



**PROGRESS FOR ALL**  
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**20 June 2016, SMX Davao**

Ladies and Gentlemen:

Thank you for coming to this wonderful city. Thank you for taking time out to participate in this dialogue.

This dialogue, I assure you, will help us refine the reforms the new administration proposes. From the onset, let me assure you that the new administration will be guided by what is best for the nation.

We seek your counsel as stakeholders in this nation's progress, as we will the counsel of other stakeholders: those who own nothing in their name but whose capacity for hope rests precariously on the opportunities public policy is able to create.

The tasks of the Finance Department, I imagine, all rest on a few general propositions.

First, the Department ought to raise the money government requires to operate and invest in social goods such as infrastructure, health facilities and quality educational institutions. Raising the means for government to do what it must, however, ought to avoid deepening inequality and denying our citizens their right to make economic decisions for their own benefit.

Second, the Department ought to ensure the sustainability of our financial affairs. While we might seek financing to secure economic opportunities for our people, we must also manage the national debt so that it does not become a drag on our growth.

Third, and possibly most important, the Department of Finance should play a role in making our growth more inclusive. This can be achieved by: rethinking our investments incentives; reconfiguring our taxation system to build a robust middle class; and, reinventing our trade and tariff policies

so that we may take advantage of free trade without sacrificing the development of our industries.

The third role requires some out-of-the-box thinking and a creative synergy among all the economic managers. Given the nature of the global economy today, the nation-state needs to play new roles to ensure their economies create jobs, disperse wealth and widen opportunities.

The incoming Duterte administration outlined last month an 8-point program but now expanded into a 10-point socioeconomic program.

That economic program should reassure the public that the new leadership will basically continue the macro-economic policies that brought our economy to a higher growth plane in the last decade. These policies, anchored on fiscal conservatism, worked down the national debt as a percentage of GDP and brought predictability to the markets, produced impressive growth rates.

However, the comparatively high growth did not sufficiently disperse economic opportunity nor substantially reduce poverty. It kept income levels tight for the small middle class and pushed the rural poor to even greater misery.

This pattern of high growth fueled by widening income disparity is unsustainable. It has produced great disillusionment among the people. It has made our national economy seem harsh to those who work hard and earn so little.

Over the next six years, we should transform the national economy in ways that will bring not only social peace but also communities that nurture our people.

This will require accomplishing the goals outlined in the 10-point program. The new administration will move away from the chronic under-spending we have seen the past few years. We will invest in building the infrastructure necessary to make us a 21<sup>st</sup> century economy: from modernizing our ports to improving our logistical spine to ensuring reliable and cheap power for all the islands.

The new administration will invest more heavily in building up the nation's human capital. This will include more extensive budgetary outlays for education and public health.

The new administration will definitely review the tax system, initially to update the income tax brackets and eventually to lowering corporate and individual tax rates. We wish to see our workers having

more disposable income to do as they wish. Our corporate tax rates will be adjusted to be competitive with the rest of the region to make our economy more competitive for investments. We hope to broaden the tax base even more to compensate for lower rates.

There are some suggestions for raising the VAT rates to offset reduction of individual and corporate tax levels. We submit this matter for your consideration and suggestions.

The new administration will push forward the development of rural areas to generate more job opportunities in the countryside. This will involve modernizing our agriculture and encouraging agribusinesses to generate higher value added products. Farming should no longer be the poverty trap it has been for generations.

The new administration will push forward with the challenging task of bureaucratic reform. With these, we hope to improve on the ease of doing business. More important, we want a bureaucracy that is most responsive to the needs of our citizens.

Our economy can move to a higher growth plane. To achieve that, we need a bolder pump-priming plan that will initially involve allowing more headroom for deficit spending. Our data shows we have enough liquidity in the domestic market to support public borrowing. A more aggressive spending plan will, in fact, help relieve our domestic banking system of excess liquidity problems.

The Duterte administration comes to office at a propitious time in our economic history. Both interest and inflation rates are at their lowest ever. Oil prices, a major factor influencing inflation trends, are moderate. They are likely to hold at roughly the same levels for some time.

Two decades of fiscal consolidation finds us with a manageable debt service level and investment grade ratings. There is room for more audacious economic policy-making.

I can assure you the incoming economic management team will neither be timid nor shy. The people expect us to deliver not only peace and order but also an economy that is truly inclusive.

The public mandate is clear. We want a society that multiplies opportunities for its citizens. We want a community that is caring. We want a leadership that looks after the vulnerable.

The macroeconomic numbers are, as you very well see, very good. We expect to sustain the economy's robust growth well into the medium term.

The macroeconomic numbers, however, do not tell the whole story. Our people did not vote for change May 9, 2016 because the macroeconomic numbers are good. They voted for change because the good macroeconomic numbers did not translate into a good life for all.

We need new metrics to understand how economic expansion could be made more meaningful for the majority of Filipinos. It is not enough to say the economy is growing. We have to develop measures that will show us how that economic growth converts into a more livable life for our people. This is how change should be charted from hereon.

I am sure that the first question in the minds of the business community is: What sort of environment for business will there be under the new leadership?

Let me tell you now that environment will be good for business. The playing field will be leveled. We will free government agencies from regulatory capture. Contracts will be respected. Good governance will be delivered. Corporate taxes will be lowered. The negative list for investments will be relaxed as far as constitutionally possible. Infrastructure will be built. The ease of doing business will be improved. Wherever possible, we will go by the standards of global best practices.

As you can see, the first question on your minds is the easiest one to answer. The tougher question to answer is what I have foremost in my mind: How can we grow our businesses without doing business-as-usual?

Michael Porter shares with us an important concept: that of Shared Value.

What can businesses do to improve the value proposition for consumers? How can we improve our processes so that end-users benefit as much as businessmen do? What can the business community do to help advance best practices in both the public and private sectors so that we can move our economy out of the feudal ages, improve distribution of wealth, empower analytical consumers and reduce corrupt practices?

This is the challenge I pose to you, eminent members of the business community today: In what ways may government and private business partner to push reforms in governance?

I propose today that we start building coalitions for reform. We need to radically transform the way we do things so that economic growth does not translate into further entrenching the oligarchy; so that when we do things more efficiently, the majority benefits from the values created; so that when government performs better, the consumer benefits in the end.

We cannot transform government without transforming the community. We cannot evolve a rules-based economy without a rules-based ethos for the whole community. We cannot have good governance in the public sector without good governance in the private sector.

Enough of the political coalitions. Those have been done.

Today, I challenge the business community to build coalitions for change in every sphere of our social life. Let us build public-private partnerships not just for projects but to transform our national community into a cooperative enterprise that brings out the best in everyone and delivers the best for all.

The way our voters chose last May 9 was not just to install a president. It is to change the way we do things as a nation. It is a patriotic call to start building a truly 21<sup>st</sup> century society where citizens trust their institutions and consumers trust producers. It is a society of Shared Value where each one benefits from the excellence of the other.

Thank you and have a productive day.