



**2011 PHILIPPINES DEVELOPMENT FORUM**  
**February 26, 2011**  
**Sofitel Philippine Plaza, Pasay City**

**REPORT OF PROCEEDINGS BY THE CHAIRMAN**

Introduction

1. The 2011 Philippines Development Forum (PDF) was held in Sofitel Philippine Plaza, Pasay City, Philippines on February 26, 2011. The PDF is a multi-stakeholder forum that facilitates substantive policy dialogue on the country's development agenda among participants from national and local government units, civil society, academia, private sector, and the international development partners.
2. As in past PDFs, the Government of the Philippines, led by the Department of Finance, organized and chaired the 2011 PDF. Finance Secretary Cesar Purisima served as the Chair of the meeting. The World Bank, represented by World Bank Country Director for the Philippines, Mr. Bert Hofman, served as Co-Chair and co-organizer for the meeting. President Simeon Benigno Aquino III delivered the closing remarks. Government representatives at the meeting included Cabinet secretaries and other high-level officials from various Government agencies. Twenty delegations from multilateral and bilateral partners and agencies were represented. Representatives from a variety of national and international CSOs, private sector, chambers of commerce, and other branches of Government attended. In total, more than 300 participants attended.
3. Similar to previous PDFs, the meeting did not include a pledging session. Being the first PDF under the Aquino administration, the meeting focused on presentations of and discussions on the new Philippine Development Plan (PDP) covering 2011-2016 and Government's priorities. The 2011 PDF also set the stage for aligning of the PDF working groups with the new Cabinet cluster setup.
4. The theme of the 2011 PDF was "*Implementing President Aquino's Social Contract to Achieve Inclusive Growth*" as operationalized in the PDP. National Economic Development Authority Secretary Cayetano Paderanga Jr. presented the key strategies outlined in the PDP.
5. After an overview session by Secretary Paderanga, specific presentations were made by representatives from each of three cabinet clusters: i) Governance and Security presented by Department of Budget and Management Secretary Florencio Abad; ii) Human Development presented by Department of Social Welfare and Development Secretary Corazon Soliman; and iii) Economy presented by Department of Finance Secretary Cesar Purisima. An open forum followed after each discussion to allow government, development partners, CSOs and other delegations to provide comments.

Opening Session

6. The PDF's Chair, Finance Secretary Cesar Purisma opened the Forum by welcoming the participants and expressed his appreciation to the development community for spending their weekend to discuss how to work together in pursuing the Aquino administration's Social Contract with the Filipino people.

7. Secretary Purisima reported that the country's economic performance was off to a good start with a GDP growth of 7% in 2010, the highest in over two decades. However, Secretary Purisima identified three key challenges that the Government faces in order to fulfill the social contract: i) fiscal sustainability; ii) ensuring high and economic social growth; and iii) eliminating corruption.
8. Secretary Purisima called on: i) the continued support of development partners specifically in pushing forward PPP projects to improve infrastructure; ii) the legislators to pass the necessary bills to fulfill the Social Contract; and iii) the constant vigilance and involvement of civil society and other stakeholders. He then invited the Co-Chair, World Bank Country Director Bert Hofman, to deliver his opening statement.

#### Opening Statement by the Co-Chairperson

9. Mr. Hofman welcomed the participants and thanked everyone for coming to the PDF. He noted that while the Philippines is off to a good start with record growth in 2010, sustaining it in the long term remains a key challenge. He hoped that there would be the opportunities during the forum to discuss risks to growth given that the Philippine is now operating in a post-crisis global economy.
10. Mr. Hofman raised two important points. He noted that the first PDF under the new administration can be used to review the structure of the PDF working groups and consider realigning the PDF Working Groups according to the cabinet clusters of the new administration. He also noted that the ambitious programs proposed by Government should be matched with equally ambitious targets of support by the development partners.

#### Presentation on the Overall Development Framework: Philippine Development Plan by Honorable Cayetano Paderanga Jr., Secretary, National Economic Development Authority

11. Secretary Paderanga outlined key strategies in the PDP covering the period of 2011-2016. He provided an overview of the economic performance of the country which had been lagging behind other Asian countries. He noted that growth was not inclusive because it failed to create enough jobs and reduce poverty among the Filipinos. He further outlined the deterrents to inclusive growth which include inadequate investment; jobless growth; inadequate levels of human development; and low gains from trade.
12. He emphasized that the Aquino administration envisions a country that has achieved inclusive growth which is characterized as high, sustained and broad-based, as enunciated in the 16-point agenda of President Aquino's Social Contract to the People.
13. Secretary Paderanga identified three broad strategies to achieve inclusive growth. The first is to attain high and sustained economic growth to provide productive and employment opportunities. He noted that Government has set a higher annual growth target of 7 to 8%. The second strategy is to equalize access to development opportunities across geographic areas and across different income and social spectrum. This strategy entails improved delivery of basic social services; providing equal access to infrastructure, credit and productive inputs; and unbiased and policies that promote good governance and strengthen institutions. The third strategy is to implement effective and responsive social safety nets to catch those who are left behind by the character of a high sustained growth.
14. Secretary Paderanga enumerated the ten chapters in the PDP and identified key programs and strategies of the plan: i) boosting industry competitiveness to generate more employment; ii)

improving access to financing; iii) massive investment in physical infrastructure; and iv) improved social services.

#### Comments from Development Partners and Other Participants

15. After the presentations, the Co-Chair invited the participants to share their comments on the key issues discussed, particularly on the PDP. Comments are summarized as follows:

- Finance Secretary Purisima noted that the Social Contract is also considerate of the rapidly changing global environment such as the increase in globalization and rapid blurring of national economic boundaries; the transition from developed economies to emerging markets; and the transition to a more integrated ASEAN. He hoped that with the help of development partners, “islands of excellence” would be created within the Philippines in governance, education, public health and other areas.
- Japan expressed its strong support towards the Government’s major policy agenda in fighting corruption; promoting sustainable economic growth; improving the living conditions of the underprivileged; and peace, stability and development in Mindanao. In terms of achieving sustainable economic growth, it highlighted the need for improving infrastructure and looked forward to see more details on the PPP projects in the Philippines. Moreover, Japan expressed its willingness to extend its technical cooperation for institution building and human resource development.
- The US Government welcomed the opportunity to work with the Government in implementing its social contract with the Filipino people. It congratulated the Government for a well thought-out plan and agreed with the focus on promoting broad-based and economic growth. It noted that the PDP would be the basis of developing their framework of development assistance to the Philippines as well as the basis for its collaboration with other donors.
- Secretary Paderanga assured the development partners that the Government has started to implement the strategies and key programs stated in the PDP. He said that the Department of Trade and Industry and the Department of Interior and Local Government have started to speed up and simplify business registration and cut down the red tape in administrative procedures. He also thanked the US government for supporting efforts to support the underprivileged in several provinces and for supporting the PDP.
- The UN commended the Philippine government for its genuine commitment to fighting poverty, and was very pleased to see the mainstreaming of the Human Rights Based Approach in the PDP. It highlighted a few considerations for the PDP among which is the need for a national comprehensive Reproductive Health Policy, issues on food security, and the limited access of Indigenous Peoples to social services. In adherence to the Paris Declaration principles, it noted that the 3<sup>rd</sup> UN Development Assistance Framework covering the period of 2012-2018 would be fully aligned with the PDP.
- Secretary Paderanga thanked the UN for its support to the PDP and assured the development partners that a comprehensive health policy remains an important part of the Government’s program. He noted that the Government has a program to support the informed choice of couples on the number and spacing of children.

- Secretary Soliman informed the group that the Department of Social Welfare and Development has been in continuous dialogue with the Catholic Bishops Conference of the Philippines (CBCP), other faith-based organizations, as well as other stakeholders to come up with a consensus on the reproductive health issues of the country. She reiterated that the President would like to follow the constitution to respect the freedom of couples to choose, and emphasized that there was no intention from the Executive at this point to apply an imposition on the number of children and/or the choice of method.
- IMF agreed with the Government's focus on medium-term fiscal consolidation to create fiscal space and strengthen the ability of the budget to effectively respond to future shocks. It also mentioned the need to raise the tax efforts not just for fiscal consolidation but also to finance all the priorities in the PDP. It welcomed the Government's initiative to strengthen the fiscal framework and its implementation of a proactive tax management strategy. The IMF supported the Government's 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 the CCT programs that directly benefit the poor. In closing, IMF reiterated its support to the administration's reform agenda through strengthening the Government's tax revenue cash management system and banking supervision.
- Secretary Paderanga acknowledged IMF's comment to enlarge fiscal space but explained that the President had issued instructions to focus efforts on strengthening the administration and collection machinery as well as plugging the leaks to get a clearer picture of the fiscal situation of the country. He also noted the very strong program on the rationalization of tax incentives, including subsidies.
- Senator Drilon provided an update on the GOCC Governance Act which is scheduled to be passed by the Senate in the next three weeks. Through this Act, a tighter oversight function would be put into place through a Governance Council which would closely monitor GOCC operations, review the relevance of each agency, and pursue the policy on privatization.
- The Philippine Center for Rural Development Studies commented on the absence of Asset Reform in Secretary Paderanga's presentation. It also proposed to examine the Food Security Program given the massive budget reduction for Agriculture in the proposed budget.
- Secretary Paderanga noted that they have an active program on Asset Reform and since it was considered an ongoing project, it was not mentioned anymore during the presentation. Secretary Soliman added that Asset Reform is one of the key strategies that would be discussed today during the presentation of the Human Development Cluster. Secretary Abad said that despite the serious leakages that led to the budget reduction for Agriculture, this sector remains to be one of the key investment areas under the Aquino administration.
- China noted Secretary Paderanga's impressive presentation on the PDP and congratulated the Government in the successful formulation of the PDP. It expressed its commitment to advance the country's bilateral trade to bring investment and economic cooperation in various forms. It also expressed its support to the PPP programs and looked forward to the planned roadshow in China led by Secretary Purisima scheduled in March or April 2011.
- Secretary Purisima thanked China for its active bilateral partnership with the Philippines and expressed his willingness to continue the collaboration with China especially in terms of infrastructure development.

- Canada strongly supported the work being done among LGUs and highlighted the importance of using local economic development as an entry point to improved governance. It also expressed willingness to improve the Government's capacity to promote, develop and manage PPPs and emphasized the need for good governance for the successful implementation of the projects.
- Secretary Robredo thanked the development partners for their various contributions toward empowering local government. He was pleased to report that they have introduced a seal of good housekeeping among LGUs to promote good governance. In addition to this, they have also established a Performance Challenge Fund and a local management performance scorecard to encourage LGUs to be more performance-driven in their development activities.
- ADB praised the efforts of government to gain public trust by providing a clear link among the President's Social Contract with the Filipino people, the PDP, and the budget through a development framework. It noted that despite the country's efforts to address issues on industrial development, there is still a need to develop a more robust manufacturing industry for job generation that would eventually help reduce poverty. It also noted that this year, ADB is supporting a study on structural transformation to explain why some countries have been more successful in reducing poverty and creating greater productivity growth. In closing, ADB assured the Government that its new Country Partnership Strategy would be fully aligned with the PDP.
- Korea welcomed the Government's initiative toward infrastructure development and expressed its willingness to support the Philippines in this area through ODA and private sector investment for infrastructure in transportation, energy and agriculture. It also announced that there would be a PPP roadshow in Korea in May 2011. Korea informed the group that the new Country Partnership Strategy for the Philippines would be completed by the second half of 2011 which would take in full consideration the development goals and priorities of the PDP.
- New Zealand provided comments based on realigning its ODA to a more ASEAN-centered orientation. In this regard, some of the programs in its development strategy include: the development of a sustainable dairy industry; increased supervision in New Zealand scholarships; and disaster risk management.
- Australia welcomed the quality of the Aquino administration's first budget and congratulated the legislature for its timely passage. It commended the Government's efforts in economic management and noted that achieving a target of 7-8% GDP growth over consecutive years would require the development of promising sectors, such as tourism and mining. It also welcomed the Government's efforts to provide a pathway out of poverty by investing in education and emphasizing the delivery of quality education. It noted that the challenges faced by the country are immense but surmountable especially with the strong collaboration among the Government, development partners, the private sector, civil society and the academe.
- The Philippine Council for Islam and Democracy noted that it would be useful to focus on Muslim Mindanao where the poorest of the poor are mostly located. It requested Government leaders and development partners to have a statement that would highlight Muslim Mindanao and noted that unless the issues mentioned are not properly addressed, Mindanao would be a drag instead of a support to the growth that the country is trying to achieve.

- The World Bank Group welcomed the Aquino Administration's efforts to promote inclusive growth and poverty reduction under the climate of good governance. It noted that the WBG Country Assistance Strategy for the Philippines, with its focus on growth that works for the poor, is consistent with thrusts and priorities of the PDP. It commended Government's efforts in improving public financial management, sustainable and peace development in Mindanao, and better delivery of social services to the poor in terms of health, education and social protection. It also raised concerns on revenue mobilization specifically the need to eventually increase or introduce new taxes. Along with other development partners, it welcomed the Government's PPP agenda and noted that the success of the PPP agenda would be the development of a pipeline of bankable projects. Lastly, the WBG also raised concerns on issues on food security and increasing the government's capacity to provide better, more frequent poverty statistics.
- The EU welcomed the PDP as an overall strategy for poverty reduction and the achievement of the MDGs. It noted that the PDP's period of implementation would cover the MDG deadline and hoped that the plan would include a basis for achieving the MDG target outcomes, especially MDGs 4 and 5. The EU highlighted the role of local government in implementing the Social Contract at the grassroots level through performance-based grants, and to make budgeting processes more transparent. The EU also supported specific programs under the PDP such as: the conditional cash transfer (CCT) program; MSME development; and climate change adaptation and mitigation. It also welcomed the Government's resumption of the peace talks in Mindanao. In closing, the EU encouraged the organizers of the PDF to have a detailed overall workplan based on the PDP which would facilitate better coordination among the development partners.

Session II: Presentation on Priority Programs under the Cluster on Governance and Security by Honorable Florencio Abad, Secretary, Department of Budget and Management

16. Secretary Abad focused his presentation on how the Aquino Administration promotes good governance, transparency, accountability under the theme of Inclusive Growth through the Principles of Daylight. He highlighted that good governance is at the very core of the President's Social Contract and is necessary to ensure the success of the country's human and economic development goals.
17. Secretary Abad identified specific areas where governance plays a crucial role such as in addressing the long standing problems in Mindanao, the Peace Process, and Security Sector Reform. Secretary Abad emphasized that the Government intends to shine "daylight" in governance through transparency in all dealings, actions and decisions in Government. This would be operationalized in terms of: encouraging full transparency and close monitoring among LGUs; making use of information technology to monitor public funds such as the E-Procurement system; and the proposed Government Integrated Financial Management Information System.
18. In line with the Government's anti-corruption efforts, Secretary Abad emphasized demanding full accountability among government officials specifically by putting closure to high-profile cases of corruption. He also indicated the need to establish a culture of accountability within government through an improved public financial management system as operationalized in the Public Financial Management Reform Roadmap. In closing, Secretary Abad encouraged the active participation of civil society and other stakeholders in government processes in budget, procurement and monitoring and evaluation of projects.

## Comments from Development Partners and Other Participants

19. After Secretary Abad's presentation, the Co-Chair invited the participants to share their comments on the key issues discussed, particularly in the Governance and Security Sector. Comments are summarized as follows:

- On behalf of the Governance and Anti-Corruption Working Group, ADB provided specific comments on strengthening the rule of law, public financial management and procurement systems. The Working Group lauded the country's efforts to create a Public Financial Management Roadmap that required inter-agency coordination between DBM, COA and the Bureau of Treasury. It also expressed support to the proposed amendment of the Government Procurement Act, and noted that it would like to see the use of the Country Procurement System in foreign-funded projects. Lastly, the group emphasized the need to improve the cumbersome procedures of the justice system and the high cost of litigation which are mostly felt by the poor.
- Japan recognized the importance of having good coordination between the cabinet cluster and development partners and noted that Japan has been convening the Infrastructure Working Group with NEDA. It emphasized that infrastructure development should remain an important and explicit issue in the PDF discussions.
- CODE NGO appreciated the massive shift under the Aquino administration in terms of heightened people's participation. However, it raised concerns on the lack of an overall framework and coordinating mechanism on the Government's anti-corruption efforts. It also inquired on the status of the Truth Commission which was left pending at the Supreme Court.
- Senator Drilon noted that the recent investigations on the conversion of funds in the military have exposed serious gaps in budget management. He also proposed to review the Ombudsman Charter as well as the Anti-Money Laundering Act. He also informed the group of a law to be presented in Senate that would provide active participation of CSOs on the budget process.
- Secretary Abad acknowledged the active involvement of DOF and COA in the creation of the Public Financial Management Roadmap and encouraged support from the development partners to accelerate the process of this roadmap. On Japan's comment on infrastructure development, he noted that the core of the PPP program is on infrastructure projects. On the matter of coordination of anti-poverty efforts, he explained that the Office of the President is the key office in charge of the anti-poverty program in the country and that there is a proposed Integrity Council which would be under the Presidential Management Staff. He also noted that there are ongoing discussions with development partners on how to tighten treasury management in the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP).
- A representative from the Department of Justice informed the group that their agency has developed a DOJ Development Agenda 2011 to really bring justice down to the grassroots level. It also noted that there is a team already working on the issue related to the Truth Commission.
- The Transparency and Accountability Network (TAN) supported CODE NGO's earlier statement on the need to have an overarching strategy on anti-corruption efforts as well a

formal mechanism for CSO participation. It also inquired about the status of the Freedom of Information Act which, according to TAN, seemed to have fallen off the cracks. It also hoped that the President can clearly define the process in appointing persons to key government posts.

- The World Bank Group expressed strong support in providing incentives for local government and assured the Government that it would align its program to the Performance Challenge Fund for LGUs. It acknowledged the efforts for Mindanao 2020 and the PAMANA Program as the guiding framework for conflict-affected areas in the country. The WBG noted how the PDF mechanism can be used to develop plans in case a peace agreement with the MILF, CPP-NPA or NDF is reached.
- Australia noted specific features of the PFM Roadmap: it presents a reality that the Philippine PFM is cumbersome; it goes back to the basics in terms of addressing the weaknesses of existing systems before pursuing more complicated problems; and it requires the coordination of all the concerned agencies. It commended the Government's strong stance in fighting corruption and welcomed the initiative to involve CSOs in the process. However, it emphasized that CSOs must also be held accountable in the same manner as government agencies especially regarding performance audits. Australia also expressed its willingness to help in the Mindanao 2020 Agenda and inquired how the PNP can play a more active role in conflict-affected areas in Mindanao instead of heavily relying on the AFP. In closing, Australia called on the development partners for a harmonized approach in addressing the issues surrounding Mindanao.
- Spain welcomed the Government's efforts in improving transparency in government transactions; promoting PPPs for a better business environment; and engaging CSOs and instilling accountability mechanisms at the local level. It assured the Government that Spain's new country program would also be aligned with the PDP.
- Secretary Abad responded to the issue regarding the Freedom of Information Act (FOI) and reiterated the Government's strong commitment toward having an FOI Act in place that would serve as the backbone for all governance initiatives. He informed the body that the technical working group has already met to discuss the next steps and that the Government is working on its own version of the FOI Act based on the version which failed to get ratified in Congress. On the matter of securing Presidential Appointments, Secretary Abad assured the group that there is a rigorous and intense process to carefully vet for the candidates especially for key positions in COA, CSC and COMELEC.
- MinDA proposed a Mindanao Development Forum to have more in-depth discussions on how to address the problems in Mindanao, and to convene a Technical Working Group to undertake the planning process.
- OPPAP provided an update on the peace negotiation efforts of the agency. It also highlighted the need to put equal emphasis on conflict-affected areas outside Mindanao. OPPAP was happy to report the formal resumption of peace talks with the Moro Islamic Liberation Front (MILF) in Kuala Lumpur and with the National Democratic Front in Oslo. It also mentioned continuing discussions with the Moro National Liberation Front (MNLF) regarding the fiscal arrangements in the Autonomous Region as well as the establishment of a Bangsamoro Development Fund.

- Secretary Robredo informed the group that together with the PNP and the AFP, an integrated security plan will be put in place for Mindanao as well as for the whole country. He also emphasized the need for LGUs to be held more accountable in managing the peace situation and not just to solely rely on the AFP.
- Secretary Paderanga noted that the discussion on infrastructure can be further discussed with the NEDA Board Infrastructure Committee.

Presentation on Priority Programs under the Cluster on Human Development by Honorable Corazon Soliman, Secretary, Department of Social Welfare and Development

20. Secretary Soliman outlined the challenges faced by the country in terms of human development and encouraged development partners and other stakeholders to support specific projects and programs to help the country achieve its social development goals.
21. In terms of health, the Government is fast-tracking the implementation of the program to Achieve Universal Health Care and improve Philhealth coverage through the enrollment of the poorest families identified in the National Household Targeting System. However, more funds are needed to improve the infrastructure and equipment of government hospitals as well as birth facilities.
22. On education, additional support is needed for the following programs: i) installation of the School-based Management System; ii) the K+12 Program; and iii) enhancing the management information systems capacity of DepEd. Secretary Soliman also noted that the department needs further training and development for school heads and teachers.
23. In terms of social protection, Secretary Soliman encouraged the development partners to support the convergence framework which would bring together DSWD's 4Ps, KALAHI CIDSS and SEA-K programs. Secretary Soliman also encouraged NGOs and community stakeholders to enjoin their group in promoting and upholding the rights of vulnerable groups and access to health facilities of disadvantaged populations in conflict-affected areas.
24. In line with social protection strategy, Secretary Soliman also presented the *Payapa at Masaganang Pamayanan* (PAMANA) program which aims to strengthen peace-building, reconstruction, and development in conflict-affected areas. Aside from PAMANA, the social protection sector would also continue protecting and promoting the rights of vulnerable groups (i.e., Senior Citizens, PWDs, IPs) and ensuring that they have access to health care facilities.
25. As a supplement to the reforms on health, education and social protection, Secretary Soliman identified initiatives on Asset Reform. Secretary Soliman cited specific examples of how various agencies are converging to address issues on land, housing, as well as water and sanitation.
26. In closing, Secretary Soliman emphasized that all initiatives would be implemented with a conscious effort to: pursue gender responsive governance; mainstream climate change adaptation and disaster risk reduction; strengthen public-private sector partnership (PPP) and encourage volunteerism; and continue the progressive engagement with the LGUs.

## Comments from Development Partners and Other Participants

27. After the presentation by Secretary Soliman, the Co-Chair invited the participants to share their comments on the key issues discussed. Comments are summarized as follows:

- The UN appreciated the importance given to MDGs, in terms of both targets and indicators in assessing the Government's performance. It expressed support in healthcare financing and population management as well as responsible parenthood. It commended the Government on its efforts on convergence and recommended a more integrated framework for education in order to generate multistakeholder support. Lastly, the UN recommended to put more emphasis on food security not just as an economic issue but as a critical human development issue.
- The Institute for Climate and Sustainable Cities commended the presentation of Secretary Soliman for putting Climate Change as a central part of the Human Development Program. It noted however that climate change should not only be seen as a climate change issue but more as an opportunity for green growth.
- CODE NGO inquired why the fisheries sector was not mentioned in the presentation. It also asked for a clarification on specific areas for job generation which would need to coincide with the social protection program mentioned in the presentation. It also suggested that asset reform be cascaded at the local level especially in agrarian reform since most of the lands are privately owned.
- Spain congratulated the government for its fast-track focus on the MDGs. It also commended the Government's social protection convergence strategy particularly the PAMANA program. It also noted that Spain would be willing to share its experience in health standards in universal coverage as they have undergone a similar transformation in this sector.
- The US Government suggested: a more cost-effective health care delivery system; training for rural health personnel; and the passage of amendments to the Midwifery Law.
- Secretary Soliman cited an example of greening opportunities on climate change in the recent initiative of the DPWH to use coconut fiber to prevent erosion. She also responded to the query posed by CODE NGO on the fisheries sector and clarified that it is included under the economic and not the human development sector. The discussion on jobs generation is also under the economic management cluster which DOLE is taking a lead on. On the initiatives on localization, Secretary Soliman noted that they are working together with DILG not just on asset reform but also the delivery of basic social services.
- Secretary Ona of DOH reiterated the Government's commitment to achieve the MDG targets in maternal health and infant mortality. He noted that much attention is given to the improvement of rural health facilities as well to enroll the very poor segment of the population in the Philhealth Program.
- The Climate Change Commission provided an overview of the National Climate Change Action Plan scheduled to be finalized early this year. It noted that this is a long term plan covering the period of 2011-2028 as the impacts of climate change would require an economic and societal transformation. Some of the green goals identified include: food security; water sufficiency; human security; and environmental and ecological stability.

Government Presentation on Priority Programs under the Cluster on Economy by Honorable Cesar Purisima, Secretary, Department of Finance and PDF Chairperson

28. Secretary Purisima identified three priority thrusts of the Aquino administration for achieving rapid investment-led growth: i) ensuring fiscal sustainability; ii) improving competitiveness to attract more investment; and iii) effectively implementing the PPP program.
29. On fiscal sustainability, Secretary Purisima noted that the Government aims to consolidate the country's fiscal position to 2% of GDP by 2013. He emphasized that the Government is not aiming for a balanced budget but sustained reduction in the deficit to have enough fiscal space for infrastructure and social investment.
30. Secretary Purisima underlined the importance of execution in terms of achieving the goals in the economic cluster. He said that the government's focus is on improving administrative efficiencies by re-engineering the process and investing in information technology, as well as providing external information to help the concerned agencies come up with more reasonable targets.
31. On improving competitiveness, Secretary Purisima emphasized the need to empower the private sector at the local level. He informed the group that DTI has entered an MOU with DILG in terms of harmonizing forms of the top 200 LGUs that have vibrant business industries. DTI is also working on a Philippine Business Registry Program to come up with more streamlined and transparent processes for the private sector.
32. Another major thrust of the economic team is the PPP program which is centralized in one agency called the PPP Center. He said that the process for PPPs have been simplified and committed to refocused to have preference to solicited projects. He also made a commitment to approve solicited projects with complete documentation within six months. He emphasized that the PPP projects are tangible signals of progress and the Government is committed to bidding out at least ten major PPP projects in 2011 including several smaller projects with DepEd, DOH and DA. Secretary Purisima also acknowledged the development partners who shared technical assistance and best practices for this endeavor which include AusAid, CIDA, and others.
33. Secretary Purisima also highlighted the need for more PPP projects in the agriculture sector to drive more investments into the country's supply chain. The Government recognized the need for improved farm productivity at the lowest level especially with the looming food crisis which would need the collaboration of all stakeholders.
34. In closing, Secretary Purisima commended the excellent teamwork of the Cabinet which has greatly improved the efficiency of the implementation of projects under the Aquino Administration.

Comments from Development Partners and Other Participants

35. After the presentation by Secretary Purisima, the Co-Chair invited the participants to share their comments on the key issues discussed. Comments are summarized as follows:
  - The Foundation of Economic Freedom raised a concern on the resource constraints of the PDP specifically on the PPP program which would require a sizable viability gap funding. It also expressed doubt whether Government would be able to achieve the target of raising the tax efforts under the time frame and level specified in the presentation. It mentioned several factors that may affect the achievement of this target such as the erosion of the tax base with

inflation, and the fact that the growing sectors are mostly either tax exempt or hard to tax. It suggested that a comprehensive tax reform would be more appropriate and would be greatly supported by civil society. Lastly, it suggested that a TWG be formed in preparation for the possibility of introducing new taxes after 18 months.

- The Joint Chambers shared with the group some of the findings of its recent study on the Philippine economy. According to the study, the economic targets set by the government are too modest and that the 7% GDP growth target must be raised to 9% in order to fund all the projects set by the Government. It also recommended a target of \$7.5 billion worth of foreign direct investments and exports of \$100 billion per year. Aside from raising the FDI targets, it also highlighted the need for improving the business environment by: drastically simplifying procedures for doing business; finality in the decisions of Government; and partnership between the national Government and the LGUs.
- The Freedom from Debt Coalition commended the Government's policy of not introducing new taxes, though it suggested that tax reforms are needed in specific sectors such as the tobacco industry. It appreciated the genuine efforts of the Aquino Administration in pushing for people's participation in planning and implementation of projects. It raised a concern regarding the debt problem and suggested a debt audit to investigate past debts that were found to be fraudulent.
- France commended the extensive discussion on climate change issues and emphasized that it should not only encompass disaster risk management and adaptation issues but also mitigation of greenhouse gas emissions in order to foster a greener growth and lead the country along a low carbon development path. It also proposed local investments in the rural areas which would greatly present opportunities for economic development, energy security and environment preservation.
- Ateneo de Manila University commended the democratization of the financial sector and proposed a summit that would bring together all the players in the financial sector to discuss ways on how to achieve inclusive growth. It also suggested making the National SME Development Program as the centerpiece program of the economic cluster. It also echoed the statements of other development partners on the need to highlight the potential of Mindanao as one of the frontrunners in the pursuit of inclusive growth. Lastly, it commended NEDA on its efforts toward seeking wide participation and ownership of the PDP.
- The UN emphasized the need to get the country's population under control in order to achieve inclusive growth. It also suggested that climate change should be included as a potential revenue stream and look into financing opportunities such as the United Nations Reducing Emissions from Deforestation and Degradation in Developing Countries Programme (UN-REDD) and other carbon financing opportunities.
- The US Government commended the convergence of different agencies under the economic cluster and encouraged similar convergence in CDD and PPP projects to lower transaction costs and build anchor investment areas. It also acknowledged the strong partnership between the US Government's Millennium Challenge Corporation and the BIR in reforming and modernizing the country's tax collection process.

36. Secretary Purisima provided specific comments to the issues raised by the development partners and other agencies. His responses are summarized as follows:
- On the resource constraints, DOF has been working with the WB and IMF on this issue and invited the Foundation on Economic Freedom to participate in the discussion on the proposed tax reforms. It also highlighted the government's more responsible financial decisions which brought large savings by stopping a number of overpriced projects that were initially approved for implementation.
  - The comments made by the Joint Foreign Chamber of the Philippines were well noted. The Secretary requested a list of specific business procedures that needed to be simplified.
  - On the debt issue, Secretary Purisima noted the suggestion to have a debt audit. He also informed the group that all the relevant information on debt is available in the Investor Relations website.
  - Secretary Purisima also noted the comments regarding population policy and ensured that the group would continue with the discussions to come up with the right approach on this issue. In closing, he reminded the group the importance of striking a balance among: what is technically correct, practical to implement, and politically feasible.

#### Closing Session

37. Upon arrival of the President, the Co-Chair delivered his closing statement which also provided the President an overview of what transpired during the day's discussions.
38. The Co-Chair thanked the Government for the impeccable organization of the PDF, and commended Secretary Purisima for his leadership of the PDF. He made a comprehensive summary of the discussions that transpired, which revolved around the common goal of having inclusive growth. He reiterated the development partners' recognition of the Government's PDP as the guiding framework on their respective programs of development assistance for the Philippines.
39. The Co-Chair outlined the important messages that emerged at the Forum. On the discussion on the Governance and Security Cluster, Mr. Hofman highlighted the following points: i) there is a need to strengthen the implementation capacity of all levels of government, especially at the local level; ii) there was a strong consensus on providing performance based incentives for LGUs; iii) the PFM Roadmap is a positive step towards the improvement of efficiency, transparency and accountability of public finances iv) greater emphasis is needed on asset reform, access to information, and better coordinating mechanisms for anticorruption programs; v) there is a need to address the issues in Muslim Mindanao in a comprehensive and collaborative manner.
40. The Co-Chair also summarized suggestions made during the discussion on human development: i) ensure the protection of vulnerable groups through the convergence of social protection programs; ii) fast track the implementation of specific projects in Universal Health Care; iii) extend the basic education cycle to 12 years and implement the school-based management system; and iv) promote gender equality and empowerment of women in all human development projects. He also noted the importance given by the development partners to: reproductive health; responsible parenthood; and the achievement of the MDGs as both targets as well as performance indicators.

41. Finally, the Co-Chair outlined the key messages during the discussion on economy: i) in order to achieve fiscal consolidation and scale up priority spending it would be essential to raise the tax effort; ii) the business environment must be improved to boost investor confidence; iii) development partners strongly expressed their support to the Government to successfully promote, develop and manage PPS; and iv) food security is still a growing concern, and reforms in agriculture and agribusiness are very much supported to address this challenge.
42. After the Co-Chair's closing statement, the Chairperson of the meeting formally introduced the President.

#### Closing Remarks by His Excellency, President Benigno S. Aquino III

43. President Aquino's closing remarks highlighted how the Government's efforts have resulted in a transparent, accountable Government, worthy of the people's trust. He emphasized the Government's swift action to reduce opportunities for corruption by ensuring the efficient use of public resources through a zero-based budgeting approach and tighter monitoring of bidding procedures for infrastructure projects.
44. President Aquino also underscored the importance of a convergence strategy for programs on social protection, poverty reduction, health care, education and rural development. The President also highlighted ongoing initiatives on PPPs as well as performance based grants for LGUs.
45. On behalf of the Government, President Aquino thanked all the participants for their continued support toward the achievement of the country's fiscal and development goals. In closing, he assured the development community that the resources given to the Government would be used wisely, and that the trust bestowed upon them will not be taken for granted.
46. The Chairperson thanked everyone for their active participation and formally concluded the PDF.
47. A press briefing was held by Secretary Purisima, Mr. Hofman and other Government officials after the closing of the PDF.