

The Center of a Dynamic Economic Region

An Interview with **The Honorable Cesar V. Purisima**,
Secretary of Finance, Republic of the Philippines

EDITORS' NOTE Cesar Purisima earned his bachelor's degree in accountancy at De La Salle University and pursued an M.B.A. with a specialization in international economics and finance at the Kellogg School of Management of Northwestern University. He spent most of his career in the financial sector before joining government. Purisima was previously Chairman and Managing Partner of renowned accounting firm SyCip Gorres Velayo & Co. He was also a member of the Global



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Executive Board and Global Practice Council of Ernst & Young. In 2004, President Arroyo named him Secretary of the Department of Finance. Purisima held the post until his resignation. In June 2010, he returned to the finance portfolio in the cabinet of President Benigno Aquino III. As Finance Secretary, he is the Governor of the Philippines in the Asian Development Bank and Chairman of the Power Sector Assets and Liabilities Management Corporation. Purisima also serves in the Land Bank of the Philippines, the National Power Corporation, the Monetary Board of the Bangko Sentral ng Pilipinas, the Energy Development Corporation, the World Bank Group, and the International Monetary Fund. Purisima was named Finance Minister of the Year by Euromoney in 2012.

How has the Philippines economy remained so strong despite a worldwide recession?

Since President Aquino took over, we have had better governance. His motto is, "Good governance is good economics." This has unleashed the potential of the country that has always been there in terms of its people, its natural resources, and its location – in the center of a dynamic economic region.

Instilling better governance has given the financial markets confidence in the Philippines, which has allowed us to create more fiscal space so we can invest in our infrastructure and our people. Our businessmen are now making major commitments of capital to longer term projects. Our people are also more confident so they comply more with our laws and pay more taxes.

This has allowed us to get deeper into a virtuous cycle. Our challenge is to make sure that we sustain this so that we will ultimately alleviate poverty.

Are you seeing the progress you had hoped from your efforts to alleviate poverty?

The President believes that education is the great equalizer, which is why he has committed more resources to it. When he took over, education was already the largest item in the budget and he has increased it by 50 percent. He has also increased our health care budget by 77 percent and our budget for social safety nets by 267 percent.

The conditional cash transfer program, which is the safety net I'm referring to, is one that provides stipends to the poorest of the poor to keep their children in school and bring them to health centers. The belief is that when each Filipino is able to actualize his potential and become an active participant in the economy, it follows that we will have an economy that will continue to improve.

Are you content with the awareness of foreign investors about the opportunities that exist in the Philippines?

The fact that we have achieved investment grade for the first time in our history is a recognition that the international community is seeing the changes in the country.

Two of the three major ratings agencies have given us that status, but the financial markets rate us even higher – two notches above investment grade.

The Philippines, as a part of an integrated ASEAN, would be the third largest country in the world by population and seventh largest in the economy. The future of the Philippines is aligned with other ASEAN countries.

What commitment has the President made to investing in the country's infrastructure?

On day one, he said he wanted to invest in our infrastructure, so we launched an aggressive public/private partnership program. Thus far, we have successfully bid out three projects. There are seven in the process of building out and there is a long list in the pipeline.

We have established an institutional framework that has proven itself over the past few years so we can continue it beyond the President's current term.

As a part of the budget, he has increased the allocation for infrastructure development substantially during his tenure.

From the start, President Aquino identified the fiscal constraints on the growth of the country and so far, we have reduced the deficit. We also created fiscal space for increased budget allocations to the areas I mentioned earlier.

The President has also given instructions to open the country for investments. He has opened up the sky so more airlines can fly to the country. We're also supporting investments in the tourism industry. As a result, we have seen many new hotels being built. Our number of tourists has increased about 50 percent since he took over. He estimates that each tourist will create one new job.

Which specific industries offer the greatest opportunities?

A business that takes advantage of our people's strength will surely do well. The business process outsourcing industry now employs over 700,000 people and generates about \$15 billion. We expect that to provide 1.3 million jobs generating \$25 billion by 2016.

We're now number four in the world in shipbuilding, principally because of our deep pool of welding expertise.

The President is reviewing the policy on mining. He wants it to be handled responsibly so it will not destroy the environment. This year, we hope to come up with new laws that will allow us to restart the mining industry in the country. One project alone would bring a total investment of close to \$7 billion, which is expected to increase our GDP by 1 percent per year during its 25-years of production.

Businesses that cater to tourism will also do well. We're centrally located in the heart of the Coral Triangle and naturally positioned to cater to Northern Asia tourists. China alone is expected to have over 100 million tourists coming out of its borders by 2015.

In addition, businesses that are targeted at ASEAN or at Asia will do well, as the Philippines can be the gateway to ASEAN and Asia for those from the U.S. or Latin America. Our unusual history of being oriental but having been colonized by Western countries for a long time puts us in a unique position of understanding these divergent cultures.

How has President Aquino managed to make such a difference for the country?

President Aquino walks his talk. In the three years he has been in power, he has made Filipinos believe again that with better government, we can have a better future. In the next three years, our challenge is to make sure his legacy is sustained beyond his term. ●