SPEECH OF SENATE PRESIDENT FRANKLIN M. DRILON
MAP GENERAL MEMBERSHIP MEETING
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THE PURSUIT OF INCLUSIVE GROWTH AND GOOD GOVERNANCE

Mr. Greg Navarro, officers and members of the Management Association of the Philippines, friends of the MAP, ladies and gentlemen, good afternoon.

It is a great honor and privilege to join you – our country's top management practitioners – as you hold your general membership meeting today.

The bold structural and economic reforms that the government has employed in the last four years have started bearing fruit. Today, the Philippines is one of the fastest growing economies in Asia. The spectacular economic performance in a span of four years inspired confidence in our country's ability to become an economic force in the Asian region in the near future. Despite the spate of natural and man-made calamities that hit our nation, our Gross Domestic Product (GDP) in 2013 grew by 7.2 percent, higher than the government's expectations. Most analysts are expecting the economy to grow by 6% to 7% this year.

The World Bank, ADB and other financial institutions have been making bright and promising forecasts for the Philippine economy. Our country was given an investment grade status by Moody's, Fitch and Standard and Poor's. The World Economic Forum's (WEF) Global Competitiveness Report for 2014 to 2015 showed that the Philippines climbed to 52nd from 59th place out of 140 countries in the world. More significant is the fact the Philippines has leapfrogged 33 places – from 85th to 52nd since 2010, the largest gain that an economy has achieved among all countries studied.

The remarkable improvement of the nation's economic health has been attributed to the relentless efforts of the government to fortify our institutions, encourage efficient government spending, and promote transparency and accountability.

This administration was swept into power in 2010 on the platform of good governance and the mantra *"kung walang kurap, walang mahirap"* It is on this platform that we authored the GOCC Governance Act of 2011 to curb the abuses and excesses that hounded our GOCCs for many years

Today, three years after the GOCC Governance Act was passed, it is heartwarming to note that it has been cited by credit rating agencies as a landmark piece of legislation that would instill discipline among state enterprises. Last year thirty eight (38) GOCCs remitted almost P28 billion to the national coffers.

Reforms call not only for strong political will but also for additional resources. We passed the Sin Tax Reform Act to increase revenues from tobacco and alcohol products for universal health care agenda. If we did not pass the Sin Tax Law in 2013, excise tax collection on tobacco products, would have amounted only to P28.5 billion. But with the passage of the law, excise tax on tobacco and alcohol products amounted to P70.392 billion, an increase of P41.8 billion.

Notwithstanding these rosy developments in our economic front, the problem of high unemployment at 6.7% and underemployment at 18.3% as of July 2014 persists. This problem must be addressed as swiftly as possible so as not to undermine our efforts to achieve inclusive growth.

With less than two years before the close of the 16th Congress, both the Senate and the House of Representatives would work even harder on our legislative agenda that provides our roadmap for accelerated, sustainable and inclusive growth. We are determined to adopt policies and pass laws that would accelerate infrastructure development, improve business and investment climate, ensure energy security and increase public investments in education, health and other social services.

Our people should be able to partake of the fruits of development and experience a meaningful improvement in their standard of living. No Filipino should be left behind. The reality is that while we have been achieving tremendous growth rates, our poverty incidence remains high.

We shall, therefore, continue the Conditional Cash Transfer program which was recognized in a recent World Bank study for its effectiveness. In the 2015 national budget, the program will support 4.4 million poor households with an allocation of P64.7B. The DSWD has committed that by next year, 2 million families under the CCT will be uplifted from survival to subsistence, and 300 thousand families will move from subsistence to self-sufficiency.

We shall continue increasing our investment for human development. Job creation would have to be accompanied by skills matching and upgrading. The national budget for 2015 would reflect that investing on our human capital – our people – which remains the highest in the government's priority program.

Education will still get the biggest share of the budget with P365.1B for 2015. This will support the government's school building program, with the construction of 31,728 new classrooms and repair of 9,500 dilapidated ones, including those damaged by past calamities. On top of this, we would fund the purchase of 70.5 million textbooks and the hiring of more than 39,000 additional teachers next year.

We will increase the budget of the Department of Health to P102 billion from its current level of P90.8 billion. Of this, P13.1 billion will be allotted to the upgrade of 1,242 barangay health stations, 587 health centers from remote barangays, 128 hospitals in different provinces, 19 DOH-managed hospitals, and 11 treatment and rehabilitation centers. With the boost in generated revenues from the Sin Tax Reform law, the government will be able to increase the premium subsidy for the National Health Insurance Program to P37 billion in 2015 from its present level of P35 billion. This will provide PhilHealth coverage to 15 million indigents and 6 million senior citizens. Given that Greg has earlier mentioned that the average age of MAP members here is 65, then many of you will be covered under the program.

Public spending will remain at the forefront of infrastructure development. We would build and improve more roads, bridges, ports, airports; upgrade our facilities; and improve our services.

For the past four years, the national budget was passed on time to ensure funding for important government projects. This year will be no different. We will present the 2015 General Appropriations Act to the President in December 2014. Since excellent infrastructure is crucial to the attainment of inclusive growth, the proposed 2015 national budget allocates a total of P562 billion, or 4% of GDP to infrastructure spending. We are committed to increase infrastructure spending to 5% of GDP by 2016 to maximize the country's productive capacity.

One of the key measures that the Senate would soon start to work on to accelerate infrastructure development is the proposed amendment of the Build Operate Transfer Law.

To improve the present framework for Public-Private Partnership and to attract more investments, we would consider including other PPP modalities such as joint ventures, concession agreements and management contracts. Also, we would like to close some policy gaps such as inter-connectivity issues between two or more infrastructure projects.

The passage of key amendments to the BOT law will create a better enabling policy environment for PPP and provide the most appropriate incentives to mobilize the private sector to finance, design, construct, operate and maintain infrastructure projects and services. We would ensure that there is a fair and reasonable pricing mechanism and timely delivery of quality infrastructure, goods and services, as this will enable better access to market which will ultimately translate to lower cost of goods.

To attract foreign investment, we have set our sights on cultivating a business environment that allows foreign investors to engage in a wider array of financial activities, to comply with reasonable and expedient regulatory requirements, and subsequently earn fair and equitable return of their investments.

Since both transportation and communication diverge in different aspects, it is important to have a single department for each. We are looking at creating a Department of Information and Communications Technology that will be tasked to develop ICT systems and further enhance communication services. This is significant in light of the growing business processing outsourcing sector in the country.

We are preparing for the launching of the ASEAN Economic Community (AEC) in 2015, which shall lead to the creation of a single market. This economic integration will bring in more opportunities for local businesses and industries. It will likewise increase competition with the inflow of foreign businesses, products and services. Hence, to ensure that local businesses continue to thrive and take advantage of the many benefits of increasingly bigger markets, we have passed a number of measures that would complement our commitment under the AEC.

This year, we passed RA 10641 that allows the full entry of foreign banks in the country. The law now allows foreign banks to acquire and invest up to 100% of the voting stock of a domestic bank, or establish branches with full banking authority. The law also lifted the limitation on the number of foreign banks that can operate in the country, thereby allowing the foreign banks to engage in business for as long as control of at least 60% of the entire banking system resources is held by domestic banks.

With this, foreign investors can now turn to their trusted reputable foreign banks to facilitate transactions in the country. This would encourage the in-flow of foreign capital and other foreign direct investments not only in the banking industry, but in other industries as well. With these changes, we will see the country ease into integrated financial and capital markets in the region.

In addition to liberalization measures as key to attracting foreign investments, we have steered the passage of law that would improve the ease of doing business such as the Go Negosyo Act, especially for small and medium businesses.

We will continue to work on a comprehensive package of reforms that will improve the business and investment climate.

Similar to what we did to liberalize the banking sector, we will soon debate on the amendment or repeal of provisions in existing laws limiting foreign equity in areas, such as: retail trade enterprises; private radio communications network; private recruitment; contracts for the construction and repair of locally-funded public works; rice and corn production, among others.

A landmark legislation which you might be interested in, and we are working on is the Fair Competition Act. We will be passing this bill on third reading when we come back on October 20. We are almost through with debates except for senator who has reserved the right to propose amendments. The bill is almost in its final form. The bill promotes economic efficiency in trade, industry and commerce through the prohibition of anti-competitive agreements, abuse of dominant position, and anti-competitive mergers which distort and restrict competition. Having a competition law and policy in place will foster the competitive environment in our national economy. Competition spurs economic efficiency and innovation, and attracts investments, all of which lead to lower prices, higher quality of products and services, and more choices for consumers. Competition law and policy will ultimately bring about a dynamic, sustainable, inclusive economic growth and national progress.

Talking about competition, the President has highlighted in his SONA the need to amend the Cabotage Law to allow greater competition in coastwise trading. It has been observed that transporting cargo to another country's port is cheaper compared to transporting cargo from one local port to another. For instance, shipping dry cargo from Davao to Taiwan costs approximately $450 per 20-foot equivalent unit, as compared to $680 when shipped from Davao to Manila.

Amending the Cabotage law to allow foreign-registered vessels to engage in coastwise trade in the country would open the market to competition, bring down transportation costs by sea, and enable the country to fully utilize the supply chains for products. We are aware, however, that the local shipping industry is strongly opposed to the proposal. In the meeting I had along with my friend Mon Del Rosario, there is a split between the foreign chambers and the local chambers on the need to amend the Cabotage Law.

We want to rationalize our present fiscal system. Do you know that there are around 186 laws which provide numerous fiscal and non-fiscal incentives and subsidies to foreign and domestic investors? The fiscal incentives are mostly in the form of tax reliefs and preferential tax treatments to encourage investments. We would reassess and harmonize these laws to avoid redundant and overlapping incentives to cut revenue loss.

Another area we need to work on is mining. The Philippines has 5.56 million hectares of land with mineral potential (Metallic – 3.96 million hectares/Non-metallic – 1.6 million hectares). Mining can therefore bring in significant revenue for the government. A June 2012 IMF study noted that the mining sector will provide about $1 billion revenue per year under the present Mining Production Sharing Agreement (MPSA) tax regime.

We are studying options for the mining fiscal regime with the view of increasing the government's share from mining revenues. It is imperative that the Filipino people must have their fair and equitable share from any economic activity done in the country, especially if it involves the extraction of our natural, finite and limited non-renewable resources. The minerals are owned by the Filipino people, and not by those who have mining licenses.

Our main goal is to lay the foundation for the implementation of responsible mining policies, with emphasis on improving the country's environmental mining standards and protecting the rights of affected communities, while increasing the Government's revenues to promote sustainable economic development and social growth.

There is another measure we are working on – the Tax Incentive Monitoring and Transparency Act or TIMTA. To foster transparency and accountability in the present system of granting fiscal incentives, all tax incentives granted by the various Investment Promotion Agencies (IPAs) and other government agencies under the proposed TIMTA are to be accounted for under a tax expenditure account in the national budget. We will debate on it and see what kind of monitoring agency can we come up with.

Another good governance measure in the table is the proposed Customs Modernization and Tariff Act. Since smuggling is an impediment to the achievement of our development goals, the proposed measure seeks to address the illicit shipment of goods by instituting electronic processing of import and export, simplifying the customs procedure for ordinary citizens, and increasing the operating flexibility of the Bureau of Customs. With a stronger organization and citizenry armed with proper knowledge of the process, I am certain that we can combat smuggling, which, last year deprived our government of an estimated P200 Billion in revenues.

On good governance, we will pass laws to strengthen our anti-graft laws and the Office of the Ombudsman and the Sandiganbayan. We also commit to pass the Bangsamoro Basic Law by the first quarter of 2015.

The House of Representatives is now debating on a constitutional amendment which will allow Congress to formulate economic policies by legislative process. Presently, no debate can be had on the validity of the restrictive economic provisions without amending the Constitution. With the insertion of the phrase *"unless provided by law",* in the pertinent provisions of the Constitution, we will be more flexible in crafting laws in light of the changing economic landscape. We support this approach in amending our economic policy.

Ladies and gentlemen, given that we only have less than two years, I am sure that you who are sitting there would say, "Sen. Drilon, passing all of these is a tall order." Even a rocket scientist could not figure out how this could all be done given the limited time.

If we can not make a substantial progress on our economic legislative agenda by March of next year, I am prepared to recommend to the President that Congress be convened in a special session in May and June of next year to tackle and pursue our economic reform policies. The 2016 campaign can wait. We have work to do. We work first.

The country's economic cluster unfortunately took four years before they agreed on a common policy direction in many of these economic bills. They have submitted six different draft bills on various economic proposals only two weeks ago. For example, Congress could not move on the Incentives Rationalization bill due to the disagreements between the DTI and the DOF. That is no secret. We have a tight schedule, but we must give it our best shot.

The situation is no different from the proposed joint resolution on the grant of emergency power to the President to address the looming energy crisis in 2015. At this point, the DOE could not even provide the parameters of emergency powers being sought.

While many are alarmed by the impending power shortage in March-June 2015 and its impact on the economy, the grant of emergency powers must not be done in haste and must be the "last resort". The proposal of the DOE to buy additional generating capacity for 4 months will cost us anywhere from P6 billion to P10 billion.

Although there is a need for additional generating capacity, I believe that we must first explore other available and less-costly solutions to the problem. We can implement various efficiency and conservation measures such as load curtailments (or demand response), an example of which is utilization of the existing Interruptible Load

Program or the ILP. We can also take steps to rehabilitate and utilize the idle Malaya plant.

Perhaps this is an opportune time for us to establish a clear energy agenda and to address the growing concern over the perceived inability of the country's power sector to keep up with the growing demand that is intricately linked to the Philippine economy's immense economic growth.

Since the beginning of the Aquino administration, we have all been working hard to free our people from the shackles of poverty and give them more choices and opportunities to lead productive and fulfilling lives, thus enabling them to take control of their own destiny.

I am confident that with the active participation of all sectors in governance and in the economic and political life of our nation, our country will be able to achieve its development goals. The challenge before us now is to ensure that the reforms that have been painstakingly put in place will be sustained and will not be reversed even beyond 2016.

Thank you very much.