

STATEMENT OF THE GOVERNMENT OF AUSTRALIA
2011 Philippines Development Forum
February 26 2011

Australia welcomes the President's Social Contract with the Filipino People as the guiding framework for the Philippine Development Plan. The 16 points outlined in the Contract, which form the core of the President's vision for the country, go to the heart of the many development challenges that Filipinos confront today. We congratulate the Government for some very positive and early reforms that seek to deliver against this social contract. Australia, as one of the largest grant donors to the Philippines, stands ready to assist where we can.

Australia in particular welcomes the quality of the Aquino Administration's first budget. And we congratulate the legislature for its timely passage. It sends an unambiguous signal that this government and the legislature are committed to being fiscally responsible, transparent and performance oriented. Importantly, it underlines the priority placed on restoring allocations to the social sectors that have suffered from years of fiscal consolidation. Future budgets provide an opportunity to extend this further by continuing to limit, and in some cases cease altogether, allocations to underperforming and loss making programs and agencies. With the ever-present threat of external shocks and the inevitable realization of contingent liabilities, we encourage the government to continue its initial work on managing for fiscal risk. Further strengthening tax administration and addressing shortcomings in the tax structure will provide the fiscal space required to continue to expand social service expenditure. And the effective implementation of the Reform Road Map for Public Financial Management will improve efficiency in, and accountability of, public spending.

Australia would also like to commend the government on its efforts in economic management. Impressive economic growth and macro-economic stability has done much to restore confidence in the Philippines. There is now an opportunity to signal to the world that the Philippines is indeed open for business. Three or four PPP success stories grounded in transparent and competitive bidding processes over the next 12 months have the potential to substantially rebuild private sector confidence in the investment environment. This backed by concerted efforts to address some of the significant 'behind the border constraints' to doing business, could fundamentally alter the investment profile of the Philippines. Changes to the legal and regulatory framework are needed and some will be easier to achieve than others. We would encourage action on some of the more contentious areas such as anti-competitive practices, impediments to labour mobility, restrictions on foreign ownership, and inconsistent national and sub-national regulatory arrangements. Achieving a target of 7 - 8 per cent GDP growth over consecutive years will also require promising sectors, such as tourism and mining, to realize their full potential. We hope that an Executive Order to enable limited open skies is issued soon to jump start tourism. If the development potential of the mining sector is to be realized, greater certainty and transparency of regulatory arrangements will be critical to attract investors and to ensure the highest standards of social and environmental responsibility. Joining the global Extractive Industries Transparency Initiative would also send an encouraging signal.

Poverty remains persistent and paradoxically, despite respectable growth over the last decade, the number of poor has increased. The structural changes to the economy that will be required to deliver sustained and inclusive growth will take time. Building human capital and protecting the poor in the interim will be critical. Australia welcomes the government's efforts to provide a pathway out of

poverty by investing in education and emphasizing the delivery of quality education. We do not underestimate the challenges of fixing a system under stress while moving to an international standard of a 12 year cycle. Continuing key reforms to the education sector and appropriately phasing in the transition to a 12 year system are critical to ensuring the Philippines' most important asset – its well educated people – does not decline further. We also commend the government for maintaining and seeking to expand the Pantawid Pamilyang Pilipino Program (or CCT Program). We are confident that over time those who are skeptical about this program will come to recognize the benefits through improved targeting of the real poor, increased school enrolments, and greater health service utilization. We support the Government's intention to place the CCT program as the core of an integrated approach to establishing a modern social protection system that befits the needs of an emerging middle-income economy.

Instability and insecurity continue to act as a brake on development. Low-level insurgencies and difficulties in bringing the peace process to completion, contribute to unrest. There is a large opportunity cost to not securing peace. Scarce government resources will continue to be sapped, investment will remain constrained and efforts to raise living standards will be diluted. The latest poverty figures indicate that Mindanao accounted for more than half of the increase in the total number of poor families between 2006-2009. Conflict in Mindanao is dragging down national achievement against key MDG targets and insecurity in a small part of the country is being perceived by potential investors as insecurity across the entire country. Resolution of ancestral land issues, the formulation of an effective governance framework for an autonomous region and significantly increased access of the poor to basic services and employment, remains at the heart of securing and sustaining a lasting peace. Australia welcomes recent efforts to put the peace process with the MILF back on track. We encourage both government and the Moro people to bring one of the oldest conflicts on this earth to an end. The peace dividend for the Philippines will be considerable.

Like conflict, corruption has had an insidious hold on the Philippines. Australia very much welcomes the efforts of this government to tackle corruption. We would encourage the sending of the strongest signal possible by: pursuing convictions for high profile graft and fraud; diligently undertaking life-style checks for public officials; systematically addressing the vulnerabilities in government departments, for example by conducting a comprehensive audit and performance assessment of a high spending agency; and expanding opportunities for citizens to have access to feedback and grievance mechanisms.

The challenges confronting the Philippines are immense but by no means insurmountable. The President's contract with the Filipino people provides not only a way forward but also an unprecedented basis for a transformative partnership by which government and civil society in the broad can work collaboratively to move the country ahead. Academe is well positioned to provide analysis and policy advice, the business community can share the burden and opportunity in infrastructure and service delivery and civil society can play an integral role to ensure transparency and effectiveness in government programs. And the legislature can help by passing critical legislation. Australia welcomes the openness of this government and efforts to date to pursuing these partnerships with civil society for a brighter future for the Philippines – an openness and an intent that has particular resonance on the 25th anniversary of EDSA 1.