



Dev Buzz

Raise the game to attract more investments in RP



IFC Resident Representative Jesse Ang, AIM President Edilberto de Jesus, WB Economist Ulrich Lachler, and WB Country Director Bert Hofman

The incoming administration needs to focus on raising the game to attract investments in the country as competition for capital heats up after the global financial crisis, experts said in a recent forum at the Asian Institute of Management Knowledge for Development Center (KDC).

They said investors will be watching closely how the next government commits to reforms that will make the Philippines a good place for doing business like transparency and good governance, tax mobilization, improving infrastructure, reducing the cost of production, public-private partnerships, and addressing labor market issues, among others.

“There will be less growth moving forward because of the financial exuberance of recent years that resulted in the global financial crisis. Fortunately, the

Philippines is in a good neighborhood, but, if you look closely, its ties with rapidly growing countries are less than desirable,” said Bert Hofman, country director of the World Bank (WB).

AIM President Edilberto de Jesus said the government needs to reform the education system, rev up the pace in the basic education sector to keep the labor force competitive. Ulrich Lachler, WB economist, said a government that is able to do deep reforms will take regional practice as benchmarks, and will be able to keep the confidence of investors.

“Take China away and East Asia is not such a promising story, especially in 2008 and 2009. With China and India such big players now, unless the rest of East Asia raises its game enormously, there is little foreign investments that is going to come into this country. What can the Philippines do? Everything in this

“QUOTABLE QUOTES”

“With higher savings come higher investments, and then higher growth. The whole story has to focus on reforms. The little that I’ve seen of the Philippines is enormously promising provided reforms will kick start growth,”

-- Vikram Nehru

“We find internationally that growth is not equal. More so rapid growth. But development need not be.

We can redistribute development so that everyone in the country gets access to basic public services,”

-- Bert Hofman

forum seems to say, ‘All roads lead to more investments,’” said Vikram Nehru, WB economist.

Leadership will be an important factor for the country, especially this year, said Jesse Ang, resident representative of the International Finance Corp., the private sector arm of the WB. *“The Global Competitiveness Report shows that one of the most negative factors is corruption and transparency. The other one is inefficient government bureaucracy,”* he said.



HIGHLIGHTS

- The overarching development challenge for the Philippines is achieving more inclusive growth.
- Over the last 10 years, the Philippines successfully shook off its reputation as the sick man of Asia by reestablishing macroeconomic stability partly due to buoyant remittances from overseas Filipinos. But the gains from these are undermined by local economic and social challenges.
- One of the biggest of these challenges is the weak investment climate. At 14% of GDP, the investment rate is very poor compared with the 25%-30% of rapidly growing economies. This rate is not enough to meet the government's existing development goals and not enough to make growth work for the poor.
- One of the results of poor investment climate is the lack of jobs that help people get out of poverty. Jobs in the growing BPO sector are not helping enough. There must be more jobs in the manufacturing, services, and agriculture sector.
- The government needs to address labor market issues on multiple sides, if it intends to improve the job market. Minimum wages are too high and labor intensive manufacturing is going to other countries. Wage security applies only to half of the labor force.
- Conditional cash transfers, combined with measures to improve the investment climate can lead to a much more intensive and inclusive growth. Spending for education and health are also critical for developing the country's human resources.
- Good governance is central to raising investments that lead to inclusive growth. Transparency and good governance lead to consistency in policies that attract capital.



The forum was videocast to St. Paul University in Tuguegarao, where topics of concern related to investments are: capital formation, infrastructure, training and development, agriculture, and tourism development and promotion. In the University of Southern Philippines in Davao City, which also participated via videocast, these were the topics of interest: investment incentives at the local level, leveraging market competition for Mindanao products, lowering cost of doing business, job market information, security, adequate energy supply, access to financing, culture, and infrastructure for ICT and ecozones.