

**PRESIDENT GLORIA MACAPAGAL ARROYO'S SPEECH
DURING THE OPENING SESSION OF THE
2008 PHILIPPINES DEVELOPMENT FORUM
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Clark Freeport Zone, Pampanga
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Thank you very much, Secretary Teves.

Mr. Hofman, Welcome to the Philippines; members of the Diplomatic Corps; members of the International Financial Community; members of the Cabinet; the local chief executives; delegates to this forum; officials of Pampanga; ladies and gentlemen.

First of all, welcome to my home province of Pampanga. I'm glad that you're having this forum here. And I'm very glad to be able to join you. It's my pleasure to join you in our constantly productive and insightful dialogue on Philippine development.

As you said Mr. Hofman, 2007 was a very good year for the Philippine economy, not in over 20 years but in over 30 years. And as you all know, economic growth was 7.3 percent. And lest we forget a million new jobs were created and foreign investments have been strong. We've been cited by London as the "Offshore Destination of the Year" and by the International Data Corporation as the top global outsourcing destination after India.

Our Billion-dollar Investment Club includes Texas Instruments, right here in our neighborhood, with its 1.6 billion-dollar wafer fabrication facility under construction in Clark. Hanjin with two shipyards -- one up and one coming costing a total of 3.7 billion dollars making us the fourth biggest shipyard in the world and making the Ambassador of Korea a very frequent co-guest of honor of mine in inaugurations and groundbreakings. Marubeni, Tokyo Electric and AEA have invested billions of dollars in our power sector. They join the ranks of Intel and Proctor and Gamble, to name but a few of our major investors.

Just this month the IMF lauded our economic growth, the substantial reduction in our budget deficit, the low inflation and the improvement in consumer confidence. And I thank Reza for such compliments.

The IMF highlighted in particular our fine central bank for smoothening foreign exchange fluctuations as the peso touched an eight-year high against the dollar in recent months. During this time, our country has built its foreign exchange reserves to a record high.

Now, we are in the first quarter of 2008 -- 2008 holds real promise for a different reason. Not only do we expect to sustain our growth, but as a result of our total

economic overhaul, we are, I believe, well-positioned to weather a global economic slowdown which, unfortunately, will affect all of us. And something which I will discuss in greater detail in a few moments.

The real story for 2008 is that our macroeconomic fundamentals are stronger than ever due to tough choices we've made on boosting revenues, cracking down on tax cheats, bringing reform to our revenue collection, and modernizing our banking and financial sector. We have reformed our budget to be in balance way ahead of the medium-term plan schedule of 2010.

Last year, our deficit was only 12 billion pesos, the lowest in a decade and far below the ceiling of 63 billion pesos. We could have in fact balance our budget but we made a policy decision that in any case since we were not expected to balance our budget last year. We should spend all that extra revenue on infrastructure and social services.

Revenues were up 16 percent from 2006, right Gary? And if you recall, seven years ago -- some of you who were already here especially the private sector was already here, and we thank the private sector for being present today for the first time led by Jaime Augusto Zobel. Seven years ago, no one thought we could do it, but we have. And we assure you there will be no rest. We are continuing the pace of progress that has succeeded in strengthening our economy.

The maturity in our economy has brought with it a new confidence that forms the foundation of sustained economic growth moving forward. 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.

Our economic forts... are strengthened, economic fortunes come none too soon because as we are all aware, there are clouds on the economic horizon that we must guard against. The global economy is facing significant challenges. The slowing of the economies in North America and Europe is top of mind in our calculations to protect our own economy. To that end, we have developed a program that includes: first, as you have acknowledged, to ensure a surge in investments, in people and infrastructure; second, to ensure that we continue to pursue anti-corruption initiatives and to cut red tape; and third, to blunt the global rise in the cost of energy and lately in the cost of rice by providing targeted relief to the poorest among us who suffer the most from the high global price of energy. And I thank the World Bank for your interest in our targeted relief to the poorest of the poor.

These global forces are putting more strain on our working poor as prices for commodities like rice and fuel increase. We are a price-sensitive nation. So while our macroeconomics are strong, the benefits are still working their way down more slowly than we would want to lift up our citizens who live and work pay day to pay day.

We need a strong middle-class to become a strong modern nation. We're working to soften the blow from the current global economic challenges to those working the hardest to make it to the middle-class.

The best thing we can do in the short-term is to provide responsible targeted relief to those most in need. And for the remainder for my term until I step down in 2010, the best thing we can do is to stay focused on further economic reforms while providing peace, order and stability. Our last two years will be dedicated to our main objective: Invest, invest and invest some more in the nation.

The national budget which I signed at the beginning of this month provides a road map for realizing our priorities in 2008 and for the remainder of our term. It should provide you our international donor and creditor community with a sense of our priorities and our thinking about the future of our nation.

First, the budget reflects our values and policy priorities for investing in our people. This budget invests in what we call the three "Es." They're the essential building blocks of a nation, namely: the economy, education and the environment. Every Filipino wants a good job, food on the table, sound education for their children and a healthy environment with clean air, clean water and clean land.

Second, this budget represents another important step in the economic development of the Philippines, namely, fiscal discipline. We have the strongest economy as we have said in over thirty years as a result of tough reforms we have made to break the cycle of despair which has held our nation back for so many years. Part of the plan includes a march towards a balanced budget for the first time in many years.

Lastly, this budget proves once again that members of Congress -- and I thank the members of Congress who are here today. You've been very valuable in working on this budget -- members of Congress from both the House and the Senate and all parties can come together to work with the Executive branch to get things done for the nation. Political noise there is, but it need not interfere with economic progress and reform. This budget helps make that point. The people are tired of partisan wrangling, they want all of us to do our job -- which is to work for the interest of the people, keeping the nation strong and stable, and always moving forward.

Overall, the budget provides a buffer to mitigate the pain of a deteriorating global economy and the accompanying rise in prices which affects food and transportation the most. Most importantly, it is a budget dedicated to investing in the vital physical and human infrastructure to continue to modernize our nation. Roads, bridges and ports along with education and health care build up the foundation of the nation and make us more competitive.

On the issue of corruption that has plagued our nation for several generations, this is an issue we take seriously. As an economist, I know that first and foremost, a strong economy is an economy that is transparent and free from

corruption. This budget invests more and more to clean up the culture of corruption that has plagued the nation for generations.

To fix the corruption, I have called on Congress to pass a comprehensive Anti-corruption Reform Act in 2008. On our part, we will hold officials accountable if they are found to be corrupt after due process. Let the chips fall where they may as investigations are concluded, and friend and foe alike are brought to account for their actions in the proper courts.

With the budget of the Ombudsman doubled since 2002, after all being the country's primary anti-corruption body, the Ombudsman has hired several dozen prosecutors and investigators, and trained them better. As a result, the Ombudsman's conviction rate has hit nearly 60 percent, from just six percent historically before and in the early part of our administration.

We have undertaken indeed an effort to curb graft through criminal justice, but also through administrative controls and procedural reforms. Just to name an example, late last year, we established the Procurement Transparency Group to make sure that biddings for projects will be above board. The group is a partnership between government and civil society. At present, this independent group is monitoring 40 priority projects including -- isn't it, Gary? -- some of the ODA projects.

To apply the same government-civil society synergy to revenue generation, yesterday, I instructed Secretary of Finance Gary Teves to form watchdog bodies for the BIR and the BOC with private sector and civil society participation to monitor tax collection and big BIR and Customs cases.

While we have accomplished more, more remains to be done. We plan to work hard the next two years until the day our term ends in 2010 to fulfill our Philippine Reform Agenda. This includes legislative efforts to improve our banking and finance system; to strengthening our tax collection and continue to broaden our taxpayer base; and crack down on corruption and red tape.

We will fight for the economy, education and the environment. We will fight to feed the poor, improve job creation, and do everything in our power to mitigate the global forces increasing the price of commodities like oil and rice.

Our use of Official Development Assistance will necessarily be guided by the three "Es" of our priority thrusts, as well as our need to adjust foreign exchange flows to avoid excessive upward pressure on the peso. That's why we have been prepaying our foreign debts to the extent that we don't lose money on the penalties and that's why we're also relying increasingly on the domestic bond market.

We ask our creditor community to work with us on standardizing ODA loan conditionalities. We will likewise apply the targeted spending for ODA. And as I say this to our creditor community, I'm also reminding our Cabinet members where they should put their project proposals.

For health related projects, for instance, foreign borrowings shall focus on upgrading primary hospitals to secondary; on budget support for half-priced medicines and health insurance.

I have recommended also to particular ODA lenders and donors, for instance, New Zealand that assistance for environmental protection be concentrated on reforestation.

And in the World Bank, I'm going to have a Cabinet meeting on May 6 in Camarines Sur just to make sure that the Bicol River Basin project moves forward, which is a very important environmental project.

And for education, we prioritize early childhood education, grade school classrooms, vocational education, high school and college scholarships, teacher training in English, and graduate courses in science, technology and engineering.

We are bullish on our economy. We're optimistic about our future. We're committed to being a force for good for our nation.

And you indeed, our international creditor and donor community are a great contribution to that force for good for our nation.

Thank you all for your commitment to the Philippines.

Mabuhay! (applause)

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