMEs' access to financing. It also supported the idea of improving LGUs' access to private sector financing and informed the PDF that World Bank stands ready to help develop private sector financing and make it available for LGUs.
- Secretary Favila welcomed the idea of creating a credit bureau. However, he cautioned the lending agencies against subjecting SMEs to a rigid credit evaluation as he believes SMEs are good payers and it is the Government who assumes the credit risk. He encouraged the private sector's participation in this area.
- US lauded and thanked the Government for making the PDF a venue for discussing important issues concerning the Philippines' development. It provided a positive and optimistic view on the pace and manner the Government is taking in terms of fiscal and economic management, infrastructure development, and delivery of social services. US appreciated the Government's focus on increasing domestic borrowing, mobilizing domestic capital and improving the country's financial markets. It also noted the Government's fight against corruption and its investment agenda, and offered to help address these issues. US also recognized the important roles LGUs play in development, and vowed to continue assisting the country to develop LGUs further. Finally, US raised its hope for the nation given the tremendous talents and skills Filipinos have, and assured the Government of its commitment in helping improve the quality of Filipino lives, especially of the poor.
- Mr. Virata of the Bankers Association of the Philippines thanked the Government for supporting the idea of developing the capital market in the Philippines, as discussed during the break-out session. He inquired about the Government's response on the prevailing issue of an impending rice crisis.
- DepEd Secretary Jesli Lapus noted the development partners' appreciation of the Government's progress on the fiscal and economic front. However, he advocated for putting more investment in education and strengthening of the youth sector as he said it would comprise the country's labor force up to 2060.
- Japan reiterated its support to the Government's fiscal reforms. It emphasized the need for providing capacity building in Mindanao, particularly to the Autonomous Region of Muslim Mindanao (ARMM), the Bangsamoro Development Agency, and the LGUs in the region. Japan again expressed its support to establishing a separate Working Group on Infrastructure.
- Canada noted how the PDF matured as a process, considering the extent of participation and the improved focus in terms of topics and issues being tackled. It expressed

confidence that through the joint efforts of Government and development partners, it would be possible to achieve the targets of the MTPDP. Canada highlighted the important role of LGUs in sustaining growth and development. It also noted the importance of gender equality and environment and thanked the PDF for discussing these issues.

- ADB made comprehensive comments on the issue of rice crisis. It suggested that Government convene an inter-agency task force to study the issue more carefully with the help of the International Rice Research Institute (IRRI) and other partners. It stressed that priority spending on agriculture might be very important particularly on irrigation and infrastructure in order to provide medium-term solutions to the problem. ADB commented that that fiscal space has to be expanded and public financial management has to be strengthened to provide more poverty alleviation programs for the rural poor. It also underlined the importance of putting in large investments infrastructure and making sure they connect to the rural communities. Lastly, ADB recommended prioritization and sequencing of the Government's infrastructure programs and making sure that these are environmentally sustainable.
- IMF commented on the issue of fiscal gains not trickling down effectively to the poor, considering that poverty levels have increased despite the country's robust economic growth. It opined that reducing poverty would require putting in more resources toward the provision of public goods such as education and healthcare, and infrastructure that would facilitate livelihood opportunities for the poor. IMF said the necessary increase in priority spending could be financed either by issuing more debts or raising sustainable resources through tax efforts. It also discussed the tradeoffs in reducing debt levels and providing fiscal incentives, and suggested that the Government's focus should be on identifying the most efficient forms of incentives so as not to compromise spending for priority areas.
- EU viewed this year's PDF as very constructive, frank and forward-looking, and commended the participants for the quality of ideas and interventions during the meeting. It particularly appreciated the report on creating more opportunities for inclusive growth. It also underscored the importance of discussing problems and developments in Mindanao and cited the need to provide education and other social services in the region.
- Land Bank of the Philippines (LBP) clarified that there are no restrictions for LGUs in accessing private sector lending. It also said that there are Government depository banks like the LBP, Development Bank of the Philippines and Philippine Veterans Bank that accept LGU deposits, which the banks utilize for credit programs in priority sectors. It stressed that LGUs play a very crucial role in country-side development and outlined LBP's efforts in expanding its credit assistance more to the grassroots level.
- World Bank supported ADB's suggestion for Government to form a working group that would look into the issue of rising rice prices. World Bank said it is currently looking at possible longer term measures in addressing this bottleneck that affects most of the population. It shared that possible measures would be: i) addressing household food insecurity through targeted programs to the most vulnerable sectors; ii) reducing rice

import tariffs and working for the liberalization of rice trade; iii) expanding the fiscal space and improving spending in the agricultural sector; and iv) improving the sustainability of agricultural production to ensure a longer term supply of rice and reduce vulnerabilities in the food sector. World Bank offered to help Government in developing a communication plan to inform the population of the Government's plans to address the rice issue.

- ILO underscored the importance of employment generation and improving household incomes to be able to address poverty. It suggested for the development of a comprehensive employment strategy for creating and generating more sustainable employment for the population.
- UN recognized Government's efforts in implementing programs to achieve the objectives and targets of the MDGs. It assured the Government of its continuing support in accelerating the realization of the MDGs. UN informed the PDF of its initiative to have internal harmonization and reform to be able to respond more effectively to the needs of countries particularly the Philippines. It also endorsed ADB's suggestion to form an inter-agency task force that would look into the rice issue to be able to ensure food security.

66. The Chair noted the various issues and comments raised by the participants. He said Government would review its goals on fiscal consolidation, and study the recommendations in addressing the rice problem particularly the reduction of rice tariffs given its possible implications. On the issue of anti-corruption, the Chair underscored the need for joint cooperation among Government, private sector and civil society in monitoring the revenue agencies. He instructed the Working Group on Fiscal Reforms to consider this in the recommendations.

Closing Session

67. The Co-Chair thanked the Government for the excellent organization of the PDF, and commended Secretary Teves for his strong leadership of and commitment to the PDF process. He made a comprehensive summary of the discussions that transpired, which revolved around the common goal of having sustained growth, inclusive growth and good governance. He reiterated the development partners' recognition of the Government's recent impressive macroeconomic performance. However, he stressed the remaining challenge at hand, which is to ensure that growth is sustained and to make a serious dent in poverty levels to be able to make growth more inclusive.

68. The Co-Chair outlined the important messages that emerged at the Forum. In sustaining growth, the PDF recognized that: i) significant progress has been made in reducing the public debt over the past few years; ii) improving the fiscal position over the longer term requires strengthening tax administration; iii) there is a need to further develop the country's capital markets that would both enable the Government to rely more on domestic financing and provide an alternative investment vehicle for Filipino savers; iv) there is a need to sustain the positive

developments in terms of domestic and foreign investments; and v) accelerating growth in the Philippines would require higher levels of investments in infrastructure.

69. In supporting inclusive growth, Mr. Hoffman raised the following findings: i) there is a consensus in working to make growth in the Philippines more inclusive; ii) poorer households need increased opportunities to participate in and contribute to the growth process; iii) improving incomes also means the need to generate more quality jobs in rural and urban areas; iv) dividends of growth must be used to increase investment in the human capital particularly the poor; v) poorer Filipino families are particularly vulnerable to risks and shocks and that needs to be addressed; and vi) addressing the insecurity and shocks related to conflict is critical to the agenda of reducing poverty and vulnerability in the Philippines.

70. Finally, the Co-Chair summarized the participants' views toward strengthening governance: i) good governance is a foundation for effective management of both economic and social policies that are necessary to make this growth sustainable and inclusive; ii) deepening procurement reform is clearly a priority in improving efficiency and accountability in the use of public money; iii) there is promise in the Government's priority reform agenda for improving expenditure management and the quality of spending; iv) there is an urgent need to control corruption and strengthen the rule of law; v) strengthening governance at the local level is vital to ensure sustainable growth and improve service delivery; and vi) promoting citizen participation in governance, especially at the local level is a good way to enhance transparency and limit the scope for corruption. The Co-Chair concluded by saying that the development partners are ready to support Government's efforts in sustaining and deepening inclusive growth and improving the lives of Filipinos.

71. To formally conclude the PDF, the Chair expressed thanks to the participants for making the 2008 PDF another successful venue for the exchange of views and information that would help refine policies and responses to better achieve the objectives of sustaining strong economic growth and reducing poverty. He recognized the need to work harder and more effectively in sustaining the strong economic performance and to see that this indeed translates into a reduction of the number of Filipinos living below the poverty line. He enjoined everybody's support in helping Government implement the three priority thrusts— economy, education, and environment. Secretary Teves also reiterated commitment to pursue plans in generating more revenues, increase spending on infrastructure and social services, improve resource allocation, attract greater investments, and improve governance and anti-corruption efforts. He looked forward to the next effort and encouraged the stakeholders' continued participation and commitment to the PDF endeavors.

72. A press briefing was held by Secretary Teves, Mr. Hoffman and other Government officials after the closing of the Forum.