

**PHILIPPINES**  
**RAFAEL B. BUENAVENTURA, Alternate Governor**

Let me first thank the United States (US) government, especially officials of the state of Hawaii, for the graceful hosting of this event, and for providing a perfect venue for the annual meeting of the Asian Development Bank (ADB) this year. It is always such a joy to be in this wonderful city, which boasts of a vibrant community of fellow Filipinos led by Benjamin Cayetano, the first among our countrymen to become the Governor of Hawaii. The relaxed atmosphere of the island makes it an ideal spot for taking stock of ADB's accomplishments, assessing its operations, reviewing its policies and reconfirming its visions.

Allow me to also welcome the US Treasury Secretary, Paul O'Neill, who serves as the chairperson of the ADB Board of Governors. It is our honor to have you grace us with your presence today. I also wish to take this opportunity to personally congratulate Joseph Eichenberger on his appointment as new Vice-President (East) of ADB. I am certain that Mr. Eichenberger will perform excellently on the job, as did Peter Sullivan before him, given his wide knowledge of and experience in the field of development banking.

Last, but not least, I wish to acknowledge the presence of President Tadao Chino, who has ably steered ADB in the few years he has been at the helm. When Chino-San took over as head of ADB in 1999, he surprised many in the development community when he declared that the overarching goal should be to fight poverty. In a region ravaged by the worst financial crisis in post-war history, this new strategy was a most welcome development and, we, in the Republic of the Philippines believe, a step in the right direction.

We believe this to be so because the Philippine government shares the same goals and ideals as the President when it comes to poverty alleviation. Emerging from a severe downturn with millions of Asian citizens suddenly lacking jobs, simply waiting for the benefits of prosperity to trickle down to the poor may not be enough to maintain harmony in society. Instead, a more direct approach to poverty reduction is needed, with interventions in the form of programs and projects targeted at making the less privileged more productive members of the economy.

ADB states in its newest annual report: "ADB's vision is an Asia and Pacific free of poverty...(ADB) recognizes that pro-poor growth is essential for sustained poverty reduction; but this vision also reflects the belief that unleashing the potential of the poor will contribute substantially to overall growth and enhance the quality of life for all."

Similarly, the new Philippine President, Gloria Macapagal-Arroyo, talks of winning a war against poverty in the country without jeopardizing sound economic policy. Her new government hopes to achieve the broader goal of social equity by creating an

environment conducive to investment and global competition, allowing growth to take place while insuring that disadvantaged sectors are transformed into active contributors to and not just passive beneficiaries of growth.

In this context, I wish to commend ADB's many accomplishments in implementing the new Poverty Reduction Strategy. Major policies approved last year by the Board that deserve to be cited include the approval of the Private Sector Development Strategy, which aims to make the private sector a worthy engine of growth; the replenishment of the Asian Development Fund (ADF) with new contributions of about \$2.9 billion dollars reinforcing ADB's war chest; the establishment of the Japan Fund for Poverty Reduction utilizing about \$90 million dollars generously provided by the Japanese Government; and the formulation of a long-term strategic framework, which is a 15-year roadmap for ADB as it pursues its primary mandate of poverty reduction. Clearly, the avowed goal of a poverty-free Asia is not mere rhetoric but suitably backed by an unwavering commitment of ADB staff, a solid agenda, and financial resources.

### **Evolving Role of ADB**

By its own admission, ADB faces numerous challenges as it carries out its development agenda, particularly given limited capital and an increasing number of developing member countries that merit attention. Because of this constraint, it now places greater emphasis on efficiency in the use of resources and is much more discerning in its choice of programs and projects to undertake. During the negotiations for the recent replenishment of the ADF, for example, ADB agreed with donors on several priorities in the treatment of the fund, such as a systematic performance-based allocation of loans; stronger support for good governance in the region; and deeper focus on gender equality, environmental protection, and regional cooperation.

While we in the Philippine government embrace the evolving role of ADB as a more prudent institution with a more comprehensive lending strategy, we also wish to raise certain points regarding the attachment of performance criteria to loans, particularly those relating to governance and corruption. Although the Macapagal-Arroyo government has visibly placed the improvement of moral standards in government and society high up on the national agenda, we nonetheless stress that such loan conditions must be reasonable, tailored to suit local conditions, and applied with an even hand. We welcome this partnership in nurturing good governance in the country but such efforts should not be allowed to be a hindrance in the sense of creating unworkable rules that merely hamper the efficient functioning of the bureaucracy. Also, as ADB associates its assistance with performance, this should not be seen as an approach to reward or punish developing member countries. The relationship should be one of partnership where ADB is seen as a helper and not as an external agency that denies or cuts assistance on whim.

In light of the need for fresh capital, we hence urge ADB to tap new sources of funds so that it can continue to play its role as a financial intermediary for development financing at concessional terms so crucial in developing countries like the Philippines

where domestic resources and private capital are insufficient to finance rising growth. ADB is currently making good progress in its ongoing review of resource requirements, and the Philippine government looks forward to the results of this study.

### **ADB Operations in the Philippines**

ADB and the Philippines, the institution's 11th largest shareholder, have always maintained strong ties; this has been true even in the past year when the country was plunged in to political chaos. Since the Philippines became a member country in 1966, ADB has approved a total of 183 loans amounting to nearly \$8 billion dollars and an equivalent of more than \$100 million dollars in technical assistance. Last year, it gave the nod to eight public sector loans, two of which are program loans, totaling \$515 million dollars and another \$6.4 million in technical assistance. ADB, which is currently the Philippine government's second largest source of funds, plans to lend an additional \$1 billion dollars to the country in the next three years for projects relating to the environment and poverty alleviation.

The quality of development loans channeled through ADB has without doubt delivered substantial benefits to Filipinos in terms of expanded opportunities, enriching lives by standards beyond monetary considerations. Recognizing ADB's valuable assistance to the country in hastening economic recovery, the Macapagal-Arroyo government vows to address the problems that currently beset project implementation, particularly the slow pace of disbursement and utilization of funds, and a lower-than average record of project success. We in the Cabinet have taken this to task and will spare no effort to improve the implementation of ADB projects, foreign-assisted projects, and contracts with the Philippine government.

The new administration has already put forward a solution to the problem in the form of quarterly reviews of the country's official development assistance (ODA) portfolio, participated in by key creditors, namely, ADB, World Bank, and Japan Bank for International Cooperation (JBIC). These reviews are periodically conducted to ensure the smooth operation of ongoing and pipeline projects by allowing greater collaboration between funding agencies and government oversight agencies. At the same time, we have adopted the Sectoral Effectiveness and Efficiency Review, (SEER) reinforced by best practices to ensure quality at entry, particularly the "project readiness filters" and result-oriented performance indicators to improve the quality of our ODA portfolio.

### **Development Priorities**

Solid proof of strong partnership between ADB and the Philippines also has been the establishment of the Philippine Country Office (PCO) even though it already holds its headquarters there, reflecting ADB's commitment to aid development in the country. Inaugurated last March in the presence of both President Macapagal-Arroyo and President Chino, the PCO has full responsibility for local lending operations and was set up to better monitor project implementation and ensure that loans and technical assistance grants achieve their objectives.

The creation of this office falls under ADB's major initiatives to help the Philippines grow more equitably with emphasis placed on developing urban areas in the capital as well as the Southern Philippines, where there are large pockets of poverty, particularly in Mindanao. ADB will, in addition, sign a partnership agreement for poverty reduction with the Philippine government which, together with local NGOs and other donor agencies, has conducted a major analysis of poverty in the country. ADB plans to use this study as the basis for determining its country strategy.

Apart from poverty alleviation, another area where priorities of the Philippine government converge with that of ADB lies in the area of private sector development, especially in infrastructure. Both encourage the development of partnerships between public and private entities as an answer to the shortage of local finances needed to take on large-scale infrastructure projects. ADB supports such team-ups since it allows governments to tap private sector capital and to benefit from management expertise.

The expectation is that public-private ventures will not only deliver the needed basic services in an efficient manner but also free up the public budget for other social initiatives.

In its private sector operations in the Philippines, ADB recently approved a loan amounting to over \$45 million dollars, which forms part of a debt package provided along with international financial institutions to upgrade and operate the North Luzon Expressway. ADB acted as lead coordinating bank to mobilize funding from commercial banks and export credit agencies when it supported the Manila North Tollways Corporation, the public-private consortium undertaking the project.

### **Future Collaboration**

Clearly, ADB and the Philippine government have through the years learned to work as a team and we hope that this collaboration will continue despite the emerging reality. On the negative, a weaker global economy resulting from a slowdown in two of the world's biggest economies will work to reduce donor generosity, thus limiting resources while crimping growth prospects of the country. A downturn in information technology exports, in particular, will dampen prospects of Asian countries that depend highly on electronic exports as a source of national income.

On the positive, there is now a changed outlook for the Philippines under a new leader and it is hoped that heightened investor confidence in the economy will catapult the country back to the growth path. Though there have been minor setbacks lately, the establishment of the Macapagal-Arroyo government through a peaceful and constitutional process is expected to bring back political stability. The turmoil of the past week, which quite unfortunately made international headlines, has displayed how the new leadership wields complete control over the country's major institutions ensuring a functioning democracy and a bankable economy.

The new administration has already established national governance and market reliance as cornerstones of its economic strategy, but with special focus placed on agricultural modernization and human capital development through education. It has vigorously tackled immediate concerns such as containing the fiscal deficit and pushing pending economic legislation and other structural reforms. With a working executive branch dedicated to promoting growth with equity, economic and political conditions in the country will eventually normalize and growth will resume on a sustained path.

### **Final Note**

Before I end, I would like to make special mention of ADB's special theme, which I think is its most noble mission. In its annual report for 2000, ADB dedicates a chapter to "Children in the 21st Century" where it discusses the importance of developing the youngest and most vulnerable members of society—the children and women, particularly—and recognizes this effort to be the "first and most vital step to social and economic development." We agree completely with this view and urge ADB to give due attention to the issue given its implications on the course of socioeconomic and human resource development.

The Philippine government shares the notion that investing in children, or equivalently, investing in human capital, is crucial to long-term and sustained growth and that gearing public programs toward enriching the country's human resource base is the best and most sustainable poverty alleviation strategy. It has already undertaken measures to this end and such programs are expected to continue especially with the country's former secretary for Social Welfare and Development now serving as its President.

It is true that the world we are now facing is rapidly changing, and we have seen over the past few years how complex the development challenges of every member country, rich *and* poor, can be in a new world order with new global rules. We are heartened to know that we have as partner an institution that is responsive to the shifting times and that acknowledges the problems of every developing country, particularly that of extreme poverty. ADB must continually evolve in light of its strengths and resource constraints, but we hope that it does so always with an eye to maintaining its role as a financial intermediary whose primary function is to aid development—one that, we hope, has "a better life for all" as its supreme goal.