



2008 Philippines Development Forum

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RP PARTNERS PRAISE STRONG GROWTH, CALL FOR MORE FOCUS ON POVERTY REDUCTION

Promote Growth that Creates More and Better Jobs, Increases Incomes of Poor Filipinos

CLARK FIELD PAMPANGA, MARCH 27, 2008 – More than 300 representatives from the government, international development community, business groups, and civil society met and concluded today the Philippines Development Forum (PDF) at Clark Field, Pampanga. President Gloria Macapagal Arroyo and Vice President Noli de Castro joined the participants who reviewed the country's progress in achieving broad-based growth and plans to sustain it and make it more inclusive. The theme of the PDF this year is *Accelerating Inclusive Growth and Deepening Fiscal Stability*.

The international development partners congratulated the Philippines for its strong performance in growth, particularly over the past three years which has been faster than any similar period in the past two decades. The country's growth rate of 7.3% in 2007 made the Philippines one of the stronger performers in the Southeast Asia. The remarkable turnaround from only a few years ago was cited as a reflection of the Government's determination to address the country's macroeconomic issues. This commitment to fiscal discipline has maintained market confidence, resulting in lower spreads and significant capital inflows. Average inflation last year was the lowest since the 1980s. And, after several years of expenditure compression, the trend in declining capital expenditures was reversed in 2007 with the general improvement in fiscal balance.

In her keynote address, **President Gloria Macapagal-Arroyo** said, *"We are at a tipping point. I'm confident that the Philippines will tip forward in pursuit of reaching the status of first-world within a generation."* Still, the President promised that the country would stay focused on further economic reforms while providing peace, order and stability. She declared, *"Our last two years will be dedicated to our main objective: Invest, invest, and invest some more in the nation."*

The PDF participants identified three critical challenges:

- Sustaining growth and maintaining fiscal discipline
- Supporting growth that benefits the poor
- Strengthening governance and fighting corruption

Sustain Growth and Maintain Fiscal Discipline

Everyone acknowledged the need for continued vigilance in macroeconomic and fiscal management. Finance Secretary and PDF 2008 Chairperson Margarito Teves identified measures to improve tax collection on a sustainable basis. He emphasized, *"Improvements in the fiscal position provide additional headroom for investments in vital infrastructure and social services."* He also stressed the importance of improving tax

compliance, adding, ***“I would like to focus on an approach this year that sees the successful conviction of cases under the Run After Tax Evaders (RATE) and Run After the Smugglers (RATS) programs.”*** He also said that the Government would establish a joint government-civil society body to monitor tax collection, gather lifestyle and corruption information, and follow up major evasion and smuggling cases.

Improving the investment climate and putting into place critically needed infrastructure were recommended to sustain and accelerate growth, create more jobs, and deliver basic services to a greater number of the poor. While participants noted the significant increase in domestic and foreign investments, the current level remains low compared to similar economies in the region.

Businessman Jaime Augusto Zobel de Ayala, Chair and CEO of Ayala Corporation, shared his views on how to attract more investments. He said, ***“We must build on the fundamental issue of a progressive governance standard. 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 will lead to economic growth.”***

Support Growth that Benefits the Poor

The Government and its partners were concerned that poverty has increased over the past few years and that there is wide regional disparity not only in growth but also in the incidence of poverty. There was also concern about realizing the goal to reduce mortality rate, one of the Millennium Development Goals (MDGs). There was consensus that growth would need to be more inclusive if it were to reduce poverty and sustain development. This means that the benefits of growth need to reach all segments of the population, in all the regions, especially in the rural areas where most of the poor live, and in the conflict-affected areas in Mindanao. It was recognized that reducing poverty will depend on improving agricultural productivity through agricultural diversification, completion of agrarian reform, and strengthened property rights. Targeted programs such as KALAHI-CIDSS have proved effective in delivering essential public services to the poor and can be scaled up.

A related concern was the high population growth rate which has further increased the challenge of achieving broad based growth and poverty reduction. The partners expressed support for policy measures and programs that would improve the incomes of poorer Filipinos, generate better jobs, increase investments in health and education and rural infrastructure. In addition, they highlighted the need to protect the poor who are more prone to damages brought about by natural disasters, climate change, and the current global increase in rice/food prices. Local Government Units (LGUs) were identified as vital important partners in achieving these objectives. Promoting citizen participation in governance, especially at the local level was cited as a good way to enhance transparency and limit the scope for corruption.

Strengthen Governance and Fight Corruption

A number of participants from the private sector and CSOs emphasized that controlling corruption, strengthening the rule of law, and promoting transparency, were important for improving resource allocation. An NGO participant, Fr. Francis Lucas, Chairman of Asian NGO Coalition, reminded the PDF participants of the link between governance and development. He said, ***“Bad governance leads to exclusive growth.”***

The Government, including the President, also recognized the centrality of these issues as a constraint to better use of public funds, and reiterated their commitment to intensify the fight against corruption. The Government presented its priority reform agenda for improving the quality of public spending, which includes,

deepening results-based budgeting through better performance monitoring; development of internal audit and control capacities; harmonization of budgeting, accounting and audit procedures and reporting requirements.

The development partners welcomed the establishment of the Procurement Transparency Group which has strong civil society presence. Promoting citizen participation in public bidding, especially at the local level was identified as a good way to enhance transparency, providing more access to information, and limit the scope for corruption. In this regard, the government's public expenditure management reform needs stronger emphasis on improving efficiency, effectiveness and accountability in budget execution. With increased procurement transparency, opportunities for corruption and mismanagement will be reduced.

The participants linked these good governance measures to sustainable and inclusive growth. In this regard, deepening procurement reform was identified as a priority in improving efficiency and accountability in the use of public money. The partners welcomed the Government's implementation of the procurement law which include the use of electronic procurement and consistent application of open competitive bidding methods. Everyone agreed that there is now a need to institutionalize the Government's successful harmonization of procurement documents and manuals with ODA partners through Implementing Rules and Regulations-B (IRR-B). This will specify the regulatory framework for procurement of all foreign-assisted projects. This will also strengthen the implementation and enforcement of the law, including at the level of local government units. The development partners expressed their appreciation for the Government's proposal to engage them in the formulation of IRR-B.

Many of the international development partners were impressed by the open, free and constructive and substantive discussions among government, development partners, civil society and the private sector. ***“Today, we see the success of the PDF as it continues to stimulate a healthy debate among all sectors of Filipino society and set priorities in the development agenda. We are here as friends of the Philippines, ready to support the efforts of the Government and other partners in sustaining growth and making this matter for poor Filipinos,”*** said Bert Hofman, Co-Chairperson of PDF 2008 and Country Director of World Bank Philippines.

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For further information, please visit www.pdf.ph and www.worldbank.org.ph

The 2008 Philippines Development Forum or PDF 2008, was held on March 26-27, 2008 in Clark, Pampanga, Philippines under the chairmanship of the Government of the Philippines (represented by Finance Secretary Margarito Teves), with the World Bank as co-chair (represented by Philippines Country Director Bert Hofman). The theme for the PDF 2008 was “Accelerating Inclusive Growth and Deepening Fiscal Stability.” The PDF is an interactive and participatory forum where different stakeholders from the national and local governments, civil society, academic, business groups, and the international development community, discuss possible actions and agree on specific outcomes to the main reform challenges of the country. The PDF 2008 was attended by 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. The international organizations which participated in the meeting included the Asian Development Bank, European Commission, International Monetary Fund, various United Nations Agencies and the World Bank Group. The last PDF meeting for the Philippines was held on March 8-9, 2007 in Cebu City, Philippines.