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Statement by the Hon. **MARGARITO B. TEVES**,
Governor of the Bank for the **PHILIPPINES**,
at the Joint Annual Discussion

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Mr. Chairman, Fellow Governors, Distinguished Guests, Ladies and Gentlemen.

Allow me first to thank the people of Singapore and their authorities for the warm hospitality and excellent arrangements for our meetings. Suntec Singapore is a world class convention facility that is reflective of the country's stature as a global city. It is also a symbol of how Asia and the rest of the developing world have grown tremendously in economic importance since the Bretton Woods Conference in 1944.

Despite these changes, developing countries still lack the proper voice, representation and participation in the decision making processes of the IMF and the World Bank. It is therefore imperative for the credibility, relevance and legitimacy of these institutions that the distribution of power reflects the realities of the 21st century—not of the last century. The recent ad hoc quota increases in the IMF for China, Korea, Mexico and Turkey is a welcome step in the right direction and we encourage everyone involved not to lose momentum.

Fellow Governors, I welcome and support the Bank's comprehensive strategy on governance and anticorruption as a means to advance the Bank's core mission of poverty alleviation and the attainment of the Millennium Development Goals (MDGs). Efforts to strengthen governance and anti-corruption activities should therefore be viewed from a developmental perspective. Fighting corruption is just one aspect of the governance agenda.

In implementing this strategy, the Bank should continue to respect the fundamental importance of country ownership and work closely with government

authorities. This not only ensures sustainable outcomes but also strengthens accountability.

The experience of the Philippines in the area of procurement reform illustrates the need for the Bank to work closely with reformers within government. Prior to the reform initiatives, the procurement system in our country was shackled by outdated legislation and inefficient practices. Losses due to corruption in the procurement system were estimated to be about \$400 million a year. Reform-minded leaders within government took the lead in initiating changes in the procurement system for greater transparency and efficiency. They carefully planned their strategy, building on diagnostic work from the Bank, recognizing fully well that streamlining the procurement system is a complex and politically charged issue. A strong communications strategy was also implemented while bi-partisan leadership and ownership of the procurement bill was secured from the legislature. The bill was passed into law in January 2003, more than three years after the whole effort began.

Governance reforms are helping the Philippines to improve tax collection. We have instituted bold programs to address tax evasion, smuggling and corrupt tax officials. The improving fiscal position of the Philippines is starting to engender a virtuous cycle of increased tax collections, more expenditures for social services and infrastructure, and reduced borrowing costs. We are deeply appreciative of the IMF and the Bank for extending technical assistance to enhance our tax collection capabilities.

Another area where I think progress has been made is the Bank's articulation of its enhanced strategy for assisting its client partner countries. During my remarks at the Annual Meetings last year, I talked about the need for the Bank to deepen its engagement with Middle Income Countries (MICs). I stressed that the Bank must offer innovative and flexible financial instruments; that creative ways must be established to provide infrastructure for MIC and that listening more closely to MICs entails adopting a more tailored approach to development.

I am happy to note that these three points are reflected in the Bank's strategy. The strategy now provides a clear description of the value proposition the Bank can offer to MICs. The strategy also reaffirms that continued close engagement with these countries is central to the Bank's development mandate, its financial health and its sustained role as a knowledge bank. To be successful, any enhanced strategy for MICs should be flexible, multi-pronged, and comprehensive, in order to be responsive to differentiated and evolving demands across these countries. Greater use of country systems should be promoted given its importance in reducing the non-financial cost of doing business with the Bank and in strengthening the countries' institutional capacities. The challenge moving forward is how to ensure that the articulated strategy is implemented expeditiously.

The Philippines has benefited from the Bank's role as knowledge bank in the area of judicial reform. Through the Bank, the Philippines learned about Guatemala's mobile courts and therefore launched its own version of "Justice on Wheels". It also learned about the case management system in Venezuela. Conversely, Russia is interested in the Philippine experience on judicial reform while Pakistan on judicial education. Clearly, the Bank is helping facilitate knowledge sharing among MICs.

Fellow Governors, we share the concern that official development assistance to low-income countries has not increased, despite the renewed pledge by the international community at the UN Millennium Review Summit in 2005 to help accelerate the progress toward achieving the MDGs. We cannot emphasize enough that success will require a significant scaling up of efforts on the part of both donors and aid recipients, in terms of increased resources, better policies, improved governance, and enhanced aid effectiveness. The Bank and the IMF have central roles in helping realize these efforts.

In closing, I would like to stress that an open and vibrant trade system is critical for sustained growth and prosperity. Many of us in the developing world have pinned our

hopes on the Doha Round of trade negotiations. The recent suspension of the negotiations was a major disappointment. It is therefore imperative that negotiations resume as soon as possible. The World Bank and the IMF should support this effort, especially by highlighting its potential benefits and the costs of trade distortions and barriers, particularly from agricultural subsidies and tariff escalation schemes in advance economies.

Thank you.