Statement by Myles Wickstead
Date of Meeting: May 4, 1999

**Philippines: Country Assistance Strategy**

1. We welcome the opportunity to discuss the Country Assistance Strategy (CAS) for the Philippines and congratulate the authors on producing a comprehensive and thoughtful paper which brings out the complexity of the development agenda which lies ahead. We especially welcome the extensive consultations which have taken place, including those with civil society.

2. Notwithstanding the decline in growth last year as a result of the regional financial crisis and the impact of adverse weather conditions, the economy has shown resilience and remains reasonably well on-track. While it is true that in the short term there are a number of down-side risks with continuing external and domestic vulnerability, the agricultural sector appears to be recovering and there is growth elsewhere, particularly in the services sector. Mr Alfiler’s statement points to the revival of confidence in the stock market, the reduction of interest rates to pre-crisis levels and the stabilisation of the exchange rate, while inflation is being contained. It will be vital to build upon the good foundation of structural reforms which have already been implemented, and for Government to press on with further reforms in order to deepen and sustain the recovery.

3. We are pleased to note that this CAS has been grounded in the Government’s own medium term development plan with poverty reduction at its centre. The Poverty Update (Annex C) only presents the picture before the financial crisis struck, with more than 27 million people below the poverty line in 1997, and with the number living in rural areas increasing. Clearly, the situation will have worsened since then. Strengthening the social safety net and improving the targeting of programmes and their effectiveness should be a key priority and we welcome the Bank’s proposed involvement through the Social Expenditure Management Loan, together with technical assistance. We agree with OED in their recent Country Assistance Review that special efforts should be made to target the poorest groups and regions and to work closely with NGOs, local community organisations and beneficiaries in the formulation and design of new interventions. Land reform will need to be an essential component of any
sustainable rural development initiative.

4. The current trend in public finances is apparently unsustainable (Matrix diagnostic), and the National Power Corporation is responsible for a significant share of the country's foreign debt. We would urge the authorities to move ahead swiftly with the power sector reform programme and more generally to move as quickly as possible on reforms to broaden the tax base and improve administration.

5. The dialogue which has been established between the Government and the Bank on measures to improve the effectiveness of the public sector and to tackle issues of governance and corruption with the involvement of civil society should be applauded. It is indeed the poor who suffer most from corruption in the provision of public services.

6. We note from OED's report that improvements have been in gender equality in public policy over the past dozen years, but there is little discussion in the CAS on gender issues or areas where further advice and support might be appropriate.

7. With regard to the proposals for lending services and scenarios, we support the recommendations in the paper. We note however that a significant proportion of the lending proposed will support long term programmes. While we accept the rationale which underpins these proposals, it will be important to establish clear benchmarks to measure progress at intermediate stages.

8. Finally we wish the people and Government of the Republic of Philippines every success in the implementation of the programme.