

**SPEECH  
OF  
FORMER FINANCE SEC. ROBERTO F. DE OCAMPO  
CO-VICE CHAIRMAN, MAKATI BUSINESS CLUB  
DURING THE ARANGKADA PHILIPPINES FORUM:  
“MOVING TWICE AS FAST!”**

Grand Ballroom, Marriot Hotel, Pasay City  
9:25-9:45 AM, January 26, 2012

GOOD MORNING TO EVERYONE.

I WOULD LIKE TO THANK OUR ORGANIZERS FOR INVITING ME HERE TODAY AND TO BE PART OF WHAT MAYBE THE MOST INFLUENTIAL CONFERENCE THIS YEAR---THE ARANGKADA PHILIPPINES FORUM, WITH THE THEME: “MOVING TWICE AS FAST!”.

IT IS ALWAYS A PLEASURE FOR ME TO SEE SO MANY FAMILIAR FACES AND HAVE THE OPPORTUNITY TO SHARE MY THOUGHTS WITH SUCH AN ESTEEMED AUDIENCE AND ROSTER OF CO-PANELISTS.

TO START, I WOULD LIKE TO PRESENT TO YOU THE OUTLINE OF MY DISCUSSION THIS MORNING (*Refer To The Slide One, Presentation Outline*).

**OPTIMISTIC START, FORECAST 2010-2011**

MANY OF US, MYSELF INCLUDED, WERE FIRED UP WITH A LOT OF OPTIMISM WHEN WE STARTED 2011. CARRIED OVER TO THE YEAR WAS THE EUPHORIA OF THE 2010 ELECTIONS, REINFORCED WITH THE BATTLECRIES OF THE ADMINISTRATION'S “MATUWID NA DAAN”, THE

ANTI“WANG, WANG” PRONOUNCEMENT AND ITS RALLYING MANTRA: “KUNG WALANG CORRUPT, WALANG MAHIRAP”. (*Refer To The Slide Two, High Popularity Rating*). WITH IT CAME A SUSTAINED IMAGE OF AN UPBEAT PHILIPPINES READY ONCE MORE TO LINK POTENTIAL TO REALITY AND PROCEED BEYOND RESILIENCE TO DETERMINATION AND TO SHOW ITS TRUE WORTH INSPITE OF THE PERVADING UNCERTAINTIES AND CHALLENGES IN THE LOCAL AND GLOBAL ECONOMIC ARENAS.

### **ECONOMIC PERFORMANCE OF 2011**

THE GOVERNMENT’S FULL-YEAR GROWTH FORECAST FOR 2011 WAS FROM 4.5 TO 5.5 PERCENT, WITH AN ASPIRATIONAL TARGET OF 7 PERCENT TO 8 PERCENT UNDER ITS SO-CALLED “INCLUSIVE GROWTH” OUTLINED IN THE PHILIPPINE DEVELOPMENT PLAN (PDP) 2011-2016.

THE ECONOMY HOWEVER, FAILED TO LIVE UP TO EXPECTATIONS, TO PUT IT DELICATELY, (*Refer To Slide Three And Five*) DRAWING A FALLING STRAIGHTLINE GRAPH AND FINALLY POSTING A DISMAL 3.2 PERCENT FOR THE THIRD QUARTER ---- DISCONCERNINGLY LOWER THAN THE GOVERNMENT’S REVISED 2011 TARGET OF AT LEAST 4.5 PERCENT AND WHICH SOME MORE CREATIVE PUNDITS ALLUDED TO AS AN UNFORTUNATE REPRESENTATION OF ONE FORM OF “MATUWID NA DAAN”. EVEN WITH A P72-BILLION FISCAL STIMULUS PROGRAM LAUNCHED LAST

OCTOBER TO PERK THINGS UP, THERE ARE NO INDICATIONS THAT IT MADE MUCH OF A DENT ON LAST QUARTER GROWTH NUMBERS.

IN COMPARISON TO OUR ASEAN NEIGHBORS, RELATIVELY HIGHER GROWTH RATES WERE POSTED DURING THE SAME PERIOD BY INDONESIA AT 6.5 PERCENT, 6.1 PERCENT FOR VIETNAM AND SINGAPORE, 5.8 PERCENT FOR MALAYSIA, AND 3.5 PERCENT FOR THAILAND, WHO SIMILARLY HAD TO CONTEND WITH SEVERE FLOODS SINCE THE END OF THE THIRD QUARTER THROUGH THE FOURTH QUARTER. (*Refer To Slides Six and Seven*)

WE STILL DO NOT HAVE THE OFFICIAL GROWTH FIGURES FOR YEAR END 2011 AS IT IS DUE TO BE PUBLISHED I THINK STILL TOWARDS THE END OF JANUARY, BUT THE POOR GROWTH RATES POSTED DURING FIRST THREE QUARTERS PUT US IN THE CATEGORY OF ONE OF THE WEAKEST PERFORMERS IN THE REGION.

ON THE BRIGHT SIDE—IF YOU CAN REALLY CALL IT THAT --- IT WOULD BE VERY HARD TO DUPLICATE THE DISMALL GROWTH RATES OF 2011. SO AT THIS POINT THERE IS REALLY NO WHERE TO GO BUT UP. THE ADMINISTRATION WILL HAVE TO WORK VERY HARD TO DO WORSE, AND FROM ALL INDICATIONS, IT DOESN'T INTEND TO.

## **“MISDIRECTIONS” IN 2011:**

HOW DID WE GET OURSELVES IN THIS SITUATION? THOUGH GOVERNMENT IDENTIFIED EXTERNAL INFLUENCES LIKE THE FALTERING ECONOMY IN THE UNITED STATES AND JAPAN, AND THE PROLONGED DEBT CRISIS IN THE EUROZONE AND DESTRUCTIVE TYPHOONS THAT CAUSED LOSSES AND DAMAGE IN THE LOCAL AGRICULTURE SECTOR AS SIGNIFICANT CONTRIBUTORY FACTORS TO THE COUNTRY’S POOR ECONOMIC PERFORMANCE, THERE WERE A GOOD NUMBER OF FINANCIAL INSTITUTIONS, ECONOMISTS, AND EVEN ADMINISTRATION ALLIES WHO OPENLY POINTED TO THE GOVERNMENT’S MASSIVE UNDERSPENDING, ESPECIALLY IN INFRASTRUCTURE, AS A PRIMARY CULPRIT FOR OUR POOR PERFORMANCE LAST YEAR.

THE GOVERNMENT ACKNOWLEDGED THIS SITUATION ITSELF SINCE IT WAS CLEAR THAT ACTUAL GOVERNMENT EXPENDITURE FOR THE FIRST 11 MONTHS OF 2011, NET OF INTEREST PAYMENTS, AMOUNTED TO P1.35 TRILLION OR P365 BILLION SHORT OF THE PROGRAMMED P1.711 TRILLION EXPENDITURE FOR THE YEAR. *(Refer To Slides Eight and Nine)*

GOVERNMENT STARTED WITH THE PRIVATE SECTOR AS THE MAIN ENGINE OF GROWTH SO THE PUBLIC-PRIVATE PARTNERSHIP OR THE “ PPP” WAS THE CENTRAL VEHICLE THE ADMINISTRATION WAS BANKING ON TO PUSH THE ECONOMY. *(Refer To Slide Nine)*

INTRODUCED AS THE ADMINISTRATION'S FLAGSHIP INFRASTRUCTURE INITIATIVE, THE PPP GOT OFF TO A RATHER TENUOUS START AND SEEMED TO CONTINUE ON A SPUTTERING MODE EVEN BEFORE IT WAS ABLE TO TAKE OFF, WITH ONLY ONE COMPLETED BID LAST YEAR DESPITE THE ORIGINAL PLAN TO ROLL OUT FIVE OR SIX BIG-TICKET INFRASTRUCTURE PROJECTS WITHIN 2011 TO SPUR ECONOMIC ACTIVITY AND CREATE MORE JOBS.

THIS, TOGETHER WITH THE ANAEMIC GOVERNMENT SPENDING, ARE THE MAIN THINGS THAT HAVE IMPINGED ON THE GOVERNMENT'S CAPABILITY TO PUSH THE ECONOMY MORE VIGOROUSLY CONSIDERING THE HIGH RATINGS OF THE PRESIDENT'S POPULARITY.

BUT WHETHER THE AQUINO ADMINISTRATION WAS EITHER OVERCAUTIOUS OR SIMPLY BEYOND ITS ELEMENT TO EXECUTE ITS PROJECTS AS SOME CRITICS PROPOUNDED, WE CONTINUE TO VIEW THE SITUATION WITH OPTIMISM. OBVIOUSLY IF THE PRESIDENT IS POPULAR, HE IS DOING SOMETHING RIGHT AND WHAT WE NEED TO DO IS TO HELP HIM CAPITALIZE ON THIS AND HAVE A FIRMER CONNECTION BETWEEN HIS POPULARITY AND MOVING THE ECONOMY, SO THAT THE WHOLE SHIP OF STATE MOVES FORWARD WITH SPEED. THE LAST THING WE NEED IS A HOBSON'S CHOICE, AS IT WERE, OF A CONTINUING ECONOMIC HISTORY OF HAVING UNPOPULAR PRESIDENTS WITH REASONABLE ECONOMIC

PERFORMANCE AND POPULAR PRESIDENTS WITH ANEMIC ONES.

## **GOVERNMENT PLANS TO DO BETTER**

IT IS REASSURING TO HEAR THE PRESIDENT HIMSELF RECENTLY DECLARING THERE WOULD NOT BE A REPEAT OF LAST YEAR'S UNDERSPENDING, AND OFFICIALS CONSEQUENTLY ANNOUNCING THE PLANNED BIDDING OF 16 MAJOR PROJECTS UNDER THE PPP. TOGETHER WITH AGRICULTURE, THE PRESIDENT EXPECTS INFRASTRUCTURE DEVELOPMENT AND TOURISM TO BE THE LEAD GROWTH DRIVERS IN 2012, WHICH HE HOPES "WILL INSULATE US FROM WHATEVER HAPPENS OVERSEAS."

WE ARE SIMILARLY GLAD TO NOTE THAT SOME MAJOR PILLARS OF THE ECONOMY REMAIN STRONG --- SOME INDICATORS BEING THAT REMITTANCES REMAIN HIGH, FOREIGN RESERVES ARE AT AN ALL-TIME HIGH, AND INFLATION HAS BEEN KEPT AT BAY AND HAS BEEN CONTAINED IN A BAND WHICH IS BOTH ACCEPTABLE AND MANAGEABLE. (*Refer To Slide Twelve And Thirteen REMITTANCES*)

STILL IT IS QUITE OBVIOUS AT THIS POINT THAT THE PHILIPPINES NEEDS FURTHER REFORMS TO ADDRESS STRUCTURAL BOTTLENECKS IN THE ECONOMY. THIS WOULD INCLUDE MEASURES TO RAISE REVENUE TO SUPPORT HIGHER SPENDING ON INFRASTRUCTURE, HEALTH, EDUCATION AND SOCIAL PROTECTION AS WELL AS SIMPLIFYING BUSINESS

REGULATIONS TO ENCOURAGE INVESTMENT, ENTREPRENEURSHIP AND JOB CREATION.

ARANGKADA PHILIPPINES HAS PROVIDED MANY KEY RECOMMENDATIONS ON THESE POINTS AND WE WOULD LIKE TO MENTION OUR AGREEMENT WITH THESE, PARTICULARLY ON THE SECTORS MENTIONED.

### **2012 GROWTH FORECASTS**

THE QUESTION IS, IN RELATION TO YOUR THEME OF “MOVING TWICE AS FAST”, WILL WE MOVE TWICE AS FAST THIS YEAR?

THOUGH DARK CLOUDS CONTINUE TO LOOM IN THE GLOBAL ECONOMIC HORIZON AND WILL AFFECT THE COUNTRY AND OUR NEIGHBORS, THERE IS NEVERTHELESS SOME OPTIMISM WITH REGARDS TO THE PHILIPPINE ECONOMY. (*Refer To Slide 16 And 17 2012 GLOBAL AND PHILIPPINE FORECASTS*)

SINCE THE EURO ZONE IS ALREADY IN A RECESSION AND WITH CHINA, JAPAN AND THE USA ALL FACING A CHALLENGING GROWTH OUTLOOK, DEMAND FOR PHILIPPINE EXPORTS IS EXPECTED TO FALL AND THE PHILIPPINES WILL NEED TO LEAN ON DOMESTIC SPENDING TO MANAGE DECENT GROWTH IN 2012. SPECIFICALLY, EXPORTS ARE EXPECTED TO DROP BY 9% IN THE FIRST QUARTER AND 7% IN THE SECOND QUARTER BEFORE INCHING UP BY 2% IN THE THIRD QUARTER

AND 7% IN THE FOURTH QUARTER. EXPORTS MIGHT CONTRACT BY 6.5% THIS YEAR FROM A FORECAST 6.6% DECLINE LAST YEAR.

AND WITH LOCAL BUSINESSES AND CONSUMERS SHACKLED BY THE GLOBAL DOWNTURN, THE ECONOMY'S EXPANSION WILL LARGELY DEPEND ON GOVERNMENT OUTLAYS, MAKING THE GENERAL APPROPRIATIONS ACT OF 2012, SIGNED INTO LAW LAST DECEMBER 15, PRETTY MUCH THE CENTRAL ECONOMIC GROWTH FORMULA FOR THE YEAR. AGAIN, THIS IS ASSUMING THE GAA'S 1.8-TRILLION PESO BUDGET WOULD BE SPENT AS PROGRAMMED AS HAS BEEN ASSURED BY BUDGET SECRETARY ABAD. IN THE 2012 BUDGET, ALMOST 440 BILLION PESOS WOULD GO TO INFRASTRUCTURE, AGRICULTURE, TOURISM AND ECONOMY-BOOSTING PROJECTS (*Refer To Slide 18 And 19 BUDGETSECTORAL BREAKDOWN CHART*).

AMONG THE BIG-TICKET ITEMS IN THE NATIONAL BUDGET ARE THE FOLLOWING: P39.5 BILLION FOR THE CASH TRANSFER PANTAWID FAMILYANG PILIPINO PROGRAM; P22.1 BILLION AS STRATEGIC SUPPORT FOR PUBLIC-PRIVATE PARTNERSHIPS (PPP); P2.9 BILLION FOR MAJOR ICT GOVERNANCE PROJECTS; P24.8 BILLION FOR THE CONSTRUCTION AND REHABILITATION OF IRRIGATION SYSTEMS; P1.8 BILLION FOR THE *PAYAPA AT MASAGANANG PAMAYANAN* (PAMANA) PROGRAM, WHICH AIMS TO BUILD PEACEFUL COMMUNITIES IN CONFLICT AFFECTED BARANGAYS, AND P12.3



BILLION FOR FLOOD-CONTROL PROJECTS.

PRESUMABLY, THE NATIONAL BUDGET WILL BE INSTRUMENTAL IN ATTAINING THE FOLLOWING STRATEGIC GOALS LAID OUT IN THE PDP 2011-2016: 1.) ECONOMIC GROWTH OF 7%-8% FOR AT LEAST SIX YEARS; 2.) GROWTH THAT GENERATES MASS EMPLOYMENT (AT LEAST A MILLION PER YEAR), AND 3.) GROWTH THAT REDUCES POVERTY, INCLUDING THE ACHIEVEMENT OF MILLENNIUM DEVELOPMENT GOALS (MDGS).

ADDING TO OUR POSITIVE OUTLOOK IS THE CITIBANK REPORT WHICH CITES THE PHILIPPINES AS A FERTILE GROUND FOR CROSS-BORDER MERGER AND ACQUISITION (M&A) DEALS. PROSPECTIVE INVESTORS ARE PARTICULARLY ATTRACTED TO OUR GROWING POPULATION AND CONTINUED STRENGTH OF CONSUMERS AS A DRIVER OF THE ECONOMY, COUPLED WITH THE COUNTRY'S RESILIENT CONSUMER MARKET, WHICH CONTINUED TO BE SUPPORTED BY OVERSEAS REMITTANCES AND BUSINESS OUTSOURCING REVENUES.

### **MOVING TWICE AS FAST: REFORMS AND RECOMMENDATIONS**

ASSUMING THAT ALL GOES SMOOTHLY ACCORDING TO PLANS, IF WE TAKE THE LOWEST ACTUAL GROWTH RATE OF 3.2 PERCENT OF 2011 AND MULTIPLY IT BY TWO, THIS WOULD GIVE US A 6.4 PERCENT MINIMUM

GROWTH FOR 2012 IN ORDER TO REFLECT AN ECONOMY THAT HAS MOVED TWICE AS FAST.

GIVEN THE MOST OPTIMISTIC OF CIRCUMSTANCES, WE NEED TO ASK OURSELVES: IS THIS A REALISTIC GROWTH RATE WE CAN ACHIEVE THIS YEAR? MOREOVER, IS MOVING TWICE AS FAST, FAST ENOUGH GIVEN THE CIRCUMSTANCES SURROUNDING OUR LOCAL ECONOMY?

MY ANSWER TO BOTH IS IN THE NEGATIVE. THE GOVERNMENT'S GROWTH RATE PROJECTION FOR 2012 IS 5-6% BUT SLIDE 3 PRESENTS THE 2012 GROWTH PROJECTION OF A CROSS SECTION OF MULTILATERAL AND PRIVATE FINANCIAL INSTITUTIONS SHOWING A CONSENSUS OF LOWER RATES. THE CONCLUSION THEN IT WOULD SEEM IS THAT WE CAN MOVE TWICE AS FAST – BUT NOT THIS YEAR. THIS SHOULD BE THE YEAR FOR FIRMLY LAYING THE FOUNDATIONS FOR MOVING THE ECONOMY TWICE AS FAST IN THE COMING YEARS WITH A COMBINATION OF CONTINUING REASONABLE LEVELS OF POPULARITY OF THE PRESIDENT, TAKING TO HEART LESSONS FROM THE PREVIOUS YEAR, TAKING CORRECTIVE MEASURES IN KEY AREAS, AND FOCUSING ON THE TASK OF BUILDING ON THE STRENGTHS OF THE PHILIPPINES.

I HAVE HIGH HOPES FOR THE PRESIDENT'S POPULARITY TO CONTINUE, GIVEN THE FRESH AIR INTRODUCED BY DETERMINED MEASURES OF ANTI CORRUPTION, EVEN AS I ALSO HOPE THAT THE GOVERNMENT WILL NOT

BE UNDULY DISTRACTED FROM ITS ECONOMIC TASK BY INEVITABLY CONTINUING POLITICAL BATTLES. AS TO LESSONS LEARNED, CERTAINLY THE MOVE TO MUCH HIGHER SPENDING LEVELS IS ITSELF AN ADMISSION OF THE NEED TO DRASTICALLY SHIFT GEARS. THE CONTINUING CENTRAL PROBLEMS TO ADDRESS ARE: INFRASTRUCTURE, INFRASTRUCTURE AND INFRASTRUCTURE. A MORE VIGOROUS APPROACH TO THIS VIA WHATEVER COMBINATIONS OF PPP AND ODA THE GOVERNMENT COULD MUSTER PLUS THE GOVERNMENT'S OWN STEPPED UP SPENDING WOULD BE NEEDED. BEAR IN MIND THE GESTATION PERIOD FOR SIGNIFICANT INFRASTRUCTURE PROJECTS IS A MINIMUM OF 2 ½ YEARS BETWEEN IDENTIFICATION AND START OF CONSTRUCTION. THERE IS CLEARLY NO TIME TO WASTE. THIS LEVEL OF SPENDING WILL HOWEVER NEED FINANCIAL RESOURCES WHICH BRINGS US TO FISCAL STRATEGY. WHILE I LAUD THE DOF'S COMMITMENT TO TAX COMPLIANCE RATHER THAN NEW TAXES TO RAISE FUNDS, IT WOULD I BELIEVE STILL EVENTUALLY NEED A BALANCED APPROACH BETWEEN EFFECTIVE TAX ADMINISTRATION AND MEASURES TO EXPAND THE TAX BASE TO REALLY PULL IT OFF. IT MAY SOONER RATHER THAN LATER ALSO NEED NEW TAX MEASURES AND INCENTIVES RATIONALIZATION. BUT CAN IT BE DONE? DEFINITELY YES ---- NOT THIS YEAR, BUT I AM POSITIVE THAT THIS IS POSSIBLE IN THE COMING YEARS GIVEN THE PROPER ENVIRONMENT.

BEYOND THE KEY REFORM AREAS THAT WE HAVE MENTIONED, THE STARTING POINT FOR ANY COUNTRY TO MOVE PURPOSEFULLY FORWARD IS TO HAVE A CLEAR VISION ON WHAT IS ITS NICHE IN THE REGIONAL AND GLOBAL ECONOMY.

SINGAPORE SET OUT TO DO THIS EARLY ON AND THEY DEFINED THEMSELVES AS AN INTERNATIONAL PORT AND THAT'S WHAT THEY SET THEMSELVES OUT TO BE. CHINA DEFINED ITSELF AS THE WORLDS MANUFACTURING JUGGERNAUT. JAPAN DEFINED ITSELF AS THE EXPORT ORIENTED, TECHNOLOGY-CENTERED ECONOMY.

WHAT IS OURS? YOU LOOK AT THAT AND YOU LOOK AT OUR RESOURCES. MINING CERTAINLY IS ONE, BUT WHY CANT IT MOVE?

AGRICULTURE ---- FOR AGES SINCE I WAS YOUNG BOY, THE CONSTANT REFRAIN WAS THE PHILIPPINES IS PRIMARILY AGRICULTURAL AND SO ON, BUT WE WENT FROM THERE TO ROMANTICIZE SUBSISTENT AGRICULTURE --- WE STILL LOVE TO LOOK AT PAINTINGS OF NIPA HUTS AND CARABAOS AND RICE FIELDS, BUT PASTORAL SCENES DO NOT MAKE FOR AGRO INDUSTRY. SIMILARLY, WE PRIDE OURSELVES WITH LAND REFORM STRUCTURES THAT DO NOT EMPHASIZE PRODUCTIVITY BUT THAT OF MERE OWNERSHIP.

CHOOSING OUR NICHE APPLIES TO THE TOURISM INDUSTRY AS WELL. WHY IS SINGAPORE POSITIONING ITSELF AS THE ENTERTAINMENT

CENTER OF SOUTH EAST ASIA WHEN ALL THEIR ENTERTAINERS ARE COMING FROM HERE? OR WHY ARE THEY POSITIONING THEMSELVES AS THE MEDICAL CENTER OF THE REGION WHEN ALL THE DOCTORS AND NURSES ARE COMING FROM HERE? IF WE HAVE DEFINED OURSELVES AS THAT KIND OF CENTER THEN WHAT KEEPS US FROM DOING IT?

THE BPO INDUSTRY HAS BEEN GROWING CONSISTENTLY, BUT WE SHOULD BE MOVING BEYOND BEING SOPHISTICATED TELEPHONE OPERATORS TO PRODUCERS OF SOFTWARE, GAMES, GRAPHIC ARTS.

AS I COME TO THE END OF MY PRESENTATION, I WOULD LIKE TO UNDERSCORE MY POSITION THAT I DONT THINK WE CAN PULL A TWICE IMPROVED GROWTH PERFORMANCE THIS YEAR, BUT EQUALLY, LET ME ALSO STRESS THAT THOUGH AN AMBITIOUS GOAL, IT IS NOT OUT OF REACH. HAVING LEARNED OUR LESSONS FROM 2011 AND WITH THE GOVERNMENTS RENEWED FOCUS ON MOVING THE ECONOMY, THE TIME TO DO THIS IS NOW.

THANK YOU VERY MUCH AND ONCE MORE, A PLEASANT MORNING TO EVERYONE. (*Refer To Last Slide “THANK YOU”*)