



2011 PHILIPPINES DEVELOPMENT FORUM
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Closing Statement by the Co-Chairperson

Mr. Bert Hofman
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Your Excellency, President Benigno S. Aquino III
Honorable Chairman, Secretary Cesar Purisima
Honorable National and Local Government Officials
Honorable Ambassadors and Representatives from the International Development Community
Distinguished Representatives from the Private Sector and Civil Society
Ladies and Gentlemen

Introduction

Your presence, Mr. President, is a great honor.

Let me begin by thanking everyone for the valuable contributions during this day of productive discussions at the 2011 Philippines Development Forum. Today's discussions were marked by a high level of trust, optimism, and excitement about the Philippines Development Plan. On behalf of the international development partners, I wish to express our most sincere appreciation to the Government of the Philippines, particularly the Department of Finance, for its impeccable organization of this event, and to Secretary Purisima personally for his leadership of the Philippines Development Forum. I would like to acknowledge the participation and commitment of many Cabinet representatives, other members of the Government, and representatives of the private sector, civil society and academia.

This closing statement will highlight some of the key themes of today's discussion. Because of the time constraint, it can neither pretend to be comprehensive, nor to have been fully consulted with the development partners on whose behalf I speak. But I am confident that it captures many, though perhaps not all, the messages shared by the partners. I am sure, that all of us now have a better understanding of the Philippines Development Plan for the period 2011-2016, which provides us the framework that will guide us in designing our respective programs of assistance. I also hope that you all share my confidence that, with effective implementation of the Plan and adequate support, the Government of the Philippines will be able to sustain high levels of growth and reduce poverty.

Overview of the Philippines Development Plan

The overall theme of today's meeting was the implementation of President Aquino's Social Contract to achieve inclusive growth and poverty reduction – the theme of the new 2011-2016 Philippines Development Plan (PDP). To start the discussion on this theme, Secretary Paderanga presented the overall development framework enshrined in the PDP. The PDP includes actions that support three strategic objectives: *first*, attaining a high and sustained rate of economic growth that provides productive employment opportunities, *second*, equalizing access to development opportunities for all Filipinos, and *third*, implementing effective and responsive social safety nets to protect and enable those who do not have the capability to participate in the economic growth process.

An overarching challenge in the pursuit of development in the Philippines is to improve governance, which has been recognized as an important constraint on sustained growth and poverty reduction. To achieve sustained and high growth, the draft PDP calls for a stable macroeconomic environment, increased infrastructure investment and competitiveness, and improved governance. To enable broad-based access to development opportunities, the draft plan calls for increased investment in human capital (education and health) and improved access to infrastructure, credit, land, and other assets. For effective social protection, the draft plan lays out the needs for developing effective and responsive safety nets.

Development partners welcomed President Aquino's Social Contract as the guiding framework for the Philippine Development Plan and noted that the 16 points in the Contract, which form the core of the President's vision for the country, go to the heart of the many challenges that the Philippines confronts in returning to a positive development trajectory. The partners congratulated the Government for the positive and early reform measures that seek to deliver against this social contract. Development partners also recognized the importance of the PDP as a framework that would allow them to align their actions and programs with government policies and programs with clear leadership and ownership by the Government. Some development partners also welcomed the introduction of a human rights based approach to planning and programming, in which the Philippines is a global pioneer.

Development partners acknowledged the clear commitment on the part of the Government to achieving economic growth that is socially inclusive. They also expressed concerns about the fact that the poverty situation has not improved despite the growth acceleration over the last decade, and encouraged the Government to increase its efforts to achieve the MDGs.

Highlights of Discussion in the Cluster on Governance and Security

To improve governance, the PDP seeks to promote sound and consistent public policies, while enforcing the rule of law. It places great importance on improving the efficiency, transparency and accountability of public finances, while also raising the efficiency of public investment programming processes. It also aims to ensure equal justice for the rich and poor

through reforms of the Judiciary and Criminal Justice System, as well as to reinforce the peace efforts in Mindanao.

The discussion in the governance cluster highlighted the importance of improving governance and the rule of law to increase the effectiveness of public sector infrastructure investment and enhance citizens' access to public services, resulting in the generation of inclusive growth and poverty reduction. In his presentation, Secretary Abad talked about the "need for daylight in governance", about achieving peace and development in Mindanao, reforming the security sector, national and local policy on transparency, leveraging information technology, re-building people's trust in Government through rule of law and good public financial management, strengthening democratic institutions through "open" governance by, among others, capacitating CSOs to engage more in a dialogue with the Government on policies and resource allocation.

Development partners commended the Government for the honest and detailed analyses of current problems, and emphasized the importance of strengthening capacity for implementation at each level of government, including local government. They welcomed the initial steps taken as part of the 2011 budget and the Public Financial Management Roadmap to improve the efficiency, transparency and accountability of public finances. Development partners also noted that Local Government Units should also be encouraged, through the Performance Challenge Fund and similar mechanisms, to make public financial management processes open, transparent and consultative. Development partners also welcomed the efforts to tackle corruption and encouraged the Government to send strong signals by taking legal actions against graft and fraud, and systematically addressing the vulnerabilities in government departments. CSO representatives acknowledged the greater space for civil society involvement and emphasized the need to focus on asset reform, greater access to information, better mechanisms for coordinating anticorruption programs, and development of the poorest areas of Mindanao.

Development partners appreciated the attention given in the PDP to the situation in Muslim Mindanao and other conflict-affected areas, and in particular to addressing the issues in a comprehensive and inclusive manner. In this context, development partners welcomed the resumption of the peace negotiations and reconfirmed their commitment to support the Philippines in this important process. Development partners noted the importance of providing sustainable livelihood and supporting economic integration of conflict-affected areas with centers of growth as some of the critical elements of sustaining peace in Mindanao which at the same time contribute to inclusive growth. They also noted the need for forward planning to deliver a rapid peace dividend in case of a political settlement of ongoing conflicts. Establishing a Mindanao Development Forum was proposed. Along this line a technical working group shall be convened.

Highlights of Discussion in the Cluster on Human Development

To equalize access to development opportunities, the PDP focuses both on developing the human capital of the poor in order to enable them to take better advantage of emerging income-earning opportunities, and on reducing barriers to access to land, credit, technology and infrastructure services. Human capital development will be promoted through increased public investment in more and better education services, as well as on improving public health, nutrition and other basic social services. To put in place effective social safety nets, the PDP focuses on expanding the coverage of social protection mechanisms that have proven effective and responsive, such as the conditional cash transfer program (4Ps), expanding the public health insurance program for the poor, and an improved targeting of public expenditures. Looking toward the longer term, it also emphasizes the need to strengthen disaster risk and climate change management.

The discussion in the human development cluster focused on the proposed strategies and actions in health, education (including culture and indigenous people), decent and productive employment, housing and urban development, convergence of social protection programs, asset reform, climate change adaptation and disaster risk management. Secretary Soliman noted the good progress in some MDG targets but also the slow progress in attaining the MDGs of universal primary education, improving maternal health, and combating pandemic diseases. She also pointed to the large discrepancies across regions in achieving the MDGs, and presented specific sub-sectoral targets and policies for achieving them. Secretary Soliman acknowledged the increase of social development expenditures, while also noting the need to augment resources further and to adopt measures promoting responsible parenthood in light of the rapid population growth. She presented a comprehensive reform agenda and specific actions for its implementation through the convergence of direct assistance, community-driven development, asset reform, and other areas of convergence.

During the discussions on human development, the development partners expressed support for Government efforts to fast-track the implementation of the Universal Healthcare (UHC) as part of the commitment to the MDGs, implement the school-based management system to improve retention and participation rates of students and quality of education, and ensure the empowerment and protection of the poor, vulnerable and disadvantaged individuals from all types of risks through the proposed convergence framework. Development partners welcomed the Government's plan to extend the basic education cycle from 10 to 12 years and noted that the transition will require careful planning for implementation. They also commended the Government for the priority given to the conditional cash transfers program, which has been placed at the heart of social protection policy.

Several development partners underscored the importance of universal access to reproductive health, including family planning, to enable men and women to space births and achieve desired family size, given that the population of the Philippines will double in the next 33 years. Development partners also noted that inclusive development can only be attained with gender equality and the economic, social and political empowerment of women. This should be

reflected in the mainstreaming of gender issues in all public and social policies and the development of indicators and actions across all sectors, programs and projects.

Given the country's high vulnerability to climate change, participants recommended that development planning needs to be clearly linked to strategies and action in support of climate change adaptation and mitigation in order to enhance the resilience of ecosystems and livelihoods, especially of the poor. Environmental mainstreaming, including the sustainable management of natural resources, should be applied to all development policies. CSO representatives noted that addressing climate change needs active citizen participation and should also focus on ensuring the needs and welfare of the next generation.

Overall, development partners commended the Government for the commitment to pursue gender responsive governance, mainstream climate change adaptation and disaster risk reduction, strengthen public-private sector partnerships, and encourage volunteerism to increase the buy-in of local stakeholders in the social protection programs, thus contributing to achieving the MDGs.

Highlights of Discussion in the Cluster on Economy

To achieve the objective of high sustained growth, the PDP focuses on maintaining a stable macroeconomic environment, increasing public investment and improving competitiveness, while strengthening institutions to promote competition. In regard to maintaining a stable macro environment, the PDP stresses the Government's commitment to fiscal consolidation, low and stable inflation, a reduction in external vulnerabilities, and a strengthening of the financial system through adequate capitalization, supervision, and market discipline. To promote public infrastructure development, the PDP emphasizes the development of strategic public-private partnerships (PPPs) and improvements in the investment climate for the private sector.

The discussion on the economic cluster focused on the challenges and proposed strategies for macroeconomic management and the economic sectors. Secretary Purisima presented the Aquino Administration's priority thrusts of (i) ensuring fiscal sustainability by enforcing good governance principles in budget preparation, aligning spending with strategic priorities, hands-on approach to increasing tax revenues, maintaining a manageable deficit, reducing debt, and improving the domestic debt profile, (ii) improving competitiveness by strengthening institutions, leveling the playing field, and improving the enabling business environment, and (iii) pursuing public-private partnerships (PPPs) in the ten priority programs and by mainstreaming access to reliable energy services. The discussion touched upon the themes of competitiveness and sustainability, particularly within the regional context and with an outward-looking stance.

The PDF Working Group on economic and fiscal reforms noted that the Philippine economy is poised at a key moment as the strong recovery from the global downturn and positive sentiment in the country provide a window of opportunity for moving ahead decisively with reforms to raise inclusive growth. The economic recovery has become well established in the

Philippines and the East Asia region, and macroeconomic conditions are generally favorable. Notwithstanding the external risks, the economic outlook for the Philippines remains generally positive. Development partners commended the Government on its skillful economic management and noted that impressive economic growth and macro-economic stability helps in strengthening confidence in the Philippines. Sustaining the recovery and enhancing the prospects for stronger and more inclusive medium-term growth are key policy challenges for the Philippines. Doing so will require preserving macroeconomic stability by carefully managing the exit from stimulus policies in a complicated external environment, while moving ahead with reforms to enhance the pace and quality of growth.

The participants considered the Government's focus on medium-term fiscal consolidation appropriate, given the need to create more fiscal space, which will strengthen the ability of the budget to respond effectively to future shocks. On the expenditure side, development partners commended the Government for the quality and timeliness of the 2011 budget and its expenditure priorities. These priorities appropriately reorients spending toward sectors that support inclusive long-term growth and sends an unambiguous signal that this Government is committed to being prudent, transparent and performance-oriented. In order to achieve fiscal consolidation and scale up priority spending it will be essential to raise the tax effort. In this context, the Government's intention to strengthen tax administration is deemed appropriate. The participants acknowledged the PDP targets of a revenue-to-GDP ratio of 19.6 percent by 2016 and reduced deficit and debt levels to at most 2 percent and below 50 percent respectively. To deliver on these targets, while reducing corruption and improving equity, both tax policy measures and in-depth tax administration reform will be required in the medium term.

The Government recognized that improvement in the investment climate is critical to sustain macroeconomic stability but also to drive growth, create jobs, and attract foreign and domestic investment. Government coordination via an MOU between DTI and DILG led to the development of streamlined business registration standards that are beginning to be adopted by LGUs. A program to rollout these standards is underway and is expected to support streamlining in many LGUs by the end of the year. At the national level, the Philippine Business Registry is the cornerstone to national level business registration reform. These streamlining efforts are expected to positively impact SMEs and attract investment. Development Partners applauded the Government's recognition of the importance of the investment climate but urged adoption of even greater investment climate development goals. They also suggested that the Government undertake process re-engineering and automation to ensure transparency, predictability and consistency in decisions.

The development partners supported the authorities' plans to reform the operations of GOCCs and noted that the rice and transport subsidies provided by public enterprises could instead be used to scale up targeted conditional cash transfer programs that can directly benefit the most vulnerable people. The development partners also commended the Government for the initiatives to strengthen the fiscal framework through the proposed Fiscal Responsibility Law and the recent Fiscal Risk Statement. They pledged support for the authorities' ongoing efforts to strengthen public financial management, as formulated in the PFM roadmap, and welcomed the authorities' attention to contingent liabilities and the implementation of a proactive debt

management strategy to reduce the debt burden and foreign currency exposure while deepening the market for longer-dated peso securities to finance infrastructure projects.

Development partners welcomed the Government's Public-Private Partnership (PPP) agenda as an effective means to provide urgently needed infrastructure and pledged their support for strengthening the Government's capacity to successfully promote, develop and manage PPPs. Development partners also expressed support for the aspirations of the PDP to promote job creation and economic growth, in particular with regard to improving the investment climate and transparency of public tenders. They also noted that, in order to mobilize financial resources from the private sector and to attract more investment to the Philippines, it is essential that the business environment be substantially improved, and that the strong commitment shown in this regard is translated into concrete measures that are steadily and consistently implemented on the ground. The Joint Foreign Chamber underscored the importance of setting higher targets for foreign direct investments and exports to support growth.

In addition, it was noted that development of micro, small and medium enterprises that make up the vast majority of businesses in the Philippines should remain a priority to broaden the industrial base and promote entrepreneurship. Continued attention to increase competitiveness through improved regulatory conditions, better access to finance, better access to markets and increased productivity and efficiency will significantly improve the business climate and generate increased job opportunities. Legal and regulatory changes are needed in areas such as anticompetitive practices, impediments to labor mobility and restrictions on foreign ownership. Participants also noted that the globalization of trade and commerce has expanded the role of local government units in promoting national competitiveness and the need to provide a consistent and predictable policy environment for investments, which requires greater harmonization between national government and LGUs in investment policies, initiatives, and investment planning.

Development partners also noted that achieving food security will remain a challenge in the years ahead and indicated support for the agriculture, agribusiness, and food security reforms that the Government is undertaking. They applauded the government's intentions to close the agribusiness infrastructure gap through PPPs.

Strengthening Partnerships

Development partners welcomed the openness of the Government and the efforts to pursue partnerships for a brighter future for the Philippines. Development partners see the President's contract with the people not only as a way forward but also as a basis for a transformative partnership by which government and civil society can work collaboratively to move the country forward. Academe is well positioned to provide policy advice, the business community can share the burden and opportunities in infrastructure and service delivery, and civil society can play an integral role to ensure transparency and effectiveness in government programs. Development partners look forward to participating actively in the work of the PDF working groups and encouraged the PDF organizers to develop a detailed overall work plan that

would provide a basis for the working groups and development partners to take forward their work in a coordinated manner.

Next Steps

Development partners support the Government's desire to pursue the dialogue initiated by this meeting through a restructured and revitalized working group setup. We look forward to discussing with the Government in the next month or so how best to ensure the effectiveness of the working group setup along the lines of the Government cluster structure. The expected outcomes of the new working group structure are an even better alignment of our support behind the program of the government and closer coordination of our assistance under the guidance of the Government, so that we can be as effective as possible in achieving results together.

As in prior PDF events, the Secretariat will be preparing a report with complete proceedings of the day. This report will benefit from feedback, comments, and input from participants in the PDF, and will become the official record of the 2011 PDF.

Summary/Closing

In summary, Mr. President, the Government has laid out clear plans for implementing the Social Contract with the Filipino People. With the implementation of these plans, we can look forward to the next PDF, where we hope to report that jobs have been created, income has risen, poverty has fallen, investments have gone up, several PPP projects have been successfully bid out, and so on. On behalf of the development partners, I would like to assure you of our strong support for the implementation of the Social Contract with the Filipino people and the Philippines Development Plan for the period 2011-2016 that would lead to achieving these outcomes.

As I said in my opening remarks, the PDF sends an important signal not only to the development partners in the country but also to the global community. At this moment, I feel honored to be the conveyor of this signal by recognizing the spirit of partnership that underlies the PDF. This PDF has made this spirit of partnership even stronger. I am sure we all join Secretary Soliman in her hope that *"...we can turn the PDF into a platform for unity where strong partnerships can make human development a reality for each Filipino."*

Maraming Salamat po and Mabuhay!