

ASIAN DEVELOPMENT BANK

2005 PHILIPPINES DEVELOPMENT FORUM A Meeting of the Philippines Consultative Group and Other Stakeholders 7-8 March 2005, Davao City, Mindanao, Philippines

Session I: Laying Out the Development Agenda

ADB welcomes the very comfortable arrangements made by the Government and World Bank for this gathering. We appreciate the revised format of the PDF, with its wider universe of stakeholders, including members of Congress, and the business, civil society, and academic communities.

A. Acknowledging the challenges

The Philippines faces a variety of challenges, many of them urgent, to achieving the targets of the Medium-Term Philippine Development Plan laid out by the Government. The level of representation at this PDF reflects widespread appreciation for the scale of the challenges and a sense of shared engagement and responsibility.

There is a broad consensus on the key issues and constraints, and a widely shared view that the mandate received by the government provides a window of opportunity to move more resolutely on the challenges, even as they involve difficult choices.

The challenge for this PDF is to reach broad agreement on an effective way forward.

B. Recognizing the need for urgent action

The scale and urgency of the challenges for the Philippines have both grown. The economy is more vulnerable to negative external developments such as in oil prices and interest rates. There has been erosion of international competitiveness, evidenced by sluggish local investment and low FDI. There has been decline in some important human resource indexes, and achievement of key MDGs is in question.

Given these circumstances, it is clear that the window of opportunity to address the most urgent challenges is not large; and we believe it is narrowing.

Some significant early “wins”, especially in terms of fiscal consolidation, are vitally important. We welcome the Government’s commitment to actions to improve revenues and tax collection efficiency, and to strengthen the incentive framework for compliance by taxpayers (by increasing the risks of tax avoidance). Strengthening the administration of the existing tax system will be essential to improve fiscal performance. Extending and deepening these measures will be important to build greater confidence that the Philippines is positioning itself to confront its challenges.

C. Accepting the costs of adjustment

There will be political and social costs associated with implementing the reforms, but these need to be seen as an unavoidable investment in much larger long-term gains.

D. Strengthening the quality of the ADB-Philippines partnership

The ADB-Philippines development partnership remains strong. The Philippines can be assured of ADB's steadfast support.

However, the ability of ADB to commit, and effectively deliver the full range of support depends on a macroeconomic and policy framework that provides for sustainability, and strong sector reform agendas. The more quickly concrete actions are taken to advance this process, the more fully and speedily ADB will be able to move ahead. More rapid adjustment progress will reduce the risk of low levels of financial support that is so vital to redressing compressed spending for high priority infrastructure and social projects. Improved circumstances will improve prospects for ADB to maintain the level of financial support that Philippines seeks from ODA sources.